



Lake Way Project & Financing Update

Salt Lake Potash Limited (SO4 or the Company) advises of a project update for the Lake Way project near Wiluna, Western Australia.

- The Company will be implementing a revised ramp up strategy that involves suspending the initial plant feed programme following the processing of the first 90-110kt of harvest salts, to enable more salts to precipitate before commencing continuous harvesting activities.
- As a result of the revised pond ramp-up schedule and associated delayed plant feed salt availability, forecasted SOP production for FY'22 has been reduced and the Company will require further funding before the end of 2021 to continue operations at Lake Way. Discussions to resolve the funding shortfall have commenced and once complete and agreed will be announced to the market.
- The reduction in plant feed salt availability is expected to reduce primary SOP production in FY'22 from 165-185kt to 85-105kt. This is the result of three factors:
 - A change in operating methodology for the ramp up period of the pond system has been implemented to manage salt grade variability in the harvest cells.
 - A reduction in the estimation of available plant feed salt within harvest ponds following bulk sampling.
 - The re-classification of lower grade inventories that have now been determined as unsuitable for plant feed during the ramp-up period.
- There is no anticipated impact on production levels in FY'23 and beyond, with full production run-rate from primary salts still anticipated in the June 2022 quarter.

CEO Comment

"The entire SO4 team is committed to the success of the Lake Way project and has been working tirelessly through the harvest salt pond management system and plant commissioning challenges over the last few weeks. We are disappointed these challenges have pushed out our expected ramp up profile however the project fundamentals remain attractive. I am grateful for the support and patience of our shareholders and our lenders as we work towards delivering first SOP and positive cash flow."

Enquiries

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Authorisation

This announcement has been authorised by the Managing Director, Tony Swiericzuk

Revised ramp-up strategy

Under the revised ramp-up strategy the Company plans to process 90-110kt of plant feed salts to produce SOP for initial customer sales. Plant feed will then be suspended for a period of 10-14 weeks before harvesting activities and SOP production recommence. As a result, FY'22 forecast SOP production has reduced from 165-185kt to 85-105kt.

The revised mine plan is a result of three factors.

- **A change in operating methodology for the ramp up period of the pond system has been implemented to manage salt grade variability in the harvest cells, reducing SOP production by c.63kt in FY'22:** Ramp up of the ponds has followed the original modelling and expert advice, applying a continuous flow model that has resulted in brine with concentrations of less than 3.4%Mg (the concentration at which potassium salts begin to precipitate), being pumped into the harvest cells. As a result, salt formation in several harvest cells has exhibited higher grade variability than modelled, resulting in a lower average potassium and higher halite content. To rectify this issue the Company has adopted a revised operating methodology for the continued ramp up of the pond system that suspends brine transfer into all harvest cells until the chemistry reaches the required level, to minimise salt grade variability.
- **Reduction in the estimation of available plant feed salt inventory, reducing SOP production by c.12kt of SOP in FY'22:** The reduction in estimated plant feed salt inventory is based on the change between the *Mine Plan Inventory Model* used for the previous mine plan, and newly acquired data from bulk sampling taken during and after harvesting activities in June. Prior to the opportunity to undertake bulk sampling arising from cell harvesting, only multiple single point data collection had been taken from across the cells.
- **The deferment and sterilisation of lower grade inventories determined as unsuitable for plant feed during ramp up, reducing SOP production by c.7kt of SOP in FY'22.** As part of the plant modelling that was undertaken from bulk sampling results in June, the lower potassium grade threshold has been increased for the plant ramp-up period. As a result some material was sterilised (not to be used) and other deferred with the intention of being fed through the plant at a later date, once in steady state.

Process Plant commissioning continues

Construction and practical completion of the Lake Way process plant has been finalised with GR Engineering Services handing over the plant to SO4 in late June. Each of the 34 process units in the plant have been individually commissioned and the SO4 operations team is now working through the 'Stage 4' load commissioning process.

The SO4 operations team, in conjunction with consultants from the plant designer and component manufacturers have been systematically working through the plant to ensure each unit is working within design parameters and the plant chemistry is established.

COVID-related border restrictions have also impacted the travel arrangements of key commissioning personnel as well as affecting the timely transport of certain commissioning supply items, impacting the commissioning schedule.

The commissioning process has involved calibrating and fine tuning several mechanical components in the plant including crushers, screens, cyclones, thickeners, centrifuges, control valves, agitators and pumps as well as the electronic control systems. More recently work has focussed on the calibration of the flotation circuit to achieve the designed waste mass pull. 'Batch trials' each using 500-800t of low-grade feed salt have been run, with mass-pull performance achieving variable results. The company continues to work with the flotation circuit vendor and design engineer to bring performance up to modelled targets and expects the issue to be resolved this quarter.

Financing

As a result of the revised pond ramp-up schedule and associated delayed plant feed salt availability, forecasted SOP production for FY'22 has been reduced. The Company will require further funding to continue operations at Lake Way before the end of 2021. Discussions to resolve the funding shortfall have commenced and once complete and agreed the market will be updated.