



Notification of reduction in share capital details

Attach this form to the reduction in share capital documents required to be lodged

If there is insufficient space in any section of the form, you may attach an annexure and submit as part of this lodgement

Lodgement details

TRARALGON

10 JUL 2020

DK

Who should ASIC contact if there is a query about this form?

Name

Robert Waring

ASIC registered agent number (if applicable)

Company/entity name

Kalbar Limited

ACN/ABN/ARBN/ARSN

ACN 149 545 362

Telephone number

+61 2 9427 5928 or 0418 440 838

Postal address

PO Box 324

Crows Nest, NSW, 1585

Email address (optional)

rwaring@bigpond.net.au

Company details

Corporation name

Kalbar Limited

ACN

ACN 149 545 362

Documents lodged

Tick box

Subsection 256C(1) – Shareholder approval for reduction in share capital for equal reduction

Subsection 256C(2) – Shareholder approval for reduction in share capital for selective reduction

Documents which must accompany this form:

- i. notice of the meeting; and
- ii. any documents relating to the reduction that will accompany the notice of the meeting sent to shareholders.

Shareholders meeting

Section 256C requires that the above information is lodged with ASIC before the notice of the meeting is sent to members.

Members of companies listed on the Exchange must be given at least 28 days notice of the meeting [s.249HA]

Date of proposed meeting

[D] [D] [M] [M] [Y] [Y]

Members of companies (other than public listed) must be given at least 21 days notice of the meeting [ss.249H(1)].
The 21 days notice may be shorter, if members with at least 95% of the votes that may be cast at the meeting agree beforehand [ss.249H(2)].

Date of proposed meeting / /
[D] [D] [M] [M] [Y] [Y]

Tick box if ss.249H(2) applies

Note: If a resolution is to be passed by way of a circular to all members which complies with S.249A, an estimated last date for signing the circular can be inserted.

Signature

I verify that information in this form is true and correct and the attached documents marked **Annexure A** are true copies.

Name of person signing

Capacity

Signature

Date signed
 / /
[D] [D] [M] [M] [Y] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630



Notice of General Meeting of Shareholders

and

Notice of Special Meeting of Shareholders

**KALBAR LIMITED
ACN 149 545 362**

This booklet gives notice of a General Meeting of Kalbar Limited to be held at the offices of Wave International, Level 1, 306 Murray Street, Perth WA on Monday, 3 August 2020 at 9.00 am (Perth time).

This booklet gives notice of a Special Meeting of shareholders of Kalbar Limited to be held at the offices of Wave International, Level 1, 306 Murray Street, Perth WA on Monday, 3 August 2020 at 10.00 am (Perth time).

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with this document, please consult your financial or other professional adviser.

Letter from the Chairman

6 July 2020

Dear Shareholder

On behalf of the Board of Directors (**Board**) of Kalbar Limited (**Kalbar** or the **Company**), I am pleased to invite you to participate in a general meeting of Kalbar shareholders which will be held at 9.00 am (Perth Time) on Monday, 3 August 2020 (**General Meeting**), and a special meeting of Kalbar shareholders which will be held immediately after the General Meeting at 10.00 am (Perth Time) on Monday, 3 August 2020 (**Special Meeting**).

Given the challenges of COVID-19 and current restrictions on the ability of Kalbar shareholders to physically attend meetings, the Company has made provision for Kalbar shareholders to participate in the General Meeting and Special Meeting by conference call. Shareholders are advised to contact the Company Secretary in order to register to attend via conference call and to obtain dial-in details. Recent temporary changes to the Corporations Act provide for the holding of a meeting via virtual technology provided it gives all shareholders a reasonable opportunity to participate without being physically present in the same place. Shareholders participating in the meeting via teleconference will be taken to be present.

The Company will take all reasonable steps to ensure that the General Meeting and Special Meeting are facilitated and conducted in a way that provides Kalbar shareholders a reasonable opportunity to effectively participate in the meeting. Kalbar shareholders are permitted to physically attend the General Meeting and the Special Meeting, however you are strongly encouraged to cast your vote by proxy and participate in the General Meeting and Special Meeting via conference call.

The purpose of the General Meeting is to obtain shareholder approval for a selective return of funds to certain Kalbar shareholders.

On 24 June 2020, Kalbar and ANRK B.V, a long-term UK based, metals and mining private equity investor (**Appian**) became joint venture partners pursuant to a staged equity investment by Appian in the Fingerboards Project.

As part of the broader transaction with Appian, Kalbar is seeking shareholder approval to complete a A\$10m liquidity offer (**Liquidity Offer**) to allow certain Kalbar shareholders to reduce their investment in Kalbar via a selective capital return at A\$1.50 per share (equivalent to the initial subscription price paid by Appian pursuant to its initial investment in the Fingerboards Project). Shareholders were provided with the Liquidity Offer - Offer Document dated 11 April 2020 which included details of the Liquidity Offer and the opportunity to elect to participate in the Liquidity Offer. If shareholder approval is obtained for the selective capital return, Kalbar shareholders who elected to participate in the Liquidity Offer will receive a capital return of A\$1.50 per Kalbar share tendered and accepted by the Company (**Selective Capital Return**).

Shareholder approval will also be sought at the Special Meeting of Kalbar shareholders for an additional resolution – the cancellation of Kalbar shares held by those Kalbar shareholders participating in the Liquidity Offer by cancelling one Kalbar share held by each participating Kalbar shareholder for every A\$1.50 of capital returned to that shareholder pursuant to the Liquidity Offer (**Share Cancellation**).

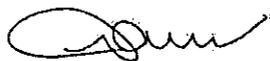
The Selective Capital Return and Share Cancellation together represent a total return of funds to shareholders of approximately A\$10 million and a cancellation of approximately 6,666,666 Kalbar shares.

