

Thursday 17 May 2018

## **Retraction: Inclusion Of Research Coverage Valuations**

Kalium Lakes Limited (ASX:KLL) (Kalium or the Company) advises that the Investor Presentation lodged with ASX on 8 May 2018 included research coverage valuations.

The Company retracts the inclusion of these research coverage valuations which are not endorsed by the Company. Potential investors and shareholders should not place any reliance on these valuations.

A copy of the "Revised Investor Presentation May 2018" is attached.

\*\*\*ENDS\*\*\*

# BEYONDIE SOP PROJECT

Developing Australia's First Sulphate of Potash Operation

## Investor Presentation

RIU Sydney Resources Round-up (Revised)

May 2018



# Disclaimer & Compliance Statement



## **Not an Offer of Securities**

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## **Summary Information**

This document contains a summary of information about Kalium Lakes and its activities that is current as at the date of this document. The information in this document is general in nature and does not purport to be complete or to contain all the information which a prospective investor or financier may require in evaluating a possible investment in Kalium Lakes or that would be required in a prospectus or a product disclosure statement prepared in accordance with the Corporations Act 2001 (Cth) (Corporations Act).

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## **Acceptance**

By attending an investor presentation or briefing, or accepting, accessing or reviewing this document you acknowledge and agree to the "Disclaimer" as set out above.

## **Compliance Statement**

The information in this document is extracted from the report titled "TECHNICAL REPORT FOR THE BEYONDIE POTASH PROJECT, AUSTRALIA, JORC (2012) and NI 43-101 Technical Report" and dated 29 September 2017 (Report), that relates to Exploration Targets, Exploration Results, Mineral Resources and Mineral Reserves and is based on information compiled by Thomas Schicht, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1077) and Anke Penndorf, a Competent Person who is a Member of a RPO, the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1152). Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the original announcement regarding the Report and, in the case of estimates of Mineral Resources, which all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed. Kalium Lakes confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original announcement regarding the Report.

Thomas Schicht and Anke Penndorf are full-term employees of K-UTEC AG Salt Technologies (K-UTEC). K-UTEC, Thomas Schicht and Anke Penndorf are not associates or affiliates of Kalium Lakes or any of its affiliates. K-UTEC will receive a fee for the preparation of the Report in accordance with normal professional consulting practices. This fee is not contingent on the conclusions of the Report and K-UTEC, Thomas Schicht and Anke Penndorf will receive no other benefit for the preparation of the Report. Thomas Schicht and Anke Penndorf do not have any pecuniary or other interests that could reasonably be regarded as capable of affecting their ability to provide an unbiased opinion in relation to the Beyondie Potash Project.

K-UTEC does not have, at the date of the Report, and has not had within the previous years, any shareholding in or other relationship with Kalium Lakes or the Beyondie Potash Project and consequently considers itself to be independent of Kalium Lakes.

Thomas Schicht and Anke Penndorf have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Thomas Schicht and Anke Penndorf consent to the inclusion in the Report of the matters based on their information in the form and context in which it appears.

# Why Kalium Lakes BSOPP?

No Current SOP Production in Australia

75ktpa Start-up, Expanding to 150ktpa SOP

Pre-Production Capital Cost of A\$124M

LOM All In Sustaining Operating Cost ~US\$250/t FOB

Current SOP Sales Price ~US\$500/t

High Margin, Long Life Project, with +A\$1B LOM free cash flow

Fully Funded to BFS and FID

Potential Upside – Magnesium, Salt, Carnegie SOPP JV



# SOP Market Highlights

- ✓ Potassium is One of 3 Essential Plant Nutrients
- ✓ Supply Does Not Meet Demand
- ✓ Sulphate of Potash (SOP) is used principally for fruits, nuts, vegetables, tobacco and cocoa
- ✓ SOP contains minimal chloride reducing salt build up in the soil. Instead it contains sulphur, a secondary nutrient for healthy plant growth
- ✓ SOP commands a significant price premium over the MOP market ~200%
- ✓ Global SOP Market is Worth ~US\$3-4Bpa
- ✓ Leveraged to ‘Feeding the World’ Thematic

KLL Target Markets	Australia	China	India	Indonesia	Japan	Malaysia	New Zealand	Thailand	USA	Vietnam
Annual Demand ktpa SOP	70	4,100	100	25	100	15	30	15	475	15

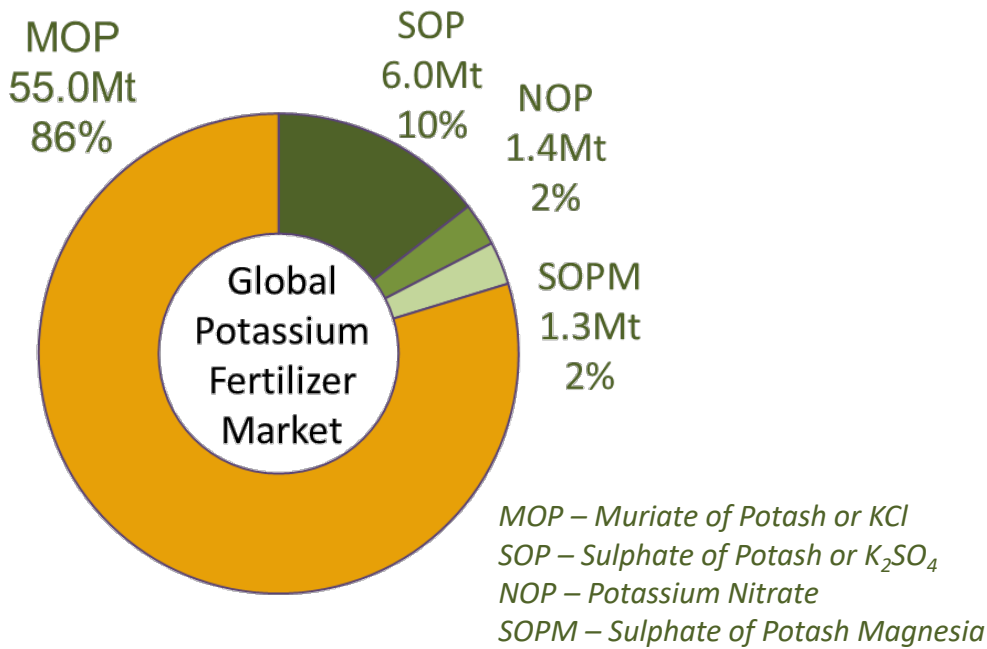
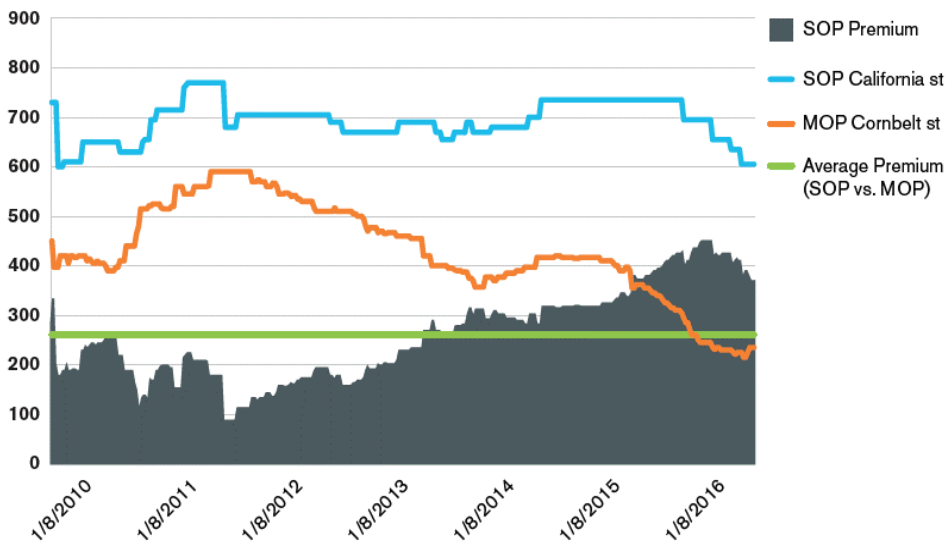


Figure 1: MOP & SOP Prices, Premium and Trends 2010-2016



Source: This content was extracted from the Green Markets report, Global Sulfate of Potash Market 2016-2026.

