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Project Update and A\$61 million Equity Raising

- ~A\$19 million Institutional Placement and a ~A\$42 million fully underwritten 5 for 7 Entitlement Offer to raise approximately A\$61 million (together the “Offer”)
- New shares to be issued at A\$0.15 per share (“Offer Price”) reflecting a:
 - 69% discount to last close of A\$0.49 on 21 Feb 2020, last trading day prior to suspension of Kalium shares
 - 53% discount to TERP of A\$0.32⁵
- Proceeds from the Offer to be used to fund the construction of the Beyondie Sulphate of Potash Project (“BSOPP”), and provide anticipated working capital until first production
- Capital requirement has been reviewed and verified by independent engineering specialists
- Major shareholder Greenstone (20.1%) has committed to subscribe for approximately A\$12 million under the Placement and the Entitlement Offer, and to sub-underwrite up to A\$2 million of any retail shortfall (a total commitment of ~A\$14m)
- Kalium Lakes Board and Senior Management has committed to take up approximately ~A\$5.8 million of the Offer via their pro-rata entitlement and sub-underwriting the Offer
- Overall project is now 40% complete with ~A\$100 million of costs incurred to date, and ~23kt equivalent SOP pumped to date as at end of April
- Learnings from development challenges to be applied to de-risk go-forward strategy, including processing plant construction contract now converted to a lump sum EPC contract
- First production now due Q3-2021 with 30+ years ore reserve life of low cost, high margin operation

Kalium Lakes Limited (“**Kalium Lakes**” or the “**Company**”) (ASX: KLL) is pleased to announce the Company is conducting an institutional placement and a fully underwritten accelerated non-renounceable entitlement offer to raise approximately A\$61 million (collectively, the “**Offer**”).

Kalium Lakes is undertaking the Offer to fund the completion of construction of the BSOPP and to provide anticipated working capital until first production.

Kalium Lakes Managing Director, Brett Hazelden, commented:

“Commencing a new Australian industry and being a first mover in SOP has presented some development challenges resulting in a capital cost increase for the BSOPP. Despite the capital cost overrun the company and the project still remains a financially attractive, long life, low operating cost and high margin business once it commences steady state operations.

The overall project is now 40% complete¹, with an offtake agreement in place, comprehensive suite of constructions approvals, highly attractive debt funding tenor and interest rates, and in a commodity that currently requires Australia to import 100% of its requirements.

Importantly our revised capital budget has been verified by independent engineering specialists who have reviewed the project, and we are confident that the Offer will fund us through to completion of construction of the BSOPP and through to first production.

We would like to thank our lenders, contractors and shareholders who have been supportive and continue to be supportive of the Company and the project.”

¹ Under the project development schedule as at end of March 2020

The Beyondie Project Update

The overall Beyondie Project is now 40% complete¹, with approximately A\$100 million incurred to date:

- All planned brine production bores installed
- As at end of April, ~23kt of equivalent SOP had been pumped to the evaporation ponds
- All freshwater bores installed
- All HDPE pipeline in place pending final connections
- 10 Mile trenches are complete and 2 pump stations installed
- ~107 ha of ponds lined and operational out of 400 ha
- Non-Process Infrastructure works nearing completion
- Gas pipeline delivered to Port Hedland and awaiting installation
- German equipment fabrication and supply well advanced

Since late February 2020 and over the past few months, Kalium has identified a forecast capital cost overrun, driven by:

- Design changes on the processing plant made to accommodate performance guarantees required by Secured Lender
- Design changes due to additional final product storage and treatment to meet product integrity specifications
- Underestimating the complexity to take a German based design to the desert in Western Australia
- Consequential flow on impacts of design changes to supply and construction costs of process plant, and site manning costs
- Actual operating bore performance showed brine extraction rates were lower than expected, requiring additional bores, pumps, pipelines and trenches
- Increased gas pipeline cost between FEED estimate and entering into a lump sum contract, due to geotechnical risk allocation and underestimation
- FX, weather impacts (including 2 cyclone events), and underestimated insurance costs

Kalium's forecast capital cost overrun, along with other costs including (among others) costs associated with delays and COVID-19, has led to an additional A\$61m of total capital requirement. See table below for the reconciliation to Kalium's A\$61m capital requirement.

