

June 2021 Quarterly Report

Salt Lake Potash Limited (SO4 or the Company) is pleased to present its Quarterly Report for the period ending 30 June 2021. The Company is focussed on delivering the Lake Way Sulphate of Potash Project in Wiluna, Western Australia.

Process Plant handover & commissioning

Construction of the Lake Way process plant was finalised with GR Engineering Services handing over the plant to SO4 operations. Each of the 34 Process Units in the plant were individually commissioned with the SO4 operations team working towards achieving 'Stage 4' commissioning – bringing the plant into continuous operation and producing SOP. Recent activities have primarily focused on calibration of the flotation circuit to achieve expected recoveries. The company continues to work with the flotation circuit vendor and Design Engineer to bring performance up to modelled targets and expects the issue to be resolved this quarter.

Part IV EPA approval

Part IV Environmental Approval was received for the Lake Way project covering full-scale operations, including the expanded pond footprint and required brine abstraction infrastructure to enable production of 245kt per annum of SOP.

Salt harvesting

Salt harvesting activities continued with additional harvesting taking place in Train 1 and removal of the in-cell stockpiles, which were transported to the plant. Approximately 74kt of plant feed salts have now been harvested and are ready as feedstock for the plant.

Equity raise to enable final debt drawdown

A\$28m in new equity was raised at A\$0.35/share to enable the final US\$33m tranche of the Senior Debt Facility to be drawn. The capital raise also enabled the implementation of an A\$18m guarantee facility provided by Sequoia Economic Infrastructure Income Fund (SEQI), in support of the gas pipeline constructed by APA Operations Pty Ltd.

Post-period events

Following the period-end the Company announced it will be implementing a revised ramp-up strategy that involves suspending the initial plant feed programme, following the processing of the first 90-110kt of harvest salts. As a result forecasted SOP production in FY'22 has been reduced and the Company has determined that it will require further funding before the end of 2021 to continue operations at Lake Way. Discussions to resolve the funding shortfall have commenced and once complete and agreed will be announced to the market.

CEO Statement

"The Lake Way Project took major strides forward during the June quarter with the hand-over of the Process Plant and the granting of EPA Part IV approval. The entire SO4 team has been working tirelessly through the harvest salt pond management system and plant commissioning challenges over the last few weeks. We are disappointed these challenges have pushed out our expected ramp up profile however the project fundamentals remain attractive. I am grateful for the support and patience of our shareholders and our lenders as we work towards delivering first SOP and positive cash flow."

Enquiries

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Process Plant handover and commissioning

Construction and practical completion of the Lake Way process plant has been finalised with GR Engineering Services handing over the plant to SO4 in late June. Each of the 34 process units in the plant have been individually commissioned and the SO4 operations team is now working through the 'Stage 4' load commissioning process.

Figure 1:
Process Plant and
feed salts



The SO4 operations team have been systematically working through the plant to ensure each unit is functioning within design parameters and the plant chemistry is established.

COVID-19 related border restrictions have impacted the travel arrangements of key commissioning personnel as well as affecting the timely transport of some commissioning supply items, impacting the commissioning schedule.

The commissioning process has involved calibrating and fine tuning several mechanical components in the plant including crushers, screens, cyclones, thickeners, centrifuges, control valves, agitators and pumps as well as the electronic control systems. More recently work has focussed on the calibration of the flotation circuit to achieve the designed waste mass pull. 'Batch trials' each using 500-800t of low-grade feed salt have been run, with mass-pull performance achieving variable results. The company continues to work with the flotation circuit vendor and design engineer to bring performance up to modelled targets and expects the issue to be resolved this quarter.

