



Proposal to acquire Kidman Resources

2 May 2019



Transaction overview

- Wesfarmers has entered into a Process & Exclusivity Deed with Kidman Resources ('Kidman') in relation to its proposal to acquire 100% of the outstanding shares in Kidman for \$1.90 cash per share, representing a transaction value of approximately \$776 million
- Consideration delivers Kidman shareholders an attractive premium & certain cash return:
 - 47% premium to the last closing price on 1 May 2019
 - 44% premium to the 60-day VWAP to 1 May 2019
- Proposal to be effected via scheme of arrangement & is supported by:
 - the Kidman Board, key management & a number of Kidman's major shareholders, who collectively own ~17% of outstanding shares (subject to there being no superior proposal & the independent expert concluding that the scheme is in the best interests of Kidman shareholders)
 - Kidman's joint venture partner, Sociedad Quimica y Minera de Chile S.A. (SQM)
- Proposed transaction is conditional upon satisfaction of customary conditions including:
 - completion of confirmatory due diligence
 - entering into a Scheme Implementation Agreement (SIA)
 - Wesfarmers entering into an agreement with SQM to effect amendments to the Mt Holland joint venture agreement
 - final Board approvals & approval of Kidman shareholders
- Acquisition to be funded through existing debt facilities; not expected to affect Group's credit rating

Transaction rationale

Global uptake of electric vehicles presents an attractive opportunity

- The global uptake of electric vehicles over the medium to long term provides opportunities to deploy capital & achieve attractive returns
- Lithium is a critical raw material & input into the production of battery grade lithium hydroxide which is a key part of the electric vehicle value chain

Investment in a globally significant, high-grade lithium project

- Kidman's 50% ownership of the Mt Holland lithium project includes a large-scale, long-life & high-grade lithium deposit
- Project comprises the development of the asset through the construction of a mine, concentrator & refinery in Western Australia

Opportunity to leverage Wesfarmers' expertise & capabilities

- Development of the asset will leverage Wesfarmers' existing capabilities in chemical processing & long track record of successfully developing processing plants, while generating strong returns on capital over time

Partnership with an industry leader

- Acquisition provides an opportunity to partner with SQM, a global leader in the lithium industry with a long operating history & deep market knowledge, as the joint venture partner in the Mt Holland project

Global uptake of electric vehicles presents attractive opportunity

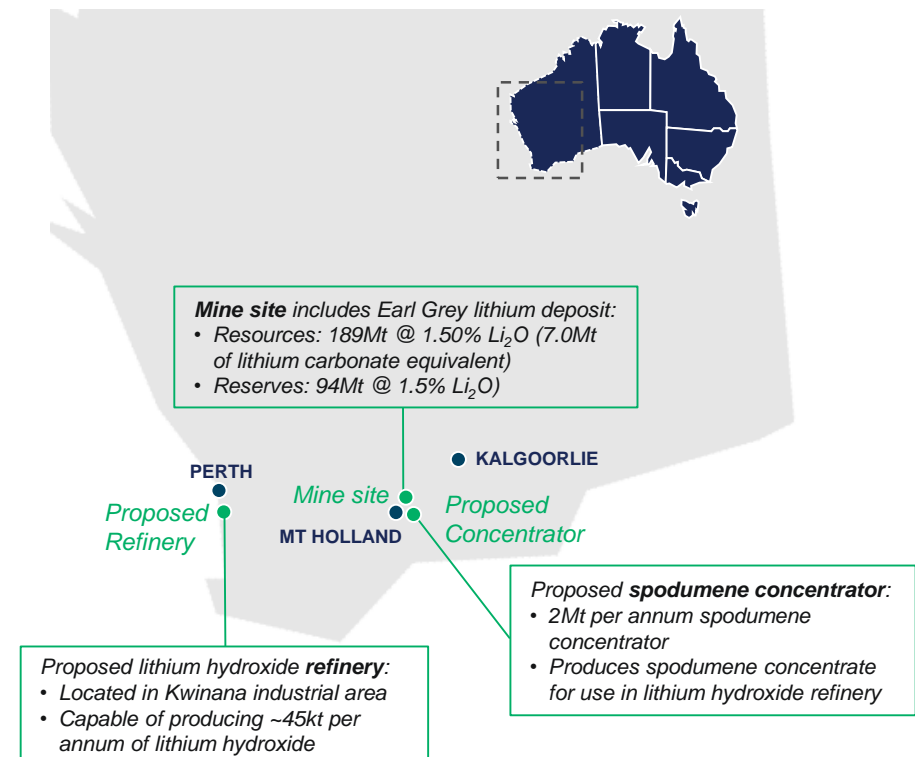
- The global uptake of electric vehicles in the medium to long term provides opportunities to deploy capital & achieve attractive returns:
 - Increasing penetration of electric vehicles driven by significant reductions in manufacturing costs, lower operating costs relative to traditional vehicles, increasing battery range & the transition of major auto manufacturers to electric drivetrains
- Lithium is a critical raw material & input to production of battery-grade lithium hydroxide for the growing electric vehicle market, with lithium-ion batteries forming the basis of electric vehicle drivetrains:
 - Lithium hydroxide is expected to play an increasingly important role in the market, as manufacturers shift to production of longer-range batteries for electric vehicles
- The production of battery-grade lithium hydroxide is an attractive part of the value chain:
 - Requires specialised processing capabilities, supported by high-grade feedstock
 - Few global producers with the scale & capability to produce high quality product to the required specifications, & the ability to build long term customer relationships

