

23 May 2019

## **Wesfarmers and Kidman enter into Scheme Implementation Deed**

Wesfarmers (ASX:WES) advises that it has entered into a Scheme Implementation Deed (SID) with Kidman Resources Limited (ASX:KDR, Kidman). The SID confirms the terms of Wesfarmers' proposal announced on 2 May 2019 to acquire 100 per cent of the outstanding shares in Kidman for \$1.90 cash per share by way of a scheme of arrangement (Scheme).

The price of \$1.90 per share represents a premium of 47.3 per cent to the last closing price on 1 May 2019, prior to the announcement of Wesfarmers' proposal to acquire Kidman, and corresponds to a transaction value of approximately \$776 million.

The entry into the SID follows the completion of Wesfarmers' due diligence and the satisfaction of conditions to the Process and Exclusivity Deed with Kidman.

### **Kidman Board and major shareholder support**

The Kidman Board has unanimously recommended that Kidman shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Kidman shareholders.

The Scheme is subject to customary conditions, including Kidman shareholder approval, court approval, no material adverse change and no prescribed occurrences, and all warranties being true and correct in all material respects. In addition, the SID contains exclusivity provisions and a break fee in favour of Wesfarmers.

As announced on 2 May 2019, 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 of the Scheme 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).

Wesfarmers Managing Director Rob Scott said that the execution of the SID agreement with Kidman demonstrated significant progress towards the proposed acquisition of Kidman.

"This is an important milestone in advancing a transaction that provides Wesfarmers with an attractive investment and delivers Kidman shareholders with a compelling premium and certain cash return," Mr Scott said.

### **Development of the Mt Holland lithium project**

Over the past three weeks, Wesfarmers has worked closely with the management teams of Kidman and the Mt Holland lithium project joint venture company, Covalent Lithium, to complete its confirmatory due diligence.

Through this process, Wesfarmers has confirmed its view that the acquisition of Kidman provides an attractive opportunity to invest in and develop a large-scale, long-life and high-grade lithium hydroxide project in Western Australia.

As part of the due diligence process, Wesfarmers has further developed its own plan in relation to the development of the Mt Holland lithium project, and intends, upon completion of the acquisition of Kidman, to propose this plan, including some scope adjustments, to the joint venture.

Subject to final project design, movements in exchange rates, and joint venture approval, Wesfarmers estimates its share of capital expenditure for its plan for the development of the project at approximately \$700 million. A component of the increased capital expenditure is expected to result in an improvement in plant operating efficiency. Under its plan, Wesfarmers expects that first production of lithium hydroxide would occur in the second half of the 2022 calendar year.

### **Commitment deed with SQM**

Wesfarmers also announced today that it has entered into a commitment deed with Sociedad Química y Minera de Chile S.A. (SQM) relating to the Mt Holland lithium project joint venture agreement (JVA) between SQM and Kidman.

The commitment deed between Wesfarmers and SQM sets out agreed amendments to the JVA that will become binding if Wesfarmers completes the acquisition of Kidman. The amendments relate to a number of commercial and technical matters and will support the successful development of the Mt Holland lithium project by Wesfarmers and SQM.

As part of the commitment deed, and in recognition of the considerable work undertaken by both Wesfarmers and SQM in evaluating their prospective joint venture, SQM has also agreed not to enter into discussions with any party proposing to make an alternative offer for Kidman.

The commitment deed satisfies one of the conditions to Wesfarmers entering into the SID to acquire Kidman. The commitment deed, including the associated exclusivity provisions, will terminate if the Kidman board recommends a superior proposal or if the SID is terminated and Wesfarmers does not proceed with the acquisition.

### **Indicative timetable**

Subject to initial court approval, a scheme booklet containing information relating to the Scheme, the independent expert's report and the reasons for the Kidman Board's recommendation is expected to be provided to Kidman shareholders in late July. A shareholder meeting for Kidman shareholders to consider and vote on the Scheme will be scheduled in late August, with final court approval to be sought following the shareholder meeting. If approved, the Scheme is expected to be completed in September 2019.

### **For more information:**

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