Figure 2:
Process Plant
flotation cell



Figure 3: Process
Plant flotation cell
during
commissioning



Non-process infrastructure

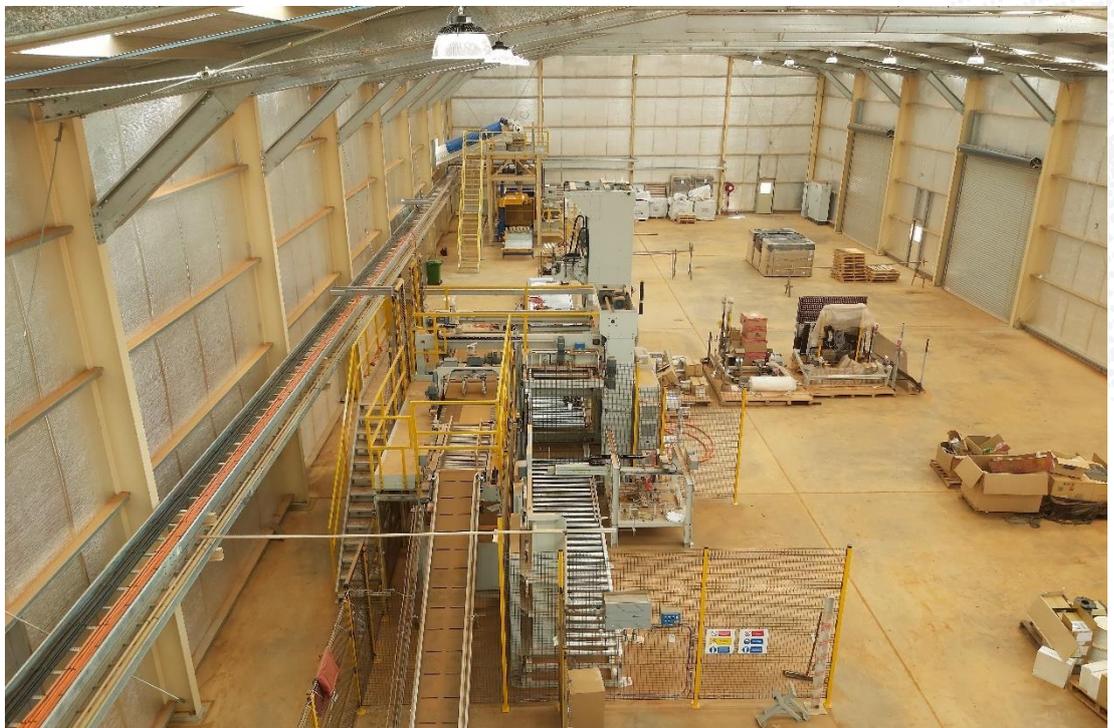
Installation of bagging plant and equipment were progressed with the Flexicon bulk bagging plant completed and installed.

Figure 4: Bulk bagging plant



The form fill seal bagging plant installation has progressed significantly and is expected to be completed during the September quarter. The plant will bag the product into 25kg bags for export via Fremantle.

