



ASX RELEASE

SCHEME BOOKLET REGISTERED WITH ASIC

1 August 2019

Kidman Resources Limited (**Kidman** or the **Company**) (ASX: KDR) refers to its announcement dated 31 July 2019 in which it advised that the Federal Court had ordered that a meeting of Kidman shareholders (**Scheme Meeting**) be convened to consider and vote on the proposed Scheme of Arrangement (**Scheme**) with Wesfarmers Lithium Pty Ltd, a wholly-owned subsidiary of Wesfarmers Limited (**Wesfarmers**).

The Scheme Meeting will be held at 10:00am on 5 September 2019 at the RACV Club, Level 2, Bourke Room 2&3, 501 Bourke Street, Melbourne Victoria 3000. A General Meeting of the Company will take place immediately following the closing or adjournment of the Scheme Meeting.

All Kidman shareholders are encouraged to vote either by attending the Scheme Meeting and the General Meeting in person, or by lodging proxy forms with the Kidman share register or appointing proxies online, by 10.00am (AEST) on 3 September 2019. Details of how to lodge a proxy form are included in the information memorandum in relation to the Scheme (**Scheme Booklet**) or, in the case of the General Meeting, in the Notice of General Meeting that forms part of the Scheme Booklet.

Scheme Booklet registration

The Scheme Booklet has today been registered by the Australian Securities and Investment Commission.

A copy of the Scheme Booklet, including the Independent Expert's Report, a Notice of Meeting for the Scheme Meeting and a Notice of General Meeting, and copies of the proxy form for the Scheme Meeting and the proxy form for the General Meeting, are attached to this announcement and will be sent to Kidman shareholders on or about 6 August 2019.

Kidman shareholders who have elected to receive communications electronically will receive an email with links to where they can download the Scheme Booklet and lodge their proxies for the Scheme Meeting and the General Meeting online. Shareholders who have not made such an election will be mailed a printed copy of the Scheme Booklet and proxy forms for the Scheme Meeting and the General Meeting.

Further information

Kidman shareholders can obtain further information in relation to the Scheme by calling the Kidman shareholder information line on 1800 425 578 (within Australia) or +61 1800 425 578 (outside of Australia), Monday to Friday (excluding public holidays), between 7:00am and 7:30pm (AEST).

For personal use only



[For more information](#)

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ABOUT KIDMAN RESOURCES

Kidman Resources Limited (ASX:KDR) is developing the world class Mt Holland Lithium Project in a 50:50 joint venture called Covalent Lithium with Sociedad Química y Minera De Chile S.A., the world's largest lithium producer. The Mt Holland Lithium Project comprises a Mine & Concentrator and Refinery and will be a globally significant, low cost, integrated producer of battery-grade lithium hydroxide meeting increased demand from the electric vehicle market.

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KIDMAN RESOURCES LIMITED

ACN 143 526 096

SCHEME BOOKLET

In relation to a proposal from Wesfarmers Lithium Pty Ltd (a wholly-owned Subsidiary of Wesfarmers Limited) to acquire all of your Kidman Shares by way of a scheme of arrangement.

THE KIDMAN DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND PROVIDED THAT THE INDEPENDENT EXPERT CONTINUES TO CONCLUDE THAT THE SCHEME IS IN THE BEST INTERESTS OF KIDMAN SHAREHOLDERS.

This is an important document and requires your immediate attention. You should read this document in full before you decide whether or not to vote in favour of the Scheme. If you are in any doubt about what action you should take, please consult your legal, financial or other professional advisers.

This Scheme Booklet has been sent to you because you are shown in the Register as holding Kidman Shares. If you have recently sold your Kidman Shares, please disregard this Scheme Booklet.

This Scheme Booklet is dated 30 July 2019.

IMPORTANT NOTICES

GENERAL

Kidman Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution. If you are in any doubt as to any action you should take, please consult your legal, financial, taxation or other professional adviser immediately.

PURPOSE OF THIS DOCUMENT

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of Kidman Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the explanatory statement required to be sent to Kidman Shareholders under Part 5.1 of the Corporations Act.

RESPONSIBILITY FOR INFORMATION

The information contained in this Scheme Booklet, other than the Wesfarmers Information and the Independent Expert's Report, has been given by, and is the responsibility of, Kidman. Kidman's Advisers do not assume any responsibility for the accuracy or completeness of the Kidman Information. None of Wesfarmers, nor its directors, officers or Advisers assume any responsibility for the accuracy or completeness of the Kidman Information and, to the maximum extent permitted by law, Wesfarmers will not be responsible for any Kidman Information and disclaims liability for Kidman Information appearing in this Scheme Booklet.

The Wesfarmers Information has been given by, and is the responsibility of, Wesfarmers.

None of Kidman nor its directors, officers or Advisers assume any responsibility for the accuracy or completeness of the Wesfarmers Information and, to the maximum extent permitted by law, Kidman will not be responsible for any Wesfarmers Information and disclaims liability for Wesfarmers Information appearing in this Scheme Booklet.

KPMG Financial Advisory Services (Australia) Pty Ltd has prepared the Independent Expert's Report and takes responsibility for that report. None of Kidman, Wesfarmers nor their respective directors, officers and Advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

AMC Consultants Pty Ltd has prepared the Independent Specialist Technical Report (which is an annexure to the Independent Expert's Report) and takes responsibility for that report. None of Kidman, Wesfarmers nor their respective directors, officers and Advisers assume any responsibility for the accuracy or completeness of the Independent Specialist Technical Report.

ASIC AND ASX

A copy of this Scheme Booklet has been provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2) of the Corporations Act. Kidman has asked ASIC to provide a statement, in accordance with section 411(17) (b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor its

officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to the ASX. Neither the ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUBSECTION 411(1) OF CORPORATIONS ACT

A copy of this Scheme Booklet has been lodged with the Court to obtain an order of the Court approving the convening of the Scheme Meeting. Orders made by the Court are made under section 411(1) of the Corporations Act.

The fact that the Court has ordered that the Scheme Meeting be convened and has directed that this Scheme Booklet accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Kidman Shareholders should vote (on this matter Kidman Shareholders must reach their own conclusion);
- (b) has prepared, or is responsible for, the content of this Scheme Booklet; or
- (c) has approved or will approve the terms of the Scheme.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

IMPORTANT NOTICES

NOTICE OF SECOND COURT DATE AND IF A KIDMAN SHAREHOLDER WISHES TO OPPOSE THE SCHEME

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

A Kidman Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file and serve on Kidman a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely on at the Second Court Hearing. The notice of appearance and affidavit must be served on Kidman at its address for service at least one day before the Second Court Date.

The address for service for Kidman is: c/- Maddocks, Collins Square, Tower Two, Level 25, 727 Collins Street, Melbourne 3008, attention: Ron Smooker.

The Second Court Hearing is currently scheduled to be held at

10.15 am (AEST) on 12 September 2019 at the Federal Court of Australia, 305 William St, Melbourne, VIC 3000, though an earlier or later date may be sought. Any change to this date will be notified on Kidman's website (www.kidmanresources.com.au) and on the ASX website (www.asx.com.au).

NO INVESTMENT ADVICE

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Kidman Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. Kidman Shareholders should seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to approve the Scheme.

FORWARD LOOKING STATEMENTS

Certain statements in this Scheme Booklet, including statements

relating to Kidman's or Wesfarmers' plans, intentions or expectations of future costs or revenues, relate to the future and are forward looking statements or information.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual events and results to vary significantly from those included in, or contemplated by, such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

A description of the risks relating to Kidman is set out in Section 5.

Any estimates, targets or forecasts reflect certain assumptions by Kidman and/or Wesfarmers which assumptions may differ with respect to future events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including a continuation of existing business operations on



substantially the same basis as currently exists, all of which assumptions are difficult to predict and many of which are beyond Kidman's and/or Wesfarmers' control. Accordingly, there can be no assurance that any estimate, forecast or target is indicative of Kidman's or Wesfarmers' future performance or that actual events and results would not differ materially from them.

Without limiting the generality of the other provisions of this cautionary statement, the Independent Expert's Report may contain or refer to forward looking information and is subject to certain assumptions, limitations, risks and uncertainties as described in this Scheme Booklet and in the Independent Expert's Report.

Other than as required by law, neither Kidman nor Wesfarmers, their respective directors, officers and Advisers, nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. Kidman Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Additionally, statements of the intentions of Kidman or Wesfarmers in this Scheme Booklet reflect present intentions as at the date of this Scheme Booklet and may be subject to change. Forward looking statements are made as at the date of this Scheme Booklet and neither Kidman nor Wesfarmers undertakes to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

All subsequent written and oral forward looking statements attributable to Kidman or Wesfarmers or any person acting on their behalf are qualified by this cautionary statement.

NOTICE OF SCHEME MEETING

The Notice of Scheme Meeting is at Attachment 4 of this Scheme Booklet.

NOTICE OF GENERAL MEETING

The Notice of General Meeting is at Attachment 5 of this Scheme Booklet.

PRIVACY

Kidman, Wesfarmers and the Share Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, other contact details and details of the security holdings of Kidman Shareholders and the names of individuals appointed by Kidman Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The personal information is collected for the primary purposes of assisting Kidman to conduct the Scheme Meeting and to enable the Scheme to be implemented. The personal information may be disclosed to Kidman's and Wesfarmers' share registries/ transfer agents, securities brokers, print and mail service providers and any other service provider to the extent necessary to conduct the Scheme Meeting and implement the Scheme.

If the information outlined above is not collected, Kidman may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Kidman Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside of Australia) if they wish to exercise these rights.

Kidman Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above. The Privacy Policy of Kidman is available at www.kidmanresources.com.au/live/wp-content/uploads/2018/08/Kidman-Resources_Privacy-Policy.pdf and contains information about how an individual may access personal information about the individual that is held by Kidman, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

The Privacy Policy of the Share Registry is available at www.boardroomlimited.com.au/corp/privacy-policy/ and contains information about how an individual may access personal information about the individual that is held by the Share Registry, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

The Privacy Policy of Wesfarmers is available at www.wesfarmers.com.au/security-privacy and contains information about how an individual may access personal information about the individual that is held by Wesfarmers, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

IMPORTANT NOTICES

EFFECT OF ROUNDING

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

WEBSITES

The contents of Kidman's and Wesfarmers' websites do not form part of this Scheme Booklet and Kidman Shareholders should not rely on their content.

Any reference in this Scheme Booklet to a website is for information purposes only and no information in any website forms part of this Scheme Booklet.

QUERIES

Kidman has established a shareholder information line which Kidman Shareholders should call if they have any questions in relation to the Scheme. Kidman Shareholders should consult their legal, financial, taxation or other professional advisers before making a decision regarding the Scheme.

The telephone number for the shareholder information line is 1800 425 578 (within Australia) or +61 1800 425 578 (outside of Australia), Monday to Friday (excluding public holidays), between 7:00 am and 7:30 pm (AEST).

TIMETABLE

The timetable is indicative only and all dates after the Scheme Meeting are subject to the Court approval process and the satisfaction or, where applicable, waiver of the Conditions. Those Conditions are summarised in Section 7.6.1 of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Deed.

Kidman has the right to vary the timetable set out above, subject to the approval of such variation by Wesfarmers, the Court and ASIC where required. Any changes to the timetable (which may include an earlier or later date for the Second Court Date) will be announced through the ASX website (www.asx.com.au) and notified on Kidman's website (www.kidmanresources.com.au).

DEFINED TERMS AND INTERPRETATION

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary in Section 8 of this Scheme Booklet. If a word or phrase is defined, its other grammatical forms have a corresponding meaning. The documents reproduced in the attachments to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet.

All references to times in this Scheme Booklet are references to time in Melbourne, Victoria, Australia (AEST), unless otherwise stated.

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.



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TIMETABLE AND KEY DATES

EVENT	DATE
First Court Date	30 July 2019
Despatch of Scheme Booklet, Notice of Scheme Meeting and Notice of General Meeting to Kidman Shareholders	By 6 August 2019
Latest time and date by which completed Proxy Forms for the Scheme Meeting and the General Meeting must be received	10.00 am (AEST) on 3 September 2019
Time and date for determining eligibility of registered Kidman Shareholders to vote at the Scheme Meeting and the General Meeting	7.00 pm (AEST) on 3 September 2019
Scheme Meeting (to be held at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000)	10.00 am (AEST) on 5 September 2019
General Meeting (to be held at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000)	Immediately following the closing or adjournment of the Scheme Meeting on 5 September 2019

If the Scheme is approved by Kidman Shareholders, the expected timetable for implementation of the Scheme is:

EVENT	DATE
Second Court Date for approval of the Scheme	12 September 2019
Effective Date on which the Scheme comes into effect and is binding on Kidman Shareholders	13 September 2019
Court order lodged with ASIC and announcement to the ASX	
Last day of trading in Kidman Shares on the ASX (with Kidman Shares suspended from close of trading)	
Record Date for determining entitlements to Scheme Consideration	7.00 pm (AEST) on 18 September 2019
Implementation Date payment of Scheme Consideration to be made to eligible Kidman Shareholders	23 September 2019

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authority. Any changes to the above timetable (which may include an earlier or later date for the Second Court Date) will be announced through the ASX website (www.asx.com.au) and notified on Kidman's website (www.kidmanresources.com.au).

LETTER FROM CHAIRMAN OF KIDMAN

30 July 2019

Dear Kidman Shareholders,

On behalf of your Kidman Directors, I am pleased to provide you with this Scheme Booklet for your consideration in relation to the proposed acquisition of Kidman by Wesfarmers.

This Scheme Booklet contains important information to help you make an informed decision about how to vote at the Scheme Meeting, including certain risks related to the Scheme (refer to Section 5). Your Kidman Directors urge you to read this Scheme Booklet (including the Independent Expert's Report) in its entirety.

On 2 May 2019, Kidman announced that it had received a non-binding indicative proposal from Wesfarmers (**Wesfarmers Proposal**) and had entered into the Process and Exclusivity Deed with Wesfarmers to allow Wesfarmers a period of exclusive confirmatory due diligence in relation to Kidman.

On 23 May 2019, Kidman announced that it had entered into a Scheme Implementation Deed with Wesfarmers in relation to the Scheme under which, subject to the satisfaction of the Conditions, Wesfarmers, through its wholly-owned Subsidiary Wesfarmers Lithium (collectively, **Wesfarmers** unless specified) will acquire all of your Kidman Shares.

If the Scheme is implemented, Kidman Shareholders who hold Kidman Shares on the Record Date will receive \$1.90 cash per Kidman Share, valuing the equity of Kidman at approximately \$776 million and representing a substantial premium of:

- 47.3% to Kidman's closing price on 1 May 2019 of \$1.29 (being the last trading day prior to the announcement of the Wesfarmers Proposal);
- 46.5% to the 1 month VWAP up to and including 1 May 2019 of \$1.30;
- 44.4% to the 3 month VWAP up to and including 1 May 2019 of \$1.32; and
- 48.1% to the 6 month VWAP up to and including 1 May 2019 of \$1.28.

The Scheme is subject to a number of Conditions, which are described in Section 7.6.1.

DIRECTORS' RECOMMENDATION

Your Kidman Directors have considered the advantages and disadvantages of the Scheme and concluded that the Scheme is in the best interests of Kidman Shareholders. Your Kidman Directors unanimously recommend Kidman Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.

If the Scheme becomes Effective, members of Kidman's senior management will receive incentive payments by way of a cash bonus in recognition of the additional personal efforts required by these Kidman employees to complete Kidman's obligations under the Scheme Implementation Deed and other activities required to implement the Scheme. Mr Donohue (Kidman's Managing Director and Chief Executive Officer) will receive an incentive payment of \$550,000. Further details of the bonus payments are set out in Section 7.1.4. As discussed at Section 7.1.5, no similar bonuses, agreements or arrangements exist with any other Kidman Director.

In addition, Mr Donohue holds or controls 3,915,000 Kidman Shares and holds 972,954 Performance Rights (as described in Section 7.1.6) which, if the Scheme becomes Effective, will convert into that number of Kidman Shares. Therefore, subject to the Scheme becoming Effective, Mr Donohue will on the Record Date (and after conversion of his Performance Rights) hold a total of 4,887,954 Kidman Shares for which he will receive the Scheme Consideration.

Given the importance of the Scheme and Mr Donohue's role in the development and management of Kidman, Mr Donohue considers that it is appropriate for him to make a recommendation on the Scheme. The Kidman Board (in the absence of Mr Donohue) and, separately, Mr Donohue, have determined that Mr Donohue can, and should if he wishes to do so, make a recommendation on the Scheme notwithstanding the nature and quantum of the benefits (being the incentive payment and Scheme Consideration) which will be derived by Mr Donohue if the Scheme becomes Effective.

LETTER FROM CHAIRMAN OF KIDMAN

As at the date of this Scheme Booklet, each Kidman Director (other than Mr Colleran) holds the following interests in Kidman securities:

- I hold or control 90,744 Kidman Shares. I also hold 60,753 share rights (referred to in this Scheme Booklet as Performance Rights) which will convert into that number of Kidman Shares if the Scheme becomes Effective; and
- Mr Evans holds or controls 121,366 Kidman Shares.

Kidman Directors (other than Mr Colleran who does not hold any Kidman Shares) have also signed voting deeds which require them to vote any Kidman Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.

In reaching its recommendation, your Kidman Directors had regard to a range of factors including that:

- the Independent Expert has concluded that the Scheme is in the best interests of Kidman Shareholders, in the absence of a Superior Proposal;
- the substantial premium represented by the Scheme Consideration relative to the trading performance of Kidman Shares prior to the announcement of the Wesfarmers Proposal;
- the Scheme Consideration provides Kidman Shareholders with certainty of value and the opportunity to realise in full their investment in Kidman for cash, appropriately balancing the potential value of the Mt Holland Lithium Project with the risks that Kidman would have to address or otherwise mitigate in achieving that value;
- Kidman Shares are likely to trade at a lower price in the near term if the Scheme does not proceed and no Superior Proposal emerges, in the absence of substantially improved market conditions;
- no Superior Proposal has emerged as at the date of this Scheme Booklet nor has the Kidman Board (or Kidman's Advisers) received any Competing Proposal from a Third Party and there are no Third Party discussions underway with Kidman in relation to any Competing Proposal;
- Wesfarmers has entered into voting deeds with a number of major Kidman Shareholders; and
- no brokerage will be payable on the transfer of Kidman Shares under the Scheme.

The reasons to vote for the Scheme are set out in further detail at Section 2.1 of this Scheme Booklet.

Your Kidman Directors believe that the Mt Holland Lithium Project is an exciting project in an important, emerging commodity. However, your Kidman Directors also recognise that development of the project carries a number of risks, particularly under the ownership of Kidman as a standalone entity. While significant work has been undertaken, the Mt Holland Lithium Project is still at a relatively early stage. It is anticipated that, on the basis of progress to date and following the review and finalisation process set out in the Joint Venture Agreement, the current draft integrated definitive feasibility study which was received by the Joint Venturers on 12 July 2019, will now be finalised and approved by the Joint Venturers in the final quarter of 2019 (**Final IDFS**) with a final investment decision in relation to the development of the Mt Holland Lithium Project expected to be made in the first quarter of 2020. The Transaction process has had only a minimal impact on the timing of the delivery of the draft IDFS.

The Mt Holland Lithium Project also has a number of complexities, particularly in relation to the construction of the refinery which will incorporate a number of chemical processes. In addition, while significant progress has been made by Kidman in relation to funding and offtake arrangements, funding a large scale capital project brings with it a number of challenges for a company the size of Kidman, noting that based on work done to date, Kidman expects that capital expenditure described in the Final IDFS may be up to 25% higher than the capital expenditure described in the integrated pre-feasibility study for the Mt Holland Lithium Project announced by Kidman on 18 December 2018 (**IPFS**).¹ Integrated cash operating costs are currently expected to be broadly in line with the integrated cash operating costs described in the IPFS, based on a similar life of mine.² This is dealt with further in Section 3.1.9. Your Kidman Directors believe the Scheme Consideration of \$1.90 cash per Kidman Share appropriately balances the potential value of the Mt Holland Lithium Project with the risks that Kidman would have to address or otherwise mitigate in achieving that value.

1 Potential increase of Kidman's share of integrated capital expenditure in IDFS relative to IPFS, including contingency and Owners' Costs, in US\$.

2 Average life of asset integrated cash operating cost, net of by-product credits and excluding government royalties, in IDFS relative to IPFS.

There are also reasons why Kidman Shareholders may decide to vote against the Scheme. Some of these reasons are set out in Section 2.2 of this Scheme Booklet and include:

- Kidman Shareholders may disagree with the Kidman Directors' recommendation or the conclusion of the Independent Expert's Report;
- Kidman Shareholders may believe that there is an opportunity for increased value from Kidman remaining as a standalone entity despite the risks in relation to the development of the Mt Holland Lithium Project;
- Kidman Shareholders may consider that there is potential for a Superior Proposal in the foreseeable future; and
- the tax consequences of the Scheme may not be suitable to a Kidman Shareholder.

INDEPENDENT EXPERT

Your Kidman Directors commissioned the Independent Expert to prepare the Independent Expert's Report for the Scheme. The Independent Expert has assessed the value of Kidman to be in the range of \$1.62 to \$2.00 per Kidman Share and concluded that the Scheme is in the best interests of Kidman Shareholders in the absence of a Superior Proposal. The Independent Expert's Report is set out in Attachment 1.

APPROVAL OF SCHEME

The Scheme can only be implemented if it is approved by:

- at least 75% of the total number of votes cast by Kidman Shareholders on the Scheme Resolution; and
- unless the Court otherwise orders, a majority in number of the Kidman Shareholders present and voting, in person or by proxy, corporate representative or attorney,

at the Scheme Meeting to be held at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000 at 10.00 am on 5 September 2019. The Scheme must also be subsequently approved by the Court at the Second Court Hearing.

If the Scheme is not implemented, Kidman will continue to be an independent entity listed on the ASX, and Kidman Shareholders will not receive the Scheme Consideration of \$1.90 cash per Kidman Share.

GENERAL MEETING - APPROVAL OF TERMINATION BENEFITS

Kidman Shareholders will also be asked to approve the potential future payment of certain termination benefits to senior executives of Kidman at a General Meeting to be held immediately following the closing or adjournment of the Scheme Meeting. This approval is sought for the purposes of sections 200B and 200E of the Corporations Act. A Notice of Meeting, including an explanatory memorandum, is included in this Scheme Booklet at Attachment 5.

No termination payments are payable to directors or Key Management Personnel under or in connection with the Scheme.

Further, and as described in Section 4.6.3, no decision has been made by Wesfarmers in relation to whether any Key Management Personnel will be ceasing employment with Kidman on implementation of the Scheme. The approval is being sought so that Kidman can be in a position to treat the Key Management Personnel fairly and appropriately by providing all contractual entitlements, and entitlements under the Kidman Group short term incentive plan applying at the date of the Scheme Booklet, to the Key Management Personnel on any future termination (as well as any statutory entitlements).

The approval of the Scheme by Kidman Shareholders under the Scheme Resolution is not conditional on Kidman Shareholders approving the payment of termination benefits at the General Meeting.

Your Kidman Directors (excluding Mr Donohue) recommend that Kidman Shareholders vote in favour of the resolution to be put at the General Meeting. Mr Donohue is a member of the Key Management Personnel, and may, if his contract of employment is subsequently terminated, receive termination benefits as defined in the Notice of General Meeting. Mr Donohue will not vote on the resolution at the General Meeting.

LETTER FROM CHAIRMAN OF KIDMAN

TAXATION CONSIDERATIONS OF THE SCHEME

Section 6 of this Scheme Booklet provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Kidman Shareholders who dispose of their Kidman Shares to Wesfarmers in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of each individual Kidman Shareholder.

Kidman Shareholders who are foreign residents should note in particular the potential application of the foreign resident capital gains withholding tax described in more detail in Sections 6.3 and 6.4.

As noted in Section 6, a capital gains withholding tax will apply to the transfer of Kidman Shares to Wesfarmers by a Kidman Shareholder that is a 'relevant foreign resident' (as described in Section 6.4) where the Kidman Shares are considered indirect Australian real property interests for the purposes of the *Income Tax Assessment Act 1997* (Cth). Kidman Shares will be indirect Australian real property interests if both the non-portfolio interest test and principal asset test (both of which are described in detail in Section 6.4) are satisfied. Based on Kidman's current asset profile, it is expected that the principal asset test will be satisfied.

If Wesfarmers considers that a Kidman Shareholder is a 'relevant foreign resident' then, unless that Kidman Shareholder provides an appropriate declaration regarding its residency or interest (being a Foreign Resident capital gains withholding - vendor declaration form (**Relevant Foreign Declaration Form**)), Wesfarmers may withhold and remit to the Commissioner of Taxation up to 12.5% of the total Scheme Consideration payable to that Kidman Shareholder.

If Wesfarmers considers that you are a 'relevant foreign resident', you should have been provided with a Relevant Foreign Declaration Form together with this Scheme Booklet which you should read in full and follow the instructions on the form.

If, for whatever reason, a Kidman Shareholder thinks that it is a foreign resident but does not receive a Relevant Foreign Declaration Form, the Kidman Shareholder should contact the Share Registry to request one.

Kidman Shareholders should seek their own independent tax advice as to the tax implications of the foreign resident capital gains withholding tax and the making of a residency declaration or an interest declaration.

Kidman Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

HOW TO VOTE AND FURTHER INFORMATION

Your vote is important in determining whether or not the Scheme proceeds. Your Kidman Directors strongly encourage you to participate in this important decision either by attending the Scheme Meeting to vote or by completing the enclosed proxy form.

If you have any questions regarding the Scheme please contact the shareholder information line on 1800 425 578 (within Australia) or +61 1800 425 578 (outside of Australia), Monday to Friday (excluding public holidays), between 7:00 am and 7:30 pm (AEST).

If you are in any doubt as to what you should do, you should consult your legal, financial, taxation or other professional adviser.

On behalf of your Kidman Directors, I would like to take this opportunity to thank you again for your ongoing support of Kidman.

Yours sincerely,



John Pizzey
Chairman
Kidman Resources Limited

FREQUENTLY ASKED QUESTIONS

This Scheme Booklet contains detailed information on the proposed Scheme. The following section provides summary answers to some basic questions you may have in relation to the Scheme and will assist you to locate further detailed information in this Scheme Booklet.

QUESTION	ANSWER	SECT. REF.
BACKGROUND AND SCHEME AT A GLANCE		
1. Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Kidman Shareholder and Kidman Shareholders are being asked to vote on a Scheme which, if approved, will result in Wesfarmers acquiring all Kidman Shares for the Scheme Consideration of \$1.90 cash for each Kidman Share held on the Record Date, currently anticipated as being 18 September 2019.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolution that needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p>	Chairman's Letter and Section 1
2. What is the Scheme?	<p>The Scheme involves Wesfarmers (via its wholly-owned Subsidiary Wesfarmers Lithium) acquiring all of the Kidman Shares by way of a scheme of arrangement under Part 5.1 of the Corporations Act. On 23 May 2019, Kidman announced the Transaction to the ASX.</p> <p>A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.</p> <p>It requires a vote in favour of the Scheme by the Requisite Majorities of Kidman Shareholders at a meeting of Kidman Shareholders convened by the Court, followed by Court approval.</p> <p>If the Scheme is approved and implemented, Scheme Participants will receive a cash payment of \$1.90 for each Kidman Share they own (provided they are a registered Kidman Shareholder on the Record Date).</p>	Section 1
3. Is this a takeover?	<p>The Scheme is not a takeover offer, it is a scheme of arrangement. However, if the Scheme is implemented, the outcome will be similar to a successful 100% takeover offer in that all of the Kidman Shares on issue will be transferred to Wesfarmers.</p>	

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FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	SECT. REF.
4. What do your Directors recommend?	<p>The Kidman Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.³</p> <p>Each Kidman Director (other than Mr Colleran who does not hold or control any Kidman Shares) has entered into a voting deed to vote the Kidman Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.</p> <p>The reasons for the Kidman Directors' recommendation and other matters that you may wish to consider are outlined in the Chairman's Letter, FAQs 6, 7 and in Sections 2.1 and 2.2 of this Scheme Booklet.</p>	Chairman's Letter, Sections 2.1 and 2.2
5. What is the Independent Expert's conclusion?	The Independent Expert has concluded in the Independent Expert's Report that the Scheme is in the best interests of Kidman Shareholders, in the absence of a Superior Proposal.	Chairman's Letter, Sections 2, 7.2 and Independent Expert's Report
6. Why should you vote in favour of the Scheme?	<p>There are several reasons why the Kidman Directors recommend you vote in favour of the Scheme. These reasons include:</p> <ul style="list-style-type: none"> • the Independent Expert has concluded that the Scheme is in the best interests of Kidman Shareholders, in the absence of a Superior Proposal; • the Scheme Consideration represents a substantial premium to Kidman's Share price prior to the announcement of the Wesfarmers Proposal; • the Scheme Consideration of \$1.90 per Kidman Share provides Kidman Shareholders with certainty of value and the opportunity to realise in full their investment in Kidman for cash, appropriately balancing the potential value of the Mt Holland Lithium Project with the risks that Kidman would have to address or otherwise mitigate in achieving that value; 	Chairman's Letter and Section 2.1

³ With respect to Mr Donohue's recommendation, Kidman Shareholders should have regard to the fact that, if the Scheme becomes Effective, Mr Donohue will receive an incentive payment by way of cash bonus as set out in Section 7.1.4 in addition to payment of the Scheme Consideration for the Performance Rights and Kidman Shares that he holds as set out at Section 7.1.6. The Kidman Board (in the absence of Mr Donohue) and, separately, Mr Donohue, have determined that Mr Donohue can, and should (if he wishes to do so), make a recommendation on the Scheme notwithstanding the nature and quantum of the benefits which will be derived by Mr Donohue if the Scheme becomes Effective. In addition, as at the date of this Scheme Booklet, Mr Pizzey holds or controls 90,744 Kidman Shares and holds 60,753 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; Mr Donohue holds or controls 3,915,000 Kidman Shares and holds 972,954 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; and Mr Evans holds or controls 121,366 Kidman Shares.

QUESTION	ANSWER	SECT. REF.
<p>6. Why should you vote in favour of the Scheme? <i>Cont.</i></p>	<ul style="list-style-type: none"> • if the Scheme does not proceed, and no Superior Proposal emerges, Kidman Shares are likely to trade at a lower price in the near term than the current Kidman Share price as at the date of this Scheme Booklet in the absence of substantially improved market conditions; • no Superior Proposal has emerged as at the date of this Scheme Booklet. Nor, has the Kidman Board (or Kidman's Advisers) received any Competing Proposal from a Third Party and there are no Third Party discussions underway with Kidman in relation to any Competing Proposal; • Wesfarmers has entered into voting deeds with Kidman Shareholders representing approximately 17% of Kidman's issued capital; and • no brokerage will be payable on the transfer of your Kidman Shares. 	Chairman's Letter and Section 2.1
<p>7. Why you may consider voting against the Scheme?</p>	<p>The reasons why you may consider voting against the Scheme include:</p> <ul style="list-style-type: none"> • you may disagree with the Kidman Directors' recommendation or the conclusion of the Independent Expert's Report; • you may believe there is an opportunity for increased value from Kidman remaining as a standalone entity; • you may consider that there is the potential for a Superior Proposal to be made in the foreseeable future; and • the tax consequences of the Scheme may not be suitable to your financial position. 	Chairman's Letter and Section 2.2
<p>WHAT SCHEME PARTICIPANTS WILL RECEIVE UNDER THE SCHEME</p>		
<p>8. What will I receive if the Scheme is implemented?</p>	<p>Scheme Participants will receive the Scheme Consideration of \$1.90 cash for each Kidman Share held on the Record Date, currently anticipated as being 18 September 2019.</p>	Chairman's Letter, Sections 1.3, 3.6 and 5.1
<p>9. What premium is being offered?</p>	<p>The Scheme Consideration of \$1.90 cash per Kidman Share represents a premium of:</p> <ul style="list-style-type: none"> • 47.3% to the closing price on 1 May 2019, the last trading day prior to the announcement of the Wesfarmers Proposal; • 46.5% to the 1 month VWAP up to and including 1 May 2019; • 44.4% to the 3 month VWAP up to and including 1 May 2019; and • 48.1% to the 6 month VWAP up to and including 1 May 2019. 	Chairman's Letter, Sections 2.1.3 and 3.6
<p>10. How is Wesfarmers funding the Scheme Consideration?</p>	<p>Wesfarmers will be funding the Scheme Consideration from cash reserves and debt facilities.</p> <p>The Scheme is not subject to a financing condition.</p>	Section 4

FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	SECT. REF.
11. When will I receive the Scheme Consideration, if paid?	<p>Payment of the Scheme Consideration will be made on the Implementation Date (currently anticipated as being 23 September 2019).</p> <p>The cash payment will be paid as follows:</p> <ul style="list-style-type: none"> • where a Scheme Participant has elected to receive dividend payments by electronic funds transfer, by electronic funds transfer to a nominated bank account; or • otherwise, by cheque. 	Section 1.3
12. What are the tax implications of the Scheme?	<p>If the Scheme becomes Effective, there will be tax consequences for Kidman Shareholders which may include tax being payable on any gain on disposal of Kidman Shares.</p> <p>For further details regarding general Australian tax consequences of the Scheme, refer to Section 6 of this Scheme Booklet. The tax treatment may vary depending on the nature and characteristics of each Kidman Shareholder and their specific circumstances.</p> <p>Kidman Shareholders that have a registered address outside of Australia or that Wesfarmers reasonably believes are 'relevant foreign residents' may be subject to Australian withholding tax. In this regard Kidman Shareholders who are foreign residents should note in particular Sections 6.3 and 6.4.</p> <p>If Wesfarmers considers or reasonably believes that you are a 'relevant foreign resident', you should have been provided with a Relevant Foreign Declaration Form together with this Scheme Booklet which you should read in full and follow the instructions provided on the form. If you did not receive a Relevant Foreign Declaration Form but have a registered address outside of Australia please contact the Share Registry.</p> <p>Accordingly, Kidman Shareholders should seek professional tax advice in relation to their particular circumstances.</p>	Section 6
13. How will the Scheme be implemented?	<p>In order for the Scheme to be implemented, all Conditions under the Scheme Implementation Deed must be satisfied or waived (where capable of waiver), the Scheme Resolution must be approved by Kidman Shareholders at the Scheme Meeting and the Scheme must be approved by the Court.</p>	Section 1
14. Will I have to pay brokerage?	<p>No, you will not have to pay brokerage on the transfer of Kidman Shares under the Scheme.</p>	Chairman's Letter and Section 2.1.8

QUESTION	ANSWER	SECT. REF.
15. Can I keep my Kidman Shares?	<p>If the Scheme is implemented, your Kidman Shares will be transferred to Wesfarmers Lithium. This will be the case even if you did not attend the Scheme Meeting or did not vote or you voted against the Scheme at the Scheme Meeting. You will receive \$1.90 cash per Kidman Share when your Kidman Shares are transferred to Wesfarmers Lithium.</p> <p>If the Scheme does not become Effective and is not implemented, you will continue to hold your Kidman Shares.</p>	Section 1.4
16. Can I sell my Kidman Shares on the ASX?	<p>Yes, you can sell your Kidman Shares on the ASX up to and including the Effective Date, being 13 September 2019. Trading in Kidman Shares on the ASX will be suspended following close of trading on the Effective Date, so you will not be able to sell your Kidman Shares on the ASX after that time.</p> <p>If you sell your Kidman Shares on the ASX:</p> <ul style="list-style-type: none"> • you may pay brokerage on the sale; and • you will not receive the Scheme Consideration. <p>Shareholders will also be able to sell their Kidman Shares privately following the Effective Date provided that the transfer is lodged with the Share Registry by no later than 5:00pm on the day on which the Record Date occurs.</p>	Section 1.4
THE SCHEME MEETING AND VOTING		
17. Who can vote?	If you are a Kidman Shareholder at 7:00pm on 3 September 2019, you will be entitled to vote on the Scheme to be approved at the Scheme Meeting.	Section 1.8
18. Do I need to make any payments or do anything else in order to be eligible to participate in the Scheme?	No, you do not need to make any payments or do anything further to be eligible to participate in the Scheme.	
19. Where and when will the Scheme Meeting be held?	The Scheme Meeting to approve the Scheme is scheduled to be held at 10.00 am on 5 September 2019 at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000.	Chairman's Letter and Section 1.5

FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	SECT. REF.
20. How do I vote?	<p>You may vote in person by attending the Scheme Meeting.</p> <p>Alternatively, if you do not want to, or cannot, attend in person, you can vote:</p> <ul style="list-style-type: none"> • by proxy; • by attorney; or • by corporate representative. 	Sections 1.5, 1.6 and 1.7
21. What vote is required to approve the Scheme?	<p>The Scheme needs to be approved by the Requisite Majorities of Kidman Shareholders, which is:</p> <ul style="list-style-type: none"> • at least 75% of the total number of votes cast on the Scheme Resolution; and • unless the Court orders otherwise, a majority in number (more than 50%) of Kidman Shareholders present and voting (in person or by proxy, corporate representative or attorney). 	Chairman's Letter and Section 1.2
22. Should I vote?	<p>Voting is not compulsory. However, the Kidman Directors believe that the Scheme is important for all Kidman Shareholders and the Kidman Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.⁴</p>	Chairman's Letter and Section 1.4

⁴ With respect to Mr Donohue's recommendation, Kidman Shareholders should have regard to the fact that, if the Scheme becomes Effective, Mr Donohue will receive an incentive payment by way of cash bonus as set out in Section 7.1.4 in addition to payment of the Scheme Consideration for the Performance Rights and Kidman Shares that he holds as set out at Section 7.1.6. The Kidman Board (in the absence of Mr Donohue) and, separately, Mr Donohue, have determined that Mr Donohue can, and should (if he wishes to do so), make a recommendation on the Scheme notwithstanding the nature and quantum of the benefits which will be derived by Mr Donohue if the Scheme becomes Effective. In addition, as at the date of this Scheme Booklet, Mr Pizzey holds or controls 90,744 Kidman Shares and holds 60,753 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; Mr Donohue holds or controls 3,915,000 Kidman Shares and holds 972,954 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; and Mr Evans holds or controls 121,366 Kidman Shares.

