

**KALIUM LAKES LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS  
AND MANAGERS APPOINTED) ACN 613 656 643 ("Company")**

**NOTICE OF GENERAL MEETING OF SHAREHOLDERS AND EXPLANATORY STATEMENT**

**For a General Meeting of Shareholders to be held on Thursday, 6th June 2024  
at 11:00am (AEST)  
at Nicols and Brien Chartered Accountants, Level 2, 350 Kent Street, Sydney, New South  
Wales, Australia.**

## TO SHAREHOLDERS

Dear Shareholder

3 May 2024

As you may be aware, on 6 June 2023 the Company's Shares were suspended from quotation on the official list of the Australian Securities Exchange ("**ASX**") due to its financial condition.

On 3 August 2023, Mr Robert Michael Kirman, Mr Jason Preston and Mr Robert Conry Brauer of McGrathNicol, were appointed Receivers and Managers of the company, and Martin Jones, Matthew Woods and Clint Joseph from KPMG were appointed Voluntary Administrators of the Company.

A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of the Company via a Deed of Company Arrangement and Creditors Trust, was submitted to the Voluntary Administrators ("**Recapitalisation Proposal**") in late January 2024. A creditors' meeting was convened by the Voluntary Administrators to consider the Recapitalisation Proposal. Creditors accepted the Recapitalisation Proposal on the 16 February 2024, and the Deed of Company Arrangement was signed on 11 March 2024. The Deed Administrators are Martin Jones, Matthew Woods and Clint Joseph.

The Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the Shareholders ("**Resolutions**"). Accordingly, the Deed Administrator has called a General Meeting of the Company to consider the Resolutions ("**Meeting**"). The Meeting will be held at 11.00am (Sydney Time) on Thursday 6th June 2024. A summary of the Resolutions being put forward at the Meeting are as follows:

- (1) The company to consolidate shares;
- (2) The company to allot and issue 93 million shares to raise \$162,000; and
- (3) New Directors be appointed to the Company.

Enclosed with this letter are the Notice of General Meeting ("**Notice**"), the Explanatory Statement, a Proxy Form and Independent Expert's Report.

The Recapitalisation Proposal is also subject to the following conditions ("**Conditions**"), summarised as follows:

- (a) Payment of \$125,000 cash to the Deed Administrators from the Recapitalisation Fund;
- (b) The issue of 3m post-consolidation shares at \$0 to the Trustees of the Creditor's Trust to extinguish creditor claims in full;
- (c) the Deed Administrators retiring from office upon collection and disbursement of the Recapitalisation Fund and all existing creditors' claims as at the date of voluntary administration extinguished;
- (d) the Shareholder Resolutions being approved without amendment; and
- (e) creditors with a security interest registered on the PPSR Register remove such interest from the personal property securities register established by the Personal Property Securities Act, 2009 and retirement of the Receivers and Managers.

If the Conditions are not met or waived by 31<sup>st</sup> December 2024 or such other date as agreed by the Deed Administrators and Alt Finance Pty Ltd or if it appears the terms of the Deed of Company Arrangement cannot be fulfilled, then the Deed Administrator may take steps to place the Company into Liquidation.

Alt Finance Pty Ltd's role will cease when the Deed of Company Arrangement is effectuated. Alt Finance Pty Ltd has no relationship or connection to the company whatsoever.

In considering the Resolutions, Shareholders should bear in mind the Company's current financial circumstances. As mentioned above, the Company's Shares have been suspended from quotation on the ASX since 6 June 2023 and the Company requires recapitalisation in order to continue its operations and to seek reinstatement of its Shares to official quotation on the ASX. The Company will have to comply with Chapters 1 and 2 of the ASX Listing Rules. Re-compliance with Chapters 1 and 2 is warranted as it is contemplated that there will be a change to the Company's business after it comes out of external administration. Alt Finance Pty Ltd will not be lodging an In-Principle Advice as to suitability of the proposal to re-quote the shares. As stated above, Alt Finance Pty Ltd's role will cease upon effectuation of the Deed of Company Arrangement. Alt Finance Pty Ltd's role as Deed Proponent ceases upon effectuation of the DOCA. However, Alt Finance Pty Ltd may have a continuing interest in the restructured company, as a shareholder only, if shareholders approve Resolution 3. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Re-quotation is a difficult and complex exercise. Also, new shares that are issued under the Resolutions proposed in this notice of meeting may be subject to escrow.

Ultimately, if the Resolutions are approved and implemented, the Company will be debt free, and in a position to seek opportunities to create shareholder wealth.

If the Resolutions are not approved and the Conditions have not been met by the time stated in the Deed of Company Arrangement, the Deed of Company Arrangement may terminate in which case the Company may be placed into Liquidation. It is expected that there will be no return to Shareholders in a Liquidation.

#### Preparation of and responsibility for this document

The Deed Administrators have given their consent to convene the meeting and to despatch this Notice and the Explanatory Statement but expresses no opinion about any of the contents (including, but not limited to, any statements regarding the Recapitalisation Proposal).

The Deed Administrators have not independently verified any of the information contained in this Notice or Explanatory Statement. Neither the Deed Administrator nor any servants, representatives, agents or employees of the Deed Administrators' firm make any representations or warranties (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Notice or the Explanatory Statement.

All such parties and entities expressly disclaim any and all reasonable liability for, based on or relating to, any such information contained in or omissions from this Notice and the Explanatory Statement, to the extent allowable by law.

The Deed Administrators make no recommendation about how shareholders should vote on the resolutions contained in this Notice and have not undertaken any due diligence in relation to the Recapitalisation Proposal and has relied upon correspondence with Alt Finance Pty Ltd and its advisors.

The ASX does not take any responsibility for the contents of this Notice of Meeting, and the fact that the ASX may re-admit the Company's securities to quotation on its official list is not to be taken in any way as an indication of the merits of the Company.

Investment Decisions

This document does not take into account the individual investment objectives, financial situation or particular needs of any other person. Shareholders should seek professional advice from a licensed financial advisor, accountant, stockbroker, lawyer or other appropriate adviser.

Yours faithfully

Martin Jones – Joint and Several Deed Administrator



Kalium Lakes Limited (ACN 613 656 643)  
(Subject to Deed of Company Arrangement)

## BUSINESS OF THE MEETING

### Agenda

#### **Resolution 1 – Consolidation of Existing Shares and Options**

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

“That, subject to the passing of Resolutions 2 and 3 for the purposes of Section 254H of the Corporations Act, approval is given for the Company’s existing ordinary shares and options be consolidated on a 1:291 basis, (“Consolidation”), with any fractions rounded down.”

#### **Resolution 2 – Allotment and Issue of Shares to ST Holding 1 Pty Ltd – ACN 674 150 826**

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

“That subject to the passing of Resolutions 1, and 3, for the purposes of Item 7 of Section 611 of the Corporations Act, and Section 208 and Chapter 2E of the Corporations Act, and for all other purposes, approval is given for the Company to issue 90,000,000 Shares (post consolidation), at \$0.0018 per Share to ST Holding 1 Pty Ltd to raise \$162,000.00, and allow ST Holding 1 Pty Ltd to acquire a 90% interest in the company on the terms and conditions set out in the Explanatory Statement”.

**Voting exclusion statement:** The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- ST Holding 1 Pty Ltd; or
- an associate of ST Holding 1 Pty Ltd.

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

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - 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
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### **Resolution 3 – Allotment and Issue of Shares to The Kalium Lakes Creditors Trust**

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

“That subject to the passing of Resolutions 1, 2, and 4 to 6, for the purposes of ASX Listing Rule 7.1, approval is given for the Company to issue 3 million Shares (post consolidation), at \$Nil per Share to The Kalium Lakes Creditors Trust or its nominee, to raise \$Nil on the terms and conditions set out in the Explanatory Statement”.

**Note:** The maximum level of voting power will be 3% (approx.) if this resolution is passed along with all other resolutions.

**Voting exclusion statement:** The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- the Kalium Lakes Creditors Trust or class of persons excluded from voting; or
- an associate of Kalium Lakes Creditors Trust or those persons.

