

Beyondie Operational and Corporate Update

Kalium Lakes Limited (ASX:KLL) (**Kalium Lakes** or the **Company**) provides an interim update on its corporate and financing activities and the operations at its Beyondie SOP Mine (**Beyondie**).

- **Liquidity Facility draw down and Strategic Process**

- \$5 million Liquidity Facility tranche being provided by Lenders alongside commencement of a strategic process in conjunction with Lenders.
- Strategic process will explore potential strategic and corporate opportunities to reposition the Company and its capital structure for the longer term or otherwise maximise value. The Company has appointed Argonaut PCF as its independent financial advisor to conduct this process and evaluate all relevant opportunities to maximise value for the Company and its stakeholders.
- Remaining \$5 million Liquidity Facility drawdown is at Lenders' discretion, subject to progress of the strategic process and continued assessment by the Lenders of Beyondie's current ramp up performance.
- Given the Company's current circumstances, Kalium Lakes will remain in suspension until it has a clear pathway forward for shareholders, Lenders and other stakeholders.

- **SOP production continues to increase under plant performance improvement plan (PIIP)**

- SOP production of 2,079 tonnes for April and May, exceeding the March quarter's total production by 16% after two months. This is Kalium Lakes' best production quarter to date.
- Second heat exchanger being delivered to site to add year-round cooling capacity to schoenite conversion circuit – expected to be installed during planned July shutdown.

- **Upstream brine production and harvesting normalising following significant rain event**

- Brine production increasing following heavy rain event in late March / early April with measures taken to manage and replenish brine grade in pre-concentrator ponds.
- Harvesting continued during April and May (despite rain event) with 22kt of KTMS and 154kt of waste salt harvested, and ROM stockpile of 97kt at end of May.

- **Production targets and funding requirement**

- Approximate 55ktpa production rate targeted during December 2023 quarter, with 90ktpa production rate now targeted for September 2024 quarter.
- Targeted annual actual production of approximately 50-60kt in FY24.
- Expected material increase in operational costs due to operational resourcing and inflationary pressures.
- Additional long-term funding for Beyondie will be required over the next two financial years during ramp up to achieve targeted annual production of 90-100ktpa.

- **Product Certification achieved under SXC Allowed Input Scheme** - Beyondie SOP product certified as suitable for use in organic production systems certified to the National Standard for Organic and Bio-Dynamic Produce; and AS 6000 – Organic and Biodynamic Products.

Kalium Lakes' acting Chief Executive Officer, Jason Morin, said:

"As we continue to progress our plant performance improvement plan, Kalium Lakes has undertaken a comprehensive review of our production targets during the quarter that reflects the operating learnings gained over the last 12 months. The revised production targets, operating cost estimates and ramp up period reflects the targeted PPIP efforts implemented, and the additional capital works identified by our review.

"Securing the Liquidity Facility funding from our Lenders enables Kalium Lakes to continue to progress our production ramp up whilst providing the platform to commencing a strategic process to maximise the value of Beyondie. I would like to thank our Lenders and other stakeholders for their continued support.

"Beyondie is a unique and highly strategic long-life asset which supplies a critical commodity for Australia's agricultural industry."

Liquidity Facility and Strategic Process

Following continued discussions with its senior lenders, Northern Australia Infrastructure Facility (**NAIF**) and KfW IPEX-Bank GmbH (**KfW**) (together, the **Lenders**), the Lenders have agreed to make available for drawdown the remaining \$10 million of the \$20 million liquidity facility (**Liquidity Facility**) as foreshadowed in the Company's March 2023 Quarterly Activities Report on 28 April 2023.

The continued access to the Liquidity Facility will be available for drawdown in two stages:

- An initial \$5 million will be provided by the Lenders (with receipt expected within the coming week) alongside commencement of a strategic process by Kalium Lakes in conjunction with the Lenders.
- The remaining \$5 million is available at the Lenders' discretion and is subject to the progress of the strategic process and continued assessment by the Lenders of the plant's current ramp up performance.

Following the first \$5 million drawdown of the Liquidity Facility, Kalium Lakes will have approximately \$201 million of senior debt drawn with NAIF and KfW, with an additional undrawn debt capacity of \$5 million from the Liquidity Facility (as referred to above), and a further \$2.6 million available under the project term Facility A provided by KfW set aside for final contractor payments.