The Notices of Meeting and Explanatory Notes in this booklet provide further details on these resolutions and I urge you to read the content carefully.

Your Directors unanimously recommend that eligible Kalbar shareholders vote in favour of the resolutions requiring shareholder approval at the General Meeting and at the Special Meeting of shareholders. Each Director who will not receive any consideration under the Liquidity Offer intends to vote all Kalbar shares held or controlled by him in favour of Resolution 1 (the Selective Capital Return Resolution). Each Director who is participating in the Liquidity Offer intends to vote all Kalbar shares held or controlled by him in favour of Resolution 2 (the Share Cancellation Resolution).

On behalf of the Board, I thank you for your continued support as a shareholder of Kalbar.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Brad Farrell', written in a cursive style.

Dr Brad Farrell
Chairman

Notice of General Meeting

Notice is hereby given that a general meeting of Kalbar Limited ACN 004 275 165 (Kalbar or the Company) will be held on **Monday, 3 August 2020 at 9.00 am (Perth Time) (General Meeting)**.

Shareholders wishing to join the meeting via conference call must contact the Company Secretary in order to obtain dial-in details for the meeting and to register to attend via conference call. Information on how to ask questions and vote will be provided at the point of registering.

A proxy form is located at the end of this booklet.

Capitalised terms in this Notice have the meaning given in the glossary on page 14 of this booklet.

Business of the Meeting

1. Resolution 1 - Selective Capital Return

Subject to, and conditional upon the passing of the Share Cancellation Resolution and subject to and conditional upon the approval of the shareholders of Kalbar Operations of the Kalbar Operations Capital Return, to consider and, if thought fit, pass the following resolution as a **special resolution**:

"That in accordance with section 256C(2) of the Corporations Act and for all other purposes, approval is given for the Company to make a selective capital reduction of A\$10 million, to be effected by the Company paying Participating Shareholders the amount of A\$1.50 for each Participating Share, on the terms described in the Explanatory Notes."

VOTING EXCLUSION STATEMENT

In respect of Resolution 1, the Company will disregard any votes cast in favour of this Resolution by any Participating Shareholder (being any person who elected to participate in the Liquidity Offer). However, the Company need not disregard any vote by any such persons if it is cast by any of them as proxy for a person who is entitled to vote in favour of Resolution 1, in accordance with the directions on the Proxy Form, or if it is cast by the Chairman as proxy for a person who is entitled to vote in favour of Resolution 1 in accordance with a direction on the Proxy Form to vote as the proxy decides.

PROXIES

To be effective, Proxy Forms must be received by the Company Secretary by 9.00 am (Perth time) on 1 August 2020:

by mail:

PO Box 324

Crows Nest, NSW 1585

by email:

rwaring@hamiltongroup.com.au

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth), the Directors have determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the Company's register of Shareholders as at 9.00 am (Perth time) on 1 August 2020. Share transfers registered after that time will be disregarded in determining entitlement to vote at the General Meeting. In addition, Australian legal requirements limit the eligibility of certain people to vote on some items of business to be considered at the Meeting. This voting exclusion is designed to limit the capacity of people who stand to benefit from a resolution to influence whether or not the resolution is passed.

A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two persons as his / her proxy to attend and vote instead of the member. A proxy need not be a Shareholder. If

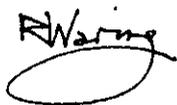
more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the relevant Shareholder's voting rights. Unless under Power of Attorney (of which the Company has been notified prior to the General Meeting), a Proxy Form by a corporation should be executed under its common seal or in accordance with the Corporations Act.

If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting on that resolution as they see fit. Should any resolution other than the Resolution specified in this Notice of General Meeting be proposed at the Meeting, a proxy may vote on that resolution as they see fit. If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on any poll that may take place and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction on how to vote, but do not nominate the identity of their proxy, will be taken to have appointed the Chairman of the General Meeting as their proxy to vote on their behalf. If a Proxy Form is returned, but the nominated proxy does not attend the Meeting, or does not vote on the Resolution, the Chairman of the General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the Company Secretary or any Director that do not contain a direction on how to vote will be used where possible to support the Resolution proposed in the Notice of General Meeting.

Dated in Sydney on this 6th of July 2020.

By order of the Board

A handwritten signature in black ink, appearing to read 'R Waring', with a large, sweeping underline that loops back under the first part of the signature.

Robert J Waring
Company Secretary
Kalbar Limited

Notice of Special Meeting

Notice is hereby given that a special meeting of Shareholders of Kalbar Limited ACN 004 275 165 (Kalbar or the Company) will be held on **Monday, 3 August 2020 at 10.00 am (Perth Time) (Special Meeting)**.

Shareholders wishing to join the meeting via conference call must contact the Company Secretary in order to obtain dial-in details for the meeting and to register to attend via conference call. Information on how to ask questions and vote will be provided at the point of registering.

A proxy form is located at the end of this booklet.

Capitalised terms in this Notice have the meaning given in the glossary on page 14 of this booklet.

Business of the Meeting

2. Resolution 2 - Share Cancellation

Subject to, and conditional upon the passing of the Capital Return Resolution and subject to and conditional upon the approval of the shareholders of Kalbar Operations of the Kalbar Operations Capital Return, to consider and, if thought fit, pass the following resolution as a **special resolution**:

"That in accordance with section 256C of the Corporations Act and for all other purposes, approval is given for the ordinary share capital of the Company to be reduced through the cancellation of the 6,666,666 Shares in the Company, representing the Participating Shares, on the terms described in the Explanatory Notes."

VOTING EXCLUSION STATEMENT

In respect of Resolution 2, Kalbar will disregard any votes cast on this Resolution by any person who is not a Participating Shareholder (being any person who elected to participate in the Liquidity Offer). However, the Company need not disregard any vote by any such persons if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if it is cast by the Chairman 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.