The Kalium Lakes Creditors Trust or their nominee is excluded from voting as the resolution refers to the shares potentially being issued to a nominee. The Kalium Lakes Creditors Trust is a person who is expected to participate in, or who will obtain material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity.)

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

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - 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
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### **Resolution 4 – Appointment of Mr Richard Campbell Brien as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 3 and 5 to 6, Mr Richard Campbell Brien, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

**Resolution 5 – Appointment of Mr George Terpens as a Director**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 4 and 6, Mr George Terpens, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

**Resolution 6 – Appointment of Mr Gregory Barry Starr as a Director**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 5, Mr Gregory Barry Starr, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

DATED: 3 May 2024

By order of the Board



Martin Jones

Joint and Several Deed Administrator

Kalium Lakes Limited (Subject to Deed of Company Arrangement).

ACN 613 656 643

## NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. For the purposes of Regulation 7.11.37 of the Corporations Act, the Deed Administrators have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00 p.m. (Sydney Time) on Tuesday 4th June 2024 (the Entitlement Time). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.
4. In accordance with Section 250BA of the *Corporations Act 2001* the Company specifies the following information for the purposes of receipt of proxy appointments:

### **Mail and physical address**

Level 2, 350 Kent Street,  
Sydney NSW 2000  
AUSTRALIA

Facsimile: +61 2 9299 2239  
Email: [steve@nicolsandbrien.com.au](mailto:steve@nicolsandbrien.com.au)

The instrument appointing the proxy must be received by the Company at the address specified above at least forty-eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile). Any proxy form received after that time will not be valid for the scheduled meeting.

For any questions, please call Steve Nicols on phone +61 2 9299 2289.



## EXPLANATORY STATEMENT

### 1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of Kalium Lakes Limited (Subject to Deed of Company Arrangement) (**Company**)(**KLL**) in connection with the Resolutions 1-6 (inclusive) to be considered at the General Meeting of the Company's Shareholders to be held at 11.00a.m (AEST) (Sydney Time) on Thursday 6th June 2024 ("**Meeting**").

The purpose of this Explanatory Statement is to provide information to Shareholders which is considered to be material to them in deciding whether or not to pass the Resolutions in the Notice of General Meeting of the Company ("**Notice**").

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that reports have been made by the Company's appointed Voluntary Administrators in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations to be taken by the Administrators and the reasons for the current status of the Company. The Voluntary Administrators' reports are available by contacting Nicols + Brien Chartered Accountants on phone: (02) 9299 2289. They will arrange for copies to be sent. The Voluntary Administrators' reports are also available at <https://www.kpmg.com/au/en/home/creditors/kalium-lakes.html>.

If all of the Resolutions are passed and the Recapitalisation Proposal is completed, the Company will be debt free and solvent. Completion of the proposal will not be enough to meet the ASX Listing Rule requirements for re-quotations. Re-quotations is a difficult exercise (among other things, the company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules), and the completion of the Recapitalisation Proposal will not guarantee the reinstatement of the company to the official list of the ASX. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow. If Shareholders do not approve the Resolutions and as a consequence the Recapitalisation Proposal is rejected, the Company will likely go into liquidation and it is likely that there will be no return to Shareholders.

#### 1.1 Background

A general background in respect of the appointment of the Voluntary Administrators is set out in the letter by the Deed Administrator to Shareholders accompanying the Notice ("**Letter**").

#### 1.2 History of the Company

The company was formed on 14 July 2016 and was admitted on the ASX Official List on 22 December 2016. The principal activity of the company and subsidiaries was the development of a sulphate of potash mining operation at Beyondie, Western Australia. Challenges arose with the development of the Beyondie project, which resulted in the companies not meeting their production targets and consequently resulted in additional costs being incurred. This led to funding issues.

On 3 August 2023 The Directors formed the view that due to lenders declining to provide financial funding to continue with its strategy sale process, Martin Jones, Matthew Woods and Clint Joseph were appointed Administrators of the group on 3 August 2023.

The Voluntary Administrators called a meeting of creditors pursuant to Section 439A of the Corporations Act, recommending the proposal of Alt Finance Pty Ltd to re-capitalize the company. The creditors passed the requisite resolution, and a Deed of Company Arrangement was entered into on 11 March 2024, Martin Jones, Matthew Woods and Clint Joseph became Deed Administrators. The Deed is conditional upon resolutions 1-3 listed herein being passed without alteration.

### **1.3 Summary of the terms of the Recapitalisation Proposal**

Set out below is a detailed summary of the Recapitalisation Proposal.

The essential terms of the Recapitalisation Proposal are as follows:

- (a) Entering into a Deed of Company Arrangement and Creditors Trust;
- (b) Consolidation of shares and options;
- (c) Placement to exempt, professional and sophisticated investors, whom will subscribe in aggregate for 90 million shares to raise \$162,000;
- (d) The proposed New Directors for the Company will be appointed.
- (e) Alt Finance Pty Ltd will pay \$125,000.00 into a Deed of Company Arrangement Fund. These monies will be reimbursed by the company to Alt Finance Pty Ltd from the capital raising of \$162,000 if the shareholders pass the resolutions 1 to 3, leaving the company with \$10,000 cash at bank, and no liabilities. These payments are to effectuate the Deed of Company Arrangement.
- (f) The Receivers and Managers must have retired by then, with respect to the company "KLL".

The Alt Finance Pty Ltd Recapitalisation Proposal was submitted to the Voluntary Administrators in late January 2024. It was accepted by the creditors of the company on 16 February 2024 and the Deed of Company Arrangement was signed on 11 March 2024. The DOCA and recapitalisation proposal also needs shareholder approval. The Resolutions put forward in the Meeting are for the purposes of implementing the Recapitalisation Proposal. The key terms of the DOCA are that a Recapitalisation Fund will be created to pay creditors, and from which costs, charges and expenses of the Voluntary Administrators and the Deed Administrators will be paid. The Deed Administrators will then retire; the conditions precedent require shareholders to pass all resolutions of the recapitalisation proposal, in particular 1 to 3.

The Recapitalisation Proposal involves the simultaneous completion or "effectuation" of the Deed of Company Arrangement via a Creditors Trust mechanism when the shareholders pass all the resolutions. The Company will also be released from all Creditors Claims estimated at \$209,412,703 and will have nil liabilities once Completion occurs. The costs, charges, and expenses of Alt Finance Pty Ltd and related parties will be paid by ST Holding 1 Pty Ltd ("STH"), i.e. not Kalium Lakes Limited (Subject to Deed of Company Arrangement).

## 1.4 New Directors

### *Proposed Director Richard Campbell Brien – B.Bus UTS; Chartered Accountant*

Richard has over 40 years experience in the insolvency area as an Official Liquidator and Registered Trustee dealing with a vast array of administrations both corporate and personal as well as providing advice and management assistance to small businesses.

During the last 3 years Mr Brien has held a directorship in ASX listed company Candy Club Holdings Limited.

### *Proposed Director George Terpens – QPIB, Dip Fin Sevv (Brok) Sydney*

Mr George Terpens has more than 40 years of experience in the insurance industry, and is an authorised representative of Steadfast IRST Limited. During the last 5 years Mr Terpens held a directorship in ASX Listed World.Net Services Limited.

### *Proposed Director Gregory Barry Starr*

Mr Starr, a CPA, is an experienced chairman, independent director, managing director, finance director and company secretary with over 30 years experience with public companies in various roles. He is currently a Non-Executive Director of Diatreme Resources Limited (ASX:DRG) and has held numerous roles in public listed companies over the last 30 years including roles as Chief Executive Officer of Pulse Markets Pty Ltd, Executive Director and Company Secretary of Investor Centre Limited (ASX:ICU) and is currently a director of AHP Group Limited and Admiralty Resources NL.

Mr Starr brings significant corporate governance and investor relations experience in ASX listed companies to the board.

