Kalium Lakes Limited (KLL) is pleased to report its activities for the quarter ending 30 June 2017.

Beyondie Sulphate Of Potash Project

KLL is an exploration and development company focused on developing the Beyondie Sulphate Of Potash Project (BSOPP) in Western Australia with the aim of producing Sulphate Of Potash (SOP) for domestic and international sale.

The Project, comprising 15 granted exploration licences and a miscellaneous licence, covers an area of approximately 2,400 square kilometres. Kalium Lakes intends to develop a sub-surface Brine deposit to produce a SOP product, by undertaking an evaporation and processing operation 160 kilometres (km) south east of Newman.

The BSOPP is among Australia’s highest grade SOP deposits at 13.6 kilograms per cubic metre SOP and is located close to key infrastructure. The Project is already well progressed and has completed detailed technical reports, completed initial test pumping of brine, undertaken environmental and heritage surveys, negotiated a Native Title agreement covering the initial project development area (with a second currently being negotiated) and has approvals in place from the WA Department of Mines and Petroleum (DMP), the WA Department of Environmental Regulation (DER) and the WA Department of Water (DoW).

The Beyondie Sulphate Of Potash Project has an Inferred Mineral Resource of 18.84 million tonnes drainable Brine SOP, an Indicated Mineral Resource of 0.94 million tonnes drainable Brine SOP and has defined an Exploration Target.
Activities for June Quarter

Test pumping from bores and trenches delivers excellent results with high potassium grades

The current bore, trenching and test pumping program reflects KLL’s development strategy, where a staged development approach provides initial production from the western areas of the project then expanding production to include the eastern areas. Brine extraction would occur from both the upper alluvium via trenches and the lower basal aquifer via bore pumps.

The drill program focusses on the 10 Mile and Sunshine areas which will underpin the initial mine life, Pre-Feasibility Study (PFS) outcomes, a future Resource update and where the Company is targeting its maiden Ore Reserve.

More than 1,105 kilometres of geophysical traverses utilising gravity and passive seismic methods have been completed and geophysical interpretations are being used to help identify and target bore locations along the palaeochannel to Sunshine.

Drilling to date has encountered high grade brine in the upper surficial aquifer, palaeovalley sediments, including basal sands, silcrete and highly fractured bedrock and dolerite zones (i.e. high brine yield zones). Test pumping is continuing in order to define aquifer properties from each of these zones.

Monitoring bores have been installed which will facilitate monitoring of water levels for broad areas of the project during production bore test pumping.
During June 2017 KLL provided an update on test pumping and brine analysis results for test pumping completed Production Bores and test Trenches excavated at 10 Mile at the BSOPP.

The Production Bore Brine Test Pumping Flowrates are considered as excellent with pump rates up to 25 litres per second (l/s) and the 10 Mile Trench Test Pumping at flowrates up to 20 l/s per kilometre (km) of trench are regarded as outstanding.

It was also noted that potassium grades for both Production Bores and Trenches were consistently high delivering an equivalent SOP grade of 24,000 milligrams per litre.

At that time, more than 35 million litres of brine had been pumped at the 10 Mile area with the assay results validating the high grade, low impurity resource and the figures reflecting the fact that the grade has not diminished over time as a result of pumping.
Significant site infrastructure, pipelines and pumping construction work completed

The Company reported on a number of key activities, sufficient to support and supply brine to the planned large scale pilot pond program. These included:

- the installation of 4.5 kilometres of production pipeline between the bore field and the trial pilot pond site;
- 1.6 kilometre pipeline running from one of the trenches to the trial pilot pond site in place;
- upgrades to camp and utility facilities; and
- maintenance of roads.

Leakage trials confirm off-lake evaporation pond location and construction system

During the quarter KLL carried out a number of pond construction verification and leakage trials.

Using four different construction methods and different materials, KLL confirmed both the preferred off-lake evaporation pond location and identified the best construction system, based on capital cost, operating cost, pond leakage rates, potassium recovery and efficient use of the brine resource.

