

25 October 2022

Dear Shareholder

KALIUM LAKES LIMITED – ANNUAL GENERAL MEETING OF SHAREHOLDERS

Kalium Lakes Limited (ASX:KLL) (**Kalium Lakes** or the **Company**) advises that it will hold its annual general meeting of shareholders (**Shareholders**) at 4:00pm (Perth time) on Thursday, 24 November 2022 at the offices of RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform (**Meeting**).

In accordance with the provisions under the *Corporations Act 2001* (Cth), the Company is not sending hard copies of the Notice of Annual General Meeting to Shareholders (**Notice of Meeting**) unless a Shareholder has requested to receive notices of meeting in hard copy. The Notice of Meeting can be viewed and downloaded from this website link: <https://www.kaliumlakes.com.au/asx-announcements/>.

A copy of your personalised proxy form is enclosed for your convenience. If you would like to vote by directed proxy in lieu of attending the Meeting in person, please ensure that proxy forms are lodged before 4:00pm (Perth time) on Tuesday, 22 November 2022.

The Company advises that, having regard to the significant number of Shareholders not located in Western Australia, in addition to a physical Meeting, the Company has made arrangements for Shareholders eligible to attend and vote at the Meeting to remotely participate via the Computershare Meeting Platform.

To participate in the virtual Meeting, you can log in by entering the following URL <https://meetnow.global/MK2TCCV> on your computer, tablet or smartphone. Online registration will open 30 minutes before the Meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the Meeting to obtain their login details.

To participate in the Meeting online follow the instructions below.

- (a) Click on 'Join Meeting Now'.
- (b) Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 one hour prior to the Meeting to obtain their login details.
- (c) Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop down list.
- (d) Accept the Terms and Conditions and 'Click Continue'.

Shareholders are advised that if they elect to attend the Meeting via the Computershare Meeting Platform, Shareholders will be able to view proceedings, ask questions via audio link, submit text questions and/or make text comments and vote at the appropriate times while the Meeting is in progress. All Resolutions will be conducted by poll.

Shareholders can also submit and are encouraged to submit any questions in advance of the Meeting by emailing the questions to info@kaliumlakes.com.au by no later than 5:00pm (Perth time) on Tuesday, 22 November 2022.

If the above arrangements with respect to the Meeting change, Shareholders will be updated via the ASX Market Announcements Platform and on the Company's website at <https://www.kaliumlakes.com.au/>.

The Notice of Meeting and accompanying explanatory memorandum should be read in its entirety. If a Shareholder is in doubt as to how to vote, that Shareholder should seek advice from an accountant, solicitor or other professional adviser prior to voting.

Yours faithfully



Stephen Dennis
Chairman



KALIAM LAKES LIMITED
ACN 613 656 643

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Kalium Lakes Limited will be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform on Thursday, 24 November 2022 at 4:00pm (WST)

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Shareholders may vote by directed proxy in lieu of attending the Meeting in person. Proxy forms for the Meeting should be lodged before 4:00pm (WST) on Tuesday, 22 November 2022.

Shareholders who wish to attend and participate virtually can do so via the Computershare Meeting Platform, where Shareholders will be able to watch, listen and vote online. Details on how to access the Meeting virtually are provided in this Notice. Please contact the Company by emailing info@kaliumlakes.com.au if you have any queries.

Shareholders can also submit, and are encouraged to submit, any questions in advance of the Meeting by emailing the questions to info@kaliumlakes.com.au by no later than 5:00pm (WST) on Tuesday, 22 November 2022.

If the above arrangements with respect to the Meeting change, Shareholders will be updated via the ASX Market Announcements Platform and on the Company's website at <https://www.kaliumlakes.com.au/>

**Should you wish to discuss any matter please do not hesitate to contact the Company
by telephone on +61 8 9240 3200**

KALIUM LAKES LIMITED

ACN 613 656 643

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Kalium Lakes Limited (**Company**) will be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform on Thursday, 24 November 2022 at 4:00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 22 November 2022 at 4:00pm (WST).

The Company advises that a poll will be conducted for all Resolutions.

Terms and abbreviations used in this Notice and the Explanatory Memorandum will, unless the context requires otherwise, have the meaning given to them in Schedule 1.

AGENDA

ANNUAL REPORT

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2022, which includes the Financial Report, the Directors' Report and the Auditor's Report.

1. RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

Voting Prohibition

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – ELECTION OF MR SIMON WANDKE

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 14.4, article 6.21 of the Constitution and for all other purposes, Mr Simon Wandke, who was appointed as an addition to the Board on 12 October 2022, retires and being eligible is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."

3. RESOLUTION 3 – ELECTION OF MR ROBERT ADAM

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 14.4, article 6.21 of the Constitution and for all other purposes, Mr Robert Adam, who was appointed as an addition to the Board on 12 October 2022, retires and being eligible is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."

4. RESOLUTION 4 – RE-ELECTION OF MR BRENT SMOOTHY

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 14.5, articles 6.14 and 6.17 of the Constitution and for all other purposes, Mr Brent Smoothery retires and being eligible, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."

5. RESOLUTION 5 – ADOPTION OF PROPORTIONAL TAKEOVERS PROVISIONS

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That, pursuant to and in accordance with section 648G of the Corporations Act and for all other purposes, the proportional takeover provisions detailed in Schedule 5 of the Constitution be adopted for a period of three years with effect from the date of this Meeting."

