

NEWS

CADIZ

CADIZ, INC. | FEBRUARY 2023

2022 : YEAR IN REVIEW

MEET SUSAN KENNEDY : NEW CHAIR

CADIZ ACQUIRES FILTRATION COMPANY
ATEC SYSTEMS, INC.

TWO SO CAL COMMUNITY
LEADERS JOIN BOARD

CADIZ DEDICATES WATER TO
THE SALTON SEA

CADIZ PARTICIPATES IN
HISTORIC JV WITH LOCAL
TRIBE & FARMWORKER ORG.



Q&A: EXECUTIVE CHAIR SUSAN KENNEDY ON THE “NEW” CADIZ

“We are in position to play a major role
in the future of California’s water infrastructure.”

Since being named Executive Chair of Cadiz in February 2022, Susan Kennedy has used her skills and deep experience as an entrepreneur, high-level California government official, and public-policy authority, who has served on powerful state regulatory boards, to position Cadiz for near- and long-term success. She has accelerated development of the flagship Cadiz Water Project and added dynamic leaders to the Board to drive the Company’s honed focus on serving California communities that most urgently need access to clean, affordable, sustainable water supplies. Kennedy has also forged joint ventures and made strategic acquisitions establishing Cadiz as a diversified and innovative water-technology solutions provider. These moves have added capabilities and relationships that enable Cadiz to scale growth this year while raising the Company’s profile as a water solutions provider essential to resolving California’s urgent water crisis. Kennedy outlined her vision for 2023 during a Q&A session with members of the Cadiz team:

You assumed the leadership of Cadiz’s Board amid an extreme, persistent drought in California and the West. How has climate change impacted the Company?

In a word: dramatically. Twenty years ago, Cadiz was a large groundwater storage project that Southern California water authorities wanted but didn’t need. The world looks very different today, as we saw last year when Lake Mead’s water level fell to historic lows. The new normal of climate change means that California’s two biggest safety nets – the Sierra snowpack and Lake Mead are now permanently unpredictable. With the addition of the Northern Pipeline to the Cadiz project, Cadiz now offers the solutions that Southern California needs to manage unpredictable, uncertain, and increasingly scarce resources, and the urgency with which people are looking at the innovative solutions Cadiz can provide has increased dramatically.

There’s also a recognition today that California cannot afford to waste billions of gallons of water to evaporation every year when entire communities face constant uncertainty about whether they’ll have running tap water every time there’s a drought. We have a massive natural resource in San Bernardino County, a groundwater reservoir as big as Lake Mead, and it is overflowing. Each year tens of thousands of acre-feet of water in the Cadiz aquifer drain to dry lake beds, only to evaporate in the heat of the desert. By conserving this water before it’s lost, Cadiz





is creating a sustainable new supply that can benefit communities in need. At the same time, by storing water underground in the Cadiz aquifer, the Cadiz project will shield water from evaporation – conserving another 10-20% of California’s stored water supply. Governor Newsom’s strategy to combat the water crisis focuses on conservation, improved storage, and new supplies. Cadiz delivers all three in a single innovative design.

What were your strategic priorities in your first year as Executive Chair?

We made significant headway on several priorities that lay the foundation for delivering value to investors in 2023. We recruited talented and diverse Board members with deep ties to California’s underserved communities and political leadership, formed new partnerships with severely disadvantaged communities that will benefit from the Cadiz Water Project; expanded our portfolio of innovative water solutions to treat contaminated groundwater in ways that fit California’s new water reality; and we’ve made significant progress toward bringing the flagship Cadiz Water Project online.

Breathing new life into an existing, unused oil and gas pipeline by converting it to carry water changes everything. The Northern Pipeline links the Cadiz project to the State Water Project, and the Southern Pipeline connects with the Colorado River Aqueduct. Our unique location between California’s two main water arteries, with underground storage capacity the size of Lake Mead right here in California, changes Cadiz from a “nice to have” storage project to “must have” infrastructure critical to addressing California’s new water reality – the need to store water from “atmospheric rivers” and unpredictable snowmelt from the Sierras. And, because the Northern Pipeline repurposes existing oil and gas pipelines to transport water – the first in the world to do so - it enables Cadiz to begin delivering new water supplies in a fraction of the time it would take to build a new pipeline or canal. Given what’s happening with Lake Mead and the Colorado River, these advantages make Cadiz the most important water infrastructure project in California since the State Water Project was built.

What is the status of Cadiz’s right-of-way permits for the Northern Pipeline?

