



ASX RELEASE

Kidman Resources announces capex and working capital financing term sheet with SQM in respect of Mt Holland Lithium Project

US\$100 million capex facility plus US\$10 million funding for near term JV commitments

25 October 2018

Kidman Resources Limited (**Kidman**) today announces it has entered into a funding term sheet with its joint venture (**JV**) partner in the Mt Holland Lithium Project,¹ Sociedad Quimica y Minera de Chile S.A. (**SQM**). Pursuant to the term sheet, SQM has agreed to provide Kidman with a US\$100 million capital expenditure debt facility (**Capex Facility**) to partially fund Kidman's share of construction of the Mt Holland Lithium Project (or **Project**), and a US\$10 million facility to fund Kidman's share of JV cash calls prior to the receipt of SQM's outstanding milestone payments (**Working Capital Facility**).

In addition, the parties have agreed to consolidate the remaining studies for the Mine & Concentrator and Refinery into two integrated project studies and have also agreed to consequential amendments to the Mt Holland JV agreement (**Mt Holland JV Agreement**).

The term sheet covers the essential commercial elements of the arrangements and is subject to the parties entering into legally binding agreements, which the parties are targeting on or before 31 December 2018.

JV funding

The Capex Facility is a US\$100 million debt facility with interest capitalised at 6-month USD LIBOR (currently ~2.73%) plus a margin of 2%. Funds from the Capex Facility will be used to meet Kidman's share of JV cash calls to fund capital expenditure for the construction of the Mt Holland Lithium Project. The Capex Facility will be available for drawdown after a final investment decision (**FID**) is made in relation to the Project and is subject to standard terms and conditions for a facility of this nature.

The Capex Facility is secured by Kidman's 50% interest in the Mt Holland Lithium Project, but specifically contemplates that third party debt may also be arranged to finance Kidman's contributions to the Mt Holland Lithium Project. The Capex Facility will mature on the earlier of the commissioning of the Mt Holland Lithium Project and 18 months from the first drawdown. It is Kidman's intention to refinance the Capex Facility on its maturity date using long-term debt facilities.

¹ The Mount Holland Lithium Project comprises the Mine & Concentrator at Mt Holland and the Refinery at Kwinana.

The Working Capital Facility of US\$10 million has the same interest rate as the Capex Facility. Drawdowns from the Working Capital Facility will be used to fund Kidman's share of JV cash calls prior to the receipt of SQM's next milestone payments,² at which point the facility will be repaid. Drawdowns will be available in four tranches. The parties have entered into a loan agreement in respect of the first tranche (US\$1.5 million, unsecured) and this amount is available immediately. The remaining tranches of the Working Capital Facility, and the Capex Facility, are subject to execution of full form documentation for the facilities as stated above.

Kidman's CEO and Managing Director, Martin Donohue, said: "We are delighted to announce this financing from SQM today. SQM has been a committed partner in the Mt Holland Lithium Project since announcement of the JV in July 2017 and this is a further demonstration of SQM's confidence in Kidman and the Mt Holland Lithium Project."

"The US\$100m Capex Facility, available to fund Kidman's contribution to the Mt Holland Lithium Project, together with SQM's matching contribution and the further US\$60m milestone payment due, is such that today's announcement is a meaningful portion of the total capital cost for the Project announced earlier this week."

"These facilities will provide Kidman with competitive debt financing, cover a significant proportion of Kidman's project commitments and are also consistent with Kidman's strategy to maximise debt financing and minimise any equity contribution for the Project. The facilities will provide Kidman with significant flexibility to commence construction of the Project in 2019 while we put in place a long-term funding package."

Discussions with traditional debt financiers are progressing well and Kidman will continue to evaluate the most appropriate way to fund its share of the Project.

Future feasibility studies and Mt Holland JV Agreement

Results from the Refinery pre-feasibility study (**PFS**) and the updated Mine & Concentrator scoping study were announced to the market on 22 October 2018. Now that the economic viability of building a Refinery as part of an integrated project has been demonstrated, Kidman and SQM have agreed to streamline the separate studies for the Mine & Concentrator and Refinery into a consolidated PFS and Definitive Feasibility Study (**DFS**) for the entire Mount Holland Lithium Project, which will better reflect the integrated nature of the Project and its implementation and execution. The term sheet includes the necessary amendments to the Mt Holland JV Agreement to reflect the integration of studies.

The integrated PFS is expected to be released in 4Q 2018 with the integrated DFS estimated to follow in 1H 2019. A FID is expected shortly thereafter, subject to resolution of the forfeiture claim and the required permits being obtained, with construction to commence subsequently. The outstanding milestone payments from SQM will be payable upon the earlier of resolution of the forfeiture claim and a FID in relation to the Mt Holland Lithium Project.

Kidman and SQM have also agreed to a further program of exploration expenditures at the Mt Holland Lithium Project. Kidman's share will be US\$2.5 million to US\$3.75 million.

² US\$60 million outstanding directly to the JV (Kidman share 50%) and US\$25 million outstanding directly to Kidman.

As part of the funding arrangements, Kidman has granted SQM a right of first refusal (**ROFR**) in circumstances where Kidman proposes an equity placement meeting certain materiality thresholds to a single party. The ROFR will cease to apply upon commissioning of the Refinery, if SQM's interest in Kidman reaches 19.90% or if SQM's JV interest falls below 50%. If the ROFR is exercised and SQM becomes a shareholder in Kidman, SQM will be required, in certain circumstances, to follow a unanimous recommendation of the Kidman Board in respect of a change of control transaction.

The changes to the Mt Holland JV Agreement are subject to execution of a formal amendment, which the parties are targeting on or before 31 December 2018.

Kidman is being advised by Greenhill & Co and Maddocks.

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ABOUT KIDMAN RESOURCES

Kidman Resources Limited (ASX:KDR) is developing the world class Mt Holland Lithium Project in JV with SQM, the world's largest lithium producer. The JV management company, Covalent Lithium, is a 50:50 JV between Kidman and SQM. Covalent Lithium will produce a spodumene concentrate at the JV's Earl Grey hard rock lithium deposit located at Mt Holland near Southern Cross in Western Australia. The concentrate will then be treated at the JV's purpose-built Refinery located in the Kwinana Strategic Industrial Area south of Perth in Western Australia. The fully integrated operation is expected to produce approximately 45ktpa of battery-grade lithium hydroxide. Studies on the Mine & Concentrator and Refinery are progressing well. Kidman has entered into a binding 3-year (with two 3-year options) fixed-price take-or-pay offtake agreement with Tesla Inc for a portion (<25%) of its initial production and is continuing discussions in relation to further offtake agreements with other high-quality counterparties.

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