Key trial results confirmed that when compared to a “no leakage” system (e.g. HDPE liner):

- 0.25 mm/day of leakage results in ~15% more brine volume and ~10% more evaporation pond area needed to recover the same amount of SOP, requiring increased pumping volumes;
- 1.0 mm/day of leakage results in ~55% more brine volume and ~40% more evaporation pond area needed to recover the same amount of SOP, requiring increased pumping volumes;
- increased pumping volumes requires the installation of more bores or longer trenches;
- higher capital costs are driven by increased leakage requiring more bores, longer trenches, higher brine pumping rates and larger evaporation ponds;
- operating costs increase with more bores, longer trenches, higher brine pumping rates and larger evaporation ponds; and
leakage contributes to potassium recovery loss and a decrease in effective mine life as a result of inefficient use of the brine resource.

KLL therefore prefers lining systems that will result in leakage rates of less than 10 cm per annum.

Previous investigations by KLL into on-lake evaporation ponds, involving tests on 42 lake samples, all showed significant leakage rates (higher than the off-lake pond trials) which, in turn, would result in a further increase in potassium recovery losses, pumping requirements, evaporation pond area and capital/operating costs.

These results are correlated with the current trenching trials that have shown significant inflow rates (up to 20l/s per km) from test pumping from the lake surficial aquifer.

Based on current site experience, KLL has concluded that on-lake evaporation ponds are also impractical when considering the use of heavy earthmoving equipment on soft boggy surfaces.

In order to support the high ground bearing pressures of salt harvesting equipment it would be necessary to build-up thicker salt floors for on-lake evaporation ponds. This would, in turn, require higher evaporation pond walls (i.e. increased capex) and the entrainment of high concentration potassium brines in the thick salt floors are then lost for harvesting, increasing potassium recovery losses and potentially delaying first production by between 12 and 24 months.

Commenced construction of large scale pilot ponds

KLL announced that construction of large scale pilot evaporation ponds at BSOPP had commenced and that the production bores, with the associated pumps and pipelines, had been installed and were operational.
The PFS is reviewing several potential production throughput scenarios to determine a preferred production target. The base design philosophy allows for a staged development approach to minimise initial capital requirements, keep operating cost low and progressively grow market sales.

![Diagram](image)

*Beyondie Sulphate Of Potash Project Tenure, Grade and Staged Development*

German Potash Experts, K-UTEC, in conjunction with the KLL team and several other specialised consultants will deliver the PFS, which has reviewed several potential production scenarios (Cases) and will ultimately determine the preferred Case.

On completion of the PFS, further validation of the preferred Case will occur during the Feasibility Study (FS) stage, prior to funding activities and a Final Investment Decision (FID) to proceed with construction and operation of the Project.

**$4.5 million raised through oversubscribed placement**

During May, KLL successfully completed an oversubscribed book build and received commitments for a placement of 13,235,295 new fully paid ordinary shares in the Company at an issue price of A$0.34 per Share to both new and existing, domestic and overseas institutional, sophisticated and professional investors to raise A$4.5 million.

Proceeds from the Placement were allocated to fast track the establishment large scale pilot evaporation ponds, production bores and installation of pumps, pipelines with other equipment, as well as advancing regulatory approvals for the BSOPP.

The issue price of A$0.34 per Share represents a 17.1% discount to the last closing price of A$0.41 per Share on the ASX (12 May 2017) and a 15.4% discount to the 20-day VWAP.

**WITTRACO Düngmittel GmbH Non-Binding Off-Take Memorandum of Understanding**

In June, KLL signed a Non-Binding Off-Take Memorandum of Understanding (MoU) with WITTRACO Düngmittel GmbH (WITTRACO) for the sale of SOP from the BSOPP.
Under the MoU, KLL proposes to sell approximately 20 per cent of the Project’s annual SOP production to WITTRACO during the first five (5) years of production.

The German company intends to support the development of the Beyondie SOP Project and subject to future discussions, KLL and WITTRACO would seek to convert the MoU to a binding sales contract.

**Subsequent Events**

Since 30 June 2017, KLL has signed a Letter of Intent (LOI) with EcoMag Limited to trial the recovery of high value Hydrated Magnesium Carbonate (HMC). EcoMag is currently building a transportable pilot plant that will be deployed to the Beyondie SOP Project for the trial.

EcoMag is the developer of a process for recovering magnesium-based materials from brines and bitterns, including HMC, which is used in the manufacture of chemically-toughened glass and fire retardants. It has a current market price of US$800 – $1,000 per tonne.

