

Wednesday 3 April 2019

# Greenstone Resources makes A\$20.8 million Cornerstone Equity Investment

## Highlights

- Greenstone agrees to a A\$20.8 million equity investment in Kalium Lakes
- The investment, once completed, will result in Greenstone holding 19.99% of Kalium Lakes
- Investment to facilitate the expansion of the current early works program and include purchase of long lead items, pond construction and key infrastructure
- From completion, Greenstone will contribute via a strategic relationship
- Highly experienced Stephen Dennis to join the Kalium Board as a Non-Executive Director
- Project finance pathway is now clearly defined

Kalium Lakes Limited (**Kalium Lakes** or the **Company**) (ASX:KLL) is pleased to announce that it has secured a conditional cornerstone equity investment of A\$20.8 million from Greenstone which is part of the Greenstone Resources II LP group (**Greenstone**) with respect to Kalium Lakes' Beyondie Sulphate of Potash Project (**Beyondie Project**), in the East Pilbara region of Western Australia.

The proposed equity investment will be undertaken via a two tranche placement of 47,305,588 fully paid ordinary shares at a price of A\$0.44 per share (subject to satisfaction or waiver of conditions precedent, as summarised below), representing an equity investment by Greenstone (or its nominee) of approximately A\$20.8 million or 19.99% of the shares on issue in Kalium Lakes, based on the current capital structure (**Placement**). The Company and Greenstone have also entered into certain other strategic support arrangements to assist in the development of the Company's projects, which together with the Placement, have been agreed pursuant to a subscription and co-operation agreement (**Subscription and Co-Op Agreement**), key terms of which are summarised below.

Greenstone has nominated Mr Stephen Dennis as a director in accordance with its rights under the Subscription Deed.

The Placement comes off the back of the recently announced binding off take agreement with K+S, the completed Front End Engineering and Design (FEED) (which disclosed a pre-production CAPEX of A\$216 million) plus the securing of project debt funding, consisting of up to A\$74 million from NAIF and A\$102 million from KFW/Euler Hermes.

The use of funds is proposed to include purchase of long lead items, pond construction, bores, trenches, pumping equipment, accommodation village installation, RFDS airstrip, administration and work-shops.

Kalium Lakes Managing Director, Brett Hazelden, commented: "Securing a cornerstone investment partner of the calibre of Greenstone will allow Kalium Lakes to continue its momentum to achieve Australia's first commercial SOP production next year.

"With this key equity placement and terms recently agreed for debt funding of up to A\$74 million from NAIF and A\$102 million from KFW, our project financing pathway is now clearly identified.

"We are also pleased to welcome Stephen Dennis to the Board upon completion of the Placement. He is a highly experienced Director who is currently the Chairman on five ASX listed Boards," Mr Hazelden said.

Greenstone Resources Senior Partner and co-founder, Mark Sawyer stated: "We assess hundreds of potential investment opportunities around the world each year. What stands Kalium apart from most is the quality of work which has been undertaken to de-risk the project and bring it to this point.

"In addition, the management team, led by Brett is world class. Our team has worked through an in depth independent due diligence process over several months and we believe Kalium is an exciting investment opportunity and soon to be Australia's first independent potash producer," Mr Sawyer said.

## Conditions precedent to completion of the Placement

Completion of the Placement and triggering of the Board nominee right, Project Steering Committee and Anti-Dilution Right (referred to below) are conditional on certain conditions precedent (amongst other customary conditions) including:

1. **(ASX Waiver)** the Company obtaining a standard waiver from ASX from ASX Listing Rule 6.18 (to permit the Anti-Dilution Right referred to below);
2. **(No Material Adverse Change)** no material adverse change occurs in relation to the Company.

The Placement will utilise Kalium Lakes' existing issue capacity under ASX Listing Rule 7.1 (15%) and 7.1A (10% as approved at the 2018 AGM as detailed in the Company's notice of AGM released to the ASX on 19 October 2018) as follows:

1. Tranche 1 - being the issue of 18,904,487 shares under the Company's Listing Rule 7.1A capacity will be issued within 5 business days following execution of the Subscription and Co-Op Agreement; and
2. Tranche 2 - being the issue of 28,401,101 shares under the Company's Listing Rule 7.1 capacity will be issued within 13 business days of execution of the Subscription and Co-Op Agreement.

The issue of shares under the Placement will not be subject to shareholder approval.

Conditional upon satisfaction or waiver of the required conditions precedent, Completion of the Placement is scheduled in two tranches with those shares being issued under the Company's existing capacity under ASX Listing Rule 7.1A being within 5 Business Days of the date of this announcement with the balance being approximately two weeks thereafter. The Company will keep the ASX market updated on the progress towards completion.

## Anti-Dilution Right

As part of the Subscription and Co-Op Agreement, Greenstone will, from completion of the Placement, be granted an "anti-dilution right", on the following terms, subject to ASX granting a waiver from Listing Rule 6.18 as per the conditions above (which the Company has applied for):

1. subject to Greenstone having a relevant interest of not less than 15% of the Company's shares and no more than 25%, Greenstone will have the right to participate in any future offers of equity securities by the Company to the extent necessary to maintain its percentage shareholding in the Company (**Anti-Dilution Right**);
2. the Anti-Dilution Right would not apply to (amongst other matters) an issue of equity securities by the Company pursuant to a pro-rata entitlement issue and a share purchase plan;
3. the Anti-Dilution Right would not apply to shares acquired by Greenstone from parties other than the Company (meaning Greenstone cannot, without the Company's prior consent, acquire shares on market and increase the percentage at which the Anti-Dilution Right will operate); and
4. the Anti-Dilution Right may only be exercised in cash and is non-transferable (other than to a wholly owned subsidiary of Greenstone).