PROXIES

To be effective, Proxy Forms must be received by the Company Secretary by 09.00 am (Perth time) on 1 August 2020 :

<i>by mail:</i>	<i>by email:</i>
PO Box 324	rwaring@hamiltongroup.com.au
Crows Nest, NSW 1585	

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth), the Directors have determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the Company's register of Shareholders as at 10.00 am (Perth time) on 1 August 2020. Share transfers registered after that time will be disregarded in determining entitlements to vote at the Special Meeting. In addition, Australian legal requirements limit the eligibility of certain people to vote on some items of business to be considered at the Meeting. This voting exclusion is designed to limit the capacity of people who stand to benefit from a resolution to influence whether or not the resolution is passed.

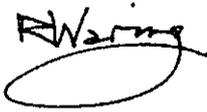
A Shareholder entitled to attend and vote at the Special Meeting is entitled to appoint not more than two persons as his / her proxy to attend and vote instead of the member. A proxy need not be a Shareholder. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the relevant Shareholder's voting rights. Unless under Power of Attorney (of which the Company has been notified prior to the Special Meeting), a Proxy Form by a corporation should be executed under its common seal or in accordance with the Corporations Act.

If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting on that Resolution as they see fit. Should any resolution other than the Resolution specified in this Notice of Special Meeting be proposed at the Meeting, a proxy may vote on that resolution as they see fit. If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on any poll that may take place and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction on how to vote, but do not nominate the identity of their proxy, will be taken to have appointed the Chairman of the Special Meeting as their proxy to vote on their behalf. If a Proxy Form is returned, but the nominated proxy does not attend the Meeting, or does not vote on the Resolution, the Chairman of the Special Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the Company Secretary or any Director that do not contain a direction on how to vote will be used where possible to support the Resolution proposed in the Notice of Special Meeting.

Dated in Sydney on this 6 July 2020.

By order of the Board

A handwritten signature in black ink, appearing to read "R Waring", with a large, sweeping underline that loops back under the signature.

Robert J Waring
Company Secretary
Kalbar Limited

Explanatory Notes - Overview

The overview set out below relates to each of the resolutions the subject of these Notices of Meeting (including the General Meeting and the Special Meeting) and should be read in conjunction with each of them.

Transaction Summary

On 24 June 2020, completion of Appian's initial investment in Kalbar Operations occurred under the Subscription and Shareholders Agreement between Kalbar Operations, Kalbar and Appian dated 8 March 2020 (SSA). As previously advised to Shareholders in the Liquidity Offer – Offer Document, the Board unanimously supports the transaction regulated by the SSA as it delivers meaningful benefits to Shareholders, including the following:

- securing a partner with deep experience in the mining sector and an ability to add value through the development phase;
- a one-stop, complete equity funding solution for the Fingerboards Project through to first production of HMC, targeted for 2022; and
- a transaction at an attractive valuation in light of the challenges in securing development capital for projects in the current environment.

Appian has deep in-house technical expertise across the metals & mining sector and is specialised in developing mining projects through to production. Appian has an experienced management team which will share its development, financing and operational expertise to develop the Fingerboards Project.

Now that the initial investment from Appian under the SSA has completed, the Board is looking forward to accelerating the development of the world class Fingerboards Project with Appian.

Transaction Overview

The investment by Appian includes an equity commitment of up to A\$164m¹ comprising:

- up to A\$45m of equity pre-FID, including:
 - A\$25m to fund a mutually agreed pre-FID budget;
 - A\$10m to fund mutually agreed pre-FID contingency;
 - A\$10m to fund the Liquidity Offer (refer below); and
- up to A\$119m post-FID to fund the Stage One development program. Kalbar will have the right to invest alongside Appian to fund up to 20% of the A\$119m Stage One development program.

The investment also includes deferred consideration of an additional A\$0.10 per Share (conferred in additional equity in Kalbar Operations to be issued to Kalbar) contingent on satisfaction of certain criteria with respect to the production of 'Magnetic Heavy Mineral Concentrate' by Kalbar Operations.

Kalbar is expected to hold a 77-86%² equity interest in the Project pre-FID and 46-59%³ equity interest post-FID on Project completion⁴.

A summary of the key terms of the SSA was provided to Shareholders as part of the Liquidity Offer – Offer Document and is attached to this booklet as Annexure A.

Liquidity Offer Overview

In connection with the SSA, Appian committed to fund a liquidity offer (**Liquidity Offer**). Pursuant to the Liquidity Offer, Shareholders were invited to elect to reduce their investment in Kalbar via a selective capital return and subsequent share cancellation at a price per share of A\$1.50 (equivalent to the initial subscription price payable by Appian). Shareholders who elected to participate in the Liquidity Offer will therefore receive a capital return of A\$1.50 per Kalbar Share tendered and

¹ Investment may be reduced by up to A\$5m should Kalbar subscribe for additional shares in Kalbar Operations

² Low end of equity ownership range assumes Appian funds A\$25m initial investment, A\$10m Liquidity Offer and exercise of A\$10m contingent funding right, whilst high end assumes simply a A\$25m initial investment

³ Low end of equity ownership range follows on from footnote above, but also assumes Stage One development program of A\$238m funded with gearing of 50% with no contribution from existing Kalbar shareholders. The high end assumes simply a A\$25m initial investment from Appian, with the A\$238m Stage One development program funded with a gearing of 50%, with Kalbar funding its 20% share of the equity requirement. All exclude impact of deferred consideration to Kalbar.

⁴ All figures assume Kalbar secures a A\$2.5m equity raising initially. Insofar as more funds are secured, Kalbar would have a greater ownership than above, and similarly conversely

accepted by the Company (**Selective Capital Return**), with a corresponding cancellation of 1 Kalbar Share held for each A\$1.50 in capital returned (**Share Cancellation**). The Liquidity Offer was capped at A\$10 million.