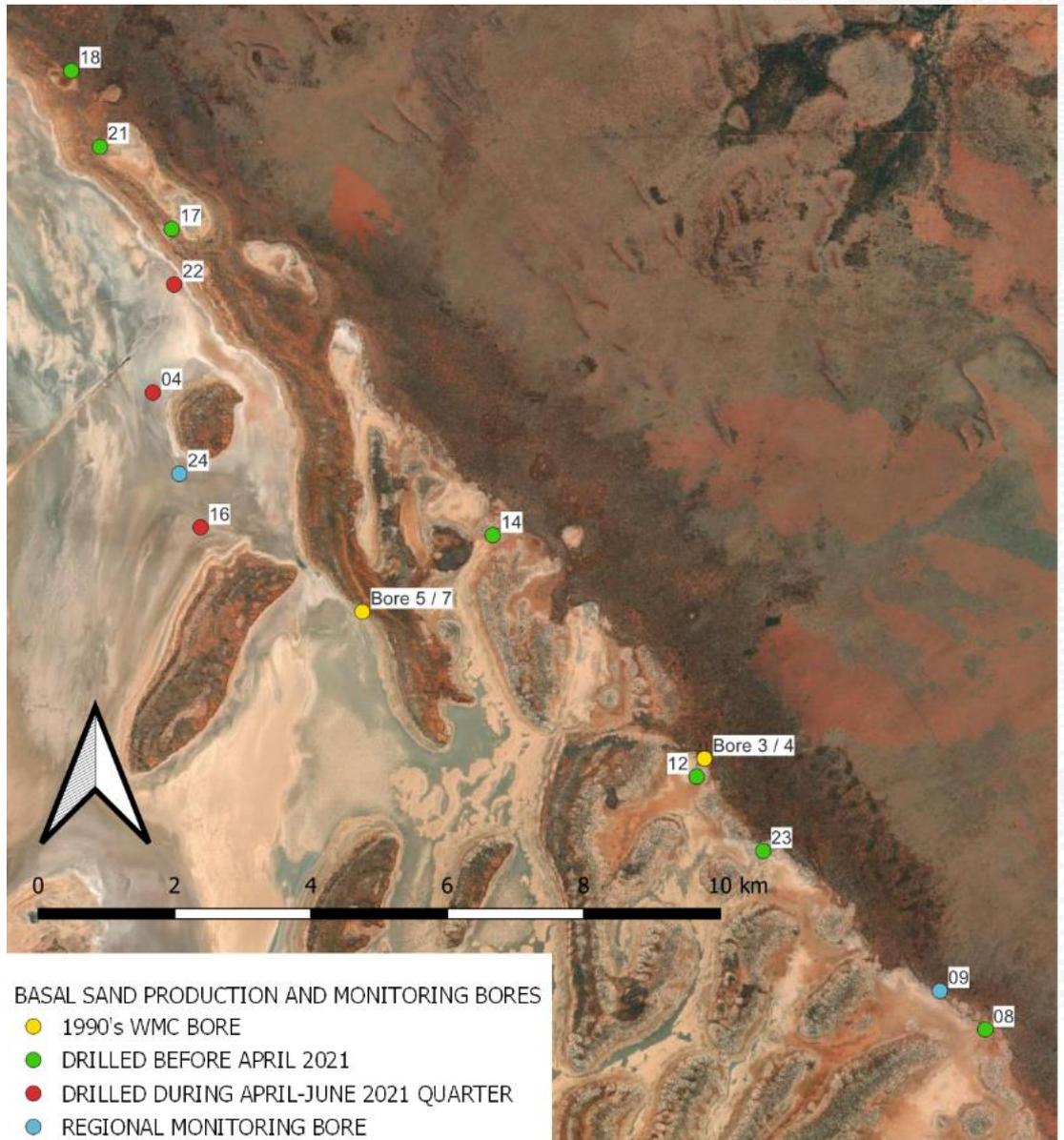
Figure 5: Bagging plant



On-Lake operations

The paleochannel drilling campaign continued throughout the quarter, with new production bores drilled on pads 4, 16 and 22.

Figure 6:
Paleochannel bore locations



Total trench length excavated remained at 65.5km, with design for the upcoming Stage 3 extension programme finalised during the period.

Figure 7: Northern trench network



Salt harvesting recommenced in Train 1 with the in-cell stockpiles that were harvested during the March quarter also transported to the plant. Around 90-110kt of harvest salt harvested ready as feedstock for the plant.

Figure 8: Train 1 cell de-brining ahead of harvest



Equity raise to enable final debt drawdown

In May, the Company completed a A\$28 million equity capital raising by way of a placement of 79,947,858 Ordinary Shares at A\$0.35 per new share (Placement).

The proceeds from the Placement will be used for general operating expenses during the ramp up of the Lake Way Project. The Placement was a key condition to enable the Company to undertake the final US\$33 million drawdown under the SFA, as well as providing for the implementation of an A\$18 million guarantee facility to be provided by SEQI in support of the gas pipeline constructed by APA Operations Pty Ltd (APA). The guarantee facility provided by SEQI will release A\$18m in equity that will be used for general operating expenses during the ramp up of the project.

Within the Placement SO4 Directors subscribed for 2.8 million Placement Shares, including 2.5 million shares by Chairman Ian Middlemas and 250,000 by Managing Director and CEO Tony Swierczuk, approved in a July shareholder meeting.

The issue price of A\$0.35 per share represented a 12.5% discount to the last traded share price on ASX of A\$0.40 and 14% to the 5-day volume weighted average share price on ASX prior to the Company entering into the Trading Halt on 21 May 2021.

Grant of Part IV EPA permit

The Company's Part IV Environmental submission was approved by the Government in April, having been recommended by the EPA with no appeals in January.

The permit enables SO4 to finalise construction of the remaining evaporation ponds as well as the trench and bore construction that will support full scale operations at Lake Way of 245kt per annum of SOP.

Revised ramp-up strategy

Following the period-end the Company announced it will be implementing a revised ramp-up strategy that involves suspending the initial plant feed programme, following the processing of the first 90-110kt of harvest salts.