QUESTION	ANSWER	SECT. REF.
<p>23. What happens if I do not vote or vote against the Scheme?</p>	<p>If the Scheme is approved by the Requisite Majorities and by the Court, and is implemented, all Kidman Shares that you hold on the Record Date will be transferred to Wesfarmers and you will receive the Scheme Consideration. This will occur even if you did not attend the Scheme Meeting or did not vote, or voted against the Scheme, at the Scheme Meeting.</p> <p>If the Scheme does not proceed, the Scheme Consideration will not be paid and Kidman will continue to be listed on the ASX. Kidman Shareholders will retain their Kidman Shares and continue to share in any benefits and risks of Kidman's ongoing business. Details of these risks are set out in Section 5.</p> <p>If the Scheme does not proceed, and no Superior Proposal emerges, the price of Kidman Shares will likely trade at a lower price in the near term than the current Kidman Share price as at the date of this Scheme Booklet in the absence of substantially improved market conditions.</p> <p>If the Scheme is not implemented, it is the Kidman Directors' current intention to continue to develop the Mt Holland Lithium Project in accordance with the Joint Venture Agreement.</p>	<p>Section 1.4</p>
<p>24. What are my options?</p>	<p>You may:</p> <ul style="list-style-type: none"> • vote for or against the Scheme at the Scheme Meeting (in person or by proxy, attorney or, if applicable, corporate representative); • sell your Kidman Shares on market at any time before the close of trading on the ASX on the Effective Date; • sell your Kidman Shares privately following the Effective Date provided that the transfer is lodged with the Share Registry by no later than 5:00pm on the day of the Record Date; or • do nothing, in which case, if the Scheme becomes Effective and is implemented, your Kidman Shares will be transferred to Wesfarmers and you will receive the Scheme Consideration, or, if the Scheme does not become Effective and is not implemented, you will continue to hold your Kidman Shares. 	<p>Section 1.4</p>

FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	SECT. REF.
25. When will the result of the Scheme Meeting be known?	<p>The result will be announced to the ASX and will be accessible shortly after the conclusion of the Scheme Meeting from the ASX (www.asx.com.au) and Kidman (www.kidmanresources.com.au) websites.</p> <p>If the Scheme is approved at the Scheme Meeting by the Requisite Majorities, the Scheme will not become Effective unless it is approved by the Court at the Second Court Hearing and the relevant Court order is lodged with ASIC.</p>	
IMPLEMENTATION OF THE SCHEME		
26. What will happen to Kidman if the Scheme becomes Effective and is implemented?	If the Scheme becomes Effective and is implemented, Kidman will be acquired by Wesfarmers and delisted from the ASX.	Sections 1.1 and 4.6
27. Are there Conditions that need to be satisfied before the Scheme can proceed?	Implementation of the Scheme is subject to the satisfaction or (as applicable) waiver of the Conditions. These Conditions are summarised in Section 7.6.1 of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Deed.	Section 7.6.1
28. In what circumstances can Kidman or Wesfarmers terminate the Scheme?	<p>The Scheme can be terminated by Kidman or Wesfarmers (as applicable) in a limited number of circumstances which are customary for a transaction of this nature.</p> <p>The circumstances in which Kidman or Wesfarmers (as applicable) can terminate the Scheme are summarised in Section 7.6.8 and 7.6.9 of this Scheme Booklet and set out in full in clause 15 of the Scheme Implementation Deed.</p>	Sections 7.6.8, 7.6.9 and 7.6.10
29. When is the Kidman Break Fee payable?	<p>Under the Scheme Implementation Deed, Kidman must pay to Wesfarmers the Kidman Break Fee in the following circumstances:</p> <ul style="list-style-type: none"> • a Competing Proposal is announced during the Exclusivity Period and within 12 months of such announcement, the Third Party who made the announcement completes the Competing Proposal or acquires more than 50% of the shares in Kidman; or • a Kidman Director no longer recommends or supports the Scheme or adversely changes or qualifies their recommendation; or • Wesfarmers terminates the Scheme Implementation Deed in accordance with its terms as a result of a material breach by Kidman. <p>Kidman Shareholders failing to pass the Scheme Resolution will not, of itself, result in the payment of the Kidman Break Fee.</p>	Section 7.6.7

QUESTION	ANSWER	SECT. REF.
30. When will the Scheme become Effective?	Subject to the satisfaction or, as applicable, waiver of the Conditions, and approval of the Court at the Second Court Hearing, the Scheme will become Effective on the Effective Date (currently anticipated as being 13 September 2019).	Section 1.2
31. When will Kidman Shares cease trading on the ASX?	If the Scheme becomes Effective, Kidman Shares are expected to cease trading on the ASX from the close of trading on the Effective Date, which is currently anticipated as being 13 September 2019.	Section 1.9
32. What happens if the Scheme is not approved?	If the Scheme is not approved by the Requisite Majorities of Kidman Shareholders, or the Court, the Scheme will not proceed. The implications if the Scheme is not approved are set out in FAQ 23 above.	Section 5.5
INFORMATION ABOUT WESFARMERS		
33. Who is Wesfarmers Lithium?	Wesfarmers Lithium is a newly incorporated Australian company established for the purpose of acquiring all of the Kidman Shares if the Scheme is implemented. Wesfarmers Lithium was incorporated on 15 May 2019 and is a wholly-owned Subsidiary of Wesfarmers.	Section 4
34. Who is Wesfarmers?	Wesfarmers is one of the largest listed companies and private sector employers in Australia with around 105,000 employees. With a corporate office in Perth, Western Australia, its diverse business operations include the Bunnings, Kmart Group and Officeworks retail divisions, as well as the Industrial division which comprises operations in chemicals, energy and fertilisers, and industrial and safety products. In addition, the Wesfarmers Group holds a number of non-controlling ownership interests, including in Coles, flybuys and BWP Trust.	Section 4
35. Is Wesfarmers related to Kidman?	No, Wesfarmers does not have any current association or affiliation with Kidman outside of the Scheme.	Section 4
36. Does Wesfarmers currently have a direct ownership interest in Kidman?	No, at the date of this Scheme Booklet, Wesfarmers does not directly own any Kidman Shares. As part of the Scheme, Wesfarmers has entered into voting deeds with Kidman Shareholders representing approximately 17% of Kidman's issued capital. This has given Wesfarmers a Relevant Interest in those shares. Under these deeds, the relevant Kidman Shareholders have agreed to vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.	Section 4

FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	SECT. REF.
OTHER QUESTIONS		
37. What are the prospects of receiving a Superior Proposal in the future?	<p>Prior to entering into the Process and Exclusivity Deed with Wesfarmers on 2 May 2019, Kidman engaged on a confidential basis with a small number of potential acquirers of the business, some of whom conducted due diligence.</p> <p>The Wesfarmers Proposal was announced on 2 May 2019 and all discussions with third parties were terminated at that time.</p> <p>As at the date of this Scheme Booklet, neither the Kidman Board nor any of Kidman's Advisers has received any Competing Proposal from a Third Party and there are no Third Party discussions underway with Kidman (or its Advisers) in relation to any Competing Proposal.</p> <p>Kidman Shareholders should note that Kidman has agreed to certain exclusivity provisions in favour of Wesfarmers.</p>	Sections 2.1.6 and 7.6.3
38. Who is the Independent Expert?	The Kidman Directors appointed KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) as Independent Expert to provide a report as to whether the Transaction is in the best interests of Kidman Shareholders.	Section 2.1.2 and Attachment 1
39. How was the Independent Expert appointed?	<p>The Kidman Board undertook a review of potential independent experts, having regard to their expertise and previous experience in similar transactions.</p> <p>The Independent Expert was selected after this process and has confirmed its independence and ability to act as Independent Expert on the Transaction.</p>	
40. What if I have further questions about the Scheme?	If you have any further questions about the Scheme please contact the shareholder information line on 1800 425 578 (within Australia) or +61 1800 425 578 (outside of Australia), Monday to Friday (excluding public holidays), between 7:00 am and 7:30 pm (AEST).	Chairman's Letter

1. DETAILS OF THE SCHEME AND HOW TO VOTE

1.1 OVERVIEW

On 23 May 2019, Kidman announced that it had entered into the Scheme Implementation Deed with Wesfarmers, under which it is proposed that Wesfarmers Lithium (a wholly-owned Subsidiary of Wesfarmers) will acquire all of the Kidman Shares on issue by way of the Scheme. A copy of the Scheme Implementation Deed is attached to Kidman's ASX announcement of 23 May 2019 and available from the ASX (www.asx.com.au) and Kidman (www.kidmanresources.com.au) websites.

If the Scheme is approved by Kidman Shareholders at the Scheme Meeting and by the Court, and if all other necessary approvals and conditions for the Scheme are satisfied or waived (as applicable), Kidman will become a wholly-owned Subsidiary of Wesfarmers Lithium and will be delisted from the ASX.

A summary of the key terms of the Scheme Implementation Deed, including the Conditions, is included in Section 7.6 of this Scheme Booklet.

1.2 KEY STEPS

The key steps to implement the Scheme are:

- Kidman Shareholders will have an opportunity to vote to approve the Scheme at the Scheme Meeting.
- If Kidman Shareholders approve the Scheme Resolution by the Requisite Majorities, and all Conditions (other than Court approval) have been satisfied or waived, Kidman will apply to the Court for approval of the Scheme.
- If the Court approves the Scheme, Kidman will lodge with ASIC a copy of the Court orders approving the Scheme. The date on which this occurs will be the Effective Date for the Scheme and will be the last day for trading of Kidman Shares on the ASX.
- After the Scheme becomes Effective, Kidman will apply for suspension of trading in Kidman Shares.
- On the Implementation Date, following despatch of the Scheme Consideration to Scheme Participants, Wesfarmers will acquire all of the Kidman Shares and Kidman will be removed from the official list of the ASX.

1.3 SCHEME CONSIDERATION

If the Scheme is implemented, Kidman Shareholders on the Register on the Record Date (being 7.00pm (AEST) on the third Business Day following the Effective Date, currently anticipated as being 13 September 2019), will be entitled to receive the Scheme Consideration of \$1.90 cash per Kidman Share in respect of the Kidman Shares they hold as at the Record Date.

The Scheme Consideration will be paid on the Implementation Date.

All payments will be made, where a Scheme Participant has, before the Record Date, made a valid election in accordance with the requirements of the Share Registry to receive dividend payments from Kidman:

- by electronic funds transfer to a bank account nominated by the Scheme Participant - in accordance with that election; or
- by cheque for the relevant amount in Australian currency, dispatched by prepaid post to that Kidman Shareholder's address shown in the Register as at the Record Date.

For Kidman Shares held in joint names, the relevant payment will be made to the joint holders and the cheque will be sent to the holder whose name appears first in the Register as at the Record Date.

Kidman may cancel a cheque if it is returned to Kidman or has not been presented for payment within six months after the date on which the cheque was sent, and the *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' under that act.

If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the cash payments described above may also be delayed.

Under the Deed Poll, Wesfarmers Lithium has undertaken to deposit (or procure the deposit of) an amount equal to the total Scheme Consideration into an Australian dollar denominated trust account, operated by Kidman as trustee for the Scheme Participants, by no later than the Business Day before the Implementation Date. On the Implementation Date, Kidman will procure the payment from the trust account of the Scheme Consideration to each Scheme Participant in accordance with the above.

1. DETAILS OF THE SCHEME AND HOW TO VOTE

1.4 YOUR CHOICES AS A KIDMAN SHAREHOLDER

As a Kidman Shareholder, you have the following choices:

- you can vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative;
- you can sell your Kidman Shares on market at any time before the close of trading on the ASX on the Effective Date;
- you can sell your Kidman Shares privately following the Effective Date provided that the transfer is lodged with the Share Registry by no later than 5.00 pm on the day of the Record Date; or
- you can elect to do nothing.

You should be aware that even if you do not attend the Scheme Meeting, or do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of Kidman Shareholders and by the Court and if the Scheme becomes unconditional. If this occurs, your Kidman Shares will be transferred to Wesfarmers and you will receive the Scheme Consideration for your Kidman Shares even though you did not vote on, or voted against, the Scheme.

1.5 HOW TO VOTE IN PERSON

To vote in person at the Scheme Meeting, Kidman Shareholders must attend the Scheme Meeting to be held at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000, at 10.00 am (AEST) on 5 September 2019.

A Kidman Shareholder who wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card upon disclosure of their name and address at the point of entry to the Scheme Meeting.

1.6 HOW TO VOTE BY ATTORNEY OR CORPORATE REPRESENTATIVE

Persons who are attending as an attorney should bring the original or certified copy of the power of attorney to the Scheme Meeting.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act.

An attorney or a corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their appointment (including any authority under which it is signed), their name, and address and the identity of their appointer, at the point of entry to the Scheme Meeting.

1.7 HOW TO VOTE BY PROXY

A proxy form for the Scheme Meeting accompanies this Scheme Booklet. Information setting out how you may vote by proxy is contained in the Notice of Scheme Meeting. If your proxy form is signed by an attorney, please also enclose the authority under which the proxy is signed (or a certified copy of the authority).

Proxy forms should be completed and lodged in accordance with the instructions set out on the proxy form.

Proxy forms, together with any power of attorney or authority under which the proxy form is signed, must be received no later than 10.00 am (AEST) on 3 September 2019 (48 hours prior to the commencement of the Scheme Meeting). Proxy forms received after this time will be invalid.

A proxy will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Scheme Meeting. The sending of a proxy form will not preclude a Kidman Shareholder from attending in person and voting at the Scheme Meeting. However, the constitution of Kidman specifies that if a Kidman Shareholder who has appointed a proxy to vote on a resolution at a meeting then proceeds to attend the relevant meeting in person and vote on the relevant resolution, then his or her proxy is not entitled to, and must not, vote in his or her capacity as proxy for the relevant Kidman Shareholder on that resolution.

1.8 ELIGIBILITY TO VOTE

The time for determining eligibility to vote at the Scheme Meeting is 7:00pm (AEST) on 3 September 2019. Only those Kidman Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting.

1.9 NO TRADING ON ASX AFTER EFFECTIVE DATE

After the Scheme becomes Effective, Kidman will apply for suspension of trading in Kidman Shares. The last date for trading Kidman Shares on the ASX will be the Effective Date.

1.10 DETERMINATION OF ENTITLEMENT TO SCHEME CONSIDERATION

For the purposes of establishing who are Scheme Participants, dealings in Kidman Shares will only be recognised if:

- in the case of dealings of the type to be effected by CHES (Clearing House Electronic Subregister System), the transferee is registered in the Register as the holder of the relevant Kidman Shares on or before the Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5:00pm on the day on which the Record Date occurs at the Share Registry.

Subject to the Corporations Act, ASX Listing Rules and Kidman's constitution, Kidman must register transmission applications or transfers which it receives by 5.00 pm on the day on which the Record Date occurs. Kidman will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Kidman Shares received after this time.

1.11 DEEMED WARRANTY ON TRANSFER OF KIDMAN SHARES TO WESFARMERS

Under the terms of the Scheme, each Kidman Shareholder is deemed to have warranted to Wesfarmers that all of their Kidman Shares will, at the date of the transfer, be fully paid and free from all encumbrances (such as mortgages and other Security Interests) and that they have full power and capacity to transfer their Kidman Shares (including any rights and entitlements attaching to those Kidman Shares) to Wesfarmers.

You should ensure that your Kidman Shares are free of all encumbrances (such as mortgages or other Security Interests).

Kidman Shareholders should be aware that, to the extent that this warranty is untrue in respect of their Kidman Shares, and their Kidman Shares are not transferred under the Scheme free from all encumbrances, they may be liable to compensate Wesfarmers for any damage caused to Wesfarmers resulting from that failure to transfer.

1.12 DEED POLL

On 23 July 2019, each of Wesfarmers and Wesfarmers Lithium executed the Deed Poll under which Wesfarmers agreed, subject to the Scheme becoming Effective, to pay the Scheme Consideration to Kidman for distribution to Scheme Participants to acquire all Scheme Shares held by Scheme Participants under the Scheme.

A summary of the key terms of the Deed Poll is set out in Section 7.9. A copy of the Deed Poll is also included in Attachment 3.

1.13 TAXATION IMPLICATIONS

A general guide to the Australian taxation implications of the Scheme for Kidman Shareholders is set out in Section 6 of this Scheme Booklet. Section 6 is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Kidman Shareholder.

1.14 COSTS

Kidman has incurred significant costs in preparing the proposed Scheme and revisions of that proposal to the point that it is capable of being submitted to Kidman Shareholders as a scheme of arrangement for their consideration. These costs include negotiations with Wesfarmers, retention of Advisers, provision of information to Wesfarmers, facilitating Wesfarmers' access to due diligence, engagement of the Independent Expert and preparation of this Scheme Booklet.

1. DETAILS OF THE SCHEME AND HOW TO VOTE

If the Scheme is implemented, these costs will effectively be met by Wesfarmers as the ultimate controller of Kidman following implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges, Kidman expects to incur total costs of approximately \$2.8 million excluding GST, which will be paid in the financial year ended 31 December 2019.

1.15 KIDMAN EXCLUSIVITY AND BREAK FEE ARRANGEMENTS

Under the Scheme Implementation Deed:

- Kidman has agreed to certain exclusivity arrangements in favour of Wesfarmers; and
- a break fee of \$7.7 million is payable by Kidman to Wesfarmers in certain circumstances.

The fact that the Scheme is not approved by Kidman Shareholders will not, of itself, result in the Break Fee being payable.

The terms for payment of the Kidman Break Fee and the exclusivity arrangements are summarised in Sections 7.6.3 and 7.6.7 of this Scheme Booklet and set out in full in clauses 13 and 14 of the Scheme Implementation Deed, a copy of which was attached to Kidman's announcement to the ASX on 23 May 2019.



2. REASONS TO VOTE FOR OR AGAINST THE SCHEME

2.1 REASONS THAT YOU MIGHT VOTE FOR THE SCHEME

This Section sets out the reasons why the Kidman Directors consider that you should vote in favour of the Scheme. Whilst the Kidman Directors acknowledge that there are reasons to vote against the Scheme (see the following Section 2.2 titled “Reasons why you may vote against the Scheme”), they believe that the reasons to vote in favour of the Scheme significantly outweigh the reasons to vote against the Scheme.

2.1.1 The Kidman Directors unanimously recommend the Scheme and will be voting their Kidman Shares in favour of it

The Kidman Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting on 5 September 2019, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.⁵

Each Director (other than Mr Collieran who does not hold any Kidman Shares) has entered into a voting deed to vote the Kidman Shares they hold or control in favour of the Scheme, on the same basis as set out above. The interests of the Kidman Directors in Kidman are set out in Section 7.1 of this Scheme Booklet.

2.1.2 The Independent Expert has concluded that the Scheme is in the best interests of Kidman Shareholders, in the absence of a Superior Proposal

The Kidman Directors appointed KPMG Corporate Finance as Independent Expert to prepare an Independent Expert’s Report providing an opinion as to whether the Scheme is in the best interests of Kidman Shareholders.

The Independent Expert has assessed the full underlying value of Kidman to be in the range of \$1.62 to \$2.00 per Kidman Share.

Based on the Scheme Consideration of \$1.90 cash per Kidman Share, the Independent Expert has concluded that the Scheme is in the best interests of Kidman Shareholders (in the absence of a Superior Proposal).

The Independent Expert’s Report is included at Attachment 1 of this Scheme Booklet. Kidman Shareholders should carefully review the Independent Expert’s Report in its entirety.

2.1.3 The Scheme Consideration represents a substantial premium to Kidman’s trading price prior to the announcement of the Wesfarmers Proposal

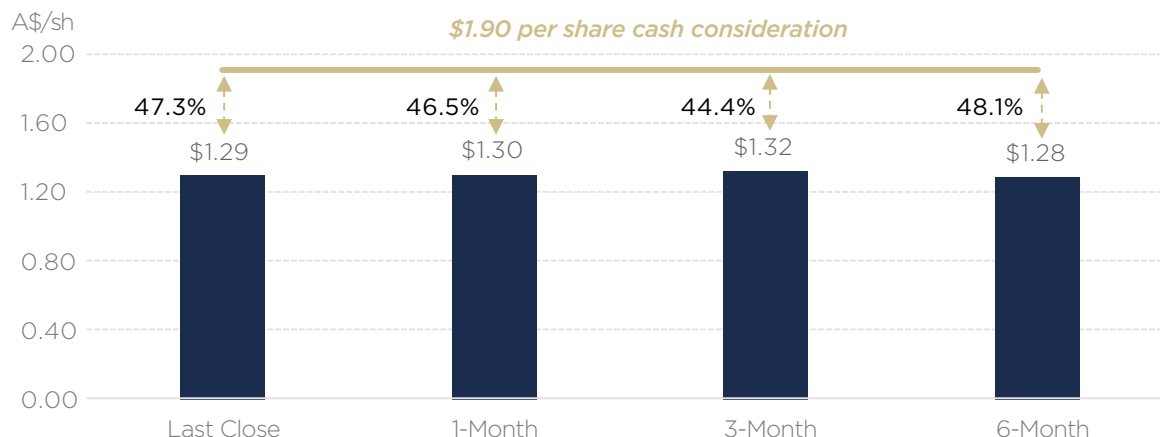
The Scheme Consideration represents a substantial premium over the trading price of Kidman Shares prior to the announcement of the Wesfarmers Proposal. The Scheme Consideration of \$1.90 cash per Kidman Share represents a premium of:

- (a) 47.3% to the closing price on 1 May 2019 of \$1.29, being the last trading day prior to the announcement of the Wesfarmers Proposal;
- (b) 46.5% to the 1 month VWAP of \$1.30 up to and including 1 May 2019;
- (c) 44.4% to the 3 month VWAP of \$1.32 up to and including 1 May 2019; and
- (d) 48.1% to the 6 month VWAP of \$1.28 up to and including 1 May 2019.

⁵ With respect to Mr Donohue’s recommendation, Kidman Shareholders should have regard to the fact that, if the Scheme becomes Effective, Mr Donohue will receive an incentive payment by way of cash bonus as set out in Section 7.1.4 in addition to payment of the Scheme Consideration for the Performance Rights and Kidman Shares that he holds as set out at Section 7.1.6. The Kidman Board (in the absence of Mr Donohue) and, separately, Mr Donohue, have determined that Mr Donohue can, and should (if he wishes to do so), make a recommendation on the Scheme notwithstanding the nature and quantum of the benefits which will be derived by Mr Donohue if the Scheme becomes Effective. In addition, as at the date of this Scheme Booklet, Mr Pizzey holds or controls 90,744 Kidman Shares and holds 60,753 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; Mr Donohue holds or controls 3,915,000 Kidman Shares and holds 972,954 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; and Mr Evans holds or controls 121,366 Kidman Shares.

2. REASONS TO VOTE FOR OR AGAINST THE SCHEME

The graph below shows the premium to the Kidman Share price prior to the announcement of the Wesfarmers Proposal.



2.1.4 Development of the Mt Holland Lithium Project carries a number of risks, particularly under the ownership of Kidman

If the Scheme is not implemented, Kidman will remain an independent entity listed on the ASX and will be subject to a number of risks. These are outlined in Section 5.

The Kidman Directors believe the Scheme Consideration of \$1.90 cash per Kidman Share appropriately balances the potential value of the Mt Holland Lithium Project with the risks that Kidman would have to address or otherwise mitigate in achieving that value. In particular:

- while significant work has been undertaken, the Mt Holland Lithium Project is still at a relatively early stage of development. It is anticipated that on the basis of progress to date and following the review and finalisation process set out in the Joint Venture Agreement, the IDFS will now be finalised and approved by the Joint Venturers in the final quarter of 2019 and a final investment decision in relation to the development of the Mt Holland Lithium Project is expected to be made in the first quarter of 2020;
- construction of the Mt Holland Lithium Project will carry a number of complexities, particularly in relation to the refinery which will incorporate a number of chemical processes;
- while significant progress has been made by Kidman in relation to funding and offtake arrangements, funding a large scale capital project brings with it a number of challenges for a company the size of Kidman, noting that based on work done to date on the IDFS, Kidman expects that capital expenditure described in the Final IDFS may be up to 25% higher than the capital expenditure described in the IPFS.⁶ Integrated cash operating costs are currently expected to be broadly in line with the integrated cash operating costs described in the IPFS, based on a similar life of mine.⁷ Kidman's financing discussions have not been meaningfully progressed in light of the Wesfarmers Proposal and would need to be recommenced (which would also require further progress on offtake discussions) if the Scheme does not proceed (a further discussion of the status of the funding and offtake arrangements is contained in section 3.1.11 of this Scheme Booklet); and

⁶ Potential increase of Kidman's share of integrated capital expenditure in IDFS relative to IPFS, including contingency and Owners' Costs, in US\$.

⁷ Average life of asset integrated cash operating cost, net of by-product credits and excluding government royalties, in IDFS relative to IPFS.

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- lithium hydroxide is a market with uncertain long term supply and demand characteristics, in which it is difficult to form views on the potential long term price. Recently lithium hydroxide prices have shown some weaknesses as supply has grown faster than demand. While the Kidman Directors are confident the sector will have attractive long term supply and demand dynamics, the recent weakness in commodity prices may impact the availability and attractiveness of financing.

The Scheme Consideration of \$1.90 cash per Kidman Share provides Kidman Shareholders with certainty of value and the opportunity to realise in full their investment in Kidman for cash.

2.1.5 If the Scheme does not proceed, and no Superior Proposal emerges, Kidman Shares are likely to trade at a lower price

Kidman has made significant progress in developing the Mt Holland Lithium Project and the Kidman Directors are confident in the future pathway for Kidman if it was to remain independent. However, if the Scheme does not proceed and no alternative proposal emerges, the Kidman Directors believe that the market price of Kidman Shares is likely to trade at a lower price in the near term than the current Kidman Share price in the absence of substantially improved market conditions, in part due to the risk factors described above and in Section 5.

2.1.6 No Competing Proposal has emerged as at the date of this Scheme Booklet

Prior to announcement of the Wesfarmers Proposal on 2 May 2019, Kidman engaged on a confidential basis with a small number of potential acquirers of the business, some of whom conducted due diligence.

The Wesfarmers Proposal was announced on 2 May 2019 and all discussions with Third Parties were terminated at that time.

As at the date of this Scheme Booklet, neither the Kidman Board nor any of Kidman's Advisers has received any Competing Proposal from a Third Party and there are no Third Party discussions underway with Kidman (or its Advisers) in relation to any Competing Proposal.

2.1.7 Wesfarmers has entered into voting deeds with major Kidman Shareholders

Wesfarmers has entered into voting deeds with Kidman's three major shareholders representing approximately 16% of Kidman's issued capital.

Under these agreements, the relevant Kidman Shareholders agree to vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.

As set out at Sections 2.1.1 and 4.7, Wesfarmers has also entered into voting deeds with the Kidman Directors (other than Mr Colleran who does not hold or control any Kidman Shares). This means that together with the voting deeds with Kidman's three major shareholders, Kidman Shareholders holding approximately 17% of Kidman Shares have agreed to vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.

The support of these Kidman Shareholders is an endorsement for the Scheme and contributes meaningfully to the votes required to approve the Scheme at the Scheme Meeting. However, as is set out in Section 2.2 below and despite the views of the major shareholders, there are a number of reasons why an individual Kidman Shareholder may decide not to vote in favour of the Scheme. Further, the support of these Kidman Shareholders for the Scheme is based on their own personal circumstances, objectives and financial situations. Each Kidman Shareholder is encouraged to read this Scheme Booklet in detail and make their own decision as to how to vote.

2.1.8 No brokerage will be payable on the transfer of your Kidman Shares

You will not incur any brokerage on the transfer of your Kidman Shares under the Scheme.

Kidman Shareholders selling their Kidman Shares on the ASX through a share broker may be charged brokerage.

2. REASONS TO VOTE FOR OR AGAINST THE SCHEME

2.2 REASONS THAT YOU MIGHT VOTE AGAINST THE SCHEME

Although the Kidman Board unanimously recommends⁸ that Kidman Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders, this Section sets out the factors which may lead a Kidman Shareholder to vote against the Scheme.

2.2.1 You may disagree with the Kidman Directors' recommendation or the conclusion of the Independent Expert's Report

Notwithstanding the unanimous recommendation of the Kidman Directors and the Independent Expert's opinion that the Scheme is in the best interests of Kidman Shareholders (in both instances in the absence of a Superior Proposal), you may believe that the Scheme is not in your best interests.

2.2.2 You may believe there is an opportunity for increased value from Kidman remaining as a standalone entity

If the Scheme is implemented, you will cease to be a Kidman Shareholder. Kidman is currently developing the Mt Holland Lithium Project as part of the Joint Venture with SQM. As the Scheme Consideration is cash, if the Scheme is implemented you will cease to have any interest in the Mt Holland Lithium Project unless you subsequently purchase shares in Wesfarmers.

You may view retaining an interest in Kidman, and thereby a 50% interest in the Mt Holland Lithium Project, as having more potential to generate future financial returns than receiving the Scheme Consideration today. You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Kidman.

2.2.3 You may consider that there is the potential for a Superior Proposal to be made in the foreseeable future

It is possible that a more attractive proposal for Kidman Shareholders could materialise in the foreseeable future with a higher price than the Scheme Consideration.

The Kidman Directors are, as at the date of this Scheme Booklet, not aware of any alternative proposal for Kidman. Since the announcement of the Wesfarmers Proposal on 2 May 2019 and the entry into the Scheme Implementation Deed on 23 May 2019, no alternative proposal has emerged and no Kidman Director has received any approaches which would cause them to believe an alternative proposal is likely to emerge.

As set out in clause 13 of the Scheme Implementation Deed, Kidman is bound by customary exclusivity obligations, including in relation to a Competing Proposal. In addition, as set out in Section 7.7 of this Scheme Booklet, Wesfarmers has entered into a Deed of Commitment with SQM (the parent company of SQMA, the other Joint Venturer in the Mt Holland Lithium Project) and SQMA, under which SQM and SQMA have agreed not to enter into discussions with any Third Party proposing to make a Competing Proposal⁹ for Kidman, other than in circumstances where Kidman has notified SQM that it has formed the view that the Competing Proposal is, or may reasonably be

⁸ With respect to Mr Donohue's recommendation, Kidman Shareholders should have regard to the fact that, if the Scheme becomes Effective, Mr Donohue will receive an incentive payment by way of cash bonus as set out in Section 7.1.4 in addition to payment of the Scheme Consideration for the Performance Rights and Kidman Shares that he holds as set out at Section 7.1.6. The Kidman Board (in the absence of Mr Donohue) and, separately, Mr Donohue, have determined that Mr Donohue can, and should (if he wishes to do so), make a recommendation on the Scheme notwithstanding the nature and quantum of the benefits which will be derived by Mr Donohue if the Scheme becomes Effective. In addition, as at the date of this Scheme Booklet, Mr Pizzey holds or controls 90,744 Kidman Shares and holds 60,753 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; Mr Donohue holds or controls 3,915,000 Kidman Shares and holds 972,954 Performance Rights which will convert into that number of Kidman Shares if the Scheme becomes Effective; and Mr Evans holds or controls 121,366 Kidman Shares.