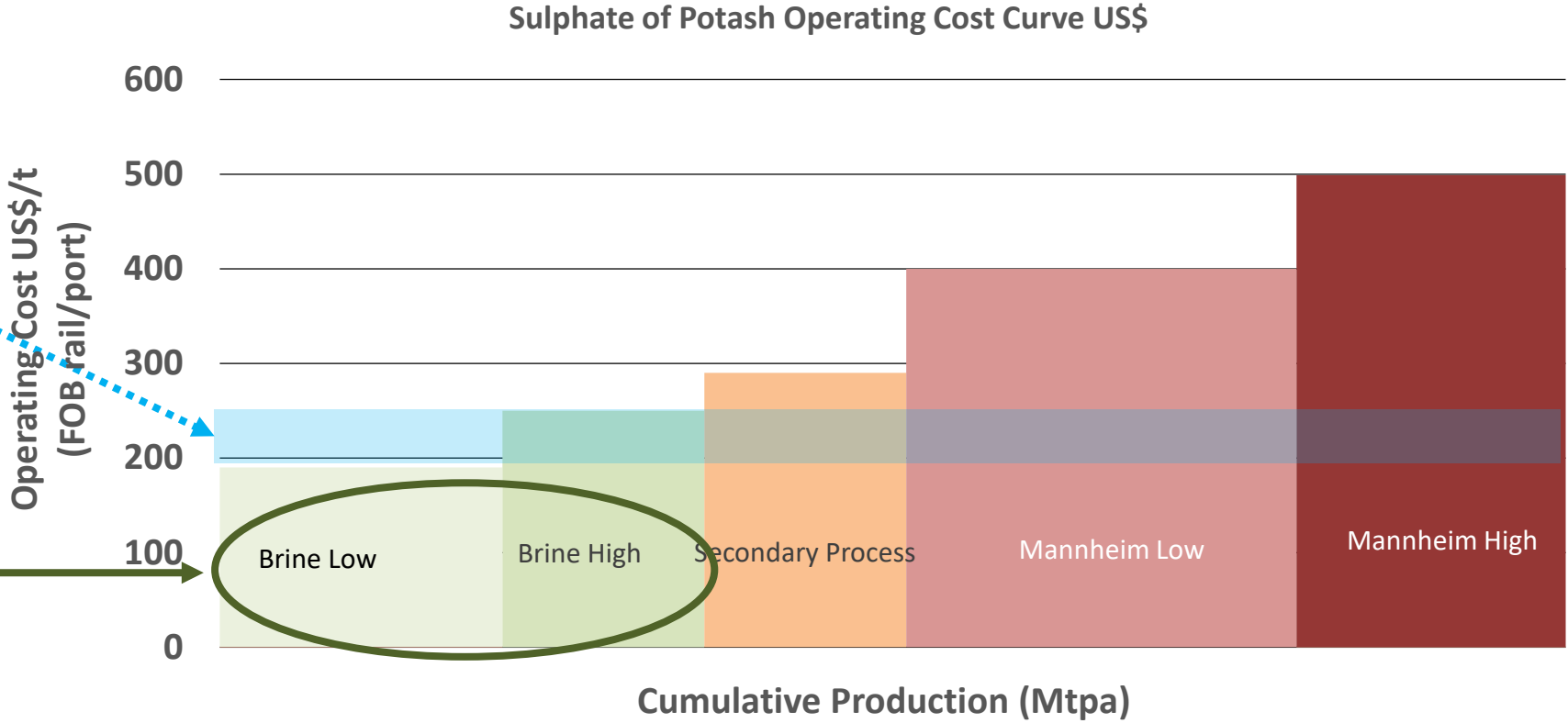
# SOP Production Methods and Costs

SOP is produced in three main ways:

- Salt Lake Brine Process - via solar evaporation and purification
- Secondary Process - reaction of MOP with sulphate salts
- Mannheim Process - reacting MOP with sulphuric acid to produce SOP + hydrochloric acid

*Kalium Lakes Estimated  
Operating Cash Cost FOB*

*Existing Brine Producers have  
a competitive cost of production  
advantage as evaporation is the  
lowest cost SOP production  
method worldwide*



Source: Company Reports, Company Research, Websites, CRU, Integer, Green Markets

# Simple SOP Production Process



**Brine Pumping from Bores and Trenches**  
>175 Million litres successfully pumped to date



**Brine Solar Evaporation**  
Located in high evaporation region



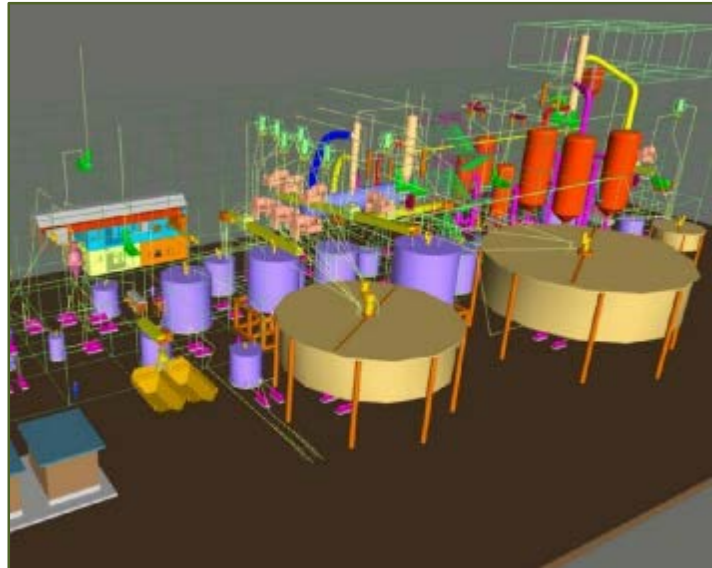
**Salt Harvesting**  
Low cost well proven process in Western Australia



**Agriculture Production**  
Australian and Asian Markets



**Premium SOP Fertiliser**  
High demand, preferred source of potassium for agricultural industry



**Purification Processing**  
Using established German SOP technology

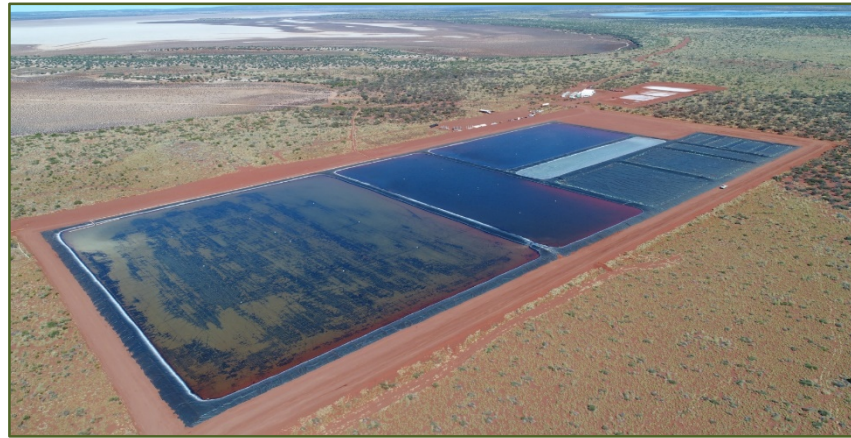
# Project Timeline

Action Plans / Next Steps	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Bulk sampling / Purification Plant Testing										
Pilot scale evaporation pond program										
BFS Drillings and Pump Testings / Bores										
Update Mine Plan and Reserves / Resources										
Engineering and design activities – tendering										
Receipt of Environmental Approvals										
Receipt of Mining Approvals										
BFS Documentation										
Securing binding offtake agreements										
<b>Project Financing &amp; Due Diligence</b>										
<b>Formal Credit Approvals</b>										
<b>FID / Funding Financial Close</b>										
Construction – Early works / Long lead										
Ponds Construction and Brine Concentration										
Purification Plant Construction										
Commissioning										
<b>First Production / Ramp-up</b>										



