2 September 2022

Dear Shareholder

KALIUM LAKES LIMITED – GENERAL MEETING OF SHAREHOLDERS

Kalium Lakes Limited (ASX:KLL) (**Kalium Lakes** or the **Company**) advises that it will hold a general meeting of shareholders (**Shareholders**) at 3.00pm (Perth time) on Monday, 3 October 2022 at the offices of RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform (**Meeting**). The Company advises Shareholders that the Meeting will be held in compliance with any applicable government restrictions on public gatherings.

In accordance with the provisions under the *Corporations Act 2001* (Cth), the Company is not sending hard copies of the Notice of General Meeting to Shareholders (**Notice of Meeting**) unless a Shareholder has requested to receive notices of meeting in hard copy. The Notice of Meeting can be viewed and downloaded from this website link: https://www.kaliumlakes.com.au/asx-announcements/.

A copy of your personalised proxy form is enclosed for your convenience. If you would like to vote by directed proxy in lieu of attending the Meeting in person, please ensure that proxy forms are lodged before 3:00pm (Perth time) on Saturday, 1 October 2022.

The Company advises that, having regard to the significant number of Shareholders not located in Western Australia, in addition to a physical meeting, the Company has made arrangements for Shareholders eligible to attend and vote at the Meeting to remotely participate via the Computershare Meeting Platform.

To participate in the virtual Meeting, you can log in by entering the following URL https://meetnow.global/M6M6WDL on your computer, tablet or smartphone. Online registration will open 30 minutes before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

(a) Click on 'Join Meeting Now'.

(b) Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 one hour prior to the Meeting to obtain their login details.

(c) Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop down list.

(d) Accept the Terms and Conditions and 'Click Continue'.

Shareholders are advised that if they elect to attend the Meeting via the Computershare Meeting Platform, Shareholders will be able to view proceedings, ask questions via audio link, submit text questions and/or make text comments and vote at the appropriate times while the Meeting is in progress. All Resolutions will be conducted by poll.

Shareholders can also submit and are encouraged to submit any questions in advance of the Meeting by emailing the questions to info@kalliumlakes.com.au by no later than 5:00pm (Perth time) on Monday, 26 September 2022.

If the above arrangements with respect to the Meeting change, Shareholders will be updated via the ASX Market Announcements Platform and on the Company's website at https://www.kaliumlakes.com.au/.

The Notice of Meeting and accompanying explanatory memorandum should be read in its entirety. If a Shareholder is in doubt as to how to vote, that Shareholder should seek advice from an accountant, solicitor or other professional adviser prior to voting.

Yours faithfully

Stephen Dennis
Chairman

KALIUM LAKES LIMITED
A C N 6 1 3 6 5 6 6 4 3

NOTICE OF GENERAL MEETING

A general meeting of Kalium Lakes Limited will be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform on Monday, 3 October 2022 at 3:00pm (WST)

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Independent Expert's Report: *Shareholders should carefully consider the Independent Expert's Report (which includes an Independent Technical Expert's Report) prepared for the purposes of the Shareholder approval required under item 7 of section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of Resolution 3 to the non-associated Shareholders of the Company.*

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 9240 3200

KALIUM LAKES LIMITED
A C N 6 1 3 6 5 6 6 4 3

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Kalium Lakes Limited (**Company**) will be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform on Monday, 3 October 2022 at 3:00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Saturday, 1 October 2022 at 3:00pm (WST).

The Company advises that a poll will be conducted for all Resolutions.

Terms and abbreviations used in this Notice and the Explanatory Memorandum will, unless the context requires otherwise, have the meaning given to them in Schedule 1.

AGENDA

1. RESOLUTION 1 – RATIFY TRANCHE 1 PLACEMENT SHARES

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 177,256,832 Shares pursuant to the Tranche 1 Placement on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the Tranche 1 Placement (and/or their nominees) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or

(b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. RESOLUTION 2 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO NON-RELATED PARTIES

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 157,477,117 Shares pursuant to the Tranche 2 Placement on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person that may participate in the Tranche 2 Placement and any other person who will obtain a material benefit as a result of the issue of securities (except a benefit solely by reason of being a holder of ordinary securities) or an associate of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or

(b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. RESOLUTION 3 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO GREENSTONE

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to Resolution 2 being passed, pursuant to and in accordance with item 7 section 611 of the Corporations Act and Listing Rule 10.11, and for all other purposes, Shareholders approve:

(a) the issue and allotment of 165,266,051 Shares to Greenstone pursuant to the Tranche 2 Placement; and

(b) an acquisition of a relevant interest in those 165,266,051 Shares by Greenstone,

in each case on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion – Listing Rules

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Greenstone and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or

(b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In accordance with the item 7 section 611 of the Corporations Act, a vote of this Resolution must not be cast by:

(a) Greenstone or any of its associates; or

(b) the persons (if any) from whom the acquisition is to be made and their associates.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report accompanying the Explanatory Memorandum in Schedule 2. The Independent Expert has determined that the proposed issue of securities in Resolution 3 is not fair but reasonable to the non-associated Shareholders.

4. RESOLUTION 4 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO MR BRENT SMOOTHY

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"'That, subject to Resolution 2 being passed, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 50,000,000 Shares to Mr Brent Smoothy (and/or his nominee) pursuant to the Tranche 2 Placement, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Brent Smoothy (and/or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or

(b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

  (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. RESOLUTION 5 – ISSUE OF SHARES PURSUANT TO THE SHARE PURCHASE PLAN

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the issue of up to a maximum of 200,000,000 Shares (including any Shortfall) pursuant to the Share Purchase Plan on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

A voting exclusion has not been included as the Company has obtained a waiver from ASX in respect of Listing Rule 7.3.9.

Dated 29 August 2022

By order of the Board

Jason Shaw

Company Secretary

KALIUM LAKES LIMITED
ACN 613 656 643

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform on Monday, 3 October 2022 at 3:00pm (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Background
Section 4:	Resolution 1 – Ratify Tranche 1 Placement Shares
Section 5:	Resolution 2 – Issue of Tranche 2 Placement Shares to Non-Related Parties
Section 6:	Resolution 3 – Issue of Tranche 2 Placement Shares to Greenstone
Section 7:	Resolution 4 – Issue of Tranche 2 Placement Shares to Mr Brent Smoothy
Section 8:	Resolution 5 – Issue of Shares pursuant to the Share Purchase Plan
Schedule 1:	Definitions
Schedule 2:	Independent Expert's Report (including the Independent Technical Expert's Report)

A Proxy Form is attached to the Notice.

2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

Shareholders should also carefully consider the Independent Expert's Report (which includes an Independent Technical Expert's Report) prepared for the purposes of the Shareholder approval required under item 7 of section 611 of the Corporations Act.

The Company advises that a poll will be conducted for all Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. Subject to the government's restrictions on public gatherings, all Shareholders are invited and encouraged to participate in the Meeting (see details below) or, if they are unable to attend, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting (subject to the voting exclusions detailed in the Notice).

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by:

(a) post to:

Kalium Lakes Limited

C/- Computershare Investor Services Pty Limited

GPO Box 242 Melbourne

Victoria 3001 Australia

(b) facsimile to: Computershare Investor Services via facsimile:

(within Australia) 1800 783 447

(outside Australia) +61 3 9473 2555;

(c) online to: www.investorvote.com.au using your secure access information or use your mobile device to scan your personalised QR code on the Proxy Form;

(d) email to: info@kaliumlakes.com.au,

so that it is received not later than 3:00pm (WST) on Saturday, 1 October 2022, being at least 48 hours before the Meeting. Proxy Forms received later than this time will be invalid.

Please note that:

(a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The authority may be sent to the Company or its share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

2.2 Attendance at the Meeting

The Company advises that, having regard to the significant number of Shareholders not located in Western Australia, in addition to a physical meeting, the Company has made arrangements for Shareholders eligible to attend and vote at the Meeting to remotely participate via the Computershare Meeting Platform.

To participate in the meeting, you can log in by entering the following URL https://meetnow.global/M6M6WDL on your computer, tablet or smartphone. Online registration will open 30 minutes before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

(a) Click on 'Join Meeting Now'.

(b) Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 one hour prior to the Meeting to obtain their login details.

(c) Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop down list.

(d) Accept the Terms and Conditions and 'Click Continue'.

Shareholders are advised that if they elect to attend the Meeting via the Computershare Meeting Platform, Shareholders will be able to view proceedings, ask questions via audio link, submit text questions and/or make text comments and vote at the appropriate times while the Meeting is in progress. All Resolutions will be conducted by poll.

Shareholders can also submit and are encouraged to submit any questions in advance of the Meeting by emailing the questions to info@kalliumlakes.com.au by no later than 5:00pm (Perth time) on 26 September 2022.

If the above arrangements with respect to the Meeting change, Shareholders will be updated via the ASX Market Announcements Platform and on the Company's website at https://www.kaliumlakes.com.au/.

3. BACKGROUND

3.1 Capital Raising and Debt Restructure

As announced on 18 August 2022, the Company is undertaking a capital raising comprising:

(a) a placement of an aggregate of 550,000,000 Shares each at an issue price of A$0.04 (**Placement Shares**) to sophisticated, professional and institutional investors to be completed in two tranches comprising:

  (i) 177,256,832 Placement Shares (**Tranche 1 Placement**) to raise approximately A$7.1 million utilising the Company's existing placement capacity pursuant to Listing Rule 7.1; and

  (ii) 372,743,168 Placement Shares (**Tranche 2 Placement**) to raise approximately A$14.9 million, subject to shareholder approval at the Meeting (refer to Resolutions 2, 3 and 4),

  to raise a total of A$22 million (before costs) (**Placement**); and

(b) a non-underwritten share purchase plan to eligible shareholders with a registered address in Australia and New Zealand to subscribe for up to A$30,000 worth of Shares each to raise up to a further A$8 million, at an offer price of A$0.04 per Share (being the same price as the Placement) (**Share Purchase Plan**),

(together, the **Capital Raising**).

The Tranche 1 Placement completed on 24 August 2022. The Tranche 2 Placement is subject to Shareholder approval (refer to Resolutions 2, 3 and 4).

Morgans Corporate Limited is acting as lead manager to the Placement and Foster Stockbroking are Co-Manager.

Greenstone Resources II (Australia) Holdings L.P. acting through its general partner Greenstone Management (Delaware) II LLC (**Greenstone**), the Company's largest Shareholder with approximately 17.49% of the Shares on issue as at the date of the Notice, has:

(a) subscribed for approximately A$1.39 million under the Tranche 1 Placement; and

(b) committed to approximately a further A$6.61 million under the Tranche 2 Placement (which is subject to shareholder approval – refer to Resolution 3).

If the Tranche 2 Placement completes, Greenstone will increase its holding up to:

(c) a maximum of 24.92% post the Capital Raising (assuming nil funds are raised under the Share Purchase Plan);

(d) 23.56% post the Capital Raising (assuming the Share Purchase Plan is 50% subscribed); and

(e) a minimum of 22.34% post the Capital Raising (assuming the Share Purchase Plan is fully subscribed).

Co-founder and director Mr Brent Smoothy has also committed to subscribe for A$2 million under the Tranche 2 Placement (which is subject to shareholder approval – refer to Resolution 4).

The Company has also successfully negotiated the terms of a debt restructure with its two senior lenders, being KfW IPEX-Bank and the Northern Australia Infrastructure Facility (together, the **Senior Lenders**) in respect to a restructure of its existing debt arrangements, which includes, but is not limited to:

(a) a deferral of all senior principal repayments under the project finance facilities from March 2024 to March 2025;

(b) an extension to the final maturity date for the project finance facilities to March 2040; and

(c) an extension to the maturity date for the existing A$20 million liquidity facility (**Liquidity Facility**) to January 2026,

(the **Debt Restructure**).

The Debt Restructure is subject to the requirement that the Company successfully completes an equity raise of at least A$20 million (net of costs) on or before 7 October 2022. A failure to satisfy this requirement will trigger an event of default under the Senior Lenders' financing arrangements. The Placement will, subject to completion, meet this requirement.

Refer to the Company's ASX announcement and investor presentation dated 18 August 2022 (**Investor Presentation**) for further details on the Capital Raising, Debt Restructure and other related matters.

3.2 Use of Funds

The Capital Raising is being undertaken to fund:

(a) additional working capital during ramp-up of Kalium Lakes' Beyondie Sulphate of Potash Mine (**BSOPM**), which now sees an initial production target run-rate of 80 ktpa by Q1 CY2023; and

(b) assist in the expansion of the BSOPM to 120 ktpa production run-rate, which is targeted to be achieved by Q3 CY2024.

The additional working capital is primarily required due to the delayed production profile for the BSOPM (refer to ASX announcement dated 1 March 2022 for further details). Refer to the Investor Presentation for further details on the costs associated with the Capital Raising and Debt Restructure.

In addition, the Placement will satisfy the capital raising requirement of the Debt Restructure noted above.

3.3 Share Purchase Plan

The Share Purchase Plan is proposed in order to provide eligible Shareholders with the opportunity to apply for Shares at the same issue price as the Placement. Under the Share Purchase Plan, eligible Shareholders as at the record date of Wednesday, 17 August 2022 with a registered address in Australia or New Zealand (**Eligible Shareholders**) will, subject to Resolution 5 being approved, have the opportunity to apply for up to A$30,000 worth of Shares each at an offer price of A$0.04 per Share (subject to scale back at the Company's absolute discretion). To the extent that there is a shortfall in the subscription for Shares under the Share Purchase Plan (**Shortfall**), the Directors reserve the right to issue the Shares that comprise the Shortfall to investors (including existing Shareholders) at their absolute discretion.

As the Share Purchase Plan will be the second share purchase place the Company has undertaken in the last 12 months, in order to comply with the Listing Rules, the Share Purchase Plan is subject to Shareholder approval (refer to Resolution 5).

ASX has granted to the Company:

(a) a waiver from Listing Rule 7.3.9 to the extent necessary to permit the Company to not include in Resolution 5 a voting exclusion statement that excludes the votes of persons who may participate in the Share Purchase Plan, on the condition that that the Share Purchase Plan is not underwritten, or if it is underwritten, the Company excludes any votes cast in favour of that resolution by any proposed underwriter or sub-underwriter of the Share Purchase Plan; and

(b) a waiver from Listing Rule 10.11 to the extent necessary to permit the directors of the Company (and their associates) to participate in the Company's Share Purchase Plan without Shareholder approval on the following conditions:

  (i) Shareholders of the Company approve the Share Purchase Plan;

  (ii) Directors and their associates are offered Shares under the Share Purchase Plan on the same terms as other Shareholders; and

(iii) any scale back arrangements must not result in any Director or an associate of a Director being scaled back on a more favourable basis than any other holder of a marketable parcel who is scaled back.

3.4 Rationale for the Capital Raising

The Company needs to raise funds as a result of the delayed production profile for the BSOPM (refer to ASX announcement dated 1 March 2022, subsequent ASX announcements including the Investor Presentation and the Independent Expert's Report for further details on the operations of the BSOPM). In addition, one of the requirements of the Debt Restructure (refer to Section 3.1 above) is that the Company successfully completes an equity raise of at least A$20 million (net of costs) on or before 7 October 2022.

The Company has determined that the Capital Raising is the best available option and most appropriate structure to raise the necessary additional capital after exploring many alternative capital raising options.

3.5 Capital Structure

The capital structure of the Company on completion of the Capital Raising will be as follows:

	Shares	Options
Securities on issue as at the date of the Notice[1]	1,358,969,046	22,677,493
Securities to be issued under the Tranche 2 Placement	372,743,168	-
Maximum number of securities to be issued under the Share Purchase Plan	200,000,000	-
TOTAL	**1,931,712,214**	**22,677,493**

Note:

1. Includes 34,733,949 Shares to be issued to Greenstone under the Tranche 1 Placement on or around Thursday, 8 September 2022.

3.6 Indicative Timetable

An indicative timetable for the Capital Raising is detailed below:

Key Dates	Date / time (Sydney time)
Record Date for Eligibility to participate in Share Purchase Plan	7:00pm Wednesday, 17 August 2022
Settlement of New Shares issued under Tranche 1 Placement (excluding Greenstone)	Tuesday, 23 August 2022
Allotment and trading of New Shares issued under Tranche 1 Placement (excluding Greenstone)	Wednesday, 24 August 2022
Lodgement and Dispatch of Prospectus	Wednesday, 24 August 2022
Share Purchase Plan Opening Date	Wednesday, 24 August 2022
Dispatch Notice of Meeting	Friday, 2 September 2022
Settlement of New Shares issued under Tranche 1 Placement to Greenstone	Wednesday, 7 September 2022

Allotment and trading of New Shares issued under Tranche 1 Placement to Greenstone	Thursday, 8 September 2022
Share Purchase Plan Closing Date	Tuesday, 27 September 2022
General Meeting to approve Tranche 2 Placement and SPP	Monday, 3 October 2022
Allotment of New Shares under Share Purchase Plan	Tuesday, 4 October 2022
Settlement of New Shares issued under Tranche 2 Placement	Thursday, 6 October 2022
Allotment of New Shares issued under Tranche 2 Placement	Friday, 7 October 2022

4. RESOLUTION 1 – RATIFY TRANCHE 1 PLACEMENT SHARES

4.1 Background

As detailed in Section 3.1, the Company has issued 177,256,832 Placement Shares at an issue price of A$0.04 per Share under the Tranche 1 Placement. Refer to Section 3.1 for further details.

Greenstone has participated in the Tranche 1 Placement and will be issued 34,733,949 Placement Shares under the Tranche 1 Placement on or around Thursday, 8 September 2022.

Together, the 142,522,883 Placement Shares issued on Wednesday, 24 August 2022 and the 34,733,949 Placement Shares to be issued to Greenstone on or around Thursday, 8 September 2022 comprise an aggregate of 177,256,832 Placement Shares (**Tranche 1 Placement Shares**).

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 of the issue of 177,256,832 Tranche 1 Placement Shares (pursuant to the Company's capacity under Listing Rule 7.1).

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

4.2 Listing Rules

Listing Rule 7.1 provides that the Company is entitled to issue or agree to issue Equity Securities up to 15% of its issued share capital through placements during any 12-month period, subject to specific restrictions, without needing prior Shareholder approval (**15% Placement Capacity**).

In May 2020, ASX granted a waiver to the Company pursuant to Listing Rule 10.11.3 to allow the Company to issue Shares to Greenstone, such that Greenstone can maintain its percentage interest in the issued share capital of the Company up to a maximum of 19.8% (**ASX Waiver**).

Listing Rule 7.4 provides that if the Company in general meeting ratifies the previous issue of Equity Securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those Equity Securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 1 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

If Resolution 1 is not passed, the Tranche 1 Placement Shares will be included in the Company's 15% Placement Capacity, for the 12 month period following the issue of the Tranche 1 Placement Shares.

4.3 Specific information required by Listing Rule 7.5

The following information must be provided to Shareholders for the purposes of obtaining Shareholder approval:

(a) A maximum of 177,256,832 Placement Shares will be issued under the Tranche 1 Placement. Of the Tranche 1 Placement Shares, the Company issued 142,522,883 Placement Shares to institutional, sophisticated and professional investors who participated in the Tranche 1 Placement, identified by the Lead Manager. The remaining

34,733,949 Placement Shares to be issued under the Tranche 1 Placement will be issued to Greenstone pursuant to the ASX Waiver. No Tranche 1 Placement Shares have been or will be issued to any related party, key management personnel, substantial shareholder or adviser of the Company or any of their associated, save in respect to Greenstone. The Company is relying on the ASX Waiver to issue to Greenstone its allocation of the Tranche 1 Placement Shares.

(b) The Tranche 1 Placement Shares comprise of the issue of 177,256,832 Placement Shares (of which 34,733,949 Placement Shares are expected to be issued to Greenstone on or around Thursday, 8 September 2022) pursuant to Listing Rule 7.1, ratification of which is sought pursuant to Resolution 1;

(c) The Tranche 1 Placement Shares are fully paid ordinary shares and rank equally in all respects with the Company's existing Shares.

(d) The Tranche 1 Placement Shares have an issue price of A$0.04 per Share.

(e) 142,522,883 Placement Shares were issued on Wednesday, 24 August 2022 and 34,733,949 Placement Shares are expected be issued to Greenstone on or around Thursday, 8 September 2022.

(f) Funds raised from the issue of the Tranche 1 Placement Shares will be used as detailed in Section 3.2.

(g) The Tranche 1 Placement Shares were issued or will be issued pursuant to short form subscription letters pursuant to which subscribers under the Tranche 1 Placement agreed to be issued Tranche 1 Placement Shares at an issue price of A$0.04 per Share.

(h) A voting exclusion statement is included in the Notice for Resolution 1.

4.4 Directors recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1.

5. RESOLUTION 2 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO NON-RELATED PARTIES

5.1 General

Resolution 2 seeks Shareholder approval to issue up to a further 157,477,117 Placement Shares to sophisticated, professional and intuitional investors under the Tranche 2 Placement (**Tranche 2 Placement Shares**) (excluding the Placement Shares to be issued to Greenstone and Mr Brent Smoothy (Non-Executive Director) under the Tranche 2 Placement – refer to Resolutions 3 and 4 respectively).

Refer to Section 3.1 for further details of the Placement.

None of the subscribers under the Tranche 2 Placement will be a related party, key management personnel, substantial shareholder or adviser of the Company or any of their associated, save in respect to Greenstone and Mr Brent Smoothy (Non-Executive Director).

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

5.2 Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to its 15% Placement Capacity.

The issue of the Tranche 2 Placement Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of the Company's Shareholders under Listing Rule 7.1.

Resolution 2 seeks the required Shareholder approval to issue the Tranche 2 Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Tranche 2 Placement Shares. In addition, the issue of the Tranche 2 Placement Shares will be excluded from

the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed (together with Resolutions 3 and 4), there will be a funding deficit which will result in the Company not satisfying the requirements under the revised financing arrangements with the Senior Lenders (refer to Section 3.1 above). This will trigger an event of default across all of the Company's senior debt facilities and allow the Senior Lenders to demand immediate repayment of their loans and enforce their security over the Company's assets. Furthermore, the Company will not have sufficient funds to fund additional working capital during ramp-up of the BSOPM and assist in the expansion of the BSOPM to 120 ktpa. If this occurs, the Company will need to seek alternative sources of capital to fund additional working capital during ramp-up of the BSOPM and assist in the expansion of the BSOPM to 120 ktpa and re-engage with the Senior Lenders to (amongst other things) seek to renegotiate the terms of its debt facilities, including (but not limited to) procuring a waiver and/or extension to the capital raising requirement. There can be no assurance that the Company will be able to:

(a) obtain additional financing (whether via equity, debt or a combination of both) on terms that are acceptable and favourable to the Company; or

(b) successfully renegotiate revised terms with the Senior Lenders (or achieve revised terms on similar or favourable terms to the Company).

Given the Company's debt balance, it is possible that under an event of default, if the Company cannot obtain additional financing or renegotiate revised terms with the Senior Lenders, the Company may be placed into administration, receivership and/or liquidate part of its portfolio of assets in orders to satisfy its debt obligations.

5.3 Specific information required by Listing Rule 7.3

The following information must be provided to Shareholders for the purposes of obtaining Shareholder approval:

(a) Up to a maximum of 157,477,117 Tranche 2 Placement Shares will be issued to institutional, sophisticated and professional investors who participated in the Tranche 1 Placement, identified by the Lead Manager. No Tranche 2 Placement Shares will be issued to any related party, key management personnel, substantial shareholder or adviser of the Company or any of their associated, save in respect to Greenstone (refer to Resolution 3) and Mr Brent Smoothy (refer to Resolution 4).

(b) The Tranche 2 Placement Shares will be fully paid ordinary shares and rank equally in all respects with the Company's existing Shares.

(c) The Tranche 2 Placement Shares will have an issue price of A$0.04 per Share.

(d) The Tranche 2 Placement Shares will be issued no later than three months after the date of the Meeting.

(e) Funds raised from the issue of the Tranche 2 Placement Shares will be used as detailed in Section 3.2.

(f) The Tranche 2 Placement Shares will be issued pursuant to short form subscription letters pursuant to which subscribers under the Tranche 2 Placement will be issued Tranche 2 Placement Shares at an issue price of A$0.04 per Share.

(g) A voting exclusion statement is included in the Notice for Resolution 2.

5.4 Directors recommendation

The Directors recommend that Shareholders vote in favour of Resolution 2.

6. RESOLUTION 3 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO GREENSTONE

6.1 General

Resolution 3 seeks shareholder approval pursuant to and in accordance with item 7 of section 611 of the Corporations Act and Listing Rule 10.11 to issue 165,266,051 Tranche 2 Placement Shares to Greenstone (**Greenstone Shares**) (the **Greenstone Placement**).

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

6.2 Section 606 and section 611 item 7 of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:

(a) 20% or below to more than 20%; or

(b) a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.

Under section 608 of the Corporations Act a person will have a relevant interest in shares if:

(c) the person is the registered holder of the shares;

(d) the person has the power to exercise or control the exercise of votes or disposal of the shares; or

(e) the person has over 20% of the voting power in a company that has a relevant interest in shares, then the person has a relevant interest in said shares.

For the purpose of determining who is an associate it is necessary to consider section 12 of the Corporations Act. Any reference in Chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to Chapters 6 to 6C. A person is only an associate for the purpose of Chapter 6 to 6C if they are an associate under section 12 of the Corporations Act.

Under section 12 of the Corporations Act, a person (**first person**) will be an associate of the other person (**second person**) if:

(f) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person: or

  (iii) a body corporate that is controlled by an entity that controls the first person;

(g) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the first person; and

(h) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the first person.

The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:

(i) Under section 50AA of the Corporations Act "control" means the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity, it is necessary to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of a company.

(j) Under section 9 of the Corporations Act, "relevant agreement" means an agreement, arrangement or understanding:

  (i) whether formal or informal or partly informal and partly informal;

  (ii) whether written or oral or partly written and partly oral; and

  (iii) whether or not having legal or equitable force and whether or not based on legal or equitable rights.

  (iv) Associates are determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the company's business affairs.

(k) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve an issue of shares to a person which results in that person's or another person's voting power in the company increasing from:

(i) 20% or below to more than 20%; or

(ii) a starting point that is above 20% and below 90%.

On completion of the Capital Raising, Greenstone will hold up to a maximum of 24.92% of the issued share capital of the Company (assuming nil funds are raised under the Share Purchase Plan).

6.3 About Greenstone

Greenstone was founded in 2013 and is a London based, private equity fund which primarily invests in the metals and mining sector. Greenstone has a broad mandate to make investments in the mining sector across a range of commodities and geographical regions, with the size of its investment typically being between US$3 million and US$50 million.

In April 2019, Greenstone made a cornerstone investment of A$20.8 million in Kalium Lakes, to acquire an initial interest of approximately 19.80% of the then issued share capital.

Further information on Greenstone can be found at: https://www.greenstoneresources.com/

Greenstone and its associates will not control the Company, and will not be able to unilaterally make decisions on behalf of the Company. Greenstone does not currently propose to, and has no current intention to, request, seek to and/or attempt to implement a change in the strategy, operations, business or management the Company.

Refer to Section 6.5(j) for Greenstone's intentions for the Company. The intentions of Greenstone detailed in this Explanatory Memorandum are based on information concerning the Company, its business and the business environment which is known to Greenstone as at the date of the Notice. These present intentions may change as new information becomes available, as circumstances change or in light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

Greenstone Australia LP

Greenstone Resources II (Australia) Holdings L.P. (**Greenstone Australia LP**) is a Delaware limited partnership that was formed for the purpose of undertaking Greenstone Resources' investments in certain opportunities within Australia.

The general partner of Greenstone Australia LP is Greenstone Management (Delaware) II LLC, a Delaware incorporated company (**Greenstone Delaware II**).

In accordance with the incorporation arrangements and operation of prevailing law, Greenstone Delaware II, as general partner, has exclusive responsibility for the management and conduct of the business of Greenstone Australia LP and the application of its assets, and has full power and authority to bind, and to do all things necessary to carry out the purposes of, Greenstone Australia LP.

The limited partners in Greenstone Australia LP are passive investors and cannot take any part in the management or control of the business and affairs of Greenstone Australia LP, nor do they have any right or authority to act for or to bind Greenstone Australia LP. They do not have a general power to vote (other than in very limited circumstances).

Greenstone Management II

Greenstone Delaware II is a wholly-owned subsidiary of Greenstone Management II Limited (**Greenstone Management II**), a company incorporated in Guernsey. As a sole member limited liability Delaware company, Greenstone Delaware II has no board of directors and Greenstone Management II, as the sole member, makes all decisions for, and controls, Greenstone Delaware II.

The powers of Greenstone Management II are exercised by its board, with the directors of Greenstone Management II being Michael Haworth, Matt Wood and Gavin Hayman. Accordingly, no one director controls the decision making of Greenstone Management II.

As the sole member of Greenstone Delaware II, Greenstone Management II has a relevant interest in the shares in the Company held by Greenstone.

6.4 Impact of the Greenstone Placement on voting power

If the Greenstone Placement is approved by Shareholders, there is a risk that existing Shareholders will have their interest in the Company diluted by the issue of Shares to Greenstone.

If Resolutions 2, 3 and 5 are passed, the tables below detail the voting power of Greenstone assuming:

(a) completion of the Capital Raising;

(b) the Tranche 1 Placement Shares are issued to Greenstone on or around Thursday, 8 September 2022;

(c) no convertible securities are exercised and converted;

(d) no further Shares are issued by the Company; and

(e) different levels of acceptances under the Share Purchase Plan by Eligible Shareholders.

Share Purchase Plan is fully subscribed

Shareholder	Date of the Meeting		Share Purchase Plan is fully subscribed	
	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)
Greenstone	266,293,606	19.60%	431,559,657	22.34%

Share Purchase Plan is not fully subscribed by other Eligible Shareholders

Shareholder	0% Subscription		50% Subscription		75% Subscription	
	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)
Greenstone	431,559,657	24.92%	431,559,657	23.56%	431,559,657	22.93%

6.5 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following information must be provided to Shareholders under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

(a) **The identity of the person proposing to make the acquisition and their associates.**

The acquisition will be made by Greenstone. Greenstone's associates are Greenstone Management II Limited. Refer to Section 6.3 for further details on Greenstone and Greenstone Management II.

(b) **The maximum extent of the increase in that person's voting power in the company.**

If Resolutions 2, 3 and 5 are passed and assuming:

(i) completion of the Capital Raising;

(ii) no convertible securities are exercised and converted;

(iii) no further Shares are issued by the Company; and

(iv) no Eligible Shareholders subscribe for Shares under the Share Purchase Plan,

the maximum extent of the increase in Greenstone's voting power is 24.92%.

(c) **The voting power the person would have as a result of the acquisition.**

In the circumstances outlined in Section 6.5(b), the acquisition would result in Greenstone's voting power in the Company increasing to 24.92%.

(d) **The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition.**

The maximum extent of the increase in Greenstone Management II's voting power will be equivalent to the increase in voting power of Greenstone, being 24.92%.

(e) **The voting power that each of the acquirer's associates would have as a result of the acquisition.**

The voting power that Greenstone Management II would acquire will be equivalent to the voting power that Greenstone would acquire.

(f) **An explanation of the reasons for the proposed acquisition.**

The proposed acquisition by Greenstone will arise as a result of the issue of Shares to Greenstone pursuant to the Greenstone Placement to raise approximately A$6.6 million.

For further information about the rationale, advantages and disadvantages of the Greenstone Placement, refer to Sections 3.1 and 6.9 of this Explanatory Memorandum.

(g) **When the proposed acquisition is to occur.**

If Resolutions 2 and 3 are passed, the Company intends to issue the Greenstone Shares on Friday, 7 October 2022 or otherwise within one (1) month of the date of the Meeting.

(h) **The material terms of the proposed acquisition.**

Refer to Section 3.1 for a summary of the terms of the Greenstone Placement.

(i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.**

None.

(j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular:**

(i) *Any intention to change the business of the entity*

Greenstone has no present intention of making any significant changes to the business of the Company or the Kalium Group.

(ii) *Any intention to inject further capital into the entity*

Greenstone has no present intention to inject further capital into the Company or other members of the Kalium Group.

(iii) *The future employment of present employees of the entity*

Greenstone has no present intention of making changes regarding the future employment of the present employees of the Company or other members of the Kalium Group.

(iv) *Any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates*

Greenstone has no present intention to transfer any property between the Company and Greenstone or any of its associated entities.

(v) *Any intention to otherwise redeploy the fixed assets of the entity*

Greenstone has no present intention to redeploy any fixed assets of the Company or other members of the Kalium Group.

(k) **Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.**

Greenstone has no present intention to change the Company's existing policies in relation to financial matters or dividends.

(l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above.**

Mr Mark Sawyer is Greenstone's nominated representative on the Board and is a Senior Partner at Greenstone Capital LLP, which acts as Investment Advisor to Greenstone Australia LP. Given Greenstone's involvement in the Capital Raising, the Company has put in place appropriate corporate governance arrangements to ensure that the process of considering alternative financing structures and agreeing the terms of the Capital Raising did not involve any interested directors, of which Mr Sawyer was one.

(m) **The details about any person who is intended to become a director if members approve the acquisition.**

Neither Greenstone nor the Company intend to nominate, or appoint, any new director to the Board in connection with the Greenstone Placement.

6.6 Voting prohibition statement

In accordance section 611 of the Corporations Act, none of Greenstone or its associates are permitted to vote in favour of Resolution 3.

6.7 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

(a) a related party;

(b) a person who is, or was at any time in the six months before the issue or agreement, a substantial (30%+) holder in the company;

(c) a person who is, or was at any time in the six months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an associate of a person referred to in (a) to (c); or

(e) a person whose relationship with the company or a person referred to in (a) to (d) is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains shareholder approval.

The issue of 165,266,051 Shares to Greenstone falls within paragraph (c) above, as Greenstone is a substantial holder in the Company and has nominated a director to the Board, being Mr Mark Sawyer, and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

Resolution 3 seeks the required Shareholder approval to issue Greenstone Shares to Greenstone under and for the purposes of Listing Rule 10.11.

6.8 Specific information required by Listing Rule 10.13

The following information must be provided to Shareholders for the purposes of obtaining Shareholder approval:

(a) The Greenstone Shares will be issued to Greenstone.

(b) Greenstone falls within Listing Rule 10.11.3 – Greenstone is a substantial holder in the Company and has nominated Mr Mark Sawyer as a Director.

(c) The maximum number of fully paid ordinary shares to be issued to Greenstone under the Tranche 2 Placement is 165,266,051.

(d) The Greenstone Shares are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.

(e) The Greenstone Shares will be issued no later than one month after the date of the Meeting.

(f) The Greenstone Shares will be issued at an issue price of A$0.04.

(g) Funds raised from the issue of the Greenstone Shares to Greenstone (and/or their nominee) will be used as detailed in Section 3.2.

(h) The Greenstone Shares will be issued pursuant to a short form subscription letter pursuant to which Greenstone (and/or their nominee) will be issued 165,266,051 Shares at an issue price of A$0.04 per Share.

(i) A voting exclusion statement is included in the Notice for Resolution 3.

(j) Other than the information above and otherwise detailed in the Notice, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 3.

6.9 Independent Expert's Report

In accordance with the requirements of ASIC Regulatory Guide 74, the Directors appointed the Independent Expert to prepare the Independent Expert's Report to provide an opinion on whether the Placement is fair and reasonable to the non-associated Shareholders.

The Independent Expert has concluded that, in the absence of an alternative offer, the Placement is not fair but reasonable to the non-associated Shareholders.

In coming to this view, the Independent Expert's Report compares the likely advantages and disadvantages for the non-associated Shareholders if the Placement is approved, against the advantages and disadvantages for the non-associated Shareholders if the Placement is not approved.

The advantages identified by the Independent Expert are:

(a) the funds raised under the Placement will provide financing support for the 120ktpa expansion of the BSOPM;

(b) the Placement is a prerequisite condition for the Company to access the Liquidity Facility and provides the Company with certainty of funding; and

(c) Shareholders will be given the opportunity to participate in the Share Purchase Plan which is to be conducted on the same terms as the Placement.

The disadvantages identified by the Independent Expert are:

(a) existing Shareholders' interests will be diluted;

(b) the presence of a large cornerstone investor may reduce the possibility of a takeover offer being received in the future; and

(c) Shareholders may be scaled back under the Share Purchase Plan.

Further details regarding the advantages and disadvantages identified by the Independent Expert are detailed in section 13.4 and 13.5 of the Independent Expert's Report. Shareholders are strongly encouraged to read the Independent Expert's Report (a full copy of which is detailed in Schedule 2).

The Independent Expert has consented to the use of the Independent Expert's Report in the form and context in which it appears.

6.10 Consequences of this Resolution

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Greenstone Shares to Greenstone and pursuant to Listing Rule 7.2, exception 14, the Company may issue the Greenstone Shares to Greenstone without using up the Company's 15% Placement Capacity.

Refer to Section 5.2 for the consequences that may result if Resolution 3 (together with Resolutions 2 and 4) is not passed.

6.11 Director Recommendation

The Directors (excluding Mr Mark Sawyer) recommend that Shareholders vote in favour of Resolution 3.

7. RESOLUTION 4 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO MR BRENT SMOOTHY

7.1 General

Resolution 4 seeks Shareholder approval in accordance with Listing Rule 10.11 for the issue of 50,000,000 Tranche 2 Placement Shares to Mr Brent Smoothy, Non-Executive Director (and/or his nominee) (**Director Shares**).

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

7.2 Section 208 of Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Board considers that Shareholder approval under section 208 of the Corporations Act is not required as the exception in section 210 of the Corporations Act applies. The Director Shares to be issued to Mr Brent Smoothy (and/or his nominee) will be issued on the same terms as non-related party participants in the Tranche 2 Placement and as such the giving of the financial benefit to Mr Brent Smoothy will be on arm's length terms.

7.3 Listing Rule 10.11

A summary of Listing Rule 10.11 is detailed in Section 6.7.

The issue of Director Shares to Mr Brent Smoothy (and/or his nominee) falls within Listing Rule 10.11.1, as Mr Brent Smoothy is a related party to the Company, and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

Resolution 4 seeks the required Shareholder approval to issue Director Shares to Mr Brent Smoothy (and/or his nominee) under and for the purposes of Listing Rule 10.11.

If Resolution 4 is passed, the Company will be able to proceed with the issue of Director Shares to Mr Brent Smoothy (and/or his nominee) and pursuant to Listing Rule 7.2, exception 14, the Company may issue the Director Shares without using up the Company's 15% Placement Capacity.

Refer to Section 5.2 for the consequences that may result if Resolution 4 (together with Resolutions 2 and 3) is not passed.

7.4 Specific information required by Listing Rule 10.13

The following information must be provided to Shareholders for the purposes of obtaining Shareholder approval:

(a) The Director Shares will be issued to Mr Brent Smoothy (and/or his nominee).

(b) Mr Brent Smoothy falls within Listing Rule 10.11.1 – Mr Brent Smoothy is a related party of the Company as he is a Director.

(c) The maximum number of Tranche 2 Placement Shares to be issued to Mr Brent Smoothy (and/or his nominee) is 50,000,000.

(d) The Shares under the Placement are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.

(e) The Director Shares will be issued no later than one month after the date of the Meeting.

(f) The Director Shares will have an issue price of A$0.04 per Share.

(g) Funds raised from the issue of the Director Shares will be used as detailed in Section 3.2.

(h) The issue of the Director Shares is not intended to remunerate or incentivise Mr Brent Smoothy.

(i) The Director Shares will be issued pursuant to a short form subscription letter pursuant to which Mr Brent Smoothy (and/or his nominee) will be issued the Director Shares at an issue price of A$0.04 per Share.

(j) A voting exclusion statement is included in the Notice for Resolution 4.

7.5 Director Recommendation

The Directors (other than Mr Brent Smoothy) recommend that Shareholders vote in favour of Resolution 4.

---

8. RESOLUTION 5 – ISSUE OF SHARES PURSUANT TO THE SHARE PURCHASE PLAN

8.1 General

Resolution 5 seeks Shareholder approval for the issue of up to a maximum of 200,000,000 Shares (including any Shortfall) at an issue price of A$0.04 per Share pursuant to the Share Purchase Plan (**SPP Shares**), to raise up to A$8 million. Refer to Section 3.3 for further information in relation to the Share Purchase Plan.

In the event that applications for more than A$8 million are received, the Company will scale back applications at the Company's absolute discretion

Resolution 5 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

8.2 Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to its 15% Placement Capacity.

Listing Rule 7.2, exception 15 provides an exception to Listing Rule 7.1 for the issue of securities pursuant to a share purchase plan. However, this exception is only available once in any 12 month period and if, amongst other matters, the issue price of the Shares is greater than 80% of the volume weighted average market price (**VWAP**) of Shares calculated over the last 5 days on which sales in Shares were recorded before the day the SPP was announced.

The VWAP of Shares for the last 5 days on which sales in Shares were recorded prior to the date of the announcement of the Share Purchase Plan (being 18 August 2022) is A$0.0756, with 80% of this VWAP being A$0.06044. The price per SPP Share is A$0.04, which is a 47.1% discount to the relevant VWAP prior to the date of the announcement of the Share Purchase Plan on 18 August 2022. In addition, the Share Purchase Plan is the second share purchase plan the Company has undertaken in the last 12 months. Accordingly, exception 15 of Listing Rule 7.2 does not apply to the issue of SPP Shares.

Further, the issue of the SPP Shares does not fall within any other exceptions under Listing Rule 7.2 and as such exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of the Company's Shareholders under Listing Rule 7.1.

If Resolution 5 is passed, the Company will be able to issue the SPP Shares during the three-month period after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% Placement Capacity.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of the SPP Shares and the Company will not be able to raise up to an additional A$8 million.

8.3 Specific information required by Listing Rule 7.3

The following information must be provided to Shareholders for the purposes of obtaining Shareholder approval:

(a) The SPP Shares will be issued to Eligible Shareholders (as defined in Section 3.3) who have elected to participate in the Share Purchase Plan. To the extent that there is a Shortfall, the Directors reserve the right to issue the SPP Shares that comprise the Shortfall to investors at their absolute discretion.

(b) The maximum number of SPP Shares to be issued (including any Shortfall) is 200,000,000.

(c) The SPP Shares will be fully paid ordinary shares and rank equally in all respects with the Company's existing Shares.

(d) The SPP Shares will be issued no later than three months after the date of the Meeting.

(e) The issue price of the SPP Shares will be A$0.04 per Share.

(f) The issue of the SPP Shares will occur on or around Tuesday, 4 October 2022 under a prospectus which was dispatched to Shareholders on Wednesday, 24 August 2022 and in any event, no later than three months after the date of the Meeting.

(g) The issue of the SPP Shares that comprise the Shortfall (if any) will be issued no later than three months after the date of the Meeting.

(h) Funds raised from the issue of the SPP Shares will be used as detailed in Section 3.2.

(i) A summary of the terms of the Share Purchase Plan is detailed in Section 3.3 (refer to the Prospectus for further details).

(j) The Company has obtained a waiver from ASX in respect of Listing Rule 7.3.9 (**Waiver**) to permit Resolution 5 to not include a voting exclusion statement that excludes any person who may participate in the Share Purchase Plan on the condition that the Share Purchase Plan is not underwritten, or, if it is underwritten, the Company excludes votes cast on this Resolution 5 by any proposed underwriter or sub-underwriter of the Share Purchase Plan.

8.4 Director Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 5.

Schedule 1 – Definitions

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

$ means Australian Dollars.

15% Placement Capacity has the meaning given in Section 4.2.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

ASX Waiver has the meaning given in Section 4.2.

Board means the board of directors of the Company.

BSOPM has the meaning given in Section 3.1.

Capital Raising has the meaning given in Section 3.1.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Company means Kalium Lakes Limited (ACN 613 656 643).

Corporations Act means the *Corporations Act 2001* (Cth).

Debt Restructure has the meaning given in Section 3.1.

Director means a director of the Company.

Director Shares has the meaning given in Section 7.1.

Eligible Shareholder has the meaning given in Section 3.3.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the independent expert's report prepared by the Independent Expert attached to the Notice in Schedule 2.

Independent Technical Expert means SRK Consulting (Australasia) Pty Ltd.

Independent Technical Expert's Report means the independent technical expert's report prepared by the Independent Technical Expert included in the Independent Expert's Report attached to the Notice in Schedule 2.

Investor Presentation has the meaning given in Section 3.1.

Greenstone means Greenstone Resources II (Australia) Holdings L.P. acting through its general partner, Greenstone Management (Delaware) II LLC.

Greenstone Australia L.P. has the meaning given in Section 6.3.

Greenstone Delaware II has the meaning given in Section 6.3.

Greenstone Management II has the meaning given in Section 6.3.

Greenstone Placement has the meaning given in Section 6.1.

Greenstone Shares has the meaning given in Section 6.1.

Lead Manager means Morgans Corporate Limited.

Listing Rules means the listing rules of ASX.

Liquidity Facility has the meaning given in Section 3.1.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Placement has the meaning given in Section 4.1.

Placement Shares has the meaning given in Section 4.1.

Prospectus means the prospectus for, amongst other matters, the offer of the SPP Shares.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Senior Lenders has the meaning given in Section 3.1.

Share means a fully paid ordinary share in the capital of the Company.

Share Purchase Plan has the meaning given in Section 3.1(b).

Shareholder means a shareholder of the Company.

Shortfall has the meaning given in Section 3.3.

SPP Shares means has the meaning given in Section 8.1.

Tranche 1 Placement has the meaning given in Section 3.1.

Tranche 1 Placement Shares has the meaning given in Section 4.1.

Tranche 2 Placement has the meaning given in Section 3.1.

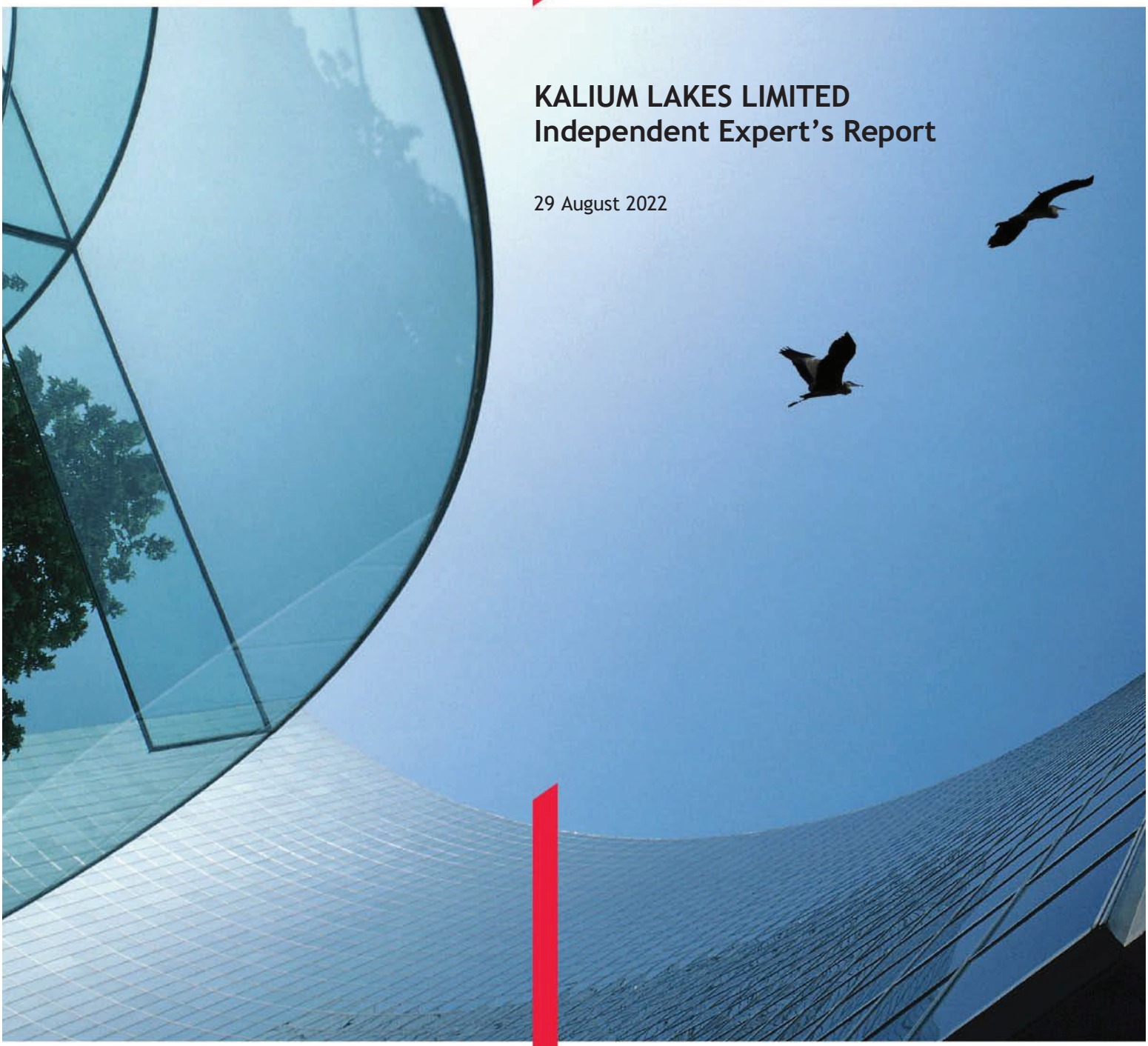
Tranche 2 Placement Shares has the meaning given in Section 5.1.

