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Compass Minerals

Lithium Strategy Update

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PRESENTATION

Operator

Good morning.

At this time, I would like to welcome everyone to the Compass Minerals Lithium Strategy Update Conference Call.

Thank you. Valerie Tymosko, you may begin your conference.

Valerie Tymosko

Thank you. Good morning and welcome to the Compass Minerals lithium strategy update conference call. Today we will share the results of the evaluation of development options related to our lithium brine resource and our strategic path forward. We will begin with prepared remarks from our President and CEO, Kevin Crutchfield, Head of Lithium, Chris Yandell, Senior Vice President of Lithium Commercial and

Technology, Dr. Ryan Bartlett; and our CFO, Lorin Crenshaw, followed by a question-and-answer session.

Before we begin, I will remind everyone that the remarks we make today reflect financial, operational and strategic outlook as of today's date, September 15, 2022. These projections entail assumptions and expectations that involve risks and uncertainties that could cause the Company's actual results to differ materially. In addition, please note that Compass Minerals filed an updated technical resource assessment in accordance with applicable Securities and Exchange Commission regulations, including subpart 1300 of the Regulation SK providing expected production, prices, costs and economic forecasts related to our defined lithium resource. A discussion of these risks and the updated technical resource assessment can be found in our SEC filings located online at investors.compassminerals.com.

I will now turn the call over to Kevin.

Kevin Crutchfield

Thanks Valerie and good morning to everyone joining. We appreciate your interest and are excited to bring everyone up to speed on our latest developments and intended path forward. We believe the stage is set for the next phase in Compass Minerals' transformation, resulting in a faster growing, less weather dependent and more valuable company with the potential to become a premier producer of domestic battery-grade lithium to help enable the energy transition that's already underway.

We're here today to answer three overarching questions for you: why are we pursuing this lithium development project; why Compass Minerals is uniquely positioned to execute on our plans; and why we believe the opportunity before us represents an exceptional value proposition for all of our stakeholders. I'll start by providing a bit of color on how we arrived at this decision point in our lithium development evaluation and why we've chosen this path. Chris will then provide a comprehensive project overview, including the strong lithium leadership team we've assembled, secular trends underpinning the outlook for lithium, the contours of our resource, and importantly its economics. Ryan will discuss our technology route, how it works and the process we undertook in selecting a DLE provider. Finally, Lorin will cover our Phase 1 funding strategy related to yesterday morning's announcement of a strategic equity investment by Koch and what we believe is the value creation potential inherent to the journey we're embarking upon. After that, we'll open it up to any questions you may have.

Last summer, we announced the identification of a 2.4 million metric ton LCE sustainable lithium resource at our Ogden, Utah silver operation site on the Great Salt Lake. Since then, we've completed a strategic evaluation of numerous potential development options, first to confirm that it would be technologically and economically feasible to develop the asset, and second to determine the development path that we believe would yield the greatest value for our Company and our stakeholders as we work to serve a rapidly growing domestic market demand.

While lithium production may be new to us, successful development, extraction, refining and marketing of essential minerals is not. Compass Minerals has been operating for over 175 years, producing essential products through the responsible transformation of earth's natural resources. Our Ogden operation has leveraged the mineral-rich brine of the Great Salt Lake for the last 50 years. Our Management Team brings decades of leadership and operational experience in areas like mining and sustainable agriculture most relevant to our core business, but when we began investigating our various lithium development options, we also recognized that we needed to add some key individuals to our existing leadership team to help guide our transformation.

Chris Yandell, our Head of Lithium, and Lorin Crenshaw, our CFO are prime examples of the kind of experienced talent we've added, both having previously served in key leadership roles within the lithium

space. Both have been welcome additions to our team over the last nine months, and the expertise they've brought to our project cannot be overstated.

After significant efforts assembling internal lithium expertise, successfully testing the conversion potential of our resource, and completing the technical and economic analyses of its viability, I'm pleased to announce that we selected our DLE technology provider, EnergySource Minerals.

We're also pleased to share our initial project economics supporting the substantial value creation potential and an enviable position near the very bottom of the cost curve among North American lithium assets. With lithium production being a co-product of longstanding sulfated potash, salt or magnesium chloride production processes at our Ogden facility, we expect development synergies will enable us to secure a highly competitive position on the lithium brine cost curve by leveraging our existing strong operational infrastructure, permits, water rights, and pond processes. In adding to our mineral portfolio in this way, we expect to be extracting additional value out of every ton of brine we already process which from a sustainability perspective greatly reduces the environmental impacts, as confirmed by a third party life cycle assessment we recently had completed on Phase 1 of our project.

How we accomplish our strategic objectives is as essential as what we accomplish in the coming years. With that in mind, as we progress in our efforts to establish lithium as a substantial contributor to our business, our decision making, design principles and operating procedures will reflect a continued commitment to four key pillars: safety, growth, transparency, and stewardship. Together these pillars form our sustainability compass, guiding our decisions and business practices across all aspects of our Company. Minimizing the environmental impact of our lithium extraction and conversion plans has been a key aspect of this project since we first began assessing our development options, and we'll continue to prioritize sustainable operations as we advance towards commercial production, honoring our responsibility to serve as good stewards of the natural resources we rely upon to produce, manufacture and market essential mineral products.

Taking all this into consideration, Slide 10 of the presentation summarizes the strategic logic and investment thesis behind our path forward. We believe that this thesis is clear, compelling, and answers the three essential questions I referenced earlier: why we're pursuing this strategic path; why Compass Minerals is uniquely positioned to execute; and why we expect the returns to be robust, durable, and create substantial long term value for our stakeholders.

We're a proven operator that has assembled an exceptional team, have major permits in place, expect to develop our lithium resource in a sustainable way, and are well positioned to take advantage of the growing demand for our intended product. Our project is projected to deliver strong returns across a range of potential average selling prices given its low projected operating cost per metric ton and a competitive capital intensity profile. More specifically, with an estimated project cost of $262 million and expected cash costs of roughly $4,200 per metric ton of LCE, we expect that Phase 1 of our project will deliver between $626 million and $985 million in after-tax net present value and an IRR between 28% and 36%, assuming a baseline average lithium carbonate selling price in the range of approximately $16,000 to $21,000 per metric ton.

To put this in perspective, that value creation potential equates to roughly 45% to 70% of our 30-day average market capitalization, which we believe ascribes very little, if any credit to the economic potential of our lithium resource. Having already leveraged our core competencies into leading positions in our core product categories, it's clear to us that lithium is a viable natural adjacency with earnings and cash flow generation potential that we believe can help accelerate our long term earnings growth, rebalance a significant portion of our revenue away from weather-dependent products, and deliver substantial shareholder value. We're confident that our continued forward momentum will demonstrate the value creation potential of our resource over time.