6. RESOLUTION 6 – APPROVAL OF EMPLOYEE INCENTIVE PLAN

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.2, Exception 13(b) and for all other purposes, Shareholders approve the Company's new employee incentive scheme known as the Employee Incentive Plan and the grant of Shares, Options and Performance Rights and the issue of the underlying Shares on exercise of such Options and Performance Rights on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is eligible to participate in the Employee Incentive Plan or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

- (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and:

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in the proposed issue or who will obtain a material benefit as a result of the proposed issue (except a benefit solely in the capacity of a holder of ordinary securities in the entity) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Note: As at the date of this Notice, it is not known who may participate in any Equity Securities issued under Resolution 7 and the Company has not approached any Shareholder or identified a class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Facility. Accordingly, no Shareholders are excluded from voting on Resolution 7.

Dated 25 October 2022

By order of the Board

Jason Shaw

Jason Shaw

Company Secretary

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at RSM, Level 32, 2 The Esplanade, Perth WA 6000 and virtually via the Computershare Meeting Platform on Thursday, 24 November 2022 at 4:00pm (WST) (**Meeting**).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Remuneration Report
Section 5:	Resolutions 2 and 3 – Election of Messrs Simon Wandke and Robert Adam
Section 6:	Resolution 4 – Re-election of Mr Brent Smoothy
Section 7:	Resolution 5 – Adoption of Proportional Takeovers Provisions
Section 8:	Resolution 6 – Approval of Employee Incentive Plan
Section 9:	Resolution 7 – Approval of 10% Placement Facility
Schedule 1:	Definitions
Schedule 2:	Proportional Takeover Bid Approval
Schedule 3:	Summary of Employee Incentive Plan

A Proxy Form is attached to the Notice.

2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

The Company advises that a poll will be conducted for all Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to participate in the Meeting (see details below) or, if they are unable to attend, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting (subject to the voting exclusions detailed in the Notice).

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by:

- (a) post to:

Kalium Lakes Limited
C/- Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

- (b) facsimile to: Computershare Investor Services via facsimile:
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555; or
- (c) online to: www.investorvote.com.au using your secure access information or use your mobile device to scan your personalised QR code on the Proxy Form,

so that it is received not later than 4:00pm (WST) on Tuesday, 22 November 2022, being at least 48 hours before the Meeting. Proxy Forms received later than this time will be invalid.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The authority may be sent to the Company or its share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

2.2 **Voting Prohibition by Proxy holders (Remuneration of Key Management Personnel)**

A vote on Resolutions 1 and 6 must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolutions 1 and 6, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolutions 1 and 6; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on Resolutions 1 and 6, but expressly authorises the Chairperson to exercise the proxy even if Resolutions 1 and 6 are connected with the remuneration of a member of the Key Management Personnel.

2.3 **Attendance at the Meeting**

The Company advises that, having regard to the significant number of Shareholders not located in Western Australia, in addition to a physical meeting, the Company has made arrangements for Shareholders eligible to attend and vote at the Meeting to remotely participate via the Computershare Meeting Platform.

The Company advises Shareholders that the Meeting will be held via the Computershare Meeting Platform and at RSM, Level 32, 2 The Esplanade, Perth WA 6000.

Shareholders may vote by directed proxy in lieu of attending the meeting in person or virtually. Proxy Forms for the Meeting should be lodged before 4:00pm (WST) on Tuesday, 22 November 2022.

Shareholders who wish to attend and participate in the Meeting virtually can do so through the online meeting platform provided by Computershare, the Company's share registry, where Shareholders will be able to watch, listen and vote online.

To access the Meeting virtually, you can log in by entering the following URL <https://meetnow.global/MK2TCCV> on your computer, tablet or smartphone. Online registration will open 30 minutes before the Meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

- (a) Click on 'Join Meeting Now'.
- (b) Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 one hour prior to the Meeting to obtain their login details.
- (c) Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop down list.
- (d) Accept the Terms and Conditions and 'Click Continue'.

Shareholders can also submit and are encouraged to submit any questions in advance of the Meeting by emailing the questions to info@kalliumlakes.com.au by no later than 5:00pm (WST) on Tuesday, 22 November 2022.

If the above arrangements with respect to the Meeting change, Shareholders will be updated via the ASX Market Announcements Platform and on the Company's website at <https://www.kalliumlakes.com.au/>.

3. ANNUAL REPORT

In accordance with section 317(1) of the Corporations Act the Annual Report must be laid before the annual general meeting. There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at <https://www.kalliumlakes.com.au/>;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies of the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five business days before the Meeting to the Company Secretary at the Company's registered office.

4. RESOLUTION 1 – REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the remuneration policy for the Company; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors of the Company. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2021 annual general meeting. Please note if the Remuneration Report receives a Strike at this Meeting and if a second Strike is received at the 2023 annual general meeting, this may result in the re-election of the Board.

The Chairperson will allow reasonable opportunity for Shareholders to ask questions about or comment on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. RESOLUTIONS 2 AND 3 – ELECTION OF MESSRS SIMON WANDKE AND ROBERT ADAM

5.1 General

In accordance with Listing Rule 14.4, a director appointed as an addition to the Board must not hold office (without election) past the next annual general meeting of the entity.

Article 6.6 of the Constitution allows the Directors to appoint any person as an addition to the Board at any time. Any director so appointed holds office until the next annual general meeting of members of the Company and, pursuant to article 6.21 of the Constitution, is eligible for re-election at that meeting.

Messrs Wandke and Adam were appointed as Directors by the Board on 12 October 2022.

Resolutions 2 and 3 provide that Messrs Wandke and Adam, respectively, retire and seek re-election as Directors.

Resolutions 2 and 3 are ordinary resolutions.

The Chairperson intends to exercise all available proxies in favour of Resolutions 2 and 3.

5.2 Qualifications, experience and other ASX-listed directorships

Mr Simon Wandke – Non-Executive Director – GAICD, BA (Psych / Marketing)

Mr Wandke has been leading multi-country strategy, commercial development and implementation for global mining and mineral assets for over 40 years.