The laboratory scale trials and analysis of a brine sample from the BSOPP, conducted by EcoMag, indicate that the material is suitable for its process. The sample, provided from SOP tests completed by K-UTECH in Germany, had a magnesium content of almost 9.5%. Using the patented process, EcoMag achieved a magnesium recovery rate of more than 95% from the test sample, to produce 99.5% pure HMC.

As a result of the successful laboratory trials the two companies have entered into the LOI on an exclusive basis in relation to Western Australian based potash project developers.

**Planned Activities for Next Quarter**

The Company’s main objectives and planned activities include:

- Continuing test pumping of Production Bores and trenches at Beyondie, 10 Mile and Sunshine
- Further geophysical investigation activities
- Complete construction of Large Scale Pilot Ponds and commence commissioning of continuous evaporation and potassium salt production
- Completion of Pre-feasibility (PFS)
- Ongoing engineering and study activities
- Finalisation of Environmental works and preparation of submissions to various agencies
- Progress second Native Title Mining Agreement for the Beyondie Sulphate Of Potash Project
- Commence planning of next drill program
- Update Resource Statement and issue Maiden Reserve figure
- Annual reporting requirements
Carnegie Potash Project - Joint Venture

The Carnegie Project, a joint venture between BC Iron Limited (BCI) and KLL, is a potash exploration project located approximately 220 km north-east of Wiluna that comprises one granted exploration licence and two exploration licence applications covering a total area of approximately 1,700 square kilometres.

The Carnegie Project is highly prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces Sulphate of Potash. The Carnegie Project tenements are located directly north of Salt Lake Potash Limited’s (SO4) – Lake Wells tenements and Australian Potash Limited’s (APC) – Lake Wells tenements.

Under the terms of the Agreement, BC Iron can earn up to a 50% interest in the Carnegie Project, by predominantly sole-funding up to $10.5M in exploration and development expenditure across several stages. Kalium is the manager of the joint venture.

Joint Venture activities undertaken during the quarter include:

- meeting with Native Title parties;
- desktop geophysics studies;
- desktop environmental review;
- works approvals, for mineral and exploration activities, received from DPAW and DMP, and
- desktop hydrology assessments commenced.

Planned Activities for Next Quarter

The Joint Venture’s planned activities include:

- Ongoing desk top study works on the Carnegie Potash Project Joint Venture
- Further meetings with Native Title parties
Comparative Location of Carnegie Potash Project
Potash Prospects – Dora / Blanche (100% Owned)

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

Kalium Project and Prospect Comparative Location in Western Australia
Corporate Activities

Cash Holdings

The Company had $6.1 million cash on hand as at 30 June 2017.

Business Development

The Company plans to continue to actively assess business development opportunities that relate to its existing project portfolio.

As and when acquisitions, divestments or partnerships are completed the Company will make announcements to the market under continuous disclosure requirements.

Investor Road Show

Early in April 2017, KLL undertook a national investor roadshow and released an investor presentation to update existing investors, brokers and fund managers on current progress and upcoming activities.

Change of Office Address

On 13 April 2017 KLL advised that its registered office and principal place of business had changed to:

Address: Unit 1
          152 Balcatta Road
          Balcatta, Western Australia  6021

Postal Address: PO Box 610
                Balcatta, Western Australia  6914

Telephone:  +61 (0)8 9240 3200         Email:  info@kaliumlakes.com.au

Shares On Issue

The Company currently has 135,030,035 Ordinary Shares on Issue.

The following is a list detailing the ASX Restricted Securities:

- 57,769,847 fully paid ordinary shares will be escrowed for a period of 24 months from the date of official quotation on the ASX;

- 9,000,000 options exercisable at $0.25 each, expiring on 16 December 2019, will be escrowed for a period of 24 months from the date of official quotation on the ASX;

- 20,000,000 performance rights with terms and conditions as set out at pages 190 to 192 of the Prospectus will be escrowed for a period of 24 months from the date of official quotation; and

- 129,999 fully paid ordinary shares will be escrowed until 4 August 2017.
Tenement Interests

Below is a schedule of tenement interests by project as at 30 June 2017.