Before I hand it over to Chris to walk you through why we believe we're well positioned to execute our plan, I want to highlight his 20-plus years of hands on experience that we're leveraging to our benefit in this project. He led operations at Albemarle for lithium salts, both carbonate and hydroxide. He was integral in synergies implementation after Albemarle acquired Rockwood in 2015, drove construction of a 20,000 metric ton lithium facility in China, and also spent time on lithium projects in both Chile and Australia. Directly before joining our team, he was serving as the Chief Commercial Officer, Refinery Catalysts at Albemarle. We're fortunate to have him on our team.

I'd now like to hand it over to Chris. Chris?

Chris Yandell

Thank you Kevin. While I enjoyed my time with Albemarle, I am fortunate to be continuing my career at another company that focuses on human capital and development, core values that drive a strong safety culture and a commitment to creating shareholder value. Our Management Team and Board are committed to our lithium division and taking the steps needed to be a competitive supplier of domestic lithium.

There is tremendous support and focus for developing our lithium asset and an appreciation of the time it takes to do things right. This means we will apply the basis of engineering and project fundamentals, including stage gating, building after design, and we will understand the situation as we progress and move with urgency, but not chaotically.

Our current lithium leadership team is small, however very experienced. We have over 100 years of combined experience across construction, engineering, process operations, and commercial. Dr. Ryan Bartlett has been with Compass Minerals for over five years and has spent his 19-year career in R&D focused on new product discovery, development and launch, and leading commercial and enterprise strategies. Jake Prestwich brings over 20 years of project experience managing multiple large capital projects totaling hundreds of millions of dollars at Rio Tinto, Dyno Nobel, and FLSmidth. As a native of Utah and mining professional, he understands the complex stakeholder landscape. Jordan Taylor has spent the majority of his 16-year mining career in both engineering and operational leadership roles at world-class assets with BHP, Anglo American, and Covia Corporation, including responsibility for commissioning, ramp-up, and steady state operations at our greenfield mine and processing facilities. Vinny Pires brings more than 20 years of commercial business development and strategy experience in the steel and advanced ceramics industry in South and North America.

I was fortunate to work with Clint Parham at Albemarle. Clint spent over 20 years with Albemarle with his last six years focused on lithium process. Clint was instrumental in working through issues with La Negra II and served as my process lead in building out Xinyu 2 and as the Owner's representative in Kemerton, Australia. He is well versed in both brine and hard rock lithium processes. After leaving Albemarle, Clint did domestic lithium related consulting work, and this past summer he joined us full time.

Slides 13 through 15 should bring no surprises for those who follow the lithium market or read the news. Energy transition is occurring globally and the race to supply the non-U.S. market is underway; however, the domestic race is only beginning and there are several players. Most fit the definition of juniors with no revenue with few assets. Our use of ongoing revenue-generating assets and untapped domestic lithium resource is what differentiates us as a project and as an investment opportunity. As the North American race continues to heat up, the need for domestically sourced lithium has never been greater. The recent passing of the U.S. Inflation Reduction Act incentivizes this transition and squarely places the focus on battery minerals in the bull's eye of production of domestic lithium.

For lithium, most extraction and conversion occurs outside the U.S. China continues to lead the market in refining capacity and Australia leads in extraction capacity. Meanwhile, there has been little progress in the U.S. in terms of supply to meet the growing need. Currently, EV market fundamentals appear exceptional with an expected 19% global demand CAGR on LCEs through 2030 and a 36% North American demand CAGR. The current outlook indicates a 400,000 ton shortfall by 2030 with a bleak outlook for the North American supply and dynamics.

Moving to Slide 15, according to Benchmark Mineral Intelligence, forecasted long term pricing is at $19,000 per metric ton LCE with near term spot pricing well over $70,000 per metric ton. The energy transition clearly appears to have provided a step change in pricing from the previous decades that should encourage investment in lithium projects.

We believe our resource in the Great Salt Lake's north arm is the most attractive undeveloped North American lithium brine asset. Our current operations include a 55,000 acre developed pond system and leases totaling over 170,000 acres. We have a strong permit position that derives (phon) to extract minerals from the Great Salt Lake. Currently we extract sodium, potash and magnesium. Lithium will be our fourth mineral and benefit from several synergies related to our existing operations, including infrastructure, logistics and pond operations that we will utilize to leverage our resource, our largest synergy in existing ponds. The feed brine to the east side comes after a three-year solar evaporation process in the form of magnesium chloride and interstitial brine.

Focusing on Slide 17, we are developing our lithium resource over two phases. Phase 1 is the east side and Phase 2 the west. For Phase 1, we are planning to build an approximately 11,000 metric ton battery-grade lithium carbonate facility. For Phase 2, we intend to build an approximately 28,000 metric ton battery-grade lithium hydroxide monohydrate facility. It is important to understand our operations on the Great Salt Lake to appreciate this approach.

On the map, you should recognize the Great Salt Lake. This lake is permanently fed by four river systems, Provo and Jordan Rivers from the south and Bear and Weber Rivers from the east. The lake is divided by a railroad causeway into the north arm and south arm. The north arm shows up with a pinkish hue while the south arm has the typical blue. This is due to the higher concentrations of minerals caused by the lake's asymmetry or shape and depth, which moves from south to north through two openings in the causeway and then the coriolis effect moves the brine counterclockwise, allowing it to concentrate in the north arm and even more so by the time it reaches the west side. Our brine intake occurs on the west side and, after one year, we move it across the Behrens Trench, a 21-mile underwater trench that allows the heavier aged brine to settle and flow to the east side, where we pump it along with north arm brine into our east side pond complex, where the process of dropping out salt continues along with potash and magnesium chloride.

Both phases will incorporate the pond system and DLE prior to the conversion of lithium carbonate or lithium hydroxide monohydrate. While there will be greenfield aspects to building out the latter phase of development, Phase 1 is truly a brownfield project leveraging existing infrastructure. We are progressing in our FEL-2 estimating process or PFS related to the east side. We have identified a site location, as indicated on Slide 18 and continue to refine our process and costs. Our planned location is south of existing operations and close to roads, rail, tower, water, and natural gas. We are fully permitted to extract our lithium resource and expect minimal additional permitting to be secured via revisions to our existing air and water discharge permits. In addition, we are in the process of securing a royalty agreement with the Utah Department of Natural Resources for lithium.