## 1.5 ASX Listing

The Company is admitted to the Official List of ASX. However trading in the Company's Shares was suspended on 6 June 2023. Trading in the Shares will not recommence until all Resolutions are passed and not until the Company complies with Chapters 1 and 2 of the Listing Rules, or until ASX advises otherwise.

The intention of the New Directors with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.11 of this Statement. The New Directors' plan is to identify and assess potential acquisition opportunities of a material asset subject to approval by ASX, Shareholders and regulatory bodies, where relevant. There is no certain timeframe as to when this may occur, but it is anticipated to be in the last quarter of 2024. The Company is also mindful of the ASX's automatic removal policy, which deals with lodgement of all overdue statutory reports as well as a maximum 2 year suspension rule. Furthermore, ASX may remove the company if it fails to lodge any of the documents referred to in listing rule 17.5 for a continuous period of 1 year after the deadline for lodgement of that document (or the earlier of this or the 2 year period) (GN33 at section 3.4).

## 1.6 Advantages and Disadvantages of the Recapitalisation Proposal

### Advantages

- 1.6.1 The passing and consummation of Resolutions 1 to 6 as part of the recapitalisation proposal would result in a net cash position of approximately \$10,000 (assuming the capital raising of the \$162,000 referred to above) and having a company with no liabilities,

compared with the current position whereby the Company has no assets, and significant debts of approximately \$209,412,703.

- 1.6.2 If the proposals per Resolutions 1 to 6 are consummated as part of the recapitalisation process, the net cash asset backing of a KLL share rises from nil cents to approximately \$0.0001 per share.
- 1.6.3 If Resolutions 1 to 6 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as, without the recapitalisation, it is likely that the Company may be wound up and deregistered. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 1.6.4 The proposed Directors bring additional expertise to the Company in that such Directors have finance and corporate experience and/or experience as Directors or Managers of trading entities. Paragraph 1.4 above discloses the background of the proposed directors.

#### Disadvantages

- 1.6.5 A significant dilution of existing shareholders will occur. i.e. they will own approximately 7% as compared to 100% now of the expanded issued capital of the Company after the passing of Resolutions 1 to 3 (the passing of Resolutions 1 to 3 are dependent on all resolutions being passed). However, we note that KLL will be partly recapitalised with approximately \$10,000 in net cash (assuming completion of the \$162,000 total capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. It is assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules). Re-quotations on the ASX is a difficult and complex exercise. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, any new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow.

The dilution effect of the transaction on existing members interests, also affects the voting power of STH if approval is given for the transaction and STH's voting power in the company increases to 90%. This means STH will be able to unilaterally pass or block both ordinary and special resolutions. STH will be able to compulsorily acquire the remaining 10% of shares as the 90% holder under Part 6A.2 of the Corporations Act. However it has no intention of doing so.

- 1.6.6 The Company would only have approximately net cash of \$10,000 after the issue of the 93 million shares for a total capital raising of \$162,000 as per Resolutions 2 and 3. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer (made before shareholders vote on Resolutions 1 to 6) the shell value does not exist and it is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into Liquidation.
- 1.6.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

#### Interest of Other Groups

- 1.6.8 The following groups will benefit from the transaction, namely creditors as they will receive a dividend payment under the DOCA, Deed Administrators will receive remuneration under the DOCA; executives will retain their shares, albeit consolidated 1.291.

## 1.7 Conclusion

The Resolutions 1 to 6 set out in the Notice are important and affect the future of the Company. All of the Resolutions 1 to 6 need to be approved in order to implement the Recapitalisation Proposal. Shareholders are therefore urged to give careful consideration to the Notice the contents of this Statement.

## 1.8 Capital Raising

The Company intends to raise \$162,000 by issuing 90 million shares each to exempt, professional and sophisticated investors.

Funds raised under the Placement will be used in accordance with the table set out in Section 1.11 below.

## 1.9 Financial Effect of Placement

The completion of the Placement will increase the Company's cash balance by \$162,000 and also increase the Company's issued capital by the same amount.

The Company's only asset will be the cash raised under the Placement, less any amounts expended in accordance with the table set out in Section 1.11 below.

The Company has not presented pro forma financial information in relation to the transactions as recent historical audited financial information is not available owing to the Company being in Administration. In addition, the Deed Administrator is of the opinion that to present a financial position based on this historical information would not be representative of the Company's current financial position.

## 1.10 Control Implications

The Company is seeking shareholder approval under Corporations Act, Section 611 and Item 7 for the purposes of Resolution 2.

A table showing the impact of the various issues of securities pursuant to this Notice on the aggregated Shareholding interests of existing Shareholders is set out below (on a post Consolidation basis).

	Before		After	
	# Shares	% of Shares	# of Shares	% of Shares (Approx.)
<b>Change as a result of Share issue only</b>				
Existing Shareholders (Resolution 1)	2,031,712,214	100%	6,981,828	7%
ST Holding 1 Pty Ltd (Resolution 2)	0	0%	90,000,000	90%
Kalium Lakes Creditors Trust (Resolution 3)	0	0%	3,000,000	3%
		TOTAL	99,981,828	100%

### 1.11 Purpose of funds to be raised under the Recapitalisation Proposal

The Recapitalisation Proposal seeks to raise the sum of \$162,000 through issues of Shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act. The purpose of these capital raisings are to:

- (a) pay for the Voluntary Administration, Deed of Company Arrangement (“DOCA”). The payments to creditors will remove the Company from Administration and to extinguish all liabilities; and
- (b) provide working capital to meet the administration costs of the Company.

An estimated budget is set out below.

#### *Estimated Use of Funds – Expenditure Budget*

<b>Total funds raised \$162,000</b>	<b>\$</b>
Voluntary Administration costs and Deed of Company Arrangement	125,000.00
Independent Experts Report, printing and mail out of this notice, ASIC, Share Registry.	27,000.00
Working Capital for the company	10,000.00
<b>Total funds utilised (\$)</b>	<b>\$162,000.00</b>

The Company’s arrangement with Alt Finance Pty Ltd is that the Company will effectuate its Deed of Company Arrangement when Alt Finance Pty Ltd pays the Deed of Company Arrangement amount and then it will reimburse Alt Finance Pty Ltd from the \$162,000 raised. Alt Finance Pty Ltd will incur costs and expenses to third parties to achieve the Recapitalisation Proposal. Therefore, Alt Finance Pty Ltd is taking a risk that it may not be reimbursed payments to third parties if the Recapitalisation Proposal fails. To date, Alt Finance Pty Ltd has paid \$25,000.00 to the Voluntary Administrators. Alt Finance Pty Ltd will also pay all costs associated with preparing, calling, holding the Shareholders meeting. The costs, charges, and expenses of Alt Finance Pty Ltd will be paid by ST Holding 1 Pty Ltd, i.e. not Kalium Lakes Limited (Subject to Deed of Company Arrangement).

## 2. RESOLUTION 1 CONSOLIDATION OF CAPITAL

### 2.1 Background

If this Resolution is passed and excluding any Securities issued pursuant to the other Resolutions, the number of shares and options on issue will be reduced from 2,031,712,214 to 6,981,828(subject to rounding down).

### 2.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

### 2.3 Fractional entitlements

Not all Security Holders will hold that number of Shares which can be evenly divided by 291. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Security. This means some shareholders holding less than 291 shares will be rounded down to zero. Two hundred shareholders fall within this criteria.

## 2.4 Taxation

It is not considered that any taxation implications will exist for Security Holders arising from the Consolidation. However, Security Holders are advised to seek their own tax advice on the effect of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

## 2.5 Holding statements

From the date of the Consolidation, all previous holding statements for Security will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a pre-consolidation basis.