Forecast capital cost over-run	A\$m	63.4²
Usage of previous equity cost overrun facility ³	A\$m	(10.0)
Access to cash under the debt facilities previously restricted by Lenders	A\$m	(5.0)
Contractor discounts	A\$m	(0.3)
Contractor payments in shares or options in lieu of cash	A\$m	(7.5) ⁸
Additional capitalised opex & overheads	A\$m	4.1
Project delay costs (current standstill and COVID-19 impact)	A\$m	9.7
Additional finance and legal costs	A\$m	2.1
Restructuring, capital raising and other costs	A\$m	4.7
Total capital requirement	A\$m	61.0

² Refer to slide 18 of the Equity Raising Investor Presentation released to the ASX on the same day as this Announcement for further detail

³ Refer to slide 6 of KLL Investor Presentation Equity Raising July 2019 released on 24 July 2019

Kalium has applied learnings to date to de-risk the remainder of development. Key risk mitigation strategy/factors going forward include:

- Overall project now 40% complete¹, with increased knowledge around key cost parameters
- Conversion of process plant part of construction to a lump sum EPC contract
- Increased key contractor alignment through payments to certain contractors in Kalium shares and options in lieu of cash
- Optimised execution strategy, construction schedule and site manning levels to reduce risk, and to allow construction activities where all materials and supplies already delivered, minimising supply risk
- Increased understanding and certainty around brine flow characteristics, yield and grade following completion of all production bores and trenches with ~23kt equivalent SOP pumped as at end of April
- De-risk commissioning through additional ~6 months of operating bores and trenches to maximise salt availability during ramp-up period
- Kalium committed to Board and Management changes post raising to ensure right skill-set and appropriate governance to support development of the Project going forward

Equity Raising

Kalium Lakes is conducting the Offer to raise a total of approximately A\$61 million, comprised of:

- an institutional placement of up to 126.8 million new fully paid ordinary shares in Kalium Lakes ("**New Shares**") to raise up to approximately A\$19 million ("**Placement**")⁴, and
- a 5 for 7 accelerated pro rata non-renounceable entitlement offer of up to 279.9 million New Shares to raise up to approximately A\$42 million ("**Entitlement Offer**").

All New Shares offered under the Offer will be issued at a price of A\$0.15 per New Share, which represents a:

- 69% discount to the last close price of A\$0.49 on 21 February 2020; and
- 53% discount to the TERP of A\$0.32⁵.

The discounts above reflect the fact that Kalium has been in voluntary suspension since 24 February 2020. Since that time, there has been an extreme impact on global financial and capital markets following the outbreak of the COVID-19 virus.

Each New Share issued under the Offer will rank equally with existing fully paid ordinary shares in Kalium Lakes ("**Share**") on issue. Kalium Lakes will, upon issue of the New Shares under the Offer, seek quotation of the New Shares on the ASX.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 5 New Shares for every 7 existing Shares held as at 5:00pm (WST) on Monday, 25 May 2020 ("**Record Date**").

