

12 July 2017

ASX Release

Kidman Resources Limited  
ABN 88 143 526 096

**Corporate Details:**

ASX Code: KDR

**Issued capital:**

333.3M ordinary shares  
47.45 listed options (KDRO)

**Substantial Shareholders:**

Capri Holdings (9.75%)  
Acorn Capital (5.88%)  
Western Areas (5.2%)

**Directors:**

**Non-Executive Chairman:**

Peter Lester

**Managing Director:**

Martin Donohue

**Non-Executive Director:**

Brad Evans

**Chief Financial Officer (CFO):**

Jason Eveleigh

**Company Secretaries:**

Justin Mouchacca  
Melanie Leydin

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## Kidman and SQM to Form Joint Venture to Develop Mt Holland Lithium Project

### Earl Grey deposit to underpin a proposed new WA lithium refinery in JV with SQM

Kidman Resources Limited (ASX: **KDR**) (**Kidman** or the **Company**) is pleased to announce a landmark agreement with the one of world's leading lithium producers, Sociedad Química y Minera de Chile S.A. (**SQM**) to establish a 50:50 Joint Venture (**JV**) to develop and operate its world-class Mt Holland Lithium Project as well as to develop a proposed downstream lithium refinery operation in Western Australia.

In consideration for the acquisition of a 50% joint venture interest in the Mt Holland Lithium Project, SQM will make payments of US\$110 million (A\$146.67 million<sup>1</sup>); comprising a cash payment of US\$30 million (A\$40 million) to Kidman, and a staged payment of US\$80 million (A\$106.67 million) to fund the initial costs of the development of the Mt Holland Lithium Project. The 50:50 JV will come into effect upon the execution of definitive documents, the satisfaction of the relevant conditions precedent and the payment of the full US\$110 million (A\$146.67 million) by SQM. Kidman will also have an option to participate for up to a 50% interest in a proposed refinery to produce lithium carbonate / hydroxide that will be underpinned by the Earl Grey resource at Mt Holland. Kidman will retain all gold rights at the Mt Holland project.

Mt Holland hosts the Earl Grey lithium deposit, which contains a mineral resource of 128 million tonnes at 1.44% Li<sub>2</sub>O for 1.84 million tonnes of lithium oxide (See KDR ASX Announcement 14<sup>th</sup> December 2016). A feasibility study into the development of Earl Grey is well advanced and a further study into a proposed refinery to produce lithium carbonate or hydroxide has commenced.

### About SQM

SQM is a Chilean-headquartered, global integrated producer and distributor of specialty chemicals, with lithium being a core business function for the past 22 years where it is a global leader, along with potassium-related fertilisers, iodine, and other industrial chemicals.

Its products are based on the development of high-quality natural resources and know-how and proprietary technology that allows the company to be a leader in efficient production, supported by a commercial network that reaches more than 110 countries around the world.

<sup>1</sup> All conversions from US dollars to Australian dollars are based on foreign exchange rate of 1 USD = 0.75 AUD

In 2016, revenue from its operation totalled US\$1.9 billion. SQM is listed on the Santiago Stock Exchange (SQM-A, SQM-B) and the New York Stock Exchange (NYSE: SQM) and has a market capitalisation of approximately US\$9.3 billion. SQM holds a current global market share of 27% in relation to its lithium chemicals business, reflecting its ability to innovate with new markets and products. SQM produces lithium carbonate and lithium hydroxide (industrial and battery grades) in Chile and has a project under development in Argentina.

## Transaction Details

Kidman and SQM have entered into a binding letter agreement in relation to the proposed JV setting out the broad terms of the arrangement and committing the parties to work towards negotiating and finalising definitive agreements.

Under the letter agreement, in consideration for the acquisition of a 50% joint venture interest in the Mt Holland Lithium Project, SQM will make an initial cash payment of US\$30 million (A\$40 million) to Kidman and will also commit to sole funding an amount of US\$80 million (A\$106.67 million) to fund development costs in relation to the project. This funding will be directed towards:

1. completion of Feasibility Studies in respect of the Mt Holland Lithium Project;
2. the development phase of the mine and processing plant on site;
3. the construction phase of the mine, processing plant and associated infrastructure; and
4. the design and study phase of the refinery plant.