Allocation

Shareholders who elected to participate in the Liquidity Offer and returned a completed acceptance form will be entitled to participate with respect to the number of Shares that the Shareholder tendered into the Liquidity Offer, subject to the application of a scale back applied by the Company for any Shareholder that tendered to participate for a number of Shares that exceeded that Shareholder's Entitlement.

Corporations Act

Pursuant to section 256C of the Corporations Act, a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced. Where the reduction involves the cancellation of shares, the reduction must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

- a) addressing the risk of the transaction leading to the Company's insolvency;
- b) seeking to ensure fairness between the shareholders of the Company; and
- c) requiring the Company to disclose all material information.

In particular, section 256B of the Corporations Act requires that a company may only reduce its capital if:

- a) if it is fair and reasonable to shareholders as a whole;
- b) it does not materially prejudice the company's ability to pay its creditors; and
- c) it is approved by shareholders in accordance with section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the company must include with the notice a statement setting out all the information known to the company that is material to the decision to vote on the resolution. However, the company does not have to disclose information if it would be unreasonable to require the company to do so because the company had previously disclosed the information to shareholders.

The Board has reviewed Kalbar's assets, liabilities and expected cash flows and has satisfied itself as to Kalbar's solvency and ability to pay its creditors following the proposed initiatives. The Board notes that all of the funding for the Selective Capital Return is to be provided by the Kalbar Operations Capital Return, which in turn is to be funded by Appian (see below). In the Board's view, having regard to the requirements of section 256B(1) of the Corporations Act, the Selective Capital Return is fair and reasonable to Shareholders as a whole and will not materially prejudice the Company's ability to pay its creditors.

Funding

The funding for the Selective Capital Return is to be provided by Appian by way of an investment of A\$10 million in shares in Kalbar Operations. This A\$10 million will then be paid by Kalbar Operations to Kalbar Limited by way of a selective capital return completed by Kalbar Operations. Kalbar Operations' shareholders will be required to approve the selective capital return by Kalbar Operations of A\$10 million of capital to Kalbar (**Kalbar Operations Capital Return**).

Impact on Share structure and control

As at the date of this Notice of Meeting, there are 104,747,411 Kalbar Shares on issue. This number is expected to reduce by 6,666,666 as a consequence of the Share Cancellation to 98,080,745 Shares.

The Share Cancellation will not have a material impact on the control of the Company. The Participating Shareholders will no longer hold the Participating Shares and will lose any rights to vote attached to those Participating Shares on matters of the Company. The voting power attached to

each of the remaining Shares will increase in equal proportions as a result of the Share Cancellation.

Extent of conditionality

Concurrently with the Selective Capital Return, it is proposed that the Participating Shares held by the Participating Shareholders will be cancelled. A special resolution of Participating Shareholders is required to approve the Share Cancellation. Immediately following this General Meeting, a Special Meeting of Shareholders will be convened to approve the Share Cancellation. Only Participating Shareholders are entitled to vote on the resolution. If the Share Cancellation is not approved, the Selective Capital Return will not occur.

The implementation of the Selective Capital Return and Share Cancellation is conditional upon Kalbar Operations implementing the Kalbar Operations Capital Return in accordance with Division 1 of Part 2J.1 of the Corporations Act. If Kalbar Operations does not implement the Kalbar Operations Capital Return in accordance with Division 1 of Part 2J.1 of the Corporations Act, the Liquidity Offer will lapse and the Selective Capital Return and the Share Cancellation will not occur.

Timing of Selective Capital Return and Share Cancellation

If shareholder approval is given to the Selective Capital Return and Share Cancellation, and the Kalbar Operations Capital Return is legally implemented, Participating Shareholders will receive their capital return upon the expiry of the relevant statutory period prescribed in the Corporations Act for completion of a selective capital return. This is expected to occur in November 2020.

If shareholder approval is not obtained for the Selective Capital Return and Share Cancellation, or if the Kalbar Operations Capital Return is not legally implemented, the Liquidity Offer will lapse and Kalbar will not return any capital to Shareholders or cancel any Shares.

Taxation

The Taxation implications for shareholders will depend on their particular circumstances. All shareholders should therefore seek their own professional advice in relation to their tax position.

No adverse tax consequences are expected to arise for Kalbar in relation to the Selective Capital Return or Share Cancellation.

Advantages and disadvantages of the Selective Capital Return and Share Cancellation

The Directors believe that the Selective Capital Return and Share Cancellation will provide the following advantages and disadvantages to Shareholders:

Advantages:

- As Kalbar's shares are not listed on a public market or securities exchange, the opportunity and market for Shareholders to dispose of their Shares is limited. The Selective Capital Return and Share Cancellation provides Participating Shareholders with an opportunity to sell down a portion of their current shareholding in Kalbar.
- Having sold down a portion of their shareholding, Participating Shareholders have an opportunity to lower their exposure to the risks associated with an investment in Kalbar.
- There will be a lesser number of Shares on issue, consequently the ownership interest in Kalbar of each non-Participating Shareholder will increase.
- All of the funding for the Selective Capital Return is to be provided by the Kalbar Operations Capital Return, which in turn is to be funded by Appian. The Selective Capital Return will therefore have no impact on the Company's cash position.

Disadvantages

- Participating Shareholders will cease to gain any benefits associated with an investment in Kalbar to the extent of the number of Shares cancelled.

Directors' interests

All Directors except for Brad Farrell intend to take up their full entitlement and participate in the Liquidity Offer (whether directly or through an entity controlled by that Director).

Directors' voting intentions

Each Director who will not receive any consideration under the Liquidity Offer intends to vote all Shares held or controlled by him or her in favour of Resolution 1 (the Selective Capital Return Resolution). Each Director who will receive consideration under the Liquidity Offer intends to abstain from voting on Resolution 1 (the Capital Return Resolution).