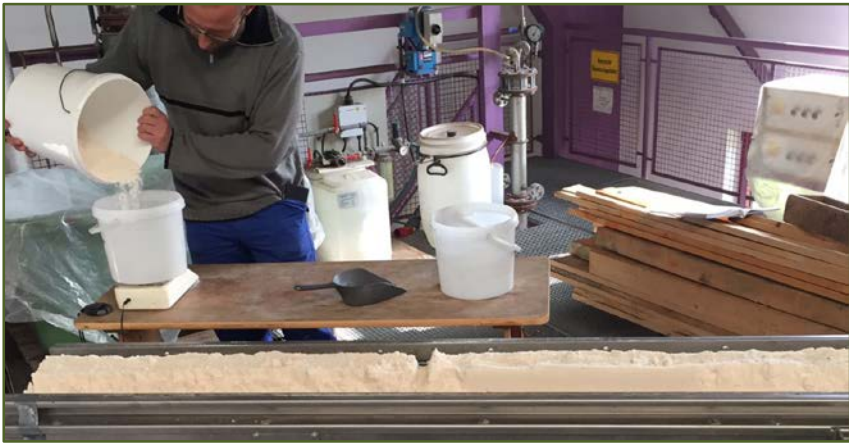
# Largest Scale Pilot Ponds in Australia

( [harvest trials video link](#) )

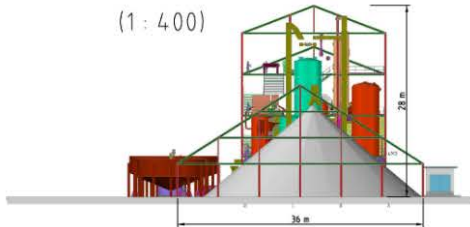




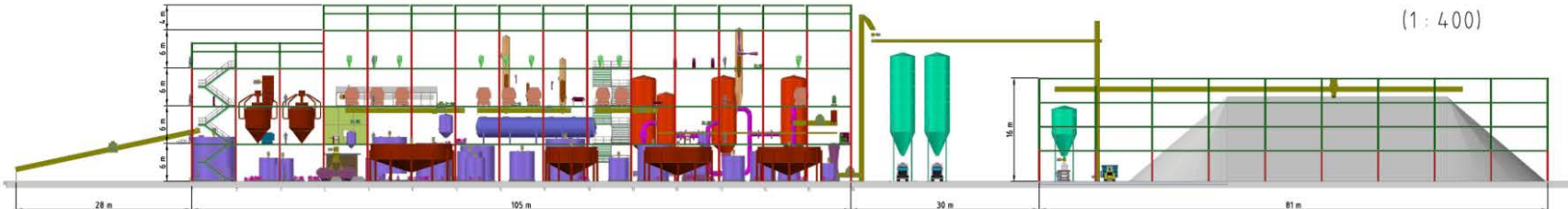
# K-UTEC Pilot Purification Plant in Germany



Side View North  
(1 : 400)



Side View East  
(1 : 400)

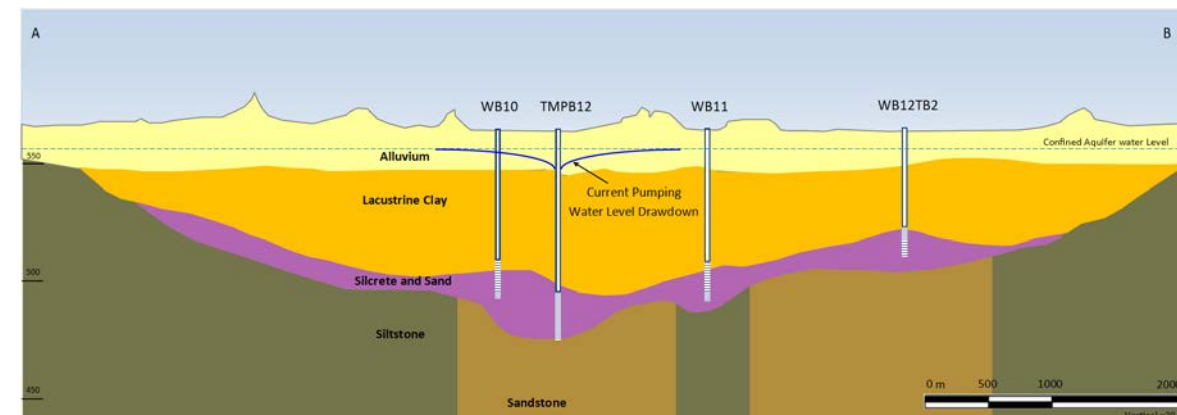


Proposed Full Scale Facility

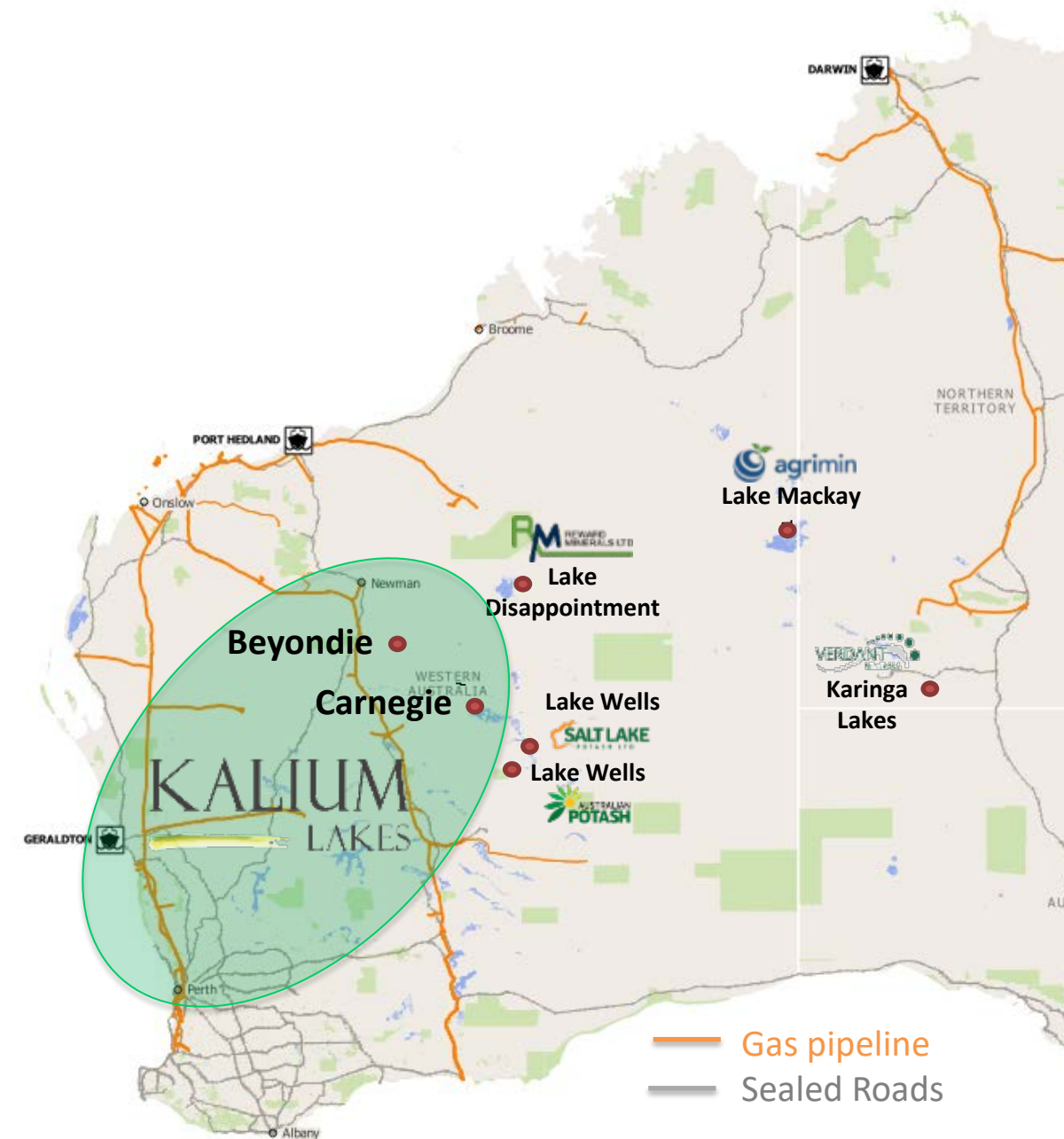


# BFS Nearing Completion – Q3 2018

- ✓ +23 Year Reserve @ 75ktpa SOP
- ✓ Bore & Trenching Works Complete
- ✓ Hydro Numerical Model Update for Resource and Reserve Underway
- ✓ Pilot Evaporation Ponds & Harvest Trials have Confirmed Operational Parameters
- ✓ Pilot Purification Plant Optimisation Resulting in Recovery Increase to ~90%
- ✓ Product Quality Improved to 52%  $K_2O$  and <0.5% Chloride
- ✓ Full Scale Design and Engineering Detail being Revised and Finalised
- ✓ Capital and Operating Cost Proposals Currently being Received