VWAP has the meaning given in Section 8.2.

Waiver has the meaning given in Section 8.3.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Independent Expert's Report



KALIUM LAKES LIMITED
Independent Expert's Report

29 August 2022

Financial Services Guide

29 August 2022

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by Kalium Lakes Limited (‘**Kalium Lakes**’) to provide an independent expert’s report on the proposal to conduct a capital raising for up to $30 million through the issue of 750 million shares in Kalium Lakes. As part of the capital raising, Greenstone (comprising Greenstone Management (Delaware) II LLC and Greenstone Resources II (Australia) Holdings L.P.) has agreed to subscribe for shares that would increase its relevant interest in Kalium Lakes from 19.60% to approximately 24.92% if the SPP is not subscribed, and reducing to 22.34% if the SPP is fully-subscribed. You are being provided with a copy of our report because you are a shareholder of Kalium Lakes and this Financial Services Guide (‘**FSG**’) is included in the event you are also classified under the Corporations Act 2001 (‘**the Act**’) as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Kalium Lakes to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide
This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don’t fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $75,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Kalium Lakes.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Kalium Lakes for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700, West Perth WA 6872 or, by telephone or email using the contact details within the following report.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
If a complaint is made and the complainant is dissatisfied with the outcome of the above process, or our determination, the complainant has the right to refer the matter to the Australian Financial Complaints Authority Limited ('**AFCA**').

AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

TABLE OF CONTENTS

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000

PO Box 700 West Perth WA 6872
Australia

29 August 2022

The Independent Directors
Kalium Lakes Limited
Unit 1, 152 Balcatta Road
Balcatta, WA, 6021

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 18 August 2022, Kalium Lakes Limited ('**Kalium Lakes**' or '**the Company**') announced that it would be undertaking an equity capital raising of up to $30 million (before costs) through the issue of 750,000,000 fully paid ordinary shares in Kalium Lakes at an issue price of $0.04 per share ('**Issue Price**')('**Capital Raising**'). The Capital Raising is to be conducted in two stages, with the first being a two-tranche placement of 550,000,000 shares at the Issue Price to sophisticated, professional and institutional investors to raise approximately $22 million ('**Placement**'). The second stage is a non-underwritten share purchase plan for eligible shareholders at the same issue price as the Placement, to raise approximately $8 million ('**SPP**') if fully subscribed.

As part of the Placement, the Company's largest shareholder, '**Greenstone**' (comprising Greenstone Management (Delaware) II LLC and Greenstone Resources II (Australia) Holdings L.P.), has agreed to subscribe for 200,000,000 shares, which will increase its relevant interest in the share capital of Kalium Lakes from 19.60% to approximately 24.92% if there is no subscription under the SPP, and reducing to 22.34% if the SPP is fully subscribed.

As the Placement will result in Greenstone's interest in Kalium Lakes increasing from below 20% to more than 20%, approval from Kalium Lakes shareholders not associated with Greenstone ('**Shareholders**') is required for the Company to conduct the Placement. Kalium Lakes is seeking Shareholder approval for Greenstone to increase its interest in the Company to a maximum of 24.92%, which assumes no uptake of the SPP by Greenstone or existing Shareholders. Therefore, in our assessment of whether the Placement is fair, we have assumed no uptake of the SPP. The impact of the SPP has been considered separately in Section 13 of our Report in considering the reasonableness of the Placement.

Further details of the Placement are outlined in Section 4 of our Report. All figures are quoted in Australian dollars ('**AUD**' or '**$**') unless otherwise stated.

2. Summary and Opinion

2.1 Requirement for the report

The Independent Directors of Kalium Lakes have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Placement is fair and reasonable to Shareholders.

Our Report is prepared pursuant to item 7 of section 611 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the Notice of Meeting for Kalium Lakes in order to assist the Shareholders in their decision whether to approve the Placement.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guides Regulatory Guide 74 'Acquisitions Approved by Members' (**'RG 74'**), Regulatory Guide 76 'Related party transactions' (**'RG 76'**), Regulatory Guide 111 'Content of Expert's Reports' (**'RG 111'**) and Regulatory Guide 112 'Independence of Experts' (**'RG 112'**).

In arriving at our opinion, we have assessed the terms of the Placement as outlined in the body of this report. We have considered:

- How the value of a Kalium Lakes share prior to the Placement on a control basis compares to the value of a Kalium Lakes share following the Placement on a minority interest basis;
- The likelihood of an alternative proposal being available to Kalium Lakes;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Placement; and
- The position of Shareholders should the Placement not proceed.

2.3 Opinion

We have considered the terms of the Placement as outlined in the body of this report and have concluded that, in the absence of a superior proposal, the Placement is not fair but reasonable to Shareholders.

In our opinion, the Placement is not fair because the value of a Kalium Lakes share prior to the Placement on a control basis is greater than the value of a Kalium Lakes share following the Placement on a minority interest basis. However, we consider the Placement to be reasonable because the advantages of the Placement to Shareholders are greater than the disadvantages. In particular, the Placement will provide financing support for the 120ktpa expansion of the Beyondie Project, whilst also being a precondition for drawdown of the $20 million Liquidity Facility provided by its Senior Lenders. Without access to these funds, Kalium Lakes will need to seek alternative financing arrangements in order to be able to develop the Beyondie Project, and realise the future cash flows expected to be generated from the sale of SOP. However, management have advised the Company was unable to identify any viable alternative funding options at the present time, which is consistent with our research of the Company's historical fund raising activities and knowledge of debt and equity markets.

Additionally, as part of the existing financing arrangements with its Senior Lenders, failure to complete a capital raising of at least $20 million (net of costs) prior to 7 October 2022 will trigger an event of default. In an event of default, all loans, together with accrued interest and all other amounts accrued or outstanding shall become immediately due and payable at the request of the Senior Lenders. Given the outstanding balance of the Company's borrowings, it is possible that if an event of default occurs, the Company may be placed into administration and/or liquidate part of its portfolio of assets in order to satisfy its debt obligations. The Senior Lenders would also be entitled to appoint a receiver over the Company's assets, providing effective control of Kalium Lakes. Under this scenario, the return to Shareholders would be much lower, therefore we consider the Placement represents the most superior proposal that is currently available.

Further, as part of the Capital Raising, Shareholders will have the opportunity to participate in the SPP, which is to be conducted at the same issue price as the Placement.

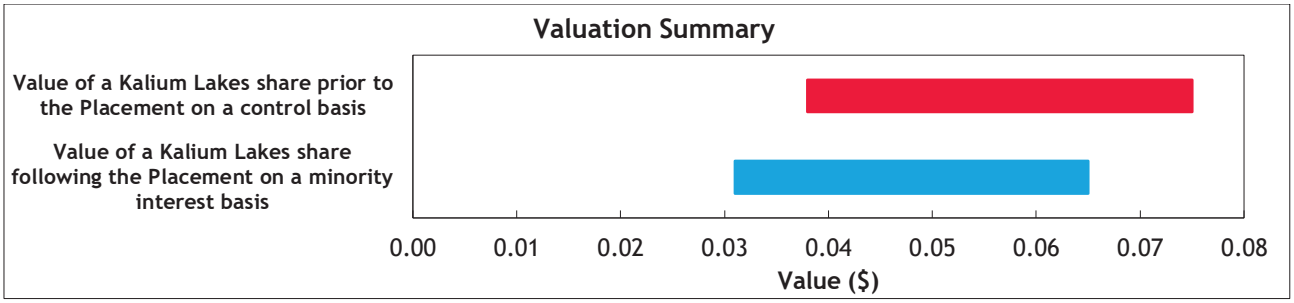
2.4 Fairness

In Section 12 we determined that the value of a Kalium Lakes share prior to the Placement compares to the value of a Kalium Lakes share following the Placement, as detailed below.

	Ref	Low $	Preferred $	High $
Value of a Kalium Lakes share prior to the Placement on a control basis	10.3	0.038	0.055	0.075
Value of a Kalium Lakes share following the Placement on a minority interest basis	11.1	0.031	0.046	0.065

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Placement is not fair for Shareholders.

Further, we note that whilst the low and preferred valuation points prior to the Placement and the preferred and high valuation points following the Placement overlap, it would be inappropriate to compare these points, as comparing these points would imply two different values for the same assets. Therefore, the above valuations must be compared on a like for like basis at individual points, rather than across the range.

Accordingly, we consider the Placement to be not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both

- advantages and disadvantages of the Placement; and
- other considerations, including the position of Shareholders if the Placement does not proceed and the consequences of not approving the Placement.

In our opinion, the position of Shareholders if the Placement is approved is more advantageous than the position if the Placement is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal, we believe that the Placement is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
13.4.1	Financing support for the 120ktpa expansion of the Beyondie Project	13.5.1	Dilution of Shareholders' interests
13.4.2	The Placement is a prerequisite condition for the Company to access the $20 million liquidity facility and provides the Company with certainty of funding	13.5.2	Presence of a large cornerstone investor may reduce the possibility of a takeover offer being received in the future
13.4.3	Shareholders will be given the opportunity to participate in the SPP which is to be conducted on the same terms as the Placement	13.5.3	Shareholders may be scaled back under the SPP

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposal
13.2	Practical Level of Control
13.3	Consequences of not approving the Placement
13.6	Other considerations

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act ('**Section 606**') expressly prohibits the acquisition of further shares by a party if the party acquiring the interest does so through a transaction and because of the transaction, that party (or someone else's voting power in the company) increases from 20% or below to more than 20%.

Section 611 of the Corporations Act ('**Section 611**') provides exceptions to the Section 606 prohibition and item 7 Section 611 ('**item 7 s611**') permits such an acquisition if the shareholders of Kalium Lakes have agreed to the acquisition. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by the party to the acquisition or any party who is associated with the acquiring party.

Item 7 Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that to satisfy the obligation to provide all material information on how to vote on the item 7 resolution Kalium Lakes can commission an Independent Expert's Report.

The Independent Directors of Kalium Lakes have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Placement is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Placement is considered to be a control transaction as defined by RG 111 and we have therefore assessed the Placement as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Kalium Lakes share prior to the Placement on a control basis and the value of a Kalium Lakes share following the Placement on a minority interest basis (fairness – see Section 12 'Is the Placement Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Placement Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Capital Raising

On 18 August 2022, Kalium Lakes announced that it would be undertaking the Capital Raising for up to $30 million through the issue of 750,000,000 shares at the Issue Price. The Capital Raising is to be conducted across two stages, with the first being the Placement to sophisticated, professional and institutional investors, and the second being the non-underwritten SPP on the same terms as the Placement. Details of the Capital Raising are summarised below.

4.1 Placement

Under the terms of the Placement, Kalium Lakes will issue 550,000,000 shares at the Issue Price across two tranches. Tranche 1 of the Placement will be for the issue of 177,256,832 shares to raise $7.1 million (‘**Tranche 1**’), whilst tranche 2 of the Placement will raise $14.9 million through the issue of 372,743,168 shares (‘**Tranche 2**’).

Tranche 1

As part of Tranche 1 of the Placement, Greenstone has agreed to subscribe for 34,733,949 shares for the consideration of $1.4 million, to uphold its interest in Kalium Lakes of 19.60%. Shareholder approval is required for the ratification of the issue of the Tranche 1 Placement shares under ASX Listing Rule 7.4. This will provide Kalium Lakes with flexibility to issue securities in the future up to the 15% placement capacity set out in ASX Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

Kalium Lakes states in the Notice of Meeting that if Shareholder approval for the ratification of the Tranche 1 Placement shares is not obtained, the Tranche 1 Placement shares will be issued as part of the Company’s 15% placement capacity for the following 12 months. As such, in our valuation of a Kalium Lakes share prior to the Placement, we have assumed the prior issue and ratification of Tranche 1.

Tranche 2

Under Tranche 2 of the Placement, Kalium Lakes seeks to issue a further 372,743,168 shares to sophisticated, professional and institutional investors for the proceeds of $14.9 million. As part of Tranche 2, Greenstone has agreed to subscribe for a further 165,266,051 shares for the consideration of $6.6 million. Assuming the prior issue of the Tranche 1 Placement shares, the issue of the Tranche 2 Placement shares to Greenstone will increase its relevant interest in the share capital of Kalium Lakes to 24.92%. The table below shows the change in holding in Kalium Lakes by Greenstone as a result of the issue of the Placement shares.

Description	New or Existing Shareholders	Greenstone	Total
Shares on issue prior to the Placement	950,152,557	231,559,657	1,181,712,214
% holdings prior to the Placement	*80.40%*	*19.60%*	*100.00%*
Tranche 1 Placement Shares issued	142,522,883	34,733,949	177,256,832
Shares on issue following Tranche 1 issue	1,092,675,440	266,293,606	1,358,969,046
% holdings following Tranche 1 issue	*80.40%*	*19.60%*	*100.00%*
Tranche 2 Placement Shares to be issued	207,477,117	165,266,051	372,743,168
Shares on issue following Tranche 2 issue	**1,300,152,557**	**431,559,657**	**1,731,712,214**
% holdings following the Placement	***75.08%***	***24.92%***	***100.00%***

Source: BDO analysis

We note that, as at the date of our Report, Kalium Lakes has 22,677,493 unlisted options on issue, none of which are held by Greenstone. Therefore, based on the above table, Greenstone will hold a 24.60% interest in Kalium Lakes following the Placement, on a fully diluted basis.

We also note that Kalium Lakes Co-Founder and Non-Executive Director, Mr. Brent Smoothy, has agreed to subscribe for 50,000,000 shares under Tranche 2 of the Placement for the consideration of $2.0 million, to increase his relevant interest in Kalium Lakes to approximately 7.61%.

Debt Restructure

On 18 August 2022, Kalium Lakes announced that it had entered into formal binding documentation with its two senior lenders, KfW IPEX-Bank GmbH (**'KfW'**) and Northern Australia Infrastructure Facility (**'NAIF'**) (collectively, **'Senior Lenders'**) for a restructure of the Company's debt (**'Debt Restructure'**). The Debt Restructure was executed to assist in funding ramp-up working capital requirements and facilitating the expansion of the Beyondie Sulphate of Potash Mine (**'Beyondie Project'** or **'the Project'**) to a processing capacity of 120 thousand tonnes per annum (**'ktpa'**). The key terms of the Debt Restructure include, but are not limited to the following:

- A deferral of all senior principal repayments under project finance facilities from March 2024 to March 2025;
- An extension to the final maturity date for project finance facilities to March 2040; and
- An extension to the maturity date for the $20 million liquidity facility (**'Liquidity Facility'**) to January 2026.

The Debt Restructure has become effective and requires that the Company successfully completes an equity raise of at least A$20 million (net of costs) on or before 7 October 2022 as a condition subsequent. Additionally, a precondition of draw down from the Liquidity Facility is the Company having raised a minimum additional equity capital of $20 million (net of costs) on or before 7 October 2022. A failure of Kalium Lakes to complete a capital raising of $20 million (net of costs) on or before 7 October 2022 will trigger an event of default under the Company's existing financing arrangements with its Senior Lenders.

Therefore, Kalium Lakes is seeking to conduct the Placement in order to generate funds to progress and develop the Beyondie Project, to satisfy the capital raising requirement of the Debt Restructure, and to avoid the occurrence of an event of default under senior debt financing arrangements.

The existing royalty holders of the Company (being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust, and Greenstone) have also agreed to subordinate and defer the payment of their royalties until the debt principal repayments to the senior lenders commence in March 2025, and the Liquidity Facility has been repaid and cancelled. As consideration for the deferral of royalty payments, the Company has agreed to the following:

- Grant a further royalty over all of its other existing mining tenements on the same terms as the existing royalty (1.9% of gross revenue), other than those mining tenements that would require third party consent; and
- Increase the interest rate on deferred royalties from LIBOR plus 4.75% per annum, to LIBOR plus 6.00% per annum.

4.2 Share Purchase Plan

Kalium Lakes is also seeking Shareholder approval to issue up to 200,000,000 shares on the same terms as the Placement to eligible Shareholders, to raise approximately $8 million. The SPP is not underwritten, with eligible Shareholders to be given the opportunity to apply for up to $30,000 worth of shares each, at the Issue Price. The table below shows the change in holding in Kalium Lakes by Greenstone as a result of the issue of the SPP shares, assuming a 0%, 50% and 75% uptake of the SPP.

Description	0% Uptake	50% Uptake	75% Uptake
Shares held by Greenstone following the Placement	431,559,657	431,559,657	431,559,657
Shares to be issued pursuant to the SPP	-	100,000,000	150,000,000
Other shares on issue	1,300,152,557	1,300,152,557	1,300,152,557
Greenstone % following the Placement and SPP	*24.92%*	*23.56%*	*22.93%*
Existing and new Shareholder % following the Placement and SPP	***75.08%***	***76.44%***	***77.07%***

Source: BDO analysis

Following the Placement and the SPP, and assuming a 100% uptake of the SPP, Greenstone will hold a fully diluted interest in Kalium Lakes of 22.08%. This also represents Greenstone's minimum possible holding if all resolutions are approved. As stated in Section 1 of our Report, Kalium Lakes is seeking Shareholder approval for Greenstone to increase its interest to a maximum of 24.92%, which assumes no uptake of the SPP. Therefore, in our fairness assessment, we have assumed no participation in the SPP. The impact of the SPP has been considered separately in Section 13 of our Report in considering the reasonableness of the Placement.

Further, it is outlined in the Notice of Meeting that, to the extent to which there is a shortfall in the subscription of shares under the SPP, the Directors reserve the right to issue the shares that comprise the shortfall to investors (including existing Shareholders), at their absolute discretion.

5. Profile of Kalium Lakes

5.1 History

Kalium Lakes is an ASX-listed sulphate of potash ('**SOP**') producing and exploration company in the East Pilbara region of Western Australia ('**WA**'). The Company's flagship asset is the Beyondie Project, located approximately 160 kilometres ('**kms**') south-east of Newman, and 200kms north of the town of Wiluna. Additionally, the Company holds an interest in the Carnegie Potash Project ('**Carnegie Project**'), and the Dora/Blanche tenements, also located in WA. The Company's head office is located in Perth, WA. Kalium Lakes was incorporated in July 2016, and commenced trading on the ASX in December 2016.

The Company's board of directors and key management personnel are:

- Mr. Stephen Dennis – Non-Executive Chairman;
- Mr. Brent Smoothy – Non-Executive Director;
- Mr. Mark Sawyer – Non-Executive Director;
- Mr. Salvatore Lancuba – Non-Executive Director;
- Mr. Leonard Jubber – Chief Executive Officer;
- Mr. Jason Shaw – Chief Financial Officer and Joint Company Secretary; and
- Ms. Sophie Raven – Joint Company Secretary.

5.2 Projects

Beyondie Project

The Beyondie Project is a sub-surface brine SOP project located approximately 160kms south-east of Newman, and 200kms north of Wiluna in the East Pilbara region of WA. The Project covers an area of approximately 1,300 square kilometres ('**km^2**'), and comprises 16 granted exploration licenses, three mining leases, 25 miscellaneous licenses and a gas pipeline license.

The Beyondie Project comprises a combination of shallow trenches and deep production bores, as well as evaporation ponds, a purification plant, excess salt storage areas and associated infrastructure. The Project relies on the extraction of hypersaline groundwater from sub-surface deposits that is pumped into ponds where the water is evaporated, and the salts extracted and purified sequentially. As part of the production of SOP, other salts, such as magnesium and sodium chloride may also be produced as by-products.

Kalium Lakes was incorporated as part of the restructure of Kalium Lakes Potash Pty Ltd ('**KLP**'), which had been operational since October 2014. Prior to Kalium Lakes' incorporation, KLP undertook a number of detailed technical studies to examine the feasibility of the construction of pilot test facilities for ponds, pump testing and purification trials, as well as a full-scale purification facility, roadworks and associated infrastructure for the SOP operation.

Kalium Lakes completed a pre-feasibility study ('**PFS**') in October 2017, which built on previous technical studies to highlight the technical and financial feasibility of operations at the Beyondie Project, based on total Joint Ore Reserves Committee 2012 ('**JORC Code**') compliant probable reserves of 2.66 million tonnes ('**Mt**') at 14,210 milligrams per litre ('**mg/L**') SOP. The PFS outlined a 21 year life-of-mine ('**LOM**')

based on the production of 150ktpa SOP. After the PFS, the Company announced that it would next complete a bankable feasibility study ('**BFS**') for the Project in 2018.

In September 2018, Kalium Lakes announced the completion of the BFS, which confirmed the technical and financial feasibility of the Project, and highlighted a 90% increase in ore reserves to 5.13Mt at 12,400 mg/L SOP. The BFS also outlined an increase in the production capacity of the Project to 164,000tpa over an increased 30 year LOM. Kalium Lakes stated that the findings from the BFS would place the Beyondie Project as one of the lowest cost SOP projects, globally. The Company also announced that following the BFS, it would commence early works construction activities at the Project, which would include a front end engineering and design ('**FEED**') study. Kalium Lakes also stated that it would attempt to secure an offtake agreement on the way to making a final investment decision in the March quarter of 2019.

In March 2019, Kalium Lakes announced the completion of the FEED study, which was commissioned to build on the BFS in order to optimise Project outcomes, and highlighted an improvement in potassium recoveries, an increased production rate, as well as an increase in the LOM to 50 years. In addition to the FEED study, Kalium Lakes also announced that it had reached agreement with K+S Asia Pacific Pte Ltd ('**K+S**') for the purchase of 90ktpa of SOP products from the Beyondie Project, which at the time of agreement, represented all of the annual production from the Project. The offtake agreement was negotiated to run over a 10-year period, with pricing to be linked to sales realised by K+S, who will also receive a marketing fee for selling and distributing the SOP product.

Also in 2019, the Company announced it had secured a $74 million loan package from NAIF to support the development of the Project. The loan package comprised a $48 million infrastructure development facility with a term of 15 years, and up to $26 million for a project development facility with a term of 10 years. Kalium Lakes stated that the loan package would support the construction of a 78km gas pipeline, a gas fired power station, road and communication infrastructure, an airstrip and an accommodation village. Subsequently, Kalium Lakes announced it had agreed to terms with KfW for a 10 year, $102 million debt facility for the development of the Project. A significant portion of the KfW facility was expected to be covered by a credit guarantee from Euler Hermes, a German Government export credit agency.

Following the securing of the NAIF and KfW facilities, and the offtake agreement with K+S, Kalium Lakes secured an equity investment of $20.8 million from Greenstone, to increase its interest in Kalium Lakes to 19.80%. The Company announced that it would use the funds to purchase long lead items and pumping equipment, and assist with the construction of ponds, bores, trenches, and workshops. Shortly after, in June 2019, Kalium Lakes announced the receipt of environmental ministerial approval for the implementation of the Beyondie Project, allowing for the progression to a final investment decision. In October 2019, the Board of Kalium Lakes approved the full scale construction and development of the Beyondie Project.

Kalium Lakes was largely in construction mode over 2020 and early 2021, before announcing a major plant capacity upgrade, targeting production of 120ktpa of SOP. Shortly after, in August 2021 the Company announced it had commenced commissioning of the Project, and in the process, completed an updated feasibility study to support the increased production capacity ('**120ktpa Feasibility Study**'). The 120ktpa Feasibility Study highlighted the feasibility of operations based on a 120ktpa mine plan, and outlined improved economies of scale from the expansion. Following the completion of the 120ktpa Feasibility Study, Kalium Lakes announced the extension of the K+S offtake agreement to cover the forecast increase in production at the Project.

In October 2021, the Company announced itself as Australia's first SOP producer, after producing its first batch of SOP during its commissioning phase. Shortly after first production, the Company stated that it

was experiencing delays as a result of a number of operational issues, including an issue with brine production which reduced the level of potassium salt available to be harvested. These issues impacted the Company's initial ramp-up schedule, and as such, Kalium Lakes is currently focussing on a revised ramp-up of production to the Project's nameplate capacity. The Company expects the Project to be operating at a capacity of 80ktpa SOP by the March quarter of 2023, with the targeted 120ktpa run rate to be established by the September quarter of 2024.

Carnegie Project

The Carnegie Project is a SOP exploration project located 220kms north-east of Wiluna, WA. The Carnegie Project comprises one granted exploration license and five exploration license applications, spanning a total area of approximately 3,040km^2. Situated within a broad palaeovalley, the Carnegie Project hosts a sub-surface brine deposit, containing potassium and sulphate ion brine to form potassium sulphate salt.

The Carnegie Project is jointly owned, with Kalium Lakes holding a 70% interest, and BCI Minerals Limited ('**BCI**') holding the remaining 30% stake. The joint venture was entered into on 1 March 2017, and provided BCI the right to earn up to a 50% interest in the project by sole-funding exploration and development expenditure over three stages.

- Stage one allowed BCI to earn a 30% interest in two equal parts. The first part included BCI to contribute its mobile exploration camp facilities and $0.5 million in expenditure, whilst the second part included BCI to sole fund the $1.5 million scoping study and associated activities. These two parts were completed by BCI in March 2017 and June 2018 respectively, increasing BCI's interest in the Carnegie Project to 30%.
- The second stage allows BCI to earn a further 10% interest in the Carnegie Project by sole-funding a further $3.5 million of project expenditure through the phase of exploration and development preceding a PFS.
- The third stage allows BCI to earn a further 10% interest in the Carnegie Project by sole-funding a further $5.5 million of project expenditure through the phase of construction following a pre-feasibility study, leading to the completion of a feasibility study.

On 27 July 2018, a scoping study was completed at the Carnegie Project ('**Carnegie Scoping Study**'), which also included a maiden resource and exploration target. Kalium Lakes has continued to progress the Carnegie Project in accordance with the terms of the joint venture agreement.

Dora/Blanche Tenements

On 13 August 2014, Kalium Lakes applied for two exploration licenses, being the Dora exploration license and Blanche exploration license. Lake Dora and Lake Blanche are located within the Rudall River National Park, and form part of the Canning palaeovalley. As both tenements lie within the Rudall River National Park, their grant and access require ministerial approval.

Further information on Kalium Lakes' mineral assets can be found in the independent technical assessment and valuation report prepared by SRK Consulting (Australasia) Pty Ltd ('**SRK**') ('**Technical Specialist Report**') in Appendix 5 of our Report.

5.3 Recent Capital Raising Activity

Since the start of 2019, Kalium Lakes has conducted a number of capital raisings through share issues/placements. This is in addition to the debt facilities from NAIF and KfW, and the aforementioned cornerstone investment from Greenstone. Details of the recent capital raises and financing activities are detailed below.

On 24 July 2019, the Company announced an equity raising of approximately $72.0 million comprising a $17.5 million institutional placement and a $54.6 million entitlement offer on a 1-for-2.19 basis. New shares issued under the equity raising were issued at $0.50 per share, representing a 26.5% discount to the last close price on the day prior to the announcement of the equity raising, with all funds raised intended to be put towards the development of the Beyondie Project.

On 21 May 2020, the Company announced that it would be conducting a $61 million equity raising in the form of an institutional placement and a fully underwritten, non-renounceable entitlement offer. New shares to be issued under the equity raising would be issued at $0.150, representing a 69.4% discount to the closing price of Kalium Lakes on the day prior to the announcement. Funds raised were put towards the completion of construction at the Beyondie Project, and to provide the Company with working capital until first production. Kalium Lakes completed of the equity raising on 25 May 2020.

On 13 October 2021, Kalium Lakes announced a restructure of its existing debt arrangements with KfW and NAIF. The restructuring included the deferral of all senior principal repayments for the first two years of production, until 31 March 2024, and a two year extension of the maturity of the senior loans owned by KLP. Additionally, a $20 million Liquidity Facility would be provided by the Senior Lenders for short term working capital purposes for six months, extendable for another six months at the Senior Lenders' option. Additionally, the Company would be required to undertake a capital raise as part of the debt restructure, which is outlined below.

Also on 13 October 2021, Kalium Lakes announced the launch of a two-tranche placement comprising the issue of approximately 278 million fully paid ordinary shares in the Company at an issue price of $0.18 per share, to raise approximately $50 million before costs to fund the expansion of the Project from 90ktpa to 120ktpa, and for working capital purposes during the revised ramp-up period. The issue price represented a 18.2% discount to the last closing price of $0.220 prior to the announcement of the two-tranche placement. The Company also announced it would conduct a share purchase plan of up to $30,000 per shareholder to raise up to $10 million. As part of the two-tranche placement, Greenstone committed to take up between $8.8 million and $11.3 million worth of shares in order to retain a holding of 19.8% in Kalium Lakes, as part of an anti-dilution right granted to Greenstone as part of its cornerstone investment.

Subsequently, following production delays at the Beyondie Project, the Company announced that it expected to require additional funding in 2022. As a result, the Company entered into discussions with its senior lenders, KfW and NAIF and agreed upon a further restructuring of its debt facilities, including an extension of the Liquidity Facility to 1 January 2026. The Debt Restructure includes a requirement that the Company raise new capital of at least $20m (after costs) on or before 7 October 2022. Tranche 2 of the Placement (that is the subject of the resolution being put to Shareholders) forms part of this capital raising. Accordingly, should the equity capital not be secured, Kalium Lakes will not be able to access the $20 million Liquidity Facility.

5.4 Historical Statement of Financial Position

Statement of Financial Position	Reviewed as at 31-Dec-21 $	Audited as at 30-Jun-21 $	Audited as at 30-Jun-20 $
CURRENT ASSETS			
Cash and cash equivalents	50,092,900	31,710,582	51,943,932
Cash and cash equivalents - Restricted cash	2,581,548	2,495,538	2,679,075
Trade receivables and other assets	2,937,497	1,245,525	1,594,745
Inventory on hand	444,211	-	-
TOTAL CURRENT ASSETS	**56,056,156**	**35,451,645**	**56,217,752**
NON-CURRENT ASSETS			
Property, plant and equipment	3,074,013	15,956,872	6,828,145
Mine properties - in production	165,555,688	-	-
Work in progress	152,656,862	258,756,965	118,957,531
Mine properties - in development	-	17,023,986	14,754,721
Collateral for bank guarantees	610,000	610,000	-
Right-of-use asset	38,755	96,265	200,541
TOTAL NON-CURRENT ASSETS	**321,935,318**	**292,444,088**	**140,740,938**
TOTAL ASSETS	**377,991,474**	**327,895,733**	**196,958,690**
CURRENT LIABILITIES			
Trade and other payables	4,997,453	8,528,610	6,532,453
Provisions	416,677	337,691	208,809
Borrowings	2,515,246	6,238,670	-
Lease liabilities	25,000	50,000	105,020
TOTAL CURRENT LIABILITIES	**7,954,376**	**15,154,971**	**6,846,282**
NON-CURRENT LIABILITIES			
Provisions	19,205,330	13,681,710	4,166,074
Borrowings	170,366,631	159,152,664	50,472,783
TOTAL NON-CURRENT LIABILITIES	**189,571,961**	**172,834,374**	**54,638,857**
TOTAL LIABILITIES	**197,526,337**	**187,989,345**	**61,485,139**
NET ASSETS	**180,465,137**	**139,906,388**	**135,473,551**
EQUITY			
Contributed equity	241,780,641	184,670,756	179,614,646
Reserves	7,071,356	8,271,356	8,271,356
Accumulated losses	(68,386,860)	(53,035,724)	(52,412,451)
TOTAL EQUITY	**180,465,137**	**139,906,388**	**135,473,551**

Source: Kalium Lakes' audited financial statements for the years ended 30 June 2020 and 30 June 2021, and reviewed financial statements for the half year ended 31 December 2021.

We note that the Company's auditor included an emphasis of matter relating to a material uncertainty to continue as a going concern, in its review report for the half year ended 31 December 2021.

Commentary on Historical Statement of Financial Position

- Cash and cash equivalents decreased from $51.94 million as at 30 June 2020 to $31.71 million as at 30 June 2021. The decrease of approximately $20.23 million was primarily the result of payments for the construction of the Beyondie Project of $132.79 million, which included the commissioning of the power station, and the construction of the recycle and evaporation ponds.

This was primarily funded by proceeds from borrowings from the Company's financing facilities with the Senior Lenders of $118.65 million. Cash and cash equivalents increased from $31.71 million as at 30 June 2021 to $50.09 million as at 31 December 2021. The increase of approximately $18.38 million was primarily the result of proceeds from the issue of shares of $59.46 million. This was partially offset by payments for development of the Beyondie Project of $21.07 million (which included payments for project construction and purification plant commissioning), payments to suppliers and employees of $7.17 million, and payments for site and exploration expenditure of $6.37 million.

- Restricted cash of $2.58 million as at 31 December 2021 relates to cash set aside for future debt service repayments to the Senior Lenders of the Beyondie Project.
- Property, plant and equipment over the assessed period is outlined in the table below:

Property, plant and equipment	Reviewed as at 31-Dec-21 $	Audited as at 30-Jun-21 $	Audited as at 30-Jun-20 $
Exploration & mine development	2,287,053	1,709,295	2,082,229
Office equipment	50,884	61,903	49,222
Motor vehicles	457,740	404,240	408,734
Rehabilitation assets	-	13,681,710	4,166,074
Computer software	160,926	99,724	121,886
Asset clearing account	117,410	-	-
TOTAL	**3,074,013**	**15,956,872**	**6,828,145**

In the half year ended 31 December 2021, the balance of rehabilitation assets was transferred to mine properties in production.

- Mine properties in production represent expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs, incurred by the Company for which mining has now commenced. Mine properties in production of $165.56 million are outlined in the table below:

Mine properties - in production	Reviewed as at 31-Dec-21 $
Brine supply & ponds	89,696,655
Rehabilitation assets	15,661,317
Access road	6,310,608
Airstrip	986,305
Camp facilities	11,144,020
Gas pipeline & power station	41,756,783
TOTAL	**165,555,688**

In the half year ended 31 December 2021, Kalium Lakes transferred approximately $141.49 million of assets from work in progress, $8.91 million from mine properties in development, and $15.71 million of rehabilitation assets from property, plant and equipment, to mine properties in production.

- Work in progress of $152.66 million as at 31 December 2021 primarily relates to the book value of the purification facility at the Beyondie Project of $148.07 million. The remainder of the balance

is made up of rehabilitation assets, bore and pond expansion and owners' costs in relation to the capacity expansion to 120ktpa.

- Current and non-current borrowings over the assessed period are outlined in the table below:

Borrowings	Reviewed as at 31-Dec-21 $	Audited as at 30-Jun-21 $	Audited as at 30-Jun-20 $
Loan from KfW / Euler Hermes (incl. interest)	49,070,642	46,616,544	13,962,433
Loan from KfW (incl. interest)	49,871,882	47,206,329	16,789,882
Loan from Naif (incl. interest)	73,939,353	71,568,461	19,720,468
TOTAL	**172,881,877**	**165,391,334**	**50,472,783**
Current borrowings	2,515,246	6,238,670	-
Non-current borrowings	170,366,631	159,152,664	50,472,783
TOTAL	**172,881,877**	**165,391,334**	**50,472,783**

5.5 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half year ended 31-Dec-21 $	Audited for the year ended 30-Jun-21 $	Audited for the year ended 30-Jun-20 $
Revenue	14,495	7,525,648	638,559
Expenses			
Accounting fees	(32,500)	(96,230)	(169,724)
Depreciation and amortisation expense	(1,201,650)	(139,300)	(283,111)
Directors and executive remuneration	(590,226)	(922,018)	(746,435)
Employee expenses	(659,476)	(1,287,225)	(1,165,851)
Finance costs	(6,230,046)	(1,037,607)	(3,226,584)
Foreign currency loss	(3,455,678)	(100,019)	(6,798,079)
Legal fees	(473,982)	(1,002,469)	(4,616,755)
Operating expenses	(2,173,926)	(93,750)	(243,887)
Share based payments	92,188	(31,616)	(357,957)
Other expenses	(1,840,335)	(3,438,687)	(1,922,793)
Loss before income tax	**(16,551,136)**	**(623,273)**	**(18,892,617)**
Income tax benefit	-	-	-
Loss for the year from continuing operations	**(16,551,136)**	**(623,273)**	**(18,892,617)**
Other comprehensive income	-	-	-
Total comprehensive loss for the year, net of tax	**(16,551,136)**	**(623,273)**	**(18,892,617)**

Source: Kalium Lakes' audited financial statements for the years ended 30 June 2020 and 30 June 2021, and reviewed financial statements for the half year ended 31 December 2021.

As noted above, Kalium Lakes' auditor included an emphasis of matter relating to a material uncertainty to continue as a going concern, in its review report for the half year ended 31 December 2021.

Commentary on Historical Statement of Profit or Loss and Other Comprehensive Income

- Revenue of $7.53 million for the year ended 30 June 2021 primarily relates to an unrealised foreign exchange gain of $6.48 million. As at 31 December 2021, the Company had not generated any revenue from the sale of SOP or SOP products from the Beyondie Project.
- Finance costs increased from $1.04 million for the year ended 30 June 2021 to $6.23 million for the half year ended 31 December 2021. This was primarily the result of refinance costs of $4.81 million, relating to the Company's debt restructuring with its Senior Lenders in October 2021. The Company also incurred an interest expense of $1.38 million on its senior debt facilities over the half year ended 31 December 2021 in relation to loan funding provided for assets transferred from work in progress to mine properties.

5.6 Capital Structure

The share structure of Kalium Lakes at 30 June 2022 is outlined below:

	Number
Total ordinary shares on issue	1,181,712,214
Top 20 shareholders	504,390,030
Top 20 shareholders - % of shares on issue	42.68%

Source: Kalium Lakes' share registry information

The ordinary shares held by the most significant shareholders as at 30 June 2022 are detailed below:

Name	No. of Ordinary Shares	Percentage of Issued Shares (%)
Greenstone Management Limited	231,559,657	19.60%
Mr Brent R Smoothy	81,843,097	6.93%
Mr Thomas C Ellis	31,197,007	2.64%
Mr & Mrs William J Gibbins	24,934,599	2.11%
Subtotal	**369,534,360**	**31.27%**
Others	812,177,854	68.73%
Total ordinary shares on Issue	**1,181,712,214**	**100.00%**

Source: Kalium Lakes' share registry information

The unlisted options on issue as at 30 June 2022 are outlined below:

Current options on issue	Number
Unlisted options exercisable at $nil, expiring on 16 June 2023	17,677,493
Unlisted options exercisable at $0.50, expiring on 30 June 2025	5,000,000
TOTAL	**22,677,493**

Source: Kalium Lakes' option register

The nil exercise price options vest subject to the Beyondie Project plant reaching the capacity of 90ktpa through performance testing, which has not occurred as at the date of our Report. However, in our assessment of the value of a Kalium Lakes share prior to and following the Placement, we have assumed the Beyondie Project reaches its maximum capacity of 120ktpa, and therefore, we have also assumed the vesting and subsequent exercise of the nil exercise price options.

6. Profile of Greenstone

6.1 History

Greenstone is a private equity fund which primarily invests in the metals and mining sector. Greenstone has a broad mandate to make investments in the mining sector across a range of commodities and geographical regions, with the size of its investments typically being between US$3 million and US$50 million. Greenstone was formed in 2013, and its head office is located in London, United Kingdom.

As outlined in Section 5, Greenstone made a cornerstone investment of $20.8 million in Kalium Lakes in April 2019, to increase its interest to approximately 19.80%. As part of the investment, Greenstone was granted an anti-dilution right, allowing Greenstone to participate in future rights issues to maintain its interest in the Company. Following the issue of 12 million shares to DRA Global in February 2022, Greenstone's interest in Kalium Lakes fell to 19.60%, which it remains prior to the Placement.

As a result of the Placement, Greenstone will acquire a 5.32% interest in Kalium Lakes through the acquisition of 200,000,000 ordinary shares in Kalium Lakes at the Issue Price, increasing its interest to 24.92%.

Further information on Greenstone can be found in the Notice of Meeting.

7. Economic analysis

Kalium Lakes is exposed to the risks and opportunities of the Australian market due its exploration and development operations at the Beyondie Project, and its listing on the ASX. Accordingly, we have presented an economic analysis of Australia.

Overview

In its August 2022 Statement of Monetary Policy, the Reserve Bank of Australia ('**RBA**') stated that it expects GDP in Australia to grow by 3.25% over 2022, and 1.75% in each of the two following years. However, the RBA also elucidated caution around rising inflationary pressures, projecting consumer price inflation to peak at 7.5% in the latter half of 2022.

Both the Australian and global outlooks for growth and inflation remain uncertain in light of substantial geopolitical disruptions, emerging from several supply side factors, pandemic related disturbances in China and Russia's invasion of Ukraine. Moreover, it is uncertain how the withdrawal of extraordinary policy support will affect consumer demand. In many advanced economies, inflation has exceeded the initial forecasts published earlier in the year, as well as central banks' inflation targets, and remains a key source of market volatility.

Bond yields have increased, and equity prices have contracted, as the market outlook remains uncertain amongst market participants. The Australian equity market has outperformed other developed markets, as resource companies have capitalised on the recent wave of high commodity prices. In Australia and most advanced economies, fixed borrowing rates remain low for most borrowers, however, borrowing rates have increased from previous lows, in line with rising bond yields and other market interest rates.

The RBA has executed three consecutive monthly cash rate raises of 0.5%, beginning in June 2022, which at the time was the single largest rise in 22 years. The raising of rates represented a direct response to external pressures around global supply chain and energy price concerns, as well as domestic pressures in the form of tight labour markets, recent flooding in New South Wales and capacity restraints throughout the economy. The RBA has indicated that further rate raises are likely to be forthcoming, guided by the transpiring of several global macroeconomic and domestic events.

Economic Indicators

Inflation in Australia has increased quicker than expected but remains lower than in many advanced economies. In headline terms, inflation was 6.1% over the year to June 2022, and in underlying terms, it was 4.9%. Additionally, the inflation outlook is higher than forecast earlier in the year, with headline annual inflation expected to peak in the latter half of 2022. As supply side issues are rectified, inflation is forecast to ease. However, with labour market conditions becoming increasingly tight, labour costs are expected to pick up in the coming years. Inflation is expected to normalise to approximately 4% in 2023 and further fall to around 3% over 2024.

The behaviour of household spending continues to be a critical source of uncertainty, as higher inflation and interest rates persist in tightening household budgets. Consumer confidence has also fallen, and housing prices in some markets are declining after posting notable increases in recent years. However, growth in the labour market has partially neutralised this trend, as increased work hours and overall employment levels have incited an increase in household savings. Consequently, the household saving rate remains higher than pre pandemic levels.

The labour market has generated significant momentum on the back of the pandemic, and demand for labour is strong. The unemployment rate is currently 3.5%, which is the lowest rate in almost 50 years.

Demand for employment has been met by firms increasing headcount and hours of existing staff, as restrictions and capacity limits are abolished across the country. Relatedly, labour underutilisation has declined significantly across most industries, and has been particularly prominent in industries where employment has grown strongly, such as professional services. The level of job vacancies remain very high at a time where labour participation rates and the ratio of employment to working-age population are already at historical highs.

The combination of a tight labour market and a higher inflationary environment means that firms are generally better at compensating employees with higher wages and other benefits to attract and retain staff. However, despite low unemployment rates, wage growth has not matched inflation, and consequently, real wages have declined. Consumer sentiment has fallen as households maintain a pessimistic outlook in light of declining real incomes and rising living costs. The expected decline in consumer spending will likely be cushioned by strong household balance sheets, however, more recent evidence from liaison and business surveys indicate that larger wage increases have been occurring or are planned in many private-sector firms.

Despite depreciating significantly against the United States dollar in early 2020, the Australian dollar recovered rapidly on the back of strong demand for Australian commodity exports. From mid-May 2021, the Australian dollar entered a depreciating trend against the United States dollar, however, this trend reversed from February 2022 onwards, following several price shocks to key commodity markets after Russia's invasion of Ukraine. The currencies of Australia and other commodity exporting countries have depreciated over April to July 2022, with recent depreciation in the Australian dollar further linked to weaker forecast activity in China.

Source: www.rba.gov.au *Statement by Phillip Lowe, Governor: Monetary Policy Decision dated 2 August 2022 and prior periods,* www.rba.gov.au *Statement on Monetary Policy May 2022 and prior periods,* budget.gov.au Australian Government *2022-23 Budget Overview* and imf.org *World Economic Outlook dated April 2022.*

8. Industry analysis

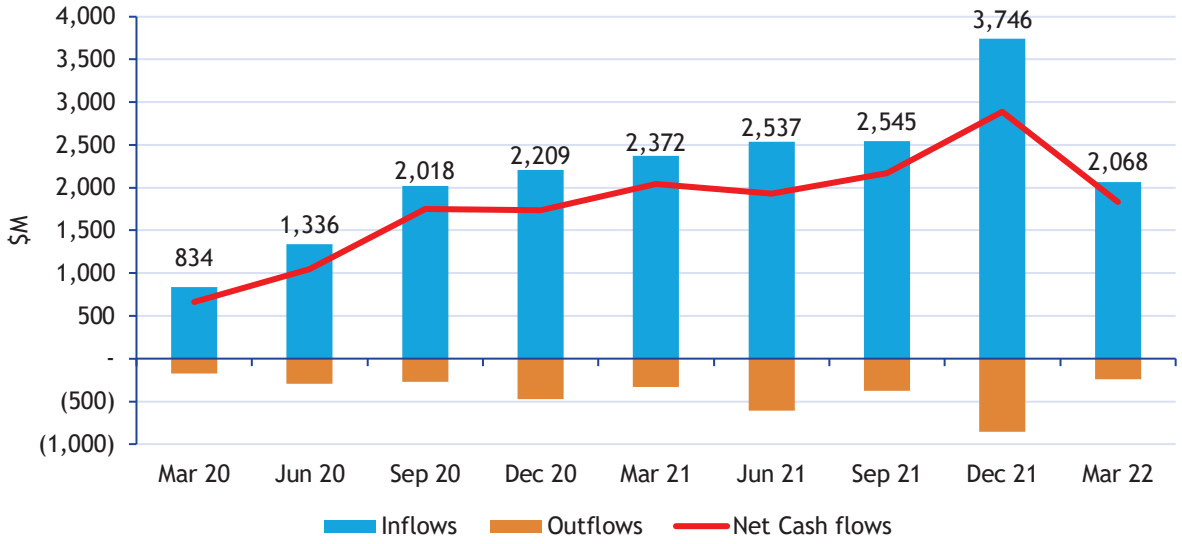
Kalium Lakes is a SOP exploration, development and producing company that is listed on the ASX. As such, we have presented an overview of activity on ASX-listed exploration companies, as well as an analysis on the SOP industry.