⁹ The term "Competing Proposal" used in the Deed of Commitment is materially the same (but not identical to) the term Competing Proposal as defined in the Scheme Implementation Deed. The differences in the drafting of the defined term are not relevant for the purposes of the summary of the Deed of Commitment at Section 7.7.

expected to lead to, a Superior Proposal and Kidman has otherwise complied with its obligations under clause 13 of the Scheme Implementation Deed, and SQM and SQMA wish to do so. A summary of this part of the Deed of Commitment is at Section 7.7.

2.2.4 The tax consequences of the Scheme may not be suitable for your financial position

Implementation of the Scheme will have taxation consequences for Kidman Shareholders, some of which may be adverse depending on the individual tax circumstances of each Kidman Shareholder.

A general guide to the taxation implications of the Scheme is set out in Section 6 of this Scheme Booklet. This guide is expressed in general terms only, and Kidman Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Scheme.



3. INFORMATION ON KIDMAN

3.1 OVERVIEW OF KIDMAN

3.1.1 Overview and history

Kidman is an ASX listed lithium developer headquartered in Melbourne, Australia. Kidman Shares were admitted to the official list of the ASX on 18 January 2011.

Kidman initially acquired the tenements making up the Mt Holland Lithium Project (including the Earl Grey lithium deposit) in 2016, with the primary focus initially on upgrading and developing the contained gold resource. These tenements had historically produced (prior to 2002) in excess of 1.2 Moz of gold from two underground mines (Bounty and Bounty North) and more than ten open pits. Following strong interest in the lithium and tantalum rights associated with the Mt Holland tenements, Kidman undertook a technical review and confirmed the lithium potential of the Mt Holland Lithium Project. As a consequence, Kidman has only conducted limited gold and base metal exploration activities in relation to these tenements.

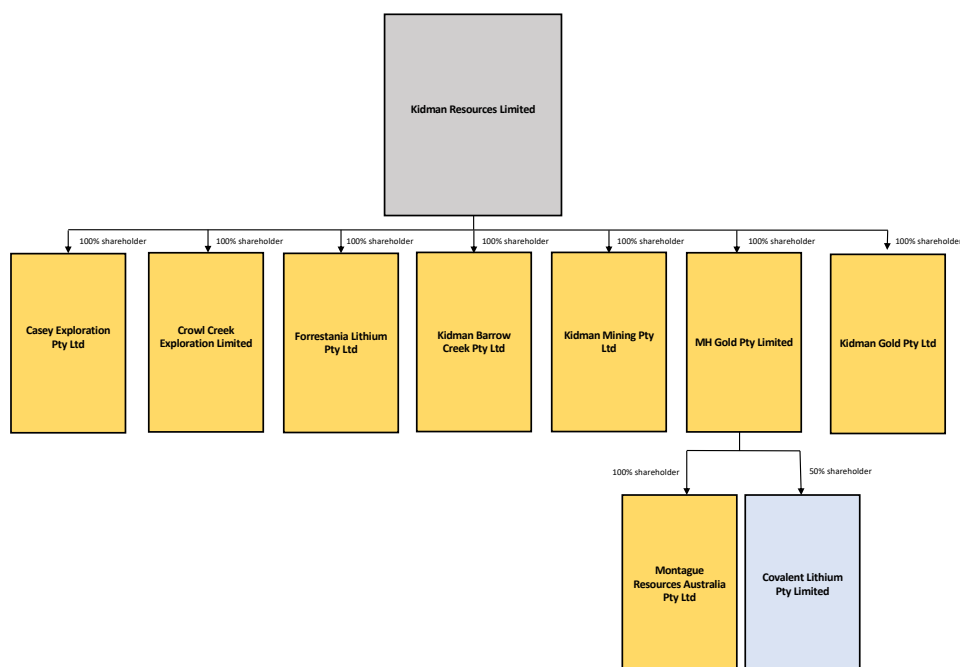
In December 2017, Kidman entered into the Joint Venture with SQMA, a wholly owned subsidiary of SQM. Under the Joint Venture Agreement, Kidman has the right to 50% of lithium production from the Mt Holland Lithium Project. Kidman also retained all rights to the Mt Holland gold resource.

On 2 April 2019, Kidman announced a strategic review of its gold and base metal assets on the basis that Kidman's primary focus was the development of the Mt Holland Lithium Project and it was therefore appropriate to seek proposals from third parties to maximise the value of the gold and metal assets. Kidman received expressions of interest to commence discussions from a small number of parties, mainly junior gold explorers and developers. The strategic review was placed on hold when the Process and Exclusivity Deed with Wesfarmers was announced on 2 May 2019. Kidman did not enter into detailed discussions in relation to the price at which any transaction would proceed, and no indicative offers were received, as part of the strategic review.

Kidman also retains an interest in:

- Barrow Creek exploration project, host to the "Home of Bullion" base metals prospect, located 250 kilometres north of Alice Springs in the Northern Territory, which covers 91.5 square kilometres; and
- Browns Reef base metals exploration project located 5 kilometres west of the town of Lake Cargelligo in New South Wales, and which covers a total area of 28.7 square kilometres.

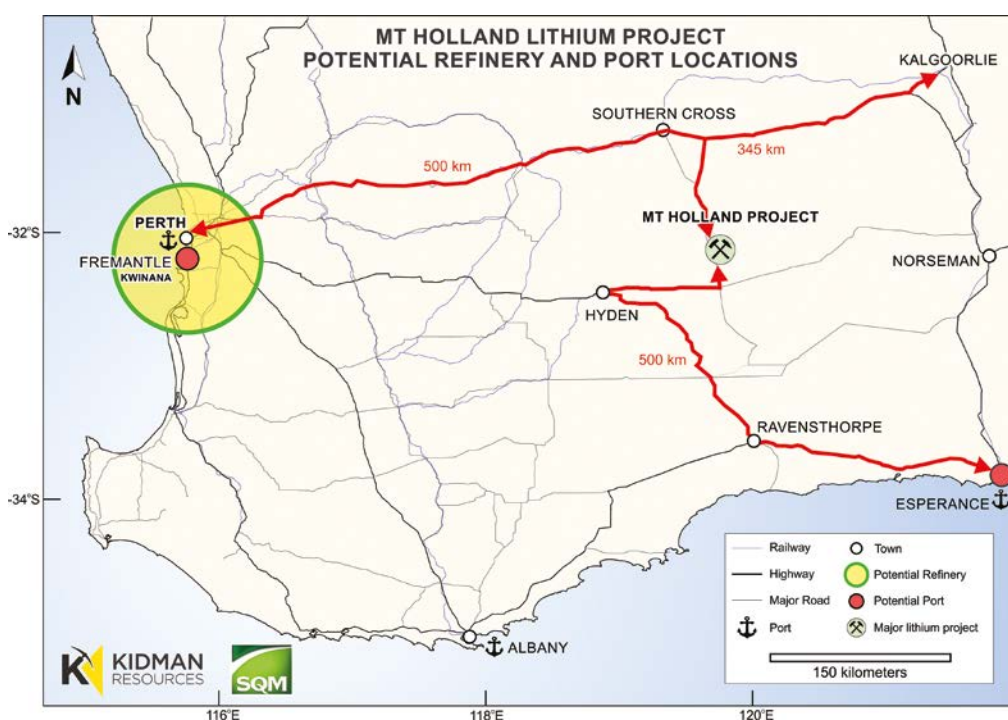
3.1.2 Kidman Group Structure



3.1.3 Mt Holland Lithium Project

Kidman’s primary focus is on developing the Mt Holland Lithium Project in joint venture with SQMA. The Mt Holland Lithium Project will, once developed, comprise a mine and concentrator to be located at Mt Holland, Western Australia. The mine and concentrator will produce spodumene concentrate to be transported to a refinery to be located in Kwinana, Western Australia. The refinery will produce battery-grade lithium hydroxide to be sold to a range of potential customers, including those with direct exposure to the high-growth electric vehicle market.

Figure 1 - Map of Project Locations



3.1.4 Mineral Resource and Ore Reserve

The Mt Holland Lithium Project includes the Earl Grey hard rock lithium deposit. In March 2018, Kidman released an updated Mineral Resource estimate which is summarised below.¹⁰

Mineral Resource Estimate for the Earl Grey Lithium Deposit - March 2018					
Classification	Tonnes	Li ₂ O %	Fe ₂ O ₃ %	Li ₂ O Tonnes	Li ₂ O cut-off
Measured	66,000,000	1.58	1.18	1,040,000	0.5%
Indicated	106,000,000	1.52	1.09	1,610,000	0.5%
Inferred	17,000,000	1.11	1.20	190,000	0.5%
Total	189,000,000	1.50	1.13	2,840,000	0.5%

¹⁰ Further details on the mineral resource, including the JORC Table 1 Statement, are set out in Kidman’s ASX announcement dated 19 March 2018.

3. INFORMATION ON KIDMAN

In December 2018, Kidman announced a maiden Ore Reserve for the Earl Grey deposit of 94.2 million tonnes at 1.5% Li₂O which is summarised below.¹¹

Ore Reserves for the Earl Grey Deposit - December 2018						
Classification	Feed (Mt)	Grade Li ₂ O %	Grade Fe ₂ O ₃ %	Grade Ta ₂ O ₅ (ppm)	Waste (Mt)	Total (Mt)
Proved	54.4	1.5	1.3	45	199	253
Probable	39.8	1.5	1.4	54	222	261
Total	94.2	1.5	1.4	50	422	515

3.1.5 Integrated Pre-Feasibility Study (IPFS)

On 18 December 2018, Kidman announced the results of the IPFS in relation to the Mt Holland Lithium Project, which followed an earlier Refinery pre-feasibility study and updated Mine & Concentrator Scoping Study. Key outcomes of the IPFS are summarised in this section, with additional information available in the Kidman ASX announcements dated 9 November 2018 and 18 December 2018.

The IPFS is the most recent completed study in relation to the Mt Holland Lithium Project and described the proposed project based on studies completed and assumptions made at the date of the IPFS.

An IDFS is currently underway in relation to the Mt Holland Lithium Project, which is likely to differ from the IPFS. An update on the IDFS is contained in Section 3.1.9.

3.1.6 Mine and concentrator under the IPFS

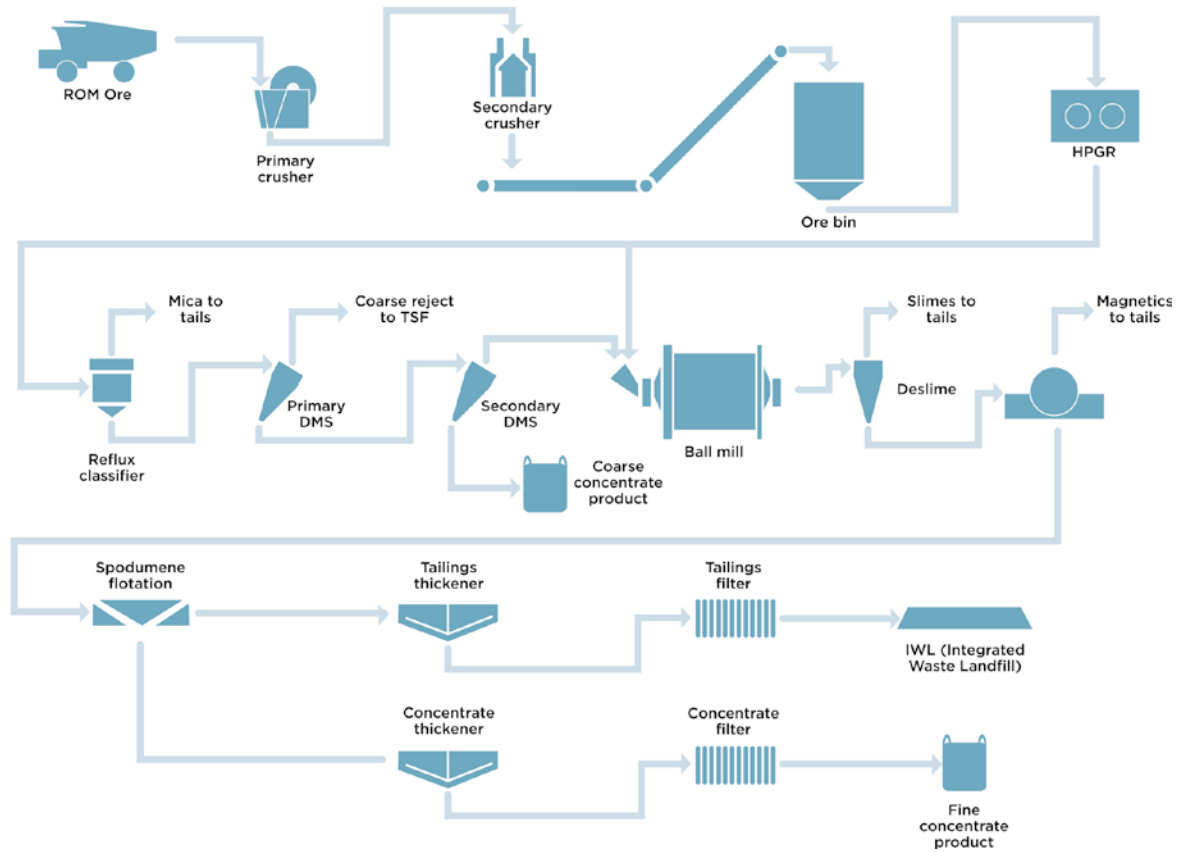
The IPFS proposed that the mine utilise open pit mining undertaken by contractors, with truck and hydraulic excavator operations combined with drilling and blasting. The proposed mine life was 47 years, with an average annual throughput of 2 million tonnes of ore to the concentrator.

The IPFS proposed that the concentrator would be co-located with the mine. The proposed concentrator would utilise two stage crushing, followed by a high-pressure grinding roll machine, reflux classifier to remove mica, two stages of dense media separation using ferrosilicon with rejects from the first stage going to tails and underflow from the second stage to final spodumene concentrate and overflow going to flotation. Flotation feed was envisaged to be ground in a ball mill with subsequent de-sliming via cyclone cluster, then magnetic separation to remove iron, followed by a three-stage flotation circuit.

Based on the IPFS flowsheet, average annual spodumene concentrate production was estimated to be 411,233 tonnes based on a 5.5% spodumene concentrate grade (subject to optimisation) and 75% recovery.

¹¹ Further details on the maiden Ore Reserve, including the JORC Table 1 Statement, are set out in Kidman's ASX announcement dated 18 December 2018.

Figure 2 – IPFS Proposed Concentrator Flowsheet



3.1.7 Refinery under the IPFS

Final spodumene concentrate produced by the concentrator was envisaged by the IPFS to be stored on-site for transportation to the refinery proposed to be built in Kwinana, Western Australia.

The IPFS proposed that spodumene concentrate be transported from Mt Holland to Kwinana via road and rail.

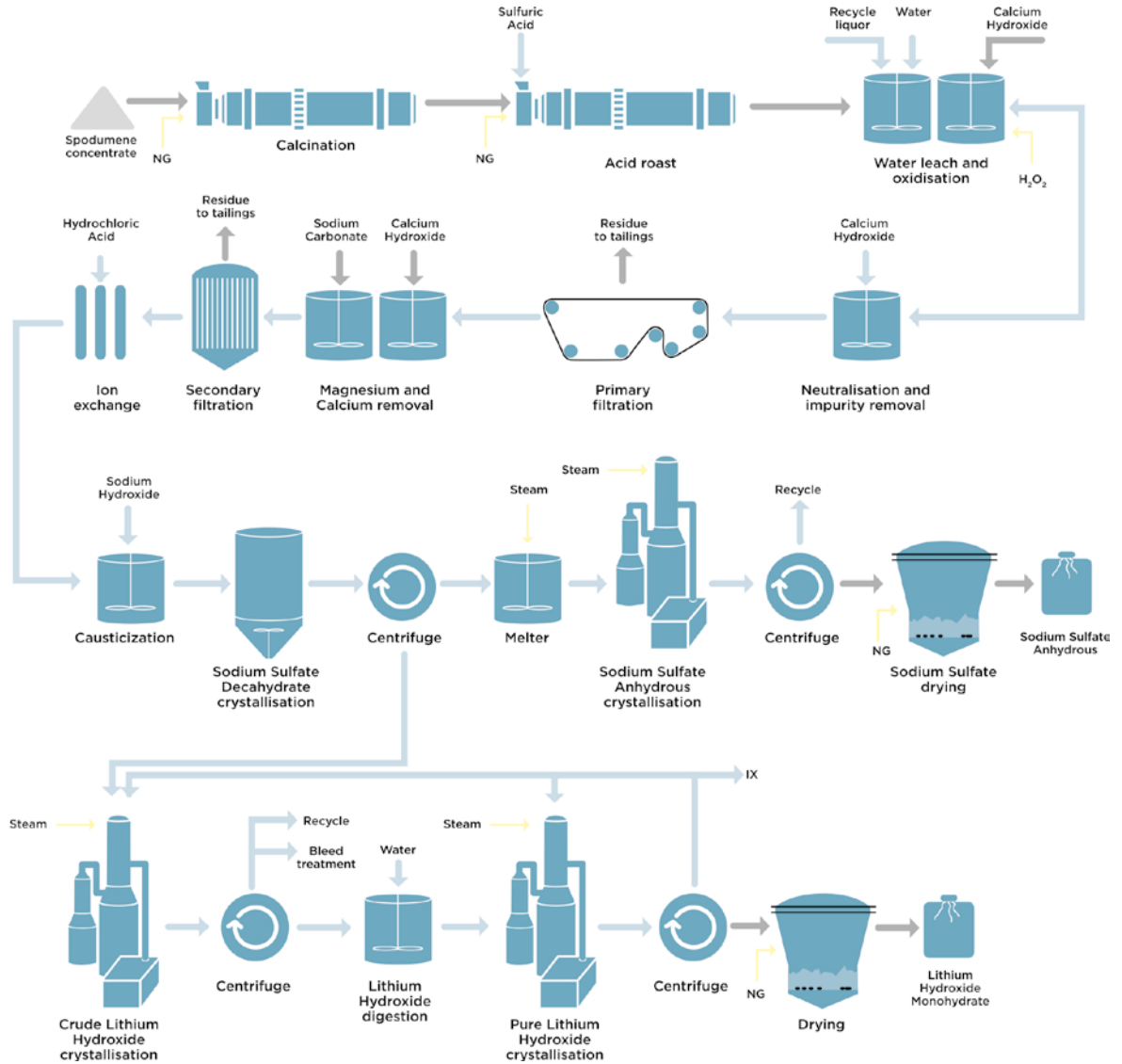
The proposed site for the refinery is in the Kwinana Strategic Industrial Area, which has access to critical infrastructure including logistics (rail, road and port), energy (electricity and natural gas), labour, chemical reagents and supplies. Covalent Lithium (as agent for and on behalf of the Joint Venturers) has entered into an option to lease with the Western Australian Land Authority (Landcorp) in relation to land at Kwinana.

The IPFS proposed that the refinery would produce 45,254 tonnes of lithium hydroxide per annum, utilising approximately 345,000 tonnes of the spodumene concentrate produced from the mine and concentrator (based on a 5.5% spodumene concentrate feed grade and 85% recovery at the refinery). The IPFS envisaged that spodumene concentrate in excess of the processing capacity of the refinery (being approximately 68,000 tonnes per annum on average) would be sold to third parties.

The IPFS proposed a flowsheet for spodumene concentrate conversion in the refinery that was comparable with other lithium conversion plants in development. The initial processing included calcination, acid roasting, leaching, neutralization and purification, and ion exchange. The subsequent lithium hydroxide production process included causticization, Glauber's Salt crystallisation, centrifugation, further crystallisations and ion exchange, and finally drying and bagging.

3. INFORMATION ON KIDMAN

Figure 3 - IPFS Proposed Refinery Flowsheet



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3.1.8 IPFS Capital and Operating Expenditure

Under the IPFS assumptions, Kidman's 50% share of integrated capital expenditure to construct the Mt Holland Lithium Project (including contingency and Owners' Costs) was estimated to be US\$407 million (100%: US\$813 million).¹² Integrated cash operating costs (net of intermediate products) were estimated to be US\$4,507 per tonne of lithium hydroxide produced.¹³

Refer to Kidman's ASX announcement dated 18 December 2018 for a full summary of the IPFS project metrics and key assumptions.

The Kidman Directors anticipate that the capital expenditure for the Mt Holland Lithium Project identified in the IPFS is likely to increase upon finalisation of the IDFS. This is discussed further in Section 3.1.9 below.

3.1.9 IDFS and final investment decision

On 25 October 2018, Kidman announced that it had agreed with SQM to consolidate the remaining studies for the mine and concentrator and the refinery into two integrated project studies, being the IPFS and the IDFS.

On 18 December 2018, as part of the IPFS announcement, Kidman stated that the IDFS was expected to be completed in the first half of 2019 after which a final investment decision would be made. A statement to a similar effect was made in Kidman's Quarterly Activities Report for the December 2018 Quarter released to the ASX on 24 January 2019.

Kidman announced to the ASX on 27 March 2019 that the amendments to the Joint Venture Agreement to give effect to the integrated project studies had been executed. In its Annual Report for the financial year ended 31 December 2018, released on the same day, Kidman said that the IDFS was scheduled to be completed in mid-2019.

In its Quarterly Activities Report for the March 2019 Quarter, released to the ASX on 16 April 2019, Kidman said:

"The integrated definitive feasibility study for the Mt Holland Lithium Project was commenced in December 2018 and is progressing to plan with all key milestones met. The study is scheduled to be completed in mid-2019. Following a period of review and finalisation by Kidman and SQM, a final investment decision is expected in the second half of the year".

The Joint Venture Agreement (as amended to give effect to the agreement referred to above) sets out a process for the preparation and approval of the IDFS. The Joint Venture Agreement contemplates that Kidman and SQMA each have an opportunity to review and comment on a draft of the IDFS prior to it being finalised. The target date for the provision of the draft IDFS under the Joint Venture Agreement was 28 June 2019.

The receipt of a Final IDFS is a condition precedent to the making of a final investment decision under the Joint Venture Agreement.

The IDFS in relation to the Mt Holland Lithium Project was commenced in December 2018. A draft IDFS was provided by Covalent Lithium to the Joint Venturers on 12 July 2019. The Transaction process has had only a minimal impact on the timing of the delivery of the draft IDFS.

Covalent Lithium continues to progress the IDFS. It is anticipated that, on the basis of progress to date and following the review and finalisation process set out in the Joint Venture Agreement, the IDFS will now be finalised and approved by the Joint Venturers in the final quarter of 2019 with a final investment decision in relation to the development of the Mt Holland Lithium Project expected to be made in the first quarter of 2020.

¹² Consisting of integrated capital (excluding contingency and Owners' Costs) of US\$609 million, contingency of US\$128 million and Owners' Costs of US\$76 million.

¹³ Integrated cash operating cost excludes cash cost for government royalties and is net of revenue from excess spodumene concentrate production not used for refinery (being US\$578/t).

3. INFORMATION ON KIDMAN

As the IDFS is incomplete, and remains subject to the review of the Joint Venturers, it is not possible to provide details of its likely conclusions. However, this section provides an overview of the potential changes that are expected in the IDFS relative to the IPFS, based on the work undertaken on the IDFS at the date of this Scheme Booklet. This is not intended to be, and cannot be, a complete summary of the potential differences between the IPFS and the IDFS and is subject to change as the IDFS is reviewed and finalised over coming months. Some of the differences between IPFS and IDFS are not material. Others may be material but insufficient work has been completed as at the date of this Scheme Booklet to enable an accurate assessment of the impact.

Mine and Concentrator

Area	IPFS assumption	IDFS considering
Mine plan, spodumene grade and spodumene volume	411ktpa of 5.5% grade spodumene, with excess spodumene sold to third parties.	Updated mine plan, including more granular assumptions regarding metallurgical recoveries based on further work undertaken, which is expected to increase capital and operating costs. Right sizing of spodumene for refinery requirements is under consideration but no final decision has been made at this time.
Fresh water supply	Purpose-built water treatment plant using mechanical vapour compression.	Water pipeline running approximately 120km from a location near Southern Cross, which is expected to lead to a net reduction in capital and operating costs.
Electricity supply	Power connection to the grid aligned with project timeframes.	Diesel power generation likely to be required for the early years of the project and over the long term as a backup power source, which is expected to increase capital and operating costs.
Optimised layout for future flexibility	Not included.	Optimising layout and flowsheet design to allow for future flexibility to expand production volumes, which is expected to increase capital.
Foreign exchange	Assumed an AUD/USD exchange rate of \$0.72.	Assuming an AUD/USD exchange rate of \$0.70.
By-product credits	Surplus spodumene concentrate not used in refinery sold to third parties at an average spodumene price of US\$477/t, generating by-product credits.	Assumed average spodumene price increased to US\$580/t, which is expected to increase by-product credits and decrease operating costs, based on a similar life of mine.

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Refinery

Area	IPFS assumption	IDFS considering
Kiln	Single calcination circuit (1 x 40ktpa lithium carbonate equivalent rate).	Two calcination circuits (2 x 20ktpa lithium carbonate equivalent rate), which is expected to increase capital and operating costs.
Pre-heaters	None.	Addition of pre-heaters prior to the Refinery kilns to improve operational assurance of calcination process and improve usage efficiency, which is expected to increase capital and reduce operating expenditure.
By-products produced from Refinery	Sodium sulphate: assumed to be sold but no net revenue. Aluminosilicates: disposal solution not yet identified at IPFS stage, but cost for disposal assumed.	Sodium sulphate: revenue stream may be possible. Aluminosilicates: disposal may need to be via return to Mt Holland or landfill (amongst other potential solutions being considered). Expected to lead to a net increase in operating expenditure.
Foreign exchange	Assumed an AUD/USD exchange rate of \$0.72.	Assuming an AUD/USD exchange rate of \$0.70.

Other

In addition to the changes identified above, the IDFS - as is typical with any updated feasibility study - will contain more detailed estimates of the costs of various inputs including labour, gas, electricity, reagents, steel, site lease costs, consumables and transport. This is as a function of a number of factors including greater vendor engagement and greater project definition (such as construction strategy). In particular, given current escalating labour costs in Western Australia and higher steel prices, it is expected that labour and steel costs in the IDFS could increase from those assumed in the IPFS.

Additionally, due to changes in the project schedule, labour rates and manning requirements, Owners' Costs are expected to increase in the IDFS.

Other than as set out above, and based on the current draft IDFS, the key operating parameters for the refinery and mine and concentrator, such as recovery rate, average annual production, product grade, third party concentrate sales and asset life, are expected to be broadly in-line with the IPFS based on a similar life of mine.

Increase in capital expenditure

As noted above, work is continuing on the finalisation of the IDFS, which work is not complete as at the date of this Scheme Booklet. However, Covalent Lithium has identified various areas where capital expenditure may increase, including those areas identified in the tables above. At the date of this Scheme Booklet it is not possible to be definitive on the effect to capital and operating expenditure, however based on work done to date on the IDFS, Kidman expects that capital expenditure described in the Final IDFS may be up to 25% higher than the capital expenditure described in the IPFS.¹⁴

¹⁴ Potential increase of Kidman's share of integrated capital expenditure in IDFS relative to IPFS, including contingency and Owners' Costs, in US\$.

3. INFORMATION ON KIDMAN

Integrated cash operating costs are currently expected to be broadly in line with the integrated cash operating costs described in the IPFS, based on a similar life of mine, noting some operating costs are expected to increase while some operating costs are expected to decrease and operating cost per tonne may be impacted by changes in by-product price assumptions.¹⁵ Work to optimise the capital and operating expenditure is ongoing.

3.1.10 Project timeline

As at the date of this Scheme Booklet, it is anticipated that a final investment decision in relation to the Mt Holland Lithium Project is expected to be made in the first quarter of 2020. If a final investment decision was to occur within this timeframe, and based on the current estimated construction schedule, the refinery is expected to commence production in the first quarter of 2022 and reach design capacity in the final quarter of 2022.

If the Scheme does not proceed, Kidman would need to assess the impact on the Mt Holland Lithium Project and the resultant funding, development and construction timetable. It is likely, however, that the date of a final investment decision would be delayed.

3.1.11 Funding

Under the Joint Venture Agreement, Kidman is required to fund its joint venture share of capital expenditure (equal to its Joint Venture Interest) for the development of the Mt Holland Lithium Project.

Funding prior to final investment decision

At 30 June 2019, Kidman's cash balance was \$25.6 million and Covalent Lithium's cash balance was \$62.9 million (of which Kidman has a 50% interest).

Assuming that the current schedule for the finalisation of the IDFS is achieved and a final investment decision in relation to the Mt Holland Lithium Project occurs in January 2020, and based further on Covalent Lithium's current budgeted expenditure in relation to the preparation of the IDFS, Covalent Lithium will spend substantially all its existing cash balance prior to a final investment decision, and is not currently anticipated to require any additional cash calls from the Joint Venturers before a final investment decision.

Assuming Kidman is not required to fund any Covalent Lithium cash calls prior to a final investment decision, Kidman expects that it will have sufficient existing cash at the Kidman corporate level to fund existing corporate expenses until the final investment decision as set out in Section 3.1.10 above (including transaction costs if the Scheme does not proceed). However, there is a real possibility that Kidman may need to consider alternative sources of funding (such as equity) prior to a final investment decision to maintain a prudent balance sheet.

Cash calls from Kidman and SQM may be required prior to a final investment decision to fund the operation of Covalent Lithium depending on a range of factors, including: if there is any delay in the project timeline above; if Kidman and SQM decide to purchase early lead-time items prior to a final investment decision; or if finalisation of the IDFS requires expenditure in excess of the current budget. If the Scheme does not proceed and additional cash calls are required, Kidman may need to consider alternative funding sources (such as equity) in order to fund cash calls through to a final investment decision.

Funding following final investment decision

The IPFS estimated that Kidman's 50% share of capital expenditure to develop the Mt Holland Lithium Project (inclusive of contingency and Owners' Costs) would be approximately US\$407 million. As set out in Section 3.1.9, the finalisation and review of the IDFS is not yet complete, but based on work undertaken at the time of this Scheme Booklet this estimate of capital expenditure is likely to increase.

¹⁵ Average life of asset integrated cash operating cost, net of by-product credits and excluding government royalties, in IDFS relative to IPFS.

On 27 March 2019, Kidman announced that it had finalised a debt facility agreement with SQM, under which SQM would provide Kidman with a US\$100 million capex debt facility. The facility will be available for drawdown after a final investment decision is made in relation to the Mt Holland Lithium Project. The facility will mature on the earlier of the commissioning of the Mt Holland Lithium Project or 18 months from first drawdown. Other terms of the facility are summarised in Kidman's ASX announcements on 25 October 2018 and 27 March 2019.

If the Scheme does not proceed, the initial stages of the Mt Holland Lithium Project capital expenditure may be funded from the SQM debt facility. However, given the quantum of capital expenditure required to develop the Mt Holland Lithium Project and the short term nature of the SQM debt facility, if the Scheme does not proceed, Kidman will need to put in place a long term funding package, which it expects will include both debt and equity.

As Kidman has previously advised the market, it had commenced an initial debt financing process by requesting indicative non-binding proposals from a number of domestic and international lenders in relation to a potential project finance facility. Kidman had selected a consortium of five lenders and preliminary due diligence by the lenders had commenced. That process was placed on hold when the Wesfarmers Proposal was announced on 2 May 2019. While the initial feedback from potential lenders was positive, their technical and commercial due diligence had not commenced in any detail and there were a number of processes, steps and potential issues associated with the proposed project financing that remained unresolved.

In light of the proposed Scheme, discussions to progress and, where necessary, resolve these outstanding processes, steps and potential issues have not been progressed.

If the Scheme does not proceed, Kidman would need to revisit its funding plans for the Mt Holland Lithium Project and re-engage with potential financiers. The outcome of this process cannot be accurately determined at this time, and will depend, in part, on a period of technical and commercial due diligence by potential financiers of the IDFS when complete. Depending on the outcome of the due diligence process, it is possible that Kidman may need to consider alternative funding arrangements than the previously proposed conventional project financing.

3.1.12 Offtake arrangements

Under the Joint Venture Agreement, Kidman has the right to its 50% of lithium production, estimated to be approximately 22,600 tonnes per annum of lithium hydroxide based on the IPFS.

Kidman's marketing strategy for its share of lithium production to date has been to secure binding lithium hydroxide offtake contracts with high quality counterparties for approximately 75% of its share of production during the initial years of the Mt Holland Lithium Project.

Kidman currently has in place a binding 3 year fixed price take or pay offtake agreement (with two further possible option terms, each of a 3 year term) with Tesla, Inc. for less than 25% of Kidman's share of lithium hydroxide production.

On 1 November 2018 Kidman announced a binding Heads of Agreement with Mitsui & Co, Ltd. for less than 15% of Kidman's share of lithium hydroxide production over a 2 year term (with 2 further two year extension options). Under the Heads of Agreement, Kidman and Mitsui & Co, Ltd. agreed to negotiate the terms of a binding offtake agreement by 30 June 2019. The passing of this date without a binding offtake agreement does not affect the validity of the Heads of Agreement, but provides each party with an option to terminate the Heads of Agreement upon 40 Business Days' notice. As at the date of this Scheme Booklet neither party has given such notice.

On 19 December 2018 Kidman announced a non-binding Memorandum of Understanding with LG Chem containing the commercial terms in relation to the supply of 12,000 tonnes of lithium hydroxide per annum over a term of 10 years. Under the Memorandum of Understanding the parties agreed to negotiate in good faith a binding strategic supply agreement by 31 July 2019.

Under the Process and Exclusivity Deed and the Scheme Implementation Deed, Kidman, while able to continue discussions with Mitsui & Co and LG Chem to the extent required by the relevant offtake arrangements, is not able to enter into, or modify, any offtake arrangements.