# Transport and Logistics Competitive Advantage

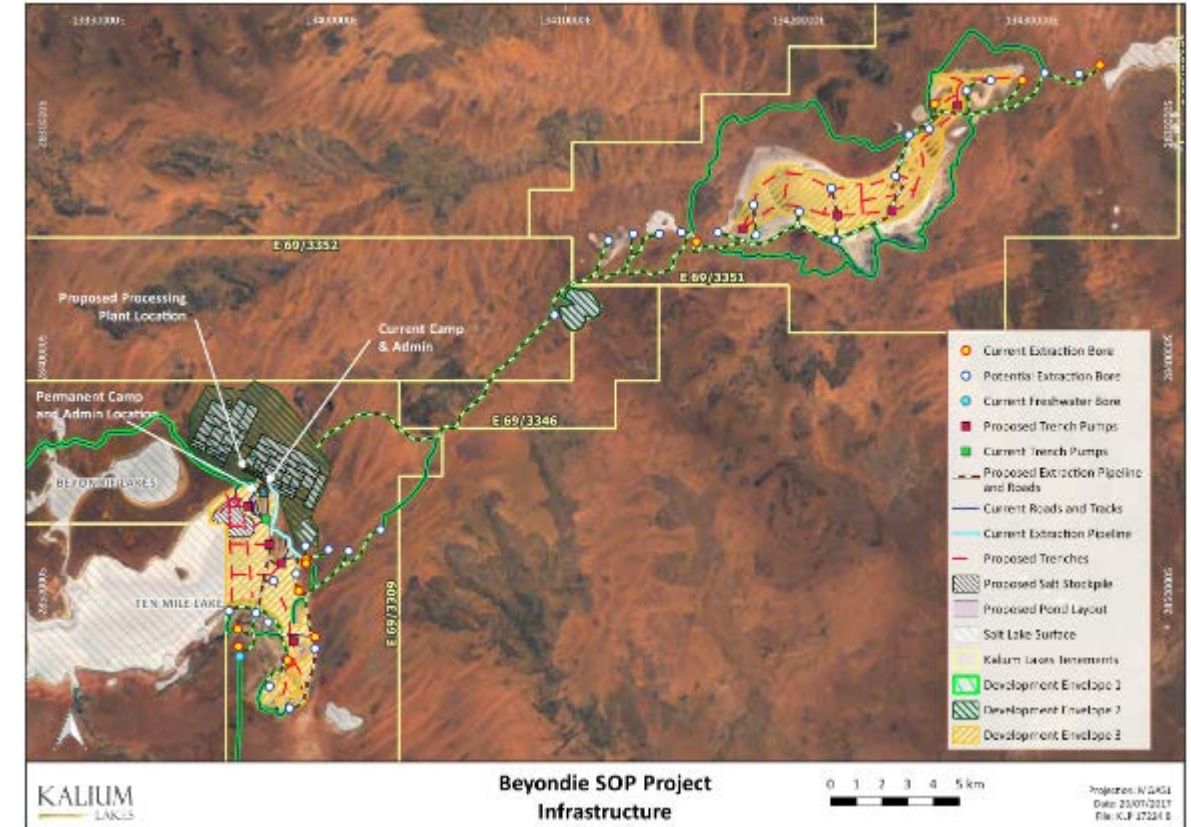


- ✓ Close proximity to existing road and gas pipeline infrastructure reduces capital requirements
- ✓ Back haulage road transportation rates received from Tier 1 logistics contractor
- ✓ Offtake consumer preference is for containerised or bulk ship hatch supply
- ✓ Fremantle Port – containerised shipping
- ✓ Geraldton Port – bulk shipping
- ✓ Gas for power and boilers provides a cheaper fuel source reducing operating cost compared to diesel
- ✓ Short distance to Newman for support services and air transport



# Approvals and Tenure

- ✓ Native Title Agreements Complete
- ✓ All approvals based on 150ktpa SOP
- ✓ EPA & EPBC approval process defined and expected to be complete Q3 2018
- ✓ Mining Tenure applications submitted with grant anticipated Q2/Q3 2018
- ✓ Mining Proposal and Closure Plan expected to be approved Q3 2018
- ✓ DoW Brine and Fresh Water applications submitted with grant anticipated Q3 2018
- ✓ Approvals already in place for 150ha of disturbance and 1.5Gtpa Brine extraction
- ✓ Early works request being assessed



- ✓ 75ktpa Start-up, expanding to 150ktpa SOP
- ✓ Pre-production Capital Cost of A\$124M
- ✓ Expressions of Interest (EOIs) received from a number of domestic and international financial institutions associated with debt funding
- ✓ 60% Debt to 40% Equity projected
- ✓ Experienced financial advisers are assisting with future capital requirements
- ✓ The BSOPP will produce a premium 52%  $K_2O$  and <0.5% Cl - granular, standard, and soluble SOP
- ✓ Two non binding Offtake MoUs in place
- ✓ Offtake EOI process complete including potential domestic and international customers.
- ✓ Formal Offtake agreements to be negotiated



Capital Structure	\$/Shares
Cash Balance (as at 31 March 2018)	A\$12.8M
Shares on Issue	169.8M
Share Price (as at 4 May 2018)	A\$0.39
Market Capitalisation (as at 4 May 2018)	A\$66.2M
Performance Rights	20.0M
Management Options	11.5M
Advisor Options	2.7M

Major Shareholders	
Agricultural Investors	49.1%
Directors & Management	10.4%
Institutional Investors	10.4%
Other Investors	30.1%

## Historical Share Price and Volume since IPO





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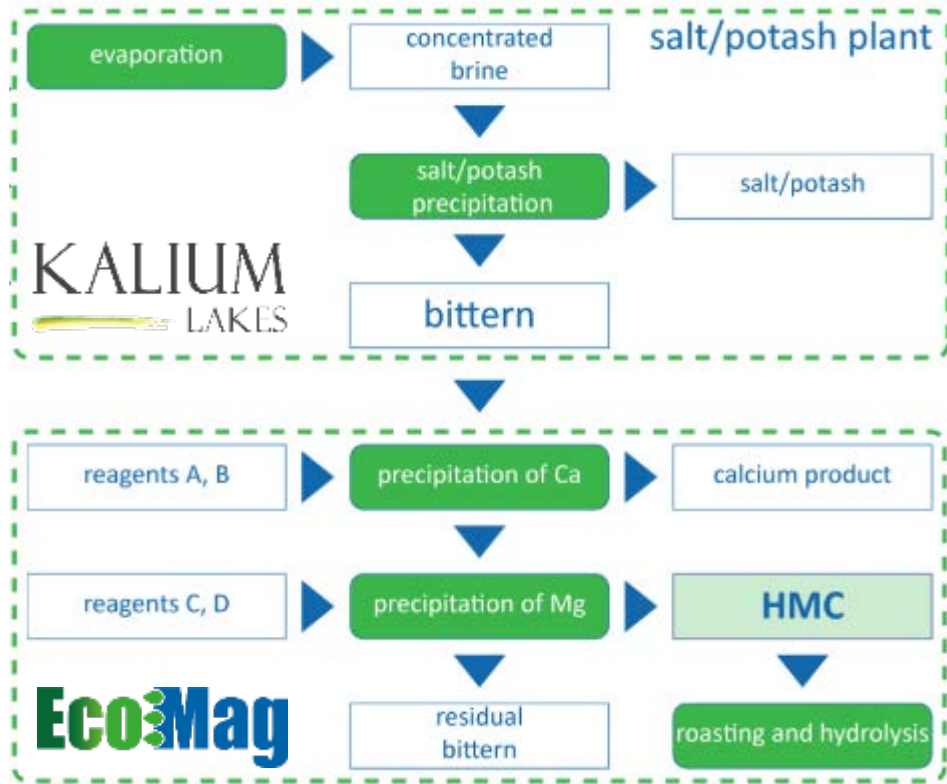
Potential Upside – Magnesium, Salt, Carnegie SOPP JV



## Potential Upside



# EcoMag - Potential HMC Product



## EcoMag and Kalium Lakes have signed a Letter of Intent (LOI) to trial the recovery of high value (~\$1,000/t) Hydrated Magnesium Carbonate (HMC):

- Laboratory trials of the Beyondie Brine have achieved 95% recovery of Magnesium
- Pilot plant trials successfully completed
- PFS to be completed during 2108
- LOI is exclusive to Kalium Lakes among WA potash project developers
- Potential additional revenue for the Beyondie Project
- Patented process developed by Korea's Chonnam National University (CNU).
- EcoMag has been granted an exclusive licence to the technology for recovering HMC from brines.
- Korea Chemical Corp (KKC), CNU and EcoMag have recently established a World Class 300 Project (US\$10 million) to demonstrate the technology.

