



## ASX RELEASE

### Kidman Resources Limited Annual General Meeting

#### Addresses from the Chairman and CEO and Managing Director

9 May 2019

##### **Chairman's Address, by John Pizzey**

###### Introduction

Good morning ladies and gentlemen and a special welcome to the shareholders who are with us today. This is the 2019 AGM of your company, Kidman Resources Limited (**Kidman** or the **Company**).

As a reminder this AGM is the second within about six months and the brevity of the period between meetings is caused by the decision, approved by the Board in October 2018, to change our financial reporting period to the calendar year. This was done to align our financial reporting periods with those of SQM, our partner in the Mt Holland joint venture.

Under normal circumstances this meeting would be straight forward. And that is indicated by the brief agenda focusing on the basic requirements of a listed company.

Unbeknown to us at the time of the last meeting, the period to now has been anything but straight forward. And by sheer coincidence the timing of the meeting means we can give a little more information on what has been an extraordinary nine months. The financials and reporting requirements for the six months to 31 December 2018 will be covered by the agenda items and touched on in my following comments and in the comments of our CEO and Managing Director, Martin Donohue. But there are two specific items that deserve highlighting.

At the last AGM, there was comment by both the CEO and me on the forfeiture issue. As people who were present will remember there was also extensive questioning from shareholders. It is very pleasing to stand here and be able to say that on 10 December 2018 the forfeiture issue was settled, and the Western Australian Minister for Mines and Petroleum granted expenditure exemption certificates for the relevant Mt Holland tenements on 14 December 2018. The closure of this matter was a direction changing event for this Company that cannot be exaggerated. I acknowledge now the great work done by our executive team, advisors and my colleagues on the Board. I understand that during the question time last year there were hints of frustration in some of the questions. At the time, I did answer as openly as I could but there is a fine line between disclosure and confidentiality needed to complete a complex negotiation. That is now behind us.



The second point that must be raised is the recent proposal by Wesfarmers Limited. I make this as my second point because without resolution of the forfeiture issue this was very unlikely to have occurred or to have occurred at a value that reflected the potential of the Mt Holland Lithium Project.

Just to be clear, the details of the Wesfarmers proposal and the Kidman response are set out in the ASX announcements by both companies. These are available on our website. I do not intend to go into every detail because these documents have been reviewed by both companies and lodged formally with the ASX. They are the source documents for detail. However, it is appropriate with that caveat in mind that I give a brief summary of the timetable and your Board's position.

There have been significant discussions for some time between Wesfarmers and its advisors and our executive team assisted by Greenhill, our financial advisors, and Maddocks, our lawyers. Your Board has been heavily involved and under confidentiality agreements we sought comments and eventually support from our three major shareholders who, in conjunction with the Board and Management, collectively own approximately 17% of Kidman. When Wesfarmers presented us with a written proposal, the Board evaluated it carefully and concluded that it is in the best interests of shareholders to engage further with Wesfarmers on an exclusive basis.

There is no doubt that the Mt Holland Lithium Project, being developed by the Covalent Lithium joint venture, has great potential. There is also no doubt that playing in the resource sector, especially when the value is liberated by developing a mine, building a concentrator and then a refinery to develop a consumable product, is a cash consuming task. Kidman has always been willing to go down the path of an integrated project, and the Board and Management are excited by this idea. But in the long run the Company does not exist for the Board or Management so when in the negotiations a proposal at this value was reached, we supported it and intend to put it to you, the shareholders.

The basic timetable from here is:

- Wesfarmers have until no later than Wednesday, 29 May 2019 to complete due diligence on Kidman – this is structured as an initial three weeks and then a further week if they confirm their price and terms;
- in parallel we will seek to agree binding transaction documentation;
- following announcement of a binding transaction, we will then proceed through the standard scheme of arrangement transaction timetable;
- this involves about four weeks preparing explanatory documents to circulate to shareholders;
- a shareholder meeting (to be called with a 28-day notice period);
- a vote by Kidman shareholders on the transaction; and
- subject to a positive vote, final court approval and completion of the scheme.

I will now briefly cover the standard AGM requirements.



## Board

I will be standing for election as a Director for the second time in six months. This seemingly odd situation is based on the Company's constitutional requirement to have at least one Director stand for election at each AGM.

I would like to note that 30 April 2019 was the last day David Southam sat on the Kidman Board. David retired because he took the opportunity to become CEO of Mincor Resources. I can give no greater praise to David than to say I tried very hard to get him to stay and did achieve a one-month extension. All my colleagues on the Board and those in Management thank David for his contribution to Kidman and wish him well.