Each Director who is participating in the Liquidity Offer intends to vote all Shares held or controlled by him or her in favour of Resolution 2 (the Share Cancellation Resolution). Each Director who is not participating in the Liquidity Offer is not entitled to vote on Resolution 2 (the Share Cancellation Resolution).

ASIC Notifications

This Notice of Meeting is being lodged on the date of this Notice of Meeting with the Australian Securities and Investments Commission (ASIC) in accordance with legislative requirements for the Selective Capital Return and Share Cancellation.

Further notifications will be lodged with ASIC in due course if the resolutions are passed.

Voting exclusions*General Meeting – Resolution 1 (Capital Return Resolution)*

- Participating Shareholders may not vote in favour of Resolution 1.
- If you have elected to participate in the Liquidity Offer you may not vote in favour of Resolution 1 (you may vote against Resolution 1 or abstain from voting).
- If you did not elect to participate in the Liquidity Offer you may vote on Resolution 1.

Special Meeting - Resolution 2 (Share Cancellation Resolution)

- Only Participating Shareholders may vote on Resolution 2.
- If you have elected to participate in the Liquidity Offer you may vote on Resolution 2.
- If you did not elect to participate in the Liquidity Offer you may not vote on Resolution 2.

Recommendation

The Board unanimously recommends that shareholders vote in favour of each of the resolutions.

No other material information

Other than as set out in this Notice of Meeting (including the Explanatory Notes) and any other information previously disclosed to Shareholders in the Liquidity Offer – Offer Booklet, there is no other information that is known to the Board which may reasonably be expected to be material to the making of a decision by shareholders whether or not to vote in favour of the resolutions.

Explanatory Notes for General Meeting - Resolution 1 – Selective Capital Return

Shareholders are asked to approve the Selective Capital Return of A\$1.50 per share for each Participating Share for a total of approximately A\$10 million. Those Shareholders who elected to participate in the Liquidity Offer will, if the Selective Capital Return is approved, receive a capital return of A\$1.50 for each Participating Share.

General

The Selective Capital Return will, if approved, be effected by Kalbar paying A\$1.50 per Participating Share to each Participating Shareholder, as a selective capital reduction under section 256C of the Corporations Act.

Details of the Selective Capital Return, if approved by Shareholders, are:

- payment to Participating Shareholders is expected to occur in November 2020;
- if you elected to participate in the Liquidity Offer with respect to more than your Entitlement, details of your final Entitlement will be notified to you. Your final Entitlement may differ from the number of Shares tendered by you in your application form because your application may have been subject to scale back; and
- only those Shareholders who elected to participate in the Liquidity Offer will receive a payment pursuant to the Liquidity Offer and therefore the Selective Capital Return will constitute a selective reduction of Kalbar's share capital for the purposes of the Corporations Act.

Example

A Shareholder elected to tender for that Shareholder's full Entitlement of 1,000 Shares into the Liquidity Offer would receive \$1,500 through the Selective Capital Return. Those 1,000 Shares held by that Shareholder would then be cancelled and the Shareholder's shareholding in Kalbar would be reduced by 1,000 Shares.

Payment of Selective Capital Return consideration

If Shareholders have registered their bank account details with the Company Secretary, the payment of the Selective Capital Return consideration will be made to the Shareholder's nominated bank account.

If you have not already provided your bank account details to the Company Secretary and you wish to receive the payment direct to your bank account, please contact the Company Secretary to provide your bank account details.

If the Company Secretary does not hold bank account details for direct credit purposes, payment of the Selective Capital Return consideration will occur by way of cheque mailed to the postal address recorded on the Company's register of Shareholders.

Explanatory Notes for Special Meeting - Resolution 2 - Share Cancellation

Participating Shareholders are asked to approve the Share Cancellation by Kalbar cancelling each Participating Share to reflect the impact of the Selective Capital Return.

General

If approved, the Share Cancellation will reduce the number of Shares on issue from approximately 104,747,411 to 98,080,745.

Given the Share Cancellation applies only to Shares held by Participating Shareholders, the Share Cancellation will not have an adverse impact on the interests of non-participating Shareholders.

Details

Details for the Share Cancellation, if approved by Participating Shareholders, are:

- For each \$1.50 of capital returned to a Participating Shareholder through the Selective Capital Return, 1 Share held by that Participating Shareholder will be cancelled.
- The Share Cancellation will take effect on and from the date of payment of the Selective Capital Return consideration.
- The Share Cancellation will have the effect of reducing the number of Shares held by Participating Shareholders. Following the Share Cancellation taking effect, Kalbar's share registry will issue each Participating Shareholder with an updated shareholder statement.

Glossary

In this booklet, the following words have the meanings set out in this Glossary.

Appian means ANRK B.V., a Company formed in The Netherlands with company number 76552691.

Board of Directors or **Board** means the board of directors of Kalbar Limited.

Capital Return Resolution or **Resolution 1** means the resolution the subject of the Notice of General Meeting of Shareholders whereby Shareholders will be asked to approve the Selective Capital Return.

Chairman means the chairman of the Board of Directors or the chairman of the Meeting, as the context requires.

Company or **Kalbar** means Kalbar Limited (ABN 30 149 545 362).

Company Secretary means the duly appointed company secretary of Kalbar from time-to-time.

Constitution means the current constitution of Kalbar, as amended from time-to-time.

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

Director means a director of the Company, as elected from time-to-time.

Entitlement means the number of Shares a Shareholder is entitled to tender into the Liquidity Offer that was notified to each Shareholder in the acceptance form attached to the Liquidity Offer – Offer Document.

Explanatory Notes means the explanatory notes incorporated in the Notice of Meeting.

Fingerboards Project or **Project** means the proposed Fingerboards Mineral Sands Project in Gippsland, Victoria.