Under the revised ramp-up strategy the Company plans to process 90-110kt of plant feed salts to produce SOP for initial customer sales. Plant feed will then be suspended for a period of 10-14 weeks before harvesting activities and SOP production recommence. As a result, FY'22 forecast SOP production has reduced from 165-185kt to 85-105kt.

The revised mine plan is a result of three factors.

- **A change in operating methodology for the ramp up period of the pond system has been implemented to manage salt grade variability in the harvest cells, reducing SOP production by c.63kt in FY'22:** Ramp up of the ponds has followed the original modelling and expert advice, applying a continuous flow model that has resulted in brine with concentrations of less than 3.4%Mg (the concentration at which potassium salts begin to precipitate), being pumped into the harvest cells. As a result, salt formation in several harvest cells has exhibited higher grade variability than modelled, resulting in a lower average potassium and higher halite content. To rectify this issue the Company has adopted a revised operating methodology for the continued ramp up of the pond

system that suspends brine transfer into all harvest cells until the chemistry reaches the required level, to minimise salt grade variability.

- **Reduction in the estimation of available plant feed salt inventory, reducing SOP production by c.12kt of SOP in FY'22:** The reduction in estimated plant feed salt inventory is based on the change between the *Mine Plan Inventory Model* used for the previous mine plan, and newly acquired data from bulk sampling taken during and after harvesting activities in June. Prior to the opportunity to undertake bulk sampling arising from cell harvesting, only multiple single point data collection had been taken from across the cells.
- **The deferment and sterilisation of lower grade inventories determined as unsuitable for plant feed during ramp up, reducing SOP production by c.7kt of SOP in FY'22.** As part of the plant modelling that was undertaken from bulk sampling results in June, the lower potassium grade threshold has been increased for the plant ramp-up period. As a result some material was sterilised (not to be used) and other deferred with the intention of being fed through the plant at a later date, once in steady state.

APPENDIX B – DISCLOSURES IN ACCORDANCE WITH ASX LISTING RULE 5.3

Summary of Mining Tenements

Project	Status	Type of Change	License Number	Interest (%)	
				31-Mar-21	30-Jun-21
Western Australia					
Lake Way					
Central	Granted	-	E53/1878	100%	100%
East	Granted	-	E53/2057	100%	100%
South	Granted	-	E53/1897	100%	100%
South	Granted	-	E53/2059	100%	100%
South	Granted	-	E53/2060	100%	100%
West	Application	-	L53/208	100%	100%
Central	Granted	Application to	M53/1102	100%	100%
Central	Granted	Application to	M53/1103	100%	100%
Central	Granted	Application to	M53/1104	100%	100%
Central	Granted	Application to	M53/1105	100%	100%
Central	Granted	Application to	M53/1106	100%	100%
Central	Granted	Application to	M53/1107	100%	100%
East	Application	-	M53/1109	100%	100%
Central	Granted	-	E53/1862	100%	100%
West	Granted	-	E53/1863	100%	100%
North	Application	-	E53/1905	100%	100%
North	Withdrawn	Application to	E53/1952	100%	0%
West	Application	Withdrawn	E53/1966	100%	100%
North	Application	-	E53/2049	100%	100%
North	Surrendered	Granted to	P53/1637	100%	0%
North	Surrendered	Granted to	P53/1642	100%	0%
West	Granted	Granted to	P53/1643	100%	100%
West	Granted	-	P53/1644	100%	100%
West	Granted	-	P53/1645	100%	100%
West	Surrendered	Granted to	P53/1646	100%	0%
Central	Surrendered	Granted to	P53/1666	100%	0%
Central	Surrendered	Granted to	P53/1667	100%	0%
Central	Surrendered	Granted to	P53/1668	100%	0%
North	Granted	-	M53/121	100%	100%
West	Granted	-	M53/122	100%	100%
West	Granted	-	M53/123	100%	100%
West	Granted	-	M53/147	100%	100%
Central	Granted	-	M53/253	100%	100%
Central	Granted	-	M53/796	100%	100%
Central	Granted	-	M53/797	100%	100%
Central	Granted	-	M53/798	100%	100%
Central	Granted	-	M53/910	100%	100%
West	Application	Application	L29/147	0%	100%