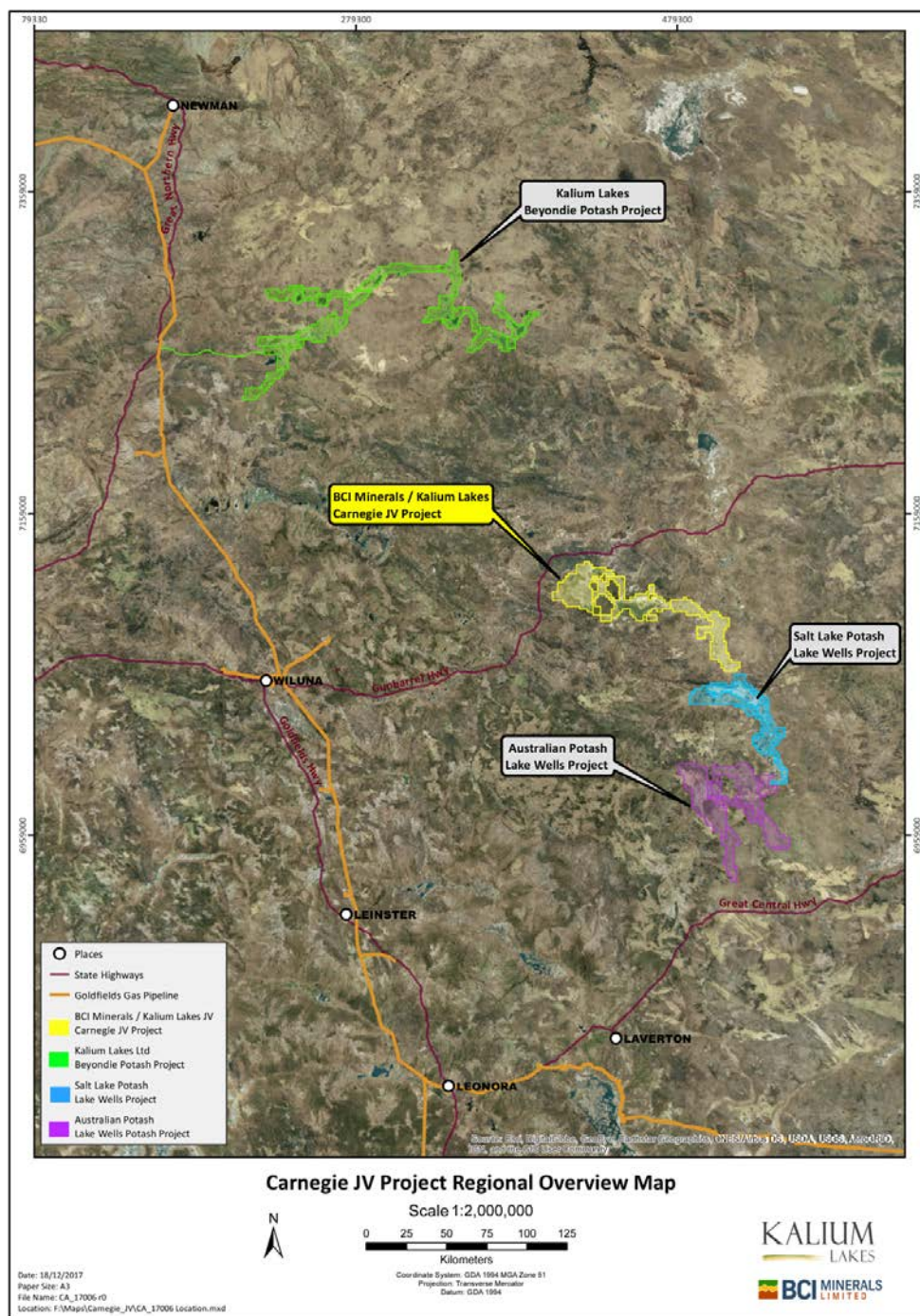




**WA Salt Koolyanobbing and Kalium Lakes have signed a Letter of Intent to evaluate and assess the recovery of Sodium Chloride (NaCl) salt products from the Beyondie SOP Project.**

- The WA Salt Group, which produces high quality salt products for domestic and international customers
- Both companies will work to determine which types of NaCl products can be recovered and may be suitable for local and international markets
- KLL is currently conducting trials at its Large Scale Pilot Evaporation Ponds which have produced more than 3,000 tonnes of NaCl salts.
- Initial tests were positive for potential saleable NaCl
- Further testing of larger, bulk samples to be undertaken
- Potential profit from salt that would otherwise be waste





## BC Iron and Kalium Lakes have entered into a JV on the Carnegie Potash Project (CJV):

- BCI can earn up to a 50% interest in the CJV by sole-funding \$10.5M of expenditure
- Scoping Study works due for completion Q2 2018
- Initial 64 auger hole program completed
- Potassium results up to 4,790 mg/L, equivalent to a SOP grade of 10,674 mg/L
- 120km of geophysical traverses completed, identifying a potential paleochannel
- CPP's extensive lake surface area confirms the project's scale, with its comparative lake surface footprint being significantly greater than other SOP exploration and development projects in the area
- CJV will leverage Beyondie Intellectual Property to expedite work and look to duplicate design to minimise costs and rework



## Additional Detail



# Experienced Board of Directors



## **Malcolm Randall, Non-Executive Chairman (B.Chem, FAICD)**

An experienced company director and chairman with extensive experience in corporate management and marketing in the resources sector. Mal's experience extends over a broad range of commodities both in Australia and internationally.



## **Brett Hazelden, Managing Director (B.Sc, MBA, GAICD)**

A Metallurgist who brings more than 20 years of experience, in project management, engineering design and operations serving the Australasian resources industry. Brett has been involved in a broad range of commodities including numerous mergers, acquisitions and due diligence reviews. As well as other roles, he has held senior positions at Rio Tinto, Fluor, Newcrest Mining and Iron Ore Holdings.



## **Rudolph van Niekerk, Chief Development Officer / Executive Director (B.Eng, GAICD)**

A Mechanical Engineer with more than 12 years experience in project management, operations, construction, commissioning, production ramp-up and project hand-over. Rudolph has a broad range of commodities experience both in Australia and internationally. Previous positions include senior engineering roles for Ausenco, AngloGold Ashanti and BC Iron.



## **Brendan O'Hara, Non-Executive Director (B.Juris, LLB, SF Fin)**

A former legal practitioner of the Supreme Court of WA and member of the Business Law Section of the Law Council of Australia. Brendan's previous roles include eight years as Executive Chairman of ASX-listed Summit Resources Limited, and State Executive Director of the ASX.