Mineral rights are complicated. For simplicity, when we speak of a mineral right, we're referring to six elements that make up this right: lake-fed leases for the Utah Department of Natural Resources, or DNR; upland leases via the Utah Institutional Trust Land Administration; water rights through Utah DNR;

mineral royalties for Utah DNR; lakebed construction and maintenance via the U.S. Army Corps of Engineers; and finally mineral extraction for Utah DNR.

Turning to Slide 19, sources for lithium extraction are referred to as hard rock or brine. Most lithium from brine is produced in a traditional manner in which underground brine is pumped into evaporation ponds and then lithium is concentrated through a network of ponds. After about two years, the lithium concentrated brine is put through a purification process where remaining contaminants such as calcium, magnesium and boron are removed. This purified lithium brine then goes through chemical processing to produce lithium carbonate into either technical grade or battery grade product.

The common misconception is that DLE is not proven at commercial scale; however, this technology was responsible for about 27% of lithium produced from brine globally in 2021 according to Benchmark Mineral Intelligence, with Lithea in Argentina and several Chinese producers in Qinghai, China as the leading players.

A second misconception is that DLE is a plug-and-play process that takes any brine and within minutes makes a useable lithium product.

The chart on the bottom of Slide 19 provides a view of the inconsistencies of lithium and magnesium. If we were to expand this chart, differences in sodium, potassium and boron would be evident. Matching technology to the brine is critical. Certain brines start with a higher lithium and lower magnesium concentration, resulting in a cleaner brine. Our brine starts with lower lithium and high magnesium. Throughout the solar evaporation process, the lithium concentrates but so does the magnesium. Chemical process operations are required to remove the magnesium and allow for lithium to increase. Our magnesium to lithium ratio moved from 137 to 1 pre-DLE to about 1 to 1 post DLE, and then we begin the conversion process. Ryan will go into greater detail surrounding our process in DLE, however the main takeaway is that all brines are different and require an agnostic, methodical approach towards processibility and economic viability.

Ryan?

Ryan Bartlett

Thank you Chris. Starting out on Slide 21, as Chris just noted, our resource is unique in the combination of the evaporation ponds with the right DLE technology to enable economic extraction of the lithium utilizing our existing brine rights on the Great Salt Lake. During the past three and a half years, the Compass Minerals' technical and natural resources teams have rigorously evaluated several DLE technologies.

There are three main types of DLE available that can be grouped into distinct classifications: adsorption-desorption; ion exchange; and solvent extraction. Compass Minerals has tested both adsorption-desorption and ion exchange. We did not pursue solvent extraction as we don't consider it a good fit for our resource. Regarding the differentiating factors between adsorption-desorption and ion exchange, they both have their benefits and potential detractors. Based on our testing, which we will discuss further on Slide 22, we are convinced that adsorption-desorption is the right type of DLE for our project. The ability to simply elute lithium from the DLE resin (phon) of water, no requirements for harsh chemicals or acids coupled with the fact that the adsorption-desorption is the only DLE technology we know to be in commercial production today, makes it a great fit for our project on the Great Salt Lake.

As there seems to be some public perception that DLE is yet to be proven, I would like to point you to the quote from Alex Grant, a well renowned expert in the lithium field, that 12% of lithium produced globally in 2019 used DLE technology, which according to Benchmark Mineral Intelligence, that percentage

produced by DLE is still accurate today. By choosing adsorption-desorption, we are traversing down a development path that others have successfully navigated.

On Slide 22, as mentioned, Compass Minerals has undergone a rigorous evaluation of DLE technologies that we believe are a good fit. As a resource holder and not a DLE technology developer, we have the luxury of testing multiple technologies to find the best fit for our brine. Early on, we identified five DLE technologies that were evaluated for specific criteria. These criteria are quite detailed and we have summarized our internal relative assessment of the most pertinent metrics in this table.

The technology requires the capability to effectively and efficiently extract lithium from our incoming brine Each technology tested was successful at lithium extraction to varying degrees, as noted by the pluses in the chart - the more pluses, the better performance in that category.

The second criteria for Compass Minerals is the ability to reject magnesium. As Chris shared previously, our starting brine for DLE post-evaporation ponds has been enriched in lithium and also in magnesium after we have extracted the majority of the sodium and potassium-based salts. Three of the DLE technologies evaluated were successful in this regard.

Due to our operation being based on such an exceptional resource as the mineral-rich Great Salt Lake, mitigating potential environmental impacts is essential to Compass Minerals. It is important that we consider reagents required, power and water consumption, and the ability to return spent brine to our pond system. The DLE technologies we evaluated were pre-screened for these attributes prior to being trialed and, as noted in the chart, most of the technologies have exceptional scores.

The final criteria garnering significant focus during our later stage testing is commercial readiness. Of the five technologies tested, three of them advanced to onsite pilot plants. These larger scale pilots were designed specifically to prove scalability from bench testing to field testing utilizing direct feed of our brine. We were also able to evaluate extended run times, enabling data collection for longer periods of time when the process is in control. This step was critical to our decision as it relates to scalability and commercial readiness.

As you can see, based on our overall scoring in the chart, EnergySource Minerals' integrated lithium adsorption-desorption, or ILiAD DLE technology, is our technology of choice for Phase 1. Compass Minerals has been collaborating with ESM for over two years and they bring more than just technology to our project. ESM was formed in 2016 with experts from multiple industries, including energy, mineral extraction, renewable energy, and lithium mining. Their team has proven capable of supporting Compass Minerals at multiple steps in our recent development. The ESM team is integrated with our lithium team at the Ogden site and has been onsite for much of the recent pilot operations. This working, time-tested relationship was also a critical component of our selection.

ESM is also developing their own lithium project on the Salton Sea, where they are in advanced stages of deploying their patent protected ILiAD technology. ESM has over five years of testing multiple scale of ILiAD technology and through collaboration with Compass Minerals, we have tested ILiAD at three different scales, including bench top testing, offsite piloting and onsite piloting, resulting in over 3,800 hours of data on Compass Minerals' brine.

To provide background on how ILiAD works and why it is a great fit, I will take a few minutes describing the process detailed on Slide 24. This is an over-simplification but should capture the key aspects. One critical advantage to note is all processes have been concurrently in ILiAD resulting in a continuous flow system. I will walk through each step within that continuous flow system one at a time.

First, the brine concentrated through our evaporation ponds is utilized as input to the ILiAD process. As you can see on the right-hand portion of Slide 24 and as noted earlier by Chris, the brine enters our north arm intake at an average of 71 parts per million lithium and 10,500 parts per million magnesium. After advancing through our ponds over the course of three years, we are left with magnesium chloride and interstitial brines that on average are 385 parts per million lithium and 52,000 parts per million magnesium. This will feed DLE for Phase 1.