Project	Status	Type of Change	License Number	Interest (%)	
				31-Mar-21	30-Jun-21
West	Granted	-	L53/51	100%	100%
West	Granted	-	L53/207	100%	100%
West	Granted	-	L53/211	100%	100%
North	Granted	-	L53/212	100%	100%
West	Granted	-	L53/214	100%	100%
West	Granted	-	L53/215	100%	100%
North	Granted	-	L53/216	100%	100%
West	Application	-	L53/217	100%	100%
West	Granted	-	L53/218	100%	100%
West	Application	-	L53/210	100%	100%
West	Application	-	L53/219	100%	100%
South	Granted	-	L53/225	100%	100%
West	Granted	-	L53/226	100%	100%
West	Application	-	L53/228	100%	100%
West	Granted	Application to	L53/229	100%	100%
West	Application	-	L53/238	100%	100%
West	Granted	-	G53/24	100%	100%
West	Granted	-	G53/25	100%	100%
Lake Wells					
Central	Granted	-	E38/2710	100%	100%
South	Granted	-	E38/2821	100%	100%
North	Granted	-	E38/2824	100%	100%
Outer East	Granted	-	E38/3055	100%	100%
Single Block	Granted	-	E38/3056	100%	100%
Outer West	Granted	-	E38/3057	100%	100%
North West	Granted	-	E38/3124	100%	100%
West	Granted	-	L38/262	100%	100%
East	Granted	-	L38/263	100%	100%
South West	Granted	-	L38/264	100%	100%
South	Granted	-	L38/287	100%	100%
South Western	Granted	-	E38/3247	100%	100%
South	Granted	-	M38/1278	100%	100%
Central	Application	-	E38/3380	100%	100%
North	Application	-	E38/3469	100%	100%
Central	Application	-	E38/3470	100%	100%
Lake Ballard					
West	Granted	-	E29/912	100%	100%
East	Granted	-	E29/913	100%	100%
North	Granted	-	E29/948	100%	100%
South	Granted	-	E29/958	100%	100%
South East	Granted	-	E29/1011	100%	100%
South East	Granted	-	E29/1020	100%	100%
South East	Granted	-	E29/1021	100%	100%
South East	Granted	-	E29/1022	100%	100%
South	Granted	-	E29/1067	100%	100%
South	Granted	-	E29/1068	100%	100%
East	Granted	-	E29/1069	100%	100%
North	Granted	-	E29/1070	100%	100%
Lake Irwin					
West	Granted	-	E37/1233	100%	100%

Project	Status	Type of Change	License Number	Interest (%)	
				31-Mar-21	30-Jun-21
Central	Granted	-	E39/1892	100%	100%
East	Granted	-	E38/3087	100%	100%
North		-	E37/1261	100%	100%
Central East	Granted	-	E38/3113	100%	100%
South	Granted	-	E39/1955	100%	100%
North West	Granted	-	E37/1260	100%	100%
South West	Granted	-	E39/1956	100%	100%
Lake Minigwal					
West	Granted	-	E39/1893	100%	100%
East	Granted	-	E39/1894	100%	100%
Central	Granted	-	E39/1962	100%	100%
Central East	Granted	-	E39/1963	100%	100%
South	Granted	-	E39/1964	100%	100%
South West	Granted	-	E39/1965	100%	100%
Lake Marmion					
North	Granted	-	E29/1000	100%	100%
Central	Granted	-	E29/1001	100%	100%
South	Granted	-	E29/1002	100%	100%
West	Granted	-	E29/1005	100%	100%
West	Application	-	E29/1069	100%	100%
Lake Noondie					
North	Granted	-	E57/1062	100%	100%
Central	Granted	-	E57/1063	100%	100%
South	Granted	-	E57/1064	100%	100%
West	Granted	-	E57/1065	100%	100%
East	Granted	-	E36/932	100%	100%
Central	Granted	-	E36/984	100%	100%
Central	Application	-	E36/985	100%	100%
Lake Barlee					
North	Granted	-	E30/495	100%	100%
Central	Granted	-	E30/496	100%	100%
South	Granted	-	E77/2441	100%	100%
Lake Raeside					
North	Granted	-	E37/1305	100%	100%
Lake Austin					
North	Application	-	E21/205	100%	100%
West	Application	-	E21/206	100%	100%
East	Granted	-	E58/529	100%	100%
South	Granted	-	E58/530	100%	100%
South West	Granted	-	E58/531	100%	100%

Related Party Payments

During the quarter ended 30 June 2021, the Company made payments of \$223,000 to related parties and their associates. These payments relate to existing remuneration arrangements (executive salaries, director fees and superannuation).

