

Kalium Lakes Limited

Australia's first SOP project set for production in 2020

Kalium Lakes Ltd (ASX:KLL) is an Australian exploration and development company, focused on developing the Beyondie Sulphate Of Potash (SOP) Project in the Pilbara Region of Western Australia to provide high yield, premium fertiliser, for both domestic and international markets. The Company has recently completed a \$72m raise at \$0.50/ share, which included a non-renounceable 1 for 2.19 share institutional and retail offer and an institutional placement. The equity raise together with the \$102m debt facility provided by Germany's KfW IPEX-Bank and a \$74 NAIF funding package will allow the Company to make a Final Investment Decision (FID) to proceed with the project. Kalium Lakes is on target to commence production in Q4 CY20 at 90ktpa of SOP, before doubling volume to 180ktpa of SOP. In March 2017 the Company entered into a farm-in agreement with BCI Minerals Limited (ASX:BCI), for its Carnegie SOP Project. BCI can earn up to 50% interest in Carnegie by sole-funding exploration and development across several stages. Kalium is the manager of the joint venture.

The Project

The Beyondie SOP Project comprises two mining leases, a gas pipeline licence and exploration licences covering an area of approximately 2,400 square kilometres. The project has JORC Ore Reserves of 5.1Mt of SOP and 19.6Mt SOP Drainable Brine Resource. A Final Investment Decision is expected shortly following the successful August funding round to build the Project. The Project is on track to commence production in late 2020 at 90ktpa of SOP, before ramping up to 180ktpa of SOP for domestic and international sale. An initial mine life of between 30-50 years is anticipated with the Project designed to be a low cost, long life and high margin producer. The Project's design has been recently enhanced to increase potassium recovery from 72% to 91%. Through an increase in recovery rates, less brine is required to be extracted from the bore fields and trenches, reducing required infrastructure. As a result, estimated operating costs have decreased significantly from US\$226-\$263/t to US\$178-\$207/t. Beyondie's feasibility study has forecast that the project will deliver an IRR of 20.3% on a pre-tax NPV of A\$606m with annual average estimated EBITDA of \$126m and an EBITDA margin of 61%.

Target markets

The global SOP market is ~US\$3-4B annually, with demand increasing at approximately 100-200kt each year. The Beyondie SOP Project will be Australia's first SOP operation. The Project already has in place a binding offtake agreement with German fertiliser producer and distributor K+S, with a 10-year term for 100% of start-up volume. K+S currently supplies 50% of the Australian and New Zealand fertiliser markets.

Pathway to development

Kalium Lakes is progressing on plan and budget towards SOP production in 2020. The company is operating under a regimented timeline, starting from the final investment decision which is expected to be delivered in the near future now that funding is in place. The Company is expected to be constructing and installing the ponds, purification plant and gas pipeline for the 12-15 months following the FID and seeking to commence SOP production ~16 months later.

Share details

ASX Code	KLL
Share Price	\$0.50
Market Capitalisation	\$190.5M
Number of shares	381.48M
Performance rights	15M
Options on issue	10.7M
Net cash at 30 June	\$15.50M

Share price performance (12 months)



Upside Case

- On track to be Australia's first SOP project
- Global SOP supply remains tight keeping prices consistently at US\$500/t free onboard (FOB)
- Low cost producer at ~US\$200/t FOB

Downside Case

- Risk of construction delays to the project
- Risk of oversupply of SOP longer term
- Risk of cost overruns

Catalysts

- Final Investment Decision to be completed allowing construction commencement on BSOPP
- Commencement of production in late 2020
- Positive results on the Carnegie pre-feasibility study

Comparative companies (Australia & NZ)

APC, AMN, BCI, SO4

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FINANCIAL SERVICES GUIDE

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Effective Date: 26th November 2018

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- how we transact with you
- how we are paid, and
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