8.1 Exploration Sector

BDO reports on the financial health and cash positions of ASX-listed exploration companies based on the quarterly Appendix 5B reports lodged with the ASX. ASX-listed mining and oil and gas exploration companies are required to lodge an Appendix 5B report each quarter, outlining the company's cash flows, their financing facilities available and management's expectation of future funding requirements. BDO's report for the March quarter of 2022 provides mixed signals for the exploration sector, with evidence of a slowdown in activity across exploration, investment and financing. However, this comes with a significant caveat in that the slowdown is relative to the record levels witnessed in the December 2021 quarter.

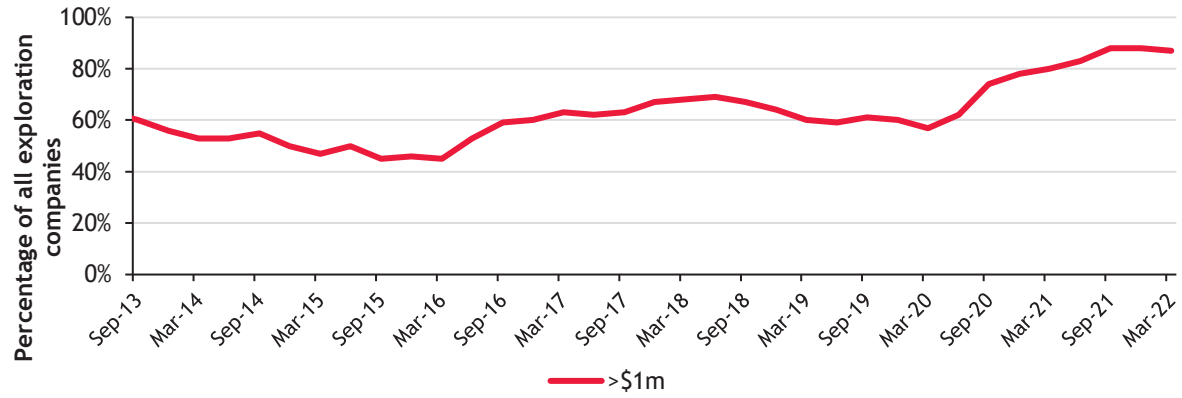
The largest decline was observed in the level of financing cash inflows, which decreased by 45% from $3.75 billion in the December 2021 quarter to $2.07 billion in the March 2022 quarter. This was mainly driven by the reduced number of large capital raisings undertaken over the March 2022 quarter, which is consistent with historical seasonality whereby fundraising activity tends to reduce at the start of the calendar year. Despite a decrease in the number of companies that raised funds of $10 million or more, the average financing inflow per company for the March 2022 quarter still exceeded historical averages, up 11.4% compared to the average since the March 2017 quarter.

Financing Cash Flows ($M)



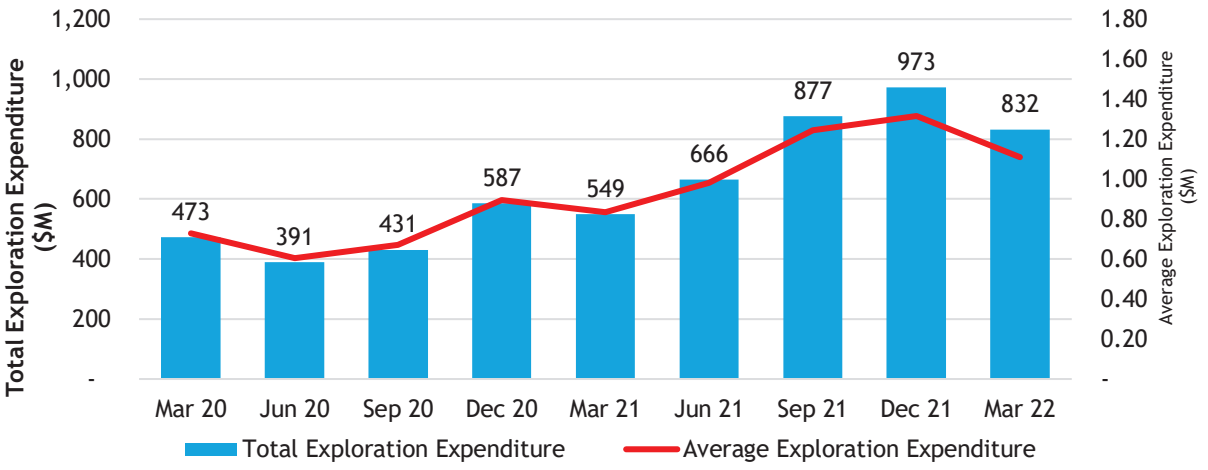
Exploration companies continued to have strong cash positions in the March 2022 quarter with 87% of exploration companies reporting a cash balance of over $1 million as at 31 March 2022, an increase from the 69% average since the March 2017 quarter. This was largely consistent with the September and December quarters of 2021 and is higher than historical averages. This shows that the decrease in financing cash flows may not necessarily be a sign of capital markets turning, but instead represents the strong cash position of explorers, who may be focussed on spending or investing rather than raising capital. The long term graph below further demonstrates that the current cash positions remain at one of the strongest levels observed since BDO commenced this analysis in June 2013.

ASX Explorers' Cash Balance (%)



Exploration expenditure slowed through the March 2022 quarter, down 14% from an eight-year high of $973 million in the December 2021 quarter. Despite this decline, the $832 million spent this quarter still represents the third highest exploration spend since the June quarter of 2014, exceeded only by the prior September and December quarters of 2021.

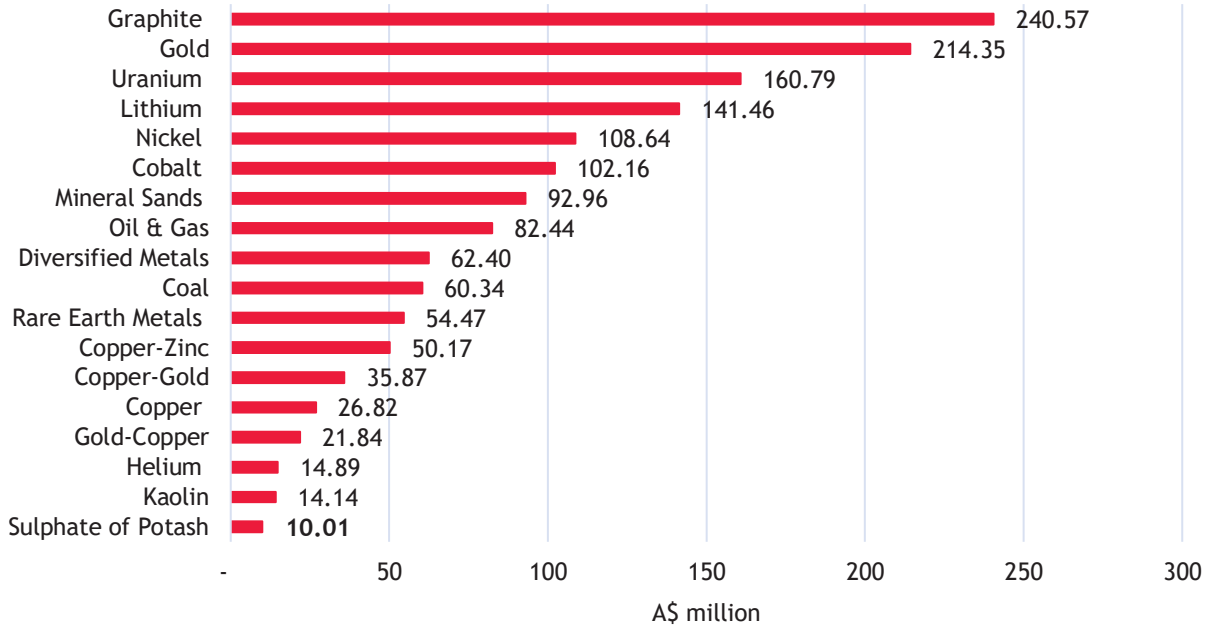
Total Exploration Expenditure - Last Two Years ($M)



Net investing outflows in the March 2022 quarter also declined by 35% from $1 billion in the December 2021 quarter to $651 million in the March 2022 quarter. However, the level of investment spending was still relatively strong in the context of the last two years, since being subdued through 2020 and early 2021 due to economic uncertainty and travel restrictions stemming from the global pandemic.

In the March 2022 quarter, 44 companies successfully raised capital of $10 million or more, with graphite company, Syrah Resources Limited, sourcing the most funds. For the SOP sector, the largest capital raise in the March 2022 quarter was attributable to Agrimin Limited (**'Agrimin'**), which sourced $10 million through a share placement intended for ongoing project financing relating to its Mackay Potash Project in Western Australia.

Financing Inflow by Commodity - Top 44 Explorers
March Quarter 2022

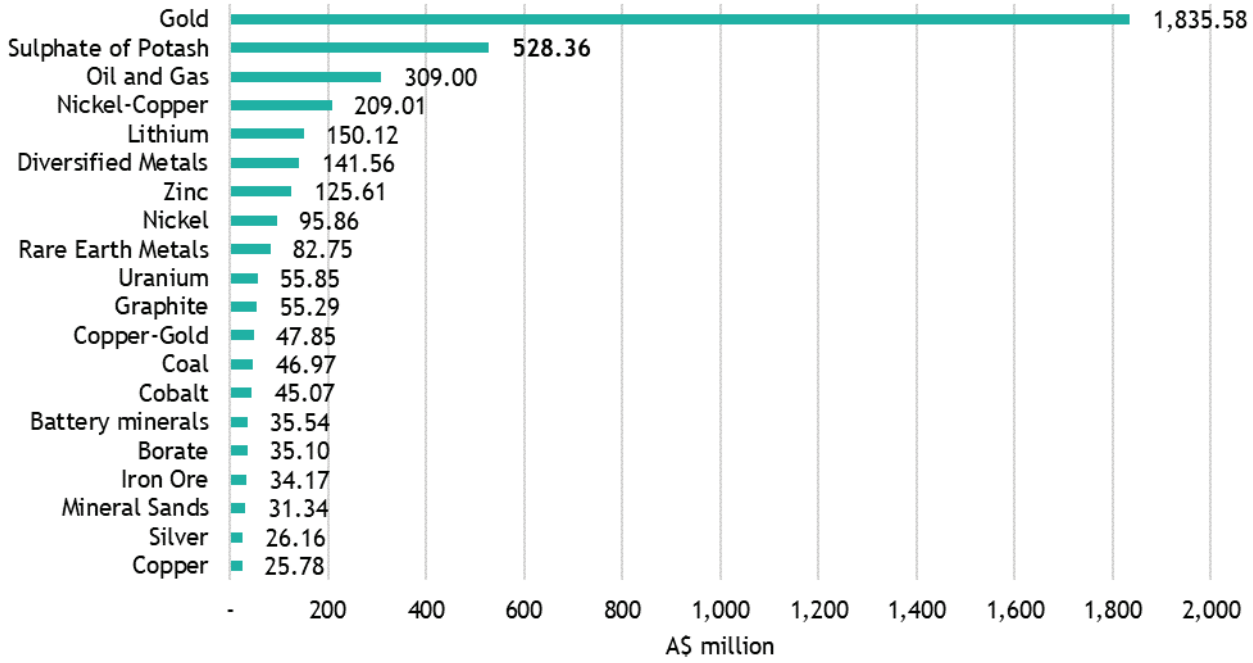


Battery minerals, such as lithium, graphite, nickel and cobalt continued to be prominent in the March 2022 quarter, as in the 2021 calendar year. The rise of battery minerals is linked to the global trends of

rising electric vehicle adoption and lower carbon emission targets. This ties largely into the central theme of Environmental, Social and Governance ('**ESG**'), which is at the forefront of the minds of explorers and investors alike.

However, it is worth noting that prior to this trend, SOP was the second most prominent commodity in terms of large fund raises of $10 million or more, with investment into the SOP industry exceeding that of oil and gas, base metals and battery mineral commodities over the 2020 calendar year.

Financing Inflow by Commodity
Calendar Year 2020



Since late 2019 and throughout 2020, SOP companies attracted a lot of investor interest as several key industry players were vying to become the first SOP producer in Australia at the time (we note that Kalium Lakes has since reported the first production of SOP in Australia in October 2021). BDO observed numerous large fund raises being undertaken through both debt and equity raisings that were mostly for the development and commissioning of various advanced-stage SOP projects. Key industry players at the time included Kalium Lakes, Salt Lake Potash Limited (**'Salt Lake Potash'**), Danakali Limited and Kore Potash Plc.

However, in October 2021, Salt Lake Potash went into administration after encountering several operational issues in relation to its Lake Way SOP Project, which resulted in its directors declaring the company insolvent. Salt Lake Potash is currently in receivership with the sale process for its Lake Way SOP Project having commenced in March 2022. Although there was no clear inidication as to whether this adversely affected the SOP sector's ability to raise funds, subsequent fund raising data over the 2021 calendar year and the quarter ended 31 March 2022 showed a distinct shift in funds going towards battery minerals and other critical metals. The SOP sector raised a total of $254 million over the 2021 calendar year (compared with $528 million in 2020), which was less than the level of funding being put towards commodities such as lithium, gold, oil and gas, uranium, graphite, nickel, cobalt and rare earths.

Source: BDO Explorer Quarterly Cash Update: March 2022 and December 2021.

8.2 Sulphate of Potash

Overview

Potash, as a general term, refers to a potassium-rich salt that is commonly mined from underground deposits formed from evaporated sea beds millions of years ago. As potash is a source of soluble potassium, it is critical to the agricultural industry for its use in the production of fertilisers because it is a facilitator in photosynthesis, protein formation, enzyme activation and starch formation. Additionally, potash increases water retention in plants, improves crop yields and influences many plants' taste, texture and nutritional value. Potash derives its name from production methods preceding the industrial age whereby potash was produced by leaching tree ashes in metal pots, the process left behind a white residue, which was aptly named 'pot ash'.

Most potash is derived from potassium chloride, also known as Muriate of Potash ('**MOP**'), which is predominantly produced in countries like Canada, Russia and Belarus. SOP on the other hand, is formed from potassium sulphate and is the second most common form of potash. SOP is widely viewed as a superior alternative to MOP because it does not contain chloride, which is advantageous in agricultural settings as chloride is toxic to vegetation.

SOP is also known for being particularly effective in cultivating high-value crops such as fruits, vegetables, nuts, tea, coffee and tobacco, as it contains sulphur, which is a secondary macronutrient used for healthy propagation. The growing prevalence of sulphur deficient soils has caused SOP to become well sought after by producers of high-value crops.

Beyond its use in agrochemicals, SOP is utilised in various industrial settings, including the manufacture of cement and plaster boards, glass and ceramic production, potassium aluminium sulphate synthesis, the manufacture of explosives and pyrotechnics, and the production of numerous dyes, lubricants, surface treating agents and abrasives.

SOP is not naturally occurring, consequently, the majority of SOP is chemically synthesised from raw materials rather than mined directly from the earth. The relatively laborious and expensive nature of SOP production means that SOP holds a relatively small percentage of the market with global production of approximately seven million tonnes per annum, compared to the 70 million tonnes of MOP produced per annum.

SOP production methods

The three principle methods of producing SOP are:

- The Mannheim Process;
- Natural brine processing; and
- Potassium chloride and sulphate salts reaction.

We note that Kalium Lakes will utilise the natural brine processing method from sub-surface brine deposits located at its Beyondie Project. Therefore, we have provided more detail of this method in the subsequent paragraphs below. We note that we have also presented brief overviews of the alternative production methods to the extent that they relate to the wider SOP industry.

Natural brine processing or salt lake brine processing, involves the extraction of brine from underground reservoirs and evaporating the water to precipitate mixed potassium salts, which are subsequently purified to produce SOP. This method accounts for approximately 15% to 20% of global SOP supply.

Although considered to be a relatively low cost method of producing SOP, this option is limited due to the small number of salt lakes in the world that have suitable logistical and environmental conditions for SOP extraction. Such brine operations can be observed in countries like China, Chile and the United States. In addition, the majority of planned SOP projects in Western Australia will utilise iterations of this methodology.

Natural brine processing requires brines with high sulphate levels. The sulphate is typically present in the harvest salts in the form of double salt kainite, which is subsequently converted to schoenite by leaching with sulphate brine, before the halite is removed by flotation. After thickening, the schoenite is decomposed by adding hot water, at which point the magnesium sulphate enters the solution leaving behind SOP crystals.

The more common method of SOP production is the Mannheim Process, which entails a reaction between potassium chloride and sulphuric acid at high temperatures. This process produces hydrochloric acid as a primary product and SOP as a by-product. The Mannheim Process accounts for approximately 50% to 60% of global supply, however, due to the high input costs of purchasing MOP and sulphuric acid, it is the most expensive production method.

The final method of SOP production is from the potassium chloride and sodium sulphate reaction, which commonly involves a two stage process. In the first stage, sodium sulphate and potassium chloride react to form glaserite, a double salt of sodium and potassium sulphate. The glaserite is separated and treated with MOP brine, decomposing into potassium sulphate and sodium chloride. There are only a handful of operators in the world that employ this production method, however, this method of production remains the second greatest source of global supply, accounting for approximately 25% to 30%.

Pricing

SOP, being regarded as a superior alternative to MOP, attracts a premium over MOP pricing, typically between 40% and 100% (being approximately US$100/t to US$200/t, however this premium has significantly narrowed in recent times). However, comprehensive pricing data for SOP is often contract-based and is not publicly available.

Potash prices, which are closely linked to the demand and supply factors of the wider fertiliser industry, increased substantially over 2021 and the first six months of 2022. This increase in pricing has been driven by several factors including rising input costs, poor international crop yields, supply disruptions and export restrictions amidst robust global demand from the food and agricultural sector.

Prices for nitrogen and natural gas increased in 2021 and again further in early 2022 as a result of Russia's invasion of Ukraine and high inflationary conditions globally. As nitrogen and natural gas are key inputs to the production of nitrogen-based fertilisers, this resulted in an increase in prices of most fertiliser types, which consequently drove demand for potash, and hence prices. Global demand for potash was also supported by the decline in international crop yields in conjunction with most countries relying on product imports.

The recent price increases were also largely driven by supply concerns surrounding the economic sanctions on Russia and Belarus, which are the second and third largest producers of potash globally. Elsewhere, shortages have been aggravated by a rail strike in Canada which was a result of a labour union dispute.

According to the Commodity Markets Outlook by the World Bank in April 2022, potash prices are projected to average 1.5 times higher in 2022 than in 2021, and are expected to remain elevated in 2023 unless supply returns to international markets from Russia and Belarus.

Outlook and the SOP industry in Australia

According to Future Market Insights, global demand for SOP is projected to grow at 4.8% per annum between 2022 and 2029 driven by a growing world population, changing eating habits toward high-value crops, and the increased requirement for higher crop yields.

SOP prices, however, are expected to be determined largely by supply-side factors which have been volatile in light of varying input costs for chemical inputs and raw materials as well as other changing environmental factors.

Australia is currently not known to be a major supplier of MOP or SOP, with no commercial production of potash until recently. However, several proposed potash mining projects have emerged across Western Australia's salt lakes, with the brine deposits deemed to be suitable for organic SOP production.

With one of the world's largest agricultural sectors, Australia consumes up to 465 kilotonnes of SOP and MOP per annum, which is currently all imported from Canada, the Middle East and Europe. Therefore, it is expected that any future potash production will be met with robust domestic demand.

If Kalium Lakes is successful in commercial production of SOP in Australia, the Company will likely benefit from favourable market conditions with the industry widely regarded to be constrained in supply. However, Kalium Lakes also faces certain operational risks, with full-scale SOP production in Australia still unprecedented and the natural brine processing method being subject to optimal environmental and logistical conditions.

Source: World Bank Commodity Markets Outlook April 2022, Future Market Insights, Natural Resources Canada and Kalium Lakes Company website.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('**Sum-of-Parts**') valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above. The component parts are then aggregated to arrive at a value of the company.

9.1 Value of Kalium Lakes prior to the Placement

In our assessment of the value of a Kalium Lakes share prior to the Placement, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology, which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated. The value derived from this methodology reflects a control value; and
- QMP as our secondary methodology, representing the value that a Shareholder may receive for a share if it were sold on market. The value derived from this methodology reflects a minority interest value.

We have employed the Sum-of-Parts methodology in estimating the fair market value of Kalium Lakes by aggregating the estimated fair values of its underlying assets and liabilities, having consideration for:

- The value of the Beyondie Project, applying the DCF methodology;
- The value of Kalium Lakes' resources outside of the Beyondie LOM model, having reliance on the valuations carried out by an independent technical specialist;
- The required funding in order to realise the DCF value; and
- The value of Kalium Lakes' other assets and liabilities.

We have chosen these methodologies for the following reasons:

- As the Beyondie Project is a producing asset, we can assess the core value of the Project based on the estimated future cash flows. Cash flows from the Beyondie Project have a finite life and may vary substantially from year to year, rendering it suitable for a DCF valuation and not a FME valuation;

- The residual resources not included in the DCF are valued using alternative valuation methodologies by an independent technical specialist, as contained in the Technical Specialist Report in Appendix 5; and
- The QMP basis is a relevant methodology to consider because Kalium Lakes' shares are listed on the ASX. This means there is a regulated and observable market where Kalium Lakes' shares can be traded, therefore reflecting the value that a Shareholder will receive for a share sold on the market. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the Company's activities. An analysis of the liquidity of the Company's shares is detailed in section 10.2 of our Report.

9.2 Value of Kalium Lakes following the Placement

In our assessment of the value of a Kalium Lakes share following the Placement, we have also adopted the Sum-of-Parts methodology. As discussed in Section 9.1 above, this approach involves separately valuing each asset and liability of the company using different methodologies. The value of a Kalium Lakes share following the Placement consists of:

- The value of the Beyondie Project, applying the DCF methodology;
- The value of Kalium Lakes' resources outside of the Beyondie LOM model, having reliance on the valuations carried out by an independent technical specialist;
- The value of Kalium Lakes' other assets and liabilities;
- Adjustments to the value of Kalium Lakes following the Placement; and
- Adjustments to the number of shares on issue as a result of the Placement.

We do not consider it necessary to use a secondary methodology to value a Kalium Lakes share following the Placement because the key differences between the pre-Placement value and the value following the Placement is the price at which the capital raising is conducted and the application of a minority interest discount. Both these aspects of the valuation do not require a secondary methodology. We have used the QMP methodology as a secondary approach in valuing a Kalium Lakes share prior to the Placement and SRK has used a number of approaches in assessing the value of the mineral and exploration assets outside of the LOM model.

Technical Specialist

In performing our valuation of Kalium Lakes' mineral assets both prior to and following the Placement, we have relied on the Technical Specialist Report prepared by SRK. The Technical Specialist Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) (**'VALMIN Code'**) and the JORC Code. We are satisfied with the valuation methodologies adopted by SRK which we believe are in accordance with industry practices and are compliant with the requirements of the VALMIN Code. The specific valuation methodologies used by SRK are referred to in the respective sections of our Report and in further detail in the Technical Specialist Report contained in Appendix 5.

10. Valuation of Kalium Lakes prior to the Placement

10.1 Sum-of-Parts

We have employed the Sum-of-Parts methodology in estimating the fair market value of a Kalium Lakes share on a control basis prior to the Placement, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration of the following:

- Value of the Beyondie Project;
- Value of the residual resources of Kalium Lakes not included in the DCF;
- Value of Kalium Lakes' other assets and liabilities; and
- Present value of forecast corporate costs of Kalium Lakes.

Our Sum-of-Parts valuation is set out in the table below:

Valuation of Kalium Lakes prior to the Placement	Ref	Low value $	Preferred value $	High value $
Value of the Beyondie Project	10.1.1	27,000,000	49,000,000	72,000,000
Value of Kalium Lakes' other mineral assets	10.1.2	40,930,000	51,200,000	62,570,000
Value of Kalium Lakes' other assets and liabilities	10.1.3	19,552,670	19,552,670	19,552,670
Present value of corporate costs	10.1.4	(25,000,000)	(25,000,000)	(25,000,000)
Cash raised from Tranche 1 of the Placement	10.1.5	7,090,273	7,090,273	7,090,273
Total value of Kalium Lakes prior to the Placement (control)		**69,572,943**	**101,842,943**	**136,212,943**
Number of shares outstanding	10.1.6	1,853,919,266	1,838,687,158	1,823,455,050
Value per share prior to the Placement (control)		**$0.038**	**$0.055**	**$0.075**

Source: BDO analysis

We have assessed the value of a Kalium Lakes share prior to the Placement (on a controlling interest basis) to be in the range of $0.038 to $0.075 with a preferred value of $0.055.

10.1.1. Valuation of the Beyondie Project

The management of Kalium Lakes have prepared a detailed forecast cash flow model ('**the Model**') of its Beyondie Project. The Model estimates the future cash flows expected from production over the LOM of the Beyondie Project.

We have assessed the reasonableness of the Model and the material assumptions that underpin it. We have made certain adjustments to the Model where it was considered appropriate, to arrive at an adjusted model ('**Adjusted Model**'). We have adjusted the Model to reflect any changes to technical assumptions as a result of SRK's review, in addition to any changes to the economic and other input assumptions that we consider appropriate as a result of our research.

The Model was prepared based on estimates of the production profile of the Beyondie Project, operating costs and capital expenditure. The main assumptions underpinning the Model and Adjusted Model include:

- mining and processing volumes;
- SOP prices;

- operating costs;
- development and sustaining capital expenditure;
- rehabilitation costs;
- foreign exchange rates;
- royalties;
- corporate tax; and
- discount rate.

We undertook the following analysis on the Model:

- analysed the Model to confirm its integrity and mathematical accuracy;
- appointed SRK as technical expert to review, and where required, provide changes to the technical assumptions underpinning the Model;
- conducted independent research on certain economic and other inputs such as SOP prices, exchange rates, inflation, and the discount rate applicable to the future cash flows of Kalium Lakes;
- held discussions with SRK to confirm the reasonableness of the technical inputs underpinning the Model; and
- performed sensitivity analysis on the value of the Beyondie Project as a result of flexing key assumptions and inputs.

We have not undertaken a review of the cash flow forecast in accordance with the Standards on Assurance Engagement ASAE 3450 'Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information' and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted Model has been based have not been prepared on a reasonable basis.

Appointment of a technical expert

SRK was engaged to prepare a report providing a technical assessment of the underlying assumptions in the Model. SRK's assessment involved the review and provision of opinion on the reasonableness of the assumptions adopted in the Model, including but not limited to:

- mining physicals (including volume mined, recovery, and grade);
- mineral resource and reserves included in the Model;
- processing assumptions (including products recovery);
- operating costs (comprising mining, processing and administration costs);
- capital expenditure (development and sustaining capital required);
- royalties;
- rehabilitation; and
- other relevant assumptions.

SRK's Technical Specialist Report is included in Appendix 5.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Adjusted Model, as it is

often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Economic assumptions

Inflation

We applied inflation to the Model in order to convert the cash flows to nominal terms in the Adjusted Model.

In our assessment of the inflation rate, we have considered forecast inflation rates as sourced from Bloomberg, whilst also giving consideration to historical inflation rates in Australia. We note that SOP prices are denominated in US dollars, and therefore we have also considered historical and forecast US inflation rates, and inflation targeting policies in the US. We have used inflation forecasts, sourced from Bloomberg until 2026, from which point we have assumed that inflation will revert to 2% in both Australia and the US. We have adopted the following inflation rates for the respective calendar year ('**CY**') periods:

Inflation rates	CY22	CY23	CY24	CY25+
Australia	5.80%	3.60%	2.70%	2.00%

Inflation rates	CY22	CY23	CY24	CY25+
United States	7.50%	3.40%	2.30%	2.00%

Source: Bloomberg and BDO analysis

Foreign Exchange

SOP prices obtained from our research are quoted in USD terms. We have converted SOP prices from USD to AUD at the following forecast exchange rates for their respective CY periods:

Exchange Rates	CY22	CY23	CY24	CY25	CY26+
USD:AUD	0.72	0.75	0.75	0.77	0.78

Source: Bloomberg and BDO analysis

SOP Prices

In forming our view of the forecast SOP price, we have had regard to both historical SOP prices as well as consensus analyst views on forecast pricing.

We have considered the forecast pricing provided by a number of potash industry specialists and based on the consensus view across these sources as well as our own research and discussions with SRK, we have formed the following view of nominal forecast SOP pricing (standard, granular and soluble) over the forecast period:

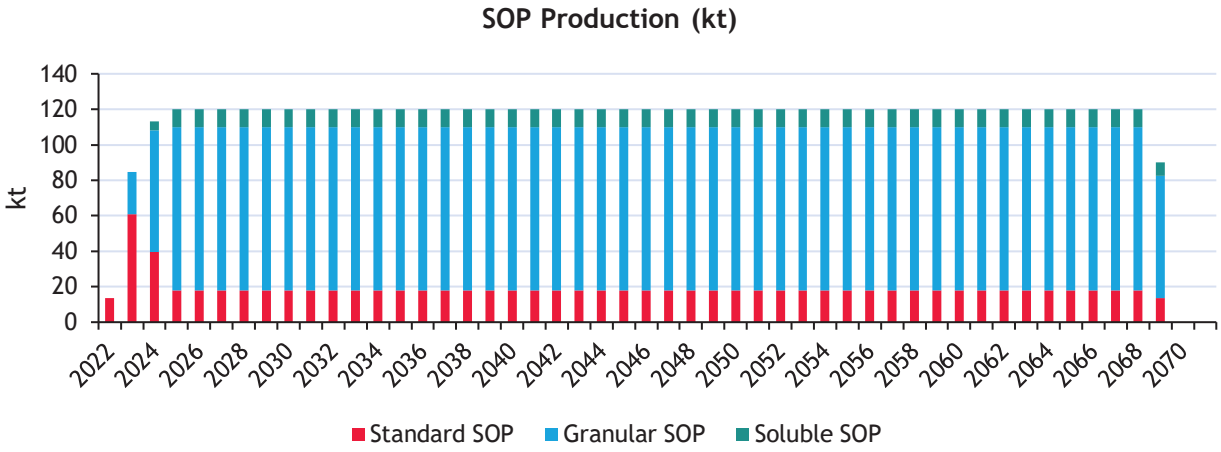
Pricing data (US$/t)	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30	CY31
Standard Grade SOP Prices	1,125	1,025	823	696	627	641	656	673	689	706
Granular Grade SOP Prices	1,182	1,076	864	731	659	673	689	707	724	742
Soluble Grade SOP Prices	1,294	1,178	946	801	721	737	754	774	793	812

Pricing data (US$/t)	CY32	CY33	CY34	CY35	CY36	CY37	CY38	CY39	CY40+*
Standard Grade SOP Prices	724	742	760	778	798	817	837	858	879
Granular Grade SOP Prices	760	779	798	817	838	858	879	901	923
Soluble Grade SOP Prices	832	853	874	895	917	940	963	987	1,011

Source: Consensus forecasts and BDO analysis
*Following CY40, we have inflated SOP prices at our adopted long-term US inflation rate of 2% for the remainder of the LOM.

Mining physicals

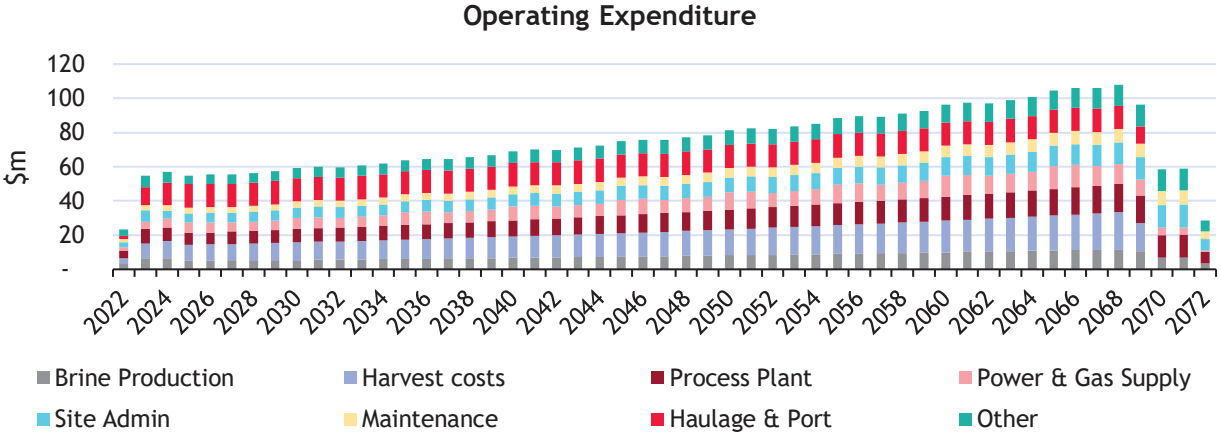
The Beyondie Project is currently producing, with a current remaining production outlook of approximately 48 years. The graph below shows the forecast SOP to be processed over the production outlook period, for each calendar year assuming a 1 July 2022 valuation date. We note that SRK have confirmed the reasonableness of the LOM production schedule, specifically the production of SOP at the plant's 120ktpa capacity over the life of the Beyondie Project, which has been reflected in the Adjusted Model and the chart below. Further information on SRK's recommendations can be found in Appendix 5 of our Report.



Source: Adjusted Model and BDO analysis

Operating costs

The operating costs included in the Adjusted Model include brine production costs, harvesting and transporting costs, processing costs, utilities costs, native title costs and maintenance costs, amongst others. In preparing the Adjusted Model, we have applied our inflation assumptions to the forecast operating costs. SRK has confirmed the reasonableness of the forecast operating cost assumptions having considered the costs incurred historically and by assessing the forecast per tonne operating costs in the context of their experience with mining projects in Australia. The forecast nominal operating costs for the Beyondie Project are illustrated in the chart below.



Source: Adjusted Model and BDO analysis

Capital expenditure

The capital expenditure requirements for the Beyondie Project included in the Adjusted Model relate to development and sustaining capital costs, which total $175 million (on a real basis) over the LOM. Included in this figure is an additional $20 million processing plant development contingency, an additional $3 million allowance for the expansion to 120ktpa in the current stretched capital construction environment, and an additional $0.5 million per year to cover a mobile crushing plant that can handle oversized material, as advised by SRK. In the Adjusted Model, we have applied inflation to these capital costs based on the expected timing of these costs as advised by SRK. Further information on SRK's recommendations can be found in Appendix 5 of our Report.

Offtake

The Company currently has an offtake partner with the offtake period ending in 2031. For commercial reasons, we have not disclosed the details of this offtake arrangement, however the offtake terms have been reflected in the Adjusted Model. Following the offtake period, we have made an assumption that the Company will be in a position to negotiate more favourable offtake terms or be in a position to arrange sale of part or all of its own product. Based on discussions with management and SRK, we have assumed that after the offtake period, the Company will incur a marketing cost of 50% of what is paid under the current offtake agreement. Management have confirmed that this is not an unreasonable assumption.

Royalties

SOP produced at the Beyondie Project is subject to a 5.0% royalty (WA State Government ad valorem royalty). The WA State Government Royalty is reflected in the Adjusted Model.

We note that the Adjusted Model also accounts for two private royalties, being a native title royalty of 0.75% of revenue (less marketing and haulage charges), and a founders' royalty of 1.90% of gross revenue to the existing royalty holders of the Company, being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust, and Greenstone. We note that the updated terms of the founders' royalty as part of the Debt Restructure are reflected in the Adjusted Model.

SRK advise that the other royalties as summarised in section 2.3.3 of their report do not form part of the Beyondie Project 120ktpa mine plan. Therefore, the other royalties do not have a material impact on value, and do not require modelling.

Taxation

As at 30 June 2022, Kalium Lakes had approximately $64 million of carried forward tax losses. The Australian tax authorities have rules in place for determining whether a company's unused tax losses are able to be utilised against future taxable profits, including the continuity of ownership test and the similar business test. Nothing has come to our attention to suggest that Kalium Lakes' carried forward tax losses would not be able to be utilised following the Placement, however, there is no certainty that Kalium Lakes will meet these tests in the future.

Following the utilisation of the Company's tax losses, taxation has been applied at a rate of 30% over the LOM.

Corporate costs

We have excluded corporate costs from the Adjusted Model, as we have separately assessed an appropriate level of corporate costs for Kalium Lakes in Section 10.1.4.

Mine Closure Costs

The Model includes total mine closure costs of $60 million (in real terms), which SRK has verified. We have reflected these closure costs in the Adjusted Model, after applying inflation.

Receivables and payables

We have not reflected the receivables and payables balances as at 30 June 2022 in the Adjusted Model. We note these balances are considered separately in Kalium Lakes' other assets and liabilities in Section 10.1.3.

Inventories

We have reflected inventories on hand as at 30 June 2022 in the Adjusted Model, which largely relates to SOP stockpiles and consumables. We have assumed all inventories are sold or have been used by the end of the forecast period.

Debt repayment

The Adjusted Model includes principal and interest repayments from the Company's facilities with the Senior Lenders, as well as the additional $20 million Liquidity Facility made available by the Senior Lenders. The Adjusted Model forecasts that all debt held by the Company will be fully repaid by 2039 as a result of a number of cash sweeps. The outstanding balance of the debt facilities included in the Adjusted Model is $179.1 million.

Assumed financing

The Adjusted Model includes an equity raising of $20 million and a drawdown of the Liquidity Facility, which is sufficient to cover any cash shortfalls over the LOM. In our valuation of Kalium Lakes prior to the Placement, we have assumed that this cash injection will be funded through a notional equity raising, whereas our valuation of Kalium Lakes following the Placement does not require a notional equity raise as this is covered by the Placement. Further information on the notional capital raising can be found in Section 10.1.6.

Additionally, the Adjusted Model includes drawdowns and the subsequent repayment of principal and interest from the $20 million Liquidity Facility.

Discount rate

In our assessment of an appropriate discount rate to apply to the cash flows of the Beyondie Project, we consider the most appropriate discount rate to be Kalium Lakes' cost of equity. This is because the Adjusted Model includes debt cash flows, and therefore the cash flows in the Adjusted Model represent cash flows to equity holders.

We have selected a nominal cost of equity in the range of 13.45% to 18.29% per annum to discount the cash flow of the Beyondie Project to its present value. We have used a rounded midpoint discount rate of 16.0% in our base case.

In selecting this range of discount rates, we have considered the following:

- the rate of return for comparable ASX listed companies currently developing SOP projects; and
- the risk profile of Kalium Lakes as compared to the comparable companies identified.

A detailed consideration of how we arrived at our adopted discount rate range is shown in Appendix 3.

Sensitivity analysis

Our valuation of the Beyondie Project is sensitive to changes in forecast commodity prices, operating expenditure, capital expenditure and foreign exchange rates. We have therefore included a sensitivity analysis to consider the value of the Beyondie Project under various pricing scenarios and in applying:

- a change of +/- 10% to the SOP price;
- a change of +/- 10% to operating costs;
- a change of +/- 10% to capital costs;
- a change of +/- 10% to the AUD/USD exchange rate; and
- a discount rate in the range of 12% to 16%.

The following sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of the Beyondie Project if our base case assumptions change:

Currency: $000	Sensitivity Analysis of the value of the Beyondie Project			
Percentage change	**SOP price (US$/t)**	**Capital costs**	**Operating costs**	**Exchange rate (AUD/USD)**
-10%	-7,467	55,493	85,340	111,098
-8%	4,219	54,211	78,089	97,617
-6%	15,816	52,930	70,838	84,709
-4%	27,308	51,648	63,587	72,340
-2%	37,745	50,367	56,336	60,475
0%	**49,085**	**49,085**	**49,085**	**49,085**
2%	60,349	47,804	41,834	38,142
4%	71,578	46,522	34,583	28,088
6%	82,786	45,240	27,332	18,443
8%	93,994	43,959	20,081	8,675
10%	105,202	42,677	12,831	-738

Source: Adjusted Model and BDO analysis

	Discount Rate				
Discount rate (%)	14.0%	15.0%	**16.0%**	17.0%	18.0%
Value of the Beyondie Project ($000)	64,741	56,155	**49,085**	43,219	38,318

Source: Adjusted Model and BDO analysis

In considering the above sensitivities, Shareholders should note the following:

- the variables described above may have compounding or offsetting effects and are unlikely to move in isolation;
- the variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- the sensitivities performed do not cover the full range of possible variances from the base case assumptions used (i.e. variances could be greater than the percentage increases or decreases set out in this analysis).

We also note that we have presented the above sensitivities to highlight the sensitivity of the value of the Beyondie Project to changes in pricing and other assumptions.

Based on the above analysis we consider the value of the Beyondie Project to be in the range of $27 million to $72 million with a preferred value of $49 million. Our assessed low and high values are based on +/-4% movements in the SOP price and AUD/USD exchange rates. These two key economic inputs drive the forecast Australian Dollar denominated SOP price on which Kalium Lakes derives its revenue. Therefore, given the sensitivity of the value to movements in the SOP price and exchange rate, we consider it appropriate to adopt a wide range of values around our preferred position. Further, given the volatility of the granular and soluble premiums, the volatility of the potash benchmark price and the life of the project, we consider this an appropriate range of values.

10.1.2. Valuation of mineral assets outside the Beyondie LOM Model

We have instructed SRK to independently value the resources of Kalium Lakes that lie outside the Beyondie LOM model. SRK applied the comparable transaction method and a peer analysis for valuing the resources and exploration potential of the Beyondie Project that fall outside the Model.

The residual resources and exploration potential relating to the Company's interest in the Carnegie Project were also valued using the comparable transaction method and a peer analysis, whilst the exploration potential of the Dora/Blanche tenements were valued using comparable transactions and the geoscientific method.

The range of values for Kalium Lakes' residual resources, as calculated by SRK are set out below:

Total value of mineral assets outside of the Beyondie LOM*	Low Value $m	Preferred Value $m	High Value $m
Beyondie Project (outside of LOM model)	38.55	48.52	58.49
Carnegie Project (70% interest)	2.29	2.50	3.82
Dora/Blanche tenements	0.09	0.17	0.26
Concluded Range	**40.93**	**51.20**	**62.57**

Source: SRK Valuation, 2022, BDO analysis
*Any discrepancies between values in the tables are due to rounding.

The fair market value of the residual resources of Kalium Lakes lay within the range of $40.93 million to $62.57 million, with a preferred value of $51.20 million as outlined in the table above. For further information on SRK's approach and conclusions, refer to the Technical Specialist Report, which is included as Appendix 5 of our Report.

10.1.3. Value of Kalium Lakes' other assets and liabilities

The other assets and liabilities of Kalium Lakes represent the assets and liabilities that have not been specifically addressed elsewhere in our Sum-of-Parts valuation. From our discussions with Kalium Lakes and analysis of these other assets and liabilities, outlined in the table below, we do not consider there to be a material difference between book value and fair value unless an adjustment has been noted below.

The table below represents a summary of the assets and liabilities identified:

Valuation of Kalium Lakes' other assets and liabilities	Ref	Reviewed as at 31-Dec-21 $'000	Adjusted Value $'000
CURRENT ASSETS			
Cash and cash equivalents	a)	50,093	18,824
Cash and cash equivalents - Restricted cash	a)	2,582	2,582
Trade receivables and other assets		2,937	2,937
Inventory on hand	b)	444	-
TOTAL CURRENT ASSETS		**56,056**	**24,343**
NON-CURRENT ASSETS			
Property, plant and equipment	c)	3,074	-
Mine properties - in production	d)	165,556	-
Work in progress	e)	152,657	-
Collateral for bank guarantees		610	610
Right-of-use asset		39	39
TOTAL NON-CURRENT ASSETS		**321,935**	**649**
TOTAL ASSETS		**377,991**	**24,992**
CURRENT LIABILITIES			
Trade and other payables		4,997	4,997
Provisions		417	417
Borrowings	f)	2,515	-
Lease liabilities		25	25
TOTAL CURRENT LIABILITIES		**7,954**	**5,439**
NON-CURRENT LIABILITIES			
Provisions	g)	19,205	-
Borrowings	f)	170,367	-
TOTAL NON-CURRENT LIABILITIES		**189,572**	**-**
TOTAL LIABILITIES		**197,526**	**5,439**
NET ASSETS		**180,465**	**19,553**

Source: Kalium Lakes' reviewed financial statements for the half-year ended 31 December 2021, management accounts as at 30 June 2022 and BDO analysis.

We have not undertaken a review of Kalium Lakes' unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We have been advised that there has not been any other significant change in the net assets of Kalium Lakes since 30 June 2022 and that the above assets and liabilities represent their fair market values apart from the adjustments detailed below. Where the above balances differ materially from the reviewed position at 31 December 2021 we have obtained supporting documentation to validate the adjusted values used, which provides reasonable grounds for reliance on the unaudited financial information.

We note the following in relation to the above valuation of Kalium Lakes' other assets and liabilities:

Note a) Cash and cash equivalents

We have adjusted the value of cash and cash equivalents to account for the movements over the half year ended 30 June 2022. Kalium Lakes' management have provided us with the bank balance at 30 June 2022, which we have verified against the Company's June Quarterly Cashflow Statement.

A breakdown of the cash and cash equivalents balance is set out below.

Cash and cash equivalents	$000's
Cash and cash equivalents at 31 December 2021	50,093
Less: development and production expenditure	(18,402)
Less: staff costs	(6,590)
Less: administration and corporate costs	(2,678)
Less: interest and finance costs	(5,316)
Less: purchase of property plant and equipment	(900)
Less: other expenditure	(638)
Add: proceeds from borrowings	3,255
Cash and cash equivalents at 30 June 2022	**18,824**

Source: Kalium Lakes' management accounts as at 30 June 2022, June 2022 Quarterly Cashflow Report and BDO analysis.

Note b) Inventory on hand

We have adjusted the inventories balance of approximately $0.44 million as at 31 December 2021 to nil, as the value of inventories has been reflected in our DCF value of the Beyondie Project.

Note c) Property, plant and equipment

We have adjusted the book value of property, plant and equipment of $3.07 million at 31 December 2021 to nil, as these assets are reflected in our DCF value of the Beyondie Project, which has been considered separately in the Sum-of-Parts. We note the portion of the property, plant and equipment balance that is not related to mining activities is immaterial.

Note d) Mine properties

We have adjusted the mine properties balance of approximately $165.56 million at 31 December 2021 to nil, as this is reflected in our DCF value of the Beyondie Project, which has been considered separately in the Sum-of-Parts.

Note e) Work in progress

The work in progress balance relates solely to capitalised development expenditure incurred at the Beyondie Project on property, plant and equipment that is yet to be commissioned. We have adjusted the work in progress balance of approximately $152.66 million at 31 December 2021 to nil, as these assets are reflected in our DCF value of the Beyondie Project, which has been considered separately in the Sum-of-Parts.

Note f) Borrowings

We have adjusted the current and non-current borrowings balances to nil. The borrowings balances relate to Kalium Lakes' facilities with the Senior Lenders. As the principal and interest repayments from these facilities are reflected in the Adjusted Model, we have removed these balances as they are already reflected in our value of the Beyondie Project.

