

## **QUARTERLY ACTIVITIES REPORT PERIOD ENDING 31 DECEMBER 2021**

Kalium Lakes Limited (ASX:KLL) (**Kalium Lakes** or the **Company**) provides a quarterly activities report for the period ending 31 December 2021 on its operational activities at the Beyondie SOP Project (**Beyondie** or **BSOPP**).

### **Highlights**

- Debt Restructuring, Capital Raising, Offtake and Expansion Plan
  - Funding secured for targeted expansion to 120ktpa SOP at projected capex of A\$45.3m
  - Debt restructure successfully completed to provide working capital during ramp-up and targeted expansion.
  - K+S offtake agreement extended to cover targeted expanded production and improved payment terms for first 3 years to assist working capital needs.
  - Commenced production drilling of additional 25 boreholes and procurement of the second Sunshine preconcentrated brine transfer pipeline.
- Project Construction
  - Construction of Beyondie Sulphate of Potash 90ktpa Project completed.
  - Operating Licence issued by Department of Water and Environmental Regulation (DWER).
- Purification Plant Commissioning
  - Certain later-stage commissioning issues identified in the SOP purification plant due to initial variability in harvested potassium salt feed grades, process control and non-critical mechanical issues
  - SOP purification plant idled in late December to allow rectification works.
- Production Outlook
  - As previously reported, potassium salts harvested during CY2022 are expected to be lower than initially targeted, although long term forecast remains unaffected.
  - Updated Beyondie commissioning and production ramp-up schedule to be provided in late February 2022, with no impact expected to forecast long term SOP output.

**Kalium Lakes Chief Executive Officer, Len Jubber, said:** *“During the past quarter Kalium Lakes has achieved a number of key milestones, notably the successful debt restructuring and capital raising to enable committing to the 120ktpa expansion program, completion of construction of the Beyondie plant and regulatory approval to commence commercial operations.*

*“Notwithstanding these achievements, there were also some operating and commissioning issues encountered which highlight the challenges associated with starting up any new operation. While the delay in commissioning is regrettable, this temporary interruption has presented Kalium Lakes with the opportunity to review not only the learnings to date but importantly to also take stock of the operational readiness aspects.*

*“As stated previously, the Kalium Lakes team is conducting the review and compilation of the revised commissioning and production ramp-up plan in a structured and methodical manner, incorporating input from international technical design and operating experts. The outcome of this work will be incorporated in our go forward plan.”*



**Beyondie Sulphate of Potash Purification and Compaction Plants**

## **Beyondie Sulphate of Potash Project**

### **Borefield and Trenching Operations and Brine Production**

On 3 November 2022 the Company provided a commissioning update and noted that the trenches and bore fields had been impacted during late October because of silting and collapsing of trench walls in several places, as well as unexpected breakdowns of a few production bores. The addition of a third amphibious excavator to the trench maintenance fleet and expanded routine trench maintenance have delivered significant positive impacts.

The actions taken to optimise brine production levels continue to be a major focus area to manage flow rate demands and a more detailed review of current brine supply and evaporation pond dynamics has been initiated.

### **Pond Operations and KTMS Production**

Preliminary analysis of the brine supply interruptions and the impact on evaporation pond performance indicated that less harvested potassium salts than initially targeted were likely to be produced during the summer period and therefore during CY2022.

Kalium Lakes has advised that its team continues to work with brine industry experts to quantify the likely impact on forecast CY2022 harvested potassium salt production. Forecast long term brine and harvested potassium salt output is not expected to be affected.

### **Purification Plant and SOP Production**

Construction of the purification plant was completed during the quarter.

Kalium Lakes reported on 5 October 2021 that it successfully achieved first production of SOP during the early stages of commissioning and that the commissioning activities would continue until its partner, EBTEC GbR completed its performance test.

Kalium Lakes provided an update on 3 November 2022 advising that product commissioning had entered the final stages where feed salt was being used to increase concentrations of the recirculating mother liquor required for continuous commercial production of SOP. It was noted, at that time, that the process was trending slightly behind schedule and using more of the harvested salts than anticipated.