In September, a federal court allowed the U.S. Bureau of Land Management to voluntarily remand two right-of-way (ROW) permits related to our plans to convert the former oil/gas pipeline to transport water so that the agency could conduct additional environmental review. This is a routine regulatory process, and we are working cooperatively with the BLM to process the permit applications and conduct any necessary environmental review. We don’t expect further delay in the implementation of the Cadiz project, and we are continuing to work on the pipeline while the

KENNEDY ON THE “NEW” CADIZ - CONT'D

ROW application for a change of use to water is underway. In October, we finalized an initial engineering study for the pipeline conversion and accelerated construction of three new wells in order to supply the maximum capacity of the Northern Pipeline. We are making rapid progress.

What is the strategy behind the acquisition of ATEC Systems?

Last fall, we acquired ATEC Systems, Inc., a pioneer in technologically advanced, cost-effective groundwater filtration systems for community, industrial, municipal, and agricultural use. ATEC's expertise in removing contaminants from drinking water supplies expands Cadiz's toolkit of cutting-edge water technologies, in particular those that are well-suited to serve small and rural community water systems in a lot of underserved areas. The next frontier for water in the West is reclaiming groundwater that has become unusable as a result of decades of industrial contaminants and agricultural runoff seeping into the groundwater. There are more than 78,000 domestic wells operating in contaminated groundwater in California, and regulators estimate the cost of curing those water quality violations at \$10.3 billion. Strong demand for groundwater filtration technology creates new revenue streams for Cadiz, and we expect to be able to scale that business not only in California, but in other states as well.

What are the pillars of “the new Cadiz” and how else are you pursuing the new strategy?

“We started with who we are as a company. Last year, Cadiz recruited Board members who bring not only business acumen, strategic thinking, and community leadership, but also connection to communities that understand what it means to lack access to safe, clean, affordable water. It's very important to us that the leadership of our company reflects the diversity of California and the people we serve. The Board created the Equity, Sustainability and Environmental Justice Committee because these values are intrinsic to our mission and essential to our success as a business.

The second pillar of the strategy has been to dispel the outdated notion that Cadiz is a single-project company. The reality is that we are a water-solutions provider leveraging state-of-the-art technologies to conserve water for beneficial use and committed to pursuing water equity by building resilience in communities that are most impacted by water scarcity, while at the same time raising the bar of environmental stewardship.

The third pillar is cultivating partnerships with disadvantaged communities. Examples of this commitment include our agreements to donate water to Salton Sea restoration and the Torres Martinez Desert Cahuilla Indians, and installing ATEC filtration technology in tribal and farmworker communities that don't have easy access to



clean water today. We're also creating a state-of-the-art innovation center at Cadiz Ranch with an organization founded by Farmworker Leader Cesar Chavez - the Farmworker Institute for Education and Leadership Development, or FIELD, - to train farmworkers in climate-adaptive agriculture techniques, advanced water filtration technologies and groundwater management.

Cadiz is empowering communities by sharing tools to help them develop water resilience and economic self-sufficiency. These partnerships are the key ingredients of Cadiz' plan to change the face of water in California.”

How will January's massive rainstorms ameliorating extreme drought conditions impact the Cadiz Water Project or the Company?

The recent storms have provided some welcome relief by building up the snowpack and restoring critical water levels at many California reservoirs, particularly in Northern California. But no one is kidding themselves that this brief respite from the worst drought in 1,200 years is anything but a reminder of the whole new reality we live in when it comes to water. Trillions of gallons of water poured from the sky in “atmospheric rivers” – destroying homes, roads and levees before rushing to the ocean. Our water grid was designed to store predictable snowmelt and channel 100-year floodwaters into storm drains. None of this rain will protect California from the next drought, which we know will be sooner than expected, more intense than before, and more devastating to more communities as the air and ground continue to warm with climate change. The collapse of Lake Mead during this extreme, extended drought was the turning point for water in the Western U.S. We live in a new reality, and we need new solutions. Cadiz is in position to play a major role in the future of California's water infrastructure.

What are your expectations for Cadiz in 2023?

Buckle up. Cadiz has the only new source of water in the Colorado River Basin, along with the only new major storage capacity south of the Sacramento-San Joaquin Delta and west of Lake Mead. We will be the first in the world to convert an existing oil and gas pipeline to carry water, and we have the most cost-effective, versatile groundwater treatment technology in the Western U.S. After 20 years, the stars have aligned to make Cadiz a critical piece of the state's water supply network. We're shovel-ready to play a major role in making access to clean water the human right it's supposed to be.