Note g) Non-current provision

The non-current provisions balance relates solely to anticipated costs for future rehabilitation of land explored or mined. We have adjusted the non-current provisions balance of approximately $19.21 million

at 31 December 2021 to nil. We have removed the provision, as mine closure costs are included in the Adjusted Model and therefore reflected in the value of the Beyondie Project.

10.1.4. Present value of corporate costs of Kalium Lakes

We have removed the corporate costs from the Adjusted Model. These corporate costs consist of all corporate and administrative costs incurred by Kalium Lakes that cannot be directly attributable to the Beyondie Project.

As part of our analysis, we have considered the corporate costs that Kalium has incurred historically. The corporate costs incurred for the half year ended 31 December 2021 and the years ended 30 June 2021 and 30 June 2020 are set out below.

	Actual half-year ended 31-Dec-21 $m	Actual year ended 30-Jun-21 $m	Actual year ended 30-Jun-20 $m
Corporate costs of Kalium Lakes	3.5	6.9	11.6

Source: Kalium Lakes' audited financial statements for the years ended 30 June 2020 and 30 June 2021 and reviewed financial statements for the half year ended 31 December 2021.

We note that Kalium incurred substantial legal costs during the year ended 30 June 2020 (approx. $4.6 million). We understand this was largely due to several significant contracts being signed during the period.

As part of our analysis, we have also considered the corporate costs incurred by ASX-listed companies with a similar size and scale of operations to Kalium Lakes. We have analysed and selected ASX-listed mining companies with producing assets located within Australia, while considering other company characteristics such as revenue and market capitalisation as proxies for the size and scale of operations.

Our analysis of the corporate costs for the identified ASX-listed companies is set out below. We have not included Kalium Lakes data in the mean and median calculations, but it has been presented for comparison purposes:

Company Name	Market capitalisation 09-Aug-22 $m	Revenue for the half year ended 31-Dec-21 $m	Revenue for the year ended 30-Jun-21 $m
Kalium Lakes	***108.7***	***0.0***	***7.5***
Pantoro Limited	311.3	41.7	87.8
Dacian Gold Limited	142.1	77.9	241.6
Tribune Resources Limited	209.9	75.7	177.7
Alkane Resources Limited	506.2	76.9	127.8
Metals X Limited	285.8	107.7	93.8
New Century Resources Limited	241.0	181.2	278.0
Beacon Minerals Limited	104.8	35.7	73.7
Rand Mining Limited	85.3	20.2	43.2
Mean (excluding Kalium Lakes)	235.8	77.1	140.5
Median (excluding Kalium Lakes)	225.4	76.3	110.8

Source: Annual Reports and Half Year Reports, Bloomberg Data and BDO analysis.

Company Name	Corporate costs for the half-year ended 31-Dec-21 $m	Corporate costs for the year ended 30-Jun-21 $m	Corporate costs for the year ended 30-Jun-20 $m
Kalium Lakes	***3.5***	***6.9***	***11.6***
Pantoro Limited	1.9	3.0	3.2
Dacian Gold Limited	3.3	7.5	7.9
Tribune Resources Limited	4.5	8.8	10.6
Alkane Resources Limited	5.4	10.5	10.0
Metals X Limited	1.8	5.1	6.8
New Century Resources Limited	3.3	7.7	4.6
Beacon Minerals Limited	0.7	3.1	2.0
Rand Mining Limited	1.2	2.1	2.9
Mean (excluding Kalium Lakes)	**2.8**	**6.0**	**6.0**
Median (excluding Kalium Lakes)	**2.6**	**6.3**	**5.7**

Source: Annual Reports and Half Year Reports, Bloomberg Data and BDO analysis.

Based on the above analysis of corporate costs incurred by comparable ASX listed companies and having consideration for the corporate costs incurred by Kalium Lakes historically, we have assessed the initial corporate costs for Kalium Lakes to be $6 million per annum (on a real basis). Once the SOP plant reaches maximum throughput of 120ktpa in 2024, we have assumed that the Company's corporate costs will reduce to approximately $4 million per annum (on a real basis), noting that once the Company reaches full production there should be less need for legal and advisory costs.

We have applied our assessed Australian forecast inflation rates to the corporate costs over the forecast period and have discounted these cash flows at Kalium Lakes' cost of equity of 16%. We have also included the tax shield that arises as a result of the expenditure.

Based on the above analysis, we have assessed the present value of corporate costs (including the benefit of the tax shield) to be $25 million, which we have input into our Sum-of-Parts valuation of Kalium Lakes.

10.1.5. Cash raised from Tranche 1 of the Placement

As discussed in Section 1 and Section 4 of our Report, we have considered the prior issue and ratification of the Tranche 1 Placement shares in our assessment of the value of a Kalium Lakes share prior to the Placement. Therefore, we have accounted for the receipt of $7.1 million as consideration for the issue of 177,256,832 shares in Kalium Lakes (including 34,733,949 shares to Greenstone), pursuant to Tranche 1 of the Placement, in our Sum-of-Parts.

10.1.6. Number of shares on issue

As detailed in Section 4 of our Report, the Company had 1,181,712,214 shares on issue prior to the Placement. We have adjusted the shares on issue to account for the shares issued pursuant to the notional capital raising outlined below, the exercise of the nil exercise price options, and the prior issue of the Tranche 1 Placement shares. As such, we have outlined the adjusted number of shares on issue for Kalium Lakes below:

Shares on issue	Note	Low	Preferred	High
Shares on issue prior to the Placement		1,181,712,214	1,181,712,214	1,181,712,214
Shares issued pursuant to notional capital raising	a)	477,272,727	462,040,619	446,808,511

Shares on issue	Note	Low	Preferred	High
Shares issued upon exercise of options		17,677,493	17,677,493	17,677,493
Share issued pursuant to Tranche 1 of the Placement		177,256,832	177,256,832	177,256,832
Number of shares on issue prior to the Placement		**1,853,919,266**	**1,838,687,158**	**1,823,455,050**

Source: BDO analysis

Note a) Number of shares issued pursuant to notional capital raising

In assessing the DCF value of the Beyondie Project prior to the Placement, we have made certain assumptions on the funding that will be available to the Company. In particular, per RG 111.15, the funding requirements for a target that is not in financial distress (i.e. capital that is required to develop a project) should generally be taken into account when determining the fair value of target securities.

The Adjusted Model assumes an injection of $20 million in equity funding in the September quarter of 2022, which is also a prerequisite condition for the Company to draw down the $20 million Liquidity Facility provided by its Senior Lenders.

In calculating the number of shares to be issued to raise the required level of equity funding, we have increased the amount to be raised to reflect our estimate of likely capital raising costs. We have assessed the placement fee to be approximately 5% of the funds raised. Therefore, in calculating the number of shares to be issued, the total equity funding requirement will be approximately $21 million (inclusive of a placement fee).

In order to determine the likely price at which Kalium Lakes would have to place its shares to a third party or to current shareholders under a notional capital raising to raise the funds required, we considered the quoted market prices of Kalium Lakes' shares and the discount at which shares have been issued by ASX listed companies when compared to the respective companies' 30-day VWAP prior to the announcement of the placement.

We considered the discount at which shares have been issued over the last three years (compared to each respective company's 30-day VWAP prior to the announcement of the placement), by ASX listed companies to raise capital. A summary of our results is set out in the table below:

	Offer size between $15m - $50m	Capital raise between 20%-40% of market cap	Market cap <$100m	All companies
All Mining				
No. companies	101	173	750	918
Mean	26.5%	24.8%	22.5%	23.0%
Median	15.6%	17.4%	16.2%	15.9%
All ASX				
No. companies	254	323	1,425	1,954
Mean	20.9%	24.8%	23.3%	21.8%
Median	13.1%	17.2%	16.2%	14.7%

Source: Bloomberg and BDO analysis

From our analysis, the average (mean) discount for ASX listed companies was 21.8%. Given that the placement discounts have ranged significantly we have also considered the median of 14.7% as this represents a better measure of central tendency. For mining companies listed on the ASX, the median placement discount was 15.9%.

Given that the size of the notional capital raising required to fund the Beyondie Project would be approximately 20% of Kalium Lakes' current market capitalisation, we have analysed placement discounts for capital raisings in which the amount raised was between 20% to 40% of the company's market capitalisation at the time of the raising. We found that the median discount for mining companies was 17.4% and the mean discount across all companies on the ASX raising between 20% to 40% of their market capitalisation was 24.8%.

We have also assessed the discounts on capital raisings for companies with market capitalisations of less than $100 million (where Kalium Lakes' market capitalisation currently falls). The mean discount across all ASX listed companies in this band was 23.3%, with the median being 16.2%. The data reflects a similar trend for mining companies, showing a mean of 22.5% and a median of 16.2%.

Further, for capital raisings of broadly similar sizes to the Placement, the mean discount across all ASX listed companies was 20.9%, with the median being 13.1%. For mining companies raising a similar level of capital, the mean and median placement discounts were 26.5% and 15.6%, respectively.

Given the above analysis, we consider a placement discount in the range of 30% and 35% will be required to provide a sufficient incentive for investors to participate in any raising that Kalium Lakes would conduct on the open market. We note that the Company may be unable to raise capital at a discount of 30% to 35% due to the repayment obligations to its Senior Lenders. However, as per RG 111, the funding requirements for a company that is not in financial distress should generally be taken into account when determining the fair value of its securities, and as such, we have assessed this discount on the basis that Kalium Lakes is not in financial distress.

Our assessed discount is above the upper end of observed historical data on the basis recent capital raises have been conducted at discounts of 18.2%, 69.4%, and 26.5% to the prevailing closing prices prior to the announcement of the respective capital raising. We also note there to be evidence of placement discounts of between 30% to 35% in the observed dataset. On this basis, we consider a placement discount of 30% to 35% to be reasonable for Kalium Lakes.

In Section 10.2 of our Report, we consider the QMP of Kalium Lakes shares. From this analysis, we assessed the 30-day volume weighted average price ('**VWAP**') of Kalium Lakes' shares prior to the announcement of the Placement to be $0.067. Applying a discount in the range of 30% to 35% to the assessed VWAP results in an assumed notional capital raising price of between $0.044 and $0.047 per share. We note that compared to the last close price of Kalium Lakes prior to the announcement of the Placement of $0.092, these prices represent discounts of approximately 52% and 49%, respectively, which is broadly consistent with the discounts observed by Kalium Lakes historically.

As shown in the table below, in order to raise $21 million to provide funding to develop the Beyondie Project and cover capital raising costs, the Company will be required to issue between 446,808,511 and 477,272,727 new shares, as outlined below.

	Low	High
Equity funding required (A$)	21,000,000	21,000,000
Quoted market price ($) (minority)	$0.067	$0.067
Assessed placement discount (%)	35%	30%
Price of capital raising	$0.044	$0.047
Number of shares issued under notional capital raise	477,272,727	446,808,511

Source: Bloomberg and BDO analysis.

For our preferred valuation, we have used a midpoint of the number of shares issued under the notional capital raise, being 462,040,619.

10.2 Quoted Market Price for Kalium Lakes' Securities

To provide a comparison to the valuation of Kalium Lakes in Section 10.1, we have also assessed the quoted market price for a Kalium Lakes share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

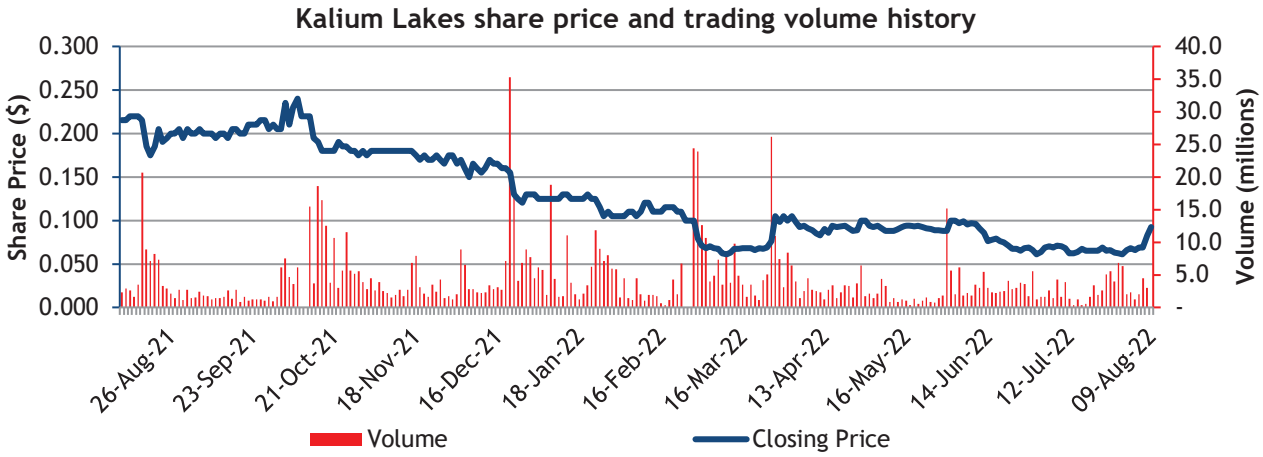
Whilst Greenstone will not be obtaining 100% of Kalium Lakes, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Kalium Lakes share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Kalium Lakes share is based on the pricing prior to the announcement of the Placement. This is because the value of a Kalium Lakes share after the announcement may include the effects of any change in value as a result of the Placement. However, we have considered the value of a Kalium Lakes share following the announcement when we have considered reasonableness in Section 13.

Information on the Placement was announced to the market on 18 August 2022. Therefore, the following chart provides a summary of the share price movement over the 12 months to 9 August 2022 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Kalium Lakes shares from 10 August 2021 to 9 August 2022 has ranged from a low of $0.061 on 29 July 2022 to a high of $0.245 on 6 October 2021. The highest single trading day over the assessed period was 22 December 2021, where 35,231,041 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$ (movement)			$ (movement)		
01/08/2022	Quarterly Activities and Cashflow Reports - to 30 June 2022	0.066	▲	8.2%	0.069	▲	4.5%
01/08/2022	First Commercial Sales of Beyondie SOP	0.066	▲	8.2%	0.069	▲	4.5%
26/07/2022	Investor Presentation	0.066	▲	1.5%	0.061	▼	7.6%
01/07/2022	Operating and Corporate Activities Update	0.064	▲	4.9%	0.069	▲	7.8%
29/04/2022	Quarterly Activities/Appendix 5B Cash Flow Report	0.100	▲	12.4%	0.092	▼	8.0%
01/03/2022	Operational and Corporate Activities Update	0.079	▼	21.0%	0.070	▼	11.4%
25/01/2022	Beyondie SOP Project - Activities Update	0.115	▼	8.0%	0.105	▼	8.7%
22/12/2021	Beyondie SOP Project - Activities Update	0.130	▼	16.1%	0.130	▶	0.0%
22/10/2021	Share Purchase Plan - Offer Booklet	0.190	▲	5.6%	0.180	▼	5.3%
14/10/2021	Successful Completion Of A$50M Capital Raising	0.195	▼	11.4%	0.180	▼	7.7%
05/10/2021	Australia's First Sulphate Of Potash Producer	0.235	▲	14.6%	0.240	▲	2.1%
16/09/2021	Beyondie SOP Project - Commissioning Update	0.205	▲	5.1%	0.200	▼	2.4%
23/08/2021	Investor Presentation - BSOPP Immediate Expansion to 120ktpa	0.205	▲	10.8%	0.200	▼	2.4%
18/08/2021	BSOPP Feasibility Study Complete - New 120ktpa Base Case	0.185	▼	14.0%	0.205	▲	10.8%

Source: Kalium Lakes' ASX announcements and Bloomberg

Over the assessed period, we noted several days with significant trading volumes.

On 1 March 2022, Kalium Lakes provided an operational and corporate activity update at the Beyondie Project. The update outlined the requirement for further external funding following a review of the production ramp-up schedule. On the date of the announcement, 24,379,059 shares were traded with a share price decline of 21.0% to close at $0.079. The share price declined a further 11.4% over the subsequent three-day trading period to close at $0.070. Over the subsequent three-day trading period, 47,116,913 shares were traded.

On 22 December 2021, Kalium Lakes released its Beyondie Project activities update, highlighting the completion of construction of the compaction plant, the grant of its operating license and a commissioning update. On the date of the announcement, 35,231,041 shares were traded with a resulting share price decline of 16.1% to close at $0.130.

On 18 August 2021, the Company announced the completion of the 120ktpa Feasibility Study at the Beyondie Project. On the date of the announcement, 20,687,446 shares were traded with a share price decline of 14.0%, to close at $0.185. The share price increased 10.8% over the subsequent three-day trading period to close at $0.205.

To provide further analysis of the market prices for a Kalium Lakes share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 9 August 2022.

Share Price per unit	9-Aug-22	10 Days	30 Days	60 Days	90 Days
Closing price	$0.092				
Volume weighted average price (VWAP)		$0.068	$0.067	$0.078	$0.083

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Placement, to avoid the influence of any increase in price of Kalium Lakes shares that has occurred since the Placement was announced.

An analysis of the volume of trading in Kalium Lakes shares for the twelve months to 9 August 2022 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.085	$0.098	2,946,365	0.25%
10 Days	$0.061	$0.098	37,593,626	3.18%
30 Days	$0.061	$0.098	81,486,568	6.90%
60 Days	$0.061	$0.110	168,402,875	14.25%
90 Days	$0.061	$0.110	254,718,133	21.56%
180 Days	$0.061	$0.180	756,268,772	64.00%

Source: Bloomberg, BDO analysis

This table indicates that Kalium Lakes' shares display a high level of liquidity, with 64.00% of the Company's current issued capital being traded in a 180-day period prior to the announcement of the Placement. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;

- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Kalium Lakes, we consider the shares to display a high level of liquidity, on the basis that more than 1% of securities have been traded weekly on average, with 64.00% of Kalium Lakes' current issued capital being traded over a 180-day period prior to the announcement of the Placement, and 21.56% of Kalium Lakes' current issued capital being traded in the last 90 trading days. Additionally, of the 52 weeks in which our analysis is based on, more than 1% of Kalium Lakes' current share capital had been traded in 36 of those weeks.

Our assessment is that a range of values for Kalium Lakes' shares based on market pricing, after disregarding post announcement pricing, is between $0.065 and $0.090.

10.2.1. Quoted Market Price including control premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value a Kalium Lakes share on a control basis, we have added a control premium that is based on our analysis set out in Appendix 4.

Applying a control premium to Kalium Lakes' quoted market share price results in the following quoted market price value including a premium for control:

QMP including control premium	Ref	Low	High
Value per share (minority basis)	10.2	$0.065	$0.090
Control premium	Appendix 4	20%	30%
Value per share (controlling interest)		**$0.078**	**$0.117**

Source: BDO analysis

Therefore, our valuation of a Kalium Lakes share based on the quoted market price method and including a premium for control is between $0.078 and $0.117, with a rounded midpoint value of $0.098.

10.3 Assessment of Kalium Lakes Value

The results of the valuations performed are summarised in the table below:

	Low $	Preferred $	High $
Sum-of-Parts value (Section 10.1)	0.038	0.055	0.075
QMP (Section 10.2)	0.078	0.098	0.117

Source: BDO analysis

We consider the Sum-of-Parts approach to be the most appropriate methodology to value Kalium Lakes as the core value lies within the Company's mineral assets, which have been independently valued by SRK, an independent technical specialist in accordance with VALMIN, or valued using the DCF methodology, technical inputs reviewed by SRK.

We note that the value of Kalium Lakes derived under the Sum-of-Parts valuation is lower than that derived under the QMP approach for the following reasons.

- It is not uncommon for the market price of companies that have exploration and development assets to differ from a valuation prepared by an independent technical specialist for the purposes of an Independent Expert's Report. This is because investors are not necessarily guided by the principles of RG 170 and IS 214 in forming their valuations, allowing the market price to reflect the potential upside or downside expectations associated with the exploration assets should market conditions change;
- We have instructed SRK to prepare their Technical Specialist Report in compliance with the VALMIN Code and other industry guidelines, whilst also adhering to guidance provided by ASIC's Regulatory Guides. Market participants are not governed by these industry codes and therefore may be basing their valuations on different technical and economic assumptions;
- The quoted market price may not fully reflect the challenges faced by the Company in meeting its debt obligations and the position it is in regarding its need for equity financing in order to avoid an event of default. This is supported by the Issue Price of the Placement and SPP which is broadly consistent with our Sum-of-Parts value.
- There have been positive market indicators throughout the year for ASX listed miners and explorers, as evidenced by the BDO Explorer Quarterly Cash Update for the March 2022 quarter which reported continued strong investment and financing inflows, with exploration companies receiving a total of $2.01 billion in funds. Given the current environment, we note that market prices more broadly are likely to exceed values ascribed by independent technical specialists, as the values are often based on resource multiples observed in historical comparable transactions. Notwithstanding that the multiples on historical transactions used by SRK have been rebased to the commodity price as at the valuation date, it is not uncommon for multiples on transactions to be affected by market sentiment in excess of movements in commodity prices.

As such, based on the results above we consider the value of a Kalium Lakes share to be between $0.038 and $0.075, with a preferred value of $0.055.

11. Valuation of Kalium Lakes following the Placement

11.1 Sum-of-Parts valuation of Kalium Lakes following the Placement

As outlined in Section 9.2, our Sum-of-Parts valuation of Kalium Lakes following the placement has consideration for the following:

- The value of the Beyondie Project, applying the DCF methodology;
- The value of Kalium Lakes' other mineral assets or exploration areas, having reliance on the values carried out by an independent technical specialist;
- The value of Kalium Lakes' other assets and liabilities;
- Adjustments to the value of Kalium Lakes following the Placement; and
- Adjustments to the number of shares on issue as a result of the Placement.

Our Sum-of-Parts valuation is set out in the table and accompanying notes below:

Valuation of Kalium Lakes following the Placement	Ref	Low value $	Preferred value $	High value $
Value of the Beyondie Project	a)	27,000,000	49,000,000	72,000,000
Value of Kalium Lakes' other mineral assets	10.1.2	40,930,000	51,200,000	62,570,000
Value of Kalium Lakes' other assets and liabilities	10.1.3	19,552,670	19,552,670	19,552,670
Present value of corporate costs	10.1.4	(25,000,000)	(25,000,000)	(25,000,000)
Cash raised from Tranche 1 of the Placement	10.1.5	7,090,273	7,090,273	7,090,273
Value of Kalium Lakes following the Placement (control)		**69,572,943**	**101,842,943**	**136,212,943**
Number of shares outstanding	b)	1,749,389,707	1,749,389,707	1,749,389,707
Value per share		**$0.040**	**$0.058**	**$0.078**
Minority interest discount (%)	c)	23%	20%	17%
Value per share ($) - minority basis		**$0.031**	**$0.046**	**$0.065**

Source: BDO analysis

The table above indicates that the value of a Kalium Lakes share on a minority basis is between $0.031 and $0.065, with a preferred value of $0.046. The following adjustments were made to the net assets of Kalium Lakes in arriving at our valuation of the Company following the Placement.

Note a) Value of the Beyondie Project

We do not consider that the impact of the Placement alters the forecast cash flows or the risks of achieving those cash flows, and as such, the DCF values of the Beyondie Project remain unchanged. The change in assumptions we have considered is the source of the $20 million funding, which, prior to the Placement was raised through a notional equity raising. Refer to Section 10.1.1 for the detail in relation to the value of the Beyondie Project.

The impact of this assumption is contained within the number of shares on issue prior to and following the Placement, as detailed in note b) below.

Note b) Number of shares on issue following the Placement

We have adjusted the number of shares on issue prior to the Placement to reflect the issue of 550,000,000 shares if the Placement is approved, as outlined in the table below. As outlined prior, the cash receipts

from the issue of the Placement shares are considered in the Adjusted Model, and as a result, we have not separately adjusted for cash raised under the Placement.

Shares on issue	Number
Number of shares on issue as at the date of our Report	1,181,712,214
Shares issued upon exercise of options	17,677,493
Add: Shares issued under Tranche 1 of the Placement	177,256,832
Add: Shares issued under Tranche 2 of the Placement	372,743,168
Number of shares on issue following the Placement	**1,749,389,707**

Source: Kalium Lakes' management and BDO analysis

Note c) Minority interest discount

As outlined in Section 3.3 of our Report, in assessing fairness we have compared the value of a Kalium Lakes share prior to the Placement on a control basis to the value of a Kalium Lakes share following the Placement on a minority interest basis.

A minority interest discount is the inverse of a premium for control and is calculated using the formula 1-(1÷ (1 + control premium)). As discussed in section 10.2.1, we consider an appropriate control premium for Kalium Lakes to be in the range of 20% to 30%, giving a minority interest discount in the range of 17% to 23%, with a rounded midpoint of 20%.

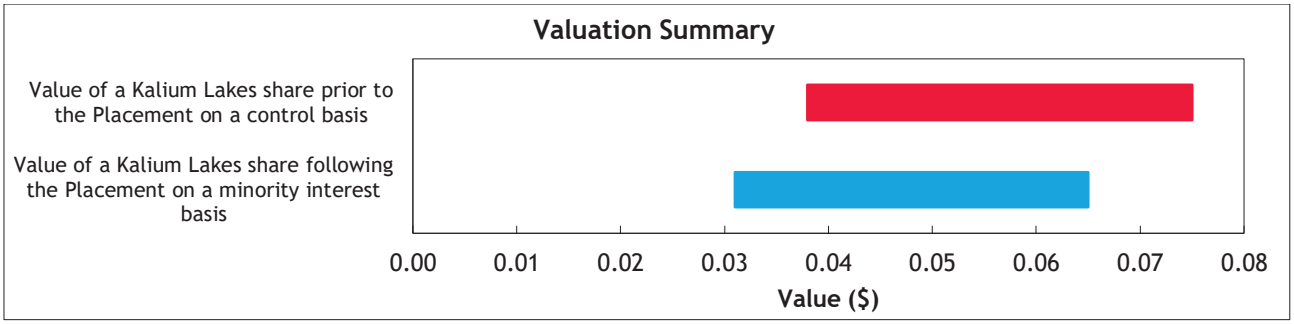
12. Is the Placement fair?

The value of a Kalium Lakes share prior to the Placement on a control basis and the value of a Kalium Lakes share following the Placement on a minority basis is compared below:

	Ref	Low $	Preferred $	High $
Value of a Kalium Lakes share prior to the Placement on a control basis	10.3	0.038	0.055	0.075
Value of a Kalium Lakes share following the Placement on a minority basis	11.1	0.031	0.046	0.065

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of a superior proposal, the Placement is not fair for Shareholders.

Based on the guidelines provided by RG 111, we consider that if the value of a Kalium Lakes share prior to the Placement on a control basis is equal to or greater than the value of a Kalium Lakes share following the Placement on a minority interest basis, the transaction is fair. Despite this, our assessment is that the Placement is not fair as our valuation of Kalium Lakes following the Placement is less than our valuation of Kalium Lakes prior to the Placement at each of the low, mid, and high points of our valuation ranges.

Further, we note that whilst the low and preferred valuation points prior to the Placement and the preferred and high valuation points following the Placement overlap, it would be inappropriate to compare these points, as comparing these points would imply two different values for the same assets. Therefore, the above valuations must be compared on a like for like basis at individual points, rather than across the range.

Accordingly, we consider the Placement to be not fair for Shareholders.

13. Is the Placement reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Kalium Lakes a premium over the value resulting from the Placement.

13.2 Practical Level of Control

If the Placement is approved then Greenstone will hold a maximum interest of approximately 24.92%, assuming nil funds are raised under the SPP. As detailed in section 4 of our Report and the Notice of Meeting, Greenstone's interest will be dependent on the extent to which Shareholders participate in the SPP. Greenstone's resulting interest under different levels of participation are set out below.

Description	0% Uptake	50% Uptake	75% Uptake
Shares held by Greenstone following the Placement	431,559,657	431,559,657	431,559,657
Shares to be issued pursuant to the SPP	-	100,000,000	150,000,000
Other shares on issue	1,300,152,557	1,300,152,557	1,300,152,557
Greenstone % following the Placement and SPP	*24.92%*	*23.56%*	*22.93%*
Existing Shareholder % following the Placement and SPP	***75.08%***	***76.44%***	***77.07%***

Source: BDO analysis

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. Therefore, given that approval is being sought for up to a maximum of 24.92%, following the Placement, Greenstone will not be able to block or pass special or general resolutions.

Kalium Lakes' Board currently comprises four directors, which includes Mark Sawyer, who is Greenstone's nominee to the Board. This means that Greenstone nominated directors make up 25% of the Board. Therefore, Greenstone's control of Kalium Lakes following the Placement will be significant when compared to all other Shareholders.

We also note that Kalium Lakes Co-Founder and Non-Executive Director, Mr. Brent Smoothy, has agreed to subscribe for 50,000,000 shares under the Placement, to increase his relevant interest in Kalium Lakes to approximately 7.61%. However, there will be no control implications regarding this increase in interest.

13.3 Consequences of not Approving the Placement

An event of default is likely to be triggered

As set out in section 4 of our Report, the Company has negotiated the Debt Restructure with the Senior Lenders to facilitate the proposed expansion to 120ktpa, which includes but is not limited to:

- a deferral of all senior principal repayments under the project finance facilities from March 2024 to March 2025;
- an extension to the final maturity date for the project finance facilities to March 2040; and
- an extension to the maturity date for the existing A$20 million Liquidity Facility to January 2026.

The Debt Restructure requires that the Company completes an equity raise of at least $20 million (net of costs). As detailed in section 4 of our Report, failure to satisfy this condition will result in an event of default.

If the Placement is not approved, the Company will forgo the $14.1 million of funding that would be raised pursuant to Tranche 2 the Placement, and further:

- will not be able to draw down from the $20 million Liquidity Facility provided by the Senior Lenders; and
- if the Company is unable to raise the required level of funding, there will be an event of default under the Company's debt facilities, meaning that the Senior Lenders can demand immediate repayment of their loans in full.

The Company intends to use this funding to progress the expansion of the Beyondie Project to a production level of 120ktpa and to retain for working capital purposes.

If the Placement is not approved, Kalium Lakes will need to source alternative means of fund raising, as a failure to undertake a capital raising of at least $20 million on or before 7 October 2022 will trigger an event of default under the Senior Lenders' financing facilities.

Management has advised that the Company has pursued a number of alternatives in order to raise capital, however, none of these alternatives have materialised. We note the following:

- Since the start of 2019 (as detailed in section 5.3 of our Report), the Company has conducted a number of capital raisings at discounts of 26%, 69% and 18% to the closing prices in July 2019, May 2020 and October 2021 respectively. The discounts observed on the prior capital raisings is an indication of the difficulties faced by the Company in raising additional equity funding;
- The existence of a shareholder (Greenstone) with significant influence and representation on the Board may reduce the attractiveness of Kalium Lakes for an investment by another cornerstone investor; and
- The Company is highly geared and as detailed in section 4 and 5 of our Report, has renegotiated its existing financing facilities in October 2021 and again in 2022. Further, but for this equity capital raising, the Company would be in breach of its debt service obligations. The Company has also pursued alternative bridge financing facilities, however the options available to the Company did not meet the requirements of the Senior Lenders. Therefore, we consider it unlikely that the Company could obtain additional debt financing on terms that are more advantageous than the current financing arrangements. In the unlikely event that the Company could obtain debt financing, there would likely be an equity conversion element to this debt financing and/or the terms of this debt funding, should it be available, would likely be on terms more onerous than the existing arrangements.

Therefore, we consider that if the Placement is not approved by Shareholders, an event of default is likely to be triggered as Kalium Lakes is unlikely to be able to source the requisite funding to meet its debt obligations. Under an event of default, all loans, together with accrued interest and all other amounts accrued or outstanding would become immediately due and payable. Given that the Company's debt balance is $179.1 million as at 30 June 2022, it is possible that under an event of default, the Company may be placed into administration and/or liquidate part of its portfolio of assets in order to satisfy its debt obligations.

In our view, the return to Shareholders would be lower under this scenario, therefore the Placement represents the most superior proposal that is currently available.

13.4 Advantages of Approving the Placement

We have considered the following advantages when assessing whether the Placement is reasonable.

13.4.1. Financing support for the 120ktpa expansion of the Beyondie Project

The funds raised under the Placement will be used to fund additional working capital during the ramp-up phase of the Beyondie Project and to facilitate the expansion up to its 120ktpa production rate. This expansion is targeted to be achieved by the third quarter of the 2024 calendar year. We have instructed SRK, an independent technical specialist to review the technical assumptions underpinning the Adjusted Model and based on their review of the underlying information, they have confirmed the reasonableness of the timing expectations.

As detailed above in our consequences of not approving the Placement, management have advised that the Company was unable to identify any viable alternative funding options at the present time, which is consistent with our research of the Company's historical fund raising activities and knowledge of debt and equity markets. Therefore, the Placement provides the requisite funding to avoid an event of default on its debt obligations, fund the expansion case for its Beyondie Project and provide Shareholders with the opportunity to participate in any upside arising from this expansion case, should it materialise.

13.4.2. The Placement is a prerequisite condition for the Company to access the $20 million Liquidity Facility and provides the Company with certainty of funding

As part of the debt restructure announced to the market on 13 October 2021, Kalium Lakes secured access to a $20 million Liquidity Facility from KfW and NAIF, for short term working capital purposes alongside the additional equity funding from the placement and SPP (announced the same day) to expand production at the Beyondie Project to 120ktpa. Following the change to the production ramp-up profile (as announced by the Company on 1 March 2022) and following negotiations with the Senior Lenders, the availability of the Liquidity Facility is subject to Kalium Lakes undertaking a capital raising of not less than $20 million, net of costs. Kalium Lakes is seeking to satisfy this requirement through conducting the Placement.

As such, the Placement will allow Kalium Lakes to draw down the $20 million Liquidity Facility to assist with its working capital requirements, ultimately with the aim of funding it through to production and through the ramp-up phase of the expansion at its Beyondie Project. Without access to the Liquidity Facility, Kalium Lakes will need to seek alternative arrangements for funding that are agreed upon by its current Senior Lenders.

Management has advised that it has already pursued a number of alternative avenues of accessing capital, with Kalium Lakes having struggled to raise funds due to a low number of institutional investors currently on the register. Additionally, current timing constraints and market conditions have recently hindered Kalium Lakes' ability to source alternative means of capital. This is evidenced by the placement discounts of 26%, 69% and 18% to the prevailing closing price in July 2019, May 2020 and October 2021 respectively, as well as the prior debt renegotiations with its Senior Lenders.

Further, we note that given the conditions surrounding the ability of the Company to draw down from the Liquidity Facility, and avoid an event of default, Kalium Lakes requires the certainty of an equity capital raise, such as in the form of a placement or an underwritten capital raise. Management of Kalium Lakes advises that as a result of the high portion of retail shareholders, and lack of institutional support, it has been unable to conduct a placement to another strategic investor or obtain an underwriting to the Placement or SPP from another party. As such, in order to meet the requirement of its Debt Restructure, the Company could not solely enter into a non-underwritten SPP as it does not provide the Company with the certainty of funding that is required.

Therefore, it is our opinion that a Placement led by a substantial shareholder (such as Greenstone) is a financing option that provides the highest level of certainty for Kalium Lakes and is therefore superior to the other potential financing options.

13.4.3. Shareholders will be given the opportunity to participate in the SPP which is to be conducted on the same terms as the Placement

As part of the Capital Raising, Shareholders will have the opportunity to participate in the SPP on the same terms as the Placement to Greenstone and other institutional investors. The Issue Price of $0.04 is at a 40.3% discount to the 30-day VWAP of the Company's shares prior to the announcement of the Placement. As detailed in section 4, the Company is also conducting a SPP (subject to shareholder approval), which will provide Shareholders the opportunity to subscribe for Kalium Lakes shares on the same terms provided to Greenstone. Therefore, a benefit of the Placement is that Shareholders also receive the opportunity to subscribe on the same terms, up to $30,000, albeit subject to scale back at the Company's discretion, should the funds raised under the SPP exceed $8 million.

If Shareholders choose to subscribe to the SPP, the dilution of their interests will be reduced depending on the level of participation. As outlined in Section 1 and Section 4 of our Report, Kalium Lakes is seeking Shareholder approval to issue the Placement shares to Greenstone, to increase its relevant interest in the Company to 24.92%. This percentage shareholding assumes that there is nil participation in the SPP. We have outlined below the impact on Greenstone's shareholding based on a 0%, 50% and 75% uptake in the SPP by Shareholders.

Description	0% Uptake	50% Uptake	75% Uptake
Shares held by Greenstone following the Placement	431,559,657	431,559,657	431,559,657
Shares to be issued pursuant to the SPP	-	100,000,000	150,000,000
Other shares on issue	1,300,152,557	1,300,152,557	1,300,152,557
Greenstone % following the Placement and SPP	*24.92%*	*23.56%*	*22.93%*
Existing Shareholder % following the Placement and SPP	***75.08%***	***76.44%***	***77.07%***

Source: BDO analysis

Therefore, based on the above figures, a greater uptake of the SPP will mean that Greenstone's interest in Kalium Lakes will not reach the maximum approval level being sought and Shareholders can reduce the level of dilution by subscribing to the SPP.

13.5 Disadvantages of Approving the Placement

If the Placement is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

13.5.1. Dilution of existing Shareholders' interests

The issue of new Kalium Lakes shares as part of the Placement is dilutive to current Shareholders. Existing Shareholders will go from holding 80.40% of the share capital of Kalium Lakes to holding a minimum of 75.08% following the Placement (assuming nil take up of the SPP). Under the various uptake scenarios in the Notice of Meeting, and as presented above, Shareholders' interests will be diluted to 75.08%, 76.44% and 77.07% assuming a 0%, 50% and 75% uptake under the SPP.

13.5.2. Presence of a large cornerstone investor may reduce the possibility of a takeover offer being received in the future

Following the Placement, Greenstone will have an increased shareholding (from 19.60% interest to 24.90%) which could deter potential acquirers from making a takeover offer for Kalium Lakes in the future, thereby reducing the opportunity for Shareholders to receive a future premium for control.

13.5.3. Shareholders may be scaled back under the SPP

As part of the Capital Raising, the Company proposes to provide Shareholders with the opportunity to participate in a SPP at the same issue price as the Placement. Although this is an advantage for Shareholders in that they are given this opportunity to participate in the Capital Raising at the same issue price as Greenstone, the Company reserves the right, in its absolute discretion, to scale back any applications, should funds raised under the SPP exceed $8 million.

13.6 Other considerations

The Debt Restructure arrangements have resulted in an increase in the tenements under the founders' royalty and an increase in the interest rate on deferred founders' royalties

As consideration for the Debt Restructure, the Company and the existing royalty holders have agreed to:

- grant a further royalty over all of its other existing mining tenements to the existing founders' royalty holders on the same terms as their existing royalties (being 1.9% of gross revenue), other than those mining tenements that would require third party consent (provided that the Company uses its reasonable endeavours to obtain such consents); and
- increase the interest rate on deferred royalties under the royalty arrangements from USD LIBOR plus 4.75% per annum to USD LIBOR plus 6.00% per annum.

The above changes to the royalties are reflected in our assessed value of a Kalium Lakes share, however we note to Shareholders that the increase in the tenements under the founders' royalty and interest rate on deferred founders' royalties will reduce the extent of returns that will flow to Shareholders, should they be realised. We have included this in 'Other considerations' because without the approval of the Placement, an event of default is likely to be triggered, which will likely result in a lower return (if any) to Shareholders. We also note that the tenements to which these additional royalties relate, are not forecast to be producing in the Adjusted Model, and if the Company was to produce from these

tenements, the timing of such production, will be so far in the future that in present value terms the impact on the value to Shareholders as at the valuation date would be negligible.

The Placement is value accretive on a like-for-like basis

In our assessment of whether the Placement is fair, we have assessed the value of a Kalium Lakes share prior to the Placement on a control basis compared to the value of a Kalium Lakes share following the Placement on a minority interest basis. However, we note that on a like-for-like basis, where the value of a Kalium Lakes share is measured on a control basis both prior to and following the Placement, the Placement is value accretive under our assessed low, preferred and high valuations, as outlined below:

	Low $	Preferred $	High $
Value of a Kalium Lakes share prior to the Placement (control basis)	0.038	0.055	0.075
Value of a Kalium Lakes share following the Placement (control basis)	0.040	0.058	0.078

Source: BDO analysis

This analysis also indicates that whilst Greenstone is paying a premium for control of Kalium Lakes, it is not the full control premium that we have assessed an acquirer should pay. This assessment is detailed in Appendix 4 and is based on historical premiums paid by ASX listed companies as well as Company specific factors.

Post-announcement pricing

We have assessed the movement in Kalium Lakes' share price following the announcement of the Placement. On 18 August 2022, following the announcement of the Placement, Kalium Lakes' share price fell from a pre-announcement price of $0.092 to $0.057, representing a decline of approximately 38%. This also represents a 15% decline from the 30-day VWAP of $0.067 prior to the announcement of the Placement.

14. Conclusion

We have considered the terms of the Placement as outlined in the body of this report and have concluded that, in the absence of a superior proposal, the Placement is not fair but reasonable to Shareholders.

In our opinion, the Placement is not fair because the value of a Kalium Lakes share prior to the Placement on a control basis is greater than the value of a Kalium Lakes share following the Placement on a minority interest basis. However, we consider the Placement to be reasonable because the advantages of the Placement to Shareholders are greater than the disadvantages. In particular, the Placement will provide financing support for the 120ktpa expansion of the Beyondie Project, whilst also being a precondition for drawdown of the $20 million liquidity facility provided by its Senior Lenders. Without access to these funds, Kalium Lakes will need to seek alternative financing arrangements in order to be able to develop the Beyondie Project, and realise the future cash flows expected to be generated from the sale of SOP. However, management have advised the Company was unable to identify any viable alternative funding options at the present time, which is consistent with our research of the Company's historical fund raising activities and knowledge of debt and equity markets.

Additionally, as part of the existing financing arrangements with its Senior Lenders, failure to complete a capital raising of at least $20 million (net of costs) on or before 7 October 2022 will trigger an event of default. In an event of default, all loans, together with accrued interest and all other amounts accrued or outstanding shall become immediately due and payable at the request of the Senior Lenders. Given the outstanding balance of the Company's borrowings, it is possible that if an event of default occurs, the Company may be placed into administration and/or liquidate part of its portfolio of assets in order to satisfy its debt obligations. The Senior Lenders would also be entitled to appoint a receiver over the Company's assets, providing effective control of Kalium Lakes. Under this scenario, the return to Shareholders would be much lower, therefore we consider the Placement represents the most superior proposal that is currently available.

Further, as part of the Capital Raising, Shareholders will have the opportunity to participate in the SPP, which is to be conducted at the same issue price as the Placement.

15. Sources of information

This report has been based on the following information:

- Draft Notice of Meeting on or about the date of this report;
- Audited financial statements of Kalium Lakes for the years ended 30 June 2020 and 30 June 2021;
- Reviewed financial statements of Kalium Lakes for the half year ended 31 December 2021;
- Unaudited management accounts of Kalium Lakes as at 30 June 2022;
- Quarterly cash flow report of Kalium Lakes for the periods ended 31 March 2022 and 30 June 2022;
- Independent Technical Assessment and Valuation Report of Kalium Lakes' mineral assets performed by SRK;
- Kalium Lakes' financial model for the Beyondie Project;
- Share and option registry information of Kalium Lakes;
- BDO Explorer Quarterly Cash Update: December 2021, March 2022;
- United States Geological Survey 2022;
- Various pricing research materials provided by Kalium Lakes;
- The World Bank;
- Announcements made by Kalium Lakes available through the ASX;
- Bloomberg;
- S&P Capital IQ;
- Information in the public domain; and
- Discussions with Directors and Management of Kalium Lakes and SRK.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $75,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Kalium Lakes in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Kalium Lakes, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Kalium Lakes and Greenstone and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Kalium Lakes and Greenstone and their respective associates.

A draft of this report was provided to Kalium Lakes and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 400 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants and is a CA BV Specialist. Ashton has over eleven years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

18. Disclaimers and consents

This report has been prepared at the request of Kalium Lakes for inclusion in the Notice of Meeting which will be sent to all Kalium Lakes Shareholders. Kalium Lakes engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the Placement is fair and reasonable to Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors

of the Company are responsible for conducting appropriate due diligence in relation to the Placement. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Kalium Lakes and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Placement, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Kalium Lakes, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Kalium Lakes.

The valuer engaged for the mineral asset valuation, SRK, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
120ktpa Feasibility Study	Feasibility study to support the increased productive capacity of the Beyondie Project to 120ktpa
$ or AUD	Australian dollar
The Act	The Corporations Act 2001 Cth
Adjusted Model	BDO Adjusted Model for the Beyondie Project
AFCA	Australian Financial Complaints Authority Limited
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BCI	BCI Minerals Limited
BDO	BDO Corporate Finance (WA) Pty Ltd
Beyondie Project	Beyondie SOP Mine
BFS	Bankable Feasibility Study
Capital Raising	Equity raising of $30 million comprising the Placement and the SPP
CAPM	Capital Asset Pricing Model
Carnegie Project	Carnegie Potash Project
Carnegie Scoping Study	Scoping study at the Carnegie Potash Project
The Company	Kalium Lakes Limited
Corporations Act	The Corporations Act 2001 Cth
CY	Calendar Year
DCF	Discounted Future Cash Flows
Debt Restructure	Restructure of the Company's debt with its Senior Lenders, as outlined in Section 4 of our Report

Reference	Definition
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESG	Environmental, Social and Governance
FEED	Front End Engineering and Design
FME	Future Maintainable Earnings
FSG	Financial Services Guide
Greenstone	Comprising Greenstone Management (Delaware) II LLC and Greenstone Resources II (Australia) Holdings LP
Independent Directors	The directors of Kalium Lakes who are not associated with Greenstone
Issue Price	$0.04 per share
Item 7 s611	Item 7 of Section 611 of the Corporations Act
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
K+S	K+S Asia Pacific Pte Ltd
Kalium Lakes	Kalium Lakes Limited
KfW	KfW IPEX-Bank GmbH
KLP	Kalium Lakes Potash Pty Ltd
kms	Kilometres
km^2	Square kilometres
ktpa	Thousand tonnes per annum
Liquidity Facility	$20 million facility provided to Kalium Lakes by the Senior Lenders
LOM	Life-of-Mine
mg/L	Milligrams per Litre
The Model	Detailed cash flow model for the Beyondie Project prepared by the management of Kalium Lakes with the assistance of advisors
MOP	Muriate of Potash

Reference	Definition
Mt	Million tonnes
NAIF	Northern Australia Infrastructure Facility
NAV	Net Asset Value
Placement	Capital raising to raise $22 million through the issue of 550,000,000 fully paid ordinary shares in Kalium Lakes at an issue price of $0.04 per share
PFS	Pre-Feasibility Study
The Project	Beyondie SOP Mine
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Salt Lake Potash	Salt Lake Potash Limited
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Senior Lenders	KfW and NAIF
Shareholders	Shareholders of Kalium Lakes not associated with Greenstone
SOP	Sulphate of Potash
SPP	Share Purchase Plan on the same terms as the Placement, to raise up to $8 million
SRK	SRK Consulting (Australasia) Pty Ltd
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Technical Specialist Report	Valuation of the mineral assets of Kalium Lakes issued by SRK

Reference	Definition
Tranche 1	Tranche 1 of the Placement, to raise $7.1 million through the issue of approximately 177 million shares
Tranche 2	Tranche 2 of the Placement, to raise $14.9 million through the issue of approximately 373 million shares
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WA	Western Australia
WACC	Weighted Average Cost of Capital

The Directors

BDO Corporate Finance (WA) Pty Ltd

Level 9, Mia Yellagonga Tower 2

5 Spring Street

Perth, WA 6000

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('**EBIT**') or earnings before interest, tax, depreciation and amortisation ('**EBITDA**'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 – Discount Rate

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model (‘**CAPM**’) is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business’ WACC, the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

In our assessment of the appropriate discount rate for Kalium Lakes, we consider the most appropriate discount rate to be the cost of equity. This is because the Adjusted Model considers cash flows to equity holders.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + ß \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
ß	= equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

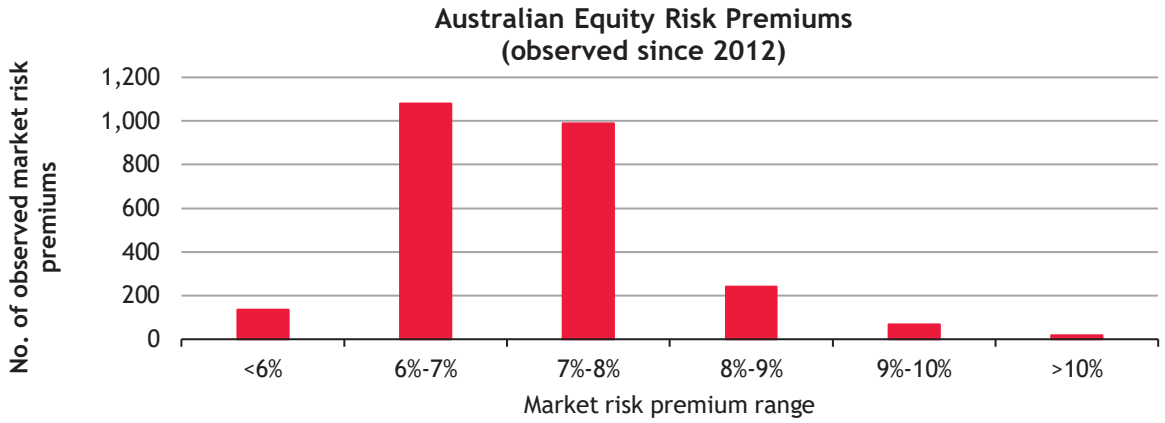
The risk free rate is typically approximated by reference to a forecast long term government bond rate with a maturity approximately equivalent to the timeframe over which the returns from the assets are expected to be received.