This lithium-enriched brine is loaded into the ILiAD system which consists of a series of columns containing a proprietary resin or adsorbent. This adsorbent selectively retains the lithium ions while the majority of other ions and impurities pass through the column as the loading solution or brine is applied. This lithium-depleted brine is either processed as feed for magnesium-based products or returned to the pond system for recycle.

The next concurrent step is to wash the adsorbent containing the lithium and continue to further remove unwanted ions. Through this process, some magnesium is retained along with lithium. This is because lithium and magnesium have similar chemical and physical properties and can be hard to separate. In our testing, ILiAD has been successful in rejecting more than 97% of the magnesium.

The final concurrent step is elution of the retained lithium from the adsorbent. ILiAD offers the simplicity of eluting with water. This a key benefit as many technologies could require harsh chemicals. After elution, we now have a more concentrated lithium solution with a lithium-to-magnesium of close to 1 to 1, which is a great feed for the next step in our process, which I will describe on the next slide.

Please note that through the over 3,800 hours of testing ILiAD technology with our brine, we have shown that we can recover over 90% of the lithium in the brine. We are also able to return the non-lithium material back to our pond system as we have not introduced any new chemicals that weren't originally present in the lake. As we move to Slide 25, I would like to illustrate that ILiAD is just one component of our overall process, albeit a very important part.

Now I will walk through the rest of our plan process for Phase 1. Note this process depicts the path to get to battery grade lithium carbonate. If the market is pricing lithium hydroxide at a significant premium, we could include additional steps which are commonly used globally to produce and sell lithium hydroxide. After the production of sodium and potassium-based products in our pond system, we must then filter the DLE feed brine, removing any particulate matter before sending it into the ILiAD system. We have extensive experience processing brine and the pre-filtration step is well understood.

Since we just covered the ILiAD process, here we will focus on the downstream processing of the DLE product coming from ILiAD. All subsequent processes I will walk through are well understood and in various forms of commercial use today.

Post DLE, we are left with a lithium-rich brine that also contains an equal amount of magnesium. Through the softening step, we remove the majority of the remaining magnesium by reacting with sodium hydroxide and producing a higher purity lithium output. This product is further refined to remove additional impurities through ion exchange and a reverse osmosis purification system.

Once we have a high purity lithium solution, we then concentrate that solution using evaporation. Here, we are removing a portion of the water from the lithium solution and sending it back into our DLE process for recycle. Up to this point, the lithium compound we are working with is lithium chloride. This lithium chloride solution then moves into the crystallization process where lithium carbonate is produced.

In the crystallizer, we react the lithium chloride with sodium carbonate to form lithium carbonate. Any residual liquids are either returned to our ponds or the ILiAD process to capture additional lithium and

water. From crystallization, we need only to further dry and package the product for storage until shipment.

I will now pass it back to Chris to provide further detail about our project and timelines. Chris?

Chris Yandell

Thanks Ryan.

The highest risk to a new project's success is often the efficacy of the technology deployed, and Ryan explained one way we have mitigated that risk on DLE. Later, I will discuss how we continue to de-risk.

Now I point your attention to Slide 27 and the overall attractiveness of this project. For Phase 1, we anticipate start-up by 2025. The FEL-1 estimate for Capex is $262 million, including a 25% contingency with a minus-30% to plus-40% range of accuracy. I would not expect the estimate to go down as we continue our PFS or FEL-2; however, the range will be tightened from minus-20% to plus-25% range of accuracy with a 15% contingency.

As Kevin mentioned, we see substantial value creation. At a conservative selling price of approximately $16,000 per metric ton LCE as reflected in our PRS, the after-tax NPV is over $626 million, and at a selling price of approximately $21,000 per metric ton of LCE, the after-tax NPV increases by over 50% to $985 million. There are variables to consider, but if the trajectory continues in regards to energy transition, pricing should remain robust.

Will these numbers change with our PFS? Yes. The nature of progressing through the various stages of the estimating process is that numbers change; however, as the sensitivity analysis in our appendix shows, this project is economically very sound with a wide margin of safety with strong returns across a wide range of capital and long rated pricing scenarios.

Moving to Slide 28, there are several different sources regarding lithium cash cost curves. We chose Benchmark Mineral Intelligence. Compared to operating North American assets or those that plan to be operational by 2030, as indicated in the top graph, our cost of about $4,200 per metric ton of LCE for the east side is very competitive. In our costs, we consider labor, raw materials and utilities, lithium SG&A, and our technology license fee - we do exclude royalties. We are encouraged by our position at the very low end of the cost curve. This slide also ranks the cash cost of our project against global brine assets projected to be operational by 2025, as shown in the lower graph. On this basis, our resource begins to rank favorably, placing us in a position to remain globally competitive across a wide range of prices over time.

Slide 29 ranks our project on a capital intensity basis. For the east side, the FEL-1 estimate results in capital intensity of approximately $24,000 per metric ton. Our existing pond system and proximity to utilities provides synergistic benefits you typically find in brownfield construction. Despite the incremental cost of DLE relative to higher grade brine, overall capital intensity is at the average of approximately $24,000 per metric ton of LCE for similar brine projects, many of which reflect studies conducted before the inflationary impacts of the past 12 months.

Slide 30 provides perspective on the environmental and sustainability profile of the first phase of our project and reflects the analysis of Minviro, an independent third party we contracted to conduct an LCA, or life cycle assessment. Due to the brownfield nature of our land footprint and opportunities for freshwater recycling in our DLE technology selection, our primary focus for this assessment was on the carbon dioxide footprint, or global warming potential of our project. It should be noted that certain values shown in the table are based off of conversion to lithium carbonate while others are for conversion to

lithium hydroxide monohydrate, but in all cases the comparison relates to the primary battery-based product being produced.

As shown, brine for lithium carbonate out of Chile on average has the lowest footprint with the Phase I global warming potential of or project coming in just slightly higher. Importantly, our project compares very favorably to both hard rock and lithium clay operations. A good portion of the carbon dioxide generated in our process is during the pre-heating of the brine just prior to the DLE step and during the evaporation and drying processes.

While we're pleased with this initial assessment, we will work to identify areas where we can continue to improve the design or efficiency improvements as the project progresses towards commercial scale. We take great pride in being engaged community partners and serve across several boards focused on the sustainability of the region. We are committed to maintaining our longstanding reputation as a responsible operator on the Great Salt Lake and we work to earn our social license to operate every day.