After the consolidation become effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

## 2.6 Proposed capital structure

### Current Capital Structure shares

	Shares	Percentage %
Current Shares on Issue	2,031,712,214	100

### Proposed Capital Structure

	Shares	Percentage % (Approx.)
Resolution 1 Existing Shares Consolidated 1:291	6,981,828	7%
Resolution 2 Issue of Shares to ST Holding 1 Pty Ltd	90,000,000	90%
Resolution 3 Issue of shares to Kalium Lakes Creditors Trust	3,000,000	3%
TOTALS	99,981,828	100%

### Current Capital Structure – Options and Performance Rights

	Number	Exercise Price
Options – Expiry 30/6/2025	5,000,000	\$0.50
Performance Rights (PR3 LTIP)	13,837,436	Nil
Performance rights (PR5 PERF) – Expiry 24/7/2025	17,677,493	Nil

### Proposed Capital Structure – Options and Performance Rights

	Number	Exercise Price
Options – Expiry 30/6/2025	17,182	\$145.50
Performance Rights (PR3 LTIP)	47,551	Nil
Performance rights (PR5 PERF) – Expiry 24/7/2025	60,747	Nil

## 2.7 Indicative timetable

If this Resolution is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 7) of the ASX Listing Rules).

Action	Date
Company announces Consolidation, lodges Appendix 3A.3 with ASX and sends out Notice of Meeting	8 May 2024
Company announces on ASX that Shareholders have approved the Consolidation and Effective Date of Consolidation	6 June 2024
Effective Date	7 June 2024
Last day for trading in pre-consolidated shares	10 June 2024
Record Date	12 June 2024
Last day for company to register transfers on a pre consolidation basis	12 June 2024
First day for the company to update its register and to send holding statements	13 June 2024
Last day for the company to update its register and to send holding statements	20 June 2024



### **3. Resolution 2 – Allotment and Issue of Placement of Shares**

#### **3.1 General**

Resolution 2 seeks Shareholder approval for the issue 90 million Shares at an issue price of \$0.0018 per Share to raise \$162,000 (**Placement**). Resolution 2 seeks shareholder approval for the acquisition of a 90% interest in Kalium Lakes Limited (the company) as a result of the placement of 90 million shares.

#### **3.2 Technical information required for Shareholders**

The following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 90million;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.0018 per Share. The issue price was determined by commercial considerations, noting the company is currently insolvent and the shares are worthless. There is also significant risk that the company may never be re-quoted on the ASX.
- (d) the Shares will be issued to ST Holding 1 Pty Ltd
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards funding the recapitalisation of the Company (including payment under the DOCA) with remaining funds being used for working capital purposes.

#### **3.3 Section 611 of the Corporations Act**

Shareholder approval of Resolution 2 is required under Item 7 of Section 611 of the Corporations Act given Resolution 2 involves the issue of more than 20% of all Shares then on issue.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases;

- (a) From 20% or below to more than 20%; or
- (b) From a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act,

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

## **Chapter 2E of the Corporations Act**

Section 208(1) of the Corporations Act requires that for a public company to give a financial benefit to a related party of the public company, it must either fall within certain exceptions or obtain shareholder approval. A related party includes a party that does or may control a public company. Accordingly, ST Holding 1 Pty Ltd is a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Pursuant to Resolution 2 the company is seeking shareholder approval for the issue of 90 million shares to raise \$162,000.

The following information is provided:

- (a) The related party is ST Holding 1 Pty Ltd ("STH"). STH is a Sydney based investment company. The nature of the related party relationship is if the transaction is approved STH will have control of the company. STH has no relationship or connection to the company whatsoever.
- (b) The maximum number of shares, being the nature of the financial benefits being provided to be issued, will be 90 million shares. The nature of the financial benefit is further explained by noting STH will control an ASX Listed and Suspended company and the basis for this is the absence of any viable alternative to implementing the DOCA and hence avoiding probable Liquidation of the company

The alternative, i.e. probable liquidation of the company, is inferior and not desirable for existing shareholders. The Voluntary Administrators considered alternatives, and was not able to elicit any other offer apart from the current transaction. The Voluntary Administrators recommended the Deed of Company Arrangement (DOCA), which is conditional upon this current transaction proceeding. The other alternative being to raise capital, was attempted by directors as note in paragraph 1.2 above, and was not successful.

The impact on the company if the financial benefit is given will be very beneficial in that the company will remove \$209,412,703 in debt, and have \$10,000 cash at bank. Another impact on the company is that it will change business activities and strategic direction because its previous business as loss making and not successful. The impact on the company if the financial benefit is not given will be that the company will remain insolvent, with \$209,412,703 in debt, and will probably go into liquidation. Shareholders will lose all value. Another impact on the company if the financial benefit is not given will be the lost opportunity for the solvent company to seek out new opportunities to enhance shareholder value.

- (c) The shares will be issued after the share consolidation takes place, being or about 30 May 2024;
- (d) The issue price will be \$0.0018 per share;
- (e) The funds raised will be used for the same purposes as all other funds raised under the capital raising as set out in Section 1.11 this explanatory statement;
- (f) The shares issued under the capital raising will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares;
- (g) The value of the financial benefit is calculated by the number of securities being issued multiplied by the issue price under General Placement and is set out below:

Securities	Value per Security	Financial Benefit	Amount Paid
90millionShares	\$0.0018	\$162,000	\$162,000

The company's shares have been suspended from trading since 6 June 2023 with the last trading price of the company prior to going into administration being \$0.025.

The company will be issuing shares at \$0.0018 and the Directors therefore consider that \$162,000 is a more appropriate valuation for the cost of the shares being issued, the subject of Resolution 2

- (h) The current relevant interests of ST Holding 1 Pty Ltd in the securities of the company are nil.
- (i) The remuneration and emoluments from the company to ST Holding 1 Pty Ltd for the previous financial year and the proposed remuneration and emoluments for the current financial year are also \$Nil.

Related Party	Financial Year ended 30 June 2022	Financial Year ended 30 June 2023
ST Holding 1 Pty Ltd	\$Nil	\$Nil

- (j) The trading history of the shares on ASX in the 12 months before the date of this notice is set out below:

	Price	Date
Highest	3.6 cents	17 April 2023
Lowest	2.2 cents	31 May 2023
Last	2.5 cents	1 June 2023

Shareholders should note that the company's securities were suspended from quotation on 28 April 2023 and remain suspended.

- (k) The primary purpose of the issue of the shares is to raise fresh capital; and
- (l) none of the current Directors have an interest in the outcome of Resolution 2. The Directors make a positive recommendation because the company is subject to Deed of Company Arrangement and currently insolvent.
- (m) the Directors and the Deed Administrator is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the company to pass Resolution 2.

### **Information required by Item 7 of the Section 611 of the Corporations Act**

Also set out below are the matters required to be disclosed in accordance with Item 7(b) of Section 611 of the Corporations Act.

- (a) *the identity of the person proposing to make the acquisition and their associates:*

It is proposed that 90 million Shares be issued to ST Holding 1 Pty Ltd as per Resolution 2. ST Holding 1 Pty Ltd, nor related parties, does not have relevant interests in any Shares existing as at the date of this notice.

- (b) *the maximum extent of the increase in that persons voting power in the company that would result from the acquisition:*

If Resolution 2 is passed, ST Holding 1 Pty Ltd's voting power in the Company will increase from 0% to 90% (approx).

- (c) *the voting power that the relevant allottees would have as a result of the acquisition:*

If Resolution 2 is passed, ST Holding 1 Pty Ltd's voting power in the Company will be 90% (approx.).

- (d) *the maximum extent of the increase in the voting power of each of the allottee's associates that would result from the acquisition.*

As ST Holding 1 Pty Ltd has no holding or any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition.

- (e) *the voting power that each of the allottee's associates would have as a result of the acquisition:*

As ST Holding 1 Pty Ltd has no associates holding any relevant interest in existing shares, there is no increase in its voting power in the Company as a result of the acquisition.

### **Other Required Information – ASIC regulatory Guide 74**

The following further information is disclosed:

- (a) The Company will review its current business activities. As part of the process, it is proposed that 3 New Directors will be elected to the Board. These elections form the subject of separate Resolutions. The current Directors and company secretary will be resigning;

- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
  - (i) pay for the DOCA and recapitalisation costs and expenses so as to remove the Company from Administration and to extinguish all debt of the Company; and
  - (ii) meet the administration and working capital costs of the Company.