The chemical manufacturing & refining of battery-grade lithium hydroxide is an attractive part of the value chain, with demand growth expected from the global uptake in electric vehicles

Investment in a globally significant, high-grade lithium deposit

- Mt Holland lithium project comprises:
 - Mine & concentrator to be located at Mt Holland in Western Australia's Goldfields region
 - Refinery for processing the spodumene concentrate to be located in the Kwinana industrial area
- Mt Holland includes the Earl Grey lithium deposit:
 - Globally significant, high-grade hard rock deposit¹
 - Size of deposit & favourable ore body characteristics expected to support a long-life, low-cost operation
- Mt Holland lithium project is a 50:50 joint venture with SQM:
 - Independently managed JV – Covalent Lithium
 - SQM to lead marketing & sales of product
- Wesfarmers' anticipated share of total project capital expenditure estimated at approximately \$600m
- Indicative construction timeline, subject to approvals:
 - Project construction to commence: FY2020
 - First production from refinery: FY2022

Overview of Mt Holland Lithium Project



Upon completion, the joint venture will be a Western Australia-based integrated producer & supplier of premium, battery-grade lithium hydroxide for the electric vehicle market

1. Earl Grey is the world's third largest hard rock deposit of contained lithium
Source: Kidman website

Opportunity to leverage Wesfarmers' expertise & capabilities

Through its Chemical, Energy & Fertilisers business, Wesfarmers can provide:



A world-class capability in the manufacture of chemicals to high quality specifications



Strong operating presence & knowledge in the Kwinana industrial area to assist in managing the design, approval, construction, commissioning & ramp-up of the refinery



Long track record of successfully delivering plant developments & expansions, while generating strong returns on capital over time



Strong commercial ability in negotiating supply contracts & building long-term customer relationships with global counterparties

As a specialised chemical manufacturer in Western Australia, Wesfarmers can leverage its operating capability & knowledge in the Kwinana industrial area to support the development of lithium processing operations

Partnership with an industry leader



Overview of SQM

- SQM is a Chilean-based integrated producer & seller of lithium products, potassium fertilisers, specialty plant nutrients, iodine & industrial chemicals
- SQM is listed on the Santiago & New York stock exchanges, with a market capitalisation of ~\$13b as at 30 April 2019
- In FY2018, SQM's lithium division had approximately 17% global market share & accounted for ~53% of SQM's gross profit
- SQM's production assets are supported by an international trading network in more than 110 countries

Partnership benefits

- SQM & Kidman formed the Mt Holland joint venture in 2017
- The proposed transaction will create a unique partnership between Wesfarmers & SQM through the Mt Holland lithium joint venture
- The partnership will combine:
 - SQM's global expertise in the development, production, marketing & sale of chemical products, including lithium hydroxide
 - WesCEF's local expertise in managing the design, construction, commissioning & ramp-up of chemical processing plants

The partnership will support the development of an integrated world-class lithium operation in Western Australia, bringing significant investment, job creation & new technical expertise to the State

Summary & next steps

- Wesfarmers' proposal to acquire 100% of the shares in Kidman for \$1.90 cash per share:
 - delivers Kidman shareholders an attractive premium & certain cash return
 - underpins the development of the Mt Holland lithium project
- Proposal is supported by the Kidman Board, a number of the company's major shareholders & SQM
- Proposed transaction conditional upon satisfaction of customary conditions including:
 - completion of confirmatory due diligence
 - Entering into a Scheme Implementation Agreement (SIA)
 - Wesfarmers entering into an agreement with SQM to effect amendments to the Mt Holland joint venture agreement
 - final Board approvals & approval of Kidman shareholders
- Under the Process & Exclusivity Deed, the Kidman Board has granted Wesfarmers a period of up to four weeks to undertake exclusive confirmatory due diligence
- During this period, the parties have agreed to negotiate the terms of the SIA, which will reflect the key commercial terms of the proposal

Questions



Wesfarmers