In December (see ASX release dated 22 December 2021), the Company initiated a review of the SOP purification plant operations with early analysis identifying certain later-stage commissioning issues, most notably being initial variability in harvested potassium salt feed grades and process control. Non-critical mechanical issues with some of the plant equipment also needed to be addressed and planning for the required rectification works begun.

Many of the variability issues, although initially impacting the commissioning and ramp-up programme, are expected to be readily managed under commercial operations.

Restricted availability of resources and logistical challenges in getting additional international experts of the original equipment manufacturers on site through the current COVID-19 requirements has also contributed to some of the challenges during commissioning of specific plant equipment.

The purification plant issues are expected to be fully resolved in accordance with the performance guarantees provided by EBTEC although, as previously announced, the status of commissioning and ramp-up at the BSOPP is expected to have an impact on the targeted dates for achieving nameplate production rates.

The Company also announced that it had successfully produced a small quantity of standard grade SOP, a practical achievement that validated the BSOPP process flowsheet.



## Compaction Plant

On 22 December 2021, the Company announced that the practical completion of the compaction plant at the BSOPP marked the completion of its construction contract. Dry commissioning of the compaction plant had commenced, and product commissioning will commence when sufficient quantities of standard grade SOP are available. As a result of the completion of construction, DRA Pacific Pty Ltd (DRA) demobilised from site.

## Regulatory Approvals

Kalium Lakes announced, on 22 December 2021, that it had been issued its Operating Licence by the Western Australian Department of Water and Environmental Regulation (**DWER**), allowing commercial operation at the Project.

## 120ktpa SOP Expansion Project

Commenced drilling of a further 25 boreholes at the 10 Mile and Sunshine bore field, and procurement of the second Sunshine transfer pipeline.

## Subsequent Events

On 25 January 2022 the Company released a BSOPP Activities Update which included the following information:

### *Borefield & Trenching Operations and Brine Production*

Recent actions taken to optimise brine production levels have delivered significant positive impacts.

De-silting works at 10 Mile and Sunshine are progressing well, with flow rates from trenches at 10 Mile now restored to design targets. Work at Sunshine continues with flow rates improving and target levels expected to be fully restored during the current quarter. A third amphibious excavator has also been added to the trench fleet and additional routine trench maintenance programs implemented.

Bore pump station availability at both 10 Mile and Sunshine is improving through upgrading monitoring and maintenance programs, including the introduction of a telemetry system to improve response times to pumping system breakdowns.

As a result of these combined measures, the aggregate brine flow rate from the borefield and trenching operations to the pre-concentration ponds has now been restored to near the 90ktpa SOP target level.

In addition, the 120ktpa expansion drilling program has commenced and twenty-five new production bores are planned to be progressively brought online during the next 12 months. There are currently twenty bores at 10 Mile and Sunshine.

Aggregate brine supply continues to deliver potassium grades above design targets, partially offsetting some of the impact from previous lower flow rates.

### *Pond Operations and KTMS Production*

As previously announced (refer KLL ASX releases dated 3 November 2021 and 22 December 2021), prior impacts to brine production rates ahead of the peak summer solar evaporation period are expected to result in less harvested potassium salt (KTMS) being produced during CY2022 than initially targeted.

Further investigation has revealed that these impacts to brine supply resulted in brine concentration in the Sunshine pre-concentration pond increasing above targeted levels, exacerbated by increasing evaporation rates with the onset of summer. This more concentrated brine progressively resulted in gypsum and salt scaling within the transfer pipeline from the Sunshine pre-concentration pond to the primary evaporation ponds. The site team has implemented a range of interim initiatives in recent weeks to rectify these issues, including:

- Closing half the Sunshine pre-concentration pond evaporative area to minimise the risk of overconcentration of the brine; prior to transfer through the pipeline to the primary evaporation ponds. As brine volume in the Sunshine pre-concentration pond aggregates towards targeted levels, this offline pre-concentration pond area is expected to be progressively reactivated over coming months.
- Cleaning operations undertaken on the transfer pipeline and measures to minimise future scaling are in progress. Closer monitoring of pipeline operation and efficiency has been implemented.
- Closing two of the five primary evaporation pond trains to effectively manage pond operations under the reduced Sunshine pre-concentration brine volumes. Utilisation of these two trains is expected to be progressively reinstated in coming months as the aggregate Sunshine preconcentration brine volume increases.