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) There is no current intention to redeploy any other fixed assets of the Company or to change the Company's existing policies in relation to financial matters or dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and
- (d) Proposed directors Richard Campbell Brien, George Terpens and Gregory Barry Starr do not intend to inject further capital into the company. However this will change if the company seeks re-quotation on ASX.
- (e) An Independent Expert's Report or IER is enclosed, and shareholders are urged to read it in full.
- (f) The intentions of STH, and the directors, is to source a viable project, or business, that will be suitable for presentation to ASX. If found, the intention is to lodge an Application-in-Principle with ASX, for a formal review and comment on the proposal.
- (g) The company will be supported by STH loans if and when funds are required in the future. If further capital is required, shareholder approval will be sought in the future.
- (h) The material terms of the proposal acquisition/recapitalisation proposal are set out in Section 1.3 above.
- (i) The details of the terms of any other relevant agreement are that the effectuation of the DOCA is conditional upon shareholders approving all resolutions noted herein.
- (j) A statement of the acquirers intentions are:
  - (i) There is an intention to change the business of the entity;
  - (ii) There is no intention to inject further capital into the entity;
  - (iii) There are no present employees of the company.
  - (iv) No proposal where assets will be transferred between the entity and the acquirer or vendor or its associates; and
  - (v) No intention to otherwise redeploy the fixed assets of the entity;
- (k) No director has any interest in the acquisition or any relevant agreement disclosed under Regulation 74.25(d), except as an ordinary shareholder.

- (l) Incoming director details:
  - (i) Richard Campbell Brien
  - (ii) Chartered Accountant, B.Bus UTS. Forty Years as insolvency practitioner.
- (iii) No association whatsoever with STH, nor the company nor any of their associates
- (iv) No interest in STH, the company, nor the DOCA agreement
- (i) George Terpens
- (ii) QPIB, Dip Fin Serv (Brok) Sydney. Forty years as an insurance broker and authorised representative
- (iii) No association whatsoever with STH, nor the company nor any of their associates
- (iv) No interest in STH, the company, nor the DOCA agreement
- (i) Gregory Barry Starr
- (ii) CPA, B.Bus UTS. Thirty years experience with ASX companies in various roles.
- (iii) No association whatsoever with STH, nor the company nor any of their associates
- (iv) No interest in STH, the company, nor the DOCA agreement

The Corporations Act provides that an independent expert's report of the transaction (as contemplated by Resolution 2 must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in Resolution 2 and this section, is fair and reasonable to the non-associated Shareholders of the Company.

The IER is enclosed with the Notice and is attached to Annexure A.

Hall Chadwick Corporate Finance Pty Ltd has concluded that the acquisition of the voting power by ST Holding 1 Pty Ltd as contemplated by Resolution 2 ("**Acquisition**") **is fair and reasonable to the Shareholders of the Company.**

The advantages and disadvantages of the Recapitalisation Proposal are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions, particularly Resolution 2

- (k) ST Holding 1 Pty Ltd will only have a right to compulsorily acquire the shares of minority shareholders pursuant to Section 664C of the Corporations Act if they own more than 90%. However they have no intention whatsoever to compulsorily acquire the shares of minority shareholders.

#### **Other required information – ASIC Regulatory Guide 76**

The following further information is disclosed:

- (a) The related party is ST Holding 1 Pty Ltd.

- (b) The nature of the financial benefit is the issue of 90 million Ordinary Shares in the capital of the Company as set out in this Explanatory Memorandum;
- (c) The Directors of the Company are unable to make a recommendation in relation to whether Shareholders should or should not vote in favour of the Resolution as their powers are suspended whilst the company is under DOCA;
- (d) No Directors have an interest in the outcome of the Resolution

All other information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass a resolution and that is known to the Company, is set out in this Explanatory Memorandum and in the Independent Expert's Report.

### **Resolution 3 – Allotment and Issue of Shares to The Kalium Lakes Creditors Trust**

This Resolution is proposed to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and Resolution 3, seeks approval for the issue of 3 million (post consolidation) shares to The Kalium Lakes Creditors Trust at an issue price of \$Nil raise \$Nil.

### **ASX Listing Rules**

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issuer has the prior approval of Shareholders in general meeting.

Kalium Lakes Limited is proposing to issue 3 million shares under Resolution 3, ("the Issue").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Resolution 3 seeks the required shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, Kalium Lakes Limited will be able to proceed with the Issue and satisfy all of the key DOCA conditions. In addition, the Issue will be excluded from the calculation of the number of equity securities that Kalium Lakes Limited can issue without shareholder approval under Listing Rule 7.1.

To this end, Resolution 3 seeks shareholder approval to the Issue under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, the Issue can proceed without using up any of Kalium Lakes Limited's 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

If Resolution 3 is not passed, the Issue can still proceed but it will reduce, to that extent, Kalium Lakes Limited's capacity to issue equity securities without shareholder approval under Listing Rule 7.1 for 12 months following the Issue.

An approval of security holders is not effective under the Listing Rules unless the notice of meeting includes everything that the Listing Rules require it to include: Listing Rule 14.6.

## Information required by ASX Listing Rules

The following information is provided to shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 3:-

- 7.3.1 The name to whom the fully paid ordinary shares will be issued to is the Kalium Lakes Creditors Trust;
- 7.3.2 It is proposed to issue 3 million (post consolidation) fully paid ordinary shares;
- 7.3.3 Fully paid ordinary shares;
- 7.3.4 The date the shares will be issued will be 12 June 2024;
- 7.3.5 The company will receive \$Nil consideration for the 3 million shares to be issued;
- 7.3.6 The purpose of the issue is to satisfy a condition of the Deed of Company Arrangement, (DOCA), entered into by the company with its creditors on 11 March 2024. Further details are noted in paragraph 1.3 of this Notice of Meeting.
- 7.3.7 The agreement noted above has summary terms as follows:-
  - Creditors claims of an estimated \$209 million will be extinguished upon payment of \$125,000 cash and 3 million fully paid ordinary shares, (post consolidation) to the Deed Administrator.
  - Shareholders are being requested to approve the resolutions noted in this Notice of Meeting as a necessary condition of the effectuation of the DOCA.
- 7.3.8 The shares are not being issued under, or to fund, a reverse takeover;
- 7.3.9 The voting exclusion statement is recorded on page 6 of this Notice of Meeting.

## 4. Resolution 4 to 6 – Appointment of new Directors

### 4.1 General

The Corporations Act provides that:

- (a) the Company must have at least 3 directors, per Section 201A(2) of the Corporations Act;
- (b) the Company's Shareholders may appoint new Directors of the Company by resolution passed in general meeting, per Section 201G of the Corporations Act; and
- (c) the appointment of a person as a Director at a general meeting is subject to the Company receiving his or her consent to the nomination, per Section 201D of the Corporations act.



None of the directors have any interest in STH nor Alt Finance, nor is there any relationship between them.

Having received nominations for the following persons to be appointed as new Directors of the Company, and having received consents to act as a Director from each such person, Resolutions 4 to 6 respectively seek Shareholder approval for the appointment of the following persons as Directors effective from the close of the General Meeting:

- (a) Mr Richard Campbell Brien – Resolution 4;
- (b) Mr George Terpens – Resolution 5;
- (c) Mr Gregory Barry Starr – Resolution 6

A summary of experience of each of the proposed Directors is set out in paragraph 1.4 above.

## **5. ENQUIRIES**

Shareholders are invited to contact Mr Steven Nicols of Alt Finance Pty Ltd on phone + 61 2 9299 2289 if they have any queries in respect of the matters set out in these documents.

## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

### **Venue**

A General Meeting of the shareholders of Kalium Lakes Limited (Subject to Deed of Company Arrangement) will be held at Nicols and Brien Chartered Accountants, Level 2, 350 Kent Street, Sydney at 11.00am (Sydney Time) on Thursday, 6th June 2024.

### **How to Vote**

You may vote by attending the Meeting in person, by proxy or authorised representative.