Once ASX issues its decision in response to the Company's application for a waiver from Listing Rule 6.18, the Company will update the ASX market. If it is granted, the waiver is expected to be granted subject to conditions, which will also be disclosed to the market.

## Greenstone nominee rights to the Board and Project Steering Committee

The Company's relationship with Greenstone from completion of the Placement would encompass more than Greenstone merely becoming a major shareholder or a source of equity capital. The proposed Subscription and Co-Op Agreement is part of the establishment of a strategic relationship with the Company.

Greenstone would provide the Company with considerable experience, expertise and assistance in respect of its projects, as outlined below:

### 1. **Management Assistance**

In conjunction with completion of the Placement, Greenstone would be granted the right to appoint, for so long as Greenstone holds a relevant interest in at least 15% of the shares on issue in the Company, a representative to the Board of Directors of the Company and two representatives to a 'Project Steering Committee', to be established by the Company, to (amongst other matters) assess and review the overall progress of the Beyondie SOP Project and Carnegie Potash Project (together, the **Major Projects**) and provide recommendations in respect to certain matters to the Board and management of the Company.

Stephen Dennis has been nominated as Greenstone's proposed Board representative, to act as a non-executive director of the Company from completion of the Placement.

## 2. **Technical and Financing Assistance**

Greenstone has also agreed that it will, at the request of the Company, use reasonable endeavours to provide advice and assistance in relation to certain technical and other matters concerning each of the Major Projects.

## 3. **Strategic Assistance**

Greenstone will introduce the Company to potential strategic investors, financiers and other providers of capital who may be interested in providing capital to the Company together with contractors and suppliers of mining equipment and parties who may provide logistics and marketing support and offtake services.

In addition to the above, the Subscription and Co-Op Agreement contains other terms and conditions customary for a transaction of this nature (such as representations and warranties, information and reporting rights and transaction settlement processes) and certain other rights pursuant to which the Company may access the mining project development expertise of the Greenstone management team.

The Greenstone investment was arranged with the assistance of BurnVoor Corporate Finance, Kalium Lakes' financial adviser.

### **About Greenstone Resources**

Founded in 2013 by Mark Sawyer and Michael Haworth, Greenstone Resources is a private equity fund specialising in the mining and metals sector. Key investment considerations for Greenstone include identifying robust projects with strong fundamentals that meet its in-house commodity macro themes; quality incumbent management who are passionate and focussed on their projects; maximising the amount of capital invested 'in the ground'; and having opportunities to work with incumbent management to add value to projects by leveraging Greenstone team's decades of mining and metals experience, and the global/multi-commodity network that sits behind it.

### **About Stephen Dennis**

Stephen Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited. Until recently, Mr Dennis was the chief executive officer and managing director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co., Ltd of Japan. He currently holds non-executive directorships in a number of other ASX listed resources companies.

### **Next Steps**

With the Binding Offtake now finalised with K+S, Kalium Lakes is well progressed towards completion of all financing tasks and a Final Investment Decision at the Beyondie SOP Project in the second quarter of 2019.

<b>Milestones</b>	<b>Indicative Timeline</b>
Continue Early Works Construction Activities	Ongoing
Complete Front-End Engineering Design (FEED)	Complete
Finalise Binding Offtake Agreement	Complete
Finance Due Diligence Complete	Q2 2019
Award EPC/M and Lump Sum Contracts	Q2 2019
Receive Final Approvals for Government Agencies	Q2 2019
Project Financing Complete	Q2 2019
Final Investment Decision (FID)	Q2 2019
Full Construction Activities	~15 Months from FID
Commissioning and Ramp Up to Name Plate Throughput	During 2020

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

## Cautionary Statement Regarding Forward-Looking Information

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 these events referred to in the document will actually occur as contemplated, or at all.

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:

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- disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

## 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), a high yield, premium fertiliser, for both domestic and international markets. There is currently no SOP production in Australia.



The Carnegie Joint Venture (CJV) is focussed on the exploration and development of the Carnegie Potash Project (CPP) in Western Australia, which is located approximately 220 kilometres east-north-east of Wiluna and covers a total area of approximately 3,081 square kilometres.

The CJV is a Joint Venture between Kalium Lakes (KLL, 70% Interest) and BCI Minerals (BCI, 30% interest). The JV Companies have endorsed proceeding to a staged Pre-Feasibility Study, with an initial focus on securing tenure and access to all required tenements.

## Kalium Lakes Limited



ABN: 98 613 656 643  
ASX: KLL  
Ordinary Shares on Issue: 189,340,675



### Board of Directors:

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



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### Chief Financial Officer and Joint Company Secretary:

Christopher Achurch

### Joint Company Secretary:

Gareth Widger



### Share Registry:

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