## Closing remarks

In closing, I would like to thank our entire Management team, led by CEO and Managing Director, Martin Donohue, and all Kidman employees for their dedication to the Company and I would like to take this opportunity to thank you, our shareholders, for your continued support.

I will now ask your CEO and Managing Director, Martin Donohue, to address the meeting.



## **CEO and Managing Director's Address, by Martin Donohue**

### Introduction

Thank you, John.

Good morning everyone, and thank you, as always, for your support of Kidman.

John has already covered the forfeiture resolution and the Wesfarmers proposal, so I wanted to use this opportunity to give you a brief update on the market, and on the solid progress your Company has made since the last AGM.

The longer-term outlook for refined, battery-grade lithium hydroxide remains compelling. Strong forecast end-market demand growth, particularly from the growing electric vehicle market, is expected to underpin longer-term lithium hydroxide pricing.

Australia can be a long term, low sovereign risk supplier of battery-grade, refined lithium hydroxide to global markets, to meet the demand for the specific types of lithium-ion batteries required for electric vehicles.

When the integrated Mt Holland Lithium Project is complete, Kidman (or, if the scheme of arrangement is successful, Wesfarmers) will be one of the leading integrated producers of battery-grade, refined lithium hydroxide in Australia.

### Recent progress

Our progress in recent months has been significant:

- Last year we agreed with SQM that the Mine & Concentrator and Refinery would be one vertically integrated project, and released results of the prefeasibility study on the integrated project. This was an important development for the project, enabling it to produce premium, battery-grade lithium hydroxide for sale to the electric vehicle market.
- We announced a financing term sheet with SQM for a US\$100 million capital expenditure facility and finalised it earlier this year. Also strengthening our balance sheet, we received final milestone payments from SQM, completing their earn-in to the Mt Holland Lithium Project.
- We entered into an offtake Heads of Agreement with Mitsui & Co. and a memorandum of understanding with LG Chem and have been engaged in discussions with those two parties to progress offtake arrangements.
- We announced the Maiden Ore Reserve for the Earl Grey lithium deposit: 94.2 million tonnes at 1.5% Li<sub>2</sub>O. This confirmed Earl Grey's position as a globally significant hard rock deposit.
- We continued to progress the Company's debt financing process for the project and have had positive engagement with a range of high-quality domestic and international financial institutions in respect of funding our share of the Mt Holland Lithium Project.
- We completed a regional soil sampling programme at Mt Holland which defined several large geochemical targets comparable in scale to Earl Grey. This exploration activity further supported our view of the prospectivity of the Forrestania greenstone belt and continued to underpin our belief that the Mt Holland Lithium Project will be a long-life, low cost project with potential for continued expansion.
- We also announced a strategic review of our 100% owned gold and base metals rights to enable us to better focus on the Mt Holland Lithium Project.



The objective all along has been to maximise value for shareholders and consistent with this, you heard from John that the Board, together with our advisers, determined that Wesfarmers' proposal to acquire Kidman should be put to Kidman shareholders.

Wesfarmers now has until no later than 29 May 2019 to conduct confirmatory due diligence on Kidman.

Work at the Covalent Lithium joint venture will continue in parallel with progress on the definitive feasibility study, regulatory approvals, and other project development workstreams. These will continue whether the ultimate owner of Kidman's 50% share is Kidman or Wesfarmers and so it makes sense for these to progress as usual.

It is a condition of the Wesfarmers proposal that Kidman does not enter into or modify any offtake and debt financing arrangements during the exclusivity period.

#### Closing remarks

In closing, I would like to thank my fellow Directors for their continued support this year and acknowledge David's contribution.

Our employees, both within Kidman, and in our Covalent Lithium joint venture, have worked extremely hard in 2018 and have continued to do so this year and I want to acknowledge their enormous contribution to Kidman. I would also like to thank our joint venture partner, SQM, for its support and commitment to our project.

Finally, I would like to thank you, our shareholders, for your continued support for the Company.

#### **Competent Person**

**Ore Reserves:** The information in this announcement that relates to Ore Reserves is sourced from an announcement issued to ASX on 18 December 2018 titled "Integrated Pre-feasibility Study completed on schedule and maiden Ore Reserve declared for Mt Holland Lithium Project" which is available to view at <https://www.asx.com.au/asxpdf/20181218/pdf/4419z7zpty14m0.pdf>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.