### **Voting in Person**

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00 a.m. (Sydney Time).

### **Voting by Proxy**

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by email to [steve@nicolsandbrien.com.au](mailto:steve@nicolsandbrien.com.au) or by facsimile to the Company on facsimile number (International: + 61 2 9299 2239); or
- deliver the proxy to the Company at c/- Level 2, 350 Kent Street, Sydney, New South Wales, Australia.

so that it is received not later than 7pm (Sydney Time) on Tuesday 4th June 2024.

**Your proxy form is enclosed.**

## GLOSSARY

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, operated by ASX Limited, as the context requires

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the board of directors of the Company.

**Company** means Kalium Lakes Limited (Subject to Deed of Company Arrangement) (ACN 613 656 643).

**Constitution** means the Company's constitution.

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

**Creditor** means a creditor of the Company as at the date of the Notice.

**Creditor's Trust** means the trust to be established in accordance with the terms of the Recapitalisation Proposal and the DOCA for the purpose of satisfying approved Creditor's claims, to be known as Kalium Lakes Creditors Trust.

**Deed Administrators** means Martin Jones, Matthew Woods and Clint Joseph from KPMG.

**Deed of Company Arrangement or DOCA** means the Deed of Company Arrangement between Deed Administrators and the Company dated 11 March 2024 and includes any variation to such.

**Director** means a director of the Company.

**Dollar or \$** means Australian dollars.

**Explanatory Statement** or **Statement** means the explanatory statement to the Notice of General Meeting.

**Glossary** means this glossary.

**IER** means Independent Experts Report annexed hereto

**KLL** means the company.

**Meeting** means the general meeting of the Shareholders convened by the Notice to be held on Thursday, 6th June 2024.

**New Directors** means the Directors to be appointed under Resolutions 4, 5 and 6.

**Notice** means this notice of general meeting of the Shareholders in respect of the Meeting to be held on Thursday, 6th June 2024.

**Recapitalisation Fund** means the funds available from Recapitalisation Proposal.

**Recapitalisation Proposal** means the Recapitalisation Proposal submitted by Alt Finance Pty Ltd in late January 2024 to the Administrators relating to the restructure and recapitalisation of the Company.

**Resolutions** means the resolutions described in the Notice.

**Shareholder** means the holder of Shares.

**Shares** means ordinary class shares in the capital of the Company.

**Sydney Time** means time in Sydney NSW Australia from time to time.

**Trustee** means the Trustee of the Creditors Trust, namely Martin Jones, Matthew Woods and Clint Joseph from KPMG.

**Voluntary Administrators** means Martin Jones, Matthew Woods and Clint Joseph from KPMG.

**PROXY FORM****APPOINTMENT OF PROXY****Kalium Lakes Limited****(Subject to Deed of Company Arrangement) (Receivers & Managers Appointed)****ACN 613 656 643****GENERAL MEETING**

I/We

being a Member of Kalium Lakes Limited (Subject to Deed of Company Arrangement) entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person or body corporate so named or, if no person or body corporate is named, the Chair of the Meeting as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit at the General Meeting to be held on Thursday, 6th June 2024 at 11.00 a.m. (Sydney Time) and at any postponement or adjournment thereof. If the Chair of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, then by submitting the Voting Form you expressly authorise the Chair of the Meeting to exercise the proxy in respect of items/resolutions 1 to 6, even though the items are connected directly or indirectly with the remuneration of the Administrators.

---

**Voting on Business of the General Meeting**

	FOR	AGAINST	ABSTAIN
Resolution 1 Consolidation of shares and options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Allotment and Issue of Shares to ST Holding 1 Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Allotment and Issue of Shares to Kalium Lakes Creditors Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Richard Campbell Brien as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Election of George Terpens as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Election of Gregory Barry Starr as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**OR**

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

☐

Appointment of a Second Proxy

If you hold two or more shares, you may appoint up to two proxies. If you appoint two proxies, you should complete two separate Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify the percentage or number, each proxy may exercise half the votes. You must return both Voting Forms together.

%

Dated this                      day of                      20

Individuals and joint holders    Companies (affix common seal if appropriate)

Signature
Signature

Director
Sole Director and Sole Company Secretary

## Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - For a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting, if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You may fax the Proxy form to: Facsimile No. +61 2 9299 2239 or mail Level 2, 350 Kent Street, Sydney NSW 2000, Australia, or email to [steve@nicolsandbrien.com.au](mailto:steve@nicolsandbrien.com.au).
7. The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile).
8. Any questions, please call Steve Nicols on phone +61 9299 2289, or email to [steve@nicolsandbrien.com.au](mailto:steve@nicolsandbrien.com.au).

22 April 2024

The Directors  
Kalium Lakes Limited (Subject to Deed of Company Arrangement)  
Level 2  
350 Kent Street  
SYDNEY NSW 2000

Dear Directors,

## **Independent Expert's Report on the proposed issue of shares**

### **1. INTRODUCTION**

- 1.1 Kalium Lakes Limited (Subject to Deed of Company Arrangement) ("KLL" or the "Company") is an Australian company involved in the production of premium Sulphate of Potash ("SOP") fertiliser through its 100% ownership of Beyondie SOP mine in Western Australia.
- 1.2 On 6 June 2023 the Company's shares were suspended from trading on the Australian Securities Exchange ("ASX"), due to its financial condition.
- 1.3 On 3 August 2023, Mr Robert Michael Kirman, Mr Jason Preston and Mr Robert Conry Brauer of McGrathNicol, were appointed Receivers and Managers of the company, and Martin Jones, Matthew Woods and Clint Joseph from KPMG were appointed Voluntary Administrators of the Company.
- 1.4 A proposal by Alt Finance Pty Ltd, for the restructure and recapitalisation of the Company via a Deed of Company Arrangement ("DOCA") and Creditors Trust, was submitted to the Voluntary Administrators ("Recapitalisation Proposal") in late January 2024 and accepted by Creditors on 16 February 2024. The DOCA was signed on 11 March 2024. The Deed Administrators are Martin Jones, Matthew Woods and Clint Joseph.
- 1.5 The Recapitalisation Proposal is detailed at section 2 and will effectively involve new shares being issued to a shareholder who will exceed a 20% interest in the Company (referred to in this report as the "Transaction").

### ***Purpose of Report***

- 1.6 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of KLL other than those associated with the proposed Transaction ("Non-Associated Shareholders"), whether the Transaction is fair and reasonable when

HALL CHADWICK  
CORPORATE (NSW) LIMITED

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SYDNEY

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com.au

[www.hallchadwick.com.au](http://www.hallchadwick.com.au)



considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

- 1.7 HCC understands and has agreed that this report will accompany the notice to convene a meeting of KLL shareholders, to assist the Non-Associated Shareholders in their consideration of the resolutions associated with the Transaction.

***Opinion***

- 1.8 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of KLL.
- 1.9 The ultimate decision however on whether to accept the proposed Transaction should be based on KLL shareholders' own assessment of their circumstances.