3. INFORMATION ON KIDMAN

If the Scheme does not proceed, Kidman would need to revisit its offtake plans for the Mt Holland Lithium Project. The successful outcome of any future negotiations with potential offtakers cannot be assured.

3.2 DIRECTORS AND SENIOR MANAGEMENT

3.2.1 Kidman Board

As at the date of this Scheme Booklet, the Kidman Board comprises:

Name	Position
John Pizzey	Non-Executive Chairman
Martin Donohue	CEO & Managing Director
Brad Evans	Non-Executive Director
Aaron Colleran	Non-Executive Director

(a) John Pizzey - Non-Executive Director & Chairman since 1 January 2018

Mr Pizzey has been involved in the resources industry for more than 40 years. He was previously the Non-Executive Chairman of Alumina Limited, a position he stepped down from in March 2018. He is also a Non-Executive Director of Orora Limited. The majority of Mr Pizzey's executive experience was with Alcoa Inc. and Alcoa of Australia. Mr Pizzey is a Life Member and former Chairman of the International Aluminium Institute and he is a former Chairman of the London Metal Exchange.

(b) Martin Donohue - CEO and Managing Director since 16 October 2014 (previously Executive Director since 19 June 2014)

Mr Donohue is the founder of Kidman. He has extensive experience in equity capital markets and the natural resources sector where he has been directly involved in evaluating mineral projects at various stages of development and raising capital. Mr Donohue is a director of several private companies and is also the principal of Penstock Advisory, a private consulting and investment company based in Melbourne that specialises in identifying, managing and developing mineral projects in Australia and overseas. Mr Donohue has been instrumental in the discovery of the Earl Grey deposit and subsequent implementation of the Mt Holland Lithium Project.

(c) Brad Evans - Non-Executive Director since 28 October 2014

Mr Evans is a Principal Mining Engineer with over 20 years' experience in the mining industry and is currently the General Manager of Mining Plus Pty Ltd. Since completion of a Bachelor of Engineering (Mining) at the University of Ballarat, Mr Evans has gained a broad range of practical mining experience through seeking out a diverse range of roles. His experience includes production, planning and management on mine sites and as a service provider in the consulting industry. Mr Evans has an intimate knowledge of the mining industry, organisational leadership, business strategy, operations, mine planning and software which is applied in combination to extract the greatest value from projects and people.

(d) Aaron Colleran - Non-Executive Director since 1 January 2018

Mr Colleran was a founding member of the highly-successful Evolution Mining Leadership Team, having managed their business development program from inception through to 2018. Originally an exploration geologist with commercial tertiary qualifications, Mr Colleran has had a distinguished career in the resources-related finance industry. He has over 20 years' experience in mining finance and corporate advice, and has led a range of successful corporate transactions.

3.2.2 Kidman Directors intentions

If the Scheme is implemented, Kidman will become a wholly-owned Subsidiary of Wesfarmers and the Kidman Board will be reconstituted in accordance with the instructions of Wesfarmers.

It is for the reconstituted Kidman Board to determine its intentions as to:

- the continuation of the business of Kidman or how the existing business will be conducted;
- any major changes to be made to the business of Kidman; and
- the future employment of the present employees of Kidman.

The current intention of Wesfarmers in relation to these matters is set out in Section 4 of this Scheme Booklet.

If the Scheme does not proceed, the Directors intend to proceed to develop the Mt Holland Lithium Project in accordance with the Joint Venture Agreement. Kidman will remain as an ASX listed entity.

3.2.3 Kidman senior management

As at the date of this Scheme Booklet, Kidman's senior management team is comprised of:

Name	Position
Martin Donohue	Chief Executive Officer & Managing Director
Frederick Kotzee	Chief Financial Officer
Thomas Wilcox	General Counsel and Company Secretary



3. INFORMATION ON KIDMAN

3.3 CAPITAL STRUCTURE

3.3.1 Kidman Shares on issue

As at 23 July 2019, Kidman had 404,797,403 Kidman Shares on issue. The top 20 registered Kidman Shareholders accounted for approximately 62.97% of Kidman Shares on issue.

3.3.2 Kidman Performance Rights on issue

As at 23 July 2019, Kidman had 3,721,171 unlisted Kidman Performance Rights on issue, comprising:

Grant Date	Expiry of Performance Period	Hurdle Price ¹⁶	Number
16-Mar-18	15-Mar-20	\$2.25	477,297
16-Mar-18	15-Mar-20	\$2.50	204,145
16-Mar-18	15-Mar-21	\$2.75	477,297
16-Mar-18	15-Mar-21	\$3.00	204,145
16-Mar-18	15-Mar-22	\$3.25	477,296
16-Mar-18	15-Mar-22	\$3.50	204,144
06-Aug-18	13-Aug-20	\$1.80	274,299
06-Aug-18	13-Aug-21	\$2.05	274,299
06-Aug-18	13-Aug-22	\$2.30	274,298
06-Aug-18	05-Aug-20	\$0.00	330,000
22-Aug-18	21-Aug-20	\$2.25	121,066
22-Aug-18	21-Aug-21	\$2.75	121,066
22-Aug-18	21-Aug-22	\$3.25	121,066
02-Jan-19	01-Jan-20	\$0.00	60,753
07-Jan-19	01-Jan-21	\$0.00	100,000
Total			3,721,171

Kidman has issued a number of Performance Rights either on the terms of the Kidman Omnibus Incentive Plan or on specific terms and conditions relevant to particular employees or to Mr Pizzey.

As at the date of this Scheme Booklet, none of the Performance Rights have vested.

Under the terms of the Kidman Omnibus Incentive Plan, the Performance Rights issued in accordance with the Plan Rules for the Kidman Omnibus Incentive Plan will be deemed to have vested on the Record Date and consequently the holder of the relevant Performance Right will be a Scheme Participant. This accounts for 2,589,048 out of the total 3,721,171 Performance Rights currently issued.

The Performance Rights (being share rights) issued to Mr Pizzey will also be deemed to have vested on the Record Date.

¹⁶ Based on the volume weighted average price of Kidman Shares over a period specified in the relevant employee's employment agreement.

Excluding the Performance Rights issued to Mr Pizzey, the Performance Rights issued on terms and conditions other than under the Kidman Omnibus Incentive Plan (**Non-Plan Performance Rights**) vest over 3 tranches and are conditional on continuous employment of the relevant employee and Kidman's shares trading at a particular minimum 28-day volume weighted average price, unless waived by the Kidman Board. Subject to the Scheme proceeding, the Kidman Board intends to exercise its discretion to waive the vesting and/or exercise conditions or disposal restrictions of the Non-Plan Performance Rights, such that the holder of the relevant Performance Right will be a Scheme Participant. This accounts for 1,132,123 out of the total 3,721,171 Performance Rights currently issued. Under clause 7.1.3(c) of the Scheme Implementation Deed, the Kidman Board may only exercise such discretion on or after the Effective Date.

3.4 FINANCIAL INFORMATION

This Section contains financial information about Kidman for the 12 months ended 30 June 2017, 6 months ended 31 December 2018 and 12 months ended 30 June 2018. As announced to the ASX on 18 October 2018, Kidman has elected to change its financial year end date from 30 June to 31 December.

The financial information in this Section is a summary only and is prepared and extracted for the purposes of this Scheme Booklet. The information has been extracted from the audited financial reports of Kidman for the 12 months ended 30 June 2017, the 6 months ended 31 December 2018 and the 12 months ended 30 June 2018.

Further detail about Kidman's financial performance can be found in:

- the financial statements for the 6 months ended 31 December 2018, included in the Annual Report released to the ASX on 27 March 2019;
- the financial statements for the 12 months ended 30 June 2018, included in the Annual Report released to the ASX on 27 September 2018; and
- the financial statements for the 12 months ended 30 June 2017, included in the Annual Report released to the ASX on 28 September 2017,

each of which can be found on the ASX (www.asx.com.au) and Kidman (www.kidmanresources.com.au) websites.

3. INFORMATION ON KIDMAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	CONSOLIDATED		
	6 MONTHS TO 31 DECEMBER 2018 \$	12 MONTHS TO 30 JUNE 2018 \$	12 MONTHS TO 30 JUNE 2017 \$
Revenue from continuing operations	90,262	67,843	92,636
Other income	11,880,359	453,248	-
Expenses			
Employee benefits expense	(2,185,187)	(2,906,602)	(1,111,813)
Depreciation and amortisation expense	(41,619)	(60,640)	(42,583)
Impairment of assets	(44,806)	(46,221)	(9,876,538)
Administration expenses	(673,633)	(1,445,397)	(663,245)
Corporate expenses	(6,293,518)	(4,036,883)	(1,656,766)
Share based payments	(580,645)	(936,793)	(696,923)
Finance costs	(430,685)	(107,487)	(599,854)
Loss on disposal of fixed asset	(49,223)	-	-
Profit/(Loss) on foreign currency translation	236,313	(256,594)	-
Loss on extinguishment of liability	-	(38,549)	(2,973,102)
Profit/(loss) before income tax expense from continuing operations	1,907,618	(9,314,075)	(17,528,188)
Income tax expense	(5,476,785)	(347,545)	-
Loss after income tax expense from continuing operations	(3,569,167)	(9,661,620)	(17,528,188)
Loss after income tax expense from discontinued operations	-	(19,948)	(13,782,083)
Loss after income tax expense for the year attributable to the owners of Kidman Resources Limited	(3,569,167)	(9,681,568)	(31,310,271)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Kidman Resources Limited	(3,569,167)	(9,681,568)	(31,310,271)
Total comprehensive income for the year is attributable to:			
Continuing operations	(3,569,167)	(9,661,620)	(17,528,188)
Discontinued operations	-	(19,948)	(13,782,083)
	(3,569,167)	(9,681,568)	(31,310,271)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	CONSOLIDATED		
	6 MONTHS TO 31 DECEMBER 2018 \$	12 MONTHS TO 30 JUNE 2018 \$	12 MONTHS TO 30 JUNE 2017 \$
	CENTS	CENTS	CENTS
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Kidman Resources Limited			
Basic earnings per share	(0.89)	(2.73)	(5.71)
Diluted earnings per share	(0.89)	(2.73)	(5.71)
Earnings per share for loss from discontinued operations attributable to the owners of Kidman Resources Limited			
Basic earnings per share	-	(0.01)	(4.49)
Diluted earnings per share	-	(0.01)	(4.49)
Earnings per share for profit/(loss) attributable to the owners of Kidman Resources Limited			
Basic earnings per share	(0.89)	(2.74)	(10.19)
Diluted earnings per share	(0.89)	(2.73)	(10.19)

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3. INFORMATION ON KIDMAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	CONSOLIDATED		
	6 MONTHS TO 31 DECEMBER 2018 \$	12 MONTHS TO 30 JUNE 2018 \$	12 MONTHS TO 30 JUNE 2017 \$
Assets			
Current assets			
Cash and cash equivalents	30,865,242	10,025,863	2,554,441
Trade and other receivables	387,538	719,820	1,808,591
Prepayments	113,729	67,431	40,575
Total current assets	31,366,509	10,813,114	4,403,607
Non-current assets			
Investments accounted for using the equity method	74,788	82,248	-
Property, plant and equipment	215,324	284,941	137,347
Intangibles	12,887	17,487	27,466
Exploration and evaluation	-	15,897,408	22,139,941
Deferred tax	3,333,155	12,135,985	-
Other non-current assets	-	65,902	83,153
Total non-current assets	3,636,154	28,483,971	22,387,907
Total assets	35,002,663	39,297,085	26,791,514
Liabilities			
Current liabilities			
Trade and other payables	5,273,305	3,720,041	2,038,981
Borrowings	-	6,400,000	8,443,642
Income tax	8,666,252	8,920,394	-
Employee benefits	244,505	254,605	122,021
Total current liabilities	14,184,062	19,295,040	10,604,644
Non-current liabilities			
Deferred tax	237,091	3,563,136	-
Employee benefits	125,091	112,509	43,133
Provisions	172,163	172,163	50,000
Total non-current liabilities	534,345	3,847,808	93,133
Total liabilities	14,718,407	23,142,848	10,697,777
Net assets	20,284,256	16,154,237	16,093,737

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	CONSOLIDATED		
	6 MONTHS TO 31 DECEMBER 2018 \$	12 MONTHS TO 30 JUNE 2018 \$	12 MONTHS TO 30 JUNE 2017 \$
Equity			
Issued capital	78,865,354	71,746,813	58,013,355
Other contributed equity	-	-	4,473,102
Reserves	1,517,438	936,793	455,081
Accumulated losses	(60,098,536)	(56,529,369)	(46,847,801)
Total equity	20,284,256	16,154,237	16,093,737

3. INFORMATION ON KIDMAN

CONSOLIDATED STATEMENT OF CASH FLOWS

	CONSOLIDATED		
	6 MONTHS TO 31 DECEMBER 2018 \$	12 MONTHS TO 30 JUNE 2018 \$	12 MONTHS TO 30 JUNE 2017 \$
Cash flows from operating activities			
Receipts from customers	-	-	788,388
Payments to suppliers and employees (inclusive of GST)	(7,228,433)	(5,623,587)	(9,857,122)
Interest received	47,717	51,379	96,296
Other revenue	-	-	32,739
Interest paid	-	(48,485)	-
Net cash from/(used in) operating activities	(7,180,716)	(5,620,693)	(8,939,699)
Cash flows from investing activities			
Payments for property, plant and equipment	-	-	(181,772)
Payments for acquisition of assets	-	-	(2,395,928)
Payments for exploration and evaluation	(188,594)	(3,017,691)	(8,409,610)
Payment for development asset	-	-	(3,070,000)
Proceeds from disposal of subsidiary	-	396,000	-
Proceeds from disposal of exploration asset	-	6,529,120	-
SQM Milestone Payment	34,822,295	-	-
Proceeds from release of security deposits	-	-	50,980
Proceeds from release of bank guarantees	70,803	37,699	-
Proceeds from research and development tax incentive grant	-	853,545	-
Net cash from/(used in) investing activities	34,704,504	4,798,673	(14,006,330)
Cash flows from financing activities			
Proceeds from issue of shares	-	8,822,903	21,000,122
Costs from issue of shares	-	(14,071)	(1,354,522)
Proceeds from borrowings	-	5,743,243	2,102,644
Repayment of borrowings	(6,820,000)	(6,258,633)	(1,000,000)
Net cash from/(used in) financing activities	(6,820,000)	8,293,442	20,748,244
Net increase in cash and cash equivalents	20,703,788	7,471,422	(2,197,785)
Cash and cash equivalents at the beginning of the financial period	10,025,863	2,554,441	4,752,226
Effects of exchange rate changes on cash and cash equivalents	135,591	-	-
Cash and cash equivalents at the end of the financial period	30,865,242	10,025,863	2,554,441

3.5 MATERIAL CHANGES IN KIDMAN'S FINANCIAL POSITION

3.5.1 Other matters

To the knowledge of the Kidman Board, and except as disclosed in this Scheme Booklet, the financial position of Kidman has not materially changed since 27 March 2019 (being the date Kidman's last Annual Report including reviewed financial report was issued) except as disclosed in this Scheme Booklet and in the following announcements to the ASX:

Announcement Title	Date
March 2019 Quarterly Activities Report	16 April 2019
March 2019 Quarterly Cashflow Report	16 April 2019
Chairman's and CEO/MD's Addresses to Shareholders	9 May 2019
Shareholder Update	3 July 2019
June 2019 Quarterly Activities Report	11 July 2019
June 2019 Quarterly Cashflow Report	11 July 2019

3.5.2 Contingent Liabilities

Kidman has certain obligations that are contingent upon successful completion of the Scheme. The financial effect of these obligations to Kidman is approximately \$11.5m and relates to success fees to Kidman's corporate adviser, transaction bonuses and the purchase of Directors and Officers run-off insurance.

3.5.3 Change of accounting estimate

For the year ended 30 June 2018 and period ended 31 December 2018, Kidman brought to account an estimate of the tax payable by Kidman arising from the transaction involving the disposal of Kidman's 50% interest in the Mt Holland Joint Venture. This calculation included certain assumptions based upon information available at the time.

During the current period Kidman lodged its income tax return for the year ended 30 June 2018. In the process of completing the tax return the Directors and management engaged with advisers, including a valuation expert, to finalise certain assumptions applied in respect to the treatment of the sale of 50% of Kidman's interest in the Mt Holland tenement for tax purposes. This gave rise to a difference in the tax payable amount.

For the financial period ended 31 December 2018 Kidman had recognised a tax payable of \$8,666,252. Under the revised calculation Kidman's tax liability was zero.

3. INFORMATION ON KIDMAN

3.6 RECENT KIDMAN SHARE PRICE PERFORMANCE

The Wesfarmers Proposal and entry into the Process and Exclusivity Deed was announced to the market on 2 May 2019. The last recorded closing price for Kidman Shares on the ASX before that announcement was \$1.29 (on Wednesday, 1 May 2019).

During the period leading up to the announcement of entry into the Process and Exclusivity Deed, the VWAP for a Kidman Share was:

- \$1.30 for the 1 month ended 1 May 2019;
- \$1.32 for the 3 months ended 1 May 2019; and
- \$1.28 for the 6 months ended 1 May 2019.

If the Scheme is implemented, Scheme Participants will receive \$1.90 cash per Kidman Share, valuing the equity of Kidman at approximately \$776 million and representing a premium of 47.3% to Kidman's closing price on 1 May 2019, the last trading day prior to the announcement of the Wesfarmers Proposal and entry into the Process and Exclusivity Deed.

3.7 KIDMAN'S PUBLICLY AVAILABLE INFORMATION

Kidman is a "disclosing entity" as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations broadly require Kidman to:

- announce price sensitive information immediately after it becomes aware of the information, subject to certain exceptions for information that is confidential; and
- prepare and lodge with ASIC and the ASX both annual and half year financial statements.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au and Kidman's website at www.kidmanresources.com.au/asx-releases/. Copies of the documents lodged with ASIC in relation to Kidman may be obtained from, or inspected at, an ASIC office.

Further announcements concerning Kidman will continue to be made available on the ASX website at www.asx.com.au and Kidman's website at www.kidmanresources.com.au/asx-releases/ after the date of this Scheme Booklet.

3.8 REGISTRATION WITH ASIC

This Scheme Booklet was registered with ASIC on 1 August 2019 in accordance with section 412(6) of the Corporations Act.

4. INFORMATION ON WESFARMERS

The information contained in this Section 4 has been prepared by Wesfarmers. The information concerning Wesfarmers and its wholly-owned subsidiary, Wesfarmers Lithium, and the intentions, views and opinions contained in this Section are the responsibility of Wesfarmers. Kidman and its officers and Advisers do not assume any responsibility for the accuracy or completeness of this information.

4.1 OVERVIEW OF WESFARMERS

Wesfarmers is one of the largest listed companies and private sector employers in Australia with around 105,000 employees. With a corporate office in Perth, Western Australia, its diverse business operations include the Bunnings, Kmart Group and Officeworks retail divisions, as well as the Industrial division which comprises operations in chemicals, energy and fertilisers, and industrial and safety products. In addition, the Wesfarmers Group holds a number of non-controlling ownership interests, including in Coles, flybuys and BWP Trust.

For the year ended 30 June 2018, Wesfarmers' pro forma revenue was \$27.5 billion and pro forma EBIT from continuing operations was \$2.7 billion.

Figure 4: Wesfarmers portfolio snapshot



Note:

1. Other refers to non-controlling interests.

Further information about Wesfarmers can be found at www.wesfarmers.com.au and on the ASX's website at www.asx.com.au.

4.2 OVERVIEW OF WESFARMERS LITHIUM

Wesfarmers Lithium is a newly incorporated Australian company established for the purpose of acquiring all of the shares in Kidman if the Scheme is implemented. Wesfarmers Lithium was incorporated on 15 May 2019 and is a wholly-owned Subsidiary of Wesfarmers Limited.

4. INFORMATION ON WESFARMERS

4.3 DIRECTORS OF WESFARMERS LIMITED AND WESFARMERS LITHIUM

The members of the board of directors of Wesfarmers Limited (**Wesfarmers Board**) as at the date of this Scheme Booklet are:

Name	Position
Michael Chaney AO	Non-executive Chairman
The Right Honourable Sir Bill English KNZM	Non-executive director
Tony Howarth AO	Non-executive director
Wayne Osborn	Non-executive director
Mike Roche	Non-executive director
Rob Scott	Group Managing Director and Chief Executive Officer
Diane Smith-Gander AO	Non-executive director
Vanessa Wallace	Non-executive director
Jennifer Westacott AO	Non-executive director

Ms Sharon Warburton will join the Wesfarmers Board as a non-executive director, with her appointment effective from 1 August 2019.

The directors of Wesfarmers Lithium as at the date of this Scheme Booklet are:

- David Baxby (Managing Director, Wesfarmers Industrials); and
- Ian Hansen (Chief Executive Officer, Wesfarmers Chemicals, Energy and Fertilisers).

4.4 RATIONALE FOR WESFARMERS' ACQUISITION OF KIDMAN

The proposed acquisition of Kidman is consistent with Wesfarmers' objective of deploying capital in areas where it can deliver attractive returns to its shareholders by leveraging its existing strengths and capabilities.

Wesfarmers' rationale for the Transaction includes:

- to gain exposure to the global uptake of electric vehicles. Lithium is a critical raw material input in the production of battery grade lithium hydroxide, which is a key part of the electric vehicle value chain;
- to invest in a high-grade, long life lithium project. On completion of the Mt Holland Lithium Project, the Joint Venture is expected to be a leading Western-Australian based integrated producer of battery-grade lithium hydroxide for the electric vehicle market;
- an opportunity to leverage Wesfarmers' expertise and capabilities in chemical processing and long track record of successfully developing and operating processing plants; and
- an opportunity to partner with SQM, a leader in the global lithium industry with a long operating history and deep market knowledge, as the Joint Venture partner in the Mt Holland Lithium Project.

4.5 FUNDING ARRANGEMENTS FOR THE SCHEME CONSIDERATION

The maximum amount expected to be required to fund the Scheme Consideration is \$776 million based on Kidman's issued share capital as at the date of this Scheme Booklet and on the basis all Performance Rights on issue as at the date of this Scheme Booklet vest prior to the Implementation Date.

Wesfarmers, through itself or one or more of its Subsidiaries, will provide Wesfarmers Lithium with sufficient funds to fund the Scheme Consideration. Wesfarmers intends to fund the amount of the Scheme Consideration via existing balance sheet capacity and bank debt facilities. As at 31 December 2018, Wesfarmers had \$2,747 million of cash at bank and on deposit and \$2,778 million of undrawn bank debt facilities.

On the basis of the arrangements described above, Wesfarmers Lithium believes it has reasonable grounds for holding the view, and holds the view, that Wesfarmers Lithium will be able to satisfy its obligation to fund the Scheme Consideration as and when it is due and payable under the terms of the Scheme.

4.6 INTENTIONS OF WESFARMERS LIMITED IF THE SCHEME IS IMPLEMENTED

Wesfarmers' intentions have been formed on the basis of facts and information concerning Kidman which are known to Wesfarmers as at the date of this Scheme Booklet. Final decisions on these matters will be made by Wesfarmers in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this Section should be read in this context.

4.6.1 Delisting

If the Scheme becomes Effective, Wesfarmers will require that Kidman applies to the ASX for removal of Kidman from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

4.6.2 Business continuity and general operational matters

It is the current intention of Wesfarmers to continue developing the Mt Holland Lithium Project in Western Australia in conjunction with Kidman's Joint Venture partner SQMA. Wesfarmers will undertake a full review of this project and Kidman's other operations following implementation of the Scheme.

Wesfarmers current expectation is that the review will focus on assessing the current development plan for the Mt Holland Lithium Project. Such assessment is expected to cover project scope, approvals process, operational and financial parameters, and agreements with prospective customers. Following this review, assessments will be made regarding other Kidman tenements and assets held by Kidman outside of the Mt Holland Lithium Project.

In conjunction with Covalent Lithium, Wesfarmers intends to engage with key stakeholders of the Mt Holland Lithium Project, including relevant governmental and regulatory authorities, in respect of the approvals, clearances and regulatory changes necessary to progress the development of the Mt Holland Lithium Project.

Wesfarmers intends to assist the Joint Venture and Covalent Lithium in the design, construction, commissioning and ramp-up of the refinery through utilising its capabilities in chemical processing and long track record of successfully developing processing plants.

4.6.3 Board of directors, management and employees

If the Scheme is implemented, Wesfarmers will replace the board members of Kidman and its Subsidiaries with nominees of Wesfarmers (who are yet to be identified as at the date of this Scheme Booklet).

Wesfarmers expects there to be significant value and knowledge held by the existing staff of Kidman and will endeavour to minimise the disruption from the Scheme to Kidman and its employees.

Performance Rights are currently on issue to certain of Kidman's employees. If the Scheme becomes Effective, those Performance Rights will be dealt with in the manner set out in Section 3.3.2 of this Scheme Booklet.

If the Scheme is implemented, Kidman's business and its employees will report through to Wesfarmers' Chemicals, Energy and Fertilisers business and comply with the reporting and delegated authorities of that business. No decision has been made as to the employment arrangements or the organisational structure of Kidman's business (including in respect of corporate and administrative functions). Any such decisions (to the extent they are made) will be made by Wesfarmers following implementation of the Scheme.

4.6.4 Other intentions

Other than as described above, if the Scheme is implemented, Wesfarmers intends to:

- continue the business of Kidman; and
- not make any major changes to the businesses of Kidman or redeploy any of the fixed assets of Kidman.

4. INFORMATION ON WESFARMERS

4.7 WESFARMERS LITHIUM'S INTEREST IN KIDMAN SHARES

As announced to ASX on 2 May 2019, Wesfarmers has entered into voting deeds with particular Kidman Shareholders. The effect of these voting deeds is that the relevant Kidman Shareholder has agreed to vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Kidman Shareholders.

As a result, Wesfarmers (and its Associates) are deemed to have a relevant interest in the Kidman Shares the subject of the voting deeds, for so long as the respective voting deeds remain on foot.

4.7.1 Interest in Kidman Shares

As at the date of this Scheme Booklet, Wesfarmers and its Associates have a Relevant Interest in Kidman Shares as follows:

Name	Position	Number of Kidman Shares
Wesfarmers	EDM Nominees Pty Ltd	32,500,000
Wesfarmers	Western Areas Limited	17,429,155
Wesfarmers	Capri Trading Pty Ltd	15,819,029
Wesfarmers	Penstock Advisory Pty Ltd ¹⁷	2,250,000
Wesfarmers	Olivers Hill Pty Ltd ¹⁸	1,665,000
Wesfarmers	B&K Evans Superannuation Pty Ltd ¹⁹	121,366
Wesfarmers	Mr John Pizzey	55,244
Wesfarmers	Yalambie Pty Ltd ²⁰	35,500
Total Shares		69,875,294
Total Relevant Interest in Kidman Shares		17.26%

4.7.2 Dealing in Kidman Shares in previous four months

None of Wesfarmers Lithium nor, to the best of its knowledge, any of its Associates has provided or agreed to provide consideration for any Kidman Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

4.7.3 Benefits to holders of Kidman Shares

During the four months before the date of this Scheme Booklet, none of Wesfarmers Lithium nor, to the best of its knowledge, any of its Associates, has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme; or
- dispose of Kidman Shares,

where the benefit was not offered to all Kidman Shareholders.

4.7.4 Benefits to Kidman officers

None of Wesfarmers Lithium nor, to the best of its knowledge, any of its Associates will be making any payment or giving any benefit to any of the current officers of Kidman as compensation for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

¹⁷ An entity controlled by Mr Donohue.

¹⁸ An entity controlled by Mr Donohue.

¹⁹ An entity controlled by Mr Evans.

²⁰ An entity controlled by Mr Pizzey.

5. KEY RISK FACTORS

5.1 OVERVIEW

In the ordinary course of business the Kidman Board and Kidman's senior management assess material risks associated with Kidman's business and take appropriate steps to manage and mitigate those risks. The Kidman Board considers, however, that it is appropriate for Kidman Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could impact the future operating and financial performance of Kidman and the value of Kidman Shares.

The risk factors in this Section 5 are existing risks that relate to Kidman's business and the industry in which it operates. These risks will only continue to be relevant to Kidman Shareholders if the Scheme does not proceed and Kidman Shareholders retain their current investment in Kidman.

This Section 5 outlines:

- general risk factors;
- specific risk factors for the Kidman business;
- unknown risks; and
- some of the implications if the Scheme is or is not implemented.

The mining, exploration and development of natural resources are activities which are speculative in nature and are subject to significant risks. The risk factors noted in this Section 5 do not necessarily comprise all those faced by Kidman. The risk factors that should be taken into account in assessing Kidman's activities include, but are not limited to, those outlined in this Scheme Booklet.

Additional risks and uncertainties not presently known to Kidman or that Kidman currently considers immaterial may also impact the business, operations and future prospects of Kidman. If any such risks were to occur, the business of Kidman may be impacted and its operating and financial performance may suffer significantly.

If the Scheme proceeds and is implemented, Scheme Participants will receive the Scheme Consideration of \$1.90 cash per Kidman Share, will cease to be Kidman Shareholders and will no longer be exposed to the risks set out in this Section 5.

You should carefully consider the risks discussed in this Section 5, as well as the other information contained in this Scheme Booklet in general, before voting on the Scheme. If you are unclear in relation to any matter or uncertain if Kidman Shares are a suitable investment for you, you should consult your legal, investment, taxation or other professional adviser.

5.2 GENERAL RISK FACTORS

As with any entity with listed securities on the ASX, the future prospects, operating and financial performance of Kidman and the value of Kidman Shares are affected by a variety of factors, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- economic and political risk factors in Australia and overseas including economic growth;
- changes in legislation and government, fiscal, monetary and regulatory policies including foreign investment and those relating to the mining industry;
- uncertainty around the likelihood, timing, franking or quantum of future dividends;
- failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;
- changes in accounting or financial reporting standards; and
- changes in taxation laws (or their interpretation).

Deterioration in the general economic conditions, adverse foreign exchange rate movements, the Australian and international stock markets, natural disasters and catastrophic events may also affect Kidman's operating and financial performance.

In addition, the potential costs that could be associated with compliance with applicable laws and regulations may also cause substantial delays and require significant capital outlays, adversely affecting Kidman's earnings and competitive position in the future and, potentially, its financial position.

5. KEY RISK FACTORS

5.3 SPECIFIC RISK FACTORS FOR THE KIDMAN BUSINESS

5.3.1 Exploration and development risks generally

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production.

The marketability of minerals acquired or discovered by Kidman may be affected by numerous factors that are beyond the control of Kidman and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of processing facilities, mineral or chemical element markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and chemical elements, and environmental protection. The combination of these factors may result in Kidman not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices (which fluctuate widely), and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in Kidman expending significant resources (financial and otherwise) on a property without receiving a return.

Kidman has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Kidman believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, Kidman may experience delays or increased costs in developing its properties.

5.3.2 Licences, Permits and Approval Risks

Companies engaged in the development and operation of mines and related facilities are subject to increased costs, and delays in production and other schedules as a result of the need to comply with applicable environment and planning laws, regulations and permitting requirements. There can be no assurance that approvals and permits required to commence construction, development or operation of the Mt Holland Lithium Project will be obtained. Additional permits, studies and approvals will need to be obtained or completed prior to operation of the Mt Holland Lithium Project. These may include environmental impact studies conducted before permits can be obtained. There can be no assurance that Covalent Lithium or Kidman will be able to obtain or maintain all necessary licences, approvals and permits that may be required to commence construction, development or operation of the Mt Holland Lithium Project promptly to avoid delays in production and other schedules or on terms which enable operations to be conducted at economically justifiable costs.

No assurance can be given that new laws or regulations will not be enacted or that existing laws and regulations will not be applied in a manner which could limit or curtail Kidman's activities and ultimate development or operation of the Mt Holland Lithium Project.

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5.3.3 Development of Mt Holland Lithium Project

The proposed development of the Mt Holland Lithium Project may exceed the currently envisaged timeframe or cost for a variety of reasons out of the control of Kidman. These reasons may include delays in obtaining land use, mining activity, environmental or planning approvals or in construction of mine infrastructure or the concentrator and refinery. In addition, the contractual terms for the procurement and delivery of the various components of construction are yet to be established. Due to the differing funding capacity and development preferences of Kidman and SQMA, Kidman and SQMA may have differing views on the optimal procurement and delivery strategy for the construction of the Mt Holland Lithium Project. Any inability to agree with SQMA on the optimal construction procurement and delivery strategy may have an impact on the cost of construction and availability of finance. There are many milestones which need to be met in a timely fashion for production to commence in accordance with any proposed mine plan and there is a risk that circumstances (including unforeseen circumstances) may cause a delay, resulting in the receipt of revenue at a later date than expected or not at all.

5.3.4 Future capital needs and additional funding

Development of the Mt Holland Lithium Project will require a significant capital contribution from Kidman. Based on the IPFS, Kidman's capital contribution (inclusive of contingency and Owners' Costs) will be US\$407 million. As noted in Section 3.1.9, this amount may increase upon finalisation of the IDFS. Kidman does not currently have financing in place to fund all of its expected capital contribution.

As set out in Section 3.1.11, if the Scheme does not proceed, Kidman may partly fund its contribution of the initial stages of the Mt Holland Lithium Project from the US\$100 million capex debt facility from SQM available for drawdown after a final investment decision is made in relation to the Mt Holland Lithium Project. However this will be insufficient to satisfy the total contribution required and, if the Scheme does not proceed, Kidman will need to put in place significant other sources of capital, which it expects will include both debt and equity.

The availability and terms of financing for development stage mining assets is uncertain, particularly in a commodity such as lithium with rapidly and materially changing supply and demand dynamics. There can be no assurance that financing will be available or that the indicative proposals previously received will be able to be progressed, or that, if available, the terms of such financing will be favourable to Kidman. If Kidman obtains debt financing, it will be exposed to the risk of leverage and its activities could become subject to restrictive loan covenants and undertakings. If Kidman obtains equity financing, existing Kidman Shareholders may suffer dilution.

5.3.5 Lithium market

The Mt Holland Lithium Project will primarily produce and sell lithium hydroxide. It may also sell small amounts of other by-products and spodumene concentrate, although these products are less material to the value of the Mt Holland Lithium Project.