APPENDIX 5B

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

Name of entity

Salt Lake Potash Limited

ABN

98 117 085 748

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(105)	(1,825)
(b) development	-	-
(c) production	-	-
(d) staff costs	(545)	(2,149)
(e) administration and corporate costs	(467)	(3,099)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	96
1.5 Interest and other costs of finance paid	(109)	(120)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	3,639
1.8 Other (provide details if material)		
- Business Development	(1,537)	(5,588)
- Other	-	-
1.9 Net cash from / (used in) operating activities	(2,751)	(9,046)

2. Cash flows from investing activities		
Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	(715)
(c) property, plant and equipment	(295)	(2,267)
(d) exploration & evaluation	-	-
(e) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets – Mine Properties in development	(51,725)	(203,048)
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 – (Bank Guarantee)	-	(18,000)
2.6	Net cash from / (used in) investing activities	(52,020)	(224,030)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	27,000	200,547
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	(1,730)	(9,728)
3.5	Proceeds from borrowings	61,279	199,535
3.6	Repayment of borrowings and leases	(849)	(61,116)
3.7	Transaction costs related to loans and borrowings	(3,864)	(19,568)
3.8	Dividends paid	-	-
3.9	Other (Cash allocation of Debt Service Reserve and Debt Prepayment Reserve)	(14,533)	(25,069)
3.10	Net cash from / (used in) financing activities	67,303	284,601

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	46,066	7,030
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,751)	(9,046)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(52,020)	(224,030)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	67,303	284,601
4.5	Effect of movement in exchange rates on cash held	202	245
4.6	Cash and cash equivalents at end of period	58,800	58,800

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	58,750	46,016
5.2	Call deposits	50	50
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	58,800	46,066

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(223)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	176,909	176,909
7.2	-	-
7.3	-	-
7.4	Total financing facilities	176,909
7.5	Unused financing facilities available at quarter end	
		-
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.	
	<p>In August 2020, the Company and its subsidiaries and Taurus Mining Finance Fund No. 2, L.P. and the Clean Energy Finance Corporation entered into the Syndicated Facility Agreement for a US\$138 million debt financing package (SFA). After achieving financial close in December 2020, the Company announced its first draw down under the SFA totalling US\$105 million enabling repayment of the US\$45 million Stage 1 Bridge facility originally entered into in 2019.</p> <p>The SFA is secured and interest payable at 9.00% pa and as of June 2021 the entire \$138 million has been drawn down.</p> <p>As the loan is denominated in USD, the facility amount drawn down has been converted at an FX rate of \$0.7518 USD/AUD, being the FX cross rate at 30 June 2021.</p> <p>In June 2021, the company also executed an A\$18m Guarantee Facility with Sequoia Economic Infrastructure Fund (SEQI) at an interest rate of 12.00% pa.</p>	

8. Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (item 1.9)	
	(2,751)	
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	
	-	
8.3	Total relevant outgoings (item 8.1 + item 8.2)	
	(2,751)	
8.4	Cash and cash equivalents at quarter end (item 4.6)	
	58,800	
8.5	Unused finance facilities available at quarter end (item 7.5)	
	-	
8.6	Total available funding (item 8.4 + item 8.5)	
	76,800	
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	
	n/a refer note below	
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

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

8.8.1 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: The construction and practical completion of the Lake Way process plant was finalised in late June 2021 and the SO4 operations team is now working through the 'Stage 4' load commissioning process of the process plant. As operations are moving from construction into a commissioning / production phase historical cash flows are not indicative of future expenditure hence the formula in 8.7 is not reflective the Company's future funding availability. Refer to the June 2021 quarterly report for further information on the Group's future funding requirements.

8.8.2 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: Not applicable.

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

Answer: Not applicable.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 30 July 2021

Authorised by: By the Board

(Name of body or officer authorising release – see note 4)

Notes

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