In determining an appropriate long-term bond rate to use as a proxy for the risk free rate we have given consideration to the ten-year Australian Government Bond rate and projections of the ten-year Australian Government Bond rate. Based on this analysis, we have used a risk free rate of between 3.0% and 4.0% in our analysis.

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice. In order to determine an appropriate market risk premium in Australia, we have analysed historical data. Our sample of data included the daily historical market risk premiums in Australia over the last ten years.

The market risk premium is derived on the basis of capital weighted average return of all members of the ASX/S&P 200 Index minus the risk free rate, which is dependent on the 10-year Australian Government Bond rate.



Source: Bloomberg and BDO analysis

The graph above illustrates the frequency of observations of the Australian market risk premium over the past ten years. The graph indicates that a high proportion of the sample data for Australian market risk premiums lie in the range of 6% to 8%. This is supported by the long term historical average market risk premium of between 6% and 8%, which is commonly used in practice. For the purpose of our Report we have adopted a market risk premium of between 6% and 8%.

Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally estimated using either a historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors, which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. It is generally accepted that a more valid analysis of betas can be achieved by 'ungearing' the equity beta to derive an asset beta (β_a) by applying the following formula:

Asset beta (β_a)	
β_a	= β / (1+(D/E x (1-t))
Where:	
β_a	= ungeared or asset beta
β	= equity beta
D	= value of debt
E	= value of equity
t	= corporate tax rate

Selected Beta (β)

In order to assess the appropriate equity beta for Kalium Lakes, we have considered the betas of ASX-listed SOP exploration and development companies, with a weighting towards those operating in Australia. The ASX listed companies identified have similar projects to Kalium Lakes, in respect of commodity type and location.

The betas below have been assessed over a three-year period using weekly returns, against the S&P/ASX All Ordinaries Index.

The list of comparable companies we selected are set out below. We have presented the data for Kalium Lakes alongside the comparable companies for information only, but have not included it in the calculation of the means and medians:

ASX-listed SOP companies: Beta calculations based on 3-year weekly returns					
Company	Market Capitalisation 30-Jun-22 (A$m)	Geared Beta (β)	Gross Debt/Equity (%)	Ungeared Beta (βa)	R^2
Kalium Lakes Limited (ASX:KLL)	***72.08***	***1.35***	***96%***	***0.81***	***0.11***
Agrimin Limited (ASX:AMN)	114.94	1.21	0%	1.21	0.11
Australian Potash Limited (ASX:APC)	36.38	0.82	0%	0.82	0.03
BCI Minerals Limited (ASX:BCI)	319.64	0.90	4%	0.88	0.12
Centrex Limited (ASX:CXM)	91.33	0.77	0%	0.77	0.01
Danakali Limited (ASX:DNK)	84.72	0.86	0%	0.86	0.08
Highfield Resources Limited (ASX:HFR)	327.99	1.40	0%	1.40	0.17
Reward Minerals Limited (ASX:RWD)	19.53	1.08	6%	1.03	0.08
South Harz Potash Limited (ASX:SHP)	53.20	1.04	0%	1.04	0.04
Trigg Mining Limited (ASX:TMG)	11.39	1.09	0%	1.09	0.05
Mean	**117.68**	**1.02**	**1%**	**1.01**	**0.08**
Median	**84.72**	**1.04**	**0%**	**1.03**	**0.08**

Source: Bloomberg and BDO analysis

Descriptions of the comparable companies are provided at the end of this appendix.

In selecting an appropriate beta for Kalium Lakes, we have considered the similarities and differences between Kalium Lakes and its set of comparable companies as set out above. The comparable similarities and differences noted are:

- The comparable companies all have SOP operations. Six of the nine selected comparable companies have SOP operations located in Australia, with five being located in WA. The remaining three comparable companies have operations in either East Africa, Germany or Spain, which we have taken into consideration when undertaking our analysis;
- The comparable companies have variable risk profiles depending on the number of assets they hold, the assets maturity, stage of development/production and location. Of the comparable companies, Kalium Lakes operated the only project to currently be in production of SOP, with a number of the other companies being in construction of feasibility study stages; and
- Although not all companies in the list have similar metrics across the above factors, we still consider them to be comparable as they have sufficient similarities on an overall basis.

In selecting an appropriate ungeared beta for Kalium Lakes, we have considered the ungeared betas of the companies listed above along with the various factors discussed. As set out in the table above, the ungeared betas for the list of comparable companies range from 0.77 to 1.40 with a mean and median of 1.01 and 1.03, respectively. Based on our analysis, we consider an appropriate ungeared beta to be in the range of 1.10 to 1.20 for Kalium Lakes.

We have then regeared the ungeared beta based on a forecast debt to equity ratio of Kalium Lakes over the LOM. We consider 40% to be reflective of the capital structure an investor would apply when investing in a SOP project. As such, we have adopted a debt to equity ratio of 40% to regear our ungeared beta range.

Inherent Risk Adjustment (R_a)

In the Technical Specialist Report, SRK noted several key risks associated with the Beyondie Project. These risks are found in Section 3 of SRK's Technical Specialist Report and include the following:

- The approved production capacity of the Project under the current license is only 100ktpa. This is below the 120ktpa production that is forecast from September 2024 until the end of the LOM. The cash flows in the Adjusted Model are on the basis of 120ktpa, and as such, should Kalium Lakes be unsuccessful in achieving environmental approvals for the production of 120ktpa, the cash flows in the Adjusted Model will substantially differ from the cash flows that will be realised by Kalium Lakes; and
- The ability to ramp-up to the 120ktpa run rate by September 2024 is highly dependent on the success of the August 2022 shutdown, and subsequent commissioning and ramp-up phases. As such, despite being considered reasonable by SRK, the ability to achieve production at this level is a key risk to the Beyondie Project.

Further details on these and other project-specific risks are discussed in SRK's Technical Specialist Report.

We consider it appropriate to account for these project-specific risks by applying an inherent risk adjustment factor of 2% to reflect these additional risks. We have cross checked this 2% adjustment with the implied beta range that would yield the same cost of equity. Based on the results of this cross check, we consider the 2% adjustment to be reasonable.

Cost of Equity

We have assessed the cost of equity of Kalium Lakes to be in the range of 13.45% to 18.29%, with our preferred value being a rounded midpoint of 16.00%.

Input	Value adopted	
	Low	High
Risk free rate of return	3.00%	4.00%
Equity market risk premium	6.00%	8.00%
Beta (regeared)	1.10	1.20
Inherent risk adjustment (alpha)	2.00%	2.00%
Cost of Equity	**13.45%**	**18.29%**

Source: Bloomberg and BDO analysis

Set out below are the company descriptions of the companies we considered in our comparable company analysis.

Company Name	Business Description
Agrimin Limited (ASX:AMN)	Agrimin Limited engages in the exploration and development of mineral properties in Australia. It holds a 100% interest in the Mackay Potash project comprising nine granted exploration licenses covering a total area of 3,500 km^2 located in Western Australia, as well as three exploration licenses applications covering 1,240 km^2 situated in the Northern Territory. Agrimin Limited was incorporated in 2006 and is based in Nedlands, Australia.
Australian Potash Limited (ASX:APC)	Australian Potash Limited engages in the exploration of mineral properties in Australia. The company explores for potash, gold, and nickel sulphide minerals. Its flagship property is 100% owned Lake Wells Sulphate of Potash project covering an area of approximately 1,200 km^2 located in the northeast of Kalgoorlie, Western Australia. The company was incorporated in 2011 and is headquartered in Subiaco, Australia.
BCI Minerals Limited (ASX:BCI)	BCI Minerals Limited engages in the exploration and development of mineral assets in Australia. The company explores for salt, iron ore, and sulphate of potash deposits. The company owns a 100% interest in the Mardie Salt and Potash Project located in the West Pilbara coast. The company also owns an interest in the Iron Valley mine and Carnegie potash project. BCI Minerals Limited was incorporated in 2006 and is based in West Perth, Australia.
Centrex Limited (ASX:CXM)	Centrex Limited operates as a mineral exploration company in Australia. The company explores for phosphate, potash, zinc, lead, gold, and copper deposits. Its flagship project is the Ardmore phosphate rock project located to the south of Mount Isa, Queensland. The company was incorporated in 2001 and is based in Adelaide, Australia.
Danakali Limited (ASX:DNK)	Danakali Limited, together with its subsidiaries, engages in the exploration of minerals in Eritrea, East Africa. It focuses on the development of the Colluli potash project located in the Danakil Depression region of Eritrea. Danakali Limited was incorporated in 2001 and is based in Perth, Australia.
Highfield Resources Limited (ASX:HFR)	Highfield Resources Limited engages in the exploration and development of potash mines in Spain. Highfield's flagship property is the Muga project that covers an area of approximately 60 km^2 located to the south east of Pamplona. The company also holds interest in the Pintanos tenement area, covering 65 km^2 and the Sierra del Perdón tenement area, covering 120 km^2 to the south east of Pamplona. The company was incorporated in 2011 and is headquartered in Pamplona, Spain.
Reward Minerals Limited (ASX:RWD)	Reward Minerals Ltd engages in the exploration and development of mineral properties in Australia. Its flagship project is its 100% owned Lake Disappointment sulphate of Potash Project that includes approximately 5,000 km^2 of granted tenements located in the Little Sandy Desert, Western Australia. Reward Minerals Ltd is headquartered in Nedlands, Australia.

Company Name	Business Description
South Harz Potash Limited (ASX:SHP)	South Harz Potash Limited explores for and develops mineral properties in Germany. The company primarily explores for potash deposits. It holds 100% interest in the South Harz project that includes three mining licenses and two exploration licenses covering an area of 659 km^2 located in Thüringen, Germany. South Harz Potash Limited is headquartered in West Perth, Australia.
Trigg Mining Limited (ASX:TMG)	Trigg Mining Limited operates as an exploration company in Australia. The company is involved in exploring and evaluating sulphate of potash projects for use in agricultural production and human nutrition for chloride sensitive crops. Its flagship project is the Lake Throssell project, which covers an area of approximately 1,080 km^2 located near Laverton, Western Australia. Trigg Mining Limited was incorporated in 2014 and is headquartered in West Perth, Australia.

Source: S&P Capital IQ and BDO analysis

Appendix 4 – Control Premium and Minority Interest Discount

The concept of a premium for control reflects the additional value that is attached to a controlling interest. We have reviewed control premiums on completed transactions, paid by acquirers of general mining companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below.

General mining companies

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2022	6	2739.69	25.74
2021	6	1235.14	29.89
2020	7	427.75	51.58
2019	12	143.74	42.83
2018	11	87.76	53.40
2017	5	13.91	35.21
2016	13	59.54	74.92
2015	9	340.83	57.86
2014	16	111.11	47.28
2013	17	117.99	63.99
2012	17	219.10	54.03

Source: Bloomberg, BDO analysis

All ASX listed companies

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2022	23	4,837.01	17.20
2021	37	1,281.91	48.22
2020	27	419.16	48.36
2019	46	2,961.72	36.74
2018	47	1,054.73	40.74
2017	30	940.19	42.05
2016	42	718.52	49.58
2015	34	828.15	34.10
2014	46	507.34	39.97
2013	41	128.21	50.99
2012	44	536.93	50.03

Source: Bloomberg, BDO analysis

The mean and median of the entire data sets comprising control transactions since 2012 for general mining companies and all ASX listed companies, respectively, are set out below.

Entire Data Set Metrics	General Mining		All ASX listed companies	
	Deal Value (AU$m)	Control Premium (%)	Deal Value (AU$m)	Control Premium (%)
Mean	346.94	52.35	1154.41	42.89
Median	36.13	43.47	117.63	33.19

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre transaction or proceeded to hold a controlling interest post transaction in the target company.

The table above indicates that the long-term average control premium paid by acquires of general mining companies and all ASX listed companies is approximately 52.35% and 42.89% respectively. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included 12 general mining company transactions and 29 ASX listed company transactions, for which the announced premium was in excess of 100%. We consider these transactions as outliers, as it is likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 43.47% for general mining companies and 33.19% for all ASX listed companies.

We consider an appropriate control premium for Kalium Lakes to be on the lower end of historical averages as a result of the covenants and restrictions in place with the Company's current financing arrangements as well as the uncertainty around the ability of Kalium Lakes to continue as a going concern as noted by the Company's auditor in its review report for the half year ended 31 December 2021. This would affect the premium that a potential acquirer may be willing to pay for control of the Company because one of the main benefits of acquiring control is to be able to influence the operations of the Company. However, when there are restrictive debt covenants in place, this benefit can be reduced as the power of the controlling shareholder to influence operations may be limited or restricted.

Based on the above analysis, we consider an appropriate premium for control to be between 20% and 30%.

The minority discount is calculated from the control premium identified, using the formula [1 – (1/(1+Control Premium))]. Therefore, the minority discount (rounded to the nearest percentile) is in the range from 17% to 23%.

Appendix 5 – Independent Valuation Report

Independent technical assessment and valuation report

Control transaction involving Company shareholders

BDO Corporate Finance (WA) Pty Ltd
and
Kalium Lakes Limited

SRK Consulting (Australasia) Pty Ltd ■ BDO020 ■ August 2022

srk consulting

Final

Independent technical assessment and valuation report

Control transaction involving Company shareholders

Prepared for:

BDO Corporate Finance (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

+61 8 6382 4600

Kalium Lakes Limited
1/152 Balcatta Road
Balcatta WA 6021

+61 8 9240 3200

Prepared by:
SRK Consulting (Australasia) Pty Ltd
Level 3, 18-32 Parliament Place
West Perth, WA, 6005
Australia

+61 8 9288 2000
www.srk.com

ABN. 56 074 271 720

Lead Author: Jeames McKibben **Initials:** JM
Reviewer: Philip Ashley **Initials:** PA

Certified System
Quality
ISO 9001

File Name:
BDO020_Kalium Lakes ISR_Rev3.docx

Suggested Citation:
SRK Consulting (Australasia) Pty Ltd. 2022. Independent technical assessment and valuation report. Project number: BDO020. Issued August. 2022.

Cover Image(s):
Beyondie processing facility and evaporation ponds

srk consulting

Acknowledgments

The following consultants have contributed to the preparation of this Report:

Role	Name	Professional designation
Co-ordinating Author	Jeames McKibben	BSc (Hons), MBA, FAusIMM (CP), MAIG, MRICS, SME
Contributing Author	Brian Luinstra	PhD, BSc (Geology), P.Geo
Contributing Author	Simon Hanrahan	BMinTech (Hons), FAusIMM (CP), PREQ
Contributing Author	Corey Milne	BSc, PhD, Chemical Engineering
Peer Review	Philip Ashley	BE (Hons) Mining, SME, MAusIMM
Releasing Authority	Jeames McKibben	BSc (Hons), MBA, FAusIMM (CP), MAIG, MRICS, SME

Contents

Tables

Figures

Appendices

Useful Definitions

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

°C	degrees Celsius
A$	Australian dollar
AC	air core drilling
AEM	airborne electromagnetic
Agrimin	Agrimin Limited
AIC	AIC Resources Limited
AMEC	Association of Mining and Exploration Companies
ASX	Australian Securities Exchange Ltd
AusIMM	Australasian Institute for Mining and Metallurgy
BAC	base acquisition cost
BCI	BCI Minerals Limited
BDO	BDO Corporate Finance (WA) Pty Ltd
BDO Report	Independent Expert's Report
Beyondie Project	Beyondie Sulphate of Potash Project, Beyondie Operations
CIM	Canadian Institute of Mining, Metallurgy and Petroleum
Cl	chloride
CNG	Compressed Natural Gas
CPP	Carnegie Potash Project
CRA	Conzinc Riotinto of Australia
DBCA	Department of Biodiversity, Conservation and Attractions
DCCEEW	Department of Climate Change, Energy, the Environment and Water (formerly Department of the Environment and Energy or DotEE)
DCF	discounted cashflow
DMIRS	Department of Mines, Industry Regulation and Safety
DotEE	Department of the Environment and Energy (now Department of Climate Change, Energy, the Environment and Water, DCCEEW)
DWER	Department of Water and Environmental Regulation
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
Ebtec	EBTEC Corporation, a German based processing plant designer
ELs	exploration licence/s
EP Act	*Environmental Protection Act 1986*
EPA	Environmental Protection Agency
EPBC	Environment Protection and Biodiversity Conservation Act 1999
EV	Enterprise Value
FY	financial year
GLpa	gigalitres per annum
GSWA	Geological Survey of Western Australia
ha	hectares

IFA	International Fertiliser Association
IVSC	International Valuation Standards Committee
JORC	Joint Ore Reserves Committee
JV	joint venture
K	potassium
Kalium or the Company	Kalium Lakes Limited
kg	kilograms
KLI	Kalium Lakes Infrastructure Pty Ltd
km^2	square kilometres
KPL	Kalium Lakes Potash Pty Ltd
KTMS	Kainite Type Mixed Salts
ktpa	kilo/thousand tonnes per annum
K-UTEC	K-UTEC AG Salt Technologies
L	litre/s
LNG	liquid natural gas
LOM	life-of-mine
M	million
m^3	cubic metres
MCP	Mine Closure Plan
MEE	multiples of exploration expenditure
mg	milligrams
ML	megalitres
ML/s	Mining Lease/s
MOP	muriate of potash
Mt	million tonnes
MTO	Mineral Titles Online
Mtpa	million tonnes per annum
MTR	metal transaction ratio
NMR	nuclear magnetic resonance
NPV	net present value
P&L	profit and loss
PfoP	Plan for our Parks
PFS	Pre-feasibility Study
PLs	prospecting licence/s
QA/QC	quality assurance/quality control
Rachlan	Rachlan Holdings Pty Ltd
Report	Independent Technical Assessment and Valuation Report
Reward	Reward Minerals Limited
RICS	Royal Institution of Chartered Surveyors
S	sulphur
S&P	Standard & Poor’s
SOP	sulphate of potash

SOPM	sulphate of potash magnesia
SRK	SRK Consulting (Australasia) Pty Ltd
SRK Scope	Independent Technical Assessment and Valuation Report providing its opinion on matters to which BDO are not Specialist
t	tonnes
the Model	the cash flow model
tpa	tonnes per annum
US$	United States dollar
WA	Western Australia
10^6	mega, million

Executive Summary

BDO Corporate Finance (WA) Pty Ltd (BDO) has been engaged by Kalium Lakes Limited (Kalium or the Company) to prepare an Independent Expert's Report (BDO Report) commenting on the fairness and reasonableness of a proposed transaction. The transaction structure is a control transaction involving Kalium and its top shareholder, Greenstone Resources PLC (Proposed Transaction).

BDO subsequently contacted SRK Consulting (Australasia) Pty Ltd (SRK) to provide Specialist services and prepare an Independent technical assessment and valuation report (Report) providing its opinion on matters to which BDO is not the Specialist (SRK Scope).

SRK's Scope was established by BDO and comprised:

1. A review of the technical project assumptions supporting the Beyondie Project (Beyondie) and the provision of an assessment on the reasonableness of each of the assumptions used in the cash flow model (the Model) including:
    a. mining physicals (including quantity, quality, waste material, and mine life)
    b. processing physicals (including ore processed and produced)
    c. production and operating costs (including but not limited to haulage, processing, transport, general administration, distribution and marketing, contingencies and royalties or levies)
    d. capital expenditure (including but not limited to pre-production costs, project capital costs, sustaining capital expenditure, salvage value, rehabilitation, and contingency)
    e. any other relevant technical assumptions not specified above.

    Should SRK determine that an assumption included in the Model is unreasonable then this will be reflected in its Report with an explanation.
2. An independent opinion on the market valuation of:
    a. Any of Kalium's residual resource that is not included in the life-of-mine (LOM) or any conversion factors of the resource that are included in the LOM for the Beyondie Project
    b. Any other exploration assets that SRK considers is likely to have material value.

The SRK Report has been prepared in accordance with the guidelines outlined in the *Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets* (VALMIN Code, 2015), which incorporates the *Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code, 2012).

SRK's recommended valuation ranges and preferred values are detailed in Section 7 of this Report (Valuation) and are summarised in Table ES-1. The valuation represents the Market Value of Kalium's Mineral Assets on a resource basis as at the Valuation Date, this being 9 August 2022.

Based on its technical assessment and valuation presented in the earlier sections of the Report, Tables ES-1 summarises SRK's market value assessment of Kalium's interest in the defined Residual Resources (i.e. those Mineral Resources that lie outside of the life of mine schedule) and exploration potential at Beyondie, Carnegie and Dora/Blanche in accordance with its mandate.

SRK notes that the market value of the Beyondie LOM schedule has been assessed by BDO (with input from SRK on the appropriate technical inputs) in its IER and as such no value has been ascribed in the table below by SRK.

Table ES-1: Summary valuation

Project	Aspects	Value Low (A$ M)	Value High (A$ M)	Value Preferred (A$ M)
Beyondie	Mineral Resources and Exploration Targets	38.55	58.49	48.52
Carnegie (70%)	Mineral Resources and Exploration Targets	2.29	3.82	2.50
Dora/Blanche	Exploration Potential	0.09	0.26	0.17
Overall Selection		**40.93**	**62.57**	**51.20**

Note: Any discrepancies between values in the tables are due to rounding.

In considering the overall value of Kalium's mineral assets, SRK has adopted the values implied by both Comparable Transaction and peer analysis and/or Comparable Transaction and geoscientific rating methodologies. SRK has adopted the midpoint as its preferred value overall for both the Beyondie and Dora/Blanche Assets. For the Carnegie Project, SRK has adopted a value towards the lower end of its range to reflect the uncertainty associated with the proposed creation of the Matuwa Kurrara Kurrara National Park.

In defining its valuation ranges, SRK notes that there are inherent risks involved when conducting any arm's length valuation exercise. These factors can ultimately result in significant differences in valuations over time. By applying narrower confidence ranges, a greater degree of certainty regarding these assets is being implied than may be the case. Where possible, SRK has endeavoured to narrow its valuation range.

1 Introduction

BDO Corporate Finance (WA) Pty Ltd (BDO) has been engaged by Kalium Lakes Limited (Kalium) to prepare an Independent Expert's Report (BDO Report) commenting on the fairness and reasonableness of a proposed transaction. The transaction is a control transaction involving Kalium and its top shareholder, Greenstone Resources PLC (Proposed Transaction).

BDO has subsequently contacted SRK Consulting (Australasia) Pty Ltd (SRK) to provide Specialist services and prepare an Independent Technical assessment and valuation report (Report) providing its opinion on matters to which BDO is not the Specialist (SRK Scope). The scope of this Report was determined by BDO.

1.1 Scope

Under its mandate as determined by BDO, SRK has provided:

1. A review of the technical project assumptions of the Beyondie Project and the provision of an assessment on the reasonableness of each of the assumptions used in the cash flow model (the Model) including:
    a. mining physicals (including tonnes of ore mined, quality, waste material, and mine life)
    b. processing physicals (including ore processed and produced)
    c. production and operating costs (including but not limited to drilling, blasting, mining, haulage, processing, transport, general administration, distribution and marketing, contingencies and royalties or levies)
    d. capital expenditure (including but not limited to pre-production costs, project capital costs, sustaining capital expenditure, salvage value, rehabilitation, and contingency)
    e. any other relevant technical assumptions not specified above.

    Should SRK determine that an assumption included in the Model is unreasonable then this will be reflected in its Report.
2. An independent opinion on the market valuation of:
    a. Any of Kalium's residual resource that is not included in the Beyondie LOM or any conversion factors of the resource that is included in the LOM.
    b. The following Kalium assets (if considered material to the overall portfolio of assets):
        i. Carnegie JV Project
        ii. Dora/Blanche Project.
    c. Any other exploration assets that SRK considers are likely to have material value.

1.2 Reporting standard

As noted previously, the Report has been prepared in accordance with the guidelines outlined in the *Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets* (VALMIN Code, 2015), which incorporates the *Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code, 2012).

A first draft of the report was supplied to Kalium to check for material errors, factual accuracy and omissions before the final report was issued.

For the purposes of this Report, value is defined as 'market value', being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each acted knowledgeably, prudently and without compulsion.

SRK's Report does not comment on the 'fairness and reasonableness' of any transaction between Kalium and any other parties.

For this Report, SRK has classified the mineral assets of Kalium in accordance with the categories outlined in the VALMIN Code (2015), these being:

- Early Stage Exploration Projects – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- Advanced Exploration Projects – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- Pre-Development Projects – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- Development Projects – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a pre-feasibility study (PFS).
- Production Projects – Tenure holdings – particularly mines, borefields and processing plants that have been commissioned and are in production.

As discussed further in this Report, SRK has classified the Beyondie Project as a Production Project, the Carnegie JV Project as an advanced exploration project and the Dora/Blanche Project as an early-stage exploration project. SRK has used valuation approaches that are typically used for mineral assets at each of these respective stages. Additional detail is provided in Sections 3 to 5 of this Report.

1.3 Legal matters

SRK has not been engaged to comment on any legal matters. SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture (JV) agreements, local heritage or potential environmental or land access restrictions. Further detail is given in Section 2.3 of the Report.

1.4 Site inspection

In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection to the Beyondie Project may be required. SRK has previously conducted various engagements in relation to the Beyondie Project spanning the period 2018 to present. These engagements include review of the PFS, bankable feasibility study, lender's Independent Technical Expert, capital over-run analysis and review of the 120 kpta expansion case.

Given SRK's familiarity with Kalium's Mineral Assets and the short intervening period between the preparation of SRK's previous report, no site inspection was conducted for this valuation report. SRK notes that its previous engagements were with parties external to Kalium (i.e., the scope of the reports were directed by Kalium's lenders, but ultimately paid for by Kalium).

1.5 Valuation date

The Valuation Date adopted in this Report is 9 August 2022.

1.6 Project team

This Report has been prepared by a team of consultants from SRK's offices in Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out in Table 1-1.

Table 1-1: Details of the qualifications and experience of the consultants

Specialist	Position/ Company	Responsibility	Length and type of experience	Site inspection	Professional designation
Jeames McKibben	Principal Consultant/ SRK	■ Valuation ■ Project Manager	27 years; 17 years in valuation and corporate advisory, 2 years as an analyst and 8 years in exploration and project management roles	None	BSc (Hons), MBA, FAusIMM (CP), MAIG, MRICS, MSME
Simon Harahan	Corporate Consultant/ SRK	Technical Assessment Compilation	+32 years' experience in Mineral Resource sector, OP and UG mine management, project construction management, consulting and project evaluation	Yes	BMinTech Hons (Mining), FAusIMM(CP), RPEQ

Specialist	Position/ Company	Responsibility	Length and type of experience	Site inspection	Professional designation
Brian Luinstra	Principal Consultant/ SRK	Hydrogeology, Resources and Exploration Targets	25 years – geology and hydrogeology including water supply assessments, hydraulic testing, conceptualisation and impact assessment and modelling	2020–2021	PhD, BSc (Geology), P.Geo
Corey Milne	Associate Principal Consultant	SOP evaporation and processing	+40 years – with bulk of his career at Compass Minerals SOP operation (Utah) and consulting specialising in solar evaporation and processing plants.	Yes	Chemical Engineering, BSc, PhD
Philip Ashley	Principal Consultant/ SRK	Peer Review	40 years – mine engineering and management, technical and corporate support	None	BE (Hons) Mining, SME, MAusIMM

1.7 Limitations, independence, indemnities and consent

1.7.1 Limitations and reliance

SRK's opinion contained herein is based on information provided to SRK by Kalium throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such technical information as provided by Kalium was taken in good faith by SRK. SRK has not recalculated the Mineral Resources or Ore Reserves estimates, but has independently assessed the reasonableness of the estimates.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Kalium was complete and not incorrect, misleading or irrelevant in any material aspect.

1.7.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK. SRK has no beneficial interest in the outcome of this Report capable of affecting its independence.

1.7.3 Indemnities

As recommended by the VALMIN Code (2015), Kalium has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

In line with the VALMIN Code (2015), Kalium has provided SRK with an indemnity letter under which SRK is to be compensated for any liability and/or expenditure resulting from any additional work required which:

- results from SRK's reliance on information provided by Kalium, or Kalium not providing material
- relates to any consequential extension of workload through queries, questions or public hearings arising from this report.

1.7.4 Consent

SRK understands that this Report may be provided to Kalium's shareholders. SRK provides its consent for this Report to be included in the BDO Report on the basis that the technical assessment and valuation expressed in the Executive Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete Report.

1.7.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$50,000. The payment of this professional fee is not contingent upon the outcome of this Report.

2 Overview of the Mineral Assets

2.1 Introduction

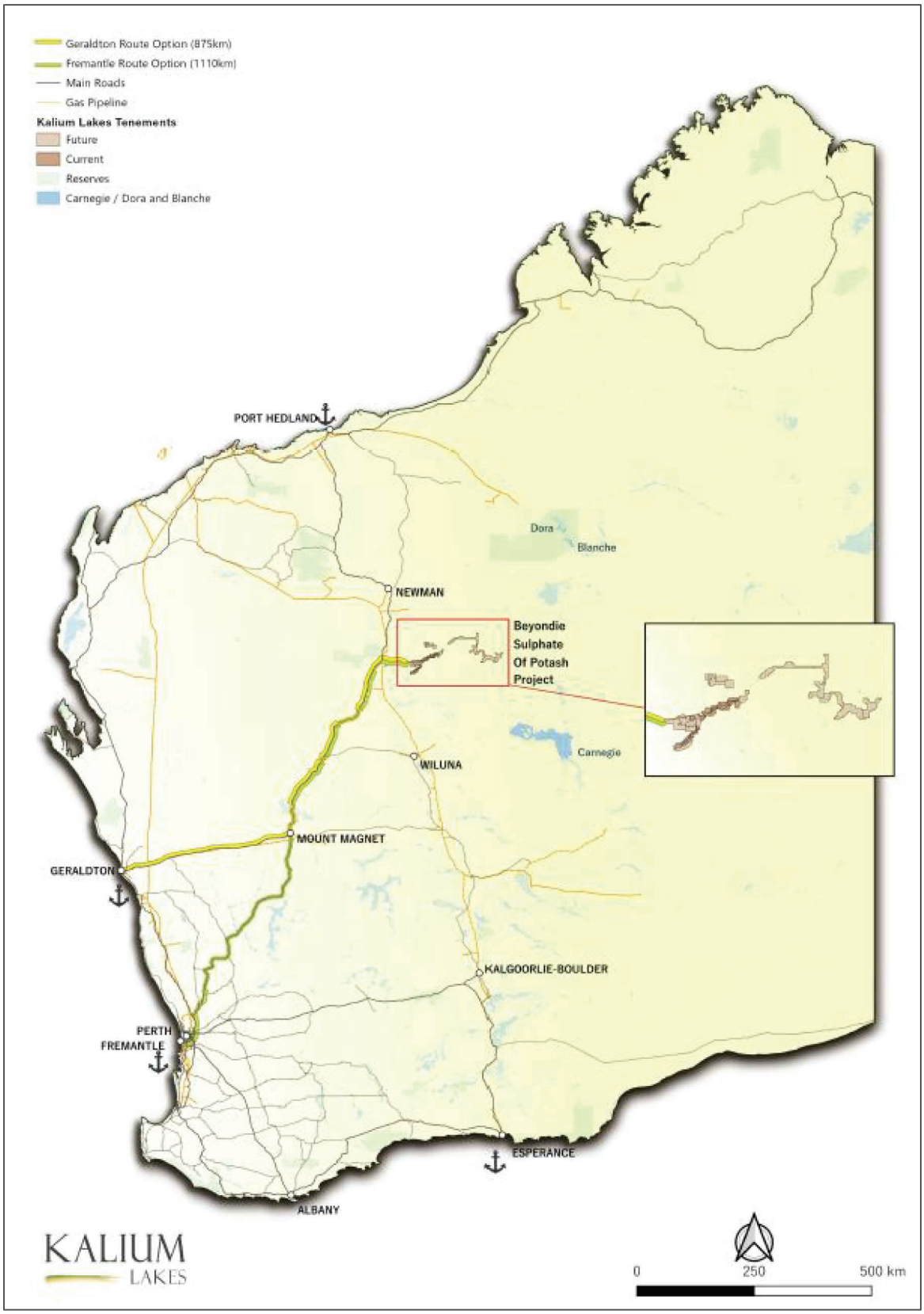
Kalium Lakes Limited is an Australia-based exploration and development company focused on developing the Beyondie Sulphate of Potash (SOP) Project in Western Australia. The Beyondie Project is located 160 km southeast of Newman at the eastern margin of the Pilbara region of Western Australia.

Kalium also has a second SOP project at Lake Carnegie, where, with its JV partner, BCI Minerals Limited (BCI), it holds a 70% interest in the Project. The Carnegie Potash Project (CPP) is an advanced stage exploration project located approximately 220 km northeast of Wiluna and comprises a single granted exploration licence (EL) and several EL applications covering a total area of approximately 1,700 square kilometres (km^2). In addition to the CPP, Kalium has two additional tenement applications at Dora and Blanche, where exploration remains to commence in earnest pending grant of these tenures.

The regional setting is characterised by arid desert and the climate by hot summers and warm to cold winters. The average maximum daily temperature at the mine site rises to 39°C during January, with extremes to 48°C and the average minimum daily temperature drops to 5°C during July, with extremes to -5°C. Mean annual rainfall for the area is 233 mm. Rainfall is strongly seasonal with almost all the rain occurring in the period between December and June and only minor rainfall otherwise. Rainfall in the region is unreliable and highly variable, with a large percentage of the annual total occurring over short periods associated with thunderstorm activity and cyclonic lows moving inland.

Annual average evaporation is 4,100 mm with a mean daily average of 11 mm. Solar exposure maps indicate that the Beyondie Project is located in an area expected to have some of the lowest humidity, highest evaporation rates, longest sunshine hours and highest solar exposure in the country.

Figure 2-1: Location of the Beyondie Sulphate of Potash Project



Source: Kalium

2.2 Geological setting

The Beyondie Project is located in the western margin of the Great Sandy Desert of Western Australia and is composed of potassium-enriched brines hosted within sediments associated with a series of salt lakes.

Surface water in the area is ephemeral and occurs only after significant rainfalls. The salt lakes themselves are topographic lows and considered closed surface water systems, whereby all rainfall and runoff within their respective catchment areas is directed to the lakes, with the only losses of water being recharge into the lake sediments or evaporation. The lakes are also considered to be groundwater sinks, with groundwater flow directed towards the lakes. The only losses of water from the natural system are from evaporation and evapotranspiration from the surface and near-surface soil horizon.

This hydrology is the primary driver of mineralisation for the brines, which are thought to be formed from evaporation of the episodic surface flows onto the lakes (i.e. direct precipitation and run-on) and resultant concentration of minerals.

Given that the deposit is composed of a brine, the key elements of the geology of the system are the capabilities of the geological units to host brines. Based on the review of the data, there is no evidence to suggest, that significant interaction between fresh water and mineralogy of the host rocks is a source of minerals for the brine. Rather, it is suggested that brine has been formed and concentrated through evaporation of surface and near-surface waters, with geological units simply acting as host media for the brines.

The primary host of the brines has been identified as the salt lake sediments, specifically in two zones within the sedimentary package – an upper, shallow sequence of gypsiferous silty clays and a basal, sandy to silty silcrete unit interpreted as a palaeochannel infill. The two host strata are interpreted to be separated by a significant sequence of consolidated lacustrine clays. These clays are also host to brine of concentration suitable for extraction; however, due to the low permeability and specific yield of these units, they are not considered targets for extraction, however, they may provide additional contributions of brine to overlying and underlying host aquifers.

2.3 Mineral tenure

Kalium's Mineral Assets are grouped within three project areas, namely:

- The Beyondie Project
- Carnegie JV advanced exploration/pre-development project
- Dora/Blanche exploration project.

Kalium holds an interest in 3 granted Mining Leases (MLs), 17 granted ELs and 11 EL applications, 1 granted Gas Pipeline Licence and 25 granted Miscellaneous Licences (Table 2-1). These tenements are held by Kalium and its various subsidiary companies, namely Kalium Lakes Potash Pty Ltd (KPL) and Kalium Lakes Infrastructure Pty Ltd (KLI), as well as an entity associated with Mr Smoothy, Rachlan Holdings Pty Ltd (Rachlan). Rachlan has entered into an agreement to transfer tenure to Kalium as soon as practical after grant, which has occurred for all granted tenements to date.

In addition to exploration and mining tenure, Kalium holds granted Miscellaneous Licences and applications for Miscellaneous Licences to support access to and around the Project areas. As part of the grant process, Kalium has completed Access Agreements with a number of pastoralists and mining companies.

SRK has reviewed the tenement schedule supplied by Kalium against the Western Australian Mineral Titles Online (MTO) and Tengraph systems. SRK has made all reasonable enquiries into the status of this tenure as at the date of the Report. Refer to Section 1.7.1 for SRK's reliance statement.

2.3.1 Pastoral tenure

Kalium has entered into access and compensation agreements with the registered holders of pastoral leases which overlap the Beyondie tenements.

2.3.2 Native title

Kalium is party to four agreements with registered holders of, or claimants for, native title in the land which are the subject of the tenements. These are:

- On 10 March 2015, Rachlan entered into a land access and mineral exploration agreement with Mungarlu Ngurrarankatja Rirraunkaja (Aboriginal Corporation) RNTBC, the registered native title body for the Birriliburu native title holders (MNR Exploration Agreement). The MNR Exploration agreement applies to E69/3339, 3340, 3342, 3343, 3344, 3345, 3349 and part of E 69/3306, 3348 and 3351.
- On 11 March 2015, Rachlan entered into an exploration and prospecting deed of arrangement with the Gingirana native title claim group (Gingirana Exploration Agreement), which applies to the area of the Gingirana Native Title Claim, other than L52/162 (all of E69/3309, 3341, 3346, 3347, 3352 and part of E69/3306, 3348 and 3351).

Rachlan subsequently assigned all of its rights and interests to Kalium:

- On 26 March 2016, Kalium entered into the Beyondie Potash Project Gingirana land access agreement (Gingirana Land Access Agreement) which provides for native title consent to grant any MLs and general purpose leases within the land the subject of E69/3309, and specified areas of E69/3346, 3351 and 3352 and to the grant of L52/162.
- On 18 January 2018, Kalium signed a second land access agreement with Mungarlu Ngurrarankatja Rirraunkaja (Aboriginal Corporation) RNTBC (MNR Mining Land Access Agreement) over tenures E69/3339, 3340, 3342, 3343, 3344, 3345, 3348, 3349 and 3351.

Table 2-1: Kalium's Western Australian mineral tenure

Project	Tenement	Kalium's interest	Area	Status	Rent	Expenditure	Grant Date	Expiry Date
Beyondie	E52/3956	100%	14 BL	KLP – Applied for 24/05/21– application pending				
	E52/3957	100%	4 BL	KLP – Applied for 24/05/21 – application pending				
	E52/4038	100%	1 BL	KLP – Applied for 07/01/22– application pending				
	E69/4052	100%	37 BL	KLP – Applied for 15/06/22– application pending				
	E69/3306	100%	34 BL	Live	Paid in full	None required	17/03/15	16/03/25
	E69/3309	100%	19 BL	Live	Paid in full	None required	17/04/15	16/04/25
	E69/3339	100%	36 BL	Live	Due - $24,372	None required	22/06/15	21/06/25
	E69/3340	100%	63 BL	Live	Paid in full	None required	22/06/15	21/06/25
	E69/3341	100%	12 BL	Live	Paid in full	Expended in full	11/08/15	10/08/25
	E69/3342	100%	42 BL	Live	Due – $28,434	None required	22/06/15	21/06/25
	E69/3343	100%	17 BL	Live	Paid in full	None required	22/05/15	21/05/25
	E69/3344	100%	30 BL	Live	Paid in full	None required	22/05/15	21/05/25
	E69/3345	100%	52 BL	Live	Paid in full	None required	22/06/15	21/06/25
	E69/3346	100%	9 BL	Live	Paid in full	Expended in full	11/08/15	10/08/25
	E69/3347	100%	28 BL	Live	Paid in full	Expended in full	11/08/15	10/08/25
	E69/3348	100%	17 BL	Live	Paid in full	Expended in full	11/08/15	10/08/25
	E69/3349	100%	36 BL	Live	Paid in full	None required	22/06/15	21/06/25
	E69/3351	100%	44 BL	Live	Paid in full	Expended in full	31/08/15	30/08/25
	E69/3352	100%	11 BL	Live	Paid in full	Expended in full	31/08/15	30/08/25
	E69/3594	100%	36 BL	Live	Paid in full	Expended in full	26/07/19	25/07/24
	L52/162	100%	876 ha	Live	Paid in full	Expended in full	30/03/16	29/03/37
	L52/186	100%	7.6365 ha	Live	Paid in full	None required	30/05/18	29/05/39
	L52/187	100%	44.5025 ha	Live	Paid in full	None required	30/03/16	29/05/39
	L52/193	100%	39.57 ha	Live	Paid in full	None required	13/08/18	12/08/39
	L69/28	100%	130.2417 ha	Live	Paid in full	None required	07/08/18	06/08/39
	L69/29	100%	86.85790 ha	Live	Paid in full	None required	07/08/18	06/08/39
	L69/30	100%	56.1549 ha	Live	Paid in full	None required	30/05/18	29/05/39
	L69/31	100%	728.4647 ha	Live	Paid in full	None required	07/08/18	06/08/39

Project	Tenement	Kalium's interest	Area	Status	Rent	Expenditure	Grant Date	Expiry Date
	L69/32	100%	74.1832 ha	Live	Paid in full	None required	14/08/18	13/08/39
	L69/34	100%	68.1538 ha	Live	Paid in full	None required	14/08/18	13/08/39
	L69/35	100%	11.9466 ha	Live	Paid in full	None required	17/12/18	16/12/39
	L69/36	100%	34.36 ha	Live	Paid in full	None required	17/12/18	16/12/39
	L69/38	100%	6.36 ha	Live	Paid in full	None required	30/01/19	29/01/40
	L69/40	100%	71.61 ha	Live	Paid in full	None required	08/02/19	07/02/40
	L69/41	100%	15.08 ha	Live	Paid in full	None required	08/02/19	07/02/40
	L69/46	100%	5,403.166 ha	Live	Paid in full	None required	08/02/21	07/02/42
	L69/47	100%	4,128.322 ha	Live	Paid in full	None required	27/07/21	26/07/42
	L69/48	100%	251.332 ha	Live	Paid in full	Expended in full	27/07/21	26/07/42
	L69/52	100%	9.232 ha	Live	Paid in full	None required	31/03/22	30/03/43
	L69/53	100%	5.499 ha	Live	Paid in full	None required	31/03/22	30/03/43
	L69/54	100%	13.7016 ha	Live	Paid in full	None required	31/03/22	30/03/43
	L69/55	100%	17.789 ha	Live	Paid in full	None required	31/03/22	30/03/43
	L69/59	100%	1.5022 ha	Live	Paid in full	None required	15/07/22	14/07/43
	L69/60	100%	5.339 ha	Live	Paid in full	None required	15/07/22	14/07/43
	L69/61	100%	4.995 ha	Live	Paid in full	None required	15/07/22	14/07/43
	M69/145	100%	4,807 ha	Live	Paid in full	No expenditure lodged	06/06/18	05/06/39
	M69/146	100%	5,079.5 ha	Live	Paid in full	No expenditure lodged	06/06/18	05/06/39
	M69/148	100%	3,947.19 ha	Live	Paid in full	N/A	10/11/21	09/11/42
	PL117	100%	79.31 km in length	Live	Paid in full	Expended in full	07/11/18	
Carnegie	E38/2995	70%	282 BL	Live	Paid in full	Expended in full	31/07/15	30/07/25
	E38/2973	70%	199 BL	Rachlan – Applied for 22/08/14 – application pending				
	E38/2982	70%	181 BL	Rachlan – Applied for 01/09/14 – application pending				
	E38/3295	70%	153 BL	KLP – Applied for 10/01/18 – application pending				
	E38/3296	70%	134 BL	KLP – Applied for 10/01/18 – application pending				
	E38/3297	70%	146 BL	KLP – Applied for 10/01/18 – application pending				
Dora/Blanche	E45/4436	100%	31 BL	Rachlan – Applied for 13/08/14 – application pending				
	E45/4437	100%	42 BL	Rachlan – Applied for 13/08/14 – application pending				

Notes:

BL = graticular block,
ha = hectares

Kalium Lakes Potash Pty Ltd (KLP), Kalium Lakes Infrastructure Pty Ltd (KLI), and Rachlan Holdings Pty Ltd (Rachlan), an entity associated with Mr Smoothy.

2.3.3 Royalties

Potash: future production will incur State royalties to be distributed to the Western Australian Government at the rate of 5% of the royalty value of any potash produced from the Mineral Assets. This rate is the *ad valorem* rate as defined under Mining Regulations 1981 (Regulation 85).

SRK understands that the Mineral Assets are subject to a number of private royalty agreements which are summarised in Table 2-2.

Table 2-2: Private royalty agreements

Project/s	Name	Duration	Material Conditions
Beyondie	Native Title Royalty (Gingirana)	On production.	0.75% payable in relation to salt products sold which are deemed to be derived (in accordance with a formula under the agreement) from bores within the area of the Gingirana Native Title Claim, other than L52/162 (all of E69/3309, 3341, 3346, 3347, 3352 and part of E69/3306, 3348 and 3351).
	Native Title Royalty (Birriliburu)	On production.	■ 0.75% is payable in relation to salt products which are deemed to be derived (in accordance with a formula under the agreement) from the Stage 1 area (E69/3306, E69/3343, E69/3348 and E69/3351 as at 17 January 2018. ■ 1.1% payable in relation to salt products sold which are deemed to be derived (in accordance with a formula under the agreement) from the Stage 2 area, being E69/3339, E69/3340, E69/3342, E69/3344, E69/69/3345 and E69/3349.
Beyondie, Carnegie and Dora/Blanche	Founders Royalty (Kalium Corporate Pty Ltd)	On production. Continues for the full term of the tenements (including any successor or replacement tenements).	1.9% of the quarterly gross revenue for the sale of product (potash and/or other minerals) derived from all or part of the tenements relating to the Beyondie, Carnegie and Dora/Blanche projects.

