

ASX Release

Monday 23 July 2018

German Government Progresses Beyondie Project Credit Guarantee Scheme

- **Positive preliminary assessment decision by the German Government Inter-Ministerial Committee**
- **Represents an important milestone in the process to approve Kalium Lakes' ECA application**
- **Approximately A\$42 million of the Beyondie Sulphate Of Potash Project capital expenditure is expected to qualify under the German ECA cover**

Kalium Lakes Limited (KLL or the Company) is pleased to announce that its export credit project finance application with Euler Hermes Aktiengesellschaft (Hermes), the appointed export credit agency that administers the German Export Credit Agency (ECA) scheme for the German Government, has received a positive preliminary assessment decision by the German Government Inter-Ministerial Committee (IMC) and Hermes.

The Inter-Ministerial Committee comprises representatives of the German Federal Ministry of Economics and Technology, the Federal Ministry of Finance, the German Foreign Office and the Federal Ministry for Economic Cooperation and Development. It is the decision making body of the Federal Republic of Germany for Hermes ECA cover.

The IMC's decision follows the recent issue of a Letter of Interest (LOI) from Hermes confirming in principle support of the Beyondie Sulphate Of Potash Project (BSOPP) under the export credit guarantee scheme of the Federal Republic of Germany (refer to the ASX announcement dated 16 July 2018).

As detailed in the ASX announcement dated 16 July 2018, the ECA cover provides a cover to bank lenders to insure against the risk of an export loan. The Company estimates that approximately A\$42 million of the A\$124 million project capital expenditure necessary to develop a 75ktpa operation at the BSOPP is expected to qualify under the Hermes ECA cover. The Company is proposing to fund the project capital expenditure by a combination of approximately 60% debt and 40% equity.

The IMC decision represents an important milestone in the German Government's approval process and the Company will continue to assist Hermes with its required due diligence investigations, leveraging the independent due diligence work currently underway by a number of leading consultants for local and international project finance banks.

Shareholders should note that the IMC decision does not of itself constitute a commitment to provide the Hermes ECA cover and there is no certainty that an agreement will be reached between the parties.

Managing Director, Brett Hazelden, commented: *"Receiving this positive preliminary assessment from the Inter-Ministerial Committee and Hermes, in such a short period of time, will help facilitate the Company's progress to secure project financing for the BSOPP and our objective to become the first SOP producer in Australia."*

Compliance Statement

The information in this document that relates to Exploration Targets, Exploration Results, Mineral Resources, Ore Reserves and Production Targets have been extracted from the report(s) listed below.

- 3 October 2017: Pre-Feasibility Study with Maiden Ore Reserve Confirms Low Cost, Long Life and High Margin Beyondie SOP Project. (Including the attachment, JORC (2012) and NI 43-101 Technical Report, compiled by German Potash Experts and Competent Persons, K-UTEC AG Salt Technologies (K-UTEC)).
- 3 May 2018: BFS Exploration Drill Program Complete.

The report(s) are available to be viewed on the website at: www.kaliumlakes.com.au

Kalium Lakes confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Ore Reserve Estimates, Exploration Targets or Production Targets, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Cautionary Statement Regarding Forward-Looking Information

Statements regarding plans with respect to the Company's mineral properties may contain forward looking statements. Statements in relation to future matters can only be made where the Company has a reasonable basis for making those statements. This announcement has been prepared in compliance with the current JORC Code 2012 Edition and the current ASX Listing Rules. The Company believes it has a reasonable basis for making the forward-looking statements on 3 October 2017, including any production targets, based on the information contained in the announcement and in particular the JORC 2012 and NI 43-101 Technical Report.

All statements, trend analysis and other information contained in this document relative to markets for Kalium Lakes, trends in resources, recoveries, production and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Kalium Lakes does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.

Corporate Profile

Kalium Lakes Limited is an exploration and development company, focused on developing the Beyondie Sulphate Of Potash Project in Western Australia with the aim of producing Sulphate of Potash (SOP) for the domestic and international markets. The Beyondie SOP Project comprises 15 granted exploration licences and a miscellaneous licence covering an area of approximately 2,400 square kilometres. This sub-surface brine deposit will supply an evaporation and processing operation located 160 kilometres south east of Newman. The results of the Pre-Feasibility Study (PFS), announced on 3 October 2017, confirmed that the Project, is technically and financially robust. The key outcomes of the PFS are:

- Indicated Resource of 4.37 Mt @ 14,000 mg/l SOP at a cut-off grade of 3,500mg/l K and an Inferred Resource of 13.74 Mt @ 12,788 mg/l SOP at a cut-off grade of 3,500mg/l K.
- Maiden Probable Reserve of 2.66 Mt @ 14,210 mg/l SOP at a cut-off grade of 3,500mg/l K based solely within the Stage 1 Approval Footprint, which represents ~21% of total lake surface area within the tenement package.
- Development base case of 150 ktpa SOP, with the option to incrementally phase the project, through a ramp up from 75 ktpa to 150 ktpa SOP, to minimise operational and financial risks.
- Development base case pre-tax NPV10 of A\$388M, IRR of 28.7%, average EBITDA of A\$83 Mpa, EBITDA margin of 62%, a payback period of 3.7 years and Life of Mine (LOM) free cash flows of more than +A\$1B, based on an initial 21 year LOM and a USA\$500/t SOP sales price @ A\$/A\$US exchange rate of 0.75.
- Estimated LOM Operating Cash Cost of A\$244-253/t SOP FOB Geraldton or Fremantle Port. This places the BSOPP in the lowest quartile cost of global SOP production.
- Pre-production Capital Cost of A\$220 million including a 78 kilometre gas pipeline for the base case or A\$124 million for the phased ramp-up scenario.
- Potential additional revenue associated with recovery of magnesium by-products which have not been included in the current financial outcomes.

Kalium Lakes Limited

ABN: 98 613 656 643

ASX: KLL

Ordinary Shares on Issue: 169,793,465

Board of Directors:

| | |
|---------------------|------------------------|
| Mal Randall | Non-Executive Chairman |
| Brett Hazelden | Managing Director |
| Rudolph van Niekerk | Executive Director |
| Brendan O'Hara | Non-Executive Director |

Chief Financial Officer: Christopher Achurch

Company Secretary: Gareth Widger

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