Demand for, and pricing of, lithium hydroxide is sensitive to a variety of external factors, most of which are beyond Kidman's control. In particular, the supply and demand of lithium hydroxide is growing rapidly in response to the growth in manufacturing of electric vehicles. There is a risk that the growth in electric vehicle production does not proceed at a sufficient or similar rate to support future growth in lithium hydroxide supply. There is also a risk that electric vehicle manufacturers adopt different technologies that may be less reliant on the use of lithium hydroxide. As a result, there is a risk that the long-term lithium hydroxide price could settle at a point that could materially affect Kidman's financial performance in the future.

Declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Lithium hydroxide is not a commodity for which hedging or derivative transactions can be used to manage commodity price risk.

5. KEY RISK FACTORS

5.3.6 Offtake risk

Kidman's approach to improve the prospects of obtaining financing has been to enter into offtake arrangements with customers that provide price support, such as through fixed or floor pricing structures. There is a risk that Kidman is unable to finalise these offtake agreements and as a result is unable to obtain financing for its share of the capital contribution to the Mt Holland Lithium Project. In relation to any binding offtake agreements entered into, there is a risk that Kidman is unable to perform its obligations under the offtake agreement (for example, due to being unable to deliver product in the quantity or of the quality required by the offtake agreements), or the counterparty is unable to perform its obligations under the offtake agreement. If this was to occur, this could have implications on Kidman's financial performance and any future financing arrangements.

Further details of Kidman's offtake arrangements are set out at Section 3.1.12.

If the Scheme does not proceed, Kidman would need to revisit its offtake plans for the Mt Holland Lithium Project and progress negotiations with potential offtakers. The successful outcome of any such negotiations cannot be assured at this time.

5.3.7 Estimates of ore reserves and mineral resources

Ore reserve and mineral resource assessments involve areas of estimation and judgement. The preparation of these estimates involves application of significant judgement and no assurance of mineral recovery levels or the commercial viability of deposits can be provided.

The actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, ore reserves are valued based on future costs and future prices and consequently, the actual ore reserves and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations.

5.3.8 Results of studies

Kidman, through Covalent Lithium, has completed an IPFS on the Mt Holland Lithium Project and is currently undertaking an IDFS on the Mt Holland Lithium Project. Kidman, SQMA and Covalent Lithium may also undertake further studies on the Mt Holland Lithium Project. These studies have been or will be completed within certain parameters designed to determine the technical and economic feasibility of the Mt Holland Lithium Project within certain limits. There can be no certainty that the studies will confirm the technical and economic viability of the Mt Holland Lithium Project or confirm the results of previous studies undertaken by Kidman and Covalent Lithium (e.g. the results of the IDFS may materially differ to the results of the IPFS). The timing for completion of the IDFS may be delayed and this would have implications for the timetable to develop the Mt Holland Lithium Project. Even if the IDFS is completed on time and is supportive of developing the Mt Holland Lithium Project, there can be no guarantee that the Mt Holland Lithium Project will be successfully brought into production. Finally, the ability of Covalent Lithium to complete a study may be dependent on Kidman's ability to raise further funds to fund completion of the study or may result in Kidman's interest in the Joint Venture being diluted if it cannot meet the relevant cash calls.

5.3.9 Production and capital costs

The value of Kidman today, and the future financial performance and position of Kidman, is dependent on estimates of future production and capital costs.

Kidman's main production expenses are expected to be its share of contractor costs, materials and reagents, personnel costs and energy, and its main capital costs will be the development capital expenditure for its share of the Mt Holland Lithium Project. Kidman expects that certain capital expenditures may be made in foreign currencies. While due care has been taken in estimating the production and capital costs, changes in the costs of Kidman's mining and processing operations as well as its capital costs could occur as a result of unforeseen events, including international and local economic and political events, and could result in changes in lithium reserve estimates. Certain materials and reagents that will be required for the processing operations are specialist items and

may become difficult to procure and/or the price of these specialist materials and reagents may increase as a result of increased future demand. Many of these factors are beyond Kidman's control. In addition, current capital cost estimates are based on conceptual engineering designs and certain assumptions around construction approaches and procurement strategies. There may be a material change to the estimates once the estimates are updated to reflect the requirements of any project financiers or the finalisation of construction approaches and procurement strategies.

In past resources cycles, operating and capital costs have tended to increase as commodity prices have increased. Therefore, Kidman may be faced with higher than currently expected production and capital costs in the future.

5.3.10 Material contracts

The ability of Kidman to achieve the successful development of the Mt Holland Lithium Project, will depend on the performance of the counterparties under various agreements it has entered into or may enter into in future, including various offtake arrangements as noted above. If any counterparties do not meet their obligations under the respective agreements, this may impact on Kidman's business and financial returns.

5.3.11 Litigation risk

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that lack merit. Due to the inherent uncertainty of litigation, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which Kidman is or may become subject could have a material effect on Kidman's financial position, results of operations or Kidman's development of the Mt Holland Lithium Project.

5.3.12 Title to properties

There can be no assurances that Kidman's interest in its properties is free from defects. Kidman has investigated its rights and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests will not be revoked or significantly altered to the detriment of Kidman. There can be no assurances that Kidman's rights and title interests will not be challenged or impugned by third parties.

All of the tenements in which Kidman has, or may have, an interest are expected to be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement requires the approval of the relevant government authority. If a tenement is not renewed or granted, Kidman may suffer significant damage.

5.3.13 Joint Venture

The Mt Holland Lithium Project in which Kidman has a 50% interest is the subject of the Joint Venture with SQM and will be subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material impact on the viability of Kidman's interest in the Joint Venture, which could have a material adverse impact on Kidman's results of operations and financial condition:

- inability to exert influence over certain strategic decisions made in respect of Joint Venture properties;
- disagreement with SQMA on how to develop and operate the Mt Holland Lithium Project or any future variation to the Mt Holland Lithium Project (which may also impact on Kidman's ability to raise appropriate finance);
- inability of participants to meet their obligations to the Joint Venture or third parties; and
- litigation between participants regarding Joint Venture matters.

Under the Joint Venture Agreement, a Joint Venturer may appoint two representatives to the Management Committee provided that it retains a Joint Venture Interest of 25% or greater. The Management Committee then makes a final investment decision in relation to the Mt Holland Lithium Project following receipt of the Final IDFS. The Joint Venture Interest of MH Gold or SQMA may be

5. KEY RISK FACTORS

diluted if it does not wish to, or fails to, contribute to costs associated with the Joint Venture. If MH Gold's Joint Venture Interest is diluted, Kidman may lose its position on the Management Committee and its power to contribute to any final investment decision in respect of the Integrated Project. The Joint Venture Agreement also contains a deadlock provision which allows either Joint Venturer to require the Joint Venture to proceed with the Mt Holland Lithium Project if this is recommended by the Final IDFS.

Finally, under the Joint Venture Agreement, in the event that a Joint Venturer is in default (which includes a payment default), there are provisions which allow the non-defaulting Joint Venturer to call for a transfer of the defaulting Joint Venturer's Joint Venture Interest or require the defaulting Joint Venturer to acquire the Joint Venture Interest of the non-defaulting Joint Venturer, in each case for a transfer price based on fair market value.

5.3.14 No history of earnings and no production revenues

Kidman has no history of earnings from operations and has not commenced commercial production on any projects. Kidman has experienced losses from operations and expects to continue to incur losses for the foreseeable future. There can be no assurance that Kidman will be profitable in the future. Kidman's operating expenses and capital expenditures are likely to increase in future years as consultants, personnel and equipment associated with advancing development and, potentially, commercial production of the Mt Holland Lithium Project, are added. The amounts and timing of expenditures will depend on the progress of development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, Kidman's acquisition of additional properties, government regulatory processes and other factors, many of which are beyond Kidman's control. Kidman expects to continue to incur losses unless and until such time as the Mt Holland Lithium Project enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Mt Holland Lithium Project will require the commitment of substantial resources. There can be no assurance that Kidman will generate any revenues or achieve profitability.

5.3.15 Reliance on key personnel

Kidman is dependent on a number of key management personnel, including the services of certain key employees. Kidman's ability to manage its appraisal and potential development and mining activities will depend in large part on the ability to retain current personnel and attract and retain new personnel with the necessary management and technical expertise. The loss of the services of one or more key management personnel could have a material adverse effect on Kidman's ability to manage and expand the business.

It may be particularly difficult for Kidman to attract and retain suitably qualified and experienced people, given the current high demand in the industry and modest size of Kidman, compared with some other industry participants.

5.3.16 Insurance

While Kidman may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or that certain risks could be excluded from coverage. There are also risks against which Kidman cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting Kidman's earnings and competitive position in the future and, potentially, its financial position.

5.3.17 Competition

The mining industry is intensely competitive in all of its phases and Kidman will compete with many companies possessing greater financial and technical resources than Kidman. Competition in the minerals and mining industry is primarily for:

- mineral rich properties that can be developed and produced economically;
- the technical expertise to find, develop, and operate such properties;
- the labour to operate the properties; and
- the capital for the purpose of funding such properties.

Many competitors not only explore for minerals, but conduct refining and marketing operations on a global basis. Such competition may result in Kidman being unable to acquire further mining rights, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Kidman's prospects for mineral exploration, development and overall success in the future.

5.3.18 Environmental

Exploration for minerals, development of mines and production of metals can impact the environment and environmental damage may occur that is costly to remedy. If Kidman or Covalent Lithium is responsible for any environmental damage, Kidman may incur substantial remediation costs or liabilities to Third Parties.

Kidman or Covalent Lithium may be involved in operations that may be subject to environmental and safety regulation (including regular environmental impact assessments and permitting). This may include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The regulations may change in a manner that may require stricter or additional standards than those currently in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from exploration and development activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for waste substances for which Kidman may become liable as a result of its activities may be difficult to assess against the current legal framework and current enforcement practices. There is no assurance that future changes in environmental regulation will not adversely affect the activities of Kidman or Covalent Lithium.

More specifically, the operations of Kidman and Covalent Lithium are subject to extensive environmental, health, and safety regulation relating to the safety and health of employees, the protection of air and water quality, waste management, and mine reclamation in the jurisdictions in which they operate. These regulations establish limits and conditions on the ability of a mining company to conduct its operations. The cost of compliance with these regulations can be significant. The regulatory environment could change in ways that would substantially increase Kidman's liability or the costs of compliance and that could have a material effect on the operations or financial position of Kidman.

5.3.19 Foreign exchange risk

Spodumene and lithium hydroxide prices and various capital equipment purchases, operating inputs and services relating to the Mt Holland Lithium Project are denominated in US dollars. Kidman's income and expenditure are and will be taken into account in Australian dollars. This exposes Kidman to the fluctuations and volatility of the rate of exchange between these currencies as determined by international currency markets.

There will be a material timing difference between potential US dollar outflows for capital goods and services during construction and the potential receipt of incomes. This timing difference further creates foreign exchange exposure and risk.

5. KEY RISK FACTORS

5.3.20 Native Title and Aboriginal Heritage

The effect of present laws in respect of native title that apply in Australia is that mining tenements (including applications for mining tenements) may be affected by native title claims or procedures, which may prevent or delay the granting of mining tenements or affect the ability of Kidman to explore and develop mining tenements.

Commonwealth and state legislation will oblige Kidman to identify and protect sites of significance to Aboriginal custom and tradition.

Kidman's tenements extend over areas in which legitimate common law native title rights of native title claimants may exist. The ability of Kidman to gain access to its tenements and to conduct exploration, development and mining operations remains subject to any native title rights and the terms of registered native title agreements. Kidman may need to negotiate with any native title claimant for access rights to its tenements. In addition, agreement may need to be reached with native title claimants and/or holders in the event of mining on additional tenements. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties. In addition, this may potentially disrupt, delay or hinder (as the case may be) Kidman's plans for expansion or further exploration.

Additionally, Kidman may be liable to pay compensation to the native title holders, the extent of which cannot be quantified at this stage.

5.4 UNKNOWN RISKS

Additional risks and uncertainties not currently known to Kidman may also have a material adverse effect on Kidman's financial and operational performance and the information set out in this Section 5 does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Kidman.

5.5 IMPLICATIONS FOR KIDMAN AND KIDMAN SHAREHOLDERS IF THE SCHEME IS NOT IMPLEMENTED

If the Scheme is not passed at the Scheme Meeting, or approved by the Court, or the Conditions (as summarised in Section 7.6 of this Scheme Booklet) are not satisfied (or waived, where permitted):

- Scheme Participants will not receive the Scheme Consideration;
- Kidman Shares will not be transferred to Wesfarmers Lithium (and will be retained by Kidman Shareholders);
- Kidman will continue to operate as a stand-alone entity, and remain listed on the ASX;
- Kidman Shareholders will continue to be exposed to the benefits and risks associated with an investment in Kidman on a stand-alone basis (refer to Sections 5.2, 5.3 and 5.4 above for further details about these risks); and
- in the absence of a Superior Proposal, or speculation regarding an alternative proposal, in the opinion of the Kidman Board and the Independent Expert, Kidman Shares are likely to trade at lower levels in the near term than the current Kidman Share price as at the date of this Scheme Booklet in the absence of the Scheme.

In addition:

- some circumstances which cause the Scheme not to proceed may result in the payment of the Kidman Break Fee to Wesfarmers. Kidman Shareholders failing to pass the Scheme Resolution will not, of itself, trigger payment of the Kidman Break Fee. For more information about the Kidman Break Fee (including the circumstances in which it may be payable), refer to Section 7.6.7; and
- Kidman is incurring costs in association with the Scheme which would not otherwise have been incurred. This includes advisory fees for Kidman's financial, legal, accounting and tax advisers, the Independent Expert's fees, general administrative fees, Scheme Booklet design, printing and distribution costs, expenses associated with convening and holding the Scheme Meeting, and Share Registry and other expenses. These costs may have an adverse impact on Kidman's financial performance.

5.6 IMPLICATIONS FOR KIDMAN AND KIDMAN SHAREHOLDERS IF THE SCHEME IS IMPLEMENTED

If the Scheme proceeds, there will be tax consequences for Kidman Shareholders that may include tax being payable on any gain on the disposal of Kidman Shares.

The tax treatment may vary depending on the nature and characteristics of each Kidman Shareholder and their specific circumstances. Accordingly, Kidman Shareholders should seek professional tax advice in relation to their particular circumstances.

For further information about the general Australian tax consequences of the Scheme, refer to Section 6.

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6. AUSTRALIAN TAX IMPLICATIONS OF THE SCHEME

6.1 INTRODUCTION

The following is a general description of the Australian income tax, stamp duty and GST consequences of the Scheme (assuming it is implemented) for Kidman Shareholders who participate in the Scheme. It does not constitute tax advice and should not be relied upon as such.

The description is based upon the Australian taxation law and administrative practice of the tax authorities in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Kidman Shareholder. Taxation laws are complex and are subject to frequent change, as is their interpretation by the courts and the tax authorities. Kidman Shareholders should seek independent professional advice in relation to their own particular circumstances.

The comments set out below are relevant only to those Kidman Shareholders who hold their Kidman Shares on capital account. The description does not address the Australian tax consequences for Kidman Shareholders who:

- hold their Kidman Shares for the purposes of speculation or a business of dealing in securities (for example, shares held as a revenue asset or as trading stock);
- acquired their Kidman Shares pursuant to an employee share, option or rights plan;
- are under a legal disability;
- are temporary residents for Australian income tax purposes;
- are subject to special tax rules applicable to certain classes of entity, including partnerships, insurance companies, tax exempt entities or entities subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth); or
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Kidman Shares.

This summary does not take into account the tax laws of countries other than Australia. Kidman Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

6.2 AUSTRALIAN RESIDENT SHAREHOLDERS

6.2.1 Capital gains tax (CGT)

Under the Scheme, Kidman Shareholders will dispose of their Kidman Shares to Wesfarmers. For Kidman Shareholders, this disposal will constitute a CGT event A1 (for Australian CGT purposes).

The time of the CGT event will be the Implementation Date.

6.2.2 Calculation of capital gain or capital loss

Kidman Shareholders should make a capital gain on the disposal of each Kidman Share to the extent that the capital proceeds from the disposal of each Kidman Share are more than its cost base at the date of disposal. Conversely, Kidman Shareholders should make a capital loss to the extent that the capital proceeds in respect of each Kidman Share are less than its reduced cost base at the date of disposal.

The sum of all capital gains made by a Kidman Shareholder on the disposal of their Kidman Shares to Wesfarmers, reduced by any capital loss incurred during the year or carried forward from prior years, subject to satisfaction of the relevant loss recoupment tests, is referred to as the net capital gain and should be included in the Kidman Shareholder's taxable income in the year in which the Implementation Date occurs.

Alternatively, in the event that a Kidman Shareholder makes a capital loss on the sale of their Kidman Shares, the capital loss may be used to offset a capital gain made in a future income year subject to satisfaction of the loss recoupment tests. Capital losses may not be deducted against other income for income tax purposes.

6.2.3 Cost base

The cost base (or reduced cost base) of each Kidman Share should generally be the amount of money paid, or value of property given, to acquire the Kidman Share and certain incidental costs of acquisition and ownership.

6.2.4 Capital proceeds

The capital proceeds received in respect of the disposal of each Kidman Share should be the Scheme Consideration, being \$1.90 cash per Kidman Share.

6.2.5 CGT discount

Individuals, complying superannuation funds or trustees that have held Kidman Shares for at least 12 months prior to the Implementation Date may be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Kidman Shares by 50% in the case of individuals and trustees or by 33.3% for complying superannuation entities. For trustees, the ultimate availability of the discount for beneficiaries of the trusts will depend on the particular circumstances of the beneficiaries.

Companies that hold Kidman Shares are not eligible for the CGT discount.

As the Scheme Consideration will be provided in cash only, no CGT roll-over will generally be available.

6.3 NON-RESIDENT SHAREHOLDERS

A Kidman Shareholder who is not a resident of Australia for Australian tax purposes should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their Kidman Shares unless their Kidman Shares constitute Taxable Australian Property, as defined for Australian income tax purposes, at the Implementation Date.

Specifically, Taxable Australian Property includes an indirect interest in Australian real property which constitute interests held in an entity that satisfies both of the following two tests:

- Non-portfolio interest test – holdings, on an associate inclusive basis, in the test entity of 10% or more at the time of disposal (or throughout a 12 month period within the period commencing 24 months before the time of disposal); and
- Principal asset test – where the sum of the market values of the entity's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property (in this regard, mining rights are considered taxable Australian real property), which is expected to be the case.

In this regard, we note that any non-resident shareholders who own 10% or more of the total interests in Kidman (on an associate inclusive basis) should seek independent professional advice in relation to their own particular circumstances, including whether any protection will be available under a relevant double tax treaty.

A non-resident individual Kidman Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or capital loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Kidman Shares as set out in this Section 6.3.

6.4 FOREIGN RESIDENT CAPITAL GAINS WITHHOLDING TAX

The foreign resident capital gains withholding tax regime applies to transactions involving indirect interests in Australian real property (see section 6.3 above for the 10% non-portfolio interest test and the principal asset test that must be satisfied in order for shares to constitute an indirect interest in Australian real property) with relevant foreign residents. A 'relevant foreign resident' for these purposes is any Kidman Shareholder, at the time of the transaction, that Wesfarmers:

- knows is a foreign resident;
- reasonably believes is a foreign resident;
- does not reasonably believe is an Australian resident, and either has an address outside Australia or Wesfarmers is authorised to provide a financial benefit relating to the transaction to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

6. AUSTRALIAN TAX IMPLICATIONS OF THE SCHEME

The withholding tax rate is 12.5%.

If Wesfarmers (as the purchaser of Kidman Shares under the Scheme) considers or reasonably believes a Kidman Shareholder to be a 'relevant foreign resident', that Kidman Shareholder will be provided (either together with this Scheme Booklet or separately) a Relevant Foreign Declaration Form.

If, for whatever reason, a Kidman Shareholder thinks that it is a foreign resident but does not receive a Relevant Foreign Declaration Form, the Kidman Shareholder should contact the Share Registry to request one.

In the Relevant Foreign Declaration Form, a Kidman Shareholder may provide Wesfarmers with a declaration that:

- the registered holder of the relevant Kidman Shares is an Australian tax resident (**residency declaration**); or
- the registered holder of the relevant Kidman Shares, together with its associates, has not held an interest of 10% or more in Kidman at the Implementation Date or for a 12-month period during the last two years preceding the Implementation Date (**interest declaration**).

If a Kidman Shareholder receives a Relevant Foreign Declaration Form it should read it in full and follow the instructions provided on the form.

Unless a signed Relevant Foreign Declaration Form regarding the residency or interest of a Kidman Shareholder is provided to Wesfarmers by the Record Date, Wesfarmers may treat the relevant Kidman Shareholder as a 'relevant foreign resident' for the purposes of the Scheme and as a result may withhold and remit 12.5% of the Scheme Consideration payable to the Australian Taxation Office (or such lesser rate approved by the Commissioner of Taxation).

Kidman Shareholders who have an amount withheld should generally be entitled to a credit for the amount withheld upon lodging an Australian income tax return. If you are unsure about whether a credit for the withholding tax may be claimed or how to lodge an Australian income tax return, Kidman recommends you seek independent professional tax advice in this regard.

Kidman Shareholders should seek their own independent tax advice as to the tax implications of the foreign resident capital gains withholding tax and the making of a residency declaration or an interest declaration.

6.5 GOODS AND SERVICES TAX (GST)

Kidman Shareholders should not be liable to GST in respect of a disposal of their Kidman Shares.

Kidman Shareholders may be charged GST on any costs relating to their participation in the Scheme (such as adviser fees). Kidman Shareholders that are registered for GST may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

6.6 STAMP DUTY

No stamp duty should be payable by Kidman Shareholders in relation to the disposal of Kidman Shares to Wesfarmers under the Scheme.

7. ADDITIONAL INFORMATION

7.1 INTERESTS OF KIDMAN DIRECTORS AND KIDMAN KEY MANAGEMENT PERSONNEL

7.1.1 Overview and Summary

The purpose of this Section 7.1 is to provide information relating to the material interests of Kidman Directors and executive officers in the Scheme, including Kidman securities that they hold or control and details of payments or other benefits that may be received by Kidman Directors or executive officers.

The following table summarises the material interests of Kidman Directors and executive officers in the Scheme which are described in more detail in the balance of this Section 7.1:

Director/executive officer	Number of Kidman Shares	Performance Rights	Incentive Payments in connection with the Scheme (see Section 7.1.4)	Termination benefits payable in connection with the Scheme
John Pizzey	90,744	60,753	Nil	Nil
Martin Donohue	3,915,000	972,954	\$550,000	Nil
Brad Evans	121,366	Nil	Nil	Nil
Aaron Colleran	Nil	Nil	Nil	Nil
Frederick Kotzee	Nil	1,152,896	\$462,000	Nil
Thomas Wilcox	Nil	463,198	\$385,500	Nil

7.1.2 Kidman Directors' interests in Kidman securities

As at the date of this Scheme Booklet, each Kidman Director has a Relevant Interest in the following number of Kidman securities:

Director	Number of Kidman Shares	Percentage of Kidman Shares currently on issue calculated on a non-diluted basis	Performance Rights
John Pizzey ²¹	90,744	0.02%	60,753 ²²
Martin Donohue ²³	3,915,000	0.97%	972,954
Brad Evans ²⁴	121,366	0.03%	Nil
Aaron Colleran	Nil	Nil	Nil

Kidman Directors who hold Kidman Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration on the same terms as all other Kidman Shareholders.

²¹ Mr Pizzey's Kidman Shares are held in his own right and through Yalambie Pty Ltd.

²² In relation to Mr Pizzey's Performance Rights there is no hurdle price.

²³ Mr Donohue's Kidman Shares are held through Penstock Advisory Pty Ltd and Olivers Hill Pty Ltd. The hurdle prices in relation to Mr Donohue's Performance Rights are set out in Section 7.1.5.

²⁴ Mr Evans' Kidman Shares are held through B&K Evans Superannuation Pty Ltd.

7. ADDITIONAL INFORMATION

Each Kidman Director (other than Mr Colleran who does not own or control any Kidman Shares) has entered into a voting deed under which they agree to vote any Kidman Shares held by or controlled by them as at the time of the Scheme Meeting in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Kidman Shareholders.

No Kidman Director acquired or disposed of a Relevant Interest in any Kidman Shares in the four month period ending on the date immediately prior to the date of this Scheme Booklet other than under the voting deeds with Wesfarmers identified in Section 4.71.

Under the terms of his appointment as Director, the Performance Rights issued to Mr Pizzey will be deemed to have vested on the Record Date and consequently he will be a Scheme Participant in relation to any Kidman Shares issued in accordance with those Performance Rights.

Under the terms of the Kidman Omnibus Incentive Plan, the Performance Rights issued to Mr Donohue will be deemed to have vested on the Record Date and consequently he will be a Scheme Participant in relation to any Kidman Shares issued in accordance with those Performance Rights.

7.1.3 Interests in Wesfarmers Securities

As at the date of this Scheme Booklet, the following Kidman Directors have a Relevant Interest in the following securities in Wesfarmers:

Director	Number of Wesfarmers Shares
John Pizzey	2,150 shares
Brad Evans	117 shares

In addition, Mr Colleran has advised that his spouse holds 372 shares in Wesfarmers. Mr Colleran does not have a Relevant Interest in those shares.

No Kidman Director acquired or disposed of a Relevant Interest in the securities of Wesfarmers or Wesfarmers Lithium in the four months ending on the date immediately prior to the date of this Scheme Booklet.

7.1.4 Payments in connection with the Scheme

If the Scheme becomes Effective, Kidman's senior management will receive an incentive payment by way of cash bonus in recognition of the additional personal efforts required by these employees to complete Kidman's obligations and related activities under the Scheme Implementation Deed and to provide a retention incentive during the period that the Scheme is ongoing.

No incentive payment will be made to a Kidman employee unless they remain employed with Kidman on the Effective Date.

In addition, each of Mr Donohue, Mr Wilcox and Mr Kotzee also hold Kidman Shares and Performance Rights (as set out below at Section 7.1.6) and will be entitled to receive the Scheme Consideration in relation to Kidman Shares issued upon vesting and exercise of those Performance Rights if the Scheme becomes Effective.

The incentive payments are as follows:

- Martin Donohue, Kidman's Managing Director and Chief Executive Officer - \$550,000;
- Thomas Wilcox, Kidman's General Counsel and Company Secretary - \$385,500; and
- Frederick Kotzee, Kidman's Chief Financial Officer - \$462,000,

which in each case equates to one year's fixed annual remuneration.

7.1.5 Payments or other benefits of Kidman Directors, secretaries or executive officers of Kidman

Except as set out in this Section 7.1 or otherwise disclosed in this Scheme Booklet:

- there is no payment or other benefit that is proposed to be made or given to any Kidman Director, secretary or executive officer of Kidman (or any of its Related Entities) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in

Kidman (or any of its Related Entities) as a consequence of or in connection with the Scheme and no Kidman Director, or secretary or executive officer of Kidman (or any of its Related Entities) has had or is to have the amount of any payment or benefit which may have been made to them upon their loss of office or retirement from office, materially affected by the Scheme;

- the Kidman Directors do not have any other interests in a contract entered into by Wesfarmers or any other member of the Wesfarmers Group other than the voting deeds identified in 4.7.1;
- there are no contracts or arrangements between a Kidman Director and any person in connection with or conditional upon the outcome of the Scheme other than the voting deeds identified in 4.7.1; and
- the Kidman Directors do not have a material interest in relation to the Scheme.

7.1.6 Kidman Key Management Personnel (excluding Non-Executive Directors) interests in Kidman Shares and unlisted securities and Performance Rights

As at the date of this Scheme Booklet, the following Key Management Personnel (excluding Non-Executive Directors) hold the following number of Kidman Shares and Performance Rights:

Name	Number of Ordinary Shares	Performance Rights	Hurdle Price ²⁵
Martin Donohue	3,915,000	324,318	\$2.25
		324,318	\$2.75
		324,318	\$3.25
Frederick Kotzee	Nil	330,000	\$0.00
		274,299	\$1.80
		274,299	\$2.05
		274,298	\$2.30
Thomas Wilcox	Nil	121,066	\$2.25
		121,066	\$2.75
		121,066	\$3.25
		100,000	\$0.00

Refer to Section 3.3.2 for further detail on the proposed treatment of the Performance Rights.

7.2 INDEPENDENT EXPERT

The Independent Expert has prepared the Independent Expert’s Report at Attachment 1 of this Scheme Booklet advising as to whether, in its opinion, the Scheme is in the best interests of Kidman Shareholders.

The Independent Expert has concluded that the Scheme is “fair and reasonable”, and is in the best interests of Kidman Shareholders, in the absence of a Superior Proposal.

7.3 CONSENTS AND DISCLAIMERS

Each person named in this Section 7.3 as having given its consent to the inclusion of a statement or being named in this Scheme Booklet:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a

²⁵ Based on the volume weighted average price of Kidman Shares over a period specified in the relevant employee’s employment agreement.

7. ADDITIONAL INFORMATION

statement in this Scheme Booklet is based other than those statements which have been included in this Scheme Booklet with the consent of that person; and

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to their name and any statements (including any report) which have been included in this Scheme Booklet with the consent of that person.

7.3.1 Independent Expert

The Independent Expert has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named as the Independent Expert in the form and context in which it is named;
- the inclusion of the Independent Expert's Report as Attachment 1 of this Scheme Booklet; and
- the inclusion in this Scheme Booklet of statements made by the Independent Expert, or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included.

7.3.2 Wesfarmers

Wesfarmers has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named in this Scheme Booklet in the form and context in which it is named; and
- the inclusion in this Scheme Booklet of the Wesfarmers Information in the form and context in which it appears.

7.3.3 Other persons

Maddocks has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Kidman's legal adviser in the form and context in which it is named.

Greenhill and Co. Australia Pty Ltd has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Kidman's financial adviser in the form and context in which it is named.

The Share Registry has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Kidman's Share Registry in Australia in the form and context in which it is named.

AMC Consulting Pty Ltd has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as the Independent Technical Expert in the form and context in which it is named.

Covalent Lithium has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet in the form and context in which it is named.

SQM and SQMA have given, and have not withdrawn before the date of this Scheme Booklet, their written consent to be named in this Scheme Booklet in the form and context in which they are named.

7.4 FEES

If the Scheme is implemented, the costs incurred by Kidman in relation to the Scheme will effectively be met by Wesfarmers as the ultimate controller of Kidman following implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and becomes effective, Kidman expects to incur total transaction costs of approximately \$2.8 million (excluding GST).

7.5 FOREIGN JURISDICTIONS

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Kidman disclaims all liabilities to such persons. Kidman

Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside of Australia.

7.6 KEY TERMS OF THE SCHEME IMPLEMENTATION DEED

Kidman, Wesfarmers and Wesfarmers Lithium entered into the Scheme Implementation Deed on 23 May 2019. The Scheme Implementation Deed sets out the obligations of Kidman and Wesfarmers in connection with the implementation of the Scheme.

A full copy of the Scheme Implementation Deed is attached to Kidman's ASX announcement on 23 May 2019 which is available from the ASX (www.asx.com.au) and Kidman (www.kidmanresources.com.au) websites.

The following is a summary only and is qualified in its entirety by the full text of the Scheme Implementation Deed. All capitalised terms used in this Section have the meaning given to them in Section 8 of this Scheme Booklet, unless otherwise indicated.

7.6.1 Conditions

The obligations of the parties to implement the Scheme is subject to the following Conditions, the full details of which are set out in clause 3.1 of the Scheme Implementation Deed:

- ASIC and ASX issue all authorisations and do all other things reasonably necessary to implement the Scheme at or before the Delivery Time;
- the Court approves the Scheme;
- the Independent Expert, before the time when the Scheme Booklet is registered with ASIC, issues an Independent Expert's Report which concludes that the Scheme is in the best interests of Kidman Shareholders;
- Kidman Shareholders approve the Scheme by the Requisite Majorities at the Scheme Meeting;
- there is no Material Adverse Change before the Delivery Time;
- each of the Kidman warranties is true and correct as at the date of the Scheme Implementation Deed and any other date specified in a warranty;
- each of the Wesfarmers Lithium warranties is true and correct as at the date of the Scheme Implementation Deed and any other date specified in a warranty;
- each of the Wesfarmers warranties is true and correct as at the date of the Scheme Implementation Deed and any other date specified in a warranty;
- no Kidman Prescribed Occurrence occurs before the Delivery Time;
- no Covalent Regulated Event occurs before the Delivery Time;
- no order issued by any Court, the Takeovers Panel, or other authority that impacts on the implementation of the Scheme is in effect as at the Delivery Time; and
- Kidman and Wesfarmers provide closing certificates on or before the Delivery Time.

As far as Kidman is aware, immediately before the date of this Scheme Booklet no circumstances have occurred which will cause any of the Conditions not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until the latest time each Condition is to be satisfied, which for many of the Conditions is the Delivery Time.

7.6.2 Conduct of Business

Subject to certain exceptions, until the Implementation Date Kidman must, amongst other things:

- conduct its business and operations in the ordinary and usual course and must ensure that Covalent Lithium and each Kidman Group Member does the same;
- ensure that it properly manages its cash flows and maintains its current delegated authorities and expenditure approvals process;
- use its best endeavours to ensure that the IDFS and the Mt Holland Lithium Project are progressed;
- provide Wesfarmers with a draft of any draft IDFS and the Final IDFS;

7. ADDITIONAL INFORMATION

- not enter into or agree to any arrangement above certain threshold levels set out in the Scheme Implementation Deed;
- maintain its books and business records in accordance with good business practice and not destroy any records;
- not provide any financial benefit to a related party;
- not do anything that would be an event of default under a Joint Venture Document;
- not amend or replace its constitution;
- not make any material amendments to its accounting policies;
- ensure no Kidman Prescribed Occurrence or Kidman Regulated Event occurs;
- use its best endeavours to ensure no Covalent Regulated Event occurs;
- not terminate the employment of any employee or employ any senior employee;
- not make certain material changes to any terms of employment with any senior employee or director or pay any bonuses or termination benefits other than as permitted under the Scheme Implementation Deed;
- not enter into any contract of employment subject to which an employee would become entitled to total annual remuneration of \$200,000 or more; and
- except to the extent Kidman has a contractual obligation to engage in good faith discussions or negotiations, not participate in any discussions with current or prospective purchasers of lithium.

7.6.3 Exclusivity

(a) No Shop

During the Exclusivity Period, Kidman must not, and must ensure that its Representatives do not, directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, proposals, discussions or negotiations with any Third Party in relation to (or that could reasonably be expected to encourage or lead to) a Competing Proposal, or communicate any intention to do any of these things except with the prior written consent of Wesfarmers Lithium.

