

2 May 2019

## Proposal to acquire Kidman Resources

Wesfarmers (ASX:WES) today announced that it has entered into a Process and Exclusivity Deed with Kidman Resources (ASX:KDR, Kidman) in relation to its proposal to acquire 100 per cent of the outstanding shares in Kidman for \$1.90 cash per share (the Proposal) by way of a scheme of arrangement (Proposed Scheme). The price represents a premium of 47.3 per cent to the last closing price on 1 May 2019 and 44.4 per cent to the 60-day volume weighted average price and corresponds to a transaction value of approximately \$776 million.

Kidman's major asset is a 50 per cent interest in the Mt Holland lithium project based in Western Australia, which it owns jointly with Sociedad Quimica y Minera de Chile S.A. (SQM), one of the world's largest producers and marketers of lithium products. The project includes the construction of a mine and co-located concentrator at Mt Holland, and a lithium hydroxide refinery in Kwinana. Lithium hydroxide is key to the electric vehicle value chain.

### **Kidman Board, major shareholders and joint venture partner support**

The Kidman Board has stated that it supports the Proposal. Upon executing transaction documentation on commercial terms consistent with the Proposal, the Kidman Board intends to recommend that shareholders vote in favour of the Proposed Scheme (subject to there being no superior proposal and the independent expert concluding that the scheme is in the best interests of Kidman shareholders).

Under the Process and Exclusivity Deed, the Kidman Board has granted Wesfarmers up to four weeks to undertake exclusive confirmatory due diligence. During this period, the parties will negotiate a Scheme Implementation Agreement (SIA), reflecting the key commercial terms of the Proposal.

A number of Kidman's major shareholders, Board members and key management, which together own approximately 17 per cent of Kidman's outstanding shares, have indicated their support for the Proposal and have entered into voting agreements with Wesfarmers (subject to there being no superior proposal and the independent expert concluding that the scheme is in the best interests of Kidman shareholders). SQM has also indicated its support for the Proposal.

The Proposal is conditional upon the satisfaction of customary conditions including the completion of confirmatory due diligence, entry into a SIA, final Board approvals and the approval of Kidman shareholders. The Proposal is also conditional on Wesfarmers entering into an agreement with SQM to effect amendments to the Mt Holland lithium project Joint Venture Agreement.

### **Transaction rationale**

Wesfarmers Managing Director Rob Scott said the acquisition of Kidman will provide an attractive investment in a project that will benefit from the global uptake of electric vehicles, while drawing upon the Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) business' ability to design, construct, commission and operate complex chemical plants.

“The proposed acquisition is consistent with our objective of deploying capital in areas where we can deliver attractive returns to our shareholders by leveraging our existing strengths and capabilities. It will underpin the development of the Mt Holland lithium project and deliver Kidman’s shareholders an attractive premium and certain cash return,” Mr Scott said.

“The acquisition of Kidman provides an opportunity to invest in and develop a large-scale, long-life and high-grade lithium hydroxide project in Western Australia. It also creates a unique partnership with SQM, a global leader in the lithium industry with a long operating history and deep market knowledge.

“In partnership with SQM, we will support the development of an integrated, world-class lithium operation in Western Australia, bringing significant investment, jobs and technical expertise to the State. We look forward to participating in the Western Australian and Australian Governments’ visions for Western Australia as a global hub for downstream lithium processing.”

SQM Chief Executive Officer Ricardo Ramos welcomed Wesfarmers’ proposed acquisition of Kidman and investment in the Mt Holland lithium project.

“Wesfarmers has significant local infrastructure, experience and capability in chemical processing that will be ideally suited to the ongoing development of the Mt Holland lithium project. We look forward to a long and successful partnership with Wesfarmers,” Mr Ramos said.

### **Kidman and the Mt Holland lithium project**

The Mt Holland lithium project comprises the development of a globally significant lithium operation. In joint venture with SQM, Kidman is pursuing the:

- development of the lithium deposit to produce spodumene ore;
- construction of a concentrator at Mt Holland, capable of processing the spodumene ore and producing spodumene concentrate; and
- construction of a lithium hydroxide refinery in Kwinana to process the concentrate and produce approximately 45,000 tonnes per annum of lithium hydroxide at battery grade standards.

Subject to regulatory approvals and detailed engineering studies, construction of the project is expected to commence in FY2020. First production of lithium hydroxide from the refinery is expected in FY2022. Wesfarmers’ anticipated share of capital expenditure for the development of the Mt Holland mine, concentrator and Kwinana refinery is estimated at approximately \$600 million.

### **Transaction funding**

In addition to WesCEF’s strengths in chemical processing, Wesfarmers’ strong balance sheet will underpin the future of the Mt Holland project as it transitions to its next stage of development.

The transaction will be funded through Wesfarmers’ existing balance sheet capacity and debt facilities. Wesfarmers retains significant headroom within target credit metrics and the Group’s existing credit ratings are not expected to be affected by the proposed transaction.

### **For more information:**

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