

Monday 16 July 2018

### **In Principle Support from German Government Export Credit Guarantee Scheme**

- **Letter of Interest (LOI) received from Euler Hermes for German export credit cover (ECA)**
- **Approximately A\$42 million of the Beyondie Sulphate Of Potash Project capital expenditure is expected to qualify under the German ECA cover**
- **ECA cover typically supports favourable debt financing terms, including competitive margins and increased loan duration**

Kalium Lakes Limited (KLL or the Company) is pleased to announce that following a recent meeting with Euler Hermes Aktiengesellschaft (Hermes) in Germany and its preliminary evaluation of the Beyondie Sulphate Of Potash Project (BSOPP), Hermes has issued a Letter of Interest (LOI) confirming in principle support under the export credit guarantee scheme of the Federal Republic of Germany (ECA cover).

Hermes is the appointed export credit agency that administers the ECA scheme for the German Government. ECA cover from Hermes is an instrument for the promotion of German exports. It provides a cover to bank lenders to insure against the risk of an export loan.

The Company has estimated 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.

Interest rates charged by lenders on debt guaranteed by ECA cover are typically lower than commercial rates, as repayment of the debt is insured, with longer tenor also a feature of ECA supported debt, in accordance with OECD guidelines.

The LOI represents the first milestone in the Company's engagement with Hermes. The next step in obtaining ECA cover involves securing a positive decision from the German Government Inter-Ministerial Committee (IMC) regarding provision of ECA cover for the BSOPP, following which the Company intends to enter into formal binding documents with Hermes. The LOI does not of itself constitute a commitment to provide ECA cover and there is no certainty that an agreement will be reached between the parties. The Company will assist Hermes through its required due diligence investigations.

Managing Director, Brett Hazelden, commented: *"The LOI from Hermes is an important milestone in the Company's progress to secure project financing for the BSOPP and continues to reinforce Kalium Lakes' aim to become the first SOP producer in Australia."*

*"This LOI also reflects the strong German participation in the Project, including our engineers K-UTEC and potential offtake partner K+S,"* Mr Hazelden said.

## 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](http://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.

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

## 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

### Contact Details:

Kalium Lakes Limited  
Unit 1, 152 Balcatta Road  
Balcatta, WA 6021

PO Box 610  
Balcatta, WA 6914

### 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

Tel: +61 (0)8 9240 3200  
Email: [info@kaliumlakes.com.au](mailto:info@kaliumlakes.com.au)  
Web: [www.kaliumlakes.com.au](http://www.kaliumlakes.com.au)