



## ASX RELEASE

### Update on applications for exemption to past Mt Holland tenement expenditure obligations

17 September 2018

As noted in Kidman Resources Limited's (**Kidman** or the **Company**) (ASX: **KDR**) last three Quarterly Activities Reports, the Company has been waiting for a recommendation from the Perth Mining Warden (**Warden**) to the Minister for Mines and Petroleum (Western Australia) (**Minister**) in relation to its applications for exemption from minimum expenditure obligations for tenements held by Kidman subsidiaries. The exemption applications and objections were heard by the Warden in November 2017.

The exemption applications relate to the period August 2014 to March 2016 (which was before Kidman acquired the Mt Holland Project on 7 July 2016) and affect 13 tenements at the Mt Holland Project.

Late in the afternoon on Wednesday 12 September 2018 Kidman received notification of the recommendation from the Warden to the Minister that the applications for exemption from minimum expenditure obligations on the relevant tenements be refused.

The Warden's recommendation is not binding on the Minister, and the Minister has the discretion to grant certificates of exemption to Kidman and its subsidiaries, notwithstanding the Warden's recommendation. Both Kidman and its joint venture partner Sociedad Quimica y Minera de Chile S.A. (**SQM**) believe that there are compelling reasons why the Minister should exercise his power under the Mining Act to grant certificates of exemption and clear the way at an early stage for the joint venture to continue to progress the Mt Holland Project.

The Company disagrees with the Warden's recommendation in a number of respects and with the assistance of its advisers (including Senior Counsel) is preparing detailed submissions to the Minister outlining the reasons why the certificates of exemption should be granted. Kidman notes that, even if the findings of fact are accepted (which Kidman does not), the Warden's assessment of the previous owner's expenditure shortfall on the core group of tenements within the Combined Reporting Group was \$102,771 which is not material in the context of the opportunity that the Mt Holland Project represents for all relevant stakeholders.<sup>1</sup>

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<sup>1</sup> The Warden found (in the context of the application for exemption under section 102(2)(h)) that the total exploration expenditure on the Mt Holland Combined Reporting Group was \$449,162 for the core group of tenements (being M77/1066, M77/1067, M77/1068 and M77/1080), and \$597,219 for each of E77/2188 and E77/2011 compared with total minimum expenditure commitments of \$551,933 and \$622,000 respectively.

Clearly, the Mt Holland Project is of strategic significance to Western Australia and the stated objective of the Western Australian Government to establish a global lithium province in the State. The Mt Holland Project has already been granted Lead Agency Status as a project of State significance. Kidman and SQM have so far invested more than \$55 million in the Mt Holland Project, which is expected to directly create more than 350 jobs by 2021, plus additional jobs through the construction phase. The project will make a significant contribution to the Western Australian economy through taxes and State royalties. The technical, operational and commercial activities of the Mt Holland Project are progressing as planned.

Patricio de Solminihaç, CEO of SQM, has stated, “SQM is firmly committed to the Mt Holland lithium joint venture with Kidman, including the establishment of a downstream refinery to produce lithium hydroxide at the Kwinana industrial site we secured earlier this year with assistance from the Western Australian Government through Landcorp. SQM has been working very hard alongside Kidman for over a year now as we progress the project and we have provided significant expertise with a now well established joint venture office in Perth that includes several highly qualified SQM people working alongside local professionals to inject expertise into Western Australia’s burgeoning lithium sector. SQM and Kidman consider that the development of the Mt Holland mine and concentrator and Kwinana refinery is clearly in the interests of Western Australia and believe that the decision on the exemption will be positive to continue to develop the project as planned.”

The joint venture is well advanced in finalising the Definitive Feasibility Study on the mine and concentrator at Mt Holland and is planning to shortly release the Prefeasibility Study on the Kwinana refinery. In addition, Kidman has entered into an offtake agreement with Tesla and has been progressing discussions in relation to significant additional offtake agreements with multiple parties for many months. Several of these are now at an advanced stage and in some instances are underpinned by the fact that Western Australia is rightly perceived as a reliable mining jurisdiction on a global scale. Kidman has also commenced discussions with lenders in relation to debt facilities to fund the project.