As an accomplished C-suite leader and current non-executive director in Australia and advisory board member in the USA, he has focused his expertise in the resource sector on maximising value. He started his mining career at BHP in 1981. He was most recently CEO of ArcelorMittal Mining and has held senior executive roles at Ferrexpo plc, Destra Consulting Group and BHP, with experience leading international teams in Australia, Indonesia, Hong Kong, Switzerland, United Kingdom, Canada and the USA.

Mr Wandke is a graduate of the Australian Institute of Company Directors with a diploma in Company Directorship. He also holds a post graduate diploma in Corporate Finance from Swinburne University as well as a B.A. majoring in Psychology and Marketing (Commerce) from the University of Melbourne.

Other current ASX directorships: Magnetite Mines Limited (since June 2022)

Former ASX directorships in the last three years: None.

Mr Robert Adam – Non-Executive Director – BSc Hons, MAICD, MAusIMM

Mr Adam is a senior executive with 40 years of experience in the resources industry. He has a proven record of achievement in project development, management and operational improvement and has worked extensively in West Africa with a demonstrable record of success in multi-cultural and multi-lingual environments. His previous roles include 11 years leading an independent bauxite development company operating in Guinea, managing director of an international mining consultancy and held a senior management role with BHP Nickel West.

Mr Adam has been involved in project developments in Guinea, Ghana, Mali, Zambia, Tanzania, Mauritania and Zimbabwe, principally in gold but also copper and iron ore, and is an independent non-executive director of Indiana Resources Limited.

Mr Adam is a member of the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy. He also holds a Bachelor of Science (Honours).

Other current ASX directorships: Indiana Resources Limited (since January 2019).

Former ASX directorships in the last three years: None.

5.3

Board Recommendation

The Board (excluding Mr Wandke) supports the re-election of Mr Wandke, as his skills and experience align with the Company's strategic direction and recommends that Shareholders vote in favour of Resolution 2. Mr Wandke is considered by the Board to be an independent Director.

The Board (excluding Mr Adam) supports the re-election of Mr Adam, as his skills and experience align with the Company's strategic direction and recommends that Shareholders vote in favour of Resolution 3. Mr Adam is considered by the Board to be an independent Director.

6. RESOLUTION 4 – RE-ELECTION OF MR BRENT SMOOTHY

6.1 General

In accordance with Listing Rule 14.5, an entity which has directors must hold an election of directors at each annual general meeting.

Article 6.14 of the Constitution requires one third of all Directors, or if that number is not a multiple of three, then the number nearest one-third (rounded down to the nearest whole number) to retire at each annual general meeting.

Article 6.17 of the Constitution states that a Director who retires under article 6.14 of the Constitution is eligible for re-election.

Resolution 4 provides that Mr Smoothy retires by rotation and seeks re-election as a Director under article 6.17 of the Constitution.

Details of the qualifications and experience of Mr Smoothy are in the Annual Report.

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

6.2

Board Recommendation

The Board (excluding Mr Smoothy) supports the election of Mr Smoothy and recommends that Shareholders vote in favour of Resolution 4.

7. RESOLUTION 5 – APPROVAL OF PROPORTIONAL TAKEOVER PROVISIONS

7.1 General

Resolution 5 seeks Shareholder approval to adopt the proportional takeover provisions in the Constitution. The Constitution includes Schedule 5 "Proportional Takeover Bid Approval" (as detailed in Schedule 2) (**Proportional Takeover Provisions**). The Proportional Takeover Provisions provide that the Company can refuse to register Shares acquired under a proportional takeover bid unless an Approving Resolution is passed by Voters.

In accordance with the Corporations Act and the Constitution, the Proportional Takeover Provisions will cease to have effect on 13 November 2022 (being three years from their renewal and prior to the Meeting) unless renewed by a special resolution of Shareholders. Accordingly, given the Proportional Takeover Provisions have expired, the Directors request that Shareholders approve the adoption of the Proportional Takeover Provisions for a further three years from the date of the Meeting.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

7.2

Section 648G of the Corporations Act

Section 648G of the Corporations Act requires that the following information be provided to Shareholders when they are considering the adoption of proportional takeover provisions.

(a) What is a proportional takeover bid?

A proportional takeover bid is a takeover offer made to each Shareholder but only in respect of a specified proportion of that Shareholder's Shares (i.e. less than 100%). The proportion specified must be the same for all holders of Shares. Accordingly, Shareholders who accept such a proportional takeover offer in full will only dispose of that specified proportion and retain the balance of their Shares.

In order to deal with this possibility, a company may provide in its constitution that:

- (i) in the event of a proportional takeover bid being made for shares in the company, members are required to vote and collectively decide whether to accept or reject the offer; and
- (ii) the majority decision of the company's members will be binding on all members.

(b) Effect of the proportional takeover provisions

The effect of the Proportional Takeover Provisions is that in the event a proportional takeover bid is made, the Directors must ensure that a general meeting is held more than 14 days before the last day of the bid period for the purpose of allowing Voters to vote on the Approving Resolution.

Each Voter will have one vote for each Share that the Voter holds. The bidder and its associates are not allowed to vote on the Approving Resolution.

If the Approving Resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn.

The bid will be taken to have been approved if the Approving Resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the Approving Resolution is voted on.

If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Constitution.

The Proportional Takeover Provisions only apply for three years from the date of their adoption and/or renewal (after that, the provisions may again be renewed by a special resolution of Shareholders). The provisions do not apply to full takeover bids.

(c) Reasons for adopting the proportional takeover provisions

The Directors consider that Voters should have the opportunity to vote on any proportional takeover bid for the Company. Without the inclusion of the Proportional Takeover Provisions, control of the Company may pass without Voters having the chance to sell all of their Shares. Voters could be at risk of passing control to a bidder without receiving an adequate control premium, whilst becoming part of a minority interest in the Company.