In addition, a second transfer pipeline is to be installed in the current quarter as part of the 120ktpa SOP expansion program. This is expected to not only ultimately deliver the 120ktpa SOP extraction rate but also provide surplus transfer pipeline capacity in the near term, further de-risking brine transfer logistics.

A review of the potassium salt harvesting operations has highlighted the underlying factors that contributed to the variability in KTMS feed during the SOP purification plant commissioning in December. Harvesting of potassium salts is expected to recommence during the current quarter, with a greater focus on grade control and ROM stockpile management.

Kalium Lakes continues to work with international potash industry experts to strengthen operating capability, increase understanding of pond chemistry dynamics and harvesting techniques, and quantify the likely impacts on forecast CY2022 harvested potassium salt production. Forecast long term harvested potassium salt output is not expected to be affected.

### *Purification Plant and SOP Production*

Following the commissioning challenges faced due to initial variability in potassium salt feed grades, further review and consultation has confirmed that a consistently higher-grade potassium salt feed supply (higher than for normal operations) is required during commissioning. This approach is expected to enable the schoenite conversion, flotation, cooling crystallisation, centrifuges and fluid bed dryer to be commissioned at nameplate capacity.

The requirement for individual sections in the SOP purification plant to be commissioned on a staged basis over an extended timeframe led to there being insufficient residual higher grade potassium salt feed available on the ROM stockpile to successfully complete commissioning and achieve continuous operation of the plant.

The rectification works identified as being beneficial to successful commissioning of the SOP purification plant (refer to KLL ASX releases dated 22 December 2021 and 25 January 2022) are underway, with the plant being idled while this work is undertaken and pending harvest of further high-grade potassium salts. The plant rectification works are scheduled to be completed during March.

The systematic recommencement of SOP purification plant operations as part of the commissioning process is being jointly planned by the Kalium Lakes and EBTEC Gbr teams in conjunction with international experts with SOP processing operations experience. It should be noted that the ability to facilitate the arrival of additional specialist personnel to the Beyondie site remains constrained by ongoing Western Australian border restrictions. Full nameplate operation of the plant is expected to be achieved in accordance with the performance guarantees provided by EBTEC, although the timeframe for achieving nameplate production will be impacted by the issues encountered during commissioning.

### **Planned Activities for Next Quarter**

The Company's main objectives and planned activities for the remainder of the March 2022 quarter include:

- Completion of the rectification works identified as being beneficial to successful commissioning of the SOP purification plant.
- Progressive restoration of Sunshine pre-concentration pond and primary evaporation pond operations towards full capacity.
- Next harvest of high-grade potassium salts expected to commence with a greater focus on grade control and ROM stockpile management.

- A revised Beyondie ramp-up schedule and production profile is scheduled to be completed and released in late February 2022.

## Corporate Activities

### Debt Restructuring and Capital Raising

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

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

The existing Founders' Royalty holders of the Company, being Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust and Greenstone Resources II (Australia) Holdings L.P. (both of which are related parties of the Company), agreed to subordinate and defer the payment of their royalties over the tenements at Ten Mile Lake, Sunshine Lake and Lake Carnegie until the debt principal repayments to the senior lenders begin on 31 March 2024 and that all royalties accrued before that date are deferred until the senior lenders' deferred debt is repaid. In consideration for the deferral of the royalty payments the Company agreed to grant a further royalty over the tenements at Ten Mile West to the existing royalty holders on the same terms as their existing royalties (being, 1.9% of gross revenue).

A condition of the debt restructure required the Company to successfully complete an equity raise by 3 January 2022 of at least A\$47.1m (net of costs) to fund the expansion of production to 120ktpa and for working capital purposes.