General Meeting means the general meeting of the Shareholders convened by the Notice of General Meeting enclosed in this booklet.

Kalbar Operations Capital Return means the proposed selective capital return of A\$10 million in capital by Kalbar Operations to Kalbar.

Kalbar Operations means Kalbar Operations Pty Ltd (ABN 635 720 759).

Liquidity Offer – Offer Booklet means the booklet provided to Shareholders on 11 April 2020 pursuant to which Shareholders were invited to participate in the Liquidity Offer.

Liquidity Offer means the offer by the Company contained in the Liquidity Offer – Offer Booklet.

Meeting means each of the General Meeting and Special Meeting, as the context requires.

Notice or **Notice of Meeting** means each of the notice of the General Meeting and notice of the Special Meeting (as the context requires), incorporating the Explanatory Notes.

Participating Share means each Share tendered by a Shareholder into the Liquidity Offer and accepted by Kalbar as being a Share that will participate in the Liquidity Offer.

Participating Shareholder means each Shareholder who elected to participate in the Liquidity Offer.

Proxy Form means the proxy form attached to the Notice of Meeting.

Resolution means a resolution proposed in the Notice of Meeting.

Selective Capital Return means the proposed selective capital return of A\$10 million in capital by Kalbar to its Shareholders.

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

Share Cancellation means the proposed cancellation of Participating Shares.

Share Cancellation Resolution or **Resolution 2** means the resolution the subject of the Notice of Meeting whereby Participating Shareholders will be asked to approve the cancellation of the Participating Shares.

Shareholder means a holder of Shares.

Special Meeting means the special meeting of Shareholders convened by the Notice of Special Meeting enclosed in this booklet.

Annexure A: Key terms of the Transaction Agreement

Kalbar and Appian entered a Subscription and Shareholders Agreement (**Transaction Agreement**) on 8 March 2020. The SSA sets out the obligations of Kalbar and Appian in connection with the equity contributions to be made by Appian and Kalbar and the ongoing joint venture relationship between Kalbar and Appian.

The following is a summary of the SSA.

<p>Conditions</p>	<p>The obligations of the parties under the Transaction Agreement are subject to the following conditions:</p> <ul style="list-style-type: none"> • The constitution of Kalbar Operations being amended in a form agreed between Kalbar and Appian; • Confirmation in writing having been received from Kalbar Operations that all the conditions precedent under the Project Acquisition Agreement have been satisfied and the parties are ready to proceed to completion under that agreement; • The Treasurer of Australia having provided written advice that there are no objections under Australia’s foreign investment policy to the proposed investment by Appian; • No material adverse change having occurred between the date of the Transaction Agreement and completion; and • Kalbar having notified Kalbar Operations and Appian of the Liquidity Offer funding requirement.
<p>Interim covenants</p>	<p>Subject to certain exceptions, until completion, Kalbar must, among other things:</p> <ul style="list-style-type: none"> • Conduct its business in the ordinary course of ordinary business; • Ensure that each group member complies with the terms of the tenements, keeps them in good standing, does not terminate, relinquish, transfer, vary or otherwise deal with the tenements or do or omit to do any act or thing which may prejudice the good standing of the tenements; • Promptly notify Appian of any material adverse change or other circumstance that may be expected to cause or result in a material adverse change or any claim against Kalbar for an amount exceeding \$1 million; • Ensure that neither it or any group member: <ul style="list-style-type: none"> ○ buys back or issues any shares, creates an encumbrance over any material asset (other than in the ordinary course of business) or enter into any joint venture, partnership or similar arrangement with any person; ○ enters into, amends to terminates a contract which would result in expenditure over \$750,000 (including the acquisition of any asset); ○ make any changes to its accounting methods; ○ enters into, amends in any material respect, or terminates certain material contracts; and ○ makes any capital expenditure in excess of \$200,000. <p>Kalbar may undertake a capital raising of up to \$15 million prior to completion provided that all of the proceeds of such issue, less up to \$1 million which may be retained by Kalbar, are contributed by Kalbar to Kalbar Operations by way of a subscription for shares in Kalbar Operations.</p>

Exclusivity	Kalbar has agreed that until the earlier of completion or termination of the SSA, it must not solicit, initiate or invite any enquiries or proposals in relation to an alternative transaction, provide any confidential information to a third party relating to an alternative transaction or continue any existing discussions with any third party relating to an alternative transaction.
Representations and warranties	The Transaction Agreement contains customary and other representations and warranties by each of Kalbar, Kalbar Operations and Appian.
Board and Management	The Transaction Agreement also includes provisions which regulate Board structure and functioning, matters requiring or majority board and shareholder support and the role of the chief executive officer.
Obligations at Completion	<p>At completion:</p> <ul style="list-style-type: none"> • Appian is required to pay an amount equal to \$10 million (less an amount to cover Appian's transaction costs, up to a maximum of \$1.1 million (excluding GST)) and Appian is to be issued 6,666,666 shares in Kalbar Operations at \$1.50 per share. • Kalbar Operations is required to pay Kalbar an amount to cover Kalbar's transaction costs (up to a maximum of \$1.67 million (excluding GST)). • Kalbar has the right (but not the obligation) to raise up to \$15 million (by issuing 10 million shares at \$1.50 per share) prior to completion. All of the proceeds of such capital raising (if any) raised prior to completion, less \$1 million, must be contributed to Kalbar Operations at completion. The \$1 million may be retained by Kalbar to satisfy current or projected liabilities.
Additional obligations post Completion	<ul style="list-style-type: none"> • If Kalbar has not subscribed for \$2.5 million in shares by October 31 2020, Appian has the obligation to subscribe for shares with a value equal to the difference between \$2.5 million and the amount that Kalbar has contributed at an issue price of \$1.00 per share. • On 1 July 2020, Appian is required to contribute an additional \$7.5 million of equity capital to Kalbar Operations (at the issue price of \$1.50). • On 31 October 2020, Appian is required to contribute an additional \$7.5 million of equity capital to Kalbar Operations (at the issue price of \$1.50). • On 31 October 2020, subject to receipt of all relevant approvals and statutory processes having completion, Appian is required to subscribe for up on \$10 million in shares in the Company, with such funds used to facilitate the Liquidity Offer. • Kalbar's right to subscribe for in aggregate up to \$14 million in shares at \$1.50 per share expires on 31 October 2020. This \$14 million includes any funds that Kalbar contributed at completion. • Appian's obligation to subscribe for shares on 1 July 2020 and 31 October 2020 will be reduced on a dollar for dollar basis up to a maximum of \$5 million (in aggregate) for each dollar of funding provided by Kalbar to Kalbar Operations in excess of \$5.0 million.
Pre FID Funding (Contingent Funding)	<p>If Kalbar Operations requires additional funding prior to FID, Appian has the first right to subscribe for up to the first \$10 million of additional equity funding at a subscription price of \$1.50.</p> <p>Only after Appian has made its election with respect to the additional equity funding may Kalbar Operations seek equity funding from its shareholders with respect to the amount equal to \$10 million less the amount of Appian's Contingent Funding (Contingent Funding Shortfall) plus any additional contingent funding in excess of \$10 million.</p>