The Proportional Takeover Provisions deal with this possibility by providing that if a proportional takeover bid is made in respect of the Company, Voters must vote on whether or not the bid should be permitted to proceed.

The benefit of adopting the Proportional Takeover Provisions is that Voters are able to decide collectively whether any proportional takeover offer is acceptable in principle and may ensure that any partial offer is appropriately priced.

(d) **Potential advantages and disadvantages for Directors and Shareholders**

The Directors consider that the potential advantages for Shareholders of adopting the Proportional Takeover Provisions are as follows:

- (i) voters will have an opportunity to consider a proportional takeover bid and then attend or be represented by proxy at, a meeting of Voters called specifically to vote on the proposal. Accordingly, Voters will be able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the proportional takeover bid;
- (ii) the provisions may assist Shareholders to avoid being locked in as a minority;
- (iii) increasing the bargaining power of Shareholders may ensure that any partial offer is adequately priced; and
- (iv) knowing the view of other Voters assists each individual Voter in assessing the likely outcome of the proportional takeover bid and whether to accept or reject that bid.

The Directors consider that the potential disadvantages for Shareholders of adopting the Proportional Takeover Provisions are as follows:

- (i) the inclusion of the provisions may make proportional takeover bids more difficult, such that proportional takeover bids will be discouraged. The chance of a proportional takeover bid being successful may be reduced;
- (ii) the provisions may reduce the opportunities which Voters may have to sell all, or some, of their Shares at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Share price; and
- (iii) the provisions may be considered to constitute an additional restriction on the ability of individual Voters to deal freely in their Shares.

On balance, the Directors consider that the possible advantages for Shareholders outweigh the possible disadvantages for Shareholders, such that adopting the Proportional Takeover Provisions is in the interests of Shareholders.

The adoption of the Proportional Takeover Provisions will enable the Directors to formally ascertain the views of Voters in respect of a proportional takeover bid. Without the Proportional Takeover Provisions, the Directors are dependent upon their perception of the interests and views of Voters. Other than this advantage, the Directors consider that adopting the Proportional Takeover Provisions has no potential advantages or potential disadvantages for them as they remain free to make a recommendation on whether a proportional takeover offer should be accepted.

(e) **Knowledge of present acquisition proposals**

As at the date on which this Explanatory Memorandum is prepared, no Director is aware of any proposal to acquire, or to increase the extent of, a substantial interest in the Company.

(f) **Impact of the existing proportional takeover approval provisions**

As far as the Directors are aware, while the existing Proportional Takeover Provisions have been in effect, no takeover bids for the Company have been made, either proportional or otherwise. Accordingly, no actual advantages or disadvantages of the existing Proportional Takeover Provisions, for the Directors or the Shareholders, could be reviewed. The Directors are not aware of any potential takeover bid that was discouraged by the inclusion of the Proportional Takeover Provisions.

7.3

Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 5.

8. RESOLUTION 6 – APPROVAL OF EMPLOYEE INCENTIVE PLAN

8.1 General

In light of changes to the Corporations Act relating to employee incentive schemes, the Board has reviewed its Existing Plans and is proposing that a new employee incentive scheme, known as the **Employee Incentive Plan**, be adopted to replace the Existing Plans.

The Employee Incentive Plan enables the Company to grant Shares, Options and Performance Rights to eligible Directors, employees and service providers of the Company (**Eligible Participants**). The Employee Incentive Plan also incorporates updated provisions in response to changes to the Corporations Act and other amendments over the Existing Plans which together the Board considers warrant the adoption of the Employee Incentive Plan to replace the Existing Plans, as opposed to making various piecemeal amendments to the Existing Plans. The Company also notes that its Existing Plans were last approved at its 2020 annual general meeting and, for the purposes of Listing Rule 7.2 (Exception 13), were due to be renewed.

Resolution 6 seeks Shareholder approval, pursuant to Listing Rule 7.2 (Exception 13(b)), to adopt the Employee Incentive Plan and to enable Shares, Options and Performance Rights and Shares upon exercise or conversion of Options or Performance Rights (together, **Employee Incentives**) to be issued under the Employee Incentive Plan to Eligible Participants to be exempted from Listing Rule 7.1 for a period of three years from the date on which Resolution 6 is passed.

A summary of the Employee Incentive Plan, to be adopted pursuant to Resolution 6, is detailed in Schedule 3.

The Employee Incentive Plan is intended to assist the Company to attract and retain key staff, whether employees or contractors. The Board believes that grants made to Eligible Participants under the Employee Incentive Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the Employee Incentive Plan will:

- (a) enable the Company to incentivise and retain existing key management personnel and other eligible participants and contractors needed to achieve the Company's business objectives;
- (b) enable the Company to recruit, incentivise and retain additional key management personnel, and other eligible participants and contractors, needed to achieve the Company's business objectives;
- (c) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Company;
- (d) align the financial interest of participants of the Employee Incentive Plan with those of Shareholders; and
- (e) provide incentives to participants under the Employee Incentive Plan to focus on superior performance that creates Shareholder value.

If Resolution 6 is passed, the Company will be able to issue securities to eligible Directors (subject to the requisite shareholder approval), employees and contractors under the Employee Incentive Plan without using up any of the Company's 15% Placement Capacity.

If Resolution 6 is not passed, the Company may still issue securities to eligible Directors, employees and contractors under the Employee Incentive Plan but any issue will reduce, to that extent, the Company's 15% Placement Capacity for 12 months following the issue.

Resolution 6 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 6.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 6, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

8.2 Listing Rule 7.1 and Listing Rule 7.2 (Exception 13)

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12-month period any equity securities, or other securities with rights to convert to equity (such as an Option or Performance Right), if the

number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12-month period.