## **2. THE PROPOSED TRANSACTION**

- 2.1 The company was formed on 14 July 2016 and was admitted to the ASX Official List on 22 December 2016. The principal activity of the company and subsidiaries was the development of a sulphate of potash mining operation at Beyondie, Western Australia.
- 2.2 On 3 August 2023 The Directors formed the view that due to lenders declining to provide financial funding to continue with its strategy for the Beyondie project, Martin Jones, Matthew Woods and Clint Joseph were appointed Administrators of the group on 3 August 2023.
- 2.3 The Voluntary Administrators subsequently called a meeting of creditors pursuant to Section 439A of the Corporations Act, recommending a proposal from Alt Finance Pty Ltd to re-capitalize the Company. The creditors passed the requisite resolution, and a DOCA was entered into on 11 March 2024 and Martin Jones, Matthew Woods and Clint Joseph became Deed Administrators. The Deed is conditional upon the relevant resolutions put to KLL Shareholders being passed without alteration.
- 2.4 The Recapitalisation Proposal is as detailed below, subject to Shareholders approval:
- a) Entering into a DOCA and Creditors Trust;
  - b) Consolidation of shares and options on a 1:291 basis;
  - c) Placement to exempt, professional and sophisticated investors, who will subscribe in aggregate for 90 million shares to raise \$162,000;
  - d) The proposed appointment of New Directors for the Company;
  - e) Alt Finance Pty Ltd will pay \$125,000 into a DOCA Fund. These monies will be reimbursed by the Company to Alt Finance Pty Ltd from the capital raising of \$162,000 if the shareholders pass the necessary resolutions, leaving the Company with \$10,000 cash at bank (after a further estimated \$27,000 in administration costs), and no liabilities. These payments are to effectuate the DOCA.
  - f) The Receivers and Managers must have retired by then, with respect to the Company “KLL”.
- 2.5 The Recapitalisation Proposal involves the simultaneous completion or “effectuation” of the DOCA via a Creditors Trust mechanism when the shareholders pass all the resolutions. The Company will also be released from all Creditors Claims estimated at \$209,412,703 and will have nil liabilities once Completion occurs. The costs, charges, and expenses of Alt Finance Pty Ltd and related parties will be paid by ST Holding 1 Pty Ltd (“STH”), not the Company.
- 2.6 STH will subscribe for 90,000,000 KLL shares at \$0.0018 per share (post consolidation), totalling a capital investment of \$162,000. The new shares issued to STH will equate to approximately 90% of the post share capital of the Company.

2.7 The table below shows the impact of the Transaction on the aggregated Shareholding interests (on a post Consolidation basis):

	Before Transaction		After Transaction	
	# Shares	% of Shares	# of Shares <sup>1</sup>	% of Shares (Approx.)
Existing Shareholders	2,031,712,214	100%	6,981,828	7%
STH	-	-	90,000,000	90%
Kalium Lakes Creditors Trust <sup>2</sup>	-	-	3,000,000	3%
	<b>TOTAL</b>		<b>99,981,828</b>	<b>100%</b>

(1) Post-consolidation.

(2) The Kalium Lakes Creditors Trust is to be established in accordance with the terms of the Recapitalisation Proposal and the DOCA for the purpose of satisfying approved Creditor's claims. The trust will be issued 3 million (post consolidation) shares for nil consideration as a condition of the Recapitalisation Proposal.

## **STRUCTURE OF REPORT**

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF KLL
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF KLL
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

## **APPENDICES**

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

### **3 PURPOSE OF REPORT**

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of KLL of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the KLL shareholders whose votes are not to be disregarded in respect of the Transaction (that is, the Non-Associated Shareholders).
- 3.2 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.3 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act") and the ASX Listing Rules.

#### **Issue of Shares to STH**

- 3.4 If the Transaction is approved, STH will be entitled to an approximate 90% interest in KLL's issued ordinary shares. Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) prohibits STH from acquiring the issued ordinary shares in KLL unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.5 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of KLL passed at a general meeting as per Section 611. Therefore the Board seeks shareholder approval of the Transaction for the purposes of item 7 of section 611.
- 3.6 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

## 4. OPINION

4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of KLL.

4.2 Our opinion is based solely on information available as at the date of this report. The principal factors that we have considered in forming our opinion are summarised below.

### 4.3 *Fairness*

4.3.1 Based on the analysis contained in section 8 of this report, the indicative value of the KLL shares is currently *nil* given the Company is in a negative net asset position with no current business activity.

4.3.2 The Transaction will result in the Company having a net cash position of approximately \$10,000 with no liabilities.

4.3.3 Following completion of the Transaction, the Company will have a net asset position of approximately \$10,000 with 99,981,828 shares on issue, equating to a net asset backing of \$0.0001 per share. This compares to the cash consideration being paid by STH for the ordinary shares in KLL of \$0.0018 per share.

4.3.4 We have determined that the Transaction is fair as the value of the KLL shares held by Non-Associated Shareholders increases as a result of the Transaction, from nil to \$0.0001 per share.

### 4.4 *Reasonableness*

4.4.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.4.2 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

- The Transaction will raise \$162,000 which will be used to meet the costs of the Voluntary Administration, DOCA and shareholder approval of this Transaction, with the balance being working capital.
- The Transaction would result in a net cash position of approximately \$10,000 after the payment of creditors, with the Company having no liabilities, compared with the current position where the Company has no assets and significant debts of approximately \$209 million.
- If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated with no prospect of a return for shareholders.
- It is anticipated the Company will find a new business and raise additional funds so that it can meet ASX Listing Rules requirements providing an opportunity for a potential return to shareholders.

- The proposed directors bring additional expertise to the Company as they have financial, legal and corporate experience as directors or managers of other entities.

4.5 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of KLL.*

## **5 BASIS OF EVALUATION**

- 5.1 In our assessment of whether the Transaction is fair and reasonable to KLL Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired or consideration received is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair or if shareholders would obtain an overall benefit if the transaction proceeds. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in KLL as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case there is a change in control from the perspective of the Non-Associated Shareholders of KLL and therefore this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of KLL.
- 5.6 We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in KLL will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of KLL;
  - The value of KLL shares, under various methodologies;
  - Any control premium associated with the Transaction;
  - The advantages and disadvantages associated with approving the Transaction;
  - Share trading history of KLL shares;
  - The likely value and liquidity of KLL shares in the absence of the acquisition.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to

believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of KLL. We have analysed and reviewed information provided by the directors and advisers of KLL and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.



## **6 OVERVIEW OF KLL**

### **6.1 Corporate History**

- 6.1.1 The Company was formed on 14 July 2016 and was admitted to the ASX Official List on 22 December 2016. The principal activity of KLL was the development of a sulphate of potash mining operation at Beyondie, Western Australia.
- 6.1.2 Challenges arose with the development of the Beyondie project, which resulted in KLL not meeting production targets which resulted in additional costs being incurred, which led to funding issues.
- 6.1.3 On 6 June 2023 the Company's shares were suspended from trading on the ASX due to its financial condition.
- 6.1.4 On 3 August 2023 the Directors formed the view that due to lenders declining to provide financial funding to continue the Company's strategy, Martin Jones, Matthew Woods and Clint Joseph be appointed Administrators of the KLL group.
- 6.1.5 The Voluntary Administrators subsequently called a meeting of creditors pursuant to Section 439A of the Corporations Act, recommending a proposal from Alt Finance Pty Ltd to re-capitalize the Company. The creditors passed the requisite resolution, and a DOCA was entered into on 11 March 2024 and Martin Jones, Matthew Woods and Clint Joseph became Deed Administrators. The Deed is conditional upon the relevant resolutions put to KLL Shareholders being passed without alteration.
- 6.1.6 The Recapitalisation Proposal involves the simultaneous completion or "effectuation" of the DOCA via a Creditors Trust mechanism when the shareholders pass all the resolutions. The Company will also be released from all Creditors Claims estimated at \$209,412,703 and will have nil liabilities once Completion occurs.

### **6.2 Financial Information**

- 6.2.1 The completion of the Transaction will increase the Company's cash balance by \$162,000 (before costs) and also increase the Company's net assets by the same amount. The Company's only asset will be the cash raised, less amounts expended in accordance with the table set out below:

<b>Total funds raised</b>	<b>\$162,000</b>
Voluntary Administration costs and DOCA	125,000
Independent Experts Report, printing and mail out of this notice, ASIC, Share Registry	27,000
Working Capital for the company	10,000
<b>Total funds utilised</b>	<b>\$162,000</b>

- 6.2.2 The Company has not presented a current balance sheet as recent historical audited financial information is not available owing to the Company being in administration. In addition, the Company is of the opinion that to present a financial position based on this historical information would not be representative of the Company's current financial position.
- 6.2.3 Effectively following the Transaction and amounts expended above, the cash balance and net assets of the Company will be approximately \$10,000 as shown in the below pro forma financial position:

<b>Pro forma Balance Sheet</b>	
Cash Assets	<u>10,000</u>
Net Assets	10,000
<b>Shareholders Equity</b>	<b>10,000</b>

## 7 VALUATION METHODOLOGIES

### 7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to KLL shares.

7.1.2 In assessing the value of KLL we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets.

7.1.3 *Financial information relied upon in assessing valuation methods:* We have reviewed the financial information for the last three years of KLL. Ultimately, the Management of KLL are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. We also note that historical financial information does not represent the current business and therefore is not considered relevant to this Transaction.