The attached diagram provides a high-level outline of the key steps involved in, and the interrelationship between, expenditure and forfeiture applications.

If the Minister were to grant the exemptions subsequent to the submissions that will shortly be made by Kidman, the forfeiture applications regarding the relevant tenements will be unsuccessful and Kidman and SQM will continue to develop the Mt Holland Lithium Project for the benefit of their shareholders and the State of Western Australia.<sup>2</sup>

If, however, the Minister follows the Warden’s recommendation not to grant the exemptions, the forfeiture applications regarding the relevant tenements will then proceed to a contested hearing before the Warden,<sup>3</sup> which Kidman will vigorously defend. If this becomes the next step in this process then delays to the Mt Holland Project will be incurred. The Warden may dismiss the forfeitures, impose a fine or make a recommendation to the Minister to grant

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<sup>2</sup> A forfeiture application is a process, separate to the applications for exemption, by which any person can allege that a tenement holder has not complied with the tenement’s expenditure conditions and therefore the Minister should declare the tenement “forfeited”. A forfeiture application can be made even if a tenement holder has complied with the expenditure conditions relating to the tenement.

<sup>3</sup> After hearing a forfeiture application, the Mining Warden may dismiss the application, impose a penalty instead of forfeiture not exceeding \$10,000 (per tenement) or recommend to the Minister that the tenement be forfeited. The Minister may, regardless of any recommendation, declare the tenement forfeited, impose a penalty instead of forfeiture not exceeding \$10,000 (per tenement), or determine not to forfeit the tenement or impose any penalty.

forfeiture. A recommendation for forfeiture may not be made unless the Warden is satisfied that the non-compliance with expenditure is, in the circumstances, of sufficient gravity to justify the forfeiture.<sup>4</sup> The Minister has ultimate discretion in regard to the Warden's recommendation and in exercising this will consider all relevant circumstances, including details of any work planned (or work already undertaken) on the tenement in the current period and whether forfeiture is in the best interests of Western Australia.

Kidman Managing Director and CEO, Martin Donohue, stated "Since Kidman attracted SQM to Australia as our joint venture partner in 2017, both companies have progressed the project as planned. We have made sound progress on the feasibility studies, secured the Kwinana refinery site, entered our first offtake deal with Tesla and are now in advanced talks with other globally significant counterparties for the remaining offtake. Kidman disagrees with the Warden's decision on several grounds. We strongly believe that the Mt Holland Project, including the downstream refinery at Kwinana, is a project of not just importance to the State of Western Australia but also nationally as the supply chain for the emerging lithium industry is being established now and the opportunity for all relevant stakeholders that the Mt Holland Project provides is current. Kidman will continue to update shareholders on this matter and will continue progressing the project with the support of its joint venture partner."