Listing Rule 7.2 (Exception 13) provides an exception to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2 (Exception 13) is that any issues of securities under the Employee Incentive Plan are treated as having been made with the approval of Shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2 (Exception 13(b)) lasts for a period of three years.

8.3 **Specific information required by Listing Rule 7.2**

In accordance with Listing Rule 7.2 (Exception 13(b)), information is provided as follows:

- (a) the material terms of the Employee Incentive Plan are summarised in Schedule 3;
- (b) this is the first approval sought under Listing Rule 7.2 (Exception 13(b)) with respect to the Employee Incentive Plan;
- (c) as this is the first approval sought for the Employee Incentive Plan, no securities have been issued under the Employee Incentive Plan;
- (d) the maximum number of Employee Incentives the Company may issue under the Employee Incentive Plan following Shareholder approval is 101,585,610 securities. The maximum number is not intended to be a prediction of the actual number of securities to be issued under the Employee Incentive Plan, simply a ceiling for the purposes of Listing Rule 7.2 (Exception 13(b)); and
- (e) a voting exclusion statement is included in the Notice for Resolution 6.

8.4 **Board Recommendation**

As the Directors are excluded from voting on this Resolution pursuant to the Listing Rules, the Board declines to a recommendation to Shareholders on this Resolution.

9. **RESOLUTION 7 – APPROVAL OF 10% PLACEMENT FACILITY**

9.1 **General**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1 (**15% Placement Capacity**).

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is seeking Shareholder approval to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c) below).

If Resolution 7 is passed, the Company will be able to issue Equity Securities under Listing Rule 7.1A up to 10% of its issued share capital over a 12 month period after the annual general meeting, in addition to the Company's 15% Placement Capacity.

If Resolution 7 is not passed, the Company will not be able to access the 10% Placement Facility to issue Equity Securities without Shareholder approval provided for in Listing Rule 7.1A and will have to rely upon its 15% Placement Capacity for the issue of Equity Securities.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 7.

9.2 **Listing Rule 7.1A**

(a) **Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) **Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted classes of Equity Securities, being its Shares.

(c) **Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of Shares on issue at the commencement of the relevant period:

- (A) plus the number of Shares issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9, 16 or 17;
- (B) plus the number of Shares issued in the relevant period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
 - (1) the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - (2) the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved under Listing Rule 7.1 or 7.4;
- (C) plus the number of Shares issued in the relevant period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
 - (1) the agreement was entered into before the commencement of the relevant period; or
 - (2) the agreement was approved, or taken under these rules to have been approved, under Listing Rule 7.1 or 7.4;
- (D) plus the number of any other Shares issued in the relevant period with approval under Listing Rule 7.1 or 7.4;
- (E) plus the number of partly paid ordinary shares that became fully paid in the relevant period;
- (F) less the number of Shares cancelled in the relevant period.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% Placement Capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% Placement Capacity.

At the date of the Notice, the Company has 2,031,712,214 Shares on issue and will have capacity to issue:

- (i) 304,756,832 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being obtained under Resolution 7, 203,171,221 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained;
- (ii) the time and date of the next annual general meeting; or
- (iii) the time and date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **10% Placement Period**).

9.3 **Effect of Resolution**

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% Placement Capacity.

9.4 **Specific information required by Listing Rule 7.3A**

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised). There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

- (c) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.

- (d) The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue as at the date of the Notice. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0195 50% decrease in Issue Price	\$0.039 Issue Price	\$0.078 100% increase in Issue Price
Current Variable A 2,031,712,214 Shares	10% Voting Dilution	203,171,221 Shares	203,171,221 Shares	203,171,221 Shares
	Funds raised	\$3,961,839	\$7,923,678	\$15,847,355
50% increase in current Variable A 3,047,568,321 Shares	10% Voting Dilution	304,756,832 Shares	304,756,832 Shares	304,756,832 Shares
	Funds raised	\$5,942,758	\$11,885,516	\$23,771,033
100% increase in current Variable A 4,063,424,428 Shares	10% Voting Dilution	406,342,442 Shares	406,342,442 Shares	406,342,442 Shares
	Funds raised	\$7,923,678	\$15,847,355	\$31,694,711

The table has been prepared on the following assumptions:

- (iii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility (calculated at the date of the Notice).
- (iv) No Options or performance rights are exercised into Shares before the date of the issue of the Equity Securities;
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% Placement Capacity.
- (viii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- (ix) The issue price is \$0.039, being the closing price of the Shares on ASX on 10 October 2022.

- (e) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 7 for the issue of the Equity Securities will cease to be valid on the earlier of:
- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained;
 - (ii) the time and date of the entity's next annual general meeting; or
 - (iii) the time and date that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue the Equity Securities for cash consideration. In such circumstances, the Company intends to use the funds for working capital purposes during ramp up and expansion of the BSOPP to the 120ktpa production target and for studies in relation to potential future expansion beyond the 120ktpa production target.
- (g) The Company will comply with the disclosure obligations under Listing Rules 3.10.3 and 7.1A.4 upon issue of any Equity Securities.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The subscribers under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.
- (j) In the 12 months preceding the date of the Meeting the Company has not issued any Equity Securities pursuant to Listing Rule 7.1A.2.
- (k) The Company previously obtained Shareholder approval under Listing Rule 7.1A at its 2021 annual general meeting.
- (l) A voting exclusion statement is included in the Notice for Resolution 7.
- (m) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

9.5

Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 7.

Schedule 1 – Definitions

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 9.1.

10% Placement Period has the meaning given in Section 9.2(f).

15% Placement Capacity has the meaning given in Section 9.1.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2022.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of directors of the Company.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Kalium Lakes Limited (ACN 613 656 643).

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Eligible Participants has the meaning given in Section 8.1.

Employee Incentive has the meaning given in Section 8.1.