The binding letter agreement provides that completion of the acquisition and establishment of the JV will be subject to various conditions precedent customary for a transaction of this type, including:

1. approval of the acquisition by SQM under the *Foreign Acquisitions and Takeovers Act 1975*;
2. Ministerial approval to the transfer of the relevant tenements;
3. no event or events occurring which will, in SQM's opinion, have an adverse effect on the ability of the parties to proceed with the transaction or with the development of the project; and
4. any other necessary third-party approvals.

As an advance on the proposed joint venture expenditure contribution, SQM will provide a US\$21.5 million (A\$28.67 million) convertible loan facility to Kidman following execution of the formal documentation to allow the project to continue to be advanced as quickly as possible until all outstanding conditions precedent to implementation of the JV have been satisfied. In the event these conditions precedent are not met within 2 years from signing of the definitive documents, the parties may elect to extend the period for satisfaction of the conditions precedent or discontinue the JV. If the period for satisfaction of the conditions precedent is extended, SQM will provide further funding of US\$10 million (A\$13.33 million). If the JV is discontinued, Kidman can satisfy its obligations to repay the convertible loan by the issue of KDR shares priced at a 10 day VWAP for the 10 trading days prior to the binding letter of agreement.

The parties expect to conclude definitive JV documentation by 30 September 2017. Extensive work has already been undertaken in relation to the negotiation of the definitive agreements.

Once the conditions precedent to the JV have been satisfied, the balance of the US\$80 million and the US\$30 million payment to Kidman will be made by SQM. Once SQM's initial funding contribution is expended, the JV parties will contribute the remainder of the development costs on a 50:50 basis, unless either takes the option to dilute their project stake.

Until the proposed refinery plant is operational, each party can separately market its own share of Li<sub>2</sub>O concentrate produced by the Mt Holland Lithium Project. Once the refinery plant is operational, offtake out of the plant will be marketed by SQM (market price fees will be applied for the marketing service)

The JV will hold the exclusive rights to explore and mine for lithium in the project area and will be responsible for the development, construction and operation of a spodumene mine and concentration plant,

and the potential future development of a refinery to process the concentrate into final chemical lithium products.

Kidman will retain the exclusive right to exploit gold from within the Project area.

Kidman managing director Martin Donohue said:

*“The Earl Grey deposit has attracted significant interest globally. The decision to sign the binding letter agreement with SQM was justified by its unmatched expertise in the lithium business. They are the world’s largest producer, with a depth of technical and marketing expertise that will benefit the joint venture.*

*We see the partnership with one of the world’s leading lithium producers as compelling for shareholders. Their proposal to build an integrated lithium business here in Western Australia with a refinery plant drawing on SQM’s technical capabilities has a lot of merit, for both our shareholders and for the economic development of WA.”*

*“We have also been very pleased with the in-principle support from stakeholders within the WA Government, who recognise the potential skills injection into the mining and processing sector from having a company with SQM’s global chemical production credentials building and operating a large-scale industrial plant in the State in JV with Kidman”.*

SQM completed an intensive period of due diligence on its proposed investment in Mt Holland and long-term partnership with Kidman, culminating last week in a further site visit by its global leadership group including Chairman Eugenio Ponce; Chief Executive Patricio de Solminihac; and Vice President Development & Planning Pablo Altimiras.

SQM chief executive Patricio de Solminihac said that following the completion of his team’s due diligence process it had become clear that combining Kidman’s project and hard-rock mining experience in Australia with SQM’s technical capabilities and vast expertise in the lithium business would form the foundation of a new long-term, world-class lithium operation – in the shortest possible timeframe.

Mr Patricio de Solminihac said: *“We are very enthusiastic about both the project and investing in Western Australia. There are plenty of examples of Australian mining companies investing in Chile. Now a Chilean company is making a significant investment in the Australian industry.”*

*“SQM has engaged widely during the due diligence period, including meeting with key stakeholders within the Government of Western Australia. We are confident in our ability to form a long-term, successful partnership with Kidman and which will add significant value to the Mt Holland Project with our processing and chemical production expertise, and to the West Australian economy.*

*We have been dealing with end customers of lithium chemicals for more than 20 years and we understand and closely monitor the evolving needs of battery manufacturers, as we are a fully integrated business that directly markets our products to customers.”*

Current modelling puts the Earl Grey mine life at more than 50 years, which will underpin a long-life lithium refinery. The refinery is expected to generate steady-state local employment for up to 180 people over its life span.