(b) No Talk

Subject to the 'Fiduciary Exception' (described below), during the Exclusivity Period, Kidman must not, and must ensure that its Representatives do not participate in negotiations or discussions, or enter into any agreement or understanding, with any Third Party in relation to a Competing Proposal (or which could reasonably be expected to lead to a Competing Proposal).

(c) No Due Diligence

Subject to the 'Fiduciary Exception', during the Exclusivity Period, Kidman must not and must ensure that its Representatives do not, permit any Third Party to undertake due diligence investigations on Kidman, its Related Entities, Covalent Lithium or the Joint Venture in connection with the formulation of a Competing Proposal.

(d) Fiduciary Exception

The 'No Talk' and 'No Due Diligence' restrictions do not apply to the extent they restrict Kidman from taking or refusing to take any action with respect to a Competing Proposal (in relation to which there has been no contravention of clause 13 of the Scheme Implementation Deed) provided that the Kidman Board:

- (i) has obtained written advice from its legal adviser and, if appropriate, financial adviser; and
- (ii) in order to satisfy what the Kidman Board considers to be its fiduciary and statutory duties,

determines in good faith that, where there is a Competing Proposal, the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal.

- (e) Termination of existing discussions

Kidman must terminate any negotiations or discussions with any Third Party existing as at the time of execution of the Scheme Implementation Deed in respect of a Competing Proposal.

7.6.4 Notification of approaches

During the Exclusivity Period, Kidman must notify Wesfarmers Lithium in writing of any direct or indirect approach, inquiry or proposal made by any person to Kidman or any of its Representatives, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal.

7.6.5 Wesfarmers matching right

Kidman:

- (a) must ensure that Kidman and each of its Related Entities do not enter into any legally binding agreement, arrangement or understanding (whether legally binding or otherwise) with respect to a Competing Proposal; or
- (b) must use its best endeavours to procure that none of its directors publicly recommend a Competing Proposal, recommend against the Scheme or make any public statement to the effect that they may do so at a future point,

until a procedure is followed that grants Wesfarmers the opportunity to submit a counter proposal to the Competing Proposal (**Wesfarmers Counterproposal**).

If the Kidman Board acting in good faith (having consulted with its financial and legal advisers) determines that a Wesfarmers Counterproposal would be or would be reasonably likely to be a Superior Proposal, Kidman must give Wesfarmers the details of the Competing Proposal and at least 3 Business Days to provide a proposal that matches or exceeds the Competing Proposal.

If the Kidman Board considers the Wesfarmers Counterproposal would provide an equivalent or superior outcome for the Kidman Shareholders than the Competing Proposal then Kidman and Wesfarmers must use their best endeavours to agree the Transaction Documents and implement the counter proposal as soon as reasonably practicable.

If the Kidman Board considers that the Wesfarmers Counterproposal would not provide an equivalent or superior outcome for the Kidman Shareholders than the Competing Proposal, Kidman must allow Wesfarmers a further 2 Business Days to amend the Wesfarmers Counterproposal.

7.6.6 Representations and warranties

The Scheme Implementation Deed contains customary and other representations and warranties by each of Kidman and Wesfarmers.

7.6.7 Kidman Break Fee

Kidman must pay Wesfarmers a break fee of \$7.7 million within 30 Business Days of the earlier of termination of the Scheme Implementation Deed or the End Date if:

- (a) (**Competing Proposal**) a Competing Proposal is made or announced during the Exclusivity Period and within 12 months of the date of such announcement the Third Party or any of its Associates who announced or made the Competing Proposal:
- (i) completes a Competing Proposal; or
 - (ii) acquires more than 50% of Kidman;
- (b) (**Change of Recommendation**) any Kidman Director:
- (i) fails to recommend the Scheme;
 - (ii) withdraws, adversely changes or qualifies their recommendation;
 - (iii) makes any public statement or takes any other action that suggests that the Scheme is not, or is no longer, recommended or supported by them except in certain circumstances set out in the Scheme Implementation Deed; or

7. ADDITIONAL INFORMATION

- (c) (**Wesfarmers termination**) Wesfarmers terminates the Scheme Implementation Deed for Kidman's material breach of a material clause of the Scheme Implementation Deed and that breach has not been remedied.

7.6.8 Termination by Kidman

Kidman may terminate the Scheme Implementation Deed at any time before the Delivery Time if:

- (a) the Independent Expert concludes in the Independent Expert's Report that the Scheme is not in the best interests of the Kidman Shareholders;
- (b) Kidman publicly recommends a Superior Proposal; or
- (c) Wesfarmers materially breaches any material clause of the Scheme Implementation Deed which cannot be remedied.

7.6.9 Termination by Wesfarmers Lithium

Wesfarmers Lithium may terminate the Scheme Implementation Deed at any time before the Delivery Time if:

- (a) Kidman has materially breached a material clause of the Scheme Implementation Deed, which has not been remedied;
- (b) any Kidman Director or the Kidman Board publicly:
 - (i) changes or withdraws their statement that they consider the Scheme to be in the best interests of Kidman Shareholders or their recommendation that Kidman Shareholders approve the Scheme Resolution; or
 - (ii) recommends, promotes or otherwise endorses a Competing Proposal or publicly states an intention to change their voting intention in respect of any relevant Kidman Shares owned by Kidman directors.

7.6.10 Termination of Scheme Implementation Deed because Conditions are not satisfied

The Scheme will not become Effective and the obligations of Kidman and Wesfarmers Lithium to implement the Scheme are not binding until each of the Conditions are satisfied or waived. If the Conditions are not met or waived by 30 November 2019 then, following a period of consultation, either Kidman or Wesfarmers may terminate the Scheme Implementation Deed.

7.7 DEED OF COMMITMENT

On 23 May 2019 Wesfarmers announced to the ASX that it had entered into a Deed of Commitment with SQM and SQMA prior to the execution of the Scheme Implementation Deed.

As set out in Kidman's ASX announcement of 3 July 2019, Wesfarmers and SQM have since advised Kidman that the terms relating to exclusivity in the Deed of Commitment have been amended to align those provisions with the market standard exclusivity provisions between Kidman and Wesfarmers contained in clause 13 of the Scheme Implementation Deed.

Kidman has been provided with a redacted copy of the amended Deed of Commitment, the visible provisions of which restricts SQM and SQMA in relation to a Competing Proposal²⁶ from:

- engaging in discussions with any Third Party considering or proposing to make a Competing Proposal;
- providing any information in the possession, custody or control of SQM to any Third Party for the purpose of facilitating their Competing Proposal; and
- entering into, or participating in negotiations or discussions in relation to, any agreement, arrangement or understanding with a Third Party in relation to the Joint Venture for the purpose of facilitating a Competing Proposal.

²⁶ The term "Competing Proposal" used in the Deed of Commitment is materially the same (but not identical to) the term Competing Proposal as defined in the Scheme Implementation Deed. The differences in the drafting of the defined term are not relevant for the purposes of this summary of the Deed of Commitment.

The Deed of Commitment does not prevent SQM or SQMA, if it wishes to do so, from entering into discussions, entering into an arrangement with that Third Party or providing information to enable SQM or SQMA to enter into such discussions or arrangement, where Kidman has notified SQM that it has formed the view that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal and Kidman has otherwise complied with its obligations under clause 13 of the Scheme Implementation Deed.

Under the terms of the Deed of Commitment, SQM must notify Wesfarmers if it is formally approached by a Third Party in relation to a Competing Proposal, but does not require SQM to disclose any more information than Kidman would be required to disclose under the Scheme Implementation Deed.

Based on the provisions of the Deed of Commitment which have been made visible to Kidman, the deed terminates automatically if:

- the Scheme Implementation Deed is terminated and Wesfarmers does not proceed with an alternative proposed acquisition of Kidman;
- the Kidman Board recommend a Competing Proposal;
- Wesfarmers publicly announces or informs SQM that it does not intend to proceed with the Scheme; or
- if the Scheme (or any alternative acquisition structure) has not taken effect by 1 January 2020.

7.8 REGULATORY APPROVALS

All regulatory approvals that are Conditions to the Scheme are set out in clause 3.1 of the Scheme Implementation Deed and have been summarised at Section 7.6.1 of this Scheme Booklet.

7.9 DEED POLL

On 23 July 2019 Wesfarmers and Wesfarmers Lithium entered into the Deed Poll in favour of the Scheme Participants. Under the Deed Poll, Wesfarmers Lithium undertakes in favour of each Scheme Participant to duly and punctually observe and perform all obligations and actions attributed to it under the Scheme as if named as a party to the Scheme.

In particular, and subject to the Scheme becoming Effective, Wesfarmers Lithium undertakes in favour of each Scheme Participant to pay the aggregate Scheme Consideration payable to all Scheme Participants to a trust account maintained by Kidman not later than the day prior to the Implementation Date. Kidman will use these funds to pay the Scheme Consideration to Scheme Participants on the Implementation Date.

Under the Deed Poll Wesfarmers undertakes in favour of each Scheme Participant:

- to duly and punctually observe and perform all obligations and actions attributed to it under the Scheme as if named as a party to the Scheme;
- to procure that Wesfarmers Lithium performs all obligations and actions attributed to it under the Scheme; and
- to guarantee the due and punctual performance by Wesfarmers Lithium of all of its obligations and actions attributed to it under the Scheme.

The Deed Poll will terminate if the Scheme Implementation Deed is terminated or the Scheme does not become Effective by the End Date.

The Deed Poll may be relied upon by any Scheme Participant despite the fact that they are not a party to it and, under the Scheme, each Scheme Participant appoints Kidman as its attorney and agent to enforce its rights under the Deed Poll against Wesfarmers and Wesfarmers Lithium.

The Deed Poll is at Attachment 3 to this Scheme Booklet.

7.10 OTHER INFORMATION MATERIAL TO THE MAKING OF A DECISION IN RELATION TO THE SCHEME

Except as set out in this Scheme Booklet, so far as the Kidman Directors are aware, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Kidman Director or any director of a Related Entity of Kidman which has not been previously disclosed to Kidman Shareholders.

7. ADDITIONAL INFORMATION

7.11 SUPPLEMENTARY INFORMATION

Kidman will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; and/or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Kidman may circulate and publish any supplementary document including by:

- approaching the Court for a direction as to what is appropriate in the circumstances;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Kidman's website and the ASX; and
- making a public announcement by way of press release.

ASIC will be provided with an opportunity to review and comment on any supplementary documents prior to their issue by Kidman.

7.12 COMPETENT PERSON'S STATEMENT

7.12.1 Mineral resources

The information in this Scheme Booklet that relates to Mineral Resources is sourced from an announcement issued to ASX on 19 March 2018 titled "Substantial Increase in Earl Grey Lithium Mineral Resource Estimate" which is available to view at www.asx.com.au/asxpdf/20180319/pdf/43sjypy0krwfy.pdf. Kidman 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 Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. Kidman 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.

7.12.2 Ore Reserves

The information in this Scheme Booklet 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 www.asx.com.au/asxpdf/20181218/pdf/4419z7zpty14m0.pdf. Kidman 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. Kidman 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.

7.12.3 Production Targets

The information in this Scheme Booklet that relates to Production Targets 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 www.asx.com.au/asxpdf/20181218/pdf/4419z7zpty14m0.pdf. Kidman confirms that all the material assumptions underpinning the Production Targets and the forecast financial information derived from the Production Targets in the original announcement continue to apply and have not materially changed.

8. GLOSSARY

The following is a glossary of certain terms used in this Scheme Booklet.

TERM	DEFINITION
AEST	means Australian Eastern Standard Time.
Advisers	means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser, or consultant who provides advisory services in a professional capacity and who has been engaged by that entity in connection, directly or indirectly, with the Scheme.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given in the Corporations Act.
ASX	means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Business Day	means a day which is not a Saturday, Sunday or public holiday in Melbourne, Australia or Perth, Australia.
Competing Proposal	<p>means any expression of interest, proposal, offer, transaction or arrangement (other than the Transaction) by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms, a Third Party will (other than as custodian, nominee or bare trustee):</p> <ul style="list-style-type: none">(a) acquire a Relevant Interest in 10% or more of the Kidman Shares, or Voting Power of 10% or more in Kidman;(b) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in, all or a substantial part of the assets or business of Kidman;(c) otherwise acquire Control of Kidman;(d) take an assignment or transfer of, or obtain a beneficial or economic interest in, the Joint Venture Interest of the Kidman Group in the Joint Venture, or become a shareholder in Covalent Lithium as a result of a transfer or dealing by a Kidman Group Member of its shareholding in Covalent Lithium; or(e) otherwise directly or indirectly acquire, merge or amalgamate with, or acquire a controlling shareholding or economic interest in, Kidman or any of its Related Entities or in all or substantially all of their respective assets or business, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding company for Kidman or other synthetic merger or any other transaction or arrangement,

8. GLOSSARY

TERM	DEFINITION
	<p>but excluding:</p> <p>(f) any offtake or marketing agreement entered into by any Kidman Group Member with a bona fide purchaser of lithium hydroxide or lithium carbonate produced by the Joint Venture; or</p> <p>(g) any dilution, or acquisition by SQM (or a Related Entity of SQM), of the Joint Venture Interest of a Kidman Group Member in the Joint Venture or of an interest in Covalent Lithium pursuant to the exercise of rights (other than pre-emptive rights) contained in the Joint Venture Agreement and associated agreements.</p>
Conditions	means the Conditions set out in clause 3.1 of the Scheme Implementation Deed.
Confidentiality Agreement	means the Confidentiality Agreement between Kidman and Wesfarmers dated 12 March 2019 as amended from time to time.
Control	has the meaning given in section 50AA of the Corporations Act.
Core Tenements	means mining tenements with the identifiers M77/1066, M77/1080, E77/1400 and E77/2099.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Court	means the Federal Court of Australia or another court having jurisdiction in relation to the Scheme as agreed in writing between Kidman and Wesfarmers Lithium.
Covalent Data Room Material	means all documents, presentations and information which relate to Covalent Lithium or the Joint Venture (including summaries of management presentations and all written responses provided in response to written questions or requests for information) which has been prepared by or provided by Covalent Lithium and which is contained in the Data Room and any other document or information provided prior to the date of the Scheme Implementation Deed that the parties expressly agree in writing forms part of the Covalent Data Room Material.
Covalent Lithium	means Covalent Lithium Pty Ltd ACN 623 090 139.

TERM	DEFINITION
Covalent Regulated Event	<p>means, other than as required or permitted by the Scheme Implementation Deed, the Scheme or the Transaction, or as consented to in writing by Wesfarmers Lithium, the occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) Covalent Lithium issuing (or agreeing to issue) shares or options or other securities convertible into shares, other than the issue of shares to the existing shareholders of Covalent Lithium on a pro rata basis; (b) Covalent Lithium resolving to reduce its share capital in any way, or entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement under the Corporations Act; (c) Covalent Lithium commencing business activities not already carried out as at the date of the Scheme Implementation Deed, whether by way of acquisition or otherwise in any capacity other than as manager of and agent for the Joint Venture; (d) Covalent Lithium entering into or agreeing to any variation of any material contract (including any joint venture agreement), or the waiver of any rights under any such material contract, in any capacity other than as manager of and agent for the Joint Venture; (e) Covalent Lithium entering into any agreement, arrangement or understanding (whether or not legally binding): <ul style="list-style-type: none"> (i) to or in respect of a material acquisition or divestment of assets, interests (including gold and other base metals) or businesses (including any legal or beneficial interest in any such asset, interest or business); (ii) creating any encumbrance or Security Interest in or over any such asset, interest or business; (iii) relating to the marketing or offtake of any product; or (iv) that has the same economic impact as any transaction described in paragraphs i to iii, <p>in all cases in any capacity other than as manager of and agent for the Joint Venture; or</p> (f) Covalent Lithium: <ul style="list-style-type: none"> (i) acquiring, leasing or disposing of; or (ii) agreeing, offering or proposing to acquire, lease or dispose of, any business, assets, entity or undertaking, the value of which exceeds \$500,000 (individually or in aggregate) in any capacity other than as manager of and agent for the Joint Venture, <p>provided that the occurrence of any of the acts, matters or circumstances described in paragraphs (a) to (f) will not constitute a “Covalent Regulated Event” for the purposes of the Scheme Implementation Deed if that act, matter or circumstance occurred:</p>

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TERM	DEFINITION
	<p>(g) in accordance with a binding obligation under the Joint Venture Documents;</p> <p>(h) in accordance with an Approved Programme and Budget in force as at the date of the Scheme Implementation and as Fairly Disclosed to Wesfarmers prior to the date of the Scheme Implementation Deed; or</p> <p>(i) in accordance with any Proposed Programme and Budget which becomes an Approved Programme and Budget after the date of the Scheme Implementation Deed and which Proposed Programme and Budget has been consented to by Wesfarmers (such consent not to be unreasonably withheld and which must be given if the failure to approve the Proposed Programme and Budget would adversely delay or impact the completion, quality or scope of the IDFS).</p>
Data Room	means the online data room maintained by Intralinks, the index for which materials have been initialled for identification by Kidman's solicitors on behalf of Kidman and by Wesfarmers' solicitors on behalf of Wesfarmers on or prior to the date of the Scheme Implementation Deed.
Data Room Material	means the: <ul style="list-style-type: none"> (a) Kidman Data Room Material; and (b) Covalent Data Room Material.
Deed Poll	means the deed poll executed by Wesfarmers Lithium and Wesfarmers in favour of the Scheme Participants set out in Attachment 3.
Delivery Time	means 8:00am on the Second Court Date.
Due Diligence Material	means: <ul style="list-style-type: none"> (a) the Data Room Material; (b) any information other than the Data Room Material provided in writing by or on behalf of Kidman to Wesfarmers or its Advisers prior to the date of the Scheme Implementation Deed, including by way of written responses to questions from Wesfarmers and its Advisers; and (c) information provided to Wesfarmers or its Advisers (whether or not in written form) prior to the date of the Scheme Implementation Deed by or on behalf of SQM, SQMA or Covalent Lithium or their Advisers in, or as a result of, discussions between Wesfarmers or its Advisers and representatives of SQM, SQMA or Covalent Lithium or their respective Advisers.
EBIT	means earnings before interest and tax.
Effective	means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective.
End Date	means 30 November 2019, or such later date as Wesfarmers Lithium and Kidman may agree in writing.

TERM	DEFINITION
Excluded Kidman Subsidiaries	means Casey Exploration Pty Ltd ACN 143 597 826 and Kidman Barrow Creek Pty Ltd ACN 156 249 106.
Excluded Shareholder	means any Wesfarmers Group Member who holds a Kidman Share.
Exclusivity Period	means the period on and from the date of the Scheme Implementation Deed to the earlier of: <ul style="list-style-type: none"> (a) the date of termination of the Scheme Implementation Deed; (b) the End Date; and (c) the Implementation Date.
Fairly Disclosed	means, in relation to a fact, matter or circumstance or information, a disclosure sufficient in content and made in a manner and context to enable a person to be aware of the substance and significance of the fact, matter or circumstance or information.
Final IDFS	means the final IDFS to be delivered to the Management Committee under the Joint Venture Agreement.
General meeting	means the meeting of Kidman Shareholders the subject of the Notice of General Meeting.
GST	has the meaning given in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IDFS	means the integrated definitive feasibility study for the Mt Holland Lithium Project.
Implementation Date	means the date 3 Business Days after the Record Date, or such other date as Wesfarmers Lithium and Kidman may agree in writing.
Independent Expert	means KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert's Report	means the report from the Independent Expert in respect of the Scheme, a copy of which is set out in Attachment 1 which includes the Independent Specialist Technical Report.
Independent Specialist Technical Expert	means AMC Consultants Pty Ltd.
Independent Specialist Technical Report	means the technical specialist report prepared by the Independent Specialist Technical Expert included as an annexure to the Independent Expert's Report.
Integrated Project	means an open cut mine, treatment plant (including the refinery plant) and associated proposed infrastructure to be constructed and operated by the Joint Venture in accordance with the Joint Venture Agreement.
IPFS	means the integrated preliminary feasibility study for the Mt Holland Lithium Project.
Joint Venture	means the unincorporated joint venture established by the Joint Venture Agreement in respect of the Mt Holland Lithium Project.
Joint Venture Agreement	means the joint venture agreement dated 21 December 2017 between Kidman, Montague Resources Australia Pty Ltd ACN 097 875 619, MH Gold, Covalent Lithium and SQMA as amended by the Joint Venture Amendment Deed.

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TERM	DEFINITION
Joint Venture Amendment Deed	means the amendment deed dated 27 March 2019 entered into by the parties to the Joint Venture Agreement and SQM.
Joint Venture Documents	means the Joint Venture Agreement and each of the: <ul style="list-style-type: none"> (a) Asset Sale Agreement; (b) Facility Agreement; (c) Lithium Rights Agreement; and (d) Gold Rights Agreement, as each of those agreements is defined in the Joint Venture Agreement.
Joint Venture Interest	means the interest of a Joint Venturer in the Joint Venture assets under the Joint Venture Agreement.
Joint Venturer	means MH Gold or SQMA in its capacity as a joint venturer under the Joint Venture.
Key Management Personnel	means any person who, as at the date of the General Meeting holds a managerial or executive office (as defined in the Corporations Act) in Kidman.
Kidman	means Kidman Resources Limited ACN 143 526 096.
Kidman Board	means the board of the Kidman Directors.
Kidman Break Fee	means a break fee of \$7.7 million payable by Kidman.
Kidman Data Room Material	means all documents, presentations and information which relate to any Kidman Group Member (including summaries of management presentations and all written responses provided in response to written questions or requests for information) contained in the Data Room and any other document or information provided prior to the date of the Scheme Implementation Deed that the parties expressly agree in writing forms part of the Kidman Data Room Material.
Kidman Director	means a director of Kidman.
Kidman Group	means Kidman and its Subsidiaries, which, for the avoidance of doubt, does not include Covalent Lithium or the Joint Venture.
Kidman Group Member	means any member of the Kidman Group.
Kidman Information	means all written information to be included in the Scheme Booklet, and any updates to that information, which has been prepared by or on behalf of Kidman in accordance with clause 6.2.10 of the Scheme Implementation Deed, other than the Wesfarmers Information and any information solely derived from, or prepared solely in reliance on, the Wesfarmers Information.
Kidman Omnibus Incentive Plan	means the 'Kidman Resources Limited Omnibus Incentive Plan' approved by Kidman shareholders at the 2018 Annual General Meeting.

TERM	DEFINITION
Kidman Prescribed Occurrence	<p>means, other than as required or permitted by the Scheme Implementation Deed, the Scheme or the Transaction, or as consented to in writing by Wesfarmers Lithium, the occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) Kidman converting all or any of its shares into a larger or smaller number of shares; (b) a Kidman Group Member resolving to reduce its share capital in any way; (c) a Kidman Group Member: <ul style="list-style-type: none"> (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act; (d) a Kidman Group Member issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than as a result of the vesting of all unvested Performance Rights in accordance with their terms of issue or as the result of an exercise of discretion as permitted by clause 7.1.3 of the Scheme Implementation Deed; (e) a Kidman Group Member issuing or agreeing to issue securities convertible into shares other than to a directly or indirectly wholly-owned Subsidiary of Kidman; (f) any Kidman securities being listed on any stock or securities exchange other than the ASX, including indirectly by means of a sponsored American Depositary Receipt or similar instrument; (g) a Kidman Group Member granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; (h) an Insolvency Event occurring in relation to a Kidman Group Member (other than an Excluded Kidman Subsidiary); or (i) Kidman announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (whether in cash or in specie).

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TERM	DEFINITION
Kidman Regulated Event	<p>means, other than as required or permitted by the Scheme Implementation Deed, the Scheme or the Transaction, or as consented to in writing by Wesfarmers Lithium, the occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) a Kidman Group Member acquiring or disposing of, or entering into or announcing any agreement for the acquisition or disposal of, any asset, interest or business, or entering into any corporate transaction, which would or would reasonably be likely to involve a material adverse change in: <ul style="list-style-type: none"> (i) the manner in which the Kidman Group conducts its business; (ii) the nature (including balance sheet classification), extent or value of the assets of the Kidman Group; or (iii) the nature (including balance sheet classification), extent or value of the liabilities of the Kidman Group; (b) any Kidman Group Member disposing of all or part of its Joint Venture Interest (including its shares in Covalent Lithium); (c) any Kidman Group Member consenting to SQMA disposing of its interest in the Joint Venture or its shares in Covalent Lithium provided that any such consent by the Kidman Group Member is not a Kidman Regulated Event if Wesfarmers Lithium has refused to consent to a Kidman Group Member exercising its pre-emptive rights under the Joint Venture Agreement to acquire the relevant SQMA interest or shares; (d) a Kidman Group Member commencing business activities not already carried out as at the date of the Scheme Implementation Deed, whether by way of acquisition or otherwise; (e) a Kidman Group Member entering into or agreeing to any variation of any material contract (including any Joint Venture Document or any other joint venture agreement), or the waiver of any rights under any such material contract; (f) a Kidman Group Member entering into any agreement for the provision of financial accommodation to a Kidman Group Member, or drawing down on any existing financial accommodation, including (without limitation) issuing an "Execution Notice" under clause 3.3(b) of the Joint Venture Amendment Deed; (g) a Kidman Group Member entering into any agreement, arrangement or understanding (whether or not legally binding): <ul style="list-style-type: none"> (i) to or in respect of a material acquisition or divestment of assets, interests (including gold and other base metals) or businesses (including any legal or beneficial interest in any such asset, interest or business); (ii) creating any encumbrance or Security Interest in or over any such asset, interest or business;

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TERM	DEFINITION
Kidman Regulated Event <i>cont.</i>	<ul style="list-style-type: none"> <li data-bbox="667 365 1469 584">(iii) relating to the marketing or offtake of any product from the Joint Venture (including the amendment of any existing agreement, arrangement or understanding provided that the exercise by a counterparty to a marketing or offtake agreement of a right of termination for convenience will not constitute an amendment for the purposes of this definition); or <li data-bbox="667 600 1390 663">(iv) that has the same economic impact as any transaction described in paragraphs (i) to (iii); <li data-bbox="592 678 975 710">(h) a Kidman Group Member: <ul style="list-style-type: none"> <li data-bbox="667 725 1174 757">(i) acquiring, leasing or disposing of; or <li data-bbox="667 772 1481 913">(ii) agreeing, offering or proposing to acquire, lease, dispose of or create any encumbrance or security interest in or over, any business, assets, entity or undertaking, the value of which exceeds \$1 million (individually or in aggregate); or <li data-bbox="592 929 1453 1462">(i) Kidman amending or agreeing or proposing to amend the Kidman Omnibus Incentive Plan or the terms of issue of any Performance Rights, or makes any determination or exercises any discretion under the Omnibus Incentive Plan or the terms of issue of any Performance Right, where, as a consequence, any one or more of the following occurs: <ul style="list-style-type: none"> <li data-bbox="667 1137 1465 1169">(i) the period for vesting of any Performance Right is extended; <li data-bbox="667 1184 1481 1247">(ii) the number of Performance Rights that are vested at any time is increased; <li data-bbox="667 1263 1437 1391">(iii) the earliest date for vesting of any Performance Right is brought forward (other than as the result of an exercise of discretion as permitted by clause 7.1.3 of the Scheme Implementation Deed); or <li data-bbox="667 1406 1461 1469">(iv) the number of Kidman Shares to be issued on vesting of any Performance Right is increased.
Kidman Share	means a fully paid ordinary share issued in the capital of Kidman.
Kidman Shareholder	means a person who is registered in the Register as the holder of Kidman Shares.

8. GLOSSARY

TERM	DEFINITION
Material Adverse Change	<p>means:</p> <ul style="list-style-type: none"> (a) a Specified Event which has, has had, or is reasonably likely to have, either individually or when aggregated with any other such events of a similar kind or category: <ul style="list-style-type: none"> (i) a material adverse effect on the development of the Integrated Project such that the date for first production of lithium hydroxide from the refinery forming part of the Integrated Project is reasonably expected to occur on a date that is later than 31 January 2023; (ii) a material adverse effect (which includes a suspension, revocation, disclaimer, invalidity, unenforceability, materially adverse variation, lapse or termination of all or any material rights) on the status or terms of (or rights attaching to): <ul style="list-style-type: none"> (A) any Core Tenement which includes (without limitation) any authority providing any notice or otherwise making known an intention that any Core Tenement, will be suspended, revoked, disclaimed, made invalid, unenforceable, varied, lapse, terminated, forfeited or not renewed; or (B) any Joint Venture Document, which includes: <ul style="list-style-type: none"> (1) any counterparty validly providing, or becoming entitled to provide, formal notice to terminate a Joint Venture Document; (2) a material provision of the Joint Venture Document is or becomes illegal, void, voidable or unenforceable; or (3) the performance of a material obligation under the Joint Venture Document breaches or results in the contravention of any law; (iii) the grant of mining or other rights or interests of any kind over all or part of any area covered by or the subject of the Core Tenements to any person other than the Joint Venturers or Covalent Lithium which materially impacts, or could reasonably be expected to materially impact, on the conduct of the Joint Venture Activities (as defined in the Joint Venture Agreement); (b) a Kidman Group Member disposes of all or part of its Joint Venture Interest (including its shares in Covalent Lithium), including as a result of the provisions in the Joint Venture Agreement dealing with dilution of a party's Joint Venture Interest; (c) any of the Core Tenements are forfeited, cancelled, relinquished or compulsorily acquired or a Kidman Group Member ceases to hold a 50% interest in any of the Core Tenements;

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TERM	DEFINITION
Material Adverse Change <i>cont.</i>	<p>(d) an event occurs which has, has had, or is reasonably likely to have the result of the Kidman Group ceasing to hold a Joint Venture Interest of at least 50%;</p> <p>(e) an event occurs which has, has had, or is reasonably likely to have the result of SQMA ceasing to hold a Joint Venture Interest of at least 50%;</p> <p>(f) a public offer is made or announced or an agreement is entered into, the conditions of which are reasonably likely to be met and that is capable of being implemented as a binding proposal, which would, if completed substantially in accordance with its terms, result in SQMA coming under the ultimate Control of a person who did not Control SQMA as at the date of the Scheme Implementation Deed; or</p> <p>(g) the Final IDFS, or any draft IDFS that is sufficiently definite so as to require announcement of the draft, or material information in the draft, by Kidman to the ASX or as a disclosure in the Scheme Booklet, or which is in fact announced to the ASX or in the Scheme Booklet (definitive draft IDFS), estimates or otherwise provides or indicates that:</p> <p>(i) the development of the Integrated Project has been, or is likely to be, delayed such that the first production of lithium hydroxide from the refinery forming part of the Integrated Project will not occur on or before 31 December 2022; or</p> <p>(ii) Kidman's share (equal to its Joint Venture Interest) of the total integrated capital expenditure (including contingencies but excluding Owners' Costs) for the Integrated Project will increase by more than US\$135 million over the total integrated capital expenditure (including contingencies but excluding Owners' Costs) for the Integrated Project described in the IPFS (Kidman's share of such total integrated capital expenditure being US\$369 million).</p> <p>Wesfarmers Lithium may request Kidman to explain whether a particular draft IDFS constitutes a definitive draft IDFS, in which case Kidman must promptly provide Wesfarmers Lithium with reasonable details of the basis upon which the Kidman Board has determined that the draft IDFS is not sufficiently definite so as to require announcement.</p> <p>Notwithstanding the above, announcement to the ASX of a draft IDFS as a result solely of ASX Listing Rule 3.1A.2 ceasing to apply to that draft Integrated DFS (other than as a result of an act or omission by Kidman or its Representatives) will not constitute an announcement of a definitive draft IDFS for the purposes of paragraph g.</p>
MH Gold	means MH Gold Pty Ltd (a wholly-owned Subsidiary of Kidman).
Mt Holland Lithium Project	means the integrated project consisting of a lithium mine and concentrator at Mt Holland and a refinery at Kwinana, both in Western Australia.
Notice of General Meeting	means the notice of meeting relating to the General Meeting, in the form of Attachment 5 of this Scheme Booklet.

8. GLOSSARY

TERM	DEFINITION
Notice of Scheme Meeting	means the notice of meeting relating to the Scheme Meeting, in the form of Attachment 4 to this Scheme Booklet.
Owners' Costs	are costs that are of the same nature as (and determined on a basis consistent with) the costs that were categorised as "owners' costs" in the IPFS including, but not limited to, procurement and construction and management costs and engineering study costs.
Performance Rights	means the 3,721,171 performance rights issued prior to the date of the Scheme Implementation Deed either under the Kidman Omnibus Incentive Plan, or on terms and conditions Fairly Disclosed in the Due Diligence Material or which the existence of which has otherwise been disclosed in lodgements with the ASX which entitle the holder to call for the issue of a Kidman Share subject to the satisfaction or waiver of the relevant vesting and exercise conditions (if any).
PPSA	means the <i>Personal Properties Security Act 2009</i> (Cth).
Process and Exclusivity Deed	means the process and exclusivity deed between Kidman and Wesfarmers dated 1 May 2019.
Proposed Programme and Budget	means a work programme and budget for a given year, or other relevant period, in relation to the conduct of mining, exploration and development activities by the Joint Venture proposed in accordance with the terms of the Joint Venture Agreement.
Record Date	means 7:00 pm on the third Business Day following the Effective Date or such other date after the Effective Date as Wesfarmers Lithium and Kidman agree in writing.
Register	means the register of Kidman Shareholders kept by the Share Registry.
Related Entity	<p>means, in relation to an entity (the first entity):</p> <ul style="list-style-type: none"> (a) a Subsidiary of the first entity; (b) an entity of which the first entity is a Subsidiary; or (c) a Subsidiary of another entity of which the first entity is also a Subsidiary, <p>but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50AA of the Corporations Act) and:</p> <ul style="list-style-type: none"> (d) a trust may be a Subsidiary, for the purpose of which a unit or other beneficial interest will be regarded as a share; and (e) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a body corporate.
Relevant Foreign Declaration Form	means a 'Foreign Resident capital gains withholding - vendor declaration' form referred to in Section 6.4.
Relevant Interest	has the meaning given to that term by sections 608 and 609 of the Corporations Act.