We consider each of these valuation methodologies below.

#### 7.1.4 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

KLL shares have been suspended from trading on the ASX since 6 June 2023. Therefore this method is not appropriate for the valuation of KLL shares.

#### *7.1.5 Capitalisation of Future Maintainable Earnings*

Under the earnings-based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered appropriate for the valuation of KLL due to the losses incurred to-date and that there is no longer a business to forecast any future earnings.

#### *7.1.6 Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Management of KLL are unable to forecast future cash flows as there is no current business activity, and therefore a value cannot be placed on the company using the discounted cash flow method.

#### *7.1.7 Realisation of Assets*

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

Given the lack of business activity, we have considered the book value of the net assets given the lack of other appropriate valuation methods.

## **8 VALUE OF KLL**

### **8.1 KLL valuation considerations**

- 8.1.1 In considering the valuation of the KLL shares we have considered the following:
- a) KLL currently has no business activity;
  - b) KLL's shares are currently suspended and the Company is in a negative net asset position prior to the funds being raised by the Transaction to complete the repayment of creditors.
- 8.1.2 A premium would generally be considered for obtaining control of a public company which in this case is partially diminished because of the regulatory requirements necessary to achieve the relisting of shares and recapitalisation of the Company. However any value attributed to the listed company shell which would also represent a premium for control would not be sufficient to result in a positive net asset value given the substantial negative net asset position of the Company prior to approval of the Transaction.

### **8.2 Conclusion on the Value of KLL Shares**

- 8.2.1 As detailed at section 6, KLL had a significant amount of debt, approximately \$209 million, prior to negotiating the Recapitalisation Proposal with Creditors for shareholders approval.
- 8.2.2 Prior to approval of the Transaction the net assets of the Company are of negative value. We are therefore of the opinion that the value of the KLL shares for the purpose of this report is *nil* prior to the Transaction occurring.

## **9 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION**

### **9.1 Approach to assessing Fairness and Reasonableness**

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

### **9.2 Advantages of the Transaction**

- 9.2.1 The Transaction will raise \$162,000 which will be used to meet the costs of the Voluntary Administration, DOCA and shareholder approval for this Transaction, with the balance being working capital.
- 9.2.2 The Transaction would result in a net cash position of approximately \$10,000 after the payment of creditors, with the Company having no liabilities, compared with the current position where the Company has no assets and significant debts of approximately \$209 million.
- 9.2.3 If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated with no prospect of a return for shareholders.
- 9.2.4 It is anticipated the Company will find a new business and raise additional funds so that it can meet ASX Listing Rules requirements providing an opportunity for a potential return to shareholders.
- 9.2.5 The proposed directors bring additional expertise to the Company as they have financial, legal and corporate experience as directors or managers of other entities.

### **9.3 Disadvantages of the Transaction**

- 9.3.1 There may be other opportunities KLL will not be able to undertake to realise the value of its listing if it accepts the Transaction due to the controlling interest being obtained by STH.
- 9.3.2 An opportunity may be lost to obtain a takeover premium for the Company's shares unless STH sold their interest in KLL or subscribed for a 100% interest.
- 9.3.3 The Transaction will result in the dilution of current shareholders ownership percentages to approximately 7%.
- 9.3.4 ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be requoted.
- 9.3.5 The Company would only have net cash of approximately \$10,000 following completion of the Transaction. The Company will still need to find a new business and raise additional funds so that it would meet Listing Rule requirements.
- 9.3.6 If the Company seeks new business opportunities, it is not certain that such businesses will be profitable or successful.

## **10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS**

### **10.1 *Fairness***

- 10.1.1 Based on the analysis contained in section 8 of this report, the indicative value of the KLL shares is currently *nil* given the Company is in a negative net asset position with no current business activity. This would be the case even after considering a premium for control.
- 10.1.2 The Transaction will result in the Company having a net cash position of approximately \$10,000 with no liabilities.
- 10.1.3 Following completion of the Transaction, the Company will have a net asset position of approximately \$10,000 and 99,981,828 shares on issue, equating to a net asset backing of \$0.0001 per share. This compares to the cash consideration being paid by STH for the ordinary shares in KLL of \$0.0018 per share.
- 10.1.4 We have determined that the Transaction is fair as the value of the KLL shares held by Non-Associated Shareholders increases as a result of the Transaction, from nil to \$0.0001 per share.

### **10.2 Reasonableness**

- 10.2.1 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
  - Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 10.2.2 In forming our opinion we have considered the following relevant factors.
- The Transaction will raise \$162,000 which will be used to meet the costs of the Voluntary Administration, DOCA and shareholder approval for this Transaction, with the balance being working capital.
  - The Transaction would result in a net cash position of approximately \$10,000 after the payment of creditors, with the Company having no liabilities, compared with the current position where the Company has no assets and significant debts of approximately \$209 million.
  - If the Transaction is completed, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company would be liquidated with no prospect of a return for shareholders.
  - It is anticipated the Company will find a new business and raise additional funds so that it can meet ASX Listing Rules requirements providing an opportunity for a potential return to shareholders.
  - The proposed directors bring additional expertise to the Company as they have financial, legal and corporate experience as directors or managers of other entities.

10.2.3 Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of KLL should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

Yours faithfully  
Hall Chadwick Corporate (NSW) Limited

A handwritten signature in blue ink, appearing to read 'Drew Townsend', with a long horizontal flourish extending to the right.

DREW TOWNSEND



## **APPENDIX I - SOURCES OF INFORMATION**

- Voluntary Administrators Reports to Creditors;
- Kalium Lakes Limited Executed Deed of Company Arrangement and Creditors Trust Deed;
- Kalium Lakes Limited Notice of General Meeting and Explanatory Memorandum;
- Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’; and
- APES 225 ‘Valuation Services’.

## **APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS**

### **Confirmation of Independence**

Prior to accepting this engagement HCC determined its independence with respect to KLL and STH with reference to ASIC Regulatory Guide 112 (RG 112) titled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of KLL.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with KLL or STH, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, who is a registered company auditor, has prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. The fee is not contingent upon the success or failure of the proposed Transaction and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors of KLL for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors of KLL have not changed the methodology or conclusions reached by HCC.

### **Reliance on Information**

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by KLL as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

KLL has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by KLL to HCC in preparation of this report.

## **Qualifications**

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

## **Consent and Disclaimers**

The preparation of this report has been undertaken at the request of the Directors of KLL. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to KLL shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the Proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to KLL shareholders.

Shareholders should read all documents issued by KLL that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of this report.

This report has been prepared specifically for the non-associated shareholders of KLL. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a non-associated shareholder of KLL, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

## **APPENDIX VI - FINANCIAL SERVICES GUIDE**

Dated 22 April 2024

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of dealing in the particular financial product.

### **Financial services that HCC is authorised to provide**

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

### **HCC's responsibility to you**

HCC has been engaged by the independent directors of Kalium Lakes Limited ("KLL" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by KLL in relation to the proposed Transaction.

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### **General Advice**

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

**Fees HCC may receive**

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$15,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive remuneration from Hall Chadwick and associated entities. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

**Referrals**

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

**Associations and relationships**

HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and a partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

**Complaints resolution**

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9263 2600 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

**External complaints resolution process**

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA provides free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at their website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly at:

Australian Financial Complaints Authority Limited

GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 931 678

Facsimile (03) 9613 6399

Email: [info@afca.org.au](mailto:info@afca.org.au)

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

**Compensation arrangements**

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

**Contact Details**

You may contact HCC at:

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

Telephone: 02 9263 2600

Facsimile: 02 9263 2800