Kalium's legal advisor has advised that none of the Birriliburu Stage 2 areas form part of the Beyondie 120 ktpa mine plan, so there in no impact currently.

SRK has been advised by Kalium that its existing royalty holders, being Kalium Corporate Pty Ltd as trustee for the Kalium Founders Unit Trust (an entity associated with Mr Brent Smoothy) and Greenstone Resources II (Australia) Holdings L.P., have agreed to subordinate and defer the payment of their royalties (including the royalties over the tenements at Ten Mile Lake, Ten Mile West, Lake Sunshine and Carnegie) until, among other things, the debt principal repayments to the Senior Lenders commence in March 2025 and all amounts outstanding under the Liquidity Facility have been repaid and the Liquidity Facility cancelled.

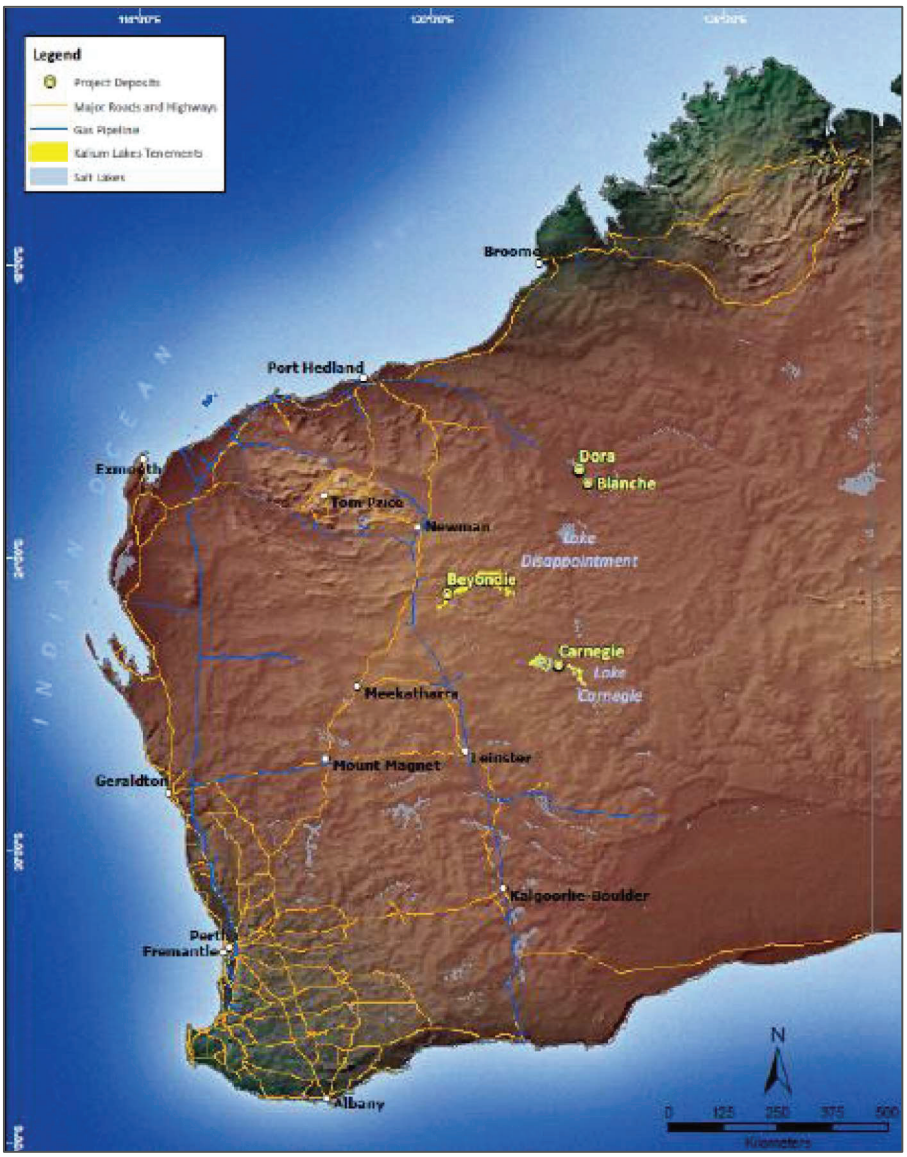
In addition, SRK understands there are further controls on the amounts that can be paid in respect of the royalties until the debt repayment instalments owing to the Senior Lenders, which were deferred in the debt restructure that took place in October 2021, have been repaid.

3 Beyondie Project

3.1 Introduction

The Beyondie Project is located approximately 1,000 km north of Perth and 78 km east of the Great Northern Highway in the East Pilbara region of central Western Australia. Figure 3-1 indicates the project location, along with the Company's Carnegie, Dora and Blanche tenements.

Figure 3-1: Location of Beyondie Project



Source: Kalium

Access to the Beyondie site is via a constructed access road off the Great Northern Highway which allows for inbound access/logistics and outbound production logistics. An airstrip has been constructed at site and allows for direct charter flights into site.

3.2 Geological setting

3.2.1 Conceptual hydrostratigraphy

Kalium has identified brine resources for the following three hydrostratigraphic sequences within the Beyondie tenement package:

1. surficial lake sediments, composed of mixed alluvial and colluvium
2. palaeovalley lacustrine clay, which underlie the surficial lake sediments
3. palaeochannel sands and silcretes, which underlie the palaeovalley clay.

Two regional aquifer units have been identified within the Cenozoic sediments, the palaeochannel sand aquifer, located at the base of the palaeo-drainage system, and the shallow surficial aquifer comprising Quaternary evaporites, calcrete and silt of the lake surface and alluvium. These aquifers are considered to be hydro-geologically separated from one another by the thick sequence of stiff lacustrine clays that form an aquitard.

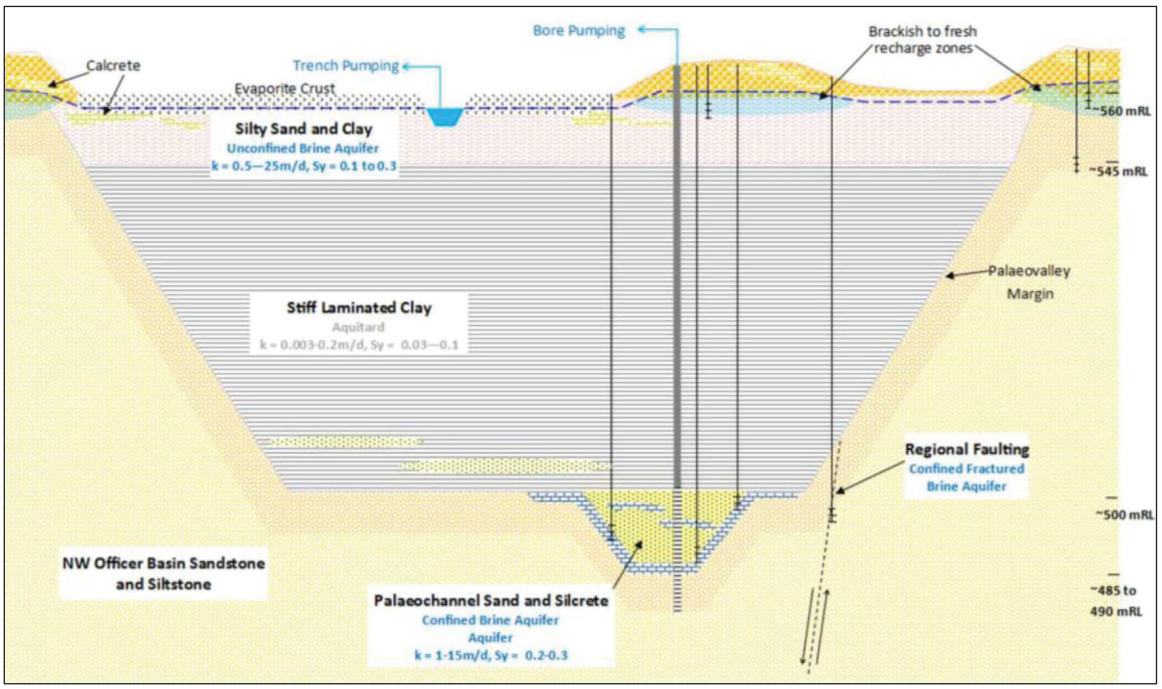
Groundwater within the surficial aquifer is generally between 0.2 m and 11 m below ground level, with depth to the ground water table determined by location within the catchment and local topographic changes. Groundwater flow within the surficial aquifer is generally driven by rainfall and episodic creek flow recharge to the aquifer system. The groundwater flow direction generally follows the surface topography, with recharge and groundwater mounding dominant in the ephemeral creek systems and discharge via evaporation occurring in the playa lakes through evaporation.

Groundwater within the palaeochannel sand aquifer is confined in nature and has a piezometric head that is independent to groundwater flow at the groundwater table. Piezometric head is a pressure response of regional scale that has at a very low gradient (0.00008) from southwest to northeast across the Ten Mile and Sunshine Lake areas. The piezometric head is generally between 0.1 m and 0.5 m below the elevation of the water table near the centre of the palaeochannel. This head difference becomes up to 1 m lower at the margins of the palaeovalley. These differences indicate a degree of vertical downward drainage through the profile and potential mode of recharge from the surficial aquifer to the palaeochannel sand aquifer, this maybe directly through the clay zones or, more likely, at the margins of the palaeovalley through weathered and fractured bedrock.

Where bedrock aquifers are encountered below lacustrine clay the groundwater system is confined in nature. However, where weathered bedrock is exposed outside of the palaeovalley groundwater is unconfined or leaky and moves according to local groundwater table flow patterns.

A conceptual model outlining the relative size, geometry and stratigraphic relationships of the respective hydrostratigraphic layers at Beyondie is presented in Figure 3-2.

Figure 3-2: Conceptual hydrostratigraphy of the Beyondie Project



Source: Kalium

3.1 Mineral Resource estimate

Kalium's Mineral Resource for Beyondie as publicly declared on 30 June 2021 (as outlined in the Company's Annual Report via ASX announcement dated 28 October 2021 and rereported in Kalium's ASX release dated 26 July 2022) is presented in Table 3-1, Table 3-2 and Table 3-3. SRK understands that work is currently underway to update these Mineral Resources for recent depletion related to production.

As per Canadian Institute of Mining, Metallurgy and Petroleum (CIM) (2012) and Association of Mining and Exploration Companies (AMEC) (2017) guidelines, a brine resource is defined as '*the total amount of material in solution within a host aquifer, and quantified based on the following factors:*

- *aquifer geometry*
- *specific yield of the aquifer*
- *concentration of the element of interest within the brine'.*

The total in situ volume of brine is defined as '*the total volume of the host aquifer at a specific yield*'. It is a requirement for defining a Mineral Resource that specific yield be measured by a minimum of two separate means. The Mineral Resource is calculated from the total amount of brine available from storage and the concentration of the brine.

Due to the expected variability of specific yield and brine concentration in any brine deposit, in conducting this review, SRK considered both the density and accuracy of measurements for specific yield as well as for brine concentrations.

Mineral Resources were developed according to the guidelines established in CIM (2012) and AMEC (2017) and are compliant with the JORC Code (2012) guidance. Two separate block models were developed independently for the deposits at the Ten Mile and Sunshine lakes. Brine concentrations were developed from available testing using standard and defensible sampling and analytical methodology and a robust QA/QC (quality assurance/quality control) program. Specific yield measurements incorporated in the model were estimated based on trench pumping tests and calibrated borehole nuclear magnetic resonance (NMR) results.

Lake sediment resources (surficial aquifer)

Measured, Indicated and Inferred Mineral Resources have been developed for the surficial aquifer at the Ten Mile and Sunshine lakes based on drilling, auger samples, trenching and limited pumping tests completed in the excavated trenches. Additional resources within surficial aquifers associated with several other lakes have also been included in the Inferred and Indicated Mineral Resources.

Palaeovalley clay resource (aquitard)

As for the surficial aquifer, Measured, Indicated and Inferred Mineral Resources have been developed for the palaeovalley clays, which underlie the surficial aquifer at Ten Mile and Sunshine lakes based on drilling, auger samples, trenching and limited pumping tests completed in the excavated trenches. Additional resources within palaeovalley clays associated with several other lakes have also been included in the Inferred and Indicated Mineral Resources at Ten Mile Lake based on drilling, auger samples, trenching and limited pumping tests completed in the excavated trenches.

Palaeochannel resource (confined aquifer)

Inferred and Indicated Mineral Resources have been developed for the palaeochannel and fractured rock aquifer at the Ten Mile and Sunshine lakes based on drilling, core samples, and long-term pumping tests completed in the constructed production bores. SRK considers that the density of sampling for the deep aquifer is sufficient to support the Mineral Resource classifications for the deep aquifer. Specific yield has been developed using the minimum two methodologies from laboratory data. Storativity (i.e., the volume of water released from storage per unit decline in hydraulic head in a confined aquifer, per unit area of the aquifer) has been developed from pumping tests.

Further Inferred Mineral Resources for the palaeochannel aquifer have been established, largely from geophysical surveying and extrapolation of the conceptual geological model, for additional lakes within Kalium's broader tenure at Beyondie.

Work completed on the palaeochannel confined system supports the respective Mineral Resource classifications and, in most cases, exceeds requirements under the required guidelines. The length of pumping tests has been sufficient to test any near-field aquifer boundaries, although they may not be representative of long-term production rates, as it would be expected that boundary conditions would be encountered in long, narrow aquifers. SRK considers that the Mineral Resource definitions for the palaeochannel aquifer are supported by the test programs conducted to date.

Table 3-1: Measured Mineral Resource

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 Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m^3)	K_2SO_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	**3,749**		**995**		**361**	**5,718**	**2.06**	**16,853**	**6.08**	**5,701**	**2.06**	**12.75**	**4.60**

Source: Kalium Annual Report 2021 as reported in ASX announcement dated 28 October 2021 and rereported in ASX Announcement dated 26 July 2022

Table 3-2: Indicated Mineral Resource

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 Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m^3)	K_2SO_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	NA	NA	NA	NA	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	**14,316**		**3,406**		**1,153**	**5,875**	**6.77**	**16,577**	**19.11**	**5,319**	**6.13**	**13.10**	**15.11**

Source: Kalium Annual Report 2021 as reported in ASX announcement dated 28 October 2021 and rereported in ASX Announcement dated 26 July 2022

Table 3-3: Inferred Mineral Resource

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 Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	Mg Grade (mg/L)	Mg Mass (mg/L)	SOP Grade (kg/m^3)	K_2SO_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	576	0.11	153	5,884	0.90	17,939	2.75	5,889	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	**22,091**		**7,132**		**936**	**6,363**	**5.96**	**19,357**	**18.12**	**6,127**	**5.74**	**14.18**	**13.27**

Source: Kalium Annual Report 2021 as reported in ASX announcement dated 28 October 2021 and rereported in ASX Announcement dated 26 July 2022

3.1.2 SRK opinion

Lake sediment resources (surficial aquifer)

The density of sampling for the lake sediment-hosted resources is sufficient to support the respective Mineral Resource classifications. Specific yield has been developed independently from laboratory data, borehole NMR and from trench pumping tests and meets requirements for definition of Mineral Resources. The potential variation in specific yield has not been incorporated in the Mineral Resource estimations, but rather a single value (0.17) has been used for the entire package. Based on review of the specific yield measurements obtained as part of the study, SRK considers the value used is appropriate and conservative for estimation of the brine Mineral Resources.

The depth of sampling has been largely restricted to the top portion of the aquifer, with relatively limited information on specific yield below 2 m. While the respective Mineral Resource classifications are supported by the work completed to date and meet guidelines, the Mineral Resource should be considered more certain within the uppermost 2 m of the surficial aquifers.

Palaeovalley clay resource (aquitard)

The density of sampling for the clays is sufficient for the Mineral Resource classifications. Only limited specific yield estimates have been developed from laboratory data for the clays and are supported by borehole NMR data from downhole tests. It is noted that a conservative value (0.06) has been used for the clays. Based on review of the specific yield measurements obtained as part of the study and published values for similar materials, this is considered appropriate for estimation of the brine Mineral Resources.

There remains a lack of clarity in estimating the hydraulic properties of the transition zone between the clays and the surficial lake sediments.

Although the palaeovalley clays are host to a brine Mineral Resource, due to the low specific yields and hydraulic conductivities of the clays, SRK considers there is significant uncertainty regarding the viability of producing brine from the clays directly.

Palaeochannel and fractured bedrock resources (confined aquifer)

The density of sampling for the deep aquifer is sufficient to support these Mineral Resource classifications for the deep aquifer. Specific yield has been developed using the minimum two methodologies from laboratory data. Storativity has been developed from pumping tests.

Further Inferred Mineral Resources for the palaeochannel aquifer have been established, largely from geophysical surveys and extrapolation of the conceptual geological model, for additional lakes within Kalium's tenements.

Work completed on the palaeochannel and fractured rock confined system supports the respective Mineral Resource classifications and, in most cases, exceeds requirements under the CIM guidelines. The length of pumping tests has been sufficient to test any near-field aquifer boundaries, although may not be representative of long-term production rates, as it would be expected that boundary conditions would be encountered in long, narrow aquifers. The Mineral Resource classifications for the palaeochannel and fractured bedrock aquifers are supported by the provided information.

Overall

SRK is of the opinion that the methodology and density of sampling is sufficient for estimation of a Mineral Resource for the Beyondie Project, and that estimation methodologies meet the requirements of the CIM and AMEC guidelines and are supported by good science.

The Mineral Resource updates were completed in accordance with the JORC Code (2012) and used appropriate methodology. As such, the Mineral Resource estimates are considered by SRK to be appropriate for valuation purposes without modification.

3.2 Production

Production at Beyondie commences with brine abstraction that then undergoes preconcentration before being transferred across to the main production evaporation ponds to generate a processing plant feed.

3.2.1 Brine abstraction

Extraction of brine is achieved via pumping from a network of trenches on the surface and via production bores completed into the deeper palaeochannel aquifer. A network of trenches and bores has been established at Ten Mile and Sunshine lakes/playas and these extract the brine which is pumped to preconcentration ponds at each location (Figure 3-3).

Ten Mile

Brine abstraction from the Ten Mile Borefield is from 12 bores completed within a confined paleochannel aquifer, along with a surface trench network. Abstraction commenced in 2019.

SRK has reviewed the aquifer response in the confined paleochannel aquifer by reviewing water levels in monitoring bores. This review indicates that after an initial drop, water levels in the aquifer have stabilised, which is indicative of achieving steady-state conditions. This implies that the abstraction at the current rates is not overstressing the aquifer, and the rates should be sustainable for the proposed life of mine. Abstraction from the borefield will ultimately be limited by leakage from the overlying clay sediments. Under current conditions, it appears that these rates are close to equilibrium.

Analysis of individual bore performance indicates that two bores (TMPB07 and TMPB23) account for approximately 50% of SOP production from the aquifer. This is typical for borefields and highlights the difficulty in predicting yields from planned bores, even within well-understood aquifers.

Water levels in the lake sediment aquifer are stabilising, indicative of achieving steady-state conditions. This implies that the abstraction at the current rates is not overstressing the aquifer, and the rates should be sustainable for the proposed life of mine. Abstraction from the trenches will ultimately be limited by the permeability of the lake sediments. Under current conditions, it appears that these abstraction rates are close to equilibrium.

Given the relatively short duration of pumping from the lake sediment aquifer, it is unlikely that drawdown from abstraction has extended to any potential aquifer boundary, however, there is a lack of water level data from within the lakebed sediments, which are not located near the trenches, that could provide useful data to estimate drawdown extents. To assess the timing and magnitude of any potential decreases in production associated with boundary conditions, the best practice would be to use the integrated, numerical 3D groundwater and solute transport model developed as part of the Ore Reserve estimate.

Sunshine

Brine abstraction from the Sunshine borefield is from nine bores completed within a confined paleochannel aquifer, along with a surface trench network. Abstraction commenced in 2020.

SRK has reviewed the aquifer response in the confined paleochannel aquifer by reviewing water levels in monitoring bores. This review indicates that after an initial drop, water levels in the aquifer have stabilised, which is indicative of achieving steady-state conditions. This implies that the abstraction at the current rates is not overstressing the aquifer, and the rates should be sustainable for the proposed life of mine. Abstraction from the borefield will ultimately be limited by leakage from the overlying clay sediments. Under current conditions, it appears that these rates are close to equilibrium.

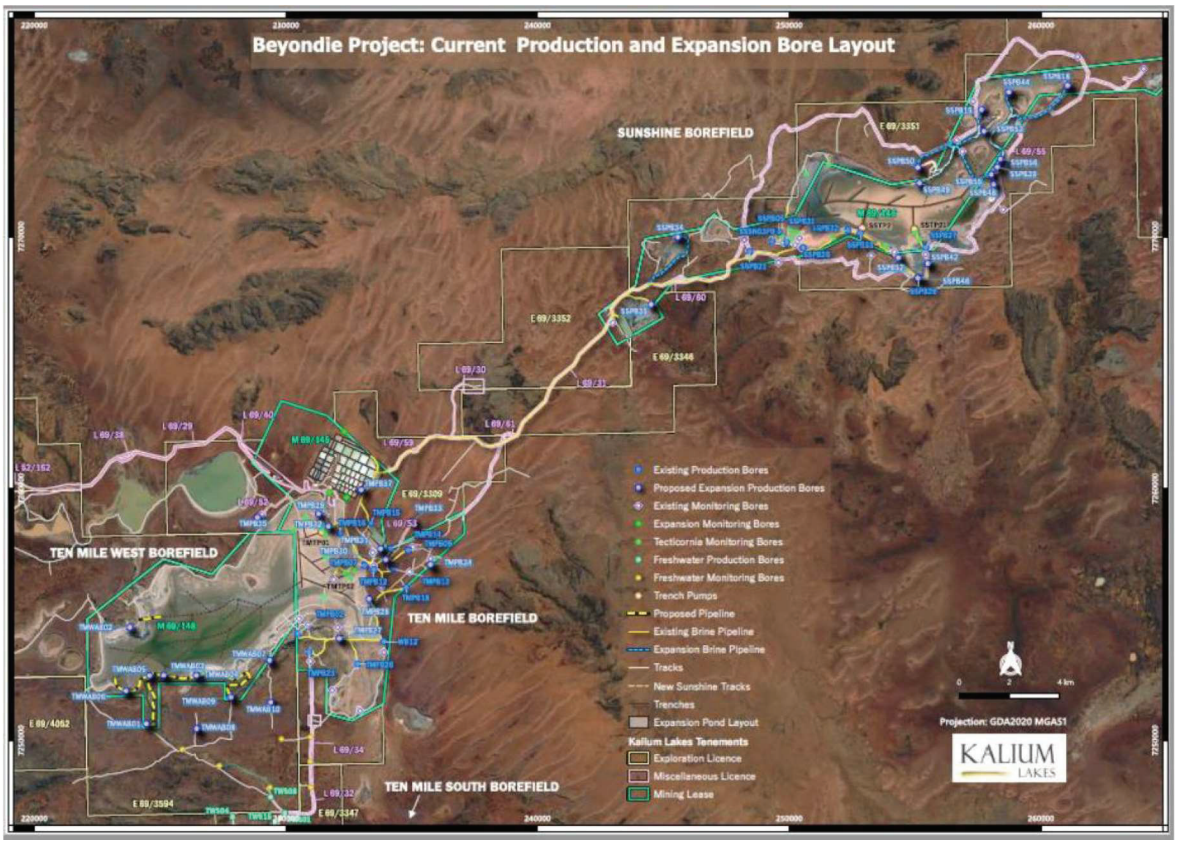
Analysis of individual bore performance indicates that two bores (SSPB32 and SSSN03PB) account for approximately 52% of SOP production from the aquifer. Again, this is typical for borefields, and again highlights the difficulty in predicting yields from planned bores, even within well-understood aquifers.

The review of the lake sediment aquifer indicates that water levels in the aquifer are responding to rainfall events. Abstraction from the trenches will ultimately be limited by the permeability of the lake sediments and recharge from rainfall events. Under dry conditions, it appears the pumping rates are exceeding the aquifer's ability to produce brine. However, the aquifer is readily recharged during rainfall events which suggests that sustainability of the aquifer is reliant on seasonal rainfall.

It is worth noting that for evaporation start-up, it was required to initially fill the ponds to commence the evaporation process. This took place during the summer when evaporation was at its highest. Now that the ponds are full, this will help in moderating overall brine extraction requirements.

It is not possible to determine from the available data what the sustainable pumping rate may be for these trenches due to the impact of recharge from seasonal rainfall on water levels. To assess the timing and magnitude of any potential decreases in production, the best practice would be to use the integrated, numerical 3D groundwater and solute transport model developed as part of the Mineral Reserve.

Figure 3-3: Beyondie brine abstraction infrastructure



Source: Kalium, Investor Presentation dated 26 July 2022

The installed pumping network across the Ten Mile and Sunshine aquifers has been operating since 2019 and has had operational reliability challenges at times. Issues have been encountered with trenches silting up and requiring re-excavation, as well as the transfer line from Sunshine preconcentration pond being partially restricted with a gypsum build up.

Kalium has addressed the issues with the trench silting and gypsum build up and also increased manning resources and put systems in place targeting an 85% availability of the lake pumping system during the peak summer pumping period.

3.2.2 Evaporation ponds

Brine extracted from underground brine sources is delivered by pipelines to solar evaporation ponds. The brine is first exposed to evaporation in two pre-concentration ponds located at Ten Mile and Sunshine lakes, to reduce brine volume by evaporation and to reduce pumping and pipeline costs for transfer to the main solar evaporation ponds. Brine flows sequentially through a series of primary ponds, first crystallising salt (NaCl) and then SOP plant feed, Kainite Type Mixed Salts (KTMS). The point in the pond sequence at which SOP plant feed begins to crystallise is managed by daily measurement of pond brine concentration and subsequent daily adjustment of brine flow between ponds. Brine flows are higher in the summer and lower in the winter because of the seasonal change in evaporation rates. Brine flow rate is adjusted by changing the depth of brine flow through weirs between ponds with gates of various heights.

The crystals in ponds for SOP plant feed are a mixture of up to five different minerals, the proportions of which vary by pond, the sequence of brine flow, what layer in the pond they form at (top to bottom layers) and where in the pond they grow relative to the inlet and outlet flow locations. Test cuts of pond solids are made with the harvester to sample and analyse the chemical grade at various pond locations and depths to determine which plant feed stockpile will receive the material when harvested. The stockpile grades are based on the concentration of potassium and sodium (salt). The plant is fed a mixture of these grades to match the overall grade expected from the total harvest from all ponds.

Harvesting takes place using a surface miner unit and the harvested KTMS is loaded into road trains that transport the salts across to the plant stockpiles, where the product is stockpiled in respective grade fingers.

Recently, higher than normal winter rainfall events have interrupted evaporation and delaying salt precipitation. This excess water has largely evaporated, and pond operations are returning to normal.

3.2.3 Ore Reserve estimates

SRK reviewed Kalium's Ore Reserve estimates for Beyondie in detail in 2018 and has periodically reviewed updates to the production plan since that time. Kalium has not made any material changes to the Ore Reserve estimate since 2018 and has stated a depleted Ore Reserve annually since 2018. Kalium is currently preparing an updated Ore Reserve, but this estimate was not available at the time of SRK's valuation review.

Estimation of brine Ore Reserves typically requires a detailed understanding of the key hydraulic parameters such as hydraulic conductivity, transmissivity, and storativity. Information on the efficiency of the proposed extraction system and any influence from external water sources (dilutional sources such as recharge or groundwater inflow in particular) is also required. Requirements outlined in the CIM standards are to incorporate hydraulic parameters of permeability, transmissivity, storativity, and dispersivity. Information on the efficiency of the extraction system (wells or trenches) is also required.

In order to develop an Ore Reserve estimate, the globally accepted standard is for the development of an integrated hydrogeochemical model (i.e. solute/mass transport model) to estimate flows and brine concentrations over time (Houston et al., 2011). This model is typically designed with a discretisation that matches the variability in concentrations and hydraulic properties for the brine deposit.

Kalium has developed Ore Reserve estimates based on integrated groundwater and solute flow modelling for the shallow and deep (palaeochannel) systems. A review of the modelling documentation indicates that the models have been well constructed, specifically:

- the models and modelling reports have been completed in accordance with CIM, AMEC guidance and Australian Groundwater Modelling Guidelines (Barnett et al., 2012)
- the numerical models are well constructed, i.e. built on a robust conceptual model and supported by field collected data
- the numerical models show good calibration under steady-state and transient conditions

- the model mesh has been discretised to match the scale of variability of brine concentrations and hydraulic properties of the host aquifers
- modelling of surface trenches has been completed to a scale of discretisation where expected interference effects have been adequately characterised.

In order to develop an Ore Reserve estimate, the most conservative modelled scenario, with no recharge into the shallow system and using a cut-off grade of 2,500 mg/L K (potassium) was assumed. Brine particles originating outside of the Measured and Indicated Mineral Resource models were assigned a nil concentration, compliant with JORC Code (2012) requirements.

Reverse particle tracking was used to support the Ore Reserve estimate, and reserves with particles that originate only within the Measured Mineral Resources were assigned to the Proved Ore Reserves category. Ore Reserves with particles originating within Indicated Mineral Resource areas were assigned to the Probable Ore Reserves category. Surficial reserves were assigned to the Probable Ore Reserve category in order to account for the uncertain impacts of recharge over time. Density was not incorporated into the modelling exercise, and due to the lack of freshwater sources in the deposits, SRK consider the omission immaterial to the modelled outcomes.

The most recent published Proved and Probable Ore Reserve is provided in Table 3-4.

Table 3-4: Beyondie Ore Reserve estimate as at 30 June 2021

Category	Drainable Brine Volume (10^6 m^3)	K (mg/L)	K Mass (Mt)	SO_4 (mg/L)	SO_4 Mass (Mt)	K_2SO_4 (SOP) Grade (kg/m^3)	K_2SO_4 (SOP) Mass (Mt)
Probable Ore Reserves	290.2	5,306	1.55	15,129	4.42	11.82	3.45
Proved Ore Reserves	115.5	6,207	0.71	17,945	2.05	13.83	1.58
Total Ore Reserves	405.7	5,565	2.26	16,021	6.47	12.45	5.03

Source: Kalium, Annual Report 2021

As noted in its ASX announcement dated 31 July 2022, Kalium produced 1,400 t of SOP to the end of July 2022 from above ground stocks, other than salts within the preconcentration ponds, the main evaporation ponds and run of mine stocks ahead of the processing plant.

Based on information and recent discussions with Kalium, SRK has elected to deplete the Beyondie Ore Reserve as at 30 June 2021 by approximately 0.14 Mt SOP for valuation purposes.

3.2.4 SRK opinion

Ore Reserve

In SRK's view, the Beyondie Ore Reserve modelling as provided by Kalium meets the standard typically required for estimation of a brine Ore Reserve. However, SRK cautions that the grade (i.e. brine concentrations) may differ from that stated due to the inherent uncertainty of numerical groundwater modelling. This will result in residual uncertainty in the production grades over time.

The results of the pumping tests for both trenches and bores indicate that the proposed mining methods are appropriate for extracting brine.

In SRK's view, the Beyondie Ore Reserve is appropriate to use for valuation purposes without modification, noting that brine grade will vary over time, but that the Ore Reserve has allowed for this aspect.

3.3 Metallurgy and processing

Kalium has constructed a nominal 90 ktpa SOP processing plant at site (Figure 3-4) that is fed with harvest KTMS. Plant construction was completed in late 2021 with commissioning commencing since that time and has continued until the time of reporting.

Figure 3-4: Beyondie processing plant

Source: Kalium, Investor Presentation 26 July 2022

The plant design incorporates conventional technology components, but the commissioning and production ramp-up identified issues around the operation and design of some of the processing units.

Since January 2022, Kalium has been working to address the identified issues across the flowsheet. This was complicated by Western Australia's COVID-19 restrictions in early 2022, which prevented design engineers and SOP specialists travelling to site from Germany and the USA, respectively.

Significant challenges encountered since plant start up are:

- lower KTMS feed quality and quantity
- excess use of water in the processing circuit
- challenges with the flotation circuit
- manning build-up.

Several plant modifications are required particularly in the flotation circuit where potassium (K) losses are occurring, and overall recovery is not being achieved. A major shutdown is planned between 8 August–8 September 2022. During this shutdown, modifications are planned to be made across the plant which will then restart during September 2022, at which time a ramp up is scheduled to take place targeting a performance test in November and December 2022.

The compaction plant has not yet been commissioned under full load.

3.3.1 SRK opinion

The plant has not yet operated as designed and the planned shutdown is critical to rectify several issues within the plant.

SRK identifies the following key technical risks to complete commissioning and achieve the required ramp-up:

- A full 'stress test' of the flowsheet at capacity requires further salt harvesting and build-up of feed KTMS. In addition, all modifications installed during the shutdown must be successful and perform as expected.
- Smooth and effective operation of the plant will be reliant on the provision of feed KTMS of suitable quantity and quality.
- Staff recruitment and retention, critical for knowledge retention is likely to remain a risk in the current competitive labour market.
- The plants' ability to achieve the performance criteria outlined in Kalium's contract with EBTEC Corporate (Ebtec).

3.4 Infrastructure

The Beyondie mine is equipped with all of the required infrastructure for continuous operations. An accommodation camp has been established, along with an airstrip that allows direct charter flights, in addition to personnel transiting through Newman airport and travelling by road to site.

Kalium installed a 78 km long gas pipeline spur connecting to the Goldfields gas line, which brings gas directly to site to supply the owner power station. The gas supply is provided to site under a take-or-pay contract, with Kalium able to on-sell any unused gas from their contractual commitment. While production is lower than planned Kalium have been selling back unused gas, however, Kalium is still liable for the monthly transmission cost. Any unused gas is not considered to be material to the valuation.

Adequate workshops and office facilities are in place at site.

Logistics contracts are in place to transport product from site to Perth and/or Geraldton for sale and shipping.

3.5 120 ktpa expansion plans

Kalium plans to increase annual processing capacity at site from 90 ktpa SOP to 120 ktpa SOP. This production expansion requires an increase in the brine sourcing infrastructure and evaporation ponds, along with upgrades to the processing plant. Work has commenced on increasing the borefields, while planning for the ponds expansion is being completed. The future production plan requires this expansion to proceed in order to achieve forecast production. While work has commenced, Kalium has slowed the construction works (new bores and pond earthworks) due to an alternative (and faster) method being used to construct the first phase of the additional evaporation ponds and a slower ramp up to 120 ktpa. In addition, the brine demand is going to be lower for the first phase of brine production ramp up due to the 2023 winter period (lower evaporation) resulting in lower brine requirements.

3.5.1 Brine sourcing and evaporation ponds

SRK's review of the transient calibration of the model to the existing brine production and brine level data indicates that the model is well-calibrated to available pumping and brine levels (i.e. transient data) and is therefore considered to be robust and defensible. The ranges of error within a well-constructed and robust groundwater model environment are typically ±20%, and by necessity there is residual risk associated to any brine Ore Reserve estimate. The transient calibration reflects how accurately aquifer storage (i.e. specific yield, storativity) has been incorporated into the model.

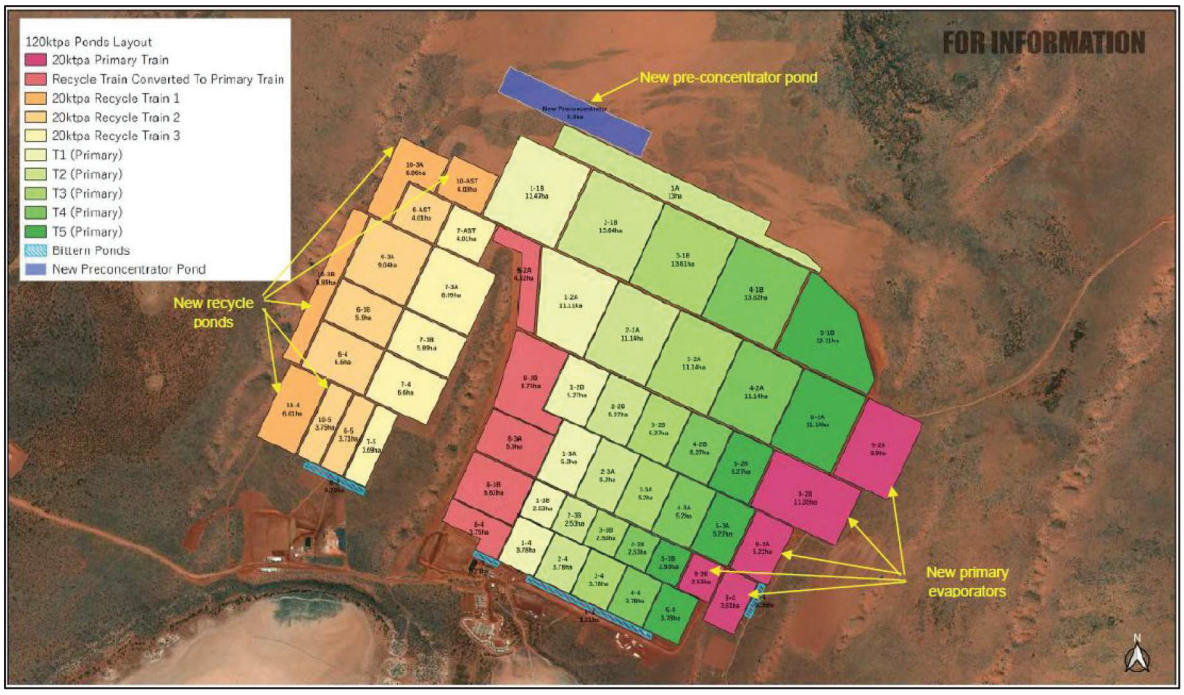
The 120 ktpa scenario evaluated within the model incorporates conservative flow rates and pump utilisation rates, supported by existing operational data. Notably, the proposed pumping rate for the Sunshine trenches has been reduced to ~39 L/s (versus 58 L/s currently). The provided modelling suggests that this revised rate will be sustainable for the Sunshine trenches.

The proposed number of bores incorporated into the plan is appropriately conservative, given the existence of a few high-producing bores in the existing borefields.

Drawdowns developed in the modelled environment suggest that the impact of any potential intersection with aquifers boundaries is unlikely to impact production rates during the proposed LOM timeframe.

The 120 ktpa expansion case requires an additional 70 ha of production ponds to be established, as indicatively illustrated in Figure 3-5. This will allow an increase to seven primary production trains (from five existing primary trains and one recycle train converted to primary), along with three supporting recycle ponds to the west. Kalium is currently working to finalise the additional pond requirements (as discussed further in Section 3.5.3).

Figure 3-5: Additional indicative production pond requirements



Source: Kalium

Kalium has had significant lining experience in establishing 400 ha of lined ponds to date, using three contractors. This previous experience will assist with constructing the additional ponds. No change to the previous lining process is proposed.

3.5.2 Processing plant

Kalium has assessed two paths to increase processing capacity to 120 ktpa. Ebtec will carry out a plant debottlenecking study, including an exploitation of the inherent design margins within the plant, to be followed by staged test campaigns to progressively increase the production rate. Commercial terms have been agreed by Kalium with Ebtec to work through this process and there is a balanced risk sharing process across Kalium and Ebtec.

Kalium also sourced an independent cost estimate (from a process engineering company) based on its assessment of plant upgrades required. This cost estimate has been applied to the capital cost estimate to ensure that there is an adequate estimate of all costs associated with the proposed processing plant design.

The production plan calls for an initial 120 ktpa run rate to be achieved in July 2024, i.e. 18 months after a successful plant optimisation has been forecast. Based on the planning presented, SRK considers this timeline reasonable.

3.5.3 Capital estimate

Kalium has prepared a detailed capital cost estimate for the 120 ktpa expansion case. The capital estimate includes an allowance for:

- borefield and trench expansion
- pond expansion

- processing plant expansion
- power station expansion
- owner's costs
- contingency.

Kalium has planned to delay the remaining capital expenditure by approximately six months through being able to optimise new pond construction, effectively decreasing the required schedule duration.

The works required in support of the proposed expansion are all a repetition of works previously conducted by Kalium during the base construction phase, so the Company will benefit from internal knowledge to execute the expansion.

Further details are discussed in Section 7.3.

3.6 Environmental considerations

3.6.1 Permitting and compliance

The Beyondie Project was assessed under Part IV of the *Environmental Protection Act 1986* at a production rate of up to 100 ktpa and as an 'environmentally significant project'. The level of assessment was set at 'Environmental Review – no public review', therefore no formal public comment period was required as part of the assessment by the Western Australian Environmental Protection Authority (EPA). The EPA assessment culminated in a report to the Minister for the Environment dated 8 April 2019. No objections were lodged in relation to EPA's report or recommendations and the primary approval for the Project (Ministerial Statement 1098) was granted on 7 June 2019.

The Ministerial Statement limited ground disturbance to no more than 1,433 ha and limited groundwater abstraction to 15 gigalitres per annum (GLpa) of brine and 1.5 GLpa of fresh water. The brine approval amount is adequate for a production rate of 120 ktpa, where it is estimated that a maximum of 8.5 GLpa will be required. Freshwater approvals will need to be increased for a production rate of 120 ktpa, where 1.8 GLpa is estimated to be required. [1]

The Ministerial Statement imposes a range of conditions to be satisfied 'prior to the commencement of ground disturbing activities, or as otherwise agreed in writing by the Chief Executive Officer (of the Department of Water and Environmental Regulation [DWER])'. The conditions precedent include the preparation and submission of environmental management plans relating to Tecticornia Monitoring and Management and Subterranean Fauna Management. The Tecticornia Management Plan was approved by the EPA on 3 September 2019. The EPA approved the Subterranean Fauna Management Plan on 9 December 2019.

[1] The approved clearing extents and authorised rate of groundwater extraction differ in the state and federal approvals. To maintain compliance with both instruments, the lesser amount of disturbance or extraction would prevail.

Kalium was also required to prepare, lodge and implement a Compliance Assessment Plan to conduct pre-clearing fauna surveys in areas of greater bilby habitation. The Compliance Assessment Plan was approved by the DWER on 29 July 2019. Pre-clearance surveys are required to be carried out no more than two weeks before construction activities are planned to occur in habitats suitable for bilbies.

3.6.2 Primary environmental approval – Australian Commonwealth

Environmental impacts of the Project were separately assessed under the federal *Environment Protection and Biodiversity Conservation Act 1999 (EPBC)*. Approval of the Project (EPBC 2017/8088) was granted by the Commonwealth on 18 January 2019. The federal approval limited clearing for the Project to no more than 1,150 ha of vegetation, and limited groundwater abstraction no more than 15 GLpa. Unlike the state approval, the federal approval did not make separate allowances for abstraction of brine and abstraction of freshwater.

Following a review of the production plan, SRK has confirmed that up to 8.5 GLpa of brine abstraction is required to support a production rate of 120 ktpa. These volumes are within the permitted amount when the freshwater requirement is considered. The EPBC approval requires Kalium to prepare and submit a Groundwater Monitoring and Management Plan. Groundwater abstraction was not to commence until the federal Minister had approved the Groundwater Monitoring and Management Plan in writing. The Groundwater Monitoring and Management Plan was approved by the (then) Department of the Environment and Energy (DotEE – now Department of Climate Change, Energy, the Environment and Water, DCCEEW) on 4 June 2019.

The EPBC approval requires Kalium to prepare and submit a Night Parrot Management Plan and a Groundwater Monitoring and Management Plan. DotEE approved the Night Parrot Management Plan on 2 July 2019.

3.6.3 Secondary environmental approvals

Key secondary environmental approvals required for Project commencement include:

- a works approval and licence under Part V of the *Environmental Protection Act 1986*
- a mining proposal (including a mine closure plan [MCP]) under the *Mining Act 1978.*

No clearing permit is required, providing disturbance of native vegetation does not deviate from the disturbance assessed by the EPA during its assessment of the Project.

Part V approvals

A works approval to allow the construction and commissioning of works required to support a 25 ktpa SOP production (described as a ‘trial extraction program’) was approved by DWER on 21 January 2016 (W5939/1). That works approval was subsequently amended in May 2016 (modified pond layout) and August 2019 (increase in design capacity 90 ktpa, addition of infrastructure including trenches, evaporation ponds, bores, pipelines, construction of process plant and bunded stockpile area). Kalium was subsequently issued with a Part V licence (L9307/2021/1, granted on 15 December 2021). The approved SOP production capacity on the current licence, which is valid to 14 December 2041, is 100 ktpa.

Mining proposal and mine closure plan

A mining proposal and MCP for the Beyondie project (90 ktpa) were approved by the Department of Mines Industry Regulation and Safety (DMIRS) on 17 September 2019. Since that time, project optimisation has resulted in a requirement to modify elements of the Project as described in the approved mining proposal. Changes include (but are not limited to):

- increase in primary and recycle pond footprint by 70 ha
- plant optimisation
- duplication of freshwater and brine pipelines
- addition of a powerline
- construction of an additional 10 production bores at Ten Mile
- construction of an additional 15 production bores at Sunshine, of which 12 bores have now been installed.

The works proposed above all lie within granted tenure (mining, miscellaneous or exploration tenements). Kalium advises that it has prepared – but not submitted amended mining proposal documentation to align with its existing Part V operating licence (100 ktpa). The revised mining proposal documentation is likely to be further revised to be consistent with an expansion to 120 ktpa. The timing for submitting an application for an amended mining proposal and MCP remains uncertain as at the time this report was prepared.

Approvals to construct bores and take water

Kalium has been granted six licences to construct or alter water wells under section 26D of the *Rights in Water and Irrigation Act 1914* (Table 3-5). The licences place no limit on the number of non-artesian wells that may be constructed.

Kalium holds six water licences under Section 5C of the *Rights in Water and Irrigation Act 1914* (Table 3-6). The total brine and fresh water allocation available under the licences amounts to 34.5 GLpa. Kalium has advised that the combined groundwater requirement (brine and freshwater) needed to support SOP production at 120 ktpa is approximately 10.3 GLpa, which is significantly less than the brine water allocations available under granted 5C licences, as well as within constraints on water extraction imposed in the project's Ministerial Statement 1098 and EPBC approval (EPBC2017/8088). The freshwater abstraction licence will ultimately need to be increased by approximately 0.3 GLpa to supply processing water for producing 120 ktpa.