TERM	DEFINITION
Representatives	means in respect of a party, any person acting for or on behalf of that party (including any Related Entity of that party, and any director, officer, employee, agent, affiliate, contractor or Adviser of that party or its Related Entities.)
Requisite Majorities	means the majorities required under section 411(4)(a)(ii) of the Corporations Act, being: <ul style="list-style-type: none"> • at least 75% of the total number of votes cast on the Scheme Resolution; and • unless the Court orders otherwise, a majority in number (more than 50%) of Kidman Shareholders present and voting (in person or by proxy, corporate representative or attorney).
Scheme	means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Kidman and the Kidman Shareholders, substantially in the form of Attachment 2, (or in such other form as Wesfarmers Lithium and Kidman may agree in writing, such agreement not to be unreasonably withheld or delayed) together with any alterations or conditions made or required pursuant to sub-section 411(6) of the Corporations Act and agreed or consented to in writing by Kidman and Wesfarmers Lithium.
Scheme Consideration	means the consideration to be provided to Scheme Participants under the terms of the Scheme for the transfer of their Scheme Shares to Wesfarmers Lithium.
Scheme Implementation Deed	means the Scheme Implementation Deed between Kidman, Wesfarmers and Wesfarmers Lithium dated 23 May 2019.
Scheme Meeting	means the meeting or meetings of Kidman Shareholders ordered by the Court in relation to the Scheme to be convened pursuant to section 411(1) of the Corporations Act and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Participant	means a Kidman Shareholder (other than an Excluded Shareholder) on the Record Date and includes, for the avoidance of doubt, Kidman Shareholders who hold Kidman Shares as a result of the vesting of unvested Performance Rights on or prior to the Record Date in accordance with the terms of issue of the Performance Rights or as the result of the exercise of a discretion as permitted by clause 7.1.3 of the Scheme Implementation Deed.
Scheme Resolution	means the resolution to be put to Kidman Shareholders to approve the Scheme set out in the Notice of Scheme Meeting.
Scheme Shares	means all Kidman Shares held by the Scheme Participants as at the Record Date.
Second Court Date	means the first day of hearing of an application made to the Court by Kidman for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing, with such hearing or adjournment of that hearing being the Second Court Hearing .

8. GLOSSARY

TERM	DEFINITION
Security Interest	<p>means:</p> <ul style="list-style-type: none"> (a) any mortgage, pledge, lien, charge or other preferential right, trust arrangement, agreement or arrangement of any kind given or created by way of security, including a security interest (as defined in the PPSA); and (b) any agreement to create or grant any arrangement described in paragraph (a).
Share Registry	means Boardroom Pty Limited ACN 003 209 836 of Grosvenor Place, Level 12, 225 George Street, Sydney, NSW 2000.
Specified Event	<p>means an event, occurrence or matter that:</p> <ul style="list-style-type: none"> (a) occurs after the date of the Scheme Implementation Deed; (b) occurs before the date of the Scheme Implementation Deed but is only announced or publicly disclosed after the date of the Scheme Implementation Deed; or (c) will or is likely to occur after the date of the Scheme Implementation Deed and which has not been publicly announced prior to the date of the Scheme Implementation Deed, <p>but does not include an event which:</p> <ul style="list-style-type: none"> (d) is required to occur, or expressly permitted, under the Scheme Implementation Deed; or (e) which has been disclosed in the Due Diligence Materials, or announced or publicly disclosed prior to the date of the Scheme Implementation Deed.
spodumene	chemical formula $\text{LiAlSi}_2\text{O}_6$ means a pyroxene mineral consisting of lithium aluminium inosilicate and is a source of lithium.
SQM	means Sociedad Química y Minera de Chile S.A.
SQMA	means SQM Australia Pty Ltd ACN 621 414 659.
Subsidiary	has the meaning given in the Corporations Act.

TERM	DEFINITION
Superior Proposal	<p>means a bona fide Competing Proposal, in the form of an offer or agreement that is capable of being implemented as a binding proposal (whether or not subject to conditions), received by Kidman that the Kidman Board determines, acting in good faith and in order to satisfy what the Kidman Board considers to be its fiduciary and statutory duties (after having obtained written advice from Kidman's legal adviser and, if appropriate, financial adviser):</p> <p>(a) would, if completed substantially in accordance with its terms, result in an acquisition of Control of Kidman or all or substantially all of the assets of the Kidman Group;</p> <p>(b) is reasonably likely to be completed within 7 months in accordance with its terms, having regard to conditionality and taking into account all financial, timing, regulatory and other aspects of such proposal, including the capacity of the proposing party to consummate the transactions contemplated by the Competing Proposal (including having regard to funding sources and ability to consummate a transaction of a similar size and nature); and</p> <p>(c) would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Kidman Shareholders than the Transaction, taking into account all the terms and conditions of the Competing Proposal.</p>
Takeovers Panel	means the panel established by Part 10 of the <i>Australian Securities and Investment Commission Act 2001</i> (Cth).
Third Party	<p>means any of the following:</p> <p>(a) a person other than a Wesfarmers Group Member; or</p> <p>(b) a consortium, partnership, limited partnership, syndicate or other group in which no Wesfarmers Group Member has agreed in writing to be a participant.</p>
Transaction	means the proposed transactions pursuant to which Wesfarmers Lithium will acquire the Scheme Shares under the Scheme, in consideration for the provision of the Scheme Consideration and any action to be undertaken pursuant to, or in connection with, a Transaction Document.
Transaction Documents	<p>means each of:</p> <p>(a) the Scheme Implementation Deed;</p> <p>(b) the Scheme;</p> <p>(c) the Deed Poll;</p> <p>(d) the Confidentiality Agreement; and</p> <p>(e) any other document which Wesfarmers Lithium and Kidman agree is necessary or desirable to be entered into for the purposes of the Scheme.</p>
US\$	means the lawful currency of the United States of America.
Voting Power	has the meaning given in section 610 of the Corporations Act.
VWAP	means in relation to a Kidman Share, the volume weighted average price based on cumulative trading volume and value on the ASX.

8. GLOSSARY

TERM	DEFINITION
Wesfarmers	means Wesfarmers Limited ACN 008 984 049 and, where appropriate, includes Wesfarmers Lithium.
Wesfarmers Board	means the board of directors of Wesfarmers.
Wesfarmers Group	means Wesfarmers and its Related Entities.
Wesfarmers Group Member	means any member of the Wesfarmers Group.
Wesfarmers Information	means the information contained in Section 4 of this Scheme Booklet under the heading “Wesfarmers Information” and in Frequently Asked Questions numbers 10, 33, 34, 35 and 36.
Wesfarmers Lithium	means Wesfarmers Lithium Pty Ltd ACN 633 472 803.
Wesfarmers Proposal	means the indicative, non-binding and conditional proposal from Wesfarmers to acquire 100% of the shares in Kidman at \$1.90 per share by way of a scheme of arrangement announced by Kidman on 2 May 2019.

ATTACHMENT 1 - INDEPENDENT EXPERT'S REPORT



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The Directors
Kidman Resources Limited
Level 30, 140 William Street
Melbourne VIC 3000

4 July 2019

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT REPORT

1 Introduction

On 2 May 2019, Kidman Resources Limited (**Kidman** or **the Company**) announced that it had received an indicative, non-binding proposal from Wesfarmers Limited (**Wesfarmers**) to acquire all of the issued share capital of Kidman for cash consideration of \$1.90¹ for each Kidman share by way of scheme of arrangement (**the Proposal**), and that Wesfarmers had been granted an exclusive period to complete confirmatory due diligence.

On 23 May 2019, Kidman entered into a Scheme Implementation Deed (**SID**) with Wesfarmers and Wesfarmers Lithium Pty Ltd, a wholly owned subsidiary of Wesfarmers², pursuant to which it is proposed that Wesfarmers Lithium will acquire all of the issued capital of Kidman at \$1.90 per share (**the Scheme Consideration**), to be effected by way of a Scheme of Arrangement (**the Scheme**).

Kidman is an Australian mineral exploration and development company listed on the Official List of Australian Stock Exchange Ltd (**ASX**). As at 2 July 2019, Kidman had a market capitalisation of approximately \$761 million. Kidman's principal assets comprise the proposed vertically integrated Mt Holland Lithium Project (**the Mt Holland Project**) located in Western Australia and cash. Kidman is headquartered in Melbourne, Victoria.

Completion of the Scheme requires the approval of eligible Kidman shareholders (**Scheme Shareholders**) and the satisfaction of various conditions precedent (summarised in Section 2.1). The Directors of Kidman (**the Directors**) have unanimously recommended Scheme Shareholders vote in favour of the Scheme, in the absence of a superior offer and subject to this report concluding that the

¹ All amounts are stated in Australian dollars (**\$, A\$ or AUD**) unless otherwise specifically noted. Where applicable, United States dollars are denoted as US\$ or USD

² A reference to Wesfarmers in this report includes Wesfarmers Lithium Pty Ltd where appropriate



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Scheme is in the best interests of Scheme Shareholders. As at the date of this report, the Directors have not withdrawn or modified their recommendation.

In addition, Kidman has announced that its three major shareholders, holding approximately 16% of the shares of Kidman, have advised they intend to vote in favour of the Scheme, in the absence of a superior proposal and subject to this report concluding that the Scheme is in the best interest of Scheme Shareholders. Together with shares under the control of the directors and management of Kidman, this means that shareholders holding approximately 17% of the shares in Kidman intend to vote their shares in favour of the Scheme in the absence of a superior proposal and subject to this report concluding that the Scheme is in the best interests of shareholders.

The Directors have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an Independent Expert Report (**IER**) to Scheme Shareholders in relation to the Scheme. The purpose of the IER is to set out whether or not, in our opinion, the Scheme is in the best interests of Scheme Shareholders as a whole.

The specific terms of the resolutions to be approved by Scheme Shareholders in relation to the Scheme are set out in the documents to be sent to Scheme Shareholders (**Scheme Booklet**) to which this report is attached. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet in its entirety.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of the Scheme

The principal terms of the Scheme as they affect Kidman shareholders are that Scheme Shareholders will receive \$1.90 cash for each of their ordinary shares in Kidman.

2.1 Conditions precedent

Completion of the Scheme is subject to a number of conditions precedent as set out in the SID, including, but not limited to:

- all regulatory and other approvals, consents, clearances and permissions to give the Scheme effect having been obtained from all relevant bodies, including the Court, the Australian Securities and Investments Commission (**ASIC**) and the ASX
- Scheme Shareholders approving the Scheme by the requisite majorities
- the independent expert concluding that the Scheme is in the best interests of Kidman shareholders
- no material adverse change or regulated event in respect of Kidman or Covalent Lithium Pty Ltd (**Covalent**), the vehicle formed to develop the Mt Holland Project on behalf of the 50:50 joint venture between Kidman and Sociedad Química y Minera de Chile S.A. (**SQM**) (**JV**), as defined in the SID.

As at the date of this report, Kidman is not aware of any reason why the conditions precedent will not be satisfied.

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2.2 No shop, No talk

The parties have agreed that unless the SID is terminated, or prior to 30 November 2019 if that is later, Kidman will not, except with the prior written consent of Wesfarmers, directly or indirectly solicit any competing proposal or participate in any discussions or negotiations in relation to any competing proposal unless failure to do so would involve a breach of the fiduciary duties of its Directors. However, the 'no talk' restrictions do not apply to the extent they restrict Kidman from taking or refusing to take any action with respect to a competing proposal (in relation to which there has been no contravention of the 'no talk' provisions) provided that the Kidman Board:

- has obtained written advice from its legal adviser and, if appropriate, financial adviser; and
- in order to satisfy what the Kidman Board considers to be its fiduciary and statutory duties,

determines in good faith that the competing proposal is, or may reasonably be expected to lead to, a superior proposal.

Kidman must notify Wesfarmers if it becomes aware of any competing bid. Wesfarmers has also been granted a right to match any competing bid.

2.3 Other clauses

The SID includes clauses for Kidman paying a break fee of \$7.7 million to Wesfarmers in certain circumstances leading to the Scheme not proceeding, along with various other standard provisions relevant to a scheme, such as termination rights and the obligations of each company in the lead up to implementation.

Further details in relation to the Scheme are set out in the Scheme Booklet to which this report is attached, and also in the SID included with the Company's announcement of the Scheme on 23 May 2019.

3 Technical requirements

Section 411(3) of the Corporations Act 2001 (**the Act**) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal. In this regard, the Directors have requested KPMG Corporate Finance to prepare an IER to satisfy the requirements of Section 411 (although there is no technical requirement in the current circumstances for an IER to be prepared in relation to the Scheme).

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is "fair and reasonable", and therefore "in the best interests" of Scheme Shareholders.



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3.1 Basis of assessment

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is “fair and reasonable” and, as such, incorporates issues as to value. In particular:

- ‘fair and reasonable’ is not regarded as a compound phrase
- an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the shares subject to the offer
- an offer is ‘reasonable’ if it is ‘fair’
- an offer might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Fairness

As noted, RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid.

Accordingly, the principal matter we are required to consider is whether the Scheme Consideration, comprising \$1.90 cash, is equal to or exceeds the market value of an existing Kidman share on a 100% control basis.

RG 111 provides that any special value of the ‘target’ to a particular ‘bidder’ (e.g. synergies that are not available to other bidders) should not be taken into account under this comparison, rather they are matters that an expert might consider in assessing whether an offer is reasonable. As such, in assessing the full underlying value of Kidman, we have considered those synergies and benefits that would be available to a pool of potential purchasers of Kidman. Accordingly, our valuation of Kidman has been determined regardless of the bidder and any special benefits have been considered separately.

Reasonableness

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as but not limited to:

- recent trading prices and the liquidity of the market in the target’s shares
- the risk profile of continuing to hold shares in the target against that of accepting the proposed consideration
- any special value of the target to the bidder
- the likely market price of the target’s shares in the absence of the offer

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- any conditions associated with the scheme
- the likelihood of an alternative offer being made
- the consequences of not approving the scheme.

4 Summary of opinion

In our opinion the Scheme is fair and reasonable to Scheme Shareholders and therefore is in the best interests of Scheme Shareholders, in the absence of a superior proposal.

In forming our opinion, we have assessed whether the Scheme is:

- *fair*, by comparing our assessed value of a Kidman share on a controlling interest basis to the Scheme Consideration of \$1.90 cash
- *reasonable*, by assessing the implications of the Scheme for Kidman shareholders, the alternatives to the Scheme and the consequences of not approving the Scheme

The principal matters we have taken into consideration in forming our opinion are summarised below.

Assessment of fairness

We have assessed the value of Kidman to lie in the range of \$662.6 million to \$815.7 million, inclusive of a premium for control, which equates to an assessed value per Kidman share of between \$1.62 and \$2.00 per share. Which compares to the Scheme Consideration of \$1.90 cash per Kidman share.

In arriving at our range of assessed values for Kidman, we have placed reliance on the report prepared by AMC Consultants Pty Ltd (AMC), the independent mining industry specialists engaged by Kidman, and instructed by us, to assist us in relation to the assessment of the value of the mineral asset interests held by Kidman. A copy of AMC's independent technical specialist's report is attached at Appendix 7.

We have assessed the value of the equity of Kidman on a "sum-of-the parts" basis by aggregating the estimated market value of Kidman's 50% interest in the Mt Holland Project, its other mineral assets and assets considered to be surplus to the mineral assets and deducting net borrowings and non-trading liabilities.

As the Scheme Consideration lies within our assessed range of values for a Kidman share inclusive of a premium for control, we consider the Scheme to be fair, in the absence of a superior offer.

Assessment of Reasonableness

Whilst we have determined the Scheme to be fair based on our assessment of the underlying value of Kidman and therefore, in accordance with RG111, the Scheme is also considered reasonable, we have considered various matters that Scheme Shareholders may also wish to take into account in deciding whether or not to vote for the Scheme. These include:

- Scheme Shareholders are receiving a premium for control based on trading prices for Kidman shares prior to the announcement of the Proposal, the level of which exceeds that typically observed in recent mining sector transactions



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- it is likely that, in the absence of the Scheme or another superior offer, the trading price of Kidman shares will fall from their current level
- the Scheme Consideration provides Scheme Shareholders with an opportunity to realise their investment in Kidman in the short term for a certain cash amount, free of transaction costs. In contrast, the future value of continuing to hold Kidman shares is uncertain and will be impacted both positively and negatively by matters both within and outside of the control of the Company
- in the event the Scheme is successful, Scheme Shareholders will have no continuing interest in the Mt Holland Project and will not be able to participate in any potential for upside
- in the event the Scheme is approved, Scheme Shareholders may face potential tax implications at a time that may not be optimal for individual shareholders
- no alternative offer has emerged in the period since the Proposal was announced on 2 May 2019
- Wesfarmers announced on 2 May 2019 that it has entered into voting agreements with certain Kidman shareholders, representing approximately 17% of Kidman's issued capital, who will, in the absence of a superior offer and subject to this report opining that the Scheme is "in the best interests" of Scheme Shareholders, support the Scheme. Similarly, the Directors of Kidman have already advised the market that, subject to the same qualifications, they unanimously recommend Scheme Shareholders vote in favour of the Scheme
- in the event the Scheme is not approved, Kidman will need to re-invigorate discussions with potential offtake parties and financiers, the progression of which has been delayed pending the outcome of the Scheme. The willingness of these parties to continue on a similar basis as that contemplated prior to the announcement of the Proposal is unknown.

Having considered the issue of fairness and each of the factors above, including the consequences of not approving the Scheme, we are of the opinion that **in the absence of a superior offer the Scheme is in the best interests of Scheme Shareholders.**

Further information in relation to each of the above and other matters we have considered in forming our opinion is set out below.

The decision whether or not to approve the Scheme is a matter for individual Scheme Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio structure, risk profile and tax position. Scheme Shareholders should consult their own professional advisor, if in doubt, regarding the action they should take in relation to the Scheme.

4.1 Fairness

The Scheme Consideration to be received by Scheme Shareholders is fair

We have assessed the value of Kidman to lie in the range of \$662.6 million to \$815.7 million, inclusive of a premium for control, which equates to an assessed value per Kidman share of between \$1.62 and \$2.00 per share. Our valuation is set out in full in Section 9 of this report and summarised below.

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Table 1: Summary of assessed market values of Kidman inclusive of a premium for control

	Assessed Values	
	Low \$m	High \$m
Market values of Kidman's interests in mineral assets:		
Mt Holland Project Ore Reserves - 50% interest	650.0	800.0
Mt Holland Project Mineral Resources (not included in the Life of Mine Model) and other mineral assets	2.1	8.6
Total mineral assets	652.1	808.6
Add: Cash and cash equivalents ²	58.2	58.2
Less: Other net liabilities ³	(2.5)	(2.5)
Future corporate overheads	(45.2)	(48.6)
Total equity value	662.6	815.7
Number of ordinary shares - undiluted (millions)	404.8	404.8
Add: performance and share rights ⁴	3.7	3.7
Number of ordinary shares - diluted (millions)	408.5	408.5
Value per share, inclusive of a premium for control - \$	1.62	2.00

Source: KPMG Corporate Finance analysis and the Specialist Report

Notes:

1. Figures may not add exactly due to rounding
2. Aggregate cash and cash equivalents as at 31 May 2019 held directly by Kidman and through its interest in the JV
3. Other net assets comprise other current assets (\$1.0 million), research and development claim (\$0.9 million), sundry plant and equipment (\$0.5 million) and trade and other receivables (\$0.4 million), less trade and other payables (\$4.3 million), employee provisions (\$0.9 million) and non-current liabilities (\$0.1 million) as at 31 May 2019
4. In the event the Scheme is approved, all outstanding performance and share rights vest and form part of the Scheme

Our range of assessed values represents the value of a 100% interest in Kidman and incorporates corporate cost savings that would generally be available to a pool of purchasers but does not include any potential strategic or operational synergies that may be unique to individual investors. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder. Our valuation of Kidman shares exceeds the price at which, based on current market conditions, we would expect Kidman shares to trade on the ASX in the absence of the Scheme or some superior offer.

In arriving at our range of values for Kidman, we have placed reliance on the assumptions prepared by AMC in relation to reasonable production scenarios, including appropriate Ore Reserves estimations, capital expenditure and operational cost profiles in respect of the Mt Holland Project. In addition, AMC has assessed the value of other mineral asset interests held by Kidman not captured in the production scenarios prepared by it. AMC's report is attached as Appendix 7.

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The production, operating cost and capital cost scenarios prepared by AMC were adjusted by us to reflect specific corporate matters, including macro-economic factors, the impact of government royalties, taxes and other matters of judgement by us.

We would highlight to Scheme Shareholders that whilst Kidman's principal asset, being its JV interest in the long-life Mt Holland Project, is potentially very valuable, the project is yet to be developed and the forecast operational and financial information prepared by the JV and/or Kidman available at the date of this report is at a prefeasibility study (PFS) level of accuracy. As a result, such assets are by their nature difficult to value.

Our valuation range takes into account three project scenarios, recommended by AMC, based on the PFS, updated for information that has subsequently been obtained by the JV in moving the PFS toward an integrated definitive feasibility study (DFS) level of confidence. Whilst we consider our assessed range of values to be reasonable based on prevailing market conditions, they effectively assume that Kidman will be able to successfully obtain all of the development funding required to finance its capital contributions to bring the Mt Holland Project online in the timeframe contemplated by AMC in each of its scenarios, and that the project operates as projected over its entire forecast 47 year life of mine.

We have included an allowance for timing and asset specific risk in our assessment of values, however we have not adjusted our range of assessed values to reflect any hypothetical capital raising that may be required by Kidman to fund its portion of the capital contributions and owner's costs in developing the Mt Holland Project, as we do not consider there to be a reasonable basis at this time to assess the structure, terms, costs and timeframe upon which that funding might be secured. However, having regard to:

- Kidman's current cash holdings and the estimated level of capital required to develop the Mt Holland Project
- Kidman's early stage discussions with potential debt providers,

it is clear that Kidman will likely be required to fund at least part of its future contributions through the issue of new equity, which in turn is likely to have a significant adverse dilutionary and value per share impact³.

Our valuation of the Mt Holland Project is sensitive to various assumptions, in particular, foreign exchange rates, production levels and realised lithium prices. Lithium prices are not exchange traded and are generally set following bespoke contract negotiations, as a result the terms of trade of market participants in the end markets for Kidman's principal product are at present reasonably opaque. KPMG Corporate Finance's forecast foreign exchange rates and lithium price assumptions have been determined

³ Purely for illustrative purposes, in the event Kidman was required to raise \$284 million in equity, being 40% of the total forecast capital expenditure and owner's costs required to bring the Mount Holland Project on-stream of \$710 million, at a 10% discount to its closing price of \$1.29 on the last trading day prior to the announcement of the Proposal, this would result in the issue of at least an additional 244.7 million Kidman shares and have the impact of reducing our range of assessed fair values to between \$1.45 and \$1.68 per Kidman share.



after consideration of the forecasts of various market analysts. However, a wide range of assumptions could credibly be adopted, which would impact assessed fair values either positively or negatively.

In this context, we would draw Scheme Shareholders' attention to the sensitivity analysis set out in section 9 of this report. Whilst we consider our range of assessed market values for Kidman to be appropriate at the date of this report, we note that, depending on Scheme Shareholders' views as to long term macro-economic factors and the prospects and operations of the Mt Holland Project, individual Scheme Shareholders could form a view that the value of Kidman that differs to our assessed range and therefore could reach a different opinion in relation to fairness.

4.1.1 Comparison of assessed values to recent sharemarket trading

Our valuation range for a Kidman share of \$1.62 to \$2.00 reflects a premium over the \$1.29 closing price of Kidman shares immediately prior to the Proposal of between 26% and 56%. This premium in part reflects a valuation of 100% of Kidman inclusive of a premium for control rather than a valuation of a portfolio interest in the Company as traded on ASX. However, in our opinion it may also be as a result of the market applying a greater risk premium to the value of Kidman's interest in the Mt Holland Project than us, reflecting, amongst other things:

- market uncertainty as to future lithium pricing and the extent and pace of development of the nascent electric vehicle market, which is seen by market commentators to be a key driver of demand for lithium over the foreseeable future
- our values effectively assume a positive Final Investment Decision (**FID**) is achieved and that all regulatory and other approvals, including final environmental approval, in relation to the development of the Mt Holland Project are received and in a timely manner.
- Kidman's forecast funding obligation in relation to future project mine site and refinery capital expenditure and owner's costs during construction is in the order of \$710 million⁴. Whilst Kidman currently has approximately \$58.2 million in aggregate cash and cash equivalents available directly and through its interest in the JV and has secured access to an interim US\$100 million loan facility (A\$142.6 million)⁵ from SQM, which becomes available after FID, to partially fund Kidman's share of construction, it is clear that Kidman will be required to raise a significant level of further funding through either debt finance and/or additional equity raisings to meet its funding obligations whilst also meeting its corporate operating and working capital commitments. Our values of Kidman assumes the Mt Holland Project is fully funded, putting aside the specific funding capacity and challenges for Kidman.

⁴ Based on AMC's "most likely" Case 1 development assumptions and including owners' costs and contingency, and KPMG's forecast AUD:USD exchange rates

⁵ Based on a A\$:US\$ spot exchange rate of 0.70

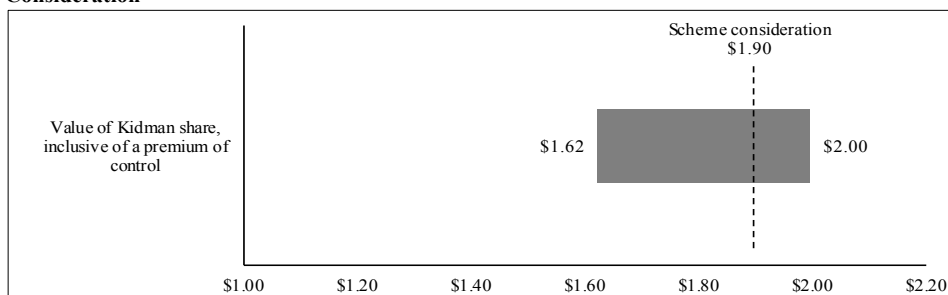


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4.1.2 Comparison of assessed values to the Scheme Consideration

The chart below provides a comparison of our assessed valuation ranges for a Kidman share and the Scheme Consideration of \$1.90 cash in assessing fairness of the Scheme:

Figure 1: Comparison of our assessed valuation ranges for a Kidman share and the Scheme Consideration



Source: KPMG Corporate Finance Analysis

As the Scheme Consideration lies within our range of assessed values for a Kidman share, inclusive of a premium for control, we consider the Scheme Consideration to be fair to Scheme Shareholders.

Further details in relation to the basis of our valuations of Kidman is set out in section 9 of this report.

4.2 Reasonableness

In accordance with RG111, a transaction is considered to be reasonable if it is fair. Accordingly, as we have determined that the Scheme is fair, there is no technical requirement for us to separately consider matters of reasonableness. Notwithstanding this, we believe that there are various issues that Scheme Shareholders may also wish to consider in deciding whether or not to support the Scheme, including those set out below.

4.2.1 Advantages

Based on the Scheme Consideration of \$1.90 per Kidman share and traded prices for a Kidman share prior to the Proposal, Scheme Shareholders are receiving a premium

Based on the Scheme Consideration of \$1.90 cash per Kidman share, the implied premium of the Scheme Consideration over the volume weighted average price (VWAP) of Kidman shares at various points in the six months prior to the announcement of the Scheme is detailed in the table below.

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Table 2: Scheme Consideration of \$1.90 cash compared to Kidman's share price prior to the announcement of the Proposal

Period up to and including 1 May 2019	Kidman VWAP \$	Scheme Consideration \$	Premium %
1 week	1.32	1.90	43.9
1 month	1.30	1.90	46.6
3 months	1.32	1.90	44.4
6 months	1.28	1.90	48.2

Source: IRESS and KPMG Corporate Finance Analysis

In order to assess a reasonable range for implied acquisition premia in Australia, we have considered the outcome of a recent study⁶ in relation to control premia observed in successful takeovers and schemes of arrangement in the Australian metals and mining sector over the 10 year period 2006 to 2016; which indicated over a data set of 134 transactions, the 2 day, 5 day and 20 day pre-bid:

- average premium was 29.9%, 32.4% and 35.8% respectively.
- median premium was 26.3%, 27.9% and 30% respectively.

Having considered these outcomes, we consider, on balance, that it is reasonable to suggest that in Australia, successful transactions in the metals and mining sector are typically likely to complete within an acquisition premia range of 25% to 35%. The premium implied by the Scheme Consideration lies above this range.

In considering the evidence provided by actual transactions, it is important to recognise, however, that the observed premium for control is an outcome of the valuation process, not a determinant of value and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including amongst other things:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- synergistic or special value that may be unique to a specific acquirer
- whether the acquisition is competitive.

We would expect the price of a Kidman share to fall from current levels in the absence of the Scheme or an alternative superior offer

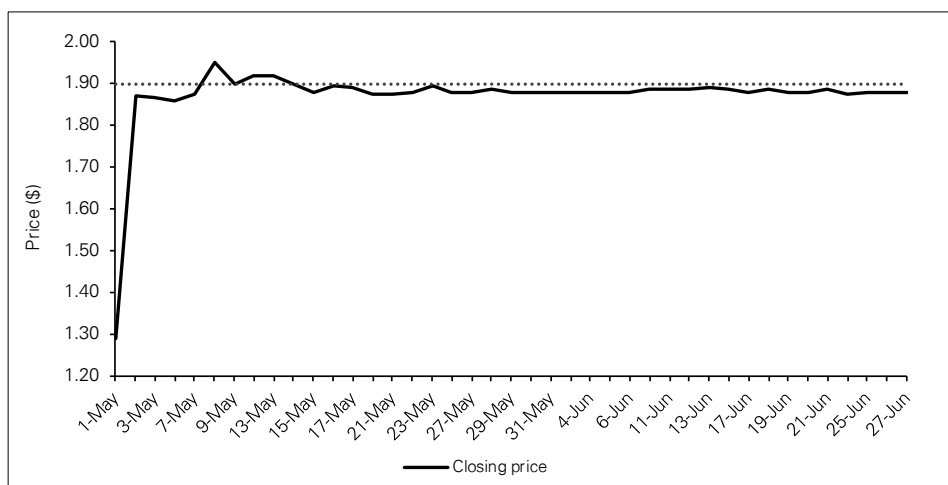
On the day of the announcement of the Proposal, Kidman's shares closed at \$1.87, up approximately 45% on the prior day closing price of \$1.29 and have largely traded at or slightly below the Scheme Consideration of \$1.90 in the period to 27 June 2019, as shown in the chart below.

⁶ RSM "Control Premium Study 2017"



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Figure 2: Kidman daily close price on the ASX post announcement of the Proposal



Source: Capital IQ and KPMG Corporate Finance Analysis

Over the same period the ASX All Ordinaries index rose approximately 4.3% and the ASX Metals and Mining Index by 13.0%. In that period, Kidman has not released any material announcements. Accordingly, it would appear that Kidman shares have been trading “cum” the Proposal and the Scheme.

Accordingly, in the absence of the Scheme or some superior offer, there is a strong likelihood that Kidman shares would fall significantly. However, it is possible that the share price of Kidman shares may not fall back to the levels immediately prior to the announcement of the Proposal given the market will have the benefit of additional information contained in the Scheme Booklet, including this report.

The Scheme provides certainty as to value

As the Scheme Consideration comprises cash, free of transaction costs, Scheme Shareholders are provided with certainty as to the value of the consideration they are receiving for their Kidman shares.

In contrast, should Scheme Shareholders resolve to continue to hold their Kidman shares, the value of a Kidman share will, in addition to general market movements, be impacted by, inter alia, the JV’s ability to successfully develop the Mt Holland Project, which remains subject to various approval, development, operational and financing risks.

4.2.2 Disadvantages

Kidman shareholders will no longer hold an interest in Kidman’s assets

In the event that the Scheme is successfully implemented, Scheme Shareholders will exchange each Kidman share held for \$1.90 cash. As a result Scheme Shareholders will no longer have any interest in the mineral and other assets of Kidman, including its interest in the long-life and potentially very valuable Mt Holland Project.

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Whilst it is open for Scheme Shareholders to re-invest the Scheme Consideration in Wesfarmers shares, we note that Wesfarmers also holds a number of other large business divisions outside of the natural resources sector and therefore any investment will no longer be solely minerals focussed.

4.2.3 Other considerations

Likelihood of a superior alternative proposal emerging is considered unlikely

Under the SID, Kidman is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals. However, the Directors would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

Prior to agreeing to put the Scheme to Scheme Shareholders, Kidman and its advisors, engaged with a number of parties identified as being potential acquirers and/or equity providers, certain of which, including Wesfarmers, progressed to diligence.

Whilst no alternative offers have been received by Kidman since the date of the announcement of the Proposal, we note that a small number of parties had yet to complete their diligence enquiries at the time the SID was entered into. As such, whilst we consider the prospect of an alternative offer emerging to be unlikely, we do not consider it to be entirely without prospect. We note however that Wesfarmers has a first right to match any competing bid considered by the Kidman Board to be superior to the Scheme, which may reduce the appetite of any potential alternative bidder.

Whilst Scheme Shareholders with no requirement for short term liquidity and a positive view on the Mt Holland Project and the lithium industry in general could vote against the Scheme in the hope that Wesfarmers will agree to an increase in the Scheme Consideration, we consider the prospects of an improved offer from Wesfarmers in the absence of a competing offer to be remote given that it has already secured:

- the recommendation of the Kidman Board
- an undertaking from various shareholders representing approximately 17% of Kidman's issued capital to support the Scheme, subject to no superior offer emerging and this report concluding that the Scheme is in the best interests of Scheme Shareholders.

Taxation implications for Scheme Shareholders

In the event the Scheme is implemented, Kidman shareholders will receive \$1.90 cash for each Kidman share currently held. This will represent a disposal of the relevant Kidman shares for capital gains tax purposes and crystallise any capital gains tax implications for individual Scheme Shareholders, which may not be at a time most financial beneficial for the relevant holder.

Kidman shareholders are strongly encouraged to read the outline of the taxation implications for Kidman shareholders in respect of the Scheme are set out in Section 6 of the Scheme Booklet and, if any doubt, should seek their own independent taxation advice regarding the tax consequences of the Scheme.



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4.2.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, Kidman will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Kidman shareholders will not receive the Scheme Consideration and the implications of the Scheme, as summarised above, will not occur
- Kidman shareholders will continue to be exposed to the benefits and risks associated with an investment in Kidman, which will be closely tied to the success or otherwise of the Mt Holland Project as it moves through its development and operational cycles. In particular, Kidman will need to seek to reinvigorate its discussion with potential offtake parties and financiers and will likely need to pursue an equity raise in the future to meet its capital contributions to the JV while also meeting its own working capital and corporate requirements.
- Kidman's share price will likely fall from current levels.