	<p>Kalbar Operations must offer to shareholders on a pro rata basis the right to subscribe for the Contingent Funding Shortfall and any funding above \$10 million at a price equal to the Follow On Price (being the per share value which would produce a VWAP (volume weighted average price) for all shares acquired pursuant to the SSA of \$1.395).</p> <p>If one shareholder (Non-Contributing Shareholder) elects not to contribute the contingent funding:</p> <ul style="list-style-type: none"> • The shareholder which did elect to contribute (the Contributing Shareholder) has the right to provide the funding shortfall. If the Contributing Shareholder elects to fund the shortfall, the Non-Contributing Shareholder can direct the Contributing Shareholder to fund the shortfall by way of a short term loan to Kalbar Operations (for a term of 3 months, with an interest rate of 12% p.a.) or by subscribing for Shares in Kalbar Operations. • If the funding shortfall is funded by way of a loan, Kalbar Operations must repay the loan in full by no later than 3 months after the loan was provided by issuing shares to the Contributing Shareholder, with such number of shares to be issued calculated by dividing the outstanding amount of the loan at the repayment date by the relevant subscription price (the price which applied to initial fundraising). <p>At any time prior to the loan repayment referred to above, the Non Contributing Shareholder may elect to repay the outstanding balance of the loan and the accrued interest to the Contributing Shareholder. In this case, the Non-Contributing Shareholder will be issued such number of shares to be calculated by dividing the loan amount by the relevant subscription price.</p>
<p>FID Funding</p>	<p>Subject to project finance being available and a positive final investment decision having been taken, Appian has an obligation to subscribe for the project equity requirement up to \$119 million less the amount of Kalbar's project equity funding at the Follow-on Price.</p> <p>Kalbar has the right (but not the obligation) to subscribe for up to 20% of the project equity requirement up to \$119 million at the Kalbar Follow-on Price (which means the per share value which would produce a Kalbar acquisition VWAP equal to \$1.395 per share). Kalbar will contribute this funding as and when required by the development program agreed for the project.</p> <p>If the project equity requirement at FID is greater than \$119 million, Appian will have a right (but not an obligation) to fund the excess project equity requirement at the Follow-on Price. Kalbar would have the right (but not the obligation) to subscribe for up to 20% of the excess project equity requirement at the Kalbar Follow-on Price.</p>
<p>Post FID Funding</p>	<p>Where Kalbar Operations requires additional funding after the provision by Appian of its project equity funding, Kalbar Operations may seek additional funding from shareholders. The process for seeking funding from shareholders is the same as for the Contingent Funding referred to above except that the issue price for new shares issued to any contributing shareholder will be 60% of the Follow-on Price.</p>
<p>Magnetic HMC Value uplift</p>	<p>If for any 6 consecutive months within 3 years from completion Kalbar Operations achieves a specified target revenue from the sale of not more than an aggregate of 45,000 tonnes of TiO₂ in Ilmenite products and 6,000 tonnes of Rare Earth Oxide contained in rare earths products, Kalbar is entitled to receive additional value (Magnetic HMC Value) in the joint venture.</p> <p>Kalbar shall receive the Magnetic HMC Value via the issuance of a preference share upon Completion which shall convert into such number of Shares such that would effect an adjustment of the relative shareholdings of the parties such that Kalbar will be taken to have a respective proportion of ownership of shares in Kalbar Operations as if Appian's acquisition VWAP was \$1.495 (i.e. 10c greater). Kalbar's acquisition VWAP for the purposes of this adjustment will also be taken to be \$1.495.</p> <p>Kalbar Operations will be taken to have achieved the target revenue where an Exit (defined below) occurs prior to a date which is 3 years from Completion and at the time of the Exit, Kalbar hasn't received the Magnetic HMC value as contemplated.</p>