## For more information

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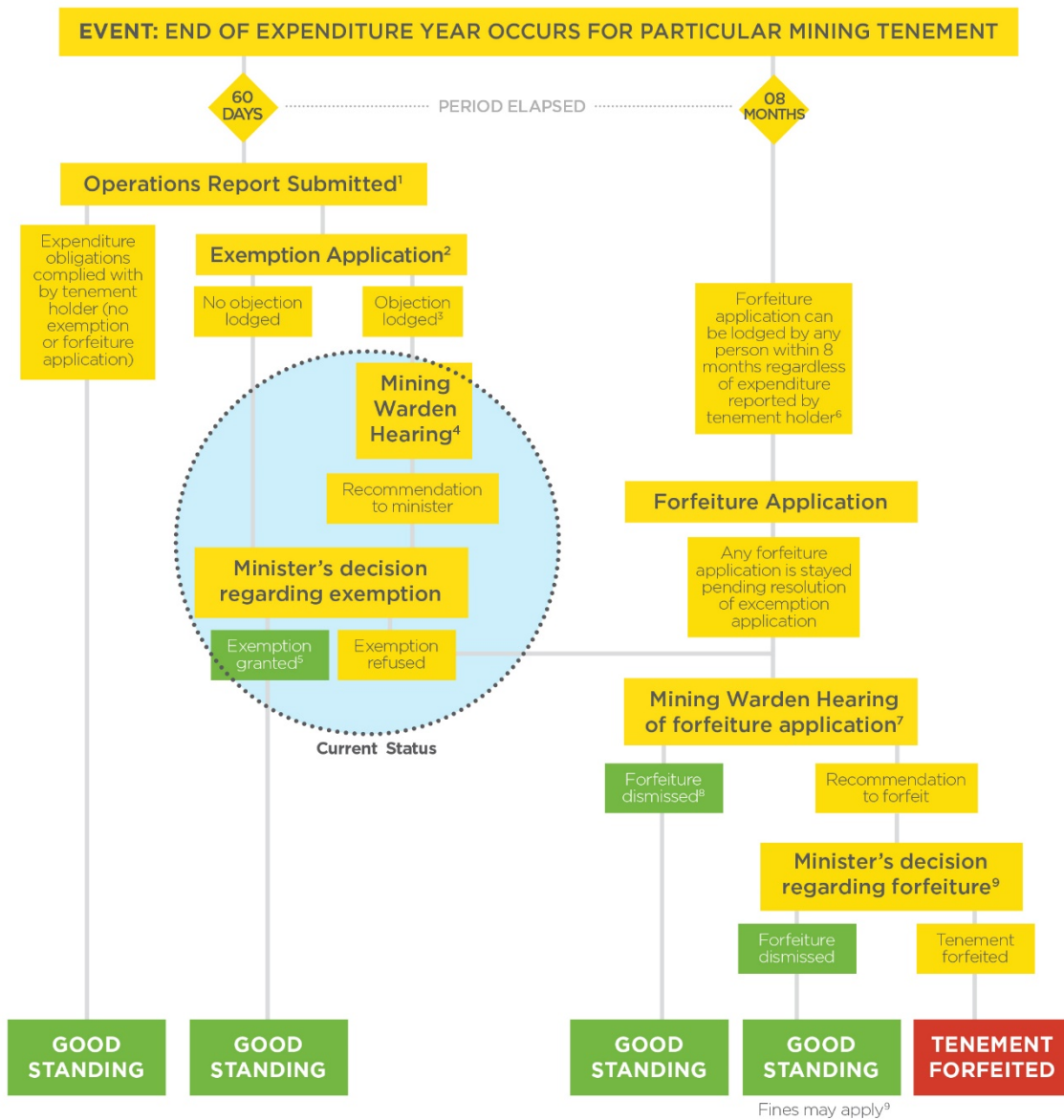
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<sup>4</sup> Section 98(5) *Mining Act 1978* (WA).



1. Expenditure on mining tenements must be submitted within 60 days to the Department of Mines, Industry Regulation and Safety (DMIRS)
2. Application for exemption from expenditure obligations may be lodged by tenement holder within 60 days
3. Any person can object to application for exemption
4. Mining Warden to assess whether the applicant qualifies for exemption
5. Exemption certificate granted by Minister (complete defence to any forfeiture application and forfeiture application falls away in respect of relevant tenements)

6. Onus is on applicant for forfeiture to show that any non-compliance with expenditure conditions is of sufficient gravity to justify forfeiture (DMIRS can also take steps to forfeit tenement if expenditure obligations are not complied with)
7. Mining Warden to assess whether any non-compliance is of sufficient gravity to justify forfeiture
8. Warden can dismiss the forfeiture application, impose a fine of up to \$10,000, or recommend that the Minister forfeits the tenement
9. Minister can forfeit, impose a fine of up to \$10,000, or impose no penalty and not forfeit