A synopsis of our go-to-market strategy is shown on Slide 31. We are focused on providing a domestic security of supply, mutual value creation, and finalizing the supply commitments we announced this summer. Over the past several months, we entered non-binding MOUs with both LG Energy Solutions and Ford Motor Company. We have now moved into due diligence around the project, site operations, details around DLE and the conversion process, as well as deep discussions with our process team. For both Phase 1 and Phase 2, we are discussing committing a majority of expected production. We expect to finalize one or more definitive agreements by the end of this year.

From a pricing perspective, we are focused on establishing market index-based contract pricing as we believe this is the best means of maximizing value over time. Timelines and project milestones detailed on Slide 32 are where we put a stake in the ground and we commit to execution. As we progress along our timeline, we will learn new things and adjust; however, our end goal to produce battery-grade lithium in the near term remains clear.

While the information we have shared today is based on an FEL-1 level of detail, we have now advanced towards developing an FEL-2 estimate, or PFS, and expect to complete this stage in calendar year first quarter 2023. Upon completion of the FEL-2, we intend to then advance an FEL-3, or DFS and have it completed by first half of calendar year 2023. Also in early 2023, we intend to bid out the EPC - Engineering Procurement and Construction for Phase 1, and while we have confidence in the scalability of EnergySource's DLE technology, we will verify that confidence by bringing our commercial DLE unit for magnesium chloride brine online prior to committing to full construction on the east side. We will utilize learnings from commissioning and operating this unit to refine detailed engineering, train operations, and prepare feed for the conversion unit.

Building out a demonstration unit rather than simply advancing the entire project at once has added to our schedule. This approach is prudent and the learnings should significantly de-risk later stages, enable a more robust start-up and accelerate our timeline to reach nameplate capacity. Construction is expected to take all of 2024 and go into 2025, when we should be able to start commissioning on various process operations. We continue to estimate a 2025 timeframe for turning over the plant to operations and delivering product.

We expect to advance FEL-2 and FEL-3 level estimates of Phase 2 of our project near the end of the east side construction phase. We will take learnings from east side operations and apply them to west side design. In late 2026, we plan to commence construction. We anticipate that learnings from east side will accelerate construction, commissioning and operations and that we will be operational by 2028. The combined annualized production for both phases is estimated at approximately 35,000 metric tons LCE and a design OEE, or Overall Equipment Effectiveness at 85%.

Lorin will provide details surrounding our funding strategy. Lorin?

Lorin Crenshaw

Thanks Chris.

As we consider the exciting value creation potential of lithium, simultaneously we will stay laser focused on adhering to our financial policy which calls for us to restore our net leverage through our steady state target of around 2.5 times net debt to EBITDA over time; therefore, we have been exclusively focused on non debt-related options to fund Phase 1, which is currently projected at an FEL-1 level of accuracy to cost approximately $262 million. In evaluating funding alternatives and how to maximize shareholder value, we have sought to identify a prudent funding path that enables us to maintain our credit profile, maximize our ownership of the underlying lithium assets, and minimize our all-in cost of capital while meeting the timing requirements speed-wise to ensure the project starts strong and does not experience timing delays related to funding.

We have also balanced these principles with strategic considerations that arise as opportunities present themselves to co-invest alongside partners anywhere along the energy transition value chain who may bring more than simply capital to the table. Within this context, the $252 million strategic equity investment from Koch Minerals and Trading announced yesterday positions us to aggressively pursue Phase 1 of our lithium growth opportunity. Once this transaction closes, the investment will fully fund the first two years of our current estimate of project CapEx requirements, enable the project to have a timely start, provide a reputable partner with a long successful execution and value creation track record in technical processing, production, and logistics that brings much more than simply capital to bear, while also strengthening our balance sheet to align it better with our corporate growth strategy. As the project progresses, we will evaluate the full range of options to fund the remaining increment required, currently estimated to be approximately $62 million and to occur in the 2025 timeframe.

Turning to Slide 35, timing is an important consideration to our capital raising strategy both to ensure the project remains on track and does not leak value capture due to schedule delays, and from a cost of capital perspective. As shown on this slide, of the total $262 million in estimated capital required between 2023 and 2025, we currently project that approximately $100 million will be required in each of the next two calendar years respectively, with the balance required in 2025. The capital required in 2023 will fund the commercial scale demonstration unit that we expect to serve as a proof point of the scalability of our chosen DLE technology route. We would then move on in the calendar years 2024 and ’25 to build out the rest of the conversion complex with numerous stage gates occurring along the way. Once the demonstration unit has operated successfully, we would expect the technology risk and correspondingly the cost of capital or risk premium we pay for future lithium funding increments to decline considerably.

Overall, we are pleased to have identified a prudent path forward to advance the development of Phase 1 of our lithium resource.

I would now like to turn to Slide 36. The top half of this slide lists a select group of publicly traded companies all advancing lithium projects that we believe are reasonable costs from a valuation perspective at this early stage in our project’s development. Of course, there are numerous companies with projects at all stages of development and a multitude of ways to divide that universe; however, in the near term at a time when we believe investors are not ascribing any value to our lithium asset, we would expect investors to initially value our lithium project in reference to similarly situated companies with projects at comparable stages of development.

There are no perfect comps. Some projects are ramping up now, others are ramping up between now and 2025, while others are predicted to come on well beyond 2025. Some projects are fully permitted, others are partially permitted. Some are fully funded, others are unfunded. We expect our project to be associated with the higher value peers and believe that it is one of the most attractive DLE projects under development anywhere in the United States.

Among the attributes of our project that warrant a premium valuation in our view includes its brownfield nature, leveraging existing infrastructure, it's exceptionally low cash costs, it's use of a DLE technology realm that's already being leveraged in full scale commercial operations globally, it's 2025 projected ramp-up, strong permitting status, and the fact that we're not a pre-revenue company with no EBITDA. Instead, we benefit from a well established, durable salt and plant nutrition franchise that has generated reliable free cash flow over a long period of time.

Against that backdrop, the average market cap to projected annual LCE production multiple of the peers on Slide 36 is approximately 49 times. Applying that multiple to the approximately 11,000 metric tons of Ogden Phase 1 capacity implies a valuation of just over $500 million, equating to roughly 40% of our 30-day average market cap and just over $13 per share pro forma for the shares that we issued in connection with the Koch investment. This is simply one approach to ascribing a minimum value to our project at its current development stage.

Another approach to assessing the amount of value ascribed to Phase 1 is to consider the midpoint of the range of after-tax net present value Phase 1 is projected to generate. That number, approximately $800 million, equates to nearly 60% of our 30-day average market cap and approximately $20 per share pro forma for the shares to be issued in connection with the Koch investment.