Employee Incentive Plan has the meaning given in Section 8.1.

Equity Security has the same meaning as in the Listing Rules.

Existing Plans means the Company's existing management option plan, performance rights plan and tax exempt share plan.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Financial Report means the annual financial report prepared under chapter 2M of the Corporations Act of the Company and its controlled entities.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listed Option means an Option listed on ASX.

Listing Rules means the listing rules of ASX.

Managing Director means the managing director of the Company (if applicable).

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Option means an option which entitles the holder to subscribe for one Share.

Performance Right means a performance right granted in the Company.

Proportional Takeover Provisions has the meaning given in Section 7.1.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Strike has the meaning given in Section 4.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Proportional Takeover Bid Approval

1 Definitions

In this Schedule, unless the context otherwise requires:

Approving Resolution means a resolution to approve a proportional takeover bid in accordance with this Schedule.

Deadline means the 14th day before the last day of the bid period for a proportional takeover bid.

Voter means a person (other than the bidder under a proportional takeover bid or an associate of that bidder) who, as at the end of the day on which the first offer under that bid was made, held bid class securities for that bid.

2 Refusal of Transfers

Requirement for an Approving Resolution

- 2.1 The Company must refuse to register a transfer of Shares giving effect to a takeover contract for a proportional takeover bid unless and until an Approving Resolution is passed in accordance with this schedule.
- 2.2 This schedule ceases to apply on the third anniversary of its last adoption, or last renewal, in accordance with the Corporations Act.

Voting on an Approving Resolution

- 2.3 Where offers are made under a proportional takeover bid, the Directors must, call and arrange to hold a meeting of Voters for the purpose of voting on an Approving Resolution before the Deadline.
- 2.4 The provisions of this Constitution concerning meetings of Members (with the necessary changes) apply to a meeting held under paragraph 2.3.
- 2.5 Subject to this Constitution, every Voter present at the meeting held under paragraph 2.3 is entitled to one vote for each Share in the bid class securities that the Voter holds.
- 2.6 To be effective, an Approving Resolution must be passed before the Deadline.
- 2.7 An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50 per cent, and otherwise is taken to have been rejected.
- 2.8 If no Approving Resolution has been voted on as at the end of the day before the Deadline, an Approving Resolution is taken, for the purposes of this schedule, to have been passed in accordance with this schedule.

Schedule 3 – Summary of Employee Incentive Plan

The terms of the Employee Incentive Plan (**Plan**) are summarised below. A copy of the Plan can be obtained by contacting the Company.

Definitions

- 1 For the purposes of the Plan:
- 1.1 **Eligible Participant** means:
 - 1.1.1 Directors and Employees who are determined by the Board in its sole and absolute discretion to be eligible to receive grants of Employee Incentives; or
 - 1.1.2 any other person who is determined by the Board in its sole and absolute discretion to be eligible to receive grants of Employee Incentives.
 - 1.2 **Employee** means an employee or service provider of the Company or any of its subsidiaries.
 - 1.3 **Employee Incentive** means any:
 - 1.3.1 Share, Option or Performance Right granted, issued or transferred; or
 - 1.3.2 Share(s) issued pursuant to the exercise of an Option or conversion of a Performance Right,under the Plan.
 - 1.4 **Participant** means:
 - 1.4.1 an Eligible Participant who has been granted Employee Incentives under the Plan; or
 - 1.4.2 where an Eligible Participant has made a nomination:
 - (a) the Eligible Participant; or
 - (b) the nominee of the Eligible Participant who has been granted Employee Incentives under the Plan,as the context requires.
 - 1.5 **Good Leaver** means a Participant who ceases to be an Eligible Participant in any of the following circumstances:
 - 1.5.1 the Participant and Board have agreed in writing that the Participant has entered into bona fide retirement;
 - 1.5.2 the Participant and the Board have agreed in writing that the Participant's role has been made redundant;
 - 1.5.3 the Participant is resigning after at least 3 years of service to the Company;
 - 1.5.4 the Participant's role has been terminated without cause;
 - 1.5.5 the Board has determined (in its sole and absolute discretion) that:
 - (a) Special Circumstances apply to the Participant; or
 - (b) the Participant is no longer able to perform their duties under their engagement or employment arrangements with the Company due to poor health, injury or disability;
 - 1.5.6 the Participant's death; or

1.5.7 any other circumstance determined by the Board in writing.

1.6 **Bad Leaver** means a Participant who ceases to be an Eligible Participant and does not meet the Good Leaver criteria.

1.7 **Special Circumstance** means the total and permanent disablement of the Participant such that the Participant is unlikely ever to engage in any occupation for which the Participant is reasonably qualified by education, training or experience.

Participation

2 The Board may from time to time in its sole and absolute discretion determine that an Eligible Participant may participate in the Plan.

3 Following determination that an Eligible Participant may participate in the Plan, the Board may at any time, and from time to time, make an Offer to the Eligible Participant.

Offer

4 The manner, form, content, timing and frequency of Offers will be as determined by the Board in its sole and absolute discretion.

5 An Offer must be set out in an Offer Letter delivered to the Eligible Participant. The Offer Letter may specify (as determined by the Board):

5.1 the number of Shares, Options or Performance Rights;

5.2 the Grant Date;

5.3 the fee payable by the Eligible Participant on the grant of Shares, Options or Performance Rights (if any);

5.4 the Vesting Conditions (if any);

5.5 the Exercise Price (if any);

5.6 the Exercise Period (if applicable);

5.7 the Performance Period (if applicable); and

5.8 the Expiry Date and Term (if applicable).

6 An Offer must be accompanied by an Application, the terms and conditions of the relevant Employee Incentives and a copy of this Plan.