Immediately after the announcement of the debt restructure, Kalium Lakes announced the launch of a capital raising to meet this requirement, and on 14 October 2021 it announced that it had successfully completed a bookbuild to raise A\$50 million through a two-tranche placement of new fully paid ordinary shares at a price of A\$0.18 per share. The second tranche of the placement required approval by the shareholders at the Company's Annual General Meeting and this approval was received at the meeting on 30 November 2021.

On 22 October 2021, a Share Purchase Plan (SPP) was launched allowing all eligible shareholders to apply for up to A\$30,000 worth of fully paid ordinary shares in the Company at an issue price of A\$0.18 per share to raise up to A\$10 million.

The SPP was well supported and closed on 11 November 2021, with the Company receiving valid applications for a total of 42,148,389 Shares from Eligible Shareholders, totalling approximately A\$7,586,769 (before costs). All new Shares were issued on 18 November 2021 and the holding statements for these new Shares were despatched to shareholders on 19 November 2021.

### Annual General Meeting

The Company held its Annual General Meeting in Perth on Tuesday 30 November 2021, with a software platform for remote shareholders eligible to attend allowing them to participate and vote. All resolutions, as set out in the Notice of Meeting and voted on at the meeting, were passed by shareholders.

### Senior Management

Mr Len Jubber was appointed as Chief Executive Officer (CEO) from 8 December 2021

Mr Jubber is a mining engineer with broad operational and corporate leadership experience and a track record of successfully developing and operating mining assets and businesses. He was previously Managing Director and CEO of ASX-listed uranium development company, Bannerman Energy Limited, for

eight years. Prior roles included Managing Director and CEO of Perilya Limited, which was an ASX-listed zinc and lead production company and Chief Operating Officer of ASX-listed gold producer, Oceana Gold Limited. He started his career with Rio Tinto at the Rössing Uranium Mine in Namibia. Mr Jubber is also a non-executive director of Muriate of Potash (MOP) development business, South Harz Potash Limited.

The appointment of Mr Jubber followed the decision of one of the Company's founders and then CEO, Mr Rudolph van Niekerk, to move into the role of Project Director.

## **Cash Holdings**

The Company had A\$50.1 million of unrestricted cash on hand and A\$2.6 million of restricted cash on hand as at 31 December 2021.

The Company has

- A\$5.9 million remaining in undrawn term financing facilities (from a total term financing facility limit equivalent of A\$175.7 million), and
- Short term liquidity facility limit equivalent of A\$20 million (all undrawn as at 31 December 2021).

## **State Government Royalty**

The Company previously reported (ASX release dated 27 July 2021) that it was aware that the WA Government was reviewing the mineral royalty that will be applicable to SOP producers.

The WA Government subsequently advised producers that it intends to impose a 5% royalty on all SOP producers. This is contrary to previous written advice the Company had received from the Department of Mines, Industry Regulation and Safety (DMIRS) that a significantly lower rate of royalty would apply.

The Company expects to continue dialogue with the WA Government and other SOP industry participants in relation to this matter.

## **Payments to Related Parties**

During the quarter the Company paid Salaries and Wages of A\$0.07 million to its Directors. Also, A\$2.17 million was paid to a company related to a Director, Mr Brent Smoothy, for construction and salt harvesting and haulage services under contracts previously awarded following arm's length tender processes.

## **Securities on Issue**

The Company had 1,169,493,227 ordinary shares on issue as at 31 December 2021.