The bottom section of the slide shows the three-year average EV to EBITDA multiple of select lithium majors. As our project matures, comes online and begins generating substantial EBITDA, we would expect the valuation approach to shift towards more classical approaches and that it would attract a multiple comparable to these established lithium mining and processing companies. Assuming an average selling price for lithium carbonate of $20,000 and the cost structure detailed in the S-K 1300 we filed today, we believe that Phase 1 has the potential to throw off operating income well over $100 million per year at full operating run rates. Overall as we successfully execute and achieve the milestones we have laid out, we expect investors to eventually ascribe considerable value to our lithium efforts.

Finally, investors should view our resource as a two-stage growth opportunity over the next several years, with the projected NPV of delivering Phase 1 representing the first potential value recognition stage and the projected NPV of delivering Phase 2 representing the second potential value recognition stage. I invite investors to review the over 200 page updated S-K 1300 report we filed yesterday and that is available on our website. It provides details on both phases of our project, and while Phase 2 is not our primary focus today, it is expected to come into greater focus as we achieve our Phase 1 milestones.

With that in mind, Slide 37 summarizes the economic potential of Phase 2, indicating a projected after-tax net present value of between $1.4 billion and $2.2 billion and an IRR of between 23% and 30%, assuming an average lithium hydroxide selling price in the range of approximately $17,000 per metric ton to $21,000 per metric ton, which reflects base pricing in our technical report plus 30%.

It is unlikely that Phase 2 would come to fruition prior to the 2028 time frame. Over the next year, we will remain laser focused on constructing the Phase 1 demonstration unit and proving out the DLE technology route that we have selected with our partner, EnergySource. However, after ramping up Phase 1, our intention will shift towards advancing west side development, toward establishing a facility with annual combined production capacity of approximately 35,000 metric tons LCE for battery-grade domestic lithium.

In closing, today marks an important milestone in the history of Compass Minerals as we officially build upon our core salt and plant nutrition businesses by adding a third, lithium, pillar. We recognize that over time, the value of our Company will be a function of the absolute level and growth rate of our free cash flow and the ability of the outstanding team we have assembled to engender confidence in that free cash flow generation through effective and consistent execution.

As Kevin indicated earlier, as we shift from a valuation mode to execution mode, our goal today has been to answer three questions for investors: why we are pursuing this lithium development project; why Compass Minerals is uniquely positioned to successfully execute our plan; and why we believe the opportunity before us represents an exceptional proposition for each of our stakeholders. We trust that we have done that and look forward to your questions.

With that, I will turn the call back to the Operator.

Operator

Your first question comes from the line of David Begleiter from Deutsche Bank. Your line is open.

Anthony Mercandetti

Hey guys, this is Anthony Mercandetti on for David Begleiter. A few questions here.

Kevin Crutchfield

Good morning.

Anthony Mercandetti

The first is around Phase 2. Would you say that the higher capital intensity for Phase 2 is solely due to the cost of the additional DLE processing facility and conversion plant? If possible, was wondering if you could break out the cost for the two.

Lorin Crenshaw

Yes, I'll start by just saying the principle reason that Phase 2 has a higher capital intensity is just due to the fact that it has more of a greenfield orientation, but I'll let Chris explain more about the capital intensity there and what we expect.

Chris Yandell

Thanks Lorin. There's a couple of things that you're looking at. When we talked about Phase 1 and Phase 2, Phase 1 is what we're looking at from a lithium carbonate perspective and Phase 2 is on a lithium hydroxide monohydrate basis. As we're looking at the processes for Phase 1, we would stop at carbonate; for Phase 2, you would have additional conversion from carbonate to hydroxide, so there's some additional capital required there.

In addition, while the east side is mostly what we consider brownfield, when you look at the west, it does have aspects of greenfield. The existing ponds are there, but from an infrastructure standpoint, there's quite a bit of miles of wire and power you have to run for electricity, there's natural gas, there's water. It's a little bit more remote so the infrastructure costs are higher as well.

Then as Lorin also talked about from a DLE perspective, there's some additional DLE costs associated with west versus east, and that's the bulk of the additional capital intensity.

Anthony Mercandetti

Got it, very helpful. Then maybe what's your expectation for conversion costs? Is it completely separate from the cash costs that you're reporting in Phase 1 and Phase 2?

Chris Yandell

No, I think those are pretty much synonymous.

Anthony Mercandetti

Okay. Then maybe what's driving your change in higher cash costs between selling prices?

Chris Yandell

Change in higher cash costs?

Lorin Crenshaw

There's an element of the technology that is cost that's linked to pricing, and we won't go into great detail on the exact DLE cost, but there is an element of the cost that does drift up or down with pricing, Chris.

Chris Yandell

Yes Lorin, thank you. When you look at certain, I would say, technology fees that you would have to have with your licensing of different technologies, typically there are fees for that, that range as a percentage of net revenue, and as net revenue fluctuates between the two scenarios, you'll see an impact with regards to that fee that's paid.

Lorin Crenshaw

That's the only reason you see a difference between those two cash costs.

Anthony Mercandetti

Got it, thank you very much.

Operator

Your next question comes from the line of Vincent Anderson from Stifel. Your line is open.

Vincent Anderson

Yes, thanks. Good morning. I guess I'll start in broad terms. Is it possible to estimate how much of that 30% risk band is tied specifically to how well the DLE technology scales, or maybe if not, more specifically do you have any initial impressions of how well the variable costs should scale in terms of how that could impact narrowing the cost range as the studies progress?

Chris Yandell

I'd start by saying that 30% is just directional. We're just trying to be helpful in terms of helping folks understand the margin of safety in these numbers. You can also look in the appendix and find the sensitivity analysis. There's no more science to it than just to be helpful to investors to understand the degree of safety in the numbers. It's not that 30% has no linkage to any specific line item, it is simply to be helpful and allow you to see a reflection of returns across different capital and different price environments.

Vincent Anderson

Sure, understood.

Kevin Crutchfield

It will tighten up too as we progress through FEL-2, FEL-3.

Lorin Crenshaw

Right. On the accuracy range from a Capex standpoint as you progress across the various stages, we'll see tightening, as we alluded to, from that plus or minus 30% to plus or minus 25%, to a plus or minus 15% as we progress all the way to detailed engineering. From a variable cost standpoint when you're looking at it, we used basically what we see in the market today, or at the time the study was done, so there may be some aspects where you see some impact on variable costs, but that would be a reflection of the market.