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer ("**Institutional Entitlement Offer**"), which is being conducted today, Thursday, 21 May 2020. The retail component of the Entitlement Offer ("**Retail Entitlement Offer**") will be open from Tuesday, 26 May 2020 to Tuesday, 9 June 2020 to eligible retail shareholders who are registered as a holder of Shares as at 5.00pm (WST) on the Record Date and have a registered address in Australia or New Zealand. A prospectus in respect of the Retail Entitlement Offer is expected to be lodged on the ASX on Thursday, 21 May 2020 and mailed to eligible retail shareholders on Tuesday, 26 May 2020.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

⁴ Kalium has notified ASX that it intends to rely on the class waiver decision "Temporary Extra Placement Capacity" issued by ASX on 23 April 2020 to increase its placement capacity under ASX Listing Rule 7.1 from 15% to 25% and to include in its calculation for the purposes of Listing Rule 7.1 the number of New Shares that may be issued under the underwritten component of the Entitlement Offer

⁵ The theoretical ex-rights price ("TERP") is the theoretical price at which Kalium Lakes shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Kalium Lakes' shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Kalium Lakes' closing price of A\$0.49 on 21 February 2020. The TERP also includes new shares to be issued under the Placement.

Greenstone Management (Delaware) II LLC in its capacity as general partner of Greenstone Resources II (Australia) Holdings L.P (“**Greenstone**”), a significant shareholder holding approximately 20.1% of the total issued share capital of Kalium Lakes, has committed to subscribe for New Shares under the Placement and take up its pro rata share under the Entitlement Offer, being an aggregate of approximately \$12 million, and to sub-underwrite up to approximately \$2 million of any retail shortfall (a total commitment of \$14 million).

Kalium Lakes Board and Senior Management have committed to take up to A\$5.8 million of the Offer via their existing pro-rata entitlements and through sub-underwriting of the Offer.

Any sub-underwriting by the Kalium Lakes Board, Senior Management, or Greenstone (which equates to a total amount of ~A\$4.6 million) which are not allocated through the shortfall offer, will be re-invested into the Company through a placement subject to shareholder approval, which if approved, would result in Kalium raising in excess of A\$61 million. It is currently envisaged that a general meeting of the Company’s Shareholders to obtain such shareholder approval will be held on 1 July 2020, with the associated notice of meeting to be despatched to Shareholders on 1 June 2020 and settlement of the placement shares to occur on 3 July 2020.

Subject to the successful completion of the Placement and the Institutional Entitlement Offer, the Retail Entitlement Offer will be underwritten by Morgans Corporate Limited⁶ and sub-underwritten by various sub-underwriters (including Greenstone).

Morgans Corporate Limited will act as lead manager to the Offer. Foster Stockbroking will act as co-manager.

Sternship Advisers is acting as Corporate Adviser and DLA Piper Australia as Legal Adviser to Kalium.

Sources & Uses of Funds

Kalium Lakes is undertaking the Offer to fund the completion of construction of the BSOPP and to provide anticipated working capital until first production.

Sources of funds	A\$m
Cash on hand ⁷	21.3
Equity Raising	61.0
Contractor payments in shares in lieu of cash ⁸	7.5
NAIF undrawn debt facility ⁹	65.9
KfW / Euler Hermes undrawn debt facility ¹⁰	92.7
Total Sources	248.5

⁶ The underwriting is subject to certain termination rights. Details in respect to the conditional underwriting arrangement will be provided in the Prospectus to be mailed to eligible retail shareholders.

⁷ Cash as at 31 March 2020 unaudited but reviewed, plus additional March BAS return of A\$0.8m which was received in April

⁸ ~A\$2.1m of which will be subject to shareholder approval

⁹ Refer to A\$74 Million Loan Package from NAIF dated 20 February 2019; https://www.kaliumlakes.com.au/site/wp-content/uploads/austocks/kl/2019_02_20_KLL_1550622900.pdf

¹⁰ Facility is in EUR and USD and has been converted to AUD in the above table at exchange rate of 0.63 and 0.69 respectively. Refer to KfW IPEX-Bank Credit Approval Major Milestone ASX announcement dated 2 July 2019; https://www.kaliumlakes.com.au/site/wp-content/uploads/austocks/kl/2019_07_02_KLL_1562024340.pdf and German Government Positive Decision for Export Credit Cover ASX announcement dated 19 July 2019; https://www.kaliumlakes.com.au/site/wp-content/uploads/austocks/kl/2019_07_19_KLL_1563489060.pdf

Uses of funds	A\$m
Capital cost to complete construction	194.2
Operating and Finance costs	31.4
Additional allowances and contingencies	18.2
Restructuring, capital raising and other costs	4.7
Total Uses	248.5

Offer timetable

An indicative timetable of key dates in relation to the Offer is detailed below. All dates and times are references to Perth, Australia.