Table 3-5: Licences to construct water wells (as at 17 July 2021)

Licence number	Expiry	Aquifer	Tenements on which bores may be constructed
CAW202861(1)	July 2024	East Murchison Combined – Fractured Rock West – Palaeochannel	E69/3309, E69/3347, E69/3351, E69/3352, L52/162, L52/187, L69/28, L69/29, L69/31, L69/32, L69/34, L69/35, L69/36, L69/38, L69/40, L69/41, M69/145, M69/146
CAW202862(1)	July 2024	East Murchison Combined – Fractured Rock West – Calcrete	E69/3309, E69/3346, E69/3347, E69/3351, E69/3352, L52/162, L52/187, L69/28, L69/29, L69/31, L69/32, L69/34, L69/35, L69/36, L69/40, L69/41, M69/145, M69/146
CAW202863(1)	July 2024	East Murchison Combined – Fractured Rock West – Fractured Rock	E69/3309, E69/3346, E69/3347, E69/3351, E69/3352, L52/162, L52/187, L69/28, L69/29, L69/31, L69/32, L69/34, L69/35, L69/36, L69/40, L69/41, M69/145, M69/146
CAW202864(1)	July 2024	East Murchison Combined – Fractured Rock West – Alluvium	E69/3309, E69/3346, E69/3347, E69/3351, E69/3352, L52/162, L52/187, L69/28, L69/30, L69/31, L69/32, L69/34, L69/35, L69/36, L69/38, L69/40, L69/41, M69/145, M69/146
CAW202865(1)	July 2024	East Murchison Combined – Fractured Rock West – Calcrete	L52/162, L52/186, L52/187, L52/193
CAW202866(1)	July 2024	East Murchison Combined – Fractured Rock West – Alluvium	L52/162, L52/186, L52/187, L52/193

Table 3-6: Groundwater licences held as at 5 August 2022

Licence No	Amt, kLpa	Expires	Tenements
182768	1,500,000	22/08/2026	E69/3309, E69/3347 (fresh water)
203052	1,500,000	03/07/2029	L69/35; L69/32; L69/34 (roads)
203053	1,500,000	03/07/2029	L52/162; L52/193; L52/187; L52/186
203054	10,000,000	03/07/2029	L69/38; L69/28; L69/32; L69/29; L52/162; E69/3352; L69/30; E69/3309; E69/3351; L69/41; L52/187; M69/145; L69/31; L69/36; L69/35; M69/146; L69/40; E69/3347; E69/3346; L69/34
203055	10,000,000	03/07/2029	L69/28; M69/145; E69/3352; L69/34; L52/162; E69/3346; L69/40; L69/36; L69/30; L69/31; L69/29; L69/35; E69/3351; L52/187; E69/3352; M69/146; E69/3347; L69/38; L69/41; E69/3309; L69/32
203056	10,000,000	03/07/2029	M69/145; L69/31; E69/3309; L69/34; E69/3352; L69/36; L52/187; E69/3351; L69/41; E69/3347; M69/146; E69/3346; L69/40; L52/162; L69/38; L69/30; L69/29; L69/35; L69/28; L69/32

3.6.4 Expansion requirements

Part IV approval (Ministerial Statement 1098)

The assessment by EPA and the subsequent approval under Ministerial Statement 1098 did not include assessment of the potential environmental impacts of taking brine from the proposed Ten Mile West expansion area. Works to implement the proposed Ten Mile West expansion (for example, ground clearing, taking brine and resultant drawdown of groundwater) have the potential to trigger a requirement for a further EPA assessment to provide the basis for an amended Ministerial Approval. If EPA were to require formal assessment of the Ten Mile West expansion (under either Section 45C or Section 40AA of the *Environmental Protection Act 1986*), any existing approved activities could continue while the expansion assessment was completed. The timing for completion of EPA assessments of amended proposals is not prescribed by statute and is not explained in the current EPA procedures manual. As a general rule of thumb, SRK considers that in the order of nine months should be allowed from the time that an application for a revised (expanded) project is lodged with EPA until the time that a decision to approve the amended project is issued.

If the expansion in production were to be effected by taking brine from Sunshine East, it is unlikely that a Section 45C amendment to the existing Ministerial Statement would be required, however it would be prudent for Kalium to confirm that this is the case through formal correspondence with the EPA.

EPBC approval (EPBC 2017/8088)

There is a slight chance that implementation of expansion works at Ten Mile West may trigger the need for a revised EPBC assessment. This could potentially be done as an 'accredited assessment' under the bilateral agreement between the government of Western Australia and the Commonwealth government. Amendments under the EPBC Act would be unlikely to significantly increase the time required to complete amendments of the project's primary approvals (being changes to the Ministerial Statement and the existing EPBC authorisation).

Other approvals

Part V approvals (*Environmental Protection Act 1986*) - Any future increases in production capacity would need to be approved via amendments to the Part V licence. Construction of additional pondage would require a works approval.

Mining proposal and mine closure plan (*Mining Act 1978*) - Kalium advises that it is working through a sequence of stages to secure approval of an updated mining proposal and MCP to align with its Part V operating licence and any future amendments of its primary approvals. Future expansions at Ten Mile West would require approval of an updated mining proposal and MCP and could require granting of a native vegetation clearing permit if the WA EPA and the federal Department of Climate Change, Energy, the Environmental and Water elect not to formally assess works proposed at Ten Mile West.

Mitigation planning for any delays in securing the required approvals for Ten Mile West expansion option includes optimising the brine abstraction plan to push out the start date of drawing from Ten Mile West, and also, the option to establish more bores in Sunshine East.

3.6.5 Conclusions

Kalium has been granted primary environmental approvals at state and federal level for the implementation of Phase 1 of the Beyondie project (progression to 100 ktpa).

Implementation of the 120 ktpa SOP expansion project requires an amended Part V operating licence, as well as an updated mining proposal and MCP to allow expanded production drawing on resources at Sunshine East. Approvals to do this are estimated by SRK to take approximately 6 months from the time of lodgement.

Kalium's strategy to achieve 120 ktpa potentially requires resources at Ten Mile West. Additional amendments to existing primary approvals may be required. Approvals to do this are estimated by SRK to take approximately 9 months from the time of lodgement to allow for modifications to primary approvals.

Given Kalium has two potential options (i.e. including Sunshine East) able to support the move to 120 ktpa, SRK considers it reasonable to assume that this will support the achievement of the 120 ktpa production plan within the timeframes proposed in Kalium's supplied financial model (i.e., by Q3 CY2024).

4 Carnegie Joint Venture

4.1 Introduction

The following project description is an abridged version of a report prepared by German Potash Experts, K-UTEC AG Salt Technologies (K-UTEC), which accompanies a joint ASX announcement by Kalium/BCI titled *Scoping Study Completed with Maiden Resources and Exploration Target for the Carnegie Potash Project* dated 27 July 2018. SRK has reviewed the K-UTEC report and considers it provides a balanced account of the key technical parameters associated with the project. Where warranted, SRK has updated disclosures in the K-UTEC report to reflect the current status of the project (e.g. several tenement applications have now been granted).

The CPP is the subject of a JV between Kalium (70% interest) and BCI (30% interest) (Carnegie Joint Venture or CJV). Under the terms of the agreement, BCI can earn up to a 50% interest in the CJV through staged exploration and development expenditure. Kalium is the manager of the CJV, with both Kalium and BCI having endorsed proceeding to a staged PFS, with an initial focus on securing tenure and access to all required tenures. Further details relating to the JV agreement are outlined in section 7.2.2.

The CJV is focused on the exploration and development of the CPP, which is situated over Lake Carnegie and located approximately 220 km east-northeast of Wiluna in the Mount Margaret region of Western Australia. Lake Carnegie is a large ephemeral lake with an approximate surface area of 2,300 km^2 and a combined catchment of 10,200 km^2 with run-off contribution from nine surrounding major creeks.

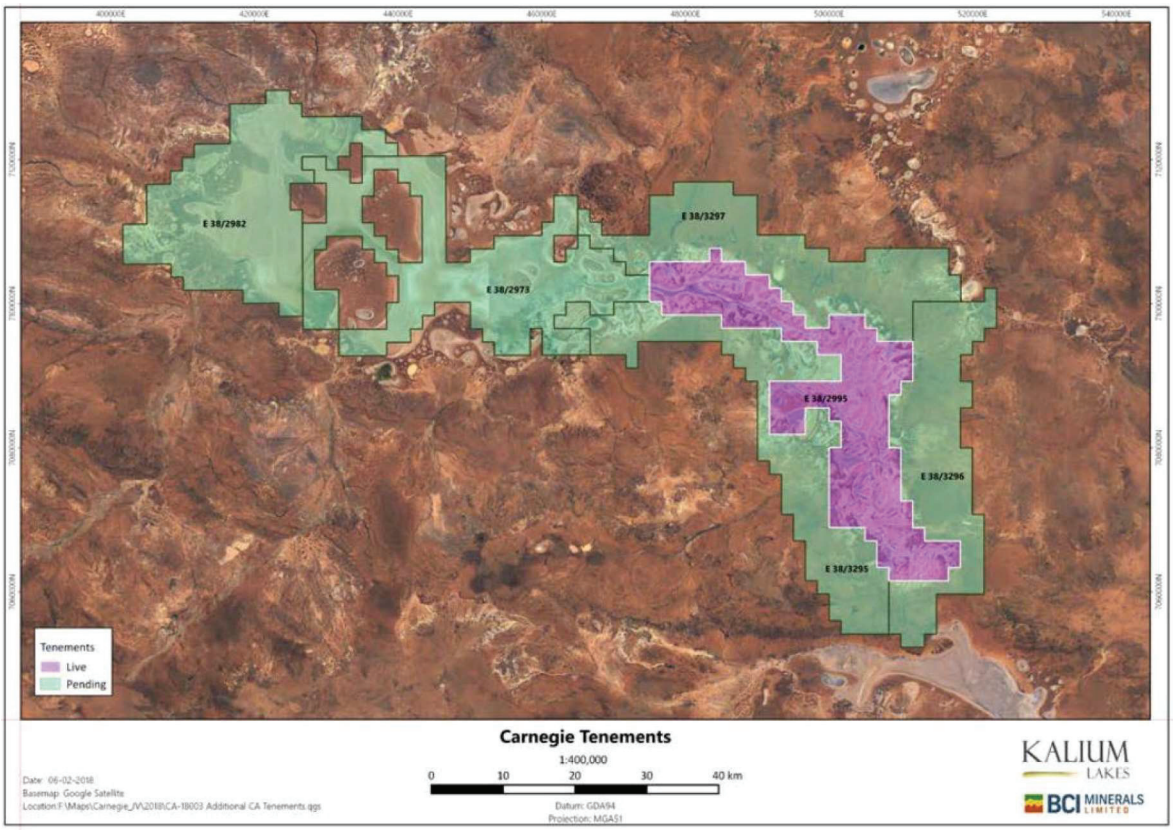
The CPP area comprises a single granted EL (E38/2995) and six (6) EL applications (E38/2973, E38/2982, E38/3295, E38/5296, E38/3297 and E38/3547) covering a total area of approximately 3,081 km^2. The CPP extends over 135 km in length and up to 30 km in width (Figure 4-1).

E38/2995 was granted under the expedited procedure provisions of the *Native Title Act 1993 (Cth)*. Native Title over Lake Carnegie is held by Tarlka Matuwa Piarku Aboriginal Corporation RNTBC as trustee for the Wiluna native title holders. The area was determined by the Federal Court and took effect on 23 January 2015. The CJV continues to negotiate with the native title parties over the tenements in application. The entirety of Lake Carnegie is recorded as another heritage place, being a place which may be an Aboriginal site under the *Aboriginal Heritage Act 1972 (WA)*.

The CPP area is sparsely populated, with the local population engaged in the agricultural industry associated with a number of scattered sheep and cattle stations, namely Prenti Downs, Windidda, Wongawol and Carnegie surrounding the lake system.

The CPP is accessible from Wiluna along the Gunbarrel Highway and thereafter by graded gravel roads and a network of station and exploration-company tracks, notably the Wongawol track which commences approximately 37 km east of Wiluna. Summer storms may result in localised sheet flooding, making the main road and track access impassable for short periods. Upon any future development the project would require a 950 km trucking distance to port.

Figure 4-1: CPP Tenure



Source: Kalium ASX Announcement dated 27 July 2018

The closest gas pipeline is located at Jundee, approximately 150 km form the western edge of Lake Carnegie. Fuel for power generation can be sourced from diesel, liquified natural gas (LNG) or Compressed Natural Gas (CNG) supplied by road train.

Topographically, the surrounding area to the project area is largely subdued, with elevations ranging from 440 m in low-lying areas associated with Lake Carnegie to approximately 600 m in the Princess Ranges to the south of the lake. Local relief is seldom more than 100 m. The landscape is dominated by a major playa-lake system consisting of Lakes Gregory, Nabberu, Teague, Carnegie and Wells. All streams and lakes in the area are ephemeral and flow occurs only after heavy rain. This system is located in the hydrological Arid Interior/North West zone which is characterised by low average annual rainfall, infrequent flood events resulting from localised thunderstorms or tropical upper air disturbances causing widespread low intensity rainfall and rare flood events, caused by tropical cyclones which produce high intensity rainfalls.

Stony hills and colluvium support low mulga and other small shrubs or spinifex and wattle. Local sheetwash/alluvial plains are covered with open mulga woodlands and grasses, whereas major drainages are lined with tall river gums. Desert sand plains are covered with spinifex and scattered low mallee.

This Project is considered by the CJV partners to be prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces SOP. The CPP tenements are located directly north of Salt Lake Potash Limited's (ASX:SO4) – Lake Wells tenements and Australian Potash Limited's (ASX: APC) – Lake Wells tenements.

4.2 Geological setting

The geological setting of the CPP area is dominated by sedimentary units belonging to the Nabberu Basin, which is regionally exposed over an area of approximately 60,000 km and measures 600 km in length by 120 km in width. The Nabberu Basin contains two sub-basins, the Glengarry Sub-basin in the west and the Earaheedy Sub-basin in the east, with the latter present under Lake Carnegie.

The Earaheedy Sub-basin is filled by sediments of the Earaheedy Group, comprising the Tooloo Subgroup (quartz arenite, iron-formation, chert, shale, and carbonate) and the overlying Miningarra Subgroup (sandstone, shale and carbonate). These sediments are intruded by dolerite and overlain in the east by sediments of the Officer Basin (principally glacigene rocks of the Paterson Formation).

Lake Carnegie forms part of a laterally extensive palaeodrainage system that was active in the area until the middle Miocene. The palaeodrainage channels are infilled with basal sand that is overlain by dense plasticine clay and variable thicknesses of alluvium and colluvium.

There are up to 12 m of shallow Quaternary sediments associated with lake deposition and the reworking owing to deflationary influences. The lake is characterised by playa features that are heavily influenced by extreme salinity, as well as repetitive wetting and drying cycles. Most of the material was deposited by sheet flood and slope wash, but gypsum crystals are precipitating in the lake sediments from highly saline ground water.

A summary of the key stratigraphy in the vicinity of Lake Carnegie is presented in Table 4-1.

Table 4-1: Carnegie JV project – local stratigraphy at Lake Carnegie

Age	Group/Subgroup	Formation/Member	Dominant lithologies
Quaternary			Lake sediments
Pleistocene			Alluvium / colluvium
Pliocene/Miocene			Calcrete
Early Tertiary			Palaeochannel sediments
Early Permian		Patterson Formation	Glacial tilite, sandstone, siltstone
Middle Proterozoic			Dolerite
Early Proterozoic	Earaheedy Group / Miningarra subgroup	Mulgarra Sandstone	Sandstone, shale, limestone
		Kulele Limestone	Limestone, sandstone
		Wongawol Fm.	Sandstone, shale
		Chiall Fm. / Princess Range Member	Orthoquarzite
		Chiall Fm. / Wandiwarra Member	Sandstone, shale
	Earaheedy Group / Tooloo subgroup	Windidda Fm.	Dolomite, limestone
		Frere Fm.	BIF, shale, chert
Archaean			Granite, greenstone

Source: Schicht and Penndorf, (2018)

The most productive and reliable aquifer in the project area is the palaeochannel sand. Despite having limited storage capacity there is potential for a sustainable supply owing to leakage from the overlying lithologies and surrounding weathered basement.

The sand aquifer is up to 1 km wide and up to 40 m thick in the trunk palaeochannels, reducing to several hundred metres wide in the tributaries. The sand is confined beneath as much as 80 m of structureless to highly laminated, kaolinitic clay.

There are some additional prospective areas for brine occurrence on the southern and northern edges of Lake Carnegie, where fractured-rock aquifers may be located beneath lake sediments. Quartzite rocks of the Princess Range Member are present beneath the southern edge of the lake, whereas Kulele Limestone is present beneath the northern edge of the lake. Both lithologies are conducive to the presence of groundwater within any developed fractures.

4.2.1 Mineralisation

Lake Carnegie hosts a brine containing the target potassium and sulphate ions able to form a potassium sulphate salt. The lake has potential for potash mineralisation, with a wide range of exploration targets from shallow brine within the lake sediments to deeper brine horizons in the palaeochannel basal sand aquifer. Different prospective exploration targets for brine supplies associated with the Lake Carnegie project, which include:

- evaporite sand layers in the lake sediments
- a minor aquifer associated with alluvial and colluvial deposits
- a sandy horizon at top of palaeochannel stratigraphy
- basal palaeochannel sand
- fractured-rock aquifers at the southern and northern edges of the lake.

The shallow brine on the lake surface can be extracted from trenches; the deeper brine can be pumped from wells.

4.3 Exploration history

Systematic mapping of the Lake Carnegie area was conducted at 1:250,000 scale by the Geological Survey of Western Australian (GSWA) between 1975 and 1977. Further regolith and geochemical mapping was carried out by the GSWA in 2000. There have been no significant hydrogeological reports or publications over this part of the State.

No previous potash related exploration activities were conducted over the project area prior to Kalium's involvement. While portions of Lake Carnegie were previously held under tenure from 2007 to 2009 by a subsidiary of Reward Minerals Limited (Reward), no access to the lake was granted and therefore no exploration activities were conducted, pending negotiations with native title parties. The tenure was ultimately surrendered in July 2009.

More recent potash exploration in the near environs has focused further to the south at Lake Wells where both Australian Potash Limited (ASX:APC) and Salt Lake Potash Limited (ASX: SO4) hold tenements which have been explored using a range of ground water exploration methods.

Kalium commenced concerted SOP exploration over the Carnegie area following its ASX listing in 2016. In March 2017, Kalium announced that it had entered into a JV agreement with BCI to fast track the Carnegie Project.

Following an initial geophysical desktop study, Kalium conducted ground-based gravity measurements comprising 123 km of gravity traverses on transects across the tenure in December 2017. This program was designed to identify the palaeovalley geometry and locate exploration drill targets.

This was then followed by a first-pass 64 auger hole drilling and sampling program (to 2 m depth on an approximate 2 km to 3.5 km grid spacing) across the lake surface in January 2018. Brine and soil samples were collected at this time, with brine samples sent to Bureau-Veritas Laboratory for analysis. Brine samples were also collected for evaporation and processing testwork.

Laboratory analysis of 1 m interval lithological samples obtained during the 2018 auger drilling campaign allowed the first estimates of drainable porosity (specific yield) to be determined for the top 2 m of the lake surface sediments. The results indicate that the top 2 m of the lake sediments mainly comprises gypsiferous sand with varying components of clay and silt, which is consistent with the geological logging of the samples.

Aircore (AC) exploration drilling was undertaken in May 2018 and completed in the same month. A total of four holes were drilled to basement, all holes were located within 1 km of the lake edge.

In July 2018, the CJV completed a Scoping Study and maiden Mineral Resource estimate, as well as declaring an Exploration Target for the CPP. These studies confirmed that the CPP has the potential to a technically practical and economically viable project (subject to a number of sensitivities/modifying factors) and justified the progression to a staged PFS.

Following the Scoping Study, the JV partners recommended proceeding to a staged PFS, with an initial focus on securing tenure and access to all required tenure.

In October 2019, the Western Australian Government proposed the creation of the Matuwa Kurrara National Park, which includes land associated with the Lake Carnegie Project under the Plan for our Parks (PfoP) scheme. Since 2019, the State government has completed consultation with traditional owners, peak bodies, stakeholders and interested holders in relation to the plan before entering into indigenous land use agreement negotiations, management planning and further consultation which are expected to be completed in 2024.

In the interim, the CJV elected to place the planned acquisition of further tenure and further project development on hold and to continue to monitor the progress of the PfoP scheme with a view towards responding more fully once detailed plans for the National Park are released. The impact of these factors on the Carnegie Project are considered further in the valuation section (Section 7.4).

4.4 Mineral Resources

On 27 July 2018, the CJV partners jointly announced the results of the Carnegie Scoping Study including a maiden Mineral Resource estimate and Exploration Target. The stated Inferred Mineral Resource comprised 0.88 Mt SOP averaging 3,466 mg/l potassium (equivalent to 7,724 mg/l SOP) based on the top 1.7 m of the 27,874 ha surficial aquifer on granted tenure E38/2995 plus an Exploration Target for material below the top 1.7 m. Indicated and Measured Resources and Ore Reserves cannot be estimated until further work is completed. The estimate was prepared by Mr Thomas Schicht and Anke Penndort from K-UTEC.

This Mineral Resource estimate continued to be reported unchanged by the CJV partners until Kalium reported a slight modified version of the Mineral Resource estimate in its 2019–2020 Annual Report (as at 8 October 2020). SRK understands that the 2020 Mineral Resource estimate is based on a 10 m maximum thickness of the aquifer over an area of 108 km^2.

Outside the defined Carnegie Mineral Resource area, the CJV holds applications for tenure over a further 82,000 ha of lake surface which is located in relative proximity to other potash explorers including both Salt Lake Potash Limited (ASX:SO4) and Australian Potash Limited (ASX:APC) Lake Wells Projects, which lie immediately south of the CJV tenures. Values for additional exploration target potential were extrapolated from the existing data and knowledge of the lake system with the underlying palaeochannel (as at 2018).

The Carnegie JV Mineral Resource and Exploration Target estimate as per the 2019–2020 Annual Report is summarised in Table 4-2.

Table 4-2: CPP – Resource tables as at 8 October 2020

Geological Layer	Maximum Thickness (m)	Coverage (km^2)	Sediment Volume (10^6 m^3)	Total Porosity (P)	Total Stored Brine (10^6 m^3)	Specific Yield (-)	Drainable Brine (10^6 m^3)	K Grade (mg/L)	K Mass (Mt)	SO_4 Grade (mg/L)	SO_4 Mass (Mt)	K_2SO_4 Mass (Mt)
Inferred Mineral Resources												
Lake Sediments	10	108	1,080	0.45	486	0.28	302	3,200	1.0	8,700	2.6	2.2
Exploration Target*												
Alluvium	7	278	1,948	0.35	682	0.05	88	3,500	0.31	12,963	1.14	0.68
Clays	40	287	11,471	0.40	4,589	0.03	287	3,400	0.98	12,593	3.61	2.17
Basal Sands	7	80	557	0.28	156	0.15	84	3,300	0.28	12,222	1.02	0.61
Total					**5,427**		**459**	**3,410**	**1.57**		**5.77**	**3.46**
Alluvium	12	561	6,727	0.40	2,691	0.14	377	3,500	1.32	12,963	5.00	2.94
Clays	60	287	17,207	0.45	7,743	0.06	465	3,400	1.58	12,593	5.85	3.52
Basal Sands	17	80	1,353	0.35	474	0.25	118	3,300	0.39	12,222	1.45	0.87
Total					**10,908**		**960**	**3,420**	**3.29**		**12.30**	**7.33**

Notes:

* Kalium ASX release dated 23 October 2020 'Kalium Lakes Limited Annual Report 2019-2020, page 35.

Other lakes in the area assume lake surface resource depths of 8 m to 18 m associated with trenching and shallow bore holes, thus the Competent Persons consider it reasonable to anticipate future growth in the defined resources.

The CPP 'Exploration Target' is based on a number of assumptions and limitations and is conceptual in nature. It is not an indication of a Mineral Resource estimate in accordance with the JORC Code (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource or that the Exploration Target will add to the economics of the CPP.

SRK opinion

In SRK's opinion, the 2019–2020 Mineral Resource and Exploration Target estimates for Carnegie have been prepared to a sufficient quality standard under the guidelines of the JORC Code (2012) and are appropriate for valuation purposes.

SRK considers the 2019–2020 Carnegie Mineral Resource estimate to be a reasonable estimate at a global level. In SRK's opinion, Kalium has a good understanding of the local geology and the controls on mineralisation and the project area is well drilled out with mostly modern exploration drilling techniques. The estimation methodology used is reasonable for the style of mineralisation and the current data spacings.

4.4.2 Scoping Study outcomes

The July 2018 Scoping Study relating to Carnegie Project outlined the following outcomes:

- The capital cost estimate was developed to an AACE Class 5 estimate and as at July 2018 compared favourably where benchmarked with costs available for similar projects. As part of the PFS, this estimate will need to be updated to capture present day capital costs.
- The operating cost estimate was developed at a scoping level of accuracy. As at July 2018 these costs compared favourably where benchmarked with costs available for similar projects. As part of the PFS, this estimate will need to be updated to capture present day capital costs.
- The Scoping Study results were positive for a number of scenarios and justified the progression towards exploration and development activities associated with a staged PFS.
- Key recommendations included to undertake further drilling and pilot-scale pump and evaporation testing to support the declaration of an Ore Reserve, nomination of a production target and to derive forecast financial information.
- Key sensitivities were likely to include the discount rate, exchange rate, SOP pricing, operating and capital cost estimates and project timing delays.

5 Dora/Blanche exploration project

5.1 Introduction

The Lakes Dora and Blanche tenure applications are located on the western margin of the Great Sandy Desert, in the East Pilbara region of Western Australia. The Project tenures lie within the Karlamilyi (formerly Rudall River) National Park approximately 70 km south of the Telfer Gold Mine and 300 km northeast of the regional centre of Newman. The tenures cover portions of the Tabletop (SF51-11) and Rudall (SF51-10) 1:250,000 scale topographic sheets.

Access from Newman is difficult and restricted to four-wheel drive vehicles travelling either via Marble Bar and Telfer or via the Balfour Downs Station. The area has received little previous attention for its potash potential (aside from recent exploration by a subsidiary of Reward), however, uranium and base metal exploration by Conzinc Riotinto of Australia (CRA), BHP and Gindalbie Gold Limited have all occurred within the broader areas.

The Dora/Blache exploration project, comprises two EL applications (E45/4436 and E45/4437), with E45/4436 (Lake Dora) covering the southern margin of Lake Dora and lying approximately 13 km to the north-northwest of E45/4437 (Lake Blanche).

Except for part of the application for E45/4437 (to be excised upon grant), native title has been extinguished in the land the subject of applications for E45/4436 (Lake Dora) and E45/4437 (Lake Blanche), as a consequence of Karlamiyli National Park. Under the *Mining Act 1978 (WA)*, any future fossicking, prospecting, exploring or mining over the area is subject to a requirement to obtain the written consent of the Minister of Mines who must first consult with and obtain the concurrence of the Minister of Environment. Kalium has prepared a conservation management plan but has not yet obtained the consent of the Minister.

These tenement applications were acquired based on data reported by Geoscience Australia in its 2010/2012 Record – Aerial Electromagnetic Survey of the Paterson Province, WA. Geoscientific interpretation of the data highlights an extensive palaeochannel system running through Lake Disappointment and extending several hundred kilometres northwest wards through Lake Winifred and Lake Dora to Lake Waukarlycarly to the northwest of the Telfer Gold Mine.

Interpretation of airborne electromagnetic (AEM) traverses completed by Geoscience Australia suggest that highly conductive brines exist within palaeovalleys and thus offer potential to host potash resources. The Lake Dora and Lake Blanche applications are designed to provide coverage over this interpreted palaeochannel system.

Historic drilling by BHP and others in the surrounding region between Lake Dora and Lake Waukarlycarly demonstrated gypsiferous lake sediments are evident to considerable depths (+100 m) in select drill hole locations which also returned highly saline groundwater during drilling. The water table in the region is interpreted to be relatively shallow (<5 m).

Kalium consider these applications to be a long-term expansion option but given the Company's focus on the development of Beyondie, these tenements have not been actively progressed. The tenements remain in application and as such, Kalium has not completed any material exploration over these tenures since its initial application in 2014, pending ongoing discussions with native title parties. To date, Kalium has not entered into access negotiations with native title parties but still consider these tenements represent a strategic asset with full intent to seek grant eventually.

6 Other considerations

6.1 Potash

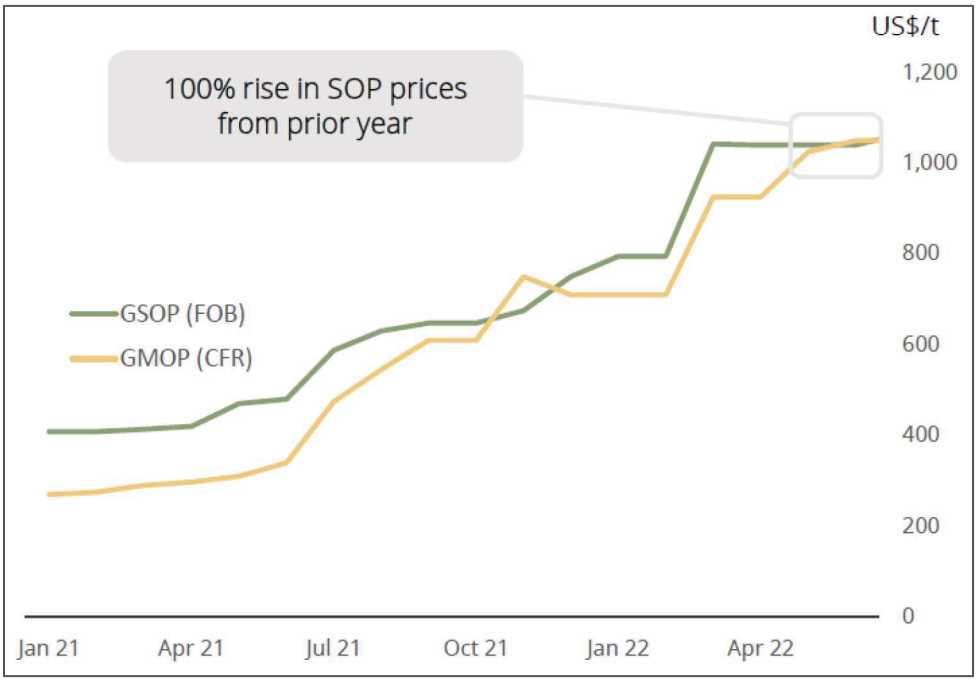
The main sources of potassium for agricultural purposes are Muriate of Potash (MOP or KCl) and Sulphate of Potash (SOP – K_2SO_4). Other sources include Nitrate of Potash (NOP – KNO_3) and potash in various forms with trace elements such as magnesium (SOPM). Polyhalite ($K_2Ca_2Mg(SO_4)_4 \cdot 2H_2O$) is a new product that emerged in 2011.

MOP is the cheapest source of potassium and has the largest market share. However, due to its chlorine content, MOP cannot be used in soils where acidity is an issue or for a number of plant types. The acidity issue means that SOP, which typically contains less than 1% Cl (chloride), is effectively servicing a separate market to MOP. In addition to the potassium, SOP also provides S (sulphur), which is also essential for plant growth and makes plants more resilient to drought, frost, insects and even disease. For these reasons and the fact that SOP is not a naturally occurring mineral (usually being produced through resource intensive chemical methods), SOP is considered a higher quality form of potash and attracts a price premium over MOP.

The MOP and SOP markets have surprisingly different price dynamics. The evidence for this is the stability of the SOP price since 2012, in a period of falling MOP price. SOP can be produced from MOP using the Mannheim process; this accounts for almost 50% of current supply.

The long-term SOP price has averaged approximately US$500/t but has increased strongly since mid-2021 (Figure 6-1).

Figure 6-1: Argus European MOP versus SOP (US$/t) prices: 2021 to present



Source: Kalium ASX announcement dated 18 August 2022 incorporating analysis by Argus Media Group

In 2021, the global potash market grew rapidly as rising demand, poor international crop yields, surging crop prices and market and supply side risks in Belarus combined to drive regional prices up 200–300% to above US$700/t (CFR Brazil Spot) and US$520/t (CFR SE Asia Spot). Prompt availability remains limited with China and India running down stockpiles and global crop prices persisting at historically high levels. Historically, the ten-year average premium of SOP to MOP was US$221 with MOP prices in June 2022 at over US$560/t (World Bank, 2022).

Australian import statistics suggest that the weighted average SOP CIF price increased from US$898/t in March 2022 to US$958/t in April.

Going forward, global potash capability is skewed to the downside based on events in Russia and Belarus, with the International Fertiliser Association's (IFA) forecast considering three scenarios (pessimistic, middle ground and optimistic). This results in global potash capability forecast to range from 36.0 Mt to 43.2 Mt K_2O in 2026 compared to 43.2 Mt K_2O in 2021 (IFA, 2022).

6.2 Recent developments

The size of the global SOP market was estimated at US$3,764.6 M in 2021 and is projected to reach US$4,400 M by 2028, exhibiting a CAGR of 2.30% over this period.

In early 2022, China and India signed contracts with Canpotex, which marketed potash at a price of US$590/t. The price was up from US$247/t in a contract Canpotex signed with China in 2021.

Russia's invasion of Ukraine dealt a major blow to Europe's agricultural needs following the imposition of sanctions on Russia and Belarus, which accounted for a combined 37% of global potash production in 2021, led to expectations of a potash shortage. Belarus' inability to ship potash through trade-isolated Russia is leading to a worse-than-expected supply crunch of the fertiliser.

Analysts believe Belarus would ship some of its product through Russia after Lithuania barred the landlocked country from using the port of Klaipeda as of 1 February 2022. But Russia's ports are tough to access due to economic sanctions aimed at punishing the country for its invasion of Ukraine, and now it appears Belarusian potash is simply not getting to market. Compounding issues for the potash market, Russia's Ministry of Trade and Industry recommended its fertiliser producers to cease exports, citing shipping challenges, though it is again unclear how much its exports have been affected.

Meanwhile, as potash prices continue to soar, there are concerns on the demand side that farmers may balk at fertiliser purchases, sacrificing crop yield in an attempt to protect margins.

This has raised concerns about where Europe will get a significant portion of its potash needs while exposing the continent's own lack of shovel-ready projects. In response, potash prices have climbed close to all-time highs as the fertiliser market lurches through a supply crisis.

Accurate potash prices are not widely available, but market analysts noted that prices leapt in March 2022, rapidly approaching a record price of US$1,000/t. While it remains unclear how much potash will fail to reach global markets from Russia and Belarus, prices may yet go higher according to analysts. The Brazilian potash price – one of several reference prices – recently jumped US$140/t, or 17%, week over week to about US$950/t, according to CIBC analysts. This compares to a record price of about US$1,000/t hit in late 2008. Given the tightness in the market, some analysts are forecasting higher prices. J.P. Morgan raised its 2023 average potash price forecast by US$50/t to US$600/t.

6.3 Previous valuations

The VALMIN Code (2015) requires that an Independent Valuation Report should refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed.

Having asked the question of Kalium, SRK is not aware of any previous publicly disclosed valuations prepared in accordance with the VALMIN Code (2015) relating to the subject Mineral Assets.

7 Valuation

The objective of this section is to provide BDO and the shareholders of Kalium with SRK's opinion regarding the valuation of the Mineral Assets. SRK has not valued Kalium, this being the corporate entity that is the beneficial owner of the Mineral Assets.

SRK has relied on information provided by Kalium, as well as information sourced from the public domain, SRK's internal databases and SRK's subscription databases.

The VALMIN Code (2015) outlines three generally accepted valuation approaches:

1. Market Approach
2. Income Approach
3. Cost Approach.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The mineral asset being valued is compared with the transaction value of similar mineral assets under similar time and circumstance on an open market (VALMIN Code [2015]). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The Income Approach is based on the principle of anticipation of economic benefits and includes all methods that are based on the anticipated benefits of the potential income or cashflow generation of the mineral asset (VALMIN Code (2015)). Valuation methods that follow this approach include discounted cashflow (DCF) modelling, capitalised margin, option pricing and probabilistic methods.

The Cost Approach is based on the principle of cost contribution to value, with the costs incurred providing the basis of analysis (VALMIN Code (2015)). Methods include the appraised value method and multiples of exploration expenditure (MEE), where expenditures are analysed for their contribution to the exploration potential of the Mineral Asset.

The applicability of the various valuation approaches and methods varies depending on the stage of exploration or development of the mineral asset and hence the amount and quality of the information available on the mineral potential of the assets.

Table 7-1 presents the valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

Table 7-1: Suggested valuation approaches according to Development status

Valuation Approach	Exploration Projects	Pre-Development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015)

The Market approach to valuation is generally accepted as the most suitable approach for valuation of an Exploration Project or a Pre-Development Project.

An income-based method, such as a DCF model is commonly adopted for assessing the Value of a Tenure containing a deposit where an Ore Reserve has been produced following appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for deposits that are less advanced where technical risk is not quantified (i.e. where there is not a declared Ore Reserve and supporting mining and related technical studies).

The use of cost-based methods, such as considering suitable MEE is best suited to exploration properties, before Mineral Resources are reliably estimated.

In general, these methods are accepted analytical valuation approaches that are in common use for determining the value of mineral assets. Given its direct reference to values paid in the market and ability to be actively observed, the market approach provides a direct link to Market Value. In contrast both income-based and cost-based methods derive a Technical Value (as defined below) which typically require the application of various adjustments to account for market considerations in order to convert these values to a Market Value.

The **Market Value** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee (IVSC) term of the same name. This has the same meaning as Fair Value in RG111. In the 2005 edition of the VALMIN Code, this was known as Fair Market Value.

The **Technical Value** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Under prevailing industry norms, regulatory guidance and as required by the VALMIN Code 2015), Practitioners are required to estimate Market Value. There is no requirement to report Technical Value, which is only generally estimated as a step to report Market Value.

Valuation methods are, in general, subsets of valuation approaches and for example the Income Based Approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation while others are secondary methods or rules of thumb considered suitable only to benchmark valuations completed using primary methods.

Methods traditionally used to value exploration and development projects include:

- MEE
- JV Terms Method (expenditure-based)
- Geoscience Ratings Methods (e.g. Kilburn – area-based)
- Comparable Transaction Method (real estate based)

- MTR analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage – real estate based)
- Yardstick/Rule of Thumb Method (e.g. A$/resource or production unit, percentage of an in situ value)
- The geological risk method.

In summary, however, the various recognised valuation methods are designed to provide an estimate of the mineral asset or project value in each of the various categories of development. In some instances, a particular mineral asset or project may comprise assets which logically fall under more than one of the previously discussed development categories.

7.1 Valuation basis

SRK has considered the defined Ore Reserves, Mineral Resources, Exploration Targets as well as the areal extent and exploration potential of the granted tenure held by Kalium (Table 7-2).

Table 7-2: Valuation basis

Project	Aspect	Development stage	Valuation basis
Beyondie	The LOM production scenario	Development Asset	DCF Analysis (see BDO Report)
	Residual Resources including Exploration Targets	Advanced Stage Exploration to Pre-Development Asset	Comparable Transactions, Peer Analysis (see this Report)
	Exploration Potential	Early Stage Exploration	Comparable Transactions, Geoscientific Rating (see this Report)
Carnegie JV (70%)	Mineral Resources including Exploration Target	Advanced Stage Exploration	Comparable Transactions, Peer Analysis (see this Report)
	Exploration Potential	Early Stage Exploration	Comparable Transactions, Geoscientific Rating (see this Report)
Dora/ Blanche	Exploration Potential	Early Stage Exploration	Comparable Transactions, Geoscientific Rating (see this Report)

Source: SRK Analysis

SRK notes that the VALMIN Code (2015) cautions in ascribing value to permits under application. In considering Kalium's tenures which remain in application, SRK in its professional judgement has elected to apply a 20% discount to reflect uncertainty in the timing and conditions associated with grant.

7.2 SRK's Valuation technique

In estimating the value of the Project as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015).

SRK has supplied its recommendations regarding the Model to BDO to assist in the preparation of the market value estimate for the LOM scenario. For the valuation of the defined Mineral Resources outside of the LOM design (known as Residual Resources) and Exploration Targets, SRK elected to adopt comparable transaction analysis and peer analysis as its primary valuation approach. The derived values determined using this approach were then cross-checked against values determined using trading multiples implied by peer companies.

For the valuation of the exploration potential outside of the defined Residual Resource (and Exploration Target) areas, SRK elected to adopt values implied by comparable transaction analysis which have been cross checked using a geoscientific rating approach.

7.3 Reasonableness of technical inputs to the model

7.3.1 Introduction

SRK's LOM recommendations

Table 7-3 presents a summary of SRK's findings and recommendations as made to BDO in relation to Kalium's supplied model.

Table 7-3: SRK's recommendations regarding the model

Item	Model	SRK Recommendations	Comments
Mineral Resource Measured Indicated Inferred	 4.60 (K_2SO_4 (SOP)) 15.11 (K_2SO_4 (SOP)) 13.27 (K_2SO_4 (SOP))	 4.60 (K_2SO_4 (SOP)) 15.11 (K_2SO_4 (SOP)) 13.27 (K_2SO_4 (SOP))	Based on the Mineral Resource as publicly stated 30 June 2021
Ore Reserve Sunshine and 10 Mile	 5.03 Mt (K_2SO_4 (SOP))	 5.03 Mt (K_2SO_4 (SOP))	Based on the Ore Reserve as publicly stated 30 June 2021
Life of Mine Plan	As per Financial Model	Modify: November 2022 (5,500 t SOP) December 2022 (5,500 t SOP)	■ Base case is 6,750 t SOP ■ Base case is 6,750 t SOP ■ November and December are only two months after the August shutdown. The plan relies on a fast ramp up post the shutdown, which requires some moderation due to the complexity of many moving parts across the plant.
Capital 120 ktpa completion (July 2022 – March 2024)	A$40,691,000	A$43,691,000	■ Full consumption of the remaining planned capital budget for the 120 ktpa expansion project ■ Budget includes A$3.1 M contingency (7.1%). There is potential for not needing to install the budgeted additional power generation unit (A$3.65 M), which could represent additional contingency). In addition, SRK recommends an additional A$3 M be applied to allow for the current stretched capital construction environment.
Sustaining capital	As per Financial Model	Additional allowance for longer term processing plant replacement. $5 M in Year 25, $5 M in Year 30 and $10 M in Year 35.	The recommended addition is an estimated allowance only and has not been formally costed by Kalium. Given the likely timing of these cash flows, in net present value (NPV) terms, the value of the project would not be sensitive to changes in this assumption.
Operating cost	As per Financial Model	Modify: Add in $500,000/year to cover a crushing system ahead of the plant feed.	Additional funds required to cover installing a mobile crushing plant that can handle oversize material (>125 mm plant feed top size)

Source: SRK analysis

Note: All SRK recommendations are undiscounted on a real basis.

7.4 Market based Valuation

7.4.1 Residual Resources and Exploration Targets

Based on Kalium's supplied LOM schedule and disclosures outlined in Kalium's ASX release dated 18 August 2021 and titled "*Feasibility Study Complete for new Base Case Production increase to 120 ktpa at Beyondie SOP Project*", SRK has summarised Kalium's estimated Residual Resources and Exploration Targets outside of the LOM in Table 7-4.

Table 7-4: Tonnes in Residual Resource/Exploration Target for valuation purposes

Project	Category	Total contained SOP (Mt)
Beyondie	Measured^	2.76
	Indicated	11.78
	Inferred	12.71
	Sub-total	*27.25*
	Exploration Target*	25.25
	Sub-total	**52.50**
Carnegie JV	Inferred	2.20
	Exploration Target*	5.40
	Sub-total	**7.60**
Total	Measured^	2.76
	Indicated	11.78
	Inferred	14.91
	Sub-total	*29.45*
	Exploration Target*	30.65
	Total	**60.10**

Source: SRK analysis

Notes:

Rounding errors may occur.

^Includes depletion of approximately 0.14 Mt SOP to account for estimated production since 30 June 2021

*For Exploration Targets, SRK has adopted the midpoint of the implied Exploration Target range for valuation purposes. SRK makes no representation or assertion that this is the tonnage which may become available in actuality.

SRK has reviewed the reasonableness of the Resource and Reserve estimates and based on the information provided it has calculated the Residual Resource for valuation outside of the LOM model. Based on its review of the underlying information, nothing has come to SRK's attention to suggest the quantities included in the LOM model and outside of the LOM model are not reasonable.

In allocation, SRK has exercised its professional judgement in assigning the stated tonnages to the relative resource categories in line with Kalium's ASX disclosures.

SRK notes that the Carnegie Exploration Targets relate to tenures in application for which there is uncertainty regarding both the timing and likely conditions of grant. To reflect this uncertainty, SRK in its professional judgement has applied a further 20% discount to the value attributed to the Carnegie Exploration Targets.

7.4.2 Actual transactions

Ten Mile

On 29 October 2018, Kalium acquired a portion of E69/3247 which relates to the Ten Mile West area from AIC Resources Limited (AIC). The consideration paid to AIC was 5 million Kalium shares and 5 million A$0.50 Kalium options (expiring 30 June 2025). Both the shares and the options were the subject of a 12-month escrow period. The consideration was valued by S&P Capital IQ Pro at the time of the transaction at A$1.88 M.

The tenure portion acquired was located immediately adjacent to Kalium's 10 Mile Lake resource/reserve area (as held under granted ML M69/145) and secured the remaining western section of that palaeochannel system but its resource potential remained to be assessed.

Based on the area of E69/3247 (130.66 km^2), the implied value of this transaction was A$14,350/$km^2$ (raw) or A$38,523/$km^2$ (normalised).

Carnegie JV

On 1 March 2017, Kalium announced that it had entered into a JV agreement with BCI, with BCI having the right to earn up to a 50% interest in the Carnegie Project through predominantly sole-funding exploration and development expenditure on a sequential staged program. KLL is the manager of the CJV and will leverage its existing Intellectual Property to fast track work. Key stages are as follows

1. Stage 1 (initial Scoping Study Phase) – BCI can earn a 30% interest by contributing its mobile camp facilities to the JV and sole funding the first A$1.5 M of expenditure – completed.
2. Stage 2 (PFS Phase) – BCI can elect to earn a further 10% interest (for a total interest of 40%) by sole funding a further A$3.5 M in expenditure.
3. Stage 3 (Feasibility Study Phase) – BCI can elect to earn a further 10% interest (for a total interest of 50%) by sole-funding a further A$5.5 M in expenditure.
4. By end of the Feasibility Study, the CJV would have an ownership of 50% Kalium and 50% of BCI.

At the time of the transaction (i.e., March 2017), the Carnegie Project comprised a single granted EL and two EL applications covering a total area of approximately 1,700 km^2 (refer Kalium ASX Announcement dated 1 March 2017). No Mineral Resources were reported at the time of entering into the transaction in March 2017.

In July 2018, the Carnegie JV partners announced the results of a Scoping Study incorporating a maiden Mineral Resource and Exploration Target estimate for the project (Kalium ASX Announcement dated 27 July 2018). The stated Inferred Mineral Resource (drainable) comprised 113.55 Mm^3 at 3,466 mg/L K for approximately 0.88 Mt of contained K_2SO_4 (SOP). A further Exploration Target[2] of between 3.46 Mt and 7.33 Mt of contained K_2SO_4 (SOP) was also reported at this time.

In its 2020 Annual Report, Kalium updated the reported Mineral Resource estimate for Carnegie (as at 8 October 2020). The stated Inferred Mineral Resource (drainable) comprised 302 Mm^3 at 3,200 mg/L K for approximately 2.2 Mt of contained K_2SO_4 (SOP). The Exploration Target remained unchanged.

As at the Valuation Date, BCI had earned a 30% interest in the Project with no exploration having been completed over the preceding 2 years. SRK understands the lack of recent exploration was largely due to the fact that both Kalium and BCI were focused on the development of the Beyondie and Mardi potash projects, respectively.

The implied values associated with each of these milestones is outlined below:

- Implied value multiple based on original tenured area of 1,700 km^2 at the valuation date: A$2,941/$km^2$ (raw) or A$8,890/$km^2$ (normalised).
- Implied value multiple based on 2018 Inferred Mineral Resource at the valuation date: A$5.68/t SOP (raw) or A$16.00/t SOP (normalised).
- Implied value multiple based on 2020 Inferred Mineral Resource at the valuation date: A$2.27/t SOP (raw) or A$6.45/t SOP (normalised).