Matters relating to control	
Pre-emptive rights and other share transfers	<ul style="list-style-type: none"> • Pre-emptive Rights: Any shareholder who seeks to sell all of its shares in Kalbar Operations to a third party must first offer the other shareholder the right to purchase its shares. The offeree shareholder may elect to purchase the shares or may elect to exercise its "tag along" rights in connection with the proposed sale to the third party. • Appian's Drag Along Right: Appian may seek to "drag" Kalbar when it proposes to sell all of its shares to a non-related third party provided that it may only do so after the project completion date and provided that a specified return hurdle required by Appian has been met.
Change of control	<p>An "indirect transfer" of a shareholder (a Target Shareholder) triggers the right of the other shareholder (the Non Target Shareholder) to purchase the Target Shareholder's interest in Kalbar Operations.</p> <p>An indirect transfer is deemed to have occurred where a change of control occurs without the other shareholder's consent. A change of control is taken to occur when the shareholder comes to have a different ultimate control person to that which existed at completion.</p> <ul style="list-style-type: none"> • The purchase price per share to apply shall be the price applicable to the change of control transaction applicable to the Target shareholder except where more than 10% of the Target Shareholder's assets comprise assets other than shares in the joint venture, in which case an independent valuer will be appointed.
Shareholder Default	<p>A non-defaulting shareholder has the right to acquire a defaulting shareholder's shares. A shareholder is taken to be in default in the event of:</p> <ul style="list-style-type: none"> • a winding up/liquidation/appointment of receiver; • an unremedied breach by the shareholder of certain terms of the SSA; or • an unremedied breach of a shareholder's funding obligations under the SSA.
Exit	<p>At any time after the project completion date, Appian has the right to propose an initial public offering or asset sale (Exit) where a jointly appointed investment bank has provided advice that an Exit can be achieved at a price that would result in the specific return hurdle being achieved.</p>
Break Up Procedure	<p>When it can be exercised</p> <p>The SSA includes a Break Up Procedure whereby a shareholder (Break-Up Shareholder) may issue a break up notice to the other shareholder (Other Shareholder) where the parties have sought to resolve a dispute via expert determination and where (a) an expert has made its binding determination in connection with the dispute and the Break-Up Shareholder considers that the decision of the expert is of strategic importance to it and will materially affect its investment in Kalbar Operations or (b) where the expert has failed to make a decision within the allotted time.</p> <p>Only the following matters may be referred to an expert: where a deadlock arises in connection with FID or any deadlock thereafter that cannot be resolved via mediation. The deadlock provisions cannot be triggered by any deadlock arising pre-FID.</p> <p>How it is exercised</p> <p>Where the Break-Up Procedure is triggered, the Break-Up Shareholder must make a cash offer for the Other Shareholder's interest in Kalbar Operations at a specified sale price. The Other Shareholder is also granted an option to purchase the Break-Up Shareholder's interest in Kalbar Operations at the same sale price.</p> <p>If both shareholders issue a break up notice at the same time, the notice with the higher per share sale price prevails.</p>

Majority Shareholder Provisions	If at any time after the Project Completion Date a shareholder's interest in Kalbar Operations exceeds 70%, that shareholder, is entitled to an additional board member (whereas the other shareholder's right to appoint a director decreases by 1). From that point on, Fundamental Board Matters will no longer require a unanimous vote of directors.
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Company Details

Registered Office

Kalbar Limited

ABN 30 149 545 362

48 Bailey Street, Bairnsdale, Vic 3875

T +61 3 5152 3130

Website: kalbarresources.com.au

Kalbar Share Registry

Automic Registry Services

Level 5, 126 Phillip Street
Sydney NSW 2000

Telephone: 1300 288 664 (Local)

Telephone: (+61 2) 9698 5414 (International)

Email: hello@automic.com.au



ACN 149 545 362

PROXY FORM

I / We

(full name in block letters)

of

(address)

being a Shareholder of Kalbar Limited (the Company), and being entitled to attend and vote at the Company's General Meeting of Shareholders and Special Meeting of Shareholders (the Meetings), hereby appoint:

(the name of the person (or body corporate) you are appointing if this person is someone other than the Chairman of the Meetings)

of

(address)

or, failing that person:

(the name of the person (or body corporate) you are appointing if this person is someone other than the Chairman of the Meetings)

of

(address)

or, failing that person, the Chairman of the Meetings, as my / our proxy / proxies to vote for me / us and on my / our behalf at the Meetings of the Company to be held at the offices of Wave International, Level 1, 306 Murray Street, Perth WA on Monday, 3 August 2020 commencing at 9:00am (Perth time) and at any adjournment thereof.

PROXY VOTING INSTRUCTIONS

Exercise of Proxy by Chairman

For undirected proxies, the Chairman intends to vote in favour of each of the Resolutions.

Important Note

If the Chairman of the Meetings is (or becomes) your proxy you can direct the Chairman to vote for or against or to abstain from voting on the Resolutions by marking the appropriate box below.

If you desire to direct your proxy / proxies how to vote, please insert an X in the appropriate box below. If you do not direct your proxy / proxies, the proxy holder may vote as they think fit or may abstain from voting.

Table with columns: General Meeting, Special Meeting, For, Against, Abstain. Rows: Resolution 1: To Approve Selective Capital Return, Resolution 2: To Approve Share Cancellation.

Signature of Shareholder (Companies are to execute under seal or director's signature if applicable). Proxies will not be valid unless signed.

Dated this day of 2020



To be effective, the Proxy Form, and the power of attorney or other authority (if any) under which each is signed (or a copy of that power of attorney or other authority certified in a manner acceptable to the Directors of the Company), must be received at least 48 hours prior to the Meeting (i.e. not later than 9:00am (Perth time) on Saturday, 1 August 2020), or to any adjourned meeting, by the Company Secretary –

by mail:
PO Box 324
Crows Nest
NSW 1585

by email:
or rwaring@hamiltongroup.com.au

Additional Proxy Forms will be supplied on request. A body corporate may appoint a representative to attend, vote at and otherwise act for it at the Meeting in accordance with section 250D of the Corporations Act 2001.

SIGNING INSTRUCTIONS

You **must** sign this Proxy Form, in the spaces provided, as follows:

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

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

Power of Attorney: If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this Proxy Form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. If a representative of a company shareholder or a company proxy is to attend the Meetings the appropriate Appointment of Corporate Representative Certificate should be produced prior to admission. This form may be obtained from the Company.