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Wednesday 31 July 2019

Dear Shareholder,

**ACCELERATED NON-RENOUCEABLE ENTITLEMENT OFFER –
NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS**

On Wednesday 24 July 2019, Kalium Lakes Limited (ABN 98 613 656 643) (**Kalium Lakes**) announced that it was conducting a ~A\$17.5 million institutional placement (**Placement**) and accelerated non-renounceable entitlement offer (**Entitlement Offer**) of approximately A\$54.6 million in new ordinary shares in Kalium Lakes (**New Shares**) on a 1 for 2.19 basis to eligible shareholders, at an offer price of A\$0.50 per New Share (**Offer Price**).

Net proceeds from the Offer to be used to fund the equity component of construction of the Beyondie Sulphate of Potash Project and to provide anticipated working capital until first production.

The Entitlement Offer is being made by way of an offer document in accordance with section 708AA of the Corporations Act 2001 (Cth) (the **Corporations Act**) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, meaning that no prospectus needs to be prepared. The Entitlement Offer comprises an institutional entitlement offer (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (as defined below) to participate on the same terms (**Retail Entitlement Offer**). The Institutional Entitlement Offer has already closed and the results announced to ASX.

The Entitlement Offer is lead managed by Macquarie Capital (Australia) Limited (**Lead Manager**).

An offer booklet in relation to the Retail Entitlement Offer will be lodged with the ASX and mailed to Eligible Retail Shareholders (as defined below) on or around Wednesday 31 July 2019.

This is a letter to inform you that you are not an Eligible Retail Shareholder for the purposes of the Retail Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation to apply for New Shares. **You are not required to do anything in response to this letter but there may be financial implications for you as a result of the Entitlement Offer that you should be aware of.**

Eligibility Criteria

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are those persons who:

- (a) are registered as a holder of fully paid ordinary shares in Kalium Lakes as at 7.00pm (Sydney time) Friday 26 July 2019 (**Record Date**);
- (b) have a registered address on Kalium Lakes' share register that is in Australia or New Zealand or are a shareholder that Kalium Lakes has otherwise determined is eligible to participate;

- (c) are not in the United States and are not acting for the account or benefit of a person in the United States with respect to their shares in Kalium Lakes (to the extent such person holds Kalium Lakes shares for the account or benefit of such person in the United States);
- (d) were not invited to participate (other than as nominee, in respect of the other underlying holdings) in the Institutional Entitlement Offer (and were not otherwise treated as an ineligible institutional shareholder under the Institutional Entitlement Offer); and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Kalium Lakes has determined, pursuant to section 9A of the Corporations Act and ASX Listing Rule 7.7.1(a), that it would be unreasonable to make offers to shareholders in all countries outside Australia or New Zealand in connection with the Retail Entitlement Offer (**Ineligible Shareholders**). This is due to the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to Kalium Lakes of complying with these requirements, compared with the relatively small number of shareholders in those countries, the relatively small number of existing Kalium Lakes ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled to subscribe for.

Determination of eligibility of investors for the purposes of the Retail Entitlement Offer is determined by Kalium Lakes with reference to a number of matters. The Lead Manager and each of its affiliates and related bodies corporate and each of their respective directors, officers, partners, employees, advisers and agents disclaim any liability in respect of any determination as to eligibility, to the maximum extent permitted by law.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder as stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Corporations Act, Kalium Lakes wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer. You will not be sent the documents relating to the Retail Entitlement Offer or be able to subscribe for New Shares under the Retail Entitlement Offer.

Notwithstanding the above, Kalium Lakes may agree to extend the Retail Entitlement Offer to certain institutional shareholders in foreign jurisdictions who did not participate in the Institutional Entitlement Offer subject to compliance with applicable laws.

As the Retail Entitlement Offer is non-renounceable, you will not receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible.

Nominee

In order to comply with section 615 of the *Corporations Act 2001* (Cth) (**Corporations Act**), Kalium Lakes will appoint an ASIC approved nominee (**Nominee**) to subscribe for the New Shares that Ineligible Shareholders would have been entitled to and sell them on their behalf.

The nominee sale procedure will be implemented in accordance with section 615 of the Corporations Act as follows:

- (a) Kalium Lakes will issue to the Nominee the New Shares that Ineligible Shareholders would be entitled to if they were eligible to participate in the Entitlement Offer (**Nominee Rights**);
- (b) the Nominee will then sell the Nominee Rights at a price and otherwise in a manner and at such time as determined by the Nominee in its absolute and sole discretion; and
- (c) the net proceeds of the sale of the Nominee Rights (after deducting the costs of sale including brokerage and commission), if any, will be distributed to the Ineligible Shareholders for whose benefit the New Shares are sold in proportion to their shareholdings as at the Record Date.

Accordingly, Ineligible Shareholders will receive no net proceeds if the costs of the sale of the Nominee Rights are greater than the sale proceeds. Kalium Lakes and the Nominee will not be held liable for a failure to obtain any net proceeds, or for the sale of any of the Nominee Rights at any particular price or the timing of such sale.

If you have any questions in relation to any of the above matters, please contact the Kalium Lakes Shareholder Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

On behalf of Kalium Lakes, we regret that you are not eligible to participate in the Entitlement Offer and thank you for your continued support.

Yours sincerely,



Christopher Achurch
Chief Financial Officer and Joint Company Secretary
Kalium Lakes Limited

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This letter does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which such an offer would be illegal. The New Shares have been, nor will be, registered under the U.S. Securities Act of 1933 as amended (**U.S. Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. The New Shares may not be issued to, purchased or traded by, or taken up or exercised by, any person in the United States or any person acting for the account or benefit of a person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The New Shares to be offered and sold in the Entitlement Offer will only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) of the Securities Act) in reliance on Regulation S under the U.S. Securities Act.

DISCLAIMER

This letter is issued by Kalium Lakes. This letter is not a prospectus or offering document under Australian law or under any other law. This letter is to inform you about the Retail Entitlement Offer only.