7.4.3 Comparable market transactions

For its evaluation of Kalium's Beyondie and Carnegie Residual Resources and Exploration Targets, SRK has complied potash resource transactions using the S&P Capital IQ Pro subscription database (formerly SNL). SRK's search considered transactions involving potash brine resource projects located in similarly developed jurisdictions. Importantly, SRK was unable to locate many recent potash brine resource transactions involving projects in Australia, and therefore, also considered recent transactions involving hard rock and brine potash projects in the USA, Russia, Ethiopia and Kazakhstan.

Based on this analysis, four Australian potash brine transactions were identified (Table 7-5). These are outlined below with both the raw and normalised values. Normalised values account for the difference in the SOP price (A$ basis) from the time of the transaction to the valuation date.

[2] Exploration Targets are conceptual in nature and there can be no guarantee that these will be converted to a Mineral Resource with further exploration.

Table 7-5: Transactions involving Australian potash brine resource projects

Date	Project	Vendor	Purchaser	Consideration (A$ M–100% basis)	Contained SOP tonnage (Mt)	A$/t SOP (Raw)	A$/t SOP (Normalised)
8/02/2021	Lake Chandler	Chandler Minerals Pty Ltd	Activex Ltd	0.3	0.61	0.49	0.73
23/07/2019	Lake Way	Blackham Resources Ltd	Salt Lake Potash Ltd	9.5	0.52	18.20	38.59
20/02/2014	Karinga Lakes	Rewards Minerals Ltd	Rum Jungle Resources Limited	6.8	8.4	0.81	1.92
10/08/2017	Karinga Lakes	Verdant Minerals Ltd	Consolidated Potash Corp	7.5	8.4	0.89	2.67

Source: S&P Capital IQ Pro, SRK analysis

In considering these transactions, SRK notes the following:

- The Lake Chandler 2021 transaction involved a small Inferred Resource (reported as 5.8 Mt averaging 5.7% K_2O for approximately 330.6 kt K_2O (or 611.6 kt SOP Equivalent) within a tenure of approximately 359 ha. SRK has converted the resource to a SOP equivalent. The reported tonnages are significantly smaller than those reported by Kalium at Beyondie and are of lower overall classification.
- The Lake Way 2019 transaction involves assets in geographical proximity to Kalium's projects but is a complex transaction, involving the transfer of tenements, access and rights to processing water, the option to acquire a borefield and extinguishment of a brine royalty, as well as offering the purchaser significant synergistic benefits. To this end, SRK considers the implied value of this transaction to be at a significant premium to that able to be obtained for Kalium's mineral assets and requires substantial modification in order to apply meaningfully.
- The last two transactions relate to a 40% interest in the Karinga Lakes Project, with the 2014 transaction relating to a sale of this interest, and the 2017 transaction an earn-in agreement. In terms of scale, these transactions are the closest to the tonnages contemplated by Kalium.

Analysis of these transactions implied the following values (Table 7-6):

Table 7-6: Implied value analysis

Analysis		A$/t K_2SO_4	Normalised A$/t K_2SO_4
Reported Resources	Median (All transactions)	0.85	2.30
	Mean (All transactions)	5.10	10.98
	25th percentile (All transactions)	0.73	1.63
	75th percentile (All transactions)	5.22	11.65
	Weighted Average (All transactions)	1.34	3.30
	Median (excl. 2019 transaction)	0.81	1.92
	Mean (excl. 2019 transaction)	0.73	1.78

Analysis		A$/t K_2SO_4	Normalised A$/t K_2SO_4
	25th percentile (excl. 2019 transaction)	0.65	1.33
	75th percentile (excl. 2019 transaction)	0.85	2.30
	Weighted Average (excl. 2019 transaction)	0.81	2.18

Source: SRK analysis

From its analysis of the limited dataset, SRK has elected to adopt a range of implied value multiplies spanning Low (A$1.00/t) to High (A$2.50/t) to define the range likely to be applied by the market in the valuation of contained K_2SO_4 (equivalent) at Kalium's Beyondie Project.

The high end of SRK's selected range is based on consideration of the value implied by the Verdant brine transaction in 2017 (i.e. A$2.67/t SOP), the median (all transactions) (i.e. A$2.30/t SOP) and the 75th percentile (excl. 2019 transaction) (i.e. A$2.30/t SOP).

The low end of SRK's selected range is based on consideration of the value implied by the Lake Chandler transaction in 2021 (i.e. A$0.73/t SOP) and the 25th percentile (excl. 2019 transaction) (i.e. A$1.33/t SOP).

Within the range, SRK has assigned the following multipliers to Measured (A$2.00 – A$2.50/t), Indicated (A$1.50 – A$2.00/t) and Inferred (A$1.00 – A$1.50/t) as outlined in Table 7-7.

In line with prevailing industry practice and given the greater uncertainty associated with Exploration Targets relative to defined Mineral Resources, SRK has used its professional judgement to assign a 50% discount to the implied multiplier for Inferred Mineral Resources when considering Exploration Targets.

Table 7-7: Valuation of Beyondie Residual Resources – Comparable Transaction Analysis

Category	Total contained SOP (Mt)	Applied multiple (A$/t SOP)		Implied Value (A$ M)	
		Low	High	Low	High
Measured	2.76	2.00	2.50	5.51	6.89
Indicated	11.78	1.50	2.00	17.68	23.57
Inferred	12.71	1.00	1.50	12.71	19.07
Total	**27.25**			**35.90**	**49.52**
Exploration Target	25.25	0.50	0.75	12.63	18.94

Source: SRK analysis

On the basis of the foregoing comparable transaction analysis, the value of the Beyondie Measured, Indicated and Inferred Mineral Resources are estimated by SRK to reside between A$35.90 M and A$49.52 M. The Beyond Exploration Target is valued at between A$12.63 M and A$18.94 M.

Using the same methodology, SRK has also valued the Carnegie Resources and Exploration Target in Table 7-8.

Table 7-8: Valuation of Carnegie Mineral Resources (70% interest) – Comparable Transaction Analysis

Category	Total contained SOP (Mt)	Applied multiple (A$/t SOP)		Implied Value (A$ M)	
		Low	High	Low	High
Inferred	2.2	1.00	1.50	1.54	2.31
Total	**2.2**			**1.54**	**2.31**
Exploration Target	5.4	0.50	0.75	1.51	2.27

Source: SRK analysis

Similarly, Kalium's 70% interest in the Carnegie Inferred Mineral Resource is estimated to reside at between A$1.54 M and A$2.31 M, while the Carnegie Exploration Targets range between A$1.51 M and A$2.27 M.

Collectively, SRK's Comparable Transaction analysis indicates the value of the Beyondie Mineral Resources and Exploration Targets lie between A$48.52 M and A$68.46 M. Similarly, the collective value for Kalium's 70% interest in the Carnegie Mineral Resources and Exploration Targets are valued at between A$3.05 M and A$4.58 M using Comparable Transaction Analysis.

7.4.4 Peer Analysis

To verify the multiples implied by recent comparable transaction analysis of Kalium's Mineral Resources and Exploration Targets, SRK has reviewed the enterprise value (EV) per SOP resource tonne of selected companies with comparable Mineral Resources considered to be their primary value driver. To ensure comparability between all companies, SRK has had to convert the various forms of potassium salts to K_2SO_4 (SOP) based on stoichiometric differences between the salts.

The EV is based upon the respective foreign exchange rate and company share prices as at 28 July 2022 and the most recently reported financial and share registry information.

The EVs per t K_2SO_4 display a wide range of values but the most comparable companies are considered to be Agrimin Limited (Agrimin) and Australian Potash based on the development status and size of the projects (Table 7-9). While Salt Lake Potash is recorded, SRK notes that this company has been placed in administration and the reported EV does not appear to have changed since September 2021 (and as such is reported but not considered for valuation purposes. Agrimin and Australian Potash were trading at an EV per t K_2SO_4 of A$1.02 and A$1.74/t, respectively. In SRK's opinion, companies with projects closer to production achieve a higher multiple than those with earlier stage assets.

Table 7-9: Analysis of peer potash companies and implied multiples

Peer company	ASX Code	EV* (A$ M)	Attributable Resources		EV/t K_2SO_4 (A$)
			Classification	K_2SO_4 (Mt Contained)	
Agrimin	ASX:AMN	125.30	Measured + Indicated + Inferred	123.4	1.02
Australian Potash	ASX:APC	31.50	Measured	18.1	1.74
Parkway Corporate	ASX: PWN	18.60	Indicated	0.52	*89.42*^
Reward Minerals	ASX:RWD	19.00	Indicated + Inferred	153.0	0.12
Salt Lake	ASX:SO4	402.40	Measured + Indicated + Inferred	21.3	18.89
Trigg Mining	ASX: TMG	10.30	Indicated + Inferred	20.3	0.51
Hard Rock (International)					
Danakali	ASX:DNK	76.60	Measured + Indicated + Inferred	260.0	*0.59*^^
Kore Potash	ASX:K2P	48.60	Measured + Indicated + Inferred	1,547.0	*0.03*
Highfield	ASX:HFR	313.00	Measured + Indicated + Inferred	805.0	*0.39*
South Harz	ASX:SHP	44.10	Indicated + Inferred	81.0	0.54
Kalium	ASX:KLL	197.30	Measured + Indicated + Inferred	34.5	5.72

Source: S&P Capital IQ Pro and Google Finance / Note: *Enterprise Value (EV) as at 28 July 2022. ^based on a 40% interest in the defined Mineral Resources. ^^ based on a 50% interest in the defined Mineral Resources.

In considering the values to be applied to Kalium's stated resources and Exploration Targets, SRK notes:

- The resources held by Danakali, Kore Potash and Highfield are all located outside Australia, namely the Colluli Project in Eritrea, the Kola Project in the Democratic Republic of Congo, and the Muga and Sierra del Perdon projects in Spain. These all have different economics to Kalium's brines as:
  - Danakali's Colluli Project is amenable to open cut mining extracting sylvanite, carnallitite and Kainitite cores to produce SOP
  - Kore's flagship Kola Project is a hard rock sylvinite project and its Dougou project is a carnallitite deposit which are planned to be mined from underground to produce MOP
  - Highfield's Muga Project is a hard rock sylvanite project planned to be mined from underground to produce MOP.

Key physical metrics for the Australian SOP projects are summarised in Table 7-10.

Table 7-10: Key physical parameters at Australian SOP brine projects

	Kalium	**Agrimin**	**Aust. Potash**	**Reward**	**Salt Lake**	**Trigg**
Ownership	***100%***	**100%**	**100%**	**100%**	**100%**	**100%**
Using CIM Brine Standard	*Yes*	Yes	Yes	No	No	?
Using AMEC Potash Guidelines	*Yes*	?	Yes	No	No	?
JORC SOP Drainable Resource (Mt)	*34.52*	123.4	18.1	153.0	9.836	20.8
Resource Brine Grade (kg/m^3 SOP)	*13.18*	?	7.455	11.35	?	7.9
Resource Brine Grade (kg/m^3 K)	*5.63*	3.285	3.343	4.747	5.341	3.573
K/SOP ratio	*0.419*	0.436	0.448	0.419	0.448	0.447
Cut-off grade (kg/m^3 SOP)	*7.8*	None	None	None	None	None
Sodium/Potassium ratio	*8.8*	?	17.6	15.2	?	?
JORC SOP Drainable Reserve	*5.0*	20	3.6	None	2.4	None

	Kalium	Agrimin	Aust. Potash	Reward	Salt Lake	Trigg
Reserve Brine Grade (kg/m^3 SOP)	*12.45*	?	?	-	?	-
Reserve Brine Grade (kg/m^3 K)	*5.565*	2.815	3.325	-	5.0	-
SOP Production ktpa	*120*	450	170	407	245	80–120
Brine Extraction GLpa	*7.9–17.8*	66.5	17–37	63	32–64	29
Evaporation Rate mm pa	*4,100*	3,400	3,200	4,100	3,200	3,200
Distance from sealed road km	*78*	590	168	340	195	350
Distance to gas pipeline km	*78*	400	245	175	245	
Distance to port km	*1,120*	940	1,060	860	1,200	950
Large Scale trial approved	*Yes*	Yes	Yes	Yes	Yes	No
Scoping Study	*Yes*	Yes	Yes	Yes	Yes	Yes
PFS complete	*Yes*	Yes	-	Yes	Yes	No
DFS complete	*Yes*	Yes	Yes	No	Yes	No
Commissioning	*Yes*	No	No	No	Yes	No
Initial Production	*Yes*	No	No	No	No	No
Offtake	*Yes*	Yes	Yes	No	Yes	No
Financing	*Yes*		Yes	No	Yes	No

Source: SRK Analysis, Company reports and announcements

- Kalium's defined Mineral Resource estimates are hosted within lakes and associated palaeochannels and as such there is some upfield potential associated with Kalium's projects, as would be considered for Western Australian analogues.
- To date, Kalium's Beyondie and Salt Lake's Lake Way projects have been the subject of feasibility level studies and commissioning. This is more advanced than competing projects, the majority of which have completed scoping/PFS/Feasibility level studies but which remain to progress towards commissioning.
- Reserves have been defined at projects held by Danakali, Kore Potash and Highfield (all MOP), as well as Kalium, Agrimin, Australian Potash and Salt Lake.
- Only Parkway, Reward and Trigg have yet to define Measured Resources and/or Ore Reserves.
- The defined resources held by Reward and Agrimin are significantly larger than those held by Kalium. Australian Potash, Salt Lake and Trigg all hold a similar sized resource base (albeit smaller) than Kalium.

Based on its review of the peer companies and the factors supporting their underlying assets, SRK is of the opinion that the market would value the SOP resources held by Kalium at between A$0.50 to A$2.00/t K_2SO_4, based on the average (no outliers) of the dataset (A$0.85/t SOP), the 25th and 75th percentiles of the dataset (no outliers) (A$0.41 and A$1.20/t SOP respectively), the values assigned to Agrimin (A$1.02/t SOP) and Australian Potash (A$1.74/t SOP) and SRK's perception that Kalium is likely to trade at a premium to both Australian Potash and Agrimin (given Kalium is closer to production than either of these companies). SRK also notes that it has previously accounted for the Ore Reserves within a LOM plan in section 7.1.

SRK's adopted multiples and implied value outcomes for the Beyondie Residual Resources are outlined in Table 7-11.

Table 7-11: Valuation of Beyondie Residual Resources – Peer Analysis

Category	Total contained SOP (Mt)	Applied multiple (A$/t SOP)		Implied Value (A$ M)	
		Low	High	Low	High
Measured	2.76	1.50	2.00	4.13	5.51
Indicated	11.78	1.00	1.50	11.78	17.68
Inferred	12.71	0.50	1.00	6.36	12.71
Total	**27.25**			**22.27**	**35.90**
Exploration Target	25.25	0.25	0.50	6.31	12.63

Source: SRK analysis

On the basis of the foregoing peer analysis, SRK considers the value of the Beyondie Measured, Indicated and Inferred Mineral Resources resides between A$22.27 M and A$35.90 M. The Beyondie Exploration Target is valued at between A$6.31 M and A$12.63 M.

Using the same methodology, SRK has also valued the Carnegie Resources and Exploration Target in Table 7-12.

Table 7-12: Valuation of Carnegie Mineral Resources (70%) – Comparable Transaction Analysis

Category	Total contained SOP (Mt)	Applied multiple (A$/t SOP)		Implied Value (A$ M)	
		Low	High	Low	High
Inferred	2.2	0.50	1.00	0.77	1.54
Total	**2.2**			**0.77**	**1.54**
Exploration Target	5.4	0.25	0.50	0.76	1.51

Source: SRK analysis

Kalium's 70% interest in the Carnegie Inferred Mineral Resource is estimated to reside at between A$0.77 M and A$1.54 M, while the Carnegie Exploration Targets ranges between A$0.76 M and A$1.51 M.

Collectively, SRK's peer analysis indicates the value of the Beyondie Mineral Resources and Exploration Targets lies between A$28.59 M and A$48.52 M. Similarly, the collective value for Kalium's 70% interest in the Carnegie Mineral Resources and Exploration Targets is between A$1.53 M and A$3.05 M using peer analysis.

7.4.5 Summary

SRK notes that the implied valuation of the resource estimates using the peer analysis method is broadly comparable to that implied using the comparable market transactions method.

As such, SRK has elected to equally use the values implied by both methods to inform its valuation range and for Beyondie has selected the midpoint of the range as its preferred value as it has no reasonable grounds to make an alternative assessment (Table 7-13). In consideration of the proposed Matuwa Kurrara Kurrara National Park, SRK has elected to adopt a preferred value for the Carnegie Project towards the lower end of its range, rather than the midpoint.

Table 7-13: Summary valuation of Kalium's defined Mineral Resources and Exploration Targets

Project	Aspect	Method	Value Low (A$ M)	Value High (A$ M)	Value Preferred (A$ M)
Beyondie (100%)	Residual Resources	Comparable Transactions	35.90	49.52	
		Peer Analysis	22.48	36.18	
	Exploration Targets	Comparable Transactions	12.63	18.94	
		Peer Analysis	6.31	12.63	
	SRK Selected		**38.55**	**58.49**	**48.52**
Carnegie (70%)	Residual Resources	Comparable Transactions	1.54	2.31	
		Peer Analysis	0.77	1.54	
	Exploration Targets	Comparable Transactions	1.51	2.27	
		Peer Analysis	0.76	1.51	
	SRK Selected		**2.29**	**3.82**	**2.50***

Note: Any discrepancy between table values is due to rounding. *In consideration of the proposed Matuwa Kurrara Kurrara National Park, SRK has elected to adopt a preferred value towards the lower end of its implied value range, in preference to the midpoint.

Based on its review of the Beyondie and Carnegie Projects, SRK understands that Kalium has estimated Exploration Targets for the broader tenure and as such considers there is little to no remaining upside potential associated with these projects. On this basis, SRK has not attempted to assign any value to the exploration tenure outside of the defined Mineral Resources and Exploration Targets.

7.5 Exploration portfolio

7.5.1 Comparable Market Transactions method

For the purposes of this valuation, SRK has derived an implied A$/km² (area based) comparable transaction multiple. The transaction multiple is calculated by determining the transaction value (on a 100% equity basis) divided by the total exploration area (in km^2) of the ELs which are the subject of the transaction. The transaction multiple is then normalised, based on the potash price at the time of the transaction.

SRK was able to locate seven Australian transactions involving projects considered broadly comparable to the tenure covering Lake Dora and Lake Blanche. Notably, all were located in Western Australia and most were granted tenures.

Table 7-14 summarises the statistics of the comparable transaction dataset.

Table 7-14: Statistics of the potash transaction dataset

Preferred Transactions	Implied value (A$/km^2)	Implied normalised value (A$/km^2)
Number of transactions	7	7
Minimum	95	198
Median	1,420	2,810
Average	2,156	5,279
Maximum	8,197	18,028
Weighted average	2,166	5,125

Source: SRK analysis

On further review of these transactions, SRK notes that:

- The acquisition of a portion of E69/3247 by Kalium Lakes in 2018 was strategically motivated as the acquired tenure is located immediately adjacent to its Beyondie SOP project and secures the remaining western section of the palaeochannel for future resource delineation activities.
- The Carnegie JV between Kalium and BC Potash in March 2017 was also strategically motivated as it represented BC's entry into the fertiliser market and thus fulfilled a stated corporate objective as well as the expertise of potash specialist.
- The Oxley transaction involved a hard rock potash source (exposed ultrapotassic microsyenite) as opposed to brines as contemplated by Verdant at Karinga Lakes.
- Dakota's sale of E77/2347 was for strategic reasons to focus on the development of its European lithium assets and represented the Company's exit from potash.
- Australian Potash's acquisition of three tenements near its Lake Wells project in 2017 provided the company with additional access to more potential SOP resource areas and additional flexibility with respect to siting of evaporation ponds.
- The remaining transactions involved a combination of granted tenure and tenements in application.

In consideration of these factors, SRK deems the market would attribute a value of between A$1,000/km^2 and A$2,000/km^2 to the exploration tenure associated with Kalium's Lake Dora/Blanche Project. These values are largely based on the implied values from Goldphyre's 2015, Trigg's 2017 and Zinfandel's 2020 transactions. However, as noted previously Kalium's entire tenure at Dora/Blanche remains in application and under moratorium pending negotiations with Native Title parties, SRK has used its professional judgement and elected to apply a discount of 50% to these values to reflect the uncertainty in both the timing of grant and potential imposition of unfavourable conditions on grant. SRK's valuation of the Dora and Blanche tenures using comparable transaction analysis is shown in Table 7-15.

Table 7-15: Value of the Dora and Blanche tenure applications

Licence	Equity	Area (km^2)	Applied multiple (A$/ km^2)		Implied Value (A$ M)	
			Low	High	Low	High
E45/4436	100%	98.24	500	1,000	0.05	0.10
E45/4437	100%	132.85	500	1,000	0.07	0.13
				Total	**0.12**	**0.23**

Source: SRK analysis

Note:

Assigned values have been discounted by 50% due to application status.

Values are rounded.

On this basis, SRK considers a 100% interest in the exploration tenure of the Dora/Blanche Project resides within a valuation range of A$0.12 M to A$0.23 M.

7.5.2 Exploration portfolio – geoscientific cross-check

As a cross-check to the values implied by the market multiples given using the comparable transactions method, SRK has also considered the Geoscientific Rating method, a cost-based method. The Geoscientific Rating of valuation attempts to quantify the relevant technical aspects of a property through appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value and is considered to be a cost-based method of valuation. The intrinsic value is referred to as the Base Acquisition Cost (BAC), which represents the 'average cost to identify, apply for and retain a base unit of area of title' for 1 year.

Multipliers are considered for off-property aspects, on-property aspects, anomaly aspects, and geology aspects. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further market factor is then considered to derive a Market Value. A BAC has been assumed in this valuation, which incorporates annual rental, administration, and application fees in addition to nominal indicative minimum expenditure on acquisition and costs of identification (Table 7-16) to be the following:

- A$492/$km^2$ (A$5/ha) for EL
- A$12,384/$km^2$ (A$124/ha) for ML.

Table 7-16: Base acquisition cost

Base acquisition cost		
Metric	**Unit**	**Value**
Exploration Licence Base acquisition cost		
Average licence size	km^2	67.7
Average licence age	Years	4
Application fee	A$ per licence	1,580.00
Annual rent Year 1–3	A$ per km^2	45.82
Annual rent Year 4	A$ per km^2	38.67
Minimal annual expenditure Year 1–3	A$ per km^2	324.96
Minimal annual expenditure Year 4	A$ per km^2	243.72
Costs of identification, legal costs and negotiations and compensation agreements	A$ per licence	35,132.00
Annual rates	A$ per licence	2,000.00
BAC of average exploration licence	**A$ per km^2**	**492.00**
BAC of average exploration licence	**A$ per ha**	**4.92**
Prospecting Licence Base acquisition cost		
Average licence size	ha	126
Average licence age	Years	3.3
Application fee	A$ per licence	374.00
Annual rent Year	A$ per ha	3.00
Minimal annual expenditure Year	A$ per ha	40.00
Costs of identification, legal costs and negotiations and compensation agreements	A$ per licence	35,132.00
Annual rates	A$ per licence	500.00
BAC of average prospecting licence	**A$ per km^2**	**12,569.00**
BAC of average prospecting licence	**A$ per ha**	**125.69**
Mining Lease Base acquisition cost		
Average lease size	ha	467
Average lease age	Years	21
Application fee	A$ per lease	551.00
Annual rent Year	A$ per ha	20.00
Minimal annual expenditure Year	A$ per ha	100.00
Costs of identification, legal costs and negotiations and compensation agreements	A$ per lease	35,132.00
Annual rates	A$ per lease	2,000.00
BAC of average mining lease	**A$ per km^2**	**12,384.00**
BAC of average mining lease	**A$ per ha**	**123.84**

Source: SRK analysis

In converting its implied technical values to a market value, SRK considers that market participants would not apply a premium to the technical value range given the early exploration stage of the tenure.

The geoscientific rating criteria are presented in Table 7-17.

Table 7-17: Modified property rating criteria

Rating	Off-property factor	On-property factor	Geological factor	Anomaly factor
0.1			Unfavourable geological setting	No mineralisation identified – area sterilised
0.5	Unfavourable district/basin	Unfavourable area	Poor geological setting	Extensive previous exploration provided poor results
0.9			Generally favourable geological setting, under cover or complexly deformed or metamorphosed	Poor results to date
1.0	No known mineralisation in district	No known mineralisation on lease	Generally favourable geological setting	No targets outlined
1.5	Minor workings	Minor workings or mineralised zones exposed		Target identified, initial indications positive
2.0	Several old workings in district	Several old workings or exploration targets identified	Multiple exploration models being applied simultaneously	
2.5			Well-defined exploration model applied to new areas	Significant grade intercepts evident but not linked on cross or long sections
3.0	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production	Significant mineralised zones exposed in prospective host rock	
3.5				Several economic grade intercepts on adjacent sections
4.0	Along strike from a major deposit	Major mine with significant historical production	Well-understood exploration model, with valid targets in structurally complex area, or under cover	
5.0	Along strike for a world class deposit		Well-understood exploration model, with valid targets in well understood stratigraphy	
6.0			Advanced exploration model constrained by known and well-understood mineralisation	
10.0		World class mine		

Source: Modified after Xstract, 2009 and Agricola Mining Consultants, 2011

Using the geoscientific rating method, SRK considers Kalium's interest in the exploration potential of the Dora/Blanche Project resides between A$0.11 M and A$0.29 M with a preferred value of A$0.17 M, which represents the mid-point of the range (Table 7-18). SRK's geoscientific rating multiples are outlined in Appendix B.

Table 7-18: Summary of Kalium's exploration potential value using the geoscientific (Kilburn) method

Project	Market Value (A$ M)		
	Lower	Upper	Preferred
Dora/Blanche	0.06	0.29	0.17

Source: SRK analysis
Note: Assigned values have been discounted by 50% due to application status
Total is rounded

Summary – exploration potential valuation

In estimating the value of the exploration potential of Kalium's mineral tenures outside of the defined Mineral Resource areas, SRK has considered the values implied by comparable transaction and geoscientific rating valuation methods.

SRK notes that the implied valuation ranges provided by geoscientific rating are considered broadly supportive of the ranges implied by the comparable transaction analysis. On this basis, SRK has selected the midpoint of the values implied by both methods to inform its valuation range for the exploration potential (Table 7-19).

Table 7-19: SRK valuation summary – Kalium exploration potential

Method	Low (A$ M)	High (A$ M)	Preferred (A$ M)
Comparable Transactions	0.12	0.23	0.17
Geoscientific Rating	0.06	0.29	0.17
Selected	**0.09**	**0.26**	**0.17**

Source: SRK analysis (Total is rounded)

SRK considers the value of Kalium's interests in the exploration potential of the Dora/Blanche Project resides between A$0.09 M and A$0.26 M with a preferred value of A$0.17 M, which represents the mid-point of the range.

8 Valuation Summary

Based on its technical assessment and valuation presented in the earlier sections of this Report, Table 8-1 summarises SRK's market value assessment in accordance with its mandate.

Table 8-1: Summary of the Market Value of Kalium's Mineral Assets

Project	Aspects	Value Low (A$ M)	Value High (A$ M)	Value Preferred (A$ M)
Beyondie	Mineral Resources and Exploration Targets	38.55	58.49	48.52
Carnegie (70%)	Mineral Resources and Exploration Targets	2.29	3.82	2.50
Dora/Blanche	Exploration Potential	0.09	0.26	0.17
Overall Selection		**40.93**	**62.57**	**51.20**

Note: Any discrepancies between values in the tables are due to rounding.

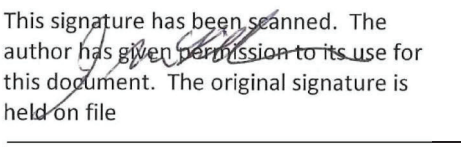
In considering the overall value of Kalium's mineral assets, SRK has given equal weighting to all valuation methods as it has no strong inclination to the values implied by one method over another. SRK has adopted the midpoint as its preferred value for the Beyondie and Dora/Blanche mineral assets while selecting a value towards the lower end of the range for the Carnegie Project given the proposed creation of the Matuwa Kurrara Kurrara National Park.

In defining its valuation ranges, SRK notes that there are always inherent risks involved when deriving any arm's length valuation. These factors can ultimately result in significant differences in valuations over time. By applying narrower confidence ranges, a greater degree of certainty regarding these assets is being implied than may be the case. Where possible, SRK has endeavoured to narrow its valuation range.

Closure

This report, Independent technical assessment and valuation report, was prepared by

srk consulting



Jeames McKibben
Principal Consultant

and reviewed by

Philip Ashley
Principal Consultant

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

References

BC Iron Limited and Kalium Lakes Limited 2018, Scoping study completed with Maiden Resource and Exploration Target for the Carnegie Potash Project, ASX announcement dated 27 July 2018.

BC Iron Limited and Kalium Lakes Limited 2017, BC Iron and Kalium Lakes enter into Joint venture on Carnegie Potash Project, ASX announcement dated 1 March 2017.

CDMSmith, 2021. Correspondence (S Finucane and J King to R van Niekerk) Environmental Approvals Strategy for Expansion to 120 ktpa, 2 July 2021.

Department of Agriculture Water and the Environment, 2021. Email correspondence (M Ballard to C Wilson) Formal warning: EPBC 2017/8088, 20 January 2021.

Department of Energy and the Environment, 2019. Correspondence (G Manning to B Hazelden), EPBC 2017/8088: Beyondie Sulphate of Potash project, East Pilbara, WA, approval of Groundwater Monitoring and Management Plan, 4 June 2019.

Department of Energy and the Environment, 2019. Correspondence (G Manning to B Hazelden), EPBC 2017/8088: Beyondie Sulphate of Potash project, East Pilbara, WA, approval of Night Parrot Management Plan, 2 July 2019.

Department of Water and Environmental Regulation, 2019. Correspondence (A Sutton to B Hazelden): Beyondie Sulphate of Potash Project - Ministerial Statement 1098 – Compliance Assessment Plan, reference number DWERDT177287, 29 July 2019.

Department of Water and Environmental Regulation, 2019. Correspondence (A Sutton to B Hazelden): Beyondie Sulphate of Potash Project - Ministerial Statement 1098 - Tecticornia Monitoring and Management Plan – Approved, reference number DWERT3919, 3 September 2019.

Department of Water and Environmental Regulation, 2019. Correspondence (A Sutton to B Hazelden): Beyondie Sulphate of Potash Project - Ministerial Statement 1098 – Subterranean Fauna Management Plan – Approved, reference number DWERT3974, 9 December 2019.

Department of Water and Environmental Regulation, 2021. Correspondence (S Cowie to A Beckmand): Ministerial Statement 1098 - Beyondie Sulphate of Potash Project, Notice of non-compliance, reference number DWERT3738, 19 January 2021.

Department of Water and Environmental Regulation, 2021. Email correspondence (C Standring to C Wilson and others), records of meetings between DWER, Kalium Lakes and CDM Smith on 13 May and 30 June 2021, email dated 7 July 2021.

Department of Biodiversity, Conservation and Attractions, , Plan for our Parks, Parks and Wildlife Service, Government of Western Australia last updated 22 October 2021 sourced from Plan for Our Parks | Department of Biodiversity, Conservation and Attractions (dbca.wa.gov.au)

EPA, 2021. Environmental Impact Assessment (Part IV Divisions 1 and 2) Procedures Manual Requirements under the Environmental Protection Act 1986, October 2021.

International Fertiliser Association, July 2022, Public Summary, Medium Term Fertiliser Outlook, 2022 – 2026, sourced from Publication Detail (fertilizer.org)

International Fertiliser Association, August 2021, Public Summary, Medium Term Fertiliser Outlook, 2021 – 2025, sourced from Publication Detail (fertilizer.org)

Kalium Lakes Limited, 2022. Financial Report for the half Year ended 31 December 2021, ASX announcement dated 15 March 2022.

Kalium Lakes Limited, 2022. Kalium Mine Plan, as at 30 June 2022.

Kalium Lakes Limited, 2022. 120 ktpa capital cost estimate, dated June 2022

Kalium Lakes Limited, 2022. Base Case Financial Model dated 10 July 2022

Kalium Lakes Limited, 2022. Approval strategy update dated 9 August 2022

Kalium Lakes Limited, 2021. Annual Report, ASX Announcement dated 28 October 2021.

Kalium Lakes Limited, 2021. Investor Presentation, ASX Announcement dated 26 July 2021.

Kalium Lakes Limited, 2021. Short term SOP production plan dated 11 July 2021.

Kalium Lakes Limited, 2021. Operating cost estimates FY21- FY27

Kalium Lakes Potash Pty Ltd, 2021. Beyondie expansion feasibility study. Study Report - 120ktpa (Final).

Kalium Lakes Potash Pty Ltd, 2021. Capital estimate. BSOPP-KLP-0000-ES-PC-1000_b 90-120 ktpa Capex (Final).

Kalium Lakes Potash Pty Ltd, 2021. 120ktpa Mine Plan by area.

Kalium Lakes Potash Pty Ltd, 2021. Hydrogeology, Resources and Reserves Update 2021 RevB.

Kalium Lakes Potash Pty Ltd, 2021. Production forecast. BSOPP - Production Operating Plan (Short Term) 20210701.

Kalium Lakes Potash Pty Ltd, 2021. GRES plant upgrade study. 12385 Beyondie SOP Plant Upgrade SS_Rev 0.

Kalium Lakes Potash Pty Ltd, 2021. Ebtec production capacity increase offer. 210629_ Draft Offer KLL Production Increase_Rev02.

Kalium Lakes Potash Pty Ltd, 2021. Changes to SP Battery Limits (Kalium-DRA contract variation).

Kalium Lakes Potash Pty Ltd, 2021. BSOPP Budget_FY22-FY26_A_Master_13072021.

Kalium Lakes Potash Pty Ltd, 2021. BSOPP Budget_FY22-FY26_Main Input sheets - BeyondieOps_AdV_Update.

Kalium Lakes Potash Pty Ltd, 2021. BSOPP Budget_FY22-FY26_Physicals 120ktpa RevA.

Kalium Lakes Potash Pty Ltd, 2021. BSOPP Budget_FY22-FY26_Labour.

Kalium Lakes Potash Pty Ltd, 2021. Annual Compliance Report 2019-2020 - Beyondie Sulphate of Potash Project, EPBC 2017/8088, 13 January 2021.

Kalium Lakes Potash Pty Ltd, 2021. Map: Environmental constraints – Beyondie Sulphate of Potash Project approval strategy for project expansion, KL_21046, 10 May 2021.

Preston Consulting, 2019. Beyondie Sulphate of Potash Project Revised Mining Proposal (REG ID 77706), project number KAL-BEY-MPR-01_Rev7, 11 September 2019.

Schicht, T and Penndorf, A, 2018, Carnegie Potash Project, Australia, JORC (2012) and NI 43-101 Technical Report prepared for the Carnegie Joint Venture by K-UTEC AG Salt Technologies and dated 30 June 2018.

Appendix A SRK assessment: geoscientific scorecard

Table A1: SRK assessment: geoscientific scorecard – Dora / Blanche Project

Lease	Area (km^2)	BAC A$/$km^2$	Equity interest	Off-property		On-property		Anomaly		Geology		Low (A$ M)	High (A$ M)	Midpoint (A$ M)
E45/4436*	98.2	492	100%	1	1.5	1	1.5	1	1.5	1	1.5	0.02	0.12	0.07
E45/4437*	132.9	492	100%	1	1.5	1	1.5	1	1.5	1	1.5	0.03	0.17	0.10

Source: SRK Analysis

*indicates a tenement in application and in SRK's professional judgement should attract a 50% discount given uncertainty in timing of grant and conditions on grant, as well as the prolonged nature of the application process given Kalium remains to enter into access negotiations with traditional owners.

No market factor applied.

Appendix B Potash valuation analysis

Table B1: Potash transactions with Resources

Project	Location	Date	Vendor	Purchaser	Consideration (100% basis) (A$ M)	Contained K_2SO_4 Eq (Mt)	Implied Value (A$/t SOP)	Implied Value Normalised (A$/t SOP)
Australian SOP Brine								
Lake Chandler	Western Australia	8/02/2021	Chandler Minerals Pty Ltd	Activex Ltd	0.3	0.61	0.49	0.73
Lake Way	Western Australia	23/07/2019	Blackham Resources Ltd	Salt Lake Potash Ltd	9.5	0.52	18.20	38.59
Karinga Lakes	Western Australia	20/02/2014	Rewards Minerals Ltd	Rum Jungle Resources Limited	6.8	8.4	0.81	1.92
Karinga Lakes	Western Australia	10/08/2017	Verdant Minerals Ltd	Consolidated Potash Corp	7.5	8.4	0.89	2.67
International Potash Projects								
Satimola	Kazakhstan (underground)	26/10/2017	Satimola Limited	Kazakhstan Potash Corporation Limited	57.87	1,718	0.03	0.10
Ochoa	New Mexico, USA (underground)	18/09/2017	IC Potash Corp.	Cartesian Capital Group, LLC	4.27	89	0.05	0.14
Talitsky	Russia (underground, open pit)	26/04/2016	Eurasian Development Bank	Joint Stock Company Acron	1,918.97	692	2.77	5.75
South Harz Potash	Germany (underground)	18/08/2015	Potash West NL	Davenport Pty Ltd	13.71	1,342	0.01	0.02
Blawn Mountain mining lease	Utah, USA	21/08/2012	School and Institutional Trust Lands Administration	Potash Ridge Corporation	0.46	66	0.01	0.01
Monument	Utah, USA (brine)	4/03/2016	Paradox Basin Resources Corp.	Sennen Potash Corporation	3.61	87	0.04	0.08
Dallol	Afar, Ethiopia (brine)	30/11/2015	Investor group	Liberty Metals & Mining Holdings, LLC	283.38	218	1.30	2.53
Danakil	Afar, Ethiopia (brine)	19/03/2014	AgriMinco Corp.	Premier African Minerals Limited	16.05	649	0.02	0.07

Source: SRK analysis

Table B2: Potash transactions with no Resources (exploration tenure only)

Project	State	Date	Vendor	Purchaser	Consideration (100% basis) (A$ M)	Total area (km²)	Transaction Area multiple ($A/km²)	Transaction Area multiple Normalised ($A/km²)
Lake Auld (E45/4925)	WA	20/03/2020	Zinfandel Exploration Pty Ltd	Agrimin Ltd	0.063	108	583	1,200.48
Lake Rason (E38/3437)	WA	21/10/2020	Private	Trigg Mining Ltd	0.022	96.2	229	649.54
Portion of tenement E69/3247	WA	29/10/2018	AIC Resources Ltd	Kalium Lakes Ltd	1.90	130.66	14,541.34	14,143.46
Laverton Links and Lake Throssell projects	WA	17/07/2017	K2O Minerals Pty Ltd.	Trigg Mining Ltd	0.91	640.00	1,420.45	1,625.25
Three tenements	WA	26/06/2017	AngloGold Ashanti Ltd	Australian Potash Ltd	0.30	18,598.50	16.13	17.80
Tenement E77/2347	WA	22/02/2017	Dakota Minerals Ltd	Parkway Minerals NL	0.02	210.00	71.43	53.76
Carnegie Project	WA	1/03/2017	Kalium Lakes Ltd	BC Potash Pty Ltd.	5.00	1,700.00	2,941.18	3,219.60
Potash rights	WA	2/12/2015		Goldphyre Resources Ltd	1.42	1,000.00	1,415.24	1,012.53
Oxley potash tenements	WA	8/03/2015	Sheffield Resources Ltd	Centrex Metals Ltd	2.50	305.00	8,196.72	6,519.10

Source: SRK analysis

Comparable Potash Companies K_2SO_4

Agrimin Limited is an Australia-based company engaged in the exploration and development of its Mackay SOP Project located in Western Australia. The Mackay SOP Project covers an area of over 4,335 km^2 across Lake Mackay, some 785 km south of Wyndham in Western Australia and approximately 540 km northwest of Alice Springs, Northern Territory. A Prefeasibility study was completed in May 2018 with a Definitive Feasibility completed in July 2020 targeting annual production of 450 kt SOP. Other assets include the Lake Auld and Percival Lakes potash projects. Agrimin is based in Nedlands, Australia. The company was formerly known as Global Resources Corporation Limited and changed its name to Agrimin in December 2014. Agrimin was incorporated in 2006 and is based in Nedlands, Western Australia.

Australian Potash is a minerals exploration company focused on the Lake Wells Potash Project located approximately 400 km northeast of Kalgoorlie. The Lake Wells Potash Project covers approximately 1,200 km^2 north of Kalgoorlie and is being explored for SOP contained within the lake brines. Its project portfolio also includes the gold and base metals prospective Laverton Downs Project located 15 km north of the Laverton township (in the Laverton Tectonic Zone) in Western Australia, in addition to a Joint Venture with St Barbara over the Lake Wells Gold Project. The company was formerly known as Goldphyre Resources Limited and changed its name to Australian Potash Limited in November 2016. Australian Potash was incorporated in 2011 and is based in Subiaco, Western Australia.

Danakali Limited is engaged in advancing the Colluli Potash Project in Eritrea, East Africa. The Company's Colluli Potash Project is located in the Danakil region of Eritrea, East Africa. The Colluli Potash Project is located approximately 177 km southeast of the capital, Asmara and 180 km from the port of Massawa. The project is a joint venture between Eritrean National Mining Corporation and the Company. The Danakil region is a potash province. The Colluli resource comprises three potassium-bearing salts in solid form: sylvinite, carnallitite and kainitite. The potassium bearing salts produce range of potash types, including MOP, SOP, and sulphate of potash magnesia (SOPM). The Feasibility Study for the Colluli Project was completed in 2015 and a further Front End Engineering Study completed in 2018. The Company also offers Industrial Rock Salt. The company was formerly known as South Boulder Mines Limited and changed its name to Danakali in June 2015. It was incorporated in 2001 and is based in Subiaco, Australia.

Kore Potash PLC is an advanced-stage mineral exploration and development company engaged in the exploration for potash minerals in the Republic of Congo. Its primary asset is its 97% interest in the Sintoukola potash project, a 1,070 km^2 Sintoukola Permit hosting the Kola sylvinite and carnallite deposits located to the north of the city of Pointe Noire (Kola). A PFS was completed in 2020 relating to solution mining at a rate of 400 ktpa MOP. Further optimisation was completed in 2022 investigating an Underground mining operation targeting production of 2.24 Mtpa of MOP. The company was incorporated in 2017 and is based in London, the United Kingdom.

Highfield Resources Limited is an Australia-based company engaged in mineral exploration. The Company has three potash projects. The Company's Muga-Vipasca, Pintano and Sierra del Perdon potash projects are located in the Ebro potash producing basin in northern Spain covering a project area of over 550 km^2. The Muga- Vipasca MOP project targets the shallow sylvinite beds to the southeast of the project area. The Muga Vipasca project is located approximately 50 km to the southeast of Pamplona and was the subject of further mine planning in December 2021 targeting underground production of 1 Mtpa MOP using conventional underground room and pillar mining. Construction of the project is currently underway. The Sierra del Perdon project is located approximately 10 km from Pamplona. The Pintano project covers an area of around 125 km^2 abutting the Muga-Vipasca project. The company was incorporated in 2011 and is headquartered in Pamplona, Spain.

Parkway Minerals Limited is an Australia-based company focusing on the exploration and development of potash resources amenable to the production of SOP. The Company's primary focus is the advancement of its Kumpupintil Lake SOP Project located in the Little Sandy Desert, Western Australia, approximately 340 km east of Newman and accessed through the Talawana Track. The Project consists of over 5,000 km of granted ELs. The most recent study at Kumpupintil Lake was a revised PFS completed in 2018 targeting production of 3.86 Mtpa. Its other Projects include the Karly Project and Lake Dora Project. Its Karly Project covers the Waukarlycarly Embayment and is located approximately 200 km northwest of Kumpupintil Lake. Its Lake Dora is located north of Kumpupintil Lake. The Company's tenements cover approximately 10,000 km^2.

Reward Minerals Limited is an Australia-based company focusing on the exploration and development of potash resources amenable to the production of SOP. The Company's primary focus is the advancement of its Kumpupintil Lake SOP Project located in the Little Sandy Desert, Western Australia, approximately 340 km east of Newman and accessed through the Talawana Track. The Project consists of over 5,000 km of granted ELs. The most recent study at Kumpupintil Lake was a revised PFS completed in 2018 targeting production of 3.86 Mtpa. Its other Projects include the Karly Project and Lake Dora Project. Its Karly Project covers the Waukarlycarly Embayment and is located approximately 200 km northwest of Kumpupintil Lake. Its Lake Dora is located north of Kumpupintil Lake. The Company's tenements cover approximately 10,000 km^2. Reward Minerals Ltd is headquartered in Nedlands, Australia.

Salt Lake Potash Limited is a mineral exploration company. The Company's principal activities include exploration and development of a range of salt lake brine projects (Projects) in Western Australia. Its primary focus is the advancement of the Lake Wells' Project located approximately 15 km south of Wiluna in the West Australian Goldfields. This Project was the subject of a Feasibility Study in 2019 and initial plant feed program in 2021. The Project consists of over 1,130 km^2 of exploration licenses, covering the Lake Wells Playa and the area immediately contiguous to the Lake. It also holds exploration licenses or applications covering all or parts of Lakes Ballard, Irwin, Marmion, Minigwal and Way in Western Australia. The Company offers three types of SOP products. The company was formerly known as Wildhorse Energy Limited and changed its name to Salt Lake Potash Limited in November 2015. Salt Lake Potash Limited was incorporated in 2005 and is based in Perth, Australia. The Company is currently in Administration with Receivers and Managers Appointed in October 2021.

South Harz Potash Limited is a mineral exploration and development company focused on potash deposits in Germany. It holds a 100% interest in the South Harz Project that includes three mining licences (Ohmgebirge, Ebelebenand Muhlhausen-Nohra) and two ELs (Kullstedt and Grafentonna,) covering an area of 659 km^2 in the South Harz Potash District in north-western Thuringia, central Germany. Its Ohmgebirge Project is located at the northwestern extent of the South Harz sedimentary basin approximately 30 km west of Sondershausen and 65 km northwest of the state capital, Erfurt. The Ebeleben mining license is in the northwestern part of the Federal State of Thuringia. The Muhlhausen-Kullstedt Project area combines the southern portion of the Muhlhausen-Nohra mining licence with the Kullstedt EL. The Nohra-Elende is the potash fields hosted by its Muhlhausen-Nohra license. The Company’s wholly owned subsidiaries include South Harz Potash (Australia) Pty Ltd and Sudharz Kali GmbH. The company is currently focused on delivering a scoping study relating to the Ohmgebirge Project. The company was formerly known as Davenport Resources Limited and changed its name to South Harz Potash Limited in May 2021. South Harz Potash Limited is headquartered in West Perth, Australia.

KALIUM LAKES

ABN 98 613 656 643

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

KLL

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **3:00pm (AWST) on Saturday, 1 October 2022.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kalium Lakes Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Kalium Lakes Limited to be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and as a virtual meeting on Monday, 3 October 2022 at 3:00pm (AWST) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratify Tranche 1 Placement Shares	☐	☐	☐
Resolution 2	Issue of Tranche 2 Placement Shares to Non-Related Parties	☐	☐	☐
Resolution 3	Issue of Tranche 2 Placement Shares to Greenstone	☐	☐	☐
Resolution 4	Issue of Tranche 2 Placement Shares to Mr Brent Smoothy	☐	☐	☐
Resolution 5	Issue of Shares Pursuant to the Share Purchase Plan	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

Computershare