Vincent Anderson

Okay, I guess—yes, maybe that's all fair, but maybe specifically as you think about this technology, do thinks like reagent use efficiency typically scale well with these type of processes, or—you know, that's really what I was getting at with that confidence band, is how much wiggle room is there in that part of the variable cost structure? Obviously price assumptions can move and they'll move every day, but..

Ryan Bartlett

Yes, hey Vincent, this is Ryan. As it relates to variable cost for DLE, one of the things that we noted in the script was the ILiAD technology from ESM has very little, if no reagents, so the variable costs for DLE is de minimis. As you look at the back end conversion, I'll let Chris speak to that with his experience, but that's a very well known process and we have a lot of data there.

Chris Yandell

Right, so when you look at the back end, it's typically process engineering, you know what your inputs are, and based off of that, you can apply the different reagents to reactivate what you need to make from a carbonate or hydroxide perspective, so we don't see really any variability from a reagent standpoint on the (inaudible).

Vincent Anderson

Okay, excellent. Then when I think about the DLE asset itself, maybe even applying it more broadly, is this—you know, the flow chart shows it all as one unit, but is this more of a singular unit or is this going to be something like four or five identical process lines that make up this target capacity? Then maybe just as a follow-up to that, when you assume an 85% OEE, should I interpret that as something like a targeted

capacity utilization, as something that could be debottlenecked down the road, or is that not the best way to think about that?

Lorin Crenshaw

Yes Vincent, let me start with DLE. You're absolutely right - we would have multiple identical units running continuously with independent feeds going into those units, and so you get up to a certain flow rate with one individual unit, and then to continue to add on production capacity, you would simply add additional DLE units.

As it relates to the OEE, the 85% is where we are in our estimating stages. There will absolutely be opportunity to debottleneck that as we get further along, and then once we're up and commissioned, the opportunity to debottleneck that OEE further will be something that we'll focus on once we're operational.

Vincent Anderson

All right, excellent. If I could ask just one more, it will be an easier one. What are the key differences between the pilot plant and the demonstration unit?

Lorin Crenshaw

Let me take that too, Vincent. The pilot plant that we've been operating onsite now for six months has a certain scale to it that is looking at one gallon per minute continuous flow, and like I said, we've been operating that for six months. The demonstration unit is the actual commercial installation of one of the DLEs that we just spoke about, so you're going to the full order of magnitude that you would be operating commercially with all of the ancillary components and everything being at full scale.

Vincent Anderson

All right, excellent. Thank you.

Operator

Your next question comes from the line of David Silver from CL King. Your line is open.

David Silver

Yes hi, good morning. Thanks for a very detailed and informative presentation.

I haven't gone through the whole technical report summary yet, so I have a couple of questions that are more focused on maintaining your pretty aggressive timeline. The first thing I would just like to ask you about is the labor requirements. What do you think the total, I guess, labor force is going to be—required labor force would be at maybe the maximum activity level, and could you maybe comment on the cost, the availability of the caliber of labor in particular? I imagine there's going to be a fair amount of skilled trade work there, so just the labor outlook in the region and how you think about that in terms of hitting your 2025 timeline. Thank you.

Chris Yandell

Hey, this is Chris. When we look at labor, I'll focus on the east side first. The east side is located next to Ogden, north of Salt Lake City, so from a labor perspective, I think recall that we already have an operational site at Ogden that employs from Ogden, Salt Lake area. If you look at there's a number of

universities also within Salt Lake, but the other aspect I think you would look at is the refineries and industrial complexes that you have in Salt Lake City as well, so from a labor standpoint, I think we're going to be pretty good on the east side.

If you look at our TRF, I think we refer to somewhere around about 170 plus or minus, maybe about 179 when you look at a combined labor force across both east and west sides. Certainly the west side will provide challenges but we'll face that here in a few years, but from an east side perspective, I think we're well set and well positioned from a labor perspective.

David Silver

Okay, great. Then this is—this next question is kind of asking about what incentives or disincentives that you have in place that you think will keep the various key elements, particularly those that might be provided from outside sources, to keep them on track, and I'm thinking maybe in terms of some long lead time pieces of equipment, or maybe execution by the EPC company. In other words, what incentives or penalties or—you know, what makes you think that this—the different elements of this project are going to come together, I guess harmonically or in harmony, and in particular the ones where you would say you're not in direct control of. Thank you.

Chris Yandell

Sure, so there's quite a bit to unpack there. Let's talk about one, the premise that the schedule is aggressive. One of the things that we talked about was, as Ryan talked about as well, is the commercial scale DLE unit. That does add a little bit of time to our schedule but it also helps to de-risk the schedule in the end. When we look at the construction aspect of it, what we've shown in the slide on Slide 32 is really starting that construction kind of at the end of 2023, and it's almost a two-year period, so I would say that's not necessarily a very aggressive schedule. That is somewhat aggressive but it's not a 12-month schedule, it's not a 16-month schedule. I would say it's probably in line with what schedules realistically are, and we are de-risking that as we go through and looking at various EPCs.

One of the things I talked about was early next year, we'll be bidding out the EPC package, and certainly part of those things that you alluded to with regards to incentivize and de-risk, we'll talk about with the EPCs; but currently, we are planning on certain things but we haven't put anything into a contract yet.

Ryan Bartlett

Yes, hey David, this is Ryan. Maybe I could add a bit. If you look at our schedule with plans to be in the market by 2025 compared to other projects, perhaps it does seem aggressive. I think Chris just addressed all the salient points for construction, for EPC, for all of the different FE stages; but if you look at our project on a whole, as we've noted several times in the slides, we're fully permitted to extract lithium from our brine, so our permit status is enviable, I think, compared to other projects, and that's not something that adds to our potential timeline.

David Silver

Okay, thank you very much. I appreciate it.

Operator

Your next question comes from the line of Joel Jackson from BMO Capital Markets. Your line is open.

Joel Jackson

Hi, good morning everyone. Thanks for the update. I have a number of questions. I'm going to go through them one at a time.

On the demo, you talked about a gallon per minute at the pilot plant scale, and then the demo plant will be one commercial unit. Can you talk about the scale-up - what is the scale-up from pilot to demo, please?

Ryan Bartlett

Yes, so Joel, as I noted, our pilot that we've been operating continuously for the last six months is at approximately one gallon per minute. As we go to the full commercial demonstration unit, it will be somewhere between 300 and 400 gallons per minute, and so there is significant scale-up there, and that's why we think it's prudent to put that demo unit in place before we pull the trigger on all of the DLE installations for Phase 1.