Nominee

7 Unless expressly permitted in the Offer or by the Board, an Eligible Participant may only submit an Application in the Eligible Participant's name and not on behalf of any other person.

8 If an Eligible Participant is permitted in the Offer or by the Board, the Eligible Participant may nominate a Related Party (**Nominee**) to be issued the Employee Incentives the subject of the Offer.

9 The Board may in its discretion resolve not to allow a Nominee to be issued or transferred the Employee Incentives the subject of the Offer without giving any reason for that decision.

Employee Share Trust

10 The Board may in its sole and absolute discretion use an employee share trust or other mechanism for the purposes of holding Shares for Participants under the Plan and delivering Shares to Participants for an issue of Shares upon exercise of the Options or the vesting of a Performance Right or otherwise.

Employee Loan

- 11 The Board may, in its absolute discretion, offer to a Participant a limited recourse, interest free loan to be made by the Company to the Participant for an amount equal to the issue price for the Shares offered to the Participant pursuant to the relevant Offer.

Vesting Conditions

- 12 The Board may at its sole discretion determine the Vesting Conditions which will apply to any Employee Incentives. The Vesting Conditions will specify the criteria that the Eligible Participant is required to meet in the specified Performance Period (if any) in order to exercise Options or for Performance Rights to vest to become entitled to receive Shares under this Plan.
- 13 The Board may vary the Vesting Conditions and/or the Performance Period after the grant of those Employee Incentives, subject to:
- 13.1 the Company complying with any applicable laws;
 - 13.2 the Vesting Conditions and/or the Performance Period as varied being no less favourable to the Participant than the terms upon which the Employee Incentives were originally granted; and
 - 13.3 the Board promptly notifying a Participant of any such variation.
- 14 The Board will determine in its sole discretion whether (and, where applicable, to what extent) the Participant has satisfied the Vesting Conditions applicable to the relevant Performance Period. As soon as practicable after making that determination the Board must inform the Participant of that determination by issuing the Participant a Vesting Notification.
- 15 Where Employee Incentives have not satisfied the Vesting Conditions within the Performance Period, those Employee Incentives will automatically lapse.

Cashless Exercise

- 16 The terms of any Options may provide that a Participant may elect to pay the exercise price for each Option by setting off the total exercise price against the number of Shares which they are entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the holder will receive Shares to the value of the surplus after the exercise price has been set off.

Lapsing of Employee Incentives

- 17 Subject to the Board's absolute discretion, any vested and unexercised and/or unconverted Employee Incentives and unvested Employee Incentives shall automatically lapse and be cancelled for no consideration on the earliest to occur of the following:
- 17.1 where the Participant is a Bad Leaver;
 - 17.2 where a Participant has engaged in fraudulent or dishonest actions;
 - 17.3 if the applicable Vesting Conditions are not achieved by the end of the relevant Performance Period;
 - 17.4 if the Board determines in its reasonable opinion that the applicable Vesting Conditions have not been met or cannot be met prior to the Expiry Date or the end of the relevant Performance Period (as applicable);
 - 17.5 the Expiry Date;
 - 17.6 the receipt by the Company of notice from the Participant that the Participant has elected to surrender the Employee Incentives; or
 - 17.7 any other circumstances specified in any Offer Letter pursuant to which the Employee Incentives were issued.

Good Leaver

- 18 Subject to clause 19, where a Participant who holds Employee Incentives becomes a Good Leaver, the Board may at any time, in its sole and absolute discretion, do one or more of the following:
- 18.1 permit unvested Employee Incentives held by the Good Leaver to vest;
 - 18.2 permit such unvested Employee Incentives held by the Good Leaver or his or her nominee(s) to continue to be held by the applicable holder, with the Board having the discretion to amend the Vesting Conditions or reduce the Exercise Period of such unvested Employee Incentives; or
 - 18.3 determine that the unvested Employee Incentives will lapse.
- 19 Where a person is a Good Leaver due to a Special Circumstance, the Nominated Beneficiary shall be entitled to benefit from any exercise of the above discretionary powers by the Board.

Bad Leaver

- 20 Where a Participant who holds Employee Incentives becomes a Bad Leaver unless the Board determines otherwise, in its sole and absolute discretion:
- 20.1 all vested and unexercised and/or unconverted Employee Incentives; and
 - 20.2 all unvested Employee Incentives,
- will lapse.

Fraudulent or Dishonest Actions

- 21 Where, in the reasonable opinion of the Board, a Participant or Former Participant (which for the avoidance of doubt may include a Good Leaver):
- 21.1 acted fraudulently or dishonestly;
 - 21.2 willfully breached his or her duties to the Company or any member of the Group; or
 - 21.3 had, by any act or omission, in the opinion of the Board (determined in its absolute discretion):
 - 21.3.1 brought the Company, the Group, its business or reputation into disrepute; or
 - 21.3.2 is contrary to the interest of the Company or the Group;
 - 21.4 committed any material breach of the provisions of any employment contract entered into by the Participant with any member of the Group;
 - 21.5 committed any material breach of any of the policies of the Group or procedures or any applicable laws applicable to the Company or Group;
 - 21.6 is subject to allegations, had been accused of, charged with or convicted of fraudulent or dishonest conduct in the performance of the Participant's (or Former Participant's) duties, which in the reasonable opinion of the relevant directors of the Group effects the Participant's suitability for employment with that member of the Group, or brings the Participant or the relevant member of the Group into disrepute or is contrary to the interests of the Company or the Group;
 - 21.7 is subject to allegations, had been accused of, charged with or convicted of any criminal offence which involves fraud or dishonesty or any other criminal offence which Board determines (in its absolute discretion) is of a serious nature;
 - 21.8 had committed any wrongful or negligent act or omission which has caused any member of the Group substantial liability;
 - 21.9 had become disqualified from managing corporations in accordance with Part 2D.6 of the Corporations Act or has committed any act that, pursuant to the Corporations Act, may result in the Participant being banned from managing a corporation;