The Company is also pursuing additional sources of working capital in the near term including its R&D tax incentive application in relation to FY22 activities (targeted receipt in 2H CY23) and further production efficiencies.

The strategic process will explore potential strategic and corporate opportunities to reposition the Company and its capital structure for the longer term or otherwise maximise value. The Company has appointed Argonaut PCF as its independent financial advisor to conduct this process and evaluate all relevant opportunities to maximise value for the Company and its stakeholders.

Given the Company's current circumstances, Kalium Lakes will remain in suspension until it has a clear pathway forward for shareholders and other stakeholders.

SOP Plant Operations and Production

Indicative SOP production for the combined months of April and May 2023 was approximately 2,079 tonnes comprising monthly SOP production amounts of 1,026 tonnes in April and 1,053 tonnes in May. This is Kalium Lakes' best production quarter to date.

Average flotation recovery rates in April and May 2023 were slightly below interim ramp-up expectations at just over 60% versus the expected averages of approximately 70%.

As reported previously, Beyondie's PPIP implementation remains in progress and involves systematic investigation, modification and optimisation in the schoenite and flotation circuits with a focus on temperature control, conditioning, froth mobility and aeration as follows:

- Conditioning:
 - The temporary conditioning tanks delivered to site did not structurally hold up to the design.
 - Life of mine (steel) conditioning tank is currently being engineered with an expected 12-14 week implementation period.
- Froth mobility:
 - The froth launder ring on cell #1 has been replaced with the improved design installed on cell #2.
- Aeration:
 - Various trials on flotation cells are taking place during the current quarter.
- Temperature:
 - A second heat exchanger has been procured with the assistance of technical partner Ebtec and is currently being shipped to Fremantle with expectation of delivery to site during June and installation during a planned shutdown in July.

Upstream Operations

Borefield & Trenching Operations

A significant rainfall event in late March and early April produced more than 150mm of rain over 7-10 days and filled all trenches at Ten Mile and Sunshine. As a result, measures were put in place to manage blending of brine from trenches and bores to manage the grades in the pre-concentrator ponds prior to pumping to the evaporation ponds.

Pond Operations

Following the rainfall event referred to above, the wet-weather mitigation plan for the evaporation ponds was activated by the Beyondie team. These countermeasures and controls were successfully enacted to preserve the KTMS in the ponds and drain-off surface (fresh) rainwater, accelerating the return to harvesting within days of the rains, with the chief focus on the waste ponds.

The indicative harvest for the combined months of April and May 2023 was approximately 22kt of KTMS and 154kt of waste salt. As of 31 May 2023, the inventory of KTMS on the ROM pad was 97kt.

Production Targets and Funding Requirements

As a result of a recent review of its production ramp up pathway, the Company is now targeting an approximate 55ktpa production rate during the December 2023 quarter (prior target of 60ktpa in July 2023) following the installation and optimisation of the second heat exchanger in July in conjunction with the other areas of the PPIP as detailed above.

Further improvements to the plant and production output will continue to be pursued by Kalium Lakes in conjunction with Ebtec, who are providing full technical support both from Germany and on site. Nameplate capacity production rate of 90ktpa is now targeted for the September 2024 quarter.

To ramp up and sustain production targets over the longer term, additional capital works have been identified to the three main operating areas of brine supply, ponds operations and the SOP plant. These capital works are required to target an annual production output of approximately 50-60kt in FY24.

The review of the targeted production ramp up profile has also identified increases in production resource requirements and inflationary cost pressures contributing to expected increases in operating costs.

As a result of the above, additional long-term funding for Beyondie will be required over the next two financial years during ramp up to achieve targeted annual production of 90-100ktpa.

SOP Product Certification

Kalium Lakes is pleased to announce that its SOP product at Beyondie has recently been certified by Southern Cross Certified Australia under its "SXC Allowed Input Scheme" as suitable for use in organic production systems certified to the National Standard for Organic and Bio-Dynamic Produce; and AS 6000 – Organic and Biodynamic Products.

Please refer to the following webpage on the Kalium Lakes website for further details: <https://www.kaliumlakes.com.au/sop-product-certification/> .

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*** ENDS ***

This announcement was approved and authorised for release by the Board of Kalium Lakes Limited.

Kalium Lakes Limited



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