Event	Date
Announcement of the Offer	Thursday, 21 May 2020
Lodgement of Prospectus with ASIC and ASX	Thursday, 21 May 2020
Institutional Entitlement Offer and Placement opens	Thursday, 21 May 2020
Announcement of results of Institutional Entitlement Offer and Placement	Monday, 25 May 2020
“Ex” Date (being the date that Shares start trading without Entitlements to participate in Entitlement Offer)	Monday, 25 May 2020
Record Date for the Entitlement Offer	5.00pm (WST) Monday, 25 May 2020
Despatch of Prospectus and Entitlement and Acceptance Form	Tuesday, 26 May 2020
Retail Entitlement Offer opens	Tuesday, 26 May 2020
Settlement of Institutional Entitlement Offer and Placement	Friday, 29 May 2020
Issue Shares for Institutional Entitlement Offer and Placement	Monday, 1 June 2020
Reinstatement to trading and normal trading of New Shares for the Institutional Entitlement Offer and Placement	Monday, 1 June 2020
Retail Entitlement Offer closes	5.00pm (WST) Tuesday, 9 June 2020
Announcement of results under Retail Entitlement Offer	Thursday, 11 June 2020
Settlement of Retail Entitlement Offer and Shortfall	Monday, 15 June 2020
Issue and allotment of New Shares under the Retail Entitlement Offer and Shortfall Shares	Tuesday, 16 June 2020
Normal trading of New Shares issued under the Retail Entitlement Offer and Shortfall Shares expected to commence on ASX	Wednesday, 17 June 2020

Note: The timetable above is indicative only and may be subject to change. Kalium Lakes reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Kalium Lakes reserves the right to extend the closing date of the Offer, to accept late applications under the Offer (either generally or in particular cases) and to withdraw the Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of new shares.

Board and Management changes

Since Kalium entered voluntary suspension on 24 February 2020, the Company has had several Board changes, including the appointment of Mr Dale Champion, Mr Brent Smoothy and Mr Mark Sawyer as Non-Executive Directors, and the resignation of Mr Rudolph van Niekerk from his role as an Executive Director.

On 30 April 2020, Kalium received a notice of resignation from its CFO, Mr Chris Achurch, to further his career in investment banking & corporate advisory services at Perth’s Westar Capital. Mr Achurch has a 3 month notice period and has agreed to work through this term or until a suitable replacement has been found. Kalium

would like to thank Mr Achurch for his services to date and is currently in the process of recruiting a suitable replacement for Mr Achurch.

Kalium committed to Board and Management changes post raising to ensure right skill-set and appropriate governance to support development of the Project going forward.

Further information

Further details of the Offer are set out in the Prospectus and the Investor Presentation also provided to the ASX today. The Prospectus and the Investor Presentation contain important information including key risks and foreign selling restrictions with respect to the Offer.

If you have any questions in relation to the Offer, please contact the Kalium Lakes Shareholder Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 6.30am to 5.00pm (WST), Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

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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, including any production targets, based on the information contained in the announcement and in particular the JORC 2012 and NI 43-101 Technical Report - Bankable Feasibility Study.

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 statement

Kalium Lakes Limited



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Board of Directors:

Mal Randall	Non-Exec Chairman
Brett Hazelden	Managing Director
Stephen Dennis	Non-Executive Director
Dale Champion	Non-Executive Director
Mark Sawyer	Non-Executive Director
Brent Smoothy	Non-Executive Director

Joint Company Secretaries

Gareth Widger
Chris Achurch



Share Registry

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