# Beyondie Potash Project Mineral Resource

JORC / CIM Resource	Drainable Brine Volume (M m <sup>3</sup> )	K Grade (mg/l)	K (Mt)	SO <sub>4</sub> (Mt)	Drainable Brine SOP (Mt)	Total Brine Volume SOP (Mt)
<b>Indicated Resource</b>	311	<b>6,278</b>	1.96	5.56	<b>4.37</b>	35.15
<b>Inferred Resource</b>	1,075	<b>5,735</b>	6.16	18.37	<b>13.74</b>	161.32
<b>Total Mineral Resource</b>	<b>1,386</b>	<b>5,865</b>	<b>8.12</b>	<b>23.93</b>	<b>18.11</b>	<b>196.5</b>
<b>Exploration Target</b>	934 – 1,894	1,803 – 4,277	1.68 – 8.09	5.10 – 22.26	3.74 – 18.05	44.13 - 314.75

*Cut off grade of 3,500 mg/l K (7,800 mg/l SOP)*

*Drainable Brine Mineral Resource complies with the Canadian (CIM, 43-101) standards and guidelines for brine deposits, as well as JORC Code (2012). German consultants K-UTEC have signed off as the Competent Persons.*

*KLL is also part of the Association of Mining and Exploration Companies (AMEC) Potash Working Group which has developed guidelines to define a brine Mineral Resource and Ore Reserve, in order to increase the certainty, clarity and transparency in reporting of these resources*

*Total Brine Volume (Porosity) Estimates are provided for comparative purposes with other Australian Listed Companies who do not report Resources on a Drainable Brine basis.*

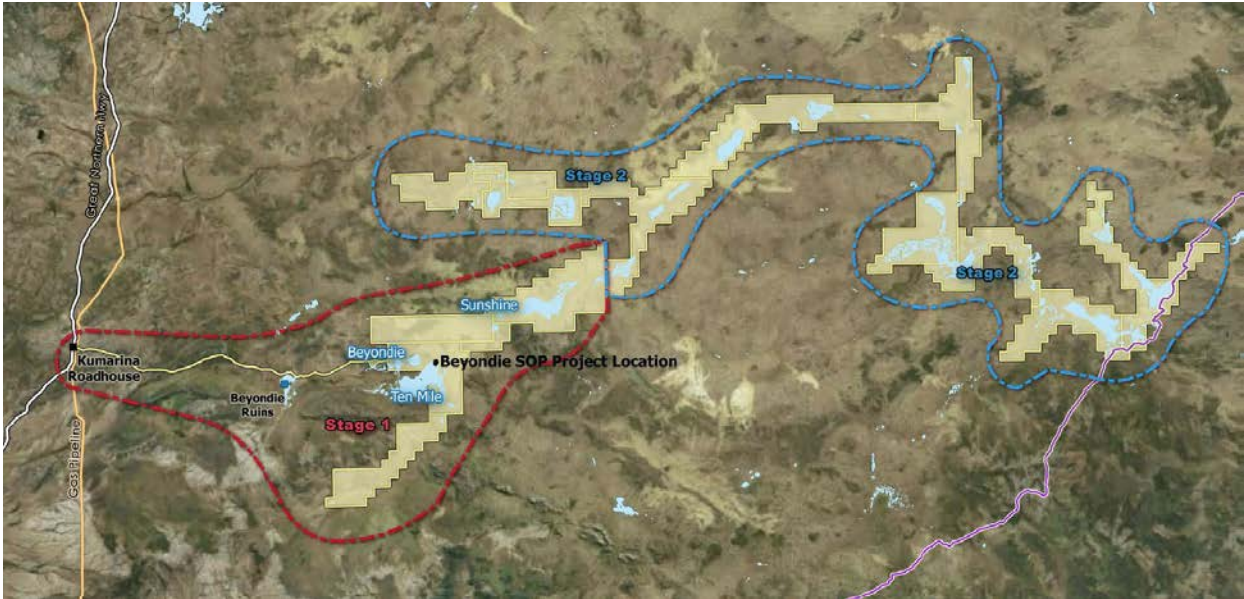
**Refer to Disclaimer & Compliance Statement. The Kalium Lakes Beyondie Potash Project Exploration Target is based on a number of assumptions and limitations and is conceptual in nature. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code (2012) and it is uncertain if future exploration will result in the determination of a Mineral Resource. Refer to Pre-Feasibility Study with Maiden Ore Reserve announcement dated 3 October 2017 for further details.**



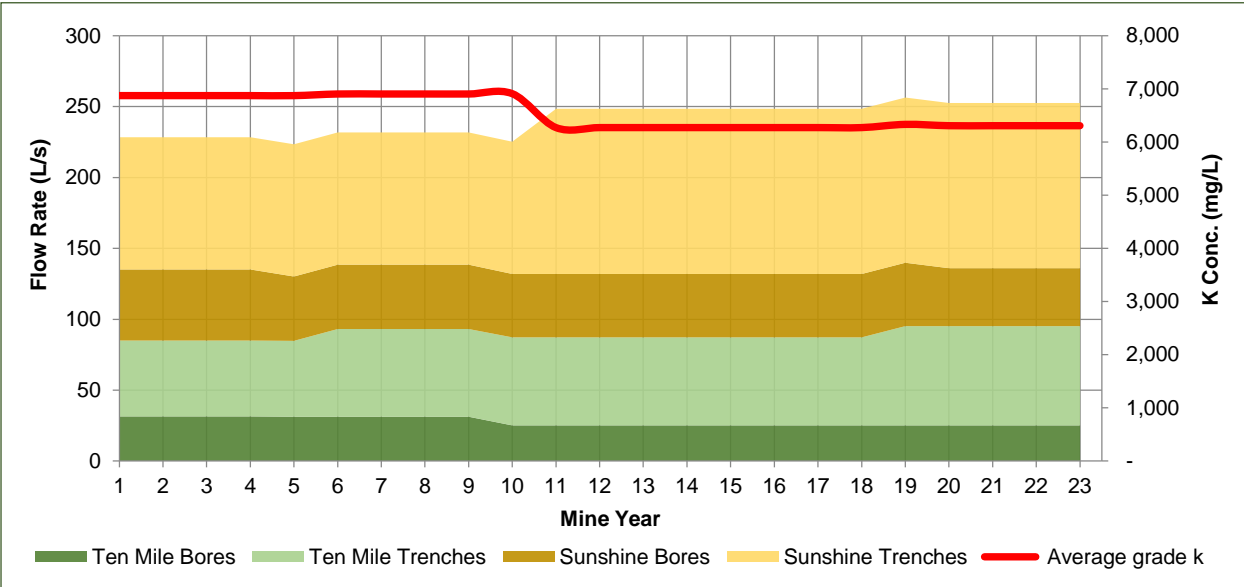
# Beyondie – Ore Reserve @ 75ktpa SOP Start-up

Probable Ore Reserve		
Drainable Brine Volume	Mm <sup>3</sup>	187
K Grade	mg/l	6,373
K	Mt	1.19
SO <sub>4</sub>	Mt	3.34
<b>SOP</b>	<b>Mt</b>	<b>2.66</b>

- Based on numerical groundwater model abstraction from trenches and bores
- Western Stage 1 Area developed initially, Ten Mile and Sunshine trenches and bores comprise the Reserves
- Additional Western and Eastern lakes added progressively to extend LOM
- Base Case Stage 1, mine plan only considers the 2.66Mt Reserves, which gives 100% reserve production for 23 years
- The Reserves combined with Indicated and Inferred Resources at Beyondie would support extended LOM and/or expansion to 150ktpa SOP



Production Aquifers Flowrates (75ktpa SOP, over 23 years)