- 21.10 had committed serious or gross misconduct, willful disobedience or any other conduct justifying termination of employment without notice.
- 21.11 had willfully or negligently failed to perform their duties under any employment contract entered into by the Participant with any member of the Group;
- 21.12 had engaged in a transaction which involves a conflict of interest to their employment with the Company resulting in the Participant or Former Participant obtaining a personal benefit;
- 21.13 accepted a position to work with a competitor of the Company or Group;
- 21.14 acted in such a manner that could be seen as being inconsistent with the culture and values of the Company or the Group; or
- 21.15 any other act that the Board determines in its absolute discretion to constitute fraudulent or dishonest by the Participant or Former Participant,

then the Board may (in its absolute discretion) deem that all, or part of, any:

- 21.16 vested and unexercised and/or unconverted Employee Incentives; and/or
- 21.17 unvested Employee Incentives,

held by the Participant or Former Participant will automatically be forfeited.

Discretion of the Board

22 The Board may decide to allow a Participant to:

- 22.1 retain and exercise any or all of their Options, whether or not the Vesting Conditions have been satisfied during the Performance Period, and whether or not the Options would otherwise have lapsed, provided that no Options will be capable of exercise later than the relevant Expiry Date for those Options; and
- 22.2 retain any Performance Rights regardless of:
 - 22.2.1 the expiry of the Performance Period to which those Performance Rights relate; or
 - 22.2.2 any failure by the Participant to satisfy in part or in full the Vesting Conditions specified by the Board in respect of those Performance Rights;

in which case, the Board may:

 - 22.2.3 determine that any or all of those retained Performance Rights shall vest and the corresponding Shares shall be provided to the Participant; or
 - 22.2.4 determine a new Performance Period or Vesting Conditions (as applicable) for those retained Performance Rights and notify the Participant of the determination as soon as practicable.

Change of control

- 23 The terms of any Performance Rights or Options may provide that where a Change of Control Event has (i) occurred or (ii) been announced by the Company and, in the opinion of the Board, will or is likely to occur:
 - 23.1 all granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest, regardless of whether any Vesting Conditions have been satisfied;
 - 23.2 all Options will vest and a Participant may exercise any or all of their Options, regardless of whether the Vesting Conditions have been satisfied, provided that no Option will be capable of exercise later than the Expiry Date; and

- 23.3 if the Board has procured an offer for all holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Change in Control Event and the Board has specified (in its absolute discretion) a period during which the holders of Options may elect to accept the offer and, if the Participant has not so elected at the end of that offer period, the Options, if not exercised within 10 days of the end of that offer period, shall expire.

24 For the purposes of these terms and conditions, a **Change of Control Event** occurs if:

- 24.1 the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;
- 24.2 a Takeover Bid:
- 24.2.1 is announced;
- 24.2.2 has become unconditional; and
- 24.2.3 the person making the Takeover Bid has a Relevant Interest in fifty percent (50%) or more of the issued Shares;
- 24.3 any person acquires a Relevant Interest in fifty and one-tenth percent (50.1%) or more of the issued Shares by any other means; or
- 24.4 the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed.

Holding Lock

- 25 The Board may at any time request that the Company's share registry to impose a holding lock on any Employee Incentives issued pursuant to the Plan where the Board determines or reasonably believes (in its absolute discretion) that a Participant (or a Former Participant) has or may breach these Rules.

Contravention of Rules

- 26 The Board may at any time, in its sole and absolute discretion, take any action it deems reasonably necessary in relation to any Employee Incentives if it determines or reasonably believes a Participant has breached the Plan or the terms of issue of any Employee Incentives, including but not limited to, signing transfer forms in relation to Employee Incentives, signing all documents and doing all acts necessary to effect a buy-back placing, a holding lock on Employee Incentives, accounting for the proceeds of the sale of forfeited Employee Incentives, refusing to transfer any Employee Incentives and/or refusing to issue any Shares.

Amendments

- 27 The Board may at any time amend the Rules or the terms and conditions upon which any Employee Incentives have been issued.
- 28 No amendment to the Rules or to Employee Incentives may be made if the amendment, in the opinion of the Board, materially reduces the rights of any Participant in respect of Employee Incentives granted to them prior to the date of the amendment, other than:
- 28.1 an amendment introduced primarily:
- 28.1.1 for the purposes of complying with or conforming to present or future applicable laws governing or regulating the Plan or like plans;
- 28.1.2 to correct any manifest error or mistake;

- 28.1.3 to allow the implementation of a trust arrangement in relation to the holding of Shares granted under the Plan;
 - 28.1.4 for the purpose of complying with the applicable laws; and/or
 - 28.1.5 to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation; or
- 28.2 an amendment agreed to in writing by the Participant(s).

Need assistance?



Phone:

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **4:00pm (AWST) on Tuesday, 22 November 2022.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 181785

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kalium Lakes Limited hereby appoint

☐ the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Kalium Lakes Limited to be held at RSM, Level 32, 2 The Esplanade, Perth, WA 6000 and as a virtual meeting on Thursday, 24 November 2022 at 4:00pm (AWST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 6 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 6 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	☐	☐	☐
Resolution 2	Election of Mr Simon Wandke	☐	☐	☐
Resolution 3	Election of Mr Robert Adam	☐	☐	☐
Resolution 4	Re-election of Mr Brent Smoothy	☐	☐	☐
Resolution 5	Adoption of proportional takeovers provisions	☐	☐	☐
Resolution 6	Approval of Employee Incentive Plan	☐	☐	☐
Resolution 7	Approval of 10% Placement Facility	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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2 9 4 1 9 5 A



Computershare