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

- 1,182,639 options exercisable at A\$0.55 each, expiring 16 June 2022
- 1,750,000 options exercisable at A\$0.625 each, expiring 16 June 2022
- 29,896,480 nil exercise price options expiring 16 June 2023
- 5,000,000 options exercisable at A\$0.3583 each, expiring on 30 June 2025
- 125,000 performance rights, expiring 25 October 2025

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

## Tenement Interests

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



### **Dora / Blanche (100% Owned): Tenement Interests**

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

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

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

### **Carnegie Potash Project (Joint Venture): Tenement Interests**

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

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

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

Mineral Resources and Ore Reserves

Beyondie Sulphate of Potash Project: JORC Measured Mineral Resources as at 31 December 2021 (inclusive of the ore reserves)

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

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

Beyondie Sulphate of Potash Project: JORC Indicated Mineral Resources as at 31 December 2021 (inclusive of the ore reserves)

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

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

Beyondie Sulphate of Potash Project: JORC Inferred Mineral Resources as at 31 December 2021

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

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

Beyondie Sulphate of Potash Project: Exploration Target as at 31 December 2021 \*

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

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

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

Beyondie Sulphate of Potash Project: Proved Ore Reserves as at 31 December 2021

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

Note: errors are due to rounding

Beyondie Sulphate of Potash Project: Probable Ore Reserves as at 31 December 2021

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

Note: errors are due to rounding

Beyondie Sulphate of Potash Project: Total Ore Reserves as at 31 December 2021

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

Note: errors are due to rounding

## Compliance Statement and Competent Persons Statements

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

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

## Forward looking statements

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

- disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumption;
- do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and
- disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

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

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

## Kalium Lakes Limited



ABN: 98 613 656 643  
ASX: KLL



### Board of Directors:

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



### Contact Details:

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### Chief Executive Officer

Len Jubber

### Chief Financial Officer:

Jason Shaw

### Company Secretaries:

Gareth Widger  
Jason Shaw

### Share Registry

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



## Appendix 5B

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

Name of entity

Kalium Lakes Limited

ABN

98 613 656 643

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(8,613)	(21,066)
	(c) production (including capitalised opex)	(4,599)	(6,368)
	(d) staff costs	(2,844)	(5,481)
	(e) administration and corporate costs	(1,052)	(1,687)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	7	14
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(17,101)</b>	<b>(34,588)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(419)	(516)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(419)</b>	<b>(516)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	59,460	59,460
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,682)	(2,682)
3.5	Proceeds from borrowings	238	1,271
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(4,518)	(4,518)
3.8	Dividends paid	-	-
3.9	Other	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>52,498</b>	<b>53,531</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	17,783	34,206
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17,101)	(34,588)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(419)	(516)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	52,498	53,531

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(87)	41
4.6	<b>Cash and cash equivalents at end of period</b>	<b>52,674</b>	<b>52,674</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	50,091	15,200
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	2,583	2,583
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>52,674</b>	<b>17,783</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	2,371
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Directors fees, salaries & wages - A\$0.07 million

Construction, harvesting and haulage of harvested and waste salt services - A\$2.169 million (incl. GST). Payments were made to Smoothy Cattle Co Pty (A\$0.072 million) and K19 Mining Pty Ltd (A\$2.097 million). Smoothy Cattle Co Pty and K19 Mining Pty Ltd are related to Mr Brent Smoothy who is a Director of the Company.

Reimbursements of professional fees:

A payment of A\$0.128 million was made to Greenstone Resources II (Australia) Holdings LP, which is related to Mr Mark Sawyer who is a Director of the Company, for the reimbursement of legal and professional fees incurred in relation to the advisory work connected to the debt restructure, capital raising and the founder royalty arrangements in October 2021.

A payment of A\$0.005 million was made to the legal advisers of Kalium Corporate Pty Ltd as Trustee for the Kalium Founders Unit Trust which is related to Mr Brent Smoothy who is a Director of the Company, in relation to legal fees incurred in relation to the work connected to the debt restructure and the founder royalty arrangements which took place in October 2021.