Joel Jackson

Okay, so a scale-up of 300 to 400 to one, as you know, is quite high, and DLE technology may have been a large percent of 2019 production but it's obviously now quite low single digits, because (inaudible) never really expanded and everybody else did. Would you not say that the margin of error on all your estimates would be higher than normal because of all the things I just said?

Chris Yandell

Hey Joe, this is Chris. I think one thing that we necessarily haven't talked about is when you look at Slide 24 and you see ILiAD and you see this aspect of a multi-port valve, the process, let's say ex-DLE, the process that's being used is being used today commercially. It's being used in a number of different areas like water treatment and it's being used at orders of magnitude well beyond—several orders of magnitude well beyond the ones (inaudible), so we're very confident in the operational aspect of how this equipment works, how the reliability of the equipment.

When we look at the aspect of the resin itself and performing the adsorption-desorption, as Ryan noted, we've done that for close to 4,000 hours, and our technology provider ESM has also been performing similar tests on the resin as well over the course of their process. So yes, there is a margin of conservatism, if you will, with regards to how we're looking at this, but I think we're pretty well confident that this technology will work and that's why we're proceeding with it.

Ryan Bartlett

Yes Joel, and I'll just add there, one of the things that we've been laser focused on with ESM over the last couple of years is scaling the chemistry. The chemistry has proven to scale perfectly as we've gone from the bench to two different sized pilots, so we're very confident that the chemistry works. Going to a 300 to 400 GPM unit, we're going to be verifying all of the mechanical and engineering aspects that Chris is referring to, so that's why we think that course is prudent.

One other piece that I'd like to add, though, and your reference to lithium production through DLE, one of the data points that we have from benchmark is in 2021, 27% of lithium produced from brine came through DLE, so even though other projects may have scaled, some of the Chinese production using DLE has also increased, so we feel like adsorption-desorption is the technology that's being used commercially and that's one of the reasons that we've selected ILiAD as our path forward.

Joel Jackson

Okay. When you think about the variability and the evaporation rates and the rainfall in the Great Salt Lake that sometimes can play around with the solar harvest for SOP, can you talk about how that variability might play into some of the assumptions that went into your cost estimates, your opex estimates, your throughput estimates, and would that variability in rainfall and evaporation rates be more impactful on the Phase 1 operation or the Phase 2 operation?

Ryan Bartlett

That's a good question, Joel, and so as you've been following us for many years, you understand how that environmental impact potentially impacts potash production. Lithium, of course, is coming along for the ride with sodium, potassium and magnesium, but as a reminder, we're dropping out potassium as a solid the same way that we do salt in our evaporation pond system. Lithium is retained in the liquid that makes its way through that pond system along with mag chloride, and so we're not trying to concentrate to a point where lithium crashes out of solution. We're going to be processing lithium as a liquid feed brine into DLE. So, will a heavy rainfall impact the lithium concentration? Sure, it will to some extent, but the variability there is small compared to what we see with potash.

The other thing that I'll note is one of the primary sources that we have to feed both east and west sides is what we're calling interstitial brine, where lithium is trapped in sort of salt sponge that's already present within our pond complex. That for the most part is unaffected by surface water.

Chris Yandell

Ryan, let me add to that as well. When we look at design of inputs on our process, we're conservative when we do that, so we have conservatism built in across the entire design right now, meaning that we're not necessarily using the higher of the lithium concentrations that we see as an input to the DLE. We're looking at what we would see as variability and we choose where that needs to be and add conservatism.

On the west side, when we operate over there, the rainfall is much less on the west side, so I would say it would be even less of an impact when we design west.

Joel Jackson

Okay, and finally, obviously there's a premium to be established on U.S. and North American deposits—excuse me, deposits, lithium projects that didn't come to production, and the DoE seems to be happy to provide money to different projects, grants, loans with some conditions. Can you talk about are you in that process of trying to get some funding from the DoE alone or a grant? Do you qualify, (inaudible) qualify? Maybe if you can give some information on that, if it's relevant.

Kevin Crutchfield

Yes Joe, this is Kevin, and I'll let Lorin fill in. We're obviously aware of that. We'll evaluate that as we move on, but our interest in taking loans wouldn't be too high right now given where our leverage is. We don't think we need it, but it is something that we're cognizant of and we're glad that the U.S. government has recognized the criticality of this mineral in the ED-EV chain and providing incentives, but also forcing through the Inflation Reduction Act, certain criteria around domestically sourced lithium. I would just say that it's something that we're cognizant of, we'll evaluate, but as of right now, we're not interested in increasing our leverage any further.

Joel Jackson

Thank you.

Operator

Your next question comes from the line of Chris Shaw from Monness, Crespi & Hardt. Your line is open.

Chris Shaw

Good morning everyone. I had a question. On Slide 28, when you gave the cost per ton for the project and the cost curves, is that reflective of—that's reflective only of Phase 1, right?

Ryan Bartlett

It is reflective of Phase 1, that's correct, but you can also refer to—if you want to slow that somewhere, you can refer to the slide that Lorin went through the west side, Slide 37, and those costs are very similar on a per-ton basis.

Chris Shaw

That was going to be my question, so on that curve it would be very similar. I assumed on the west side it might be higher, given that you're not dealing with the—processing the already evaporated tons, is that right?

Ryan Bartlett

I'm sorry, rephrase your question?

Chris Shaw

On the east side, you'll have access…

Ryan Bartlett

Will the cash costs will be higher on the west side given that we're not processing the interstitial brine?

Chris Shaw

Yes, correct.

Chris Yandell

I mean, with regards to east and west, we'll be processing interstitial brine. It's located on both sides.

Chris Shaw

Okay, that was the only question I had. Thanks.

Operator

Your next question comes from the line of Seth Goldstein from Morningstar. Your line is open.

Seth Goldstein

Good morning everyone, and thanks for taking my question today. How do you think about the pricing component of your commercialization strategy, and is there any potential upside to waiting to sign definitive agreements until the commercial scale is more de-risked?

Lorin Crenshaw

Yes, I think the—I'll take a shot at that. I think our approach is to replicate market because at the end of the day, anytime you try to beat market and others, there's risk in that, so anything we enter into is going to have a market-based indexing type feature. I think that's probably the best strategy that gives the project the highest ability to be successful.

Seth Goldstein

Okay, great. Thank you very much, and thanks for all the details.

Operator

There are no further questions at this time. Mr. Kevin Crutchfield, I turn the call back over to you for some closing remarks.

Kevin Crutchfield

I just want to thank everybody for participating today. Appreciate also your continued interest in Compass Minerals' transformation, and we look forward to keeping you posted in subsequent quarters. Thank you.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.