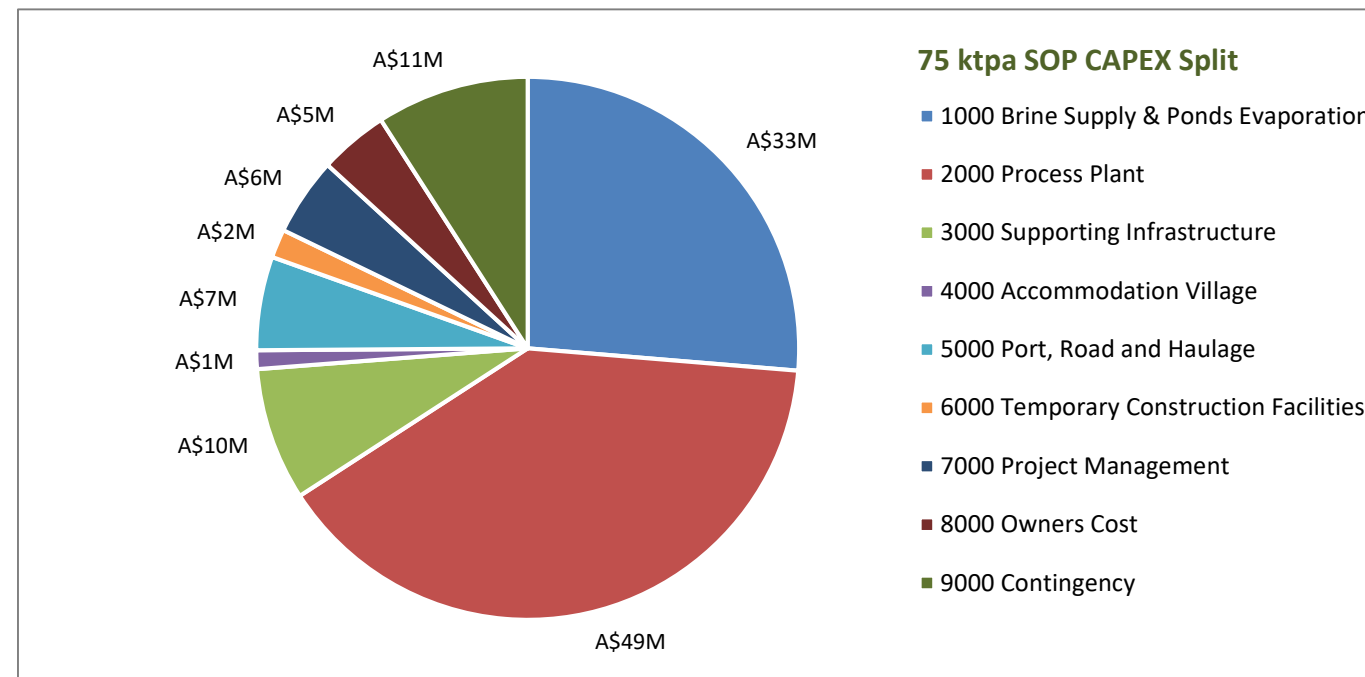
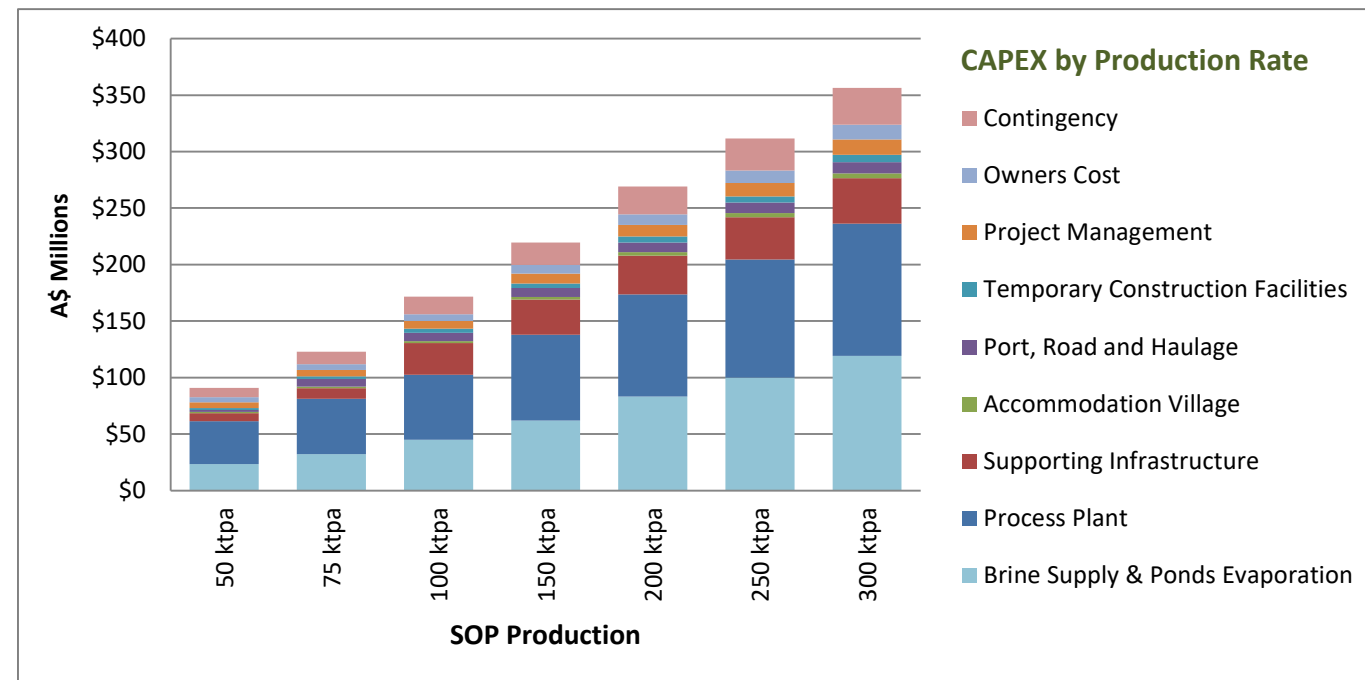
# Capital Cost Class 4 (PFS) AACE Estimates

KALIUM LAKES		
DESCRIPTION	75 ktpa SOP A\$M	150 ktpa SOP A\$M
Brine Supply, Ponds & Harvesting	33	62
Purification Plant	49	76
Supporting Infrastructure & Accommodation	11 <sup>(1)</sup>	33 <sup>(2)</sup>
Port, Road and Haulage	7	8
Temporary Construction Facilities	2	4
Project Management	6	9
Owners Costs	5	8
Contingency	11	20
<b>TOTAL CAPITAL COST</b>	<b>124</b>	<b>220</b>
Capital Intensity (\$/annual installed tonne)	1,855	1,464

Refer to Pre-Feasibility Study and Maiden Ore Reserve announcement dated 3 October 2017 for further details

(1) – Assumes no gas pipeline, use of diesel only

(2) – KLL Gas Pipeline Capex included



# Operating Cost Estimates and Build-up (PFS)

DESCRIPTION	<div>KALIUM LAKES</div>	
	75 ktpa A\$/t SOP	150 ktpa A\$/t SOP
Ex Works	216 <sup>(1)</sup>	176 <sup>(2)</sup>
Haulage & Port	67	67
CASH COSTS	284	244
Corporate Costs	39	31
CASH + CORPORATE COSTS	323	275
Sustaining Capex	20	15
ALL IN SUSTAINING COSTS	342	290
AISC US\$/t (@75c USD:AUD)	US\$ 257 /t	US\$ 217 /t

Refer to Pre-Feasibility Study and Maiden Ore Reserve announcement dated 3 October 2017 for further details

(1) – KLL assumes no gas pipeline, use of diesel only

(2) – KLL Gas Pipeline Capitalised no additional OPEX required

AISC – All in Sustaining Cost (Excluding royalties and corporate taxes)