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

<b>7. Financing facilities</b> <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A’000</b>	<b>Amount drawn at quarter end \$A’000</b>
7.1 Loan facilities	195,685 <sup>1</sup>	170,366
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	195,685	170,366
7.5 <b>Unused financing facilities available at quarter end</b>		25,876
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

<sup>1</sup> Debt Facilities available (all secured):

Lender	Borrower	Facility Limit	Facility Limit AUD	Drawn (Principal & Capitalised Interest) AUD	Unused Facility AUD	Maturity Date <sup>5</sup>
KfW/Euler Hermes	Kalium Lakes Potash (KLP) (Facility A) <sup>2</sup>	EUR €32,487,268	AUD \$50,676,240	AUD \$48,134,127	AUD \$3,099,128	31 March 2033
KfW	Kalium Lakes Potash (Facility B) <sup>3</sup>	USD \$37,000,000	AUD \$51,009,162	AUD \$49,631,297	AUD \$1,377,865	31 March 2033
NAIF	Kalium Lakes Potash (Facility C)	AUD \$26,000,000	AUD \$26,000,000	AUD \$25,276,681	AUD \$723,319	31 March 2033
NAIF	Kalium Lakes Infrastructure (KLI)	AUD \$48,000,000	AUD \$48,000,000	AUD \$47,324,525	AUD \$675,475	31 March 2036
KfW	Kalium Lakes Potash (Liquidity Facility A) <sup>4</sup>	USD \$8,000,000	AUD\$10,000,000	-	AUD \$10,000,000	12 April 2022
NAIF	Kalium Lakes Potash (Liquidity Facility B) <sup>4</sup>	AUD \$10,000,000	AUD \$10,000,000	-	AUD \$10,000,000	12 April 2022
			<b>AUD \$195,685,402</b>	<b>AUD \$170,366,630</b>	<b>AUD \$25,875,787</b>	

<sup>2</sup> Facility A has an EUR denominated facility limit. The facility limit and unused facility has been converted to AUD at the 31 December 2021 AUD:EUR spot rate of 0.64. When a loan is drawn down it is immediately converted into USD at the EUR:USD spot rate in existence at the time of the drawdown, with interest accruing in USD. The USD loan balance is the aggregate amount of all drawdowns converted from EUR to USD at the respective EUR:USD spot rates at the date of drawing. The AUD unused facility amount is different to the result of subtracting the AUD drawn loan balance from the AUD facility limit due to prior repayments of this facility made in the prior financial year (connected to the close-out of currency hedges that were in place in respect of EUR denominated drawdowns made under this facility) and foreign exchange rate fluctuations between EUR, USD and AUD over the life of the facility.

<sup>3</sup> Facility B is a USD denominated loan facility. The USD facility limit, loan balance and unused facility has been converted to AUD at the 31 December 2021 AUD:USD spot rate of 0.73.

<sup>4</sup> As part of the debt restructure with the senior lenders which was completed on 12 October 2021, the senior lenders have provided a 6 month liquidity facility which is a general purpose facility that is available to be used for short-term working capital purposes. The liquidity facility is divided into Liquidity Facility A provided by KfW for USD \$8 million, and Liquidity Facility B provided by NAIF for AUS \$10 million. The KfW Liquidity Facility A, whilst a USD denominated facility, is subject to being drawn for the same AUD equivalent as the NAIF Liquidity Facility B and as such its AUD equivalent facility limit is stated above at AUD \$10 million.

<sup>5</sup> Following the debt restructure with the senior lenders which was completed on 12 October 2021, the principal repayments for all term facilities have been deferred for two years and commence on 31 March 2024. The maturity dates for the KLP Facilities A, B and C were extended to 31 March 2033 and the maturity date for the KLI facility is 31 March 2036. In relation to the new KLP Liquidity Facility A and KLP Liquidity Facility B, the maturity date is 12 April 2022, which may be extended for another 6 months to 12 October 2022 at the discretion of the senior lenders following a request by KLP.

The current weighted average interest rate on drawn amounts across all facilities is 3.04% per annum.



<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(17,100)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(17,100)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	52,674
8.5 Unused finance facilities available at quarter end (Item 7.5)	25,876
8.6 Total available funding (Item 8.4 + Item 8.5)	78,550
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	4.59

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

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

Answer: N/A

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

Answer: N/A

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

Answer: N/A

## Compliance statement

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

31 January 2022

Date: .....

The Board

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

## Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash*

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

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*Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.