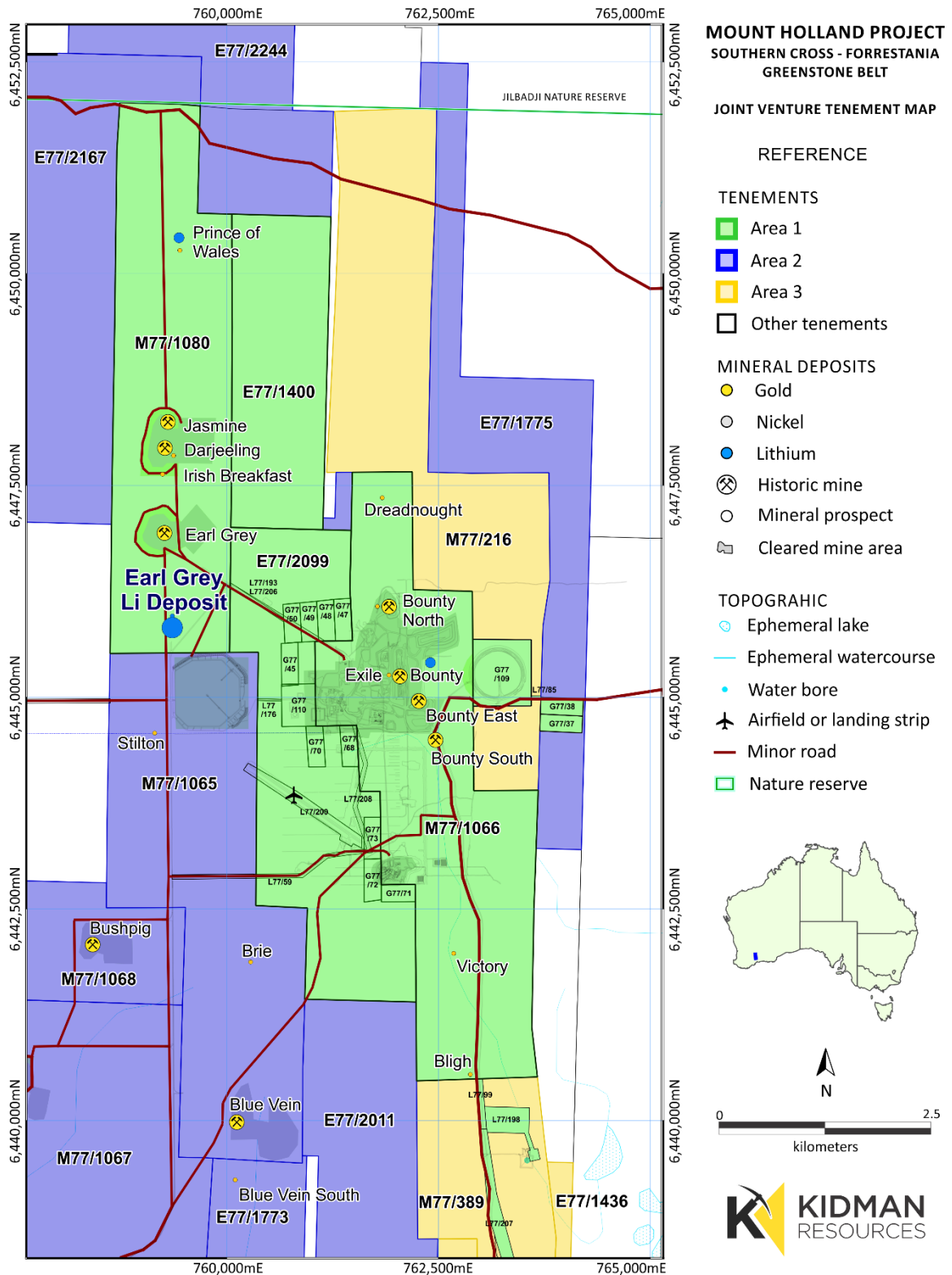
**Figure 1: Visiting Western Australia for a site visit to the Mt Holland Project in July: (left to right) Kidman General Manager Chris Williams, SQM Vice President Development & Planning Pablo Altimiras, SQM Chairman Luis Eugenio Ponce Lerou; SQM CEO Patricio de Solminihac Tampier and Kidman Managing Director Martin Donohue.**