**Beyondie Potash Project**

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Tenement Name</th>
<th>Holder</th>
<th>State</th>
<th>Status</th>
<th>Grant Date</th>
<th>Interest</th>
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<tbody>
<tr>
<td>E69/3306</td>
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<td>100%</td>
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Note: Kalium Lakes Potash Pty Ltd (KLP) is a wholly owned subsidiary of Kalium Lakes Limited (KLL)

**Carnegie Joint Venture**

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Tenement Name</th>
<th>Holder</th>
<th>State</th>
<th>Status</th>
<th>Grant Date</th>
<th>Interest</th>
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<tbody>
<tr>
<td>E38/2995</td>
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<td>WA</td>
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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).

**Potash Prospects**

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Tenement Name</th>
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<th>State</th>
<th>Status</th>
<th>Grant Date</th>
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**Resources Table as at 30 June 2017**

### Indicated Resource

<table>
<thead>
<tr>
<th>Geological layer</th>
<th>Maximum thickness (m)</th>
<th>Area (km²)</th>
<th>Sediment volume (10⁶ m³)</th>
<th>Porosity (P)</th>
<th>Total stored brine (10⁶ m³)</th>
<th>Specific yield (Sy)</th>
<th>Drainable brine (10⁶ m³)</th>
<th>K grade (mg/L)</th>
<th>K mass (Mt)</th>
<th>SO₄ grade (mg/L)</th>
<th>SO₄ mass (Mt)</th>
<th>K₈SO₄ (Mt)</th>
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<tr>
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<td>14</td>
<td>112</td>
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<td>0.17</td>
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<td>23,500</td>
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<td>Clays</td>
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<td>Basal sands</td>
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<td><strong>Total</strong></td>
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### Inferred Resource

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<th>Porosity (P)</th>
<th>Total stored brine (10⁶ m³)</th>
<th>Specific yield (Sy)</th>
<th>Drainable brine (10⁶ m³)</th>
<th>K grade (mg/L)</th>
<th>K mass (Mt)</th>
<th>SO₄ grade (mg/L)</th>
<th>SO₄ mass (Mt)</th>
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### Exploration Target

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<th>Total stored brine (10⁶ m³)</th>
<th>Specific yield (Sy)</th>
<th>Drainable brine (10⁶ m³)</th>
<th>K grade (mg/L)</th>
<th>K mass (Mt)</th>
<th>SO₄ grade (mg/L)</th>
<th>SO₄ mass (Mt)</th>
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<td>1,093</td>
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<td>4.9</td>
<td>13,100</td>
<td>14.3</td>
<td>11.0</td>
</tr>
<tr>
<td>Clays</td>
<td>50</td>
<td>867</td>
<td>43,360</td>
<td>0.55</td>
<td>23,847</td>
<td>0.04</td>
<td>1,734</td>
<td>4,500</td>
<td>7.8</td>
<td>13,100</td>
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<tr>
<td>Basal sands</td>
<td>7</td>
<td>329</td>
<td>2,300</td>
<td>0.45</td>
<td>1,036</td>
<td>0.3</td>
<td>691</td>
<td>4,500</td>
<td>3.1</td>
<td>13,100</td>
<td>9.0</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Upper Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>27,617</strong></td>
<td><strong>15.9</strong></td>
<td><strong>3,519</strong></td>
<td><strong>46.1</strong></td>
<td><strong>35</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Refer to Disclaimer & Compliance Statement. The Beyondie Project Exploration Target is based on a number of assumptions and limitations and is conceptual in nature. It is not an indication of a Mineral Resource Estimate in accordance with the JORC Code and it is uncertain if future exploration will result in the determination of a Mineral Resource.
Compliance Statement

The information in this document that relates to Mineral Resources Estimates has been extracted from the reports listed below.

- 28 November 2016:

- 11 January 2017:

- 2 May 2017:
  "Current Drilling Program Delivers Outstanding Potassium Grades" - ASX Release

- 13 June 2017:
  "Excellent Brine Test Pumping Flowrates With Consistently High Potassium Grades" - ASX Release

The Reports 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, 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

All statements, trend analysis and other information contained in this document relative to markets for Kalium Lakes including 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.

*** ENDS***
Corporate Profile (as at 20 July 2017)

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 Sulphate Of Potash 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.

Kalium Lakes Limited
ABN: 98 613 656 643
ASX: KLL
Ordinary Shares on Issue: 135,030,035

Board of Directors:
Mal Randall        Non-Executive Chairman
Brett Hazelden    Managing Director
Rudolph van Niekerk Executive Director
Brendan O’Hara    Non-Executive Director

Company Secretary:
Gareth Widger

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