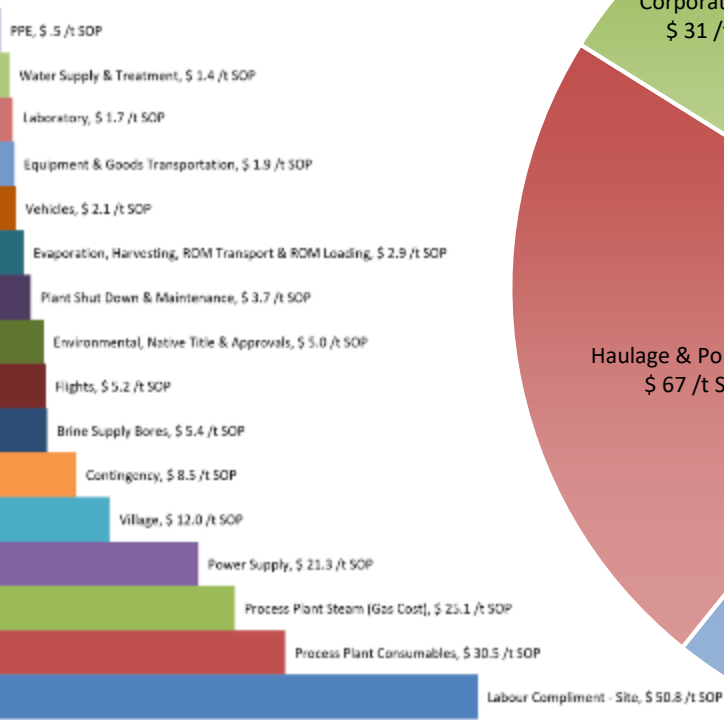
## Corporate Costs



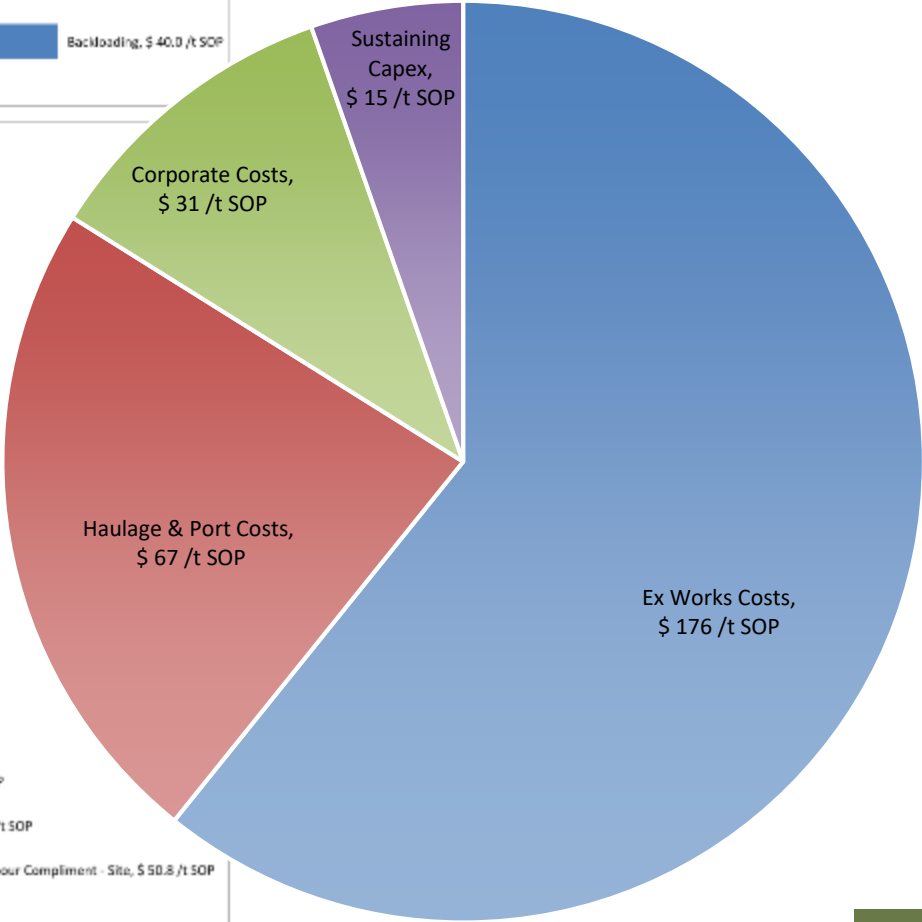
## Haulage & Port Costs



## Ex Works Costs



## Overall Cost Summary 150ktpa SOP (A\$/t SOP)





# Factors Utilised to Select Production Target

Commencement Case (ktpa)	25	50	75	100	150	200	250	300	350	400
Expansion Case (ktpa)			150	200						
<b>Project Economics</b>	<b>Sub-economic</b>		<b>Robust</b>			<b>Highly attractive at most pricing scenarios given margins</b>				
NPV	Modest		Solid valuations on conservative pricing			Large valuations on conservative pricing				
IRR	Below 20%		Above 20%, particularly for expansion cases			Very attractive				
Payback period	> 7.0 years		4.0 - 7.0 years			< 5 years, supported by larger production volumes and margins				
EBITDA	<\$30 M pa		\$80 -100 M pa			> \$100M pa				
<b>Financing Ability</b>	<b>Equity</b>		<b>Manageable equity funding, typical gearing levels</b>			<b>Equity task become a challenge, offtake critical for debt</b>				
Capex vs Avg Mkt. Cap.		1.9x	2.5x	3.4x	4.4x	5.4x	6.2x	7.1x		
Debt Finance	Too small to justify		Flat/staged scenarios support target gearing levels. Expansion funded from cashflow			Higher gearing capacity but debt market will need visibility on equity plug				
Offtake Likelihood	High		Likely, depends on speed to market			Larger volumes harder to place, speed to market critical				
Mine Life	>50 years		20 – 40 years			7 – 15 years				
<b>Technical Risk</b>	<b>Low</b>		<b>Practical to execute and manage</b>			<b>Potential challenges to maintain production levels</b>				
Sustainable Pump Flow Rates	Standard		Consistent with typical irrigation projects			Very large requirements; more challenging to sustain				
Pond Area	Small		Moderate			Large				
Leakage & Remedy	Lined ponds		Can be minimised with lined ponds			Expensive to line, high risk of leakage & difficult to remedy				
<b>Market Impact</b>	<b>Domestic</b>		<b>Weighting across domestic &amp; export markets</b>			<b>Domestic, and largely export markets / local MOP substitution</b>				
% of Domestic Market			100%		200%	300%	400%			500%
Impact on Dom. Price	Nil to low		Low to medium negative impact							
% of Global Market		1%		2%		3%	4%	5%	6%	
Magnesium Sales Potential	Marketable Sales Volume			Partial sales volume only		Unable to sell this amount of product				

# Financial Evaluation

Production Scenario Description	Unit	Constant Rate 75 ktpa SOP	Phased Ramp Up 75 - 150 ktpa SOP	Constant Rate 150 ktpa SOP
Sales Price	US\$/t SOP	500	500	500
Exchange Rate	A\$:US\$	0.75	0.75	0.75
Assumed Life of Mine	years	40.0	23.0	21.0
Project NPV <sub>10</sub> (Pre-tax, nom)	A\$M	205	319	388
Project NPV <sub>10</sub> (Post-tax, nom)	A\$M	126	205	248
IRR (Pre-tax)	%	23.5%	25.8%	28.7%
IRR (Post-tax)	%	18.6%	20.9%	22.5%
LOM Revenue	A\$M	3,322	2,892	2,776
LOM OPEX Cash Cost FOB	A\$/t SOP	285	253	244
LOM OPEX	A\$M	1,349	1,024	969
Initial CAPEX	A\$M	124	124	220
LOM CAPEX (incl. Sustaining)	A\$M	278	341	328
LOM Royalties	A\$M	89	78	75
LOM Corporate Tax	A\$M	431	389	382
LOM Free Cash Flow (pre-tax)	A\$M	1,606	1,450	1,404
Free Cash Flow (pre-tax)	A\$M p.a.	45	78	80
LOM Free Cash Flow (post tax)	A\$M	1,174	1,061	1,022
Free Cash Flow (post tax)	A\$M p.a.	34	60	62
LOM EBITDA	A\$M	1,876	1,779	1,721
EBITDA (average)	A\$M p.a.	47	83	83
EBITDA Margin	%	56.5%	61.5%	62.0%
CAPEX / EBITDA (average p.a.)x		0.14	0.19	0.19
Payback Period (pre-tax)	Years	4.8	4.8	3.7
Payback Period (post-tax)	Years	6.0	6.0	4.8
Expansion Payback (pre-tax)	Years	N/A	2.5	N/A
Expansion Payback (post-tax)	Years	N/A	3.3	N/A

- Lowest Assumed Forward looking SOP price among current project developers
- Pre-production Capital Cost of A\$124M or A\$220M
- Low LOM Operating Cost
- Exceeds Hurdle Rates – NPV & IRR
- High EBITDA Margin
- More than +\$1B Life of Mine (LOM) free cash flow
- LOM is ~5 times payback period
- Financial Model only considers part of potential mine inventory
- Significant potential upside from extended mine life, increased production and magnesium by products

# BFS Study Team – Phased Study Approach

- Directors have a track record in proving up and commercialising resource assets
- Study management, coordination, environmental inputs, stakeholder information and financial modelling
- A phased study approach has been adopted during the processing of evaluating the Project