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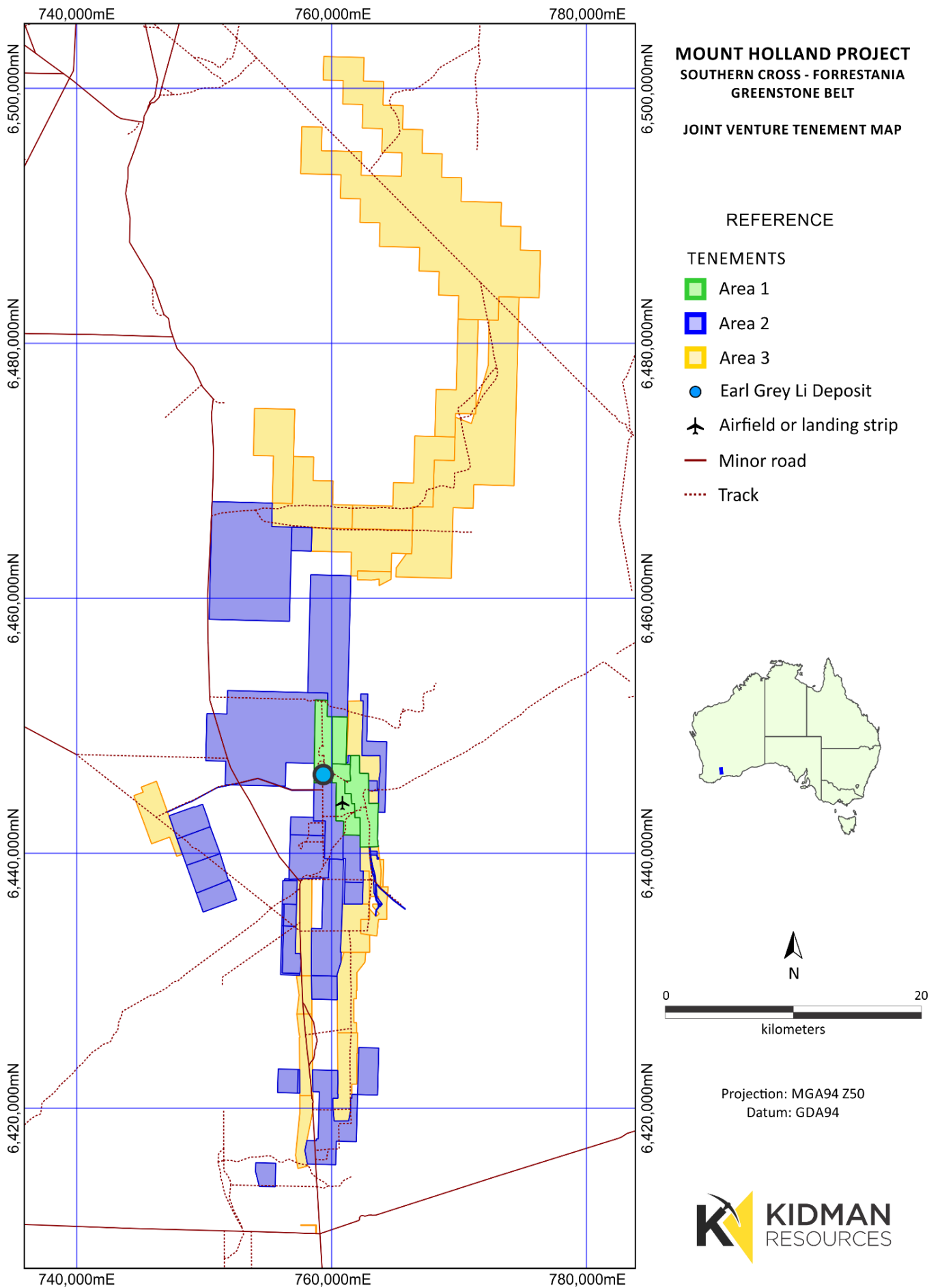
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**Figure 2: Map of key Earl Grey Resource tenements as it relates to the Joint Venture Agreement**  
The Mt Holland tenement package has been distributed into the following tenement ownership framework.

- Area 1: Tenements held by KDR/SQM Joint Venture (shown in Green) with Gold assets held by Kidman Resources**
- Area 2: Tenements held by Kidman Resources (shown in Blue) with 100% of Lithium rights owned by KDR/SQM Joint Venture.**
- Area 3: Western Areas Farm-in tenements (shown in yellow) with opportunity for KDR/SQM Joint Venture to acquire 50-100% of the Lithium Rights should specific expenditure criteria be met.**



**Figure 3: Map of entire Mt Holland Tenement package as it relates to the Joint Venture Agreement. See Figure 2 for description of Area 1, Area 2 and Area 3.**