5 Other matters

In forming our opinion, we have considered the interests of Scheme Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Scheme Shareholders. It is not practical or possible to assess the implications of the Scheme on individual Scheme Shareholders as their financial circumstances are not known.

The decision of Scheme Shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Scheme Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Scheme Shareholders seek their own independent professional advice.

Our report has been prepared solely for the purpose of assisting Scheme Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not Scheme Shareholders should elect to vote in favour of the Scheme, which remains a matter solely for individual shareholders to determine.

Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and the Scheme Booklet to be sent to Scheme Shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Scheme Booklet.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 6 of our report.

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References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY, and references to calendar years have been abbreviated to CY.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Hughes'.

Jason Hughes
Authorised Representative

A handwritten signature in black ink, appearing to read 'W Allen'.

Bill Allen
Authorised Representative

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6 Scope of the report

6.1 Purpose

This report has been prepared by KPMG Corporate Finance for inclusion in the Scheme Booklet to accompany the Notice of Meeting convening a Court ordered meeting of Scheme Shareholders in or around September 2019 in accordance with Section 411 of the Act. The purpose of the meeting will be to seek approval of the Scheme.

The sole purpose of this report is an expression of KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Shareholders. This report should not be used for any other purposes or by any other party.

6.2 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Kidman or any of its associated entities for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Kidman's management and its advisers in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Kidman have been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by or on behalf of the management of Kidman. KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and Kidman remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual



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assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models. However, we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

KPMG Corporate Finance has instructed AMC to undertake various enquiries in relation to the forecast information, including review of technical data and holding discussions with management and Covalent Lithium in regard to the technical and commercial assumptions underlying the forecast operations of Kidman's JV interest in the Mt Holland Project. AMC has, where necessary, made adjustments to reflect its judgement and provided its preferred forecast production and cost schedules to KPMG Corporate Finance. KPMG Corporate Finance is of the view that this forward-looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. Further detail in relation to the involvement of the independent technical specialist and a summary of their projections is set out in section 9 of this report. A copy of AMC's report is included at Appendix 7 to this report.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal diligence that a company and its advisers may undertake. The Directors are responsible for conducting diligence in relation to the Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the diligence process, which is outside our control and beyond the scope of this report. We have assumed that the diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.3 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Due to commercial sensitivity and/or confidentiality undertakings given by Kidman we have limited the level of disclosure in relation to certain key business arrangements however we have disclosed a summary of material information which we relied on in forming our view.

6.4 Reliance on Technical Expert

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of Kidman's mineral assets, AMC was engaged by Kidman, and instructed by us, to prepare an independent technical report in relation to the development and operational forecast assumptions for the Mt Holland Project as well as the valuation of

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any other mineral interests, such as defined resources and other exploration tenements held by Kidman but not included in the forecasts in respect of the Mt Holland Project. A copy of the AMC's report, dated 4 July 2019, is attached to this report at Appendix 7.

AMC's report was prepared in accordance with the requirements of the Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral and Petroleum Assets (2015 Edition) (**the ValMin Code**) to the extent applicable.

ASIC Regulatory Guides recommend the fees payable to the technical specialists be paid in the first instance by the independent expert and claimed back from the party commissioning the independent expert. KPMG Corporate Finance's preferred basis for appointment of independent technical specialists is that the client commissions, and pays the fees directly to, the technical specialist, whilst KPMG Corporate Finance defines the scope of work for the technical specialist. We do not consider that the independence of the technical specialist is impaired by this arrangement.

We have satisfied ourselves as to AMC's qualifications and independence from Kidman and Wesfarmers, and have placed reliance on its report.

Following discussion and enquiry with AMC, the development and operational assumptions recommended by AMC have been adopted in the cash flow projections used by us in assessing the value for Kidman's interest in the Mt Holland Project. KPMG Corporate Finance was responsible for the determination of certain macroeconomic and other assumptions such as commodity prices, exchange rates, discount rates, inflation and taxation assumptions.

The valuation methodologies adopted by AMC in respect of mineral assets outside of the Mt Holland Project are based on the yardstick, unit area value, past expenditure and/or comparable transactions methods as appropriate.

Due to the various uncertainties inherent in the valuation process, AMC has determined a range of values within which it considers the value of each of these additional mineral assets to lie. The valuations ascribed by AMC to the other mineral assets of Kidman have been adopted in our report.

7 Industry overview

Kidman's principal assets include interests in lithium development and exploration assets. Accordingly, the financial performance of Kidman is significantly impacted by developments in the international lithium industry. To provide a context for assessing the prospects of Kidman, we have included an overview of recent trends in the international lithium markets at Appendix 3.



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8 Profile of Kidman

8.1 Company overview

Kidman is a mineral exploration and development company listed on the securities exchange of the ASX. Kidman's principal activities are the development of the integrated Mt Holland Project comprising a mine, concentrator and refinery through its 50% stake in an unincorporated JV with SQM. The JV is being managed on behalf of the JV partners by jointly owned Covalent. The Company also holds exploration interests in the Northern Territory and New South Wales.

An overview of the Mt Holland Project and Kidman's other exploration assets is set out below and discussed in more detail in AMC's report which is attached as Appendix 7 to this report.

8.2 The Mt Holland Project

The Mt Holland Project is a development-stage integrated lithium project, located in Western Australia.

Kidman acquired the Mt Holland gold/lithium project, 100km south of Southern Cross, in Western Australia in July 2016. Early exploration identified lithium potential and the Earl Grey spodumene deposit was discovered in 2016. In December 2016, Kidman announced a maiden lithium Mineral Resource of 128Mt @ 1.44% lithium oxide (**Li₂O**).

The JV between Kidman and SQM to develop an open cut lithium mine and concentrator, as well as a downstream lithium refinery also within Western Australia, was announced on 12 July 2017 and executed on 12 September 2017.

Under the JV agreements, Kidman agreed to sell 50% of its interest in the Mt Holland Project for consideration of \$US30 million cash (payable directly to Kidman) and a commitment by SQM to sole fund the first \$US80 million of expenditure in connection with the Mt Holland Project. Under the terms of the JV, Kidman retains the rights to its 50% share of lithium production from the JV as well as all rights to the Mt Holland gold resource and any minerals other than lithium on the tenements.

In March 2018, Kidman announced a 54% increase in the Mineral Resource for the Earl Grey Deposit underpinning the Mt Holland Project at 189 million tonnes (**Mt**) of 1.50% Li₂O or 7.03 Mt of lithium carbonate equivalent.

On 4 May 2018, Kidman announced that Covalent had entered into a 24 month option with the Western Australian Land Authority to lease a premier site in Kwinana, Western Australia, intended as the potential site for the refinery plant.

On 22 October 2018, Kidman announced the results of a pre-feasibility study completed on the proposed Kwinana lithium refinery and an updated scoping study on the proposed Mt Holland lithium mine and concentrator.

On 25 October 2018, Kidman announced it had entered into a term sheet for a US\$100 million capital expenditure debt facility with SQM to partially fund Kidman's share of construction of the Mt Holland Project and a US\$10 million facility to fund Kidman's share of JV cash calls prior to receipt of SQM's outstanding milestone payments. In addition, Kidman announced that Covalent would

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consolidate the remaining studies for the mine, concentrator and refinery into an integrated PFS and integrated DFS.

On 14 December 2018, the Company announced the settlement of proceedings relating to applications for exemption from minimum expenditure obligations and forfeiture applications associated with the Mt Holland Project. Kidman announced that the Minister for Mines and Petroleum (Western Australia) had granted exemption certificates for all Mt Holland tenements that were subject to exemption applications and that the Perth Mining Warden had granted orders to dismiss all forfeiture applications relating to Mt Holland tenements.

On 18 December 2018, Kidman announced that Covalent had completed an integrated pre-feasibility study for the Mt Holland Project. Key outcomes from the PFS include:

- long-life, low-cost operation with projected average production of approximately 45.3 thousand tonnes per annum (**ktpa**) of lithium hydroxide (**LiOH**) (Kidman share: 22.6 ktpa)
- maiden Ore Reserve for the Earl Grey deposit of 94.2 million tonnes at 1.5% Li₂O
- adoption of a 5.5% Li₂O concentrate grade based on testing to date, which will be subject to optimisation during a definitive feasibility study (**DFS**) stage
- total integrated capital expenditure of US\$737 million (Kidman share: US\$368 million) including contingencies. This figure excludes owner's costs of US\$76 million (Kidman share: US\$38 million) during construction
- integrated cash operating cost (**C1**)⁷ (net of by-products) of US\$4,507 per tonne LiOH (excluding government royalties), subject to further definition during the DFS stage.

On the same date, Kidman announced that SQM had satisfied its milestone payment obligation, with the payment of US\$25 million directly to Kidman and a payment of US\$60 million directly to Covalent. This marked completion of SQM's earn in for its 50% share of the Mt Holland Project.

On 27 March 2019, the Company advised that it had been granted Environmental Protection Authority (**EPA**) consent for Minor or Preliminary Works (**MPW**) enabling it to progress the remaining approvals required for MPW to commence at its Mt Holland Project.

Covalent has commenced a DFS for the integrated Mt Holland Project, comprising a mine, concentrator and refinery. Kidman management has advised that it is anticipated that, on the basis of progress to date and following the review and finalisation process set out in the Joint Venture Agreement, the DFS will be completed and approved by the JV partners in the final quarter of 2019, with a FID expected in the first quarter of 2020.

A summary of the Ore Reserve and Mineral Resources contained within the Earl Grey deposit area is set out below.

⁷C1 excludes cash cost for government royalties and includes by-product credits from excess concentrate production not used for refinery



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Table 3: Earl Grey Ore Reserves and Mineral Resources

Deposit	Category	Tonnes/Feed (Mt)	Li ₂ O (%)	Fe ₂ O ₃ (%)	Ta ₂ O ₅ (ppm)	Waste (Mt)	Total (Mt)
Mineral Resources							
Earl Grey	Measured	66	1.58	1.18			
	Indicated	106	1.52	1.09			
	Inferred	17	1.11	1.20			
Total Mineral Resources		189	1.50	1.13			
Ore Reserves							
Earl Grey	Proved	54.4	1.5	1.3	45	199	253
	Probable	39.8	1.5	1.4	54	222	261
Total Ore Reserves		94.2	1.5	1.4	50	422	515

Source: 2018 Annual report

Notes:

- 1 Mineral Resources are inclusive of Ore Reserves
- 2 Ore Reserve and Mineral Resource figures have been reported in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC code**) and were approved for release in the form and context in which they appear by a Competent Person, as defined by the JORC code
- 3 Mineral Resources were announced on 19 March 2018 and were estimated using a cut-off grade of 0.5% Li₂O
- 4 Ore Reserves were announced on 18 December 2018 based on the Mineral Resource estimate announced on 19 March 2018 and were estimated using a cut-off grade of 0.5% Li₂O and a life-of-mine strip ratio of approximately 4.5 times
- 5 Amounts may not add exactly to due to rounding

More detailed discussion in relation to the Mt Holland Project is contained in AMC's report, which is attached to this report at Appendix 7.

8.3 Other mineral assets

Kidman's interests in other mineral assets comprise:

- the Barrow Creek base metals exploration project which covers 91.5 square kilometres (**km²**) and is located 250km north of Alice Springs
- the Browns Reef gold and base metals exploration project located 5 kilometres (**km**) west of the town of Lake Cargelligo in New South Wales, and covers a total area of 441km².

Further discussion in relation to Kidman's other mineral assets is contained in AMC's report attached at Appendix 7.

8.4 Offtake agreements for Kidman's share of the Mt Holland Project production

Under the terms of the JV, Kidman retains the marketing rights to its 50% share of lithium production from the JV. Kidman had entered into offtake arrangements at various stages of finalisation with various parties for its share of future production prior to the announcement of the Proposal as summarised below:

- On 17 May 2018, Kidman announced that it had entered into a binding agreement with Tesla, Inc (**Tesla**) to supply battery grade LiOH for an initial term of three years, plus two further possible

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option terms each of three-years, on a fixed-price take-or-pay basis from the delivery of first product, equating to less than 25% of Kidman's portion of expected initial nameplate production.

- On 1 November 2018, Kidman announced it had entered into a binding heads of agreement with Mitsui & Co., Ltd (**Mitsui**) in relation to the supply of battery grade LiOH for an initial term of two years, plus two further two-year extension options. Agreed volumes equate to less than 15% of Kidman's share of nameplate production and pricing will be variable based on the price Mitsui achieves from its customers and prevailing international prices. The agreement includes a floor price for the initial term and any extension term and is subject to conditions precedent relating to finalising the product specifications and the battery grade LiOH produced being qualified for use by Mitsui customers.

The heads of agreement provides that if Kidman and Mitsui have not agreed to the terms of definitive supply agreement by 30 June 2019, then either party may give notice to the other party indicating that it will terminate the heads of agreement unless a supply agreement is executed within 40 business days from the date of receipt of the notice. Kidman has advised that as at the date of this report it has not issued and it has not received such a notice.

- On 19 December 2018, Kidman announced it had entered into a non-binding memorandum of understanding with LG Chem, Ltd (**LG Chem**) in relation to the supply 12 ktpa of battery grade LiOH over a term of 10 years. Pricing is on arm's length terms set by reference to prevailing market prices on a basis that will support the Company's proposed debt funding. Kidman and LG Chem agreed to work towards execution of a binding strategic supply agreement by 31 July 2019.

We note that the detailed terms of the above agreements are commercial in confidence and subject to confidentiality agreements, accordingly we have been required to limit our disclosure to that level usually put into the public domain.

8.5 Historical financial performance

Kidman's historical audited consolidated financial performance for each of the financial years ended 30 June 2016, 2017 and 2018, and the 6 months ended 31 December 2018 are summarised below.

Table 4: Kidman's historical consolidated financial performance

	Audited 12 months ended 30 Jun 16	Audited 12 months ended 30 Jun 17	Audited 12 months ended 30 Jun 18	Audited 6 months ended 31 Dec 18
\$'000				
Revenue from continuing operations	16	93	68	90
Other income	828	-	453	11,880
Employee benefits expense	(1,103)	(1,112)	(2,907)	(2,185)
Administration expenses	(421)	(663)	(1,445)	(674)
Corporate expenses	(747)	(1,657)	(4,037)	(6,294)
Share based payments	-	(697)	(937)	(581)
Depreciation and amortisation expense	(43)	(43)	(61)	(42)
Impairment of assets	(1,261)	(9,877)	(46)	(45)
Loss on sale of assets	(70)	-	-	(49)

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\$'000	Audited 12 months ended 30 Jun 16	Audited 12 months ended 30 Jun 17	Audited 12 months ended 30 Jun 18	Audited 6 months ended 31 Dec 18
Loss on extinguishment of liability	(286)	(2,973)	(39)	-
Finance costs	(647)	(600)	(107)	(431)
Profit/(loss) on foreign currency translation	-	-	(257)	236
Profit/(loss) before tax from continuing operations	(3,736)	(17,528)	(9,314)	1,908
Income tax (expense)/benefit	1,962	-	(348)	(5,477)
Loss after tax from continuing operations	(1,774)	(17,528)	(9,662)	(3,569)
Loss after tax from discontinued operations	(2,514)	(13,782)	(20)	-
Loss after tax attributable to the owners of Kidman	(4,288)	(31,310)	(9,682)	(3,569)
Weighted average ordinary shares on issue (m)	159.4	307.2	354.2	400.0
Earnings per share (cents) ¹	(2.69)	(10.19)	(2.73)	(0.89)

Source: FY16, FY17, FY18 and CY18 Annual Reports, KPMG Corporate Finance analysis

Notes:

- Earnings per share is calculated as Loss after tax attributable to the owners of Kidman divided by the weighted average number of ordinary shares on issue during the period. Performance rights held by employees are non-dilutive as the consolidated entity has generated a loss for each period.
- Amounts may not add exactly due to rounding

Kidman's recent historical financial performance is consistent with an exploration and development company not yet in production.

Kidman changed its financial year end from 30 June to 31 December in 2018 in order to align its financial year with that of SQM, Kidman's JV partner, and Covalent, which is expected to eliminate significant duplication and reduce administration costs for Kidman and Covalent management.

Other observations in relation to Kidman's recent trading results include:

- other income for the six months ended 31 December 2018 included gain on sale of lithium rights of \$11.9 million
- impairment of assets in FY17 included amongst other things a \$9.2 million impairment to the Crowl Creek and Barrow Creek legacy exploration assets
- loss after tax from discontinued operations in FY17 included a \$4.6 million impairment to the Burbanks gold asset, which had been unsuccessfully offered for sale during year and as a result allowed to flood and written down to \$nil.

8.6 Historical financial position

Kidman's historical audited financial position as at each of 30 June 2016, 30 June 2017, 30 June 2018 and 31 December 2018 are summarised below.

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Table 5: Kidman's historical financial position

	Audited	Audited	Audited	Audited
\$'000	30 Jun 16	30 Jun 17	30 Jun 18	31 Dec 18
Assets				
Cash and cash equivalents	4,752	2,554	10,026	30,865
Trade and other receivables	401	1,809	720	388
Prepayments	35	41	67	114
Total current assets	5,189	4,404	10,813	31,367
Exploration and evaluation	14,387	22,140	15,897	-
Property, plant and equipment	522	137	285	215
Deferred tax	-	-	12,136	3,333
Mines under development	4,938	-	-	-
Other non-current assets	176	111	166	88
Total non-current assets	20,023	22,388	28,484	3,636
Total assets	25,212	26,792	39,297	35,003
Liabilities				
Trade and other payables	3,860	2,039	3,720	5,273
Borrowings	1,000	8,444	6,400	-
Income tax	-	-	8,920	8,666
Employee benefits	119	122	255	245
Total current liabilities	4,979	10,605	19,295	14,184
Borrowings	5,741	-	-	-
Deferred tax	-	-	3,563	237
Employee benefits	23	43	113	125
Provisions	50	50	172	172
Total non-current liabilities	5,814	93	3,848	534
Total liabilities	10,793	10,698	23,143	14,718
Net assets	14,418	16,094	16,154	20,284
Shares on issue (m)	237.3	333.3	399.6	404.8
Net asset backing per share (cents)	6.08	4.83	4.04	5.01
Gearing ¹	8%	22%	0%	0%
Current ratio ²	1.0x	0.4x	0.6x	2.2x

Source: FY16, FY17, FY18 and CY18 Annual Reports and KPMG Corporate Finance analysis

Notes:

- 1 Gearing represents net debt divided by total assets, where net debt is total current and non-current borrowings less cash and cash equivalents
- 2 Current ratio represents current assets divided by current liabilities
- 3 Amounts may not add exactly to due to rounding

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Exploration and evaluation assets were reduced to \$nil during the 6 months to 31 December 2018 as a result of the sale of Kidman's interest in lithium rights. In accordance Kidman's accounting policies, cash received from SQM as a result of its farm-in to the Mt Holland Project was credited against previously capitalised costs in relation to the whole interest with any excess accounted for as a gain on disposal.

For the periods ended 30 June 2018 and 31 December 2018, Kidman brought to account an estimate of the tax payable by Kidman arising from the sale of 50% of its interest in the Mt Holland Project to SQM. These calculations included certain assumptions based upon information available at the time.

Subsequent to 31 December Kidman lodged its income tax return for the year ended 30 June 2018. In the process of completing the tax return Kidman engaged with advisers, including a valuation expert, to finalise certain assumptions applied in respect to the treatment of the sale for tax purposes. This gave rise to a difference in the tax payable amount and that previously recorded. Under the revised calculation Kidman's tax liability is \$nil.

8.7 Statement of cash flows

Kidman's historical audited consolidated statement of cash flows for each of FY16, FY17, FY18 and the six months ended 31 December 2018 are summarised below.

Table 6: Kidman's historical consolidated statement of cash flows

	Audited 12 months ended 30 Jun 16	Audited 12 months ended 30 Jun 17	Audited 12 months ended 30 Jun 18	Audited 6 months ended 31 Dec 18
\$'000				
Cash flows from operating activities				
Receipts from customers	7,457	788	-	-
Payments to suppliers and employees (incl. GST)	(9,038)	(9,857)	(5,624)	(7,228)
Interest received	28	96	51	48
Interest paid	-	-	(48)	-
Other revenue	145	33	-	-
Payments for security bonds on operating activities	29	-	-	-
Net cash used in operating activities	(1,378)	(8,940)	(5,621)	(7,181)
Cash flows from investing activities				
Loan provided to MH Gold	(209)	-	-	-
Payments for property, plant and equipment	(390)	(182)	-	-
Payments for acquisition of other assets	-	(5,466)	-	-
Payments for exploration and evaluation	(3,885)	(8,410)	(3,018)	(189)
Payments for acquisition of subsidiary (net)	(1,254)	-	-	-
Proceeds from disposal of subsidiary	-	-	396	-
Proceeds from disposal of mineral assets	1,500	-	6,529	-
SQM milestone payment	-	-	-	34,822
Proceeds from release of bank guarantees	-	51	38	71

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\$'000	Audited 12 months ended 30 Jun 16	Audited 12 months ended 30 Jun 17	Audited 12 months ended 30 Jun 18	Audited 6 months ended 31 Dec 18
Proceeds from R&D tax incentive grant	-	-	854	-
Net cash from investing activities	(4,238)	(14,006)	4,799	34,705
Cash flows from investing activities				
Proceeds from issue of shares	8,067	21,000	8,823	-
Cost from issue of shares	(432)	(1,355)	(14)	-
Proceeds from borrowings	-	2,103	5,743	-
Repayment of borrowings	-	(1,000)	(6,259)	(6,820)
Net cash from/(used in) financing activities	7,635	20,748	8,293	(6,820)
Net increase/(decrease) in cash and cash equivalents	2,019	(2,198)	7,471	20,704
Cash and cash equivalents at the beginning of the period	2,733	4,752	2,554	10,026
Effect of exchange rate changes on cash and cash equivalents	-	-	-	136
Cash and cash equivalents at the end of the period	4,752	2,554	10,026	30,865

Source: FY16, FY17, FY18 and CY18 Annual Reports and KPMG Corporate Finance analysis

8.8 Taxation

Australia

Kidman has unused revenue tax losses of approximately \$24.6 million which have not been recognised as a deferred tax asset. Carried forward tax losses may be available to offset against future taxable profits subject to the satisfaction of relevant statutory tests.

In addition, we refer to our previous comments in relation to Kidman's reversal of the previous provision for income tax recorded by the Company as at 30 June 2018 and 31 December 2018.

8.9 Contingent liabilities

Kidman has certain obligations that are contingent upon successful completion of the Scheme. The financial effect of these obligations to Kidman is approximately \$11.5 million and relates to success fees to be paid to Kidman's corporate adviser, transaction bonuses and the purchase of Directors and Officers run-off insurance.

8.10 Options

At the date of this report, there were no options issued over ordinary shares in Kidman.

8.11 Performance rights

Performance rights form part of the Kidman's Long Term Incentive Plan (LTIP). Employees participating in the LTIP receive new Kidman shares subject to the satisfaction of specific hurdle prices in relation to Kidman shares, for nil consideration. As at the date of this report 2019, approximately

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3.72 million performance and share rights had not vested. The breakdown of these share rights by expiry date is summarised in the following table.

Table 7: Performance rights on issue

Grant date	Expiry of performance period	Hurdle Price (\$)	Number of rights (000)
2 Jan 19	1 Jan 20	0.00	60.7
16 Mar 18	15 Mar 20	2.25	477.3
16 Mar 18	15 Mar 20	2.50	204.1
16 Mar 18	15 Mar 20	2.75	477.3
6 Aug 18	5 Aug 20	0.00	330.0
6 Aug 18	13 Aug 20	1.80	274.3
22 Aug 18	21 Aug 20	2.25	121.1
7 Jan 19	1 Jan 21	0.00	100.0
16 Mar 18	15 Mar 21	3.00	204.1
6 Aug 18	13 Aug 21	2.05	274.3
22 Aug 18	13 Aug 21	2.75	121.1
16 Mar 18	15 Mar 22	3.25	477.3
16 Mar 18	15 Mar 22	3.50	204.1
6 Aug 18	13 Aug 22	2.30	274.3
22 Aug 18	13 Aug 22	3.25	121.1
Total			3,721.2

Source: Kidman management

As set out at Section 8 of the Scheme Booklet, the Directors have determined that in the event the Scheme is approved, all outstanding performance and share rights will vest and the resulting Kidman shares from the exercise of these performance rights will participate in the Scheme.

8.12 Share capital and ownership

As at 4 July 2019, Kidman had approximately 404.8 million ordinary shares on issue.

On 2 May 2019, Kidman announced Wesfarmers' Notice of initial substantial holder detailing its relevant interest in 69,875,294 voting shares, as a result of agreements reached with various shareholders in relation to their voting intentions.

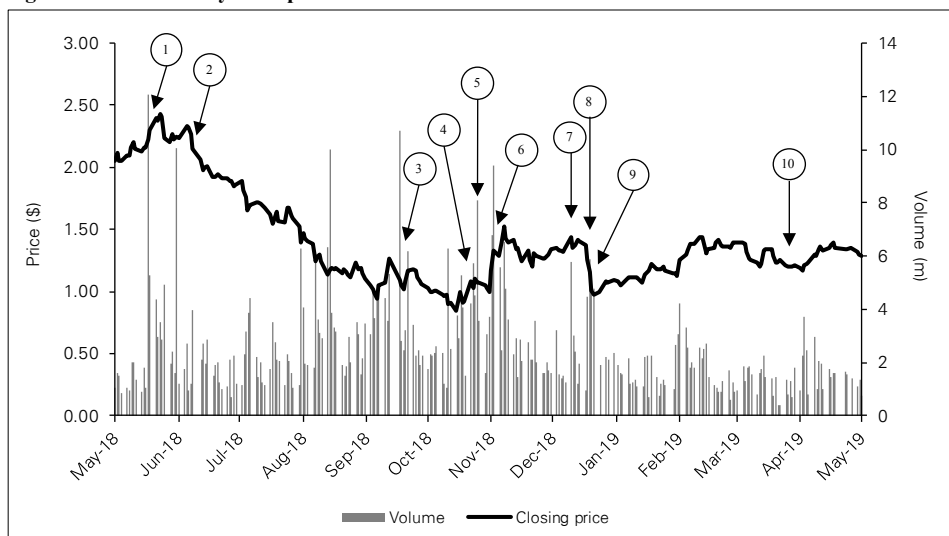
8.13 Share price and volume trading history

The chart below depicts Kidman's daily closing price on the ASX over the 12 month period to 1 May 2019, being the last trading day prior to Kidman's announcement of the Proposal, along with the daily volume of shares traded on the ASX over the period.

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Figure 3: Kidman daily close price and volume traded on the ASX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX announcements

As illustrated in the figure above, Kidman's share price traded downward from a closing high of \$2.43 on 23 May 2018 to a closing low of \$0.85 on 15 October 2018 but since September 2018, although displaying a degree of volatility, largely traded sideways in the period leading up to the announcement of the Proposal.

On 1 November 2018, Kidman's share price rose 17% following the announcement of an offtake heads of agreement with Mitsui. On 18 December 2018, Kidman's share price fell 9% following the announcement of the PFS outcome, maiden Ore Reserve and SQM's milestone payments.

Kidman's shares closed at \$1.29 on 1 May 2019, being the last trading day prior to the announcement of the Proposal.

Other than normal half year and full year financial reporting and quarterly activities reporting, significant announcements by Kidman in the 12 months to 1 May 2019 that may have had an impact on its share price include:

- 17 May 2018: Kidman announces binding battery grade LiOH offtake agreement with Tesla, with an initial term of 3 years on a fixed-price take-or-pay basis from the delivery of first product and two 3 year term options.
- 8 June 2018: S&P Dow Jones Indices announce Quarterly rebalance of ASX indices, which included adding Kidman to the All Australian 200 Index.
- 17 September 2018: Update on applications for exemption to past Mt Holland tenement expenditure obligations. The Perth Mining Warden to the Minister for Mines and Petroleum (WA) recommended that the applications for exemption be refused.

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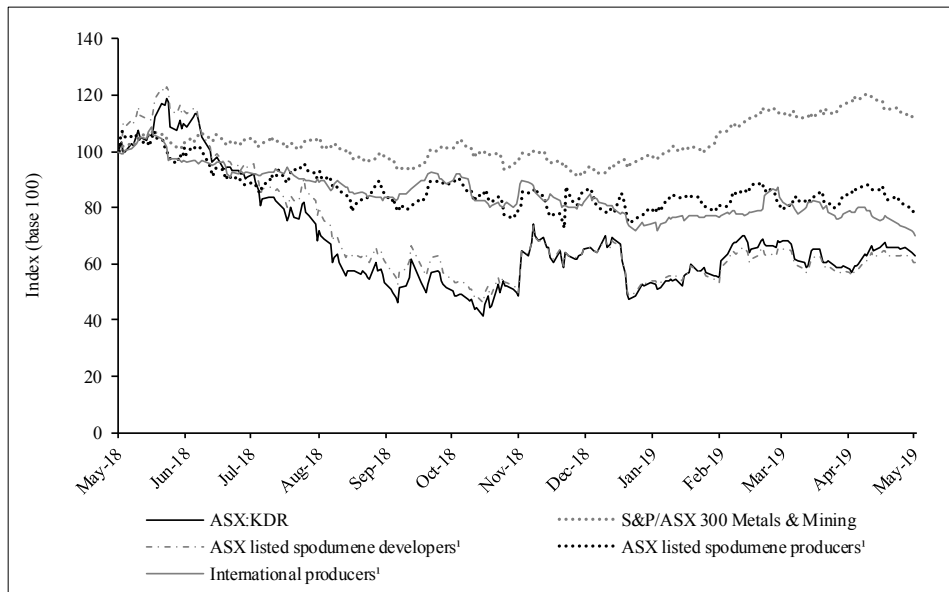
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- 4 22 October 2018: Kidman announces completion of Refinery PFS and updated Mine & Concentrator scoping study, including a reported 45Ktpa battery grade LiOH production and a post-tax Net Present Value (NPV) of \$2.3 billion.
- 5 25 October 2018: Kidman announces capital expenditure (**capex**) and working capital financing term sheet with SQM.
- 6 1 November 2018: Kidman announces binding battery grade LiOH offtake heads of agreement with Mitsui & Co., Ltd.
- 7 14 December 2018: Kidman announces settlement of Mt Holland tenement exemption matter, all objections having been withdrawn and the forfeiture applications dismissed.
- 8 18 December 2018: Integrated PFS completed and maiden Ore Reserve declared for the Earl Grey deposit of 94.2Mt at 1.5% Li₂O. Kidman confirmed on the same date that SQM had completed its milestone payments of \$US25 million directly to Kidman and US\$60 million to Covalent, marking the completion of the SQM earn in for its 50% share in the Project.
- 9 19 December 2018: Kidman announces non-binding Memorandum of Understanding with LG Chem in relation to supply of battery grade LiOH
- 10 27 March 2019: Kidman announces that it had been granted EPA consent for MPW enabling it to progress the remaining approvals required for MPW to commence at its Mt Holland Project.

Further details in relation to all announcements made by Kidman to the ASX can be obtained from either Kidman's website at www.kidmanresources.com.au or the ASX's website at www.asx.com.au.

As illustrated in the figure below, Kidman's share price generally underperformed against the S&P/ASX 300 Metals & Mining Index over the 12 months to 1 May 2019.

Figure 4: Kidman’s performance relative to ASX Metals & Mining and comparable company indices



Source: Capital IQ and KPMG Corporate Finance Analysis

Note 1: Indices comprise the comparable companies set out in section 9.

Trading liquidity on the ASX

The table below presents analysis in relation to the volume of trading in Kidman’s shares over various periods in the 12 months to 1 May 2019, being the last trading day prior to Kidman’s announcement of the Proposal.

Table 8: Trading liquidity in Kidman shares pre-announcement of the Proposal

Period up to and including	Price (low)	Price (high)	Price VWAP	Cumulative value	Cumulative volume	% of issued capital
1 May 19	\$	\$	\$	\$m	m	
1 week	1.27	1.38	1.32	7.0	5.3	1.3
1 month	1.13	1.39	1.30	47.5	36.7	9.1
3 months	1.13	1.48	1.32	139.3	105.9	26.2
6 months	0.94	1.60	1.28	362.2	282.5	70.1
12 months	0.83	2.48	1.40	1,042.4	743.9	182.4

Source: IRESS, Capital IQ and KPMG Corporate Finance Analysis

Note: Share price data represents intra-day trading rather than closing prices

Kidman shares have exhibited strong liquidity over the 12 months to 1 May 2019, with an average daily volume of 2.96 million shares traded per day with a daily value of approximately \$4.15 million. We note that over this period Kidman shares were traded on all 251 available trading days on the ASX.



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An analysis of the volume of trading in Kidman's shares in the period from 2 May 2019 to 2 July 2019 inclusive is set out below.

Table 9: Trading liquidity in Kidman shares post-announcement of the Proposal

Period from 2 May 2019 to 2 July 2019	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
61 days	1.84	1.98	1.88	360.6	192.0	47.4

Source: Capital IQ and KPMG Corporate Finance Analysis

Note: Share price data represents intraday trading rather than closing prices

9 Valuation of Kidman

9.1 Valuation methodology

The principal assets of Kidman comprise its interests in mineral assets at various stages of development, from early stage exploration to project development. Such assets have limited lives and future profitability and asset lives depend upon factors that are inherently unpredictable.

In our experience, the most appropriate method for determining the value of companies similar to Kidman is on the basis of the value of the sum of the parts of the underlying net assets, with its principal asset, its interest the Mt Holland Project, being valued using the discounted cash flow (DCF) approach having regard to the following:

- the Mt Holland Project can be classified as a pre-development project based on the definition set out in the Valmin Code⁸
- Ore reserves have been reported under the JORC Code
- A PFS considering a range of options for the technical and economic viability of the Mt Holland Project has been completed, establishing a preferred mining method, pit configuration and processing and refinery flowsheets
- Kidman has prepared long term Life of Mine (LOM) cash flow projections for its interest in the Mt Holland Project based upon the PFS - updated to reflect revised timing expectations, subsequently negotiated offtake arrangements and agreed changes to short term JV expenditure
- adoption of DCF for pre-development projects is contemplated by the Valmin Code depending upon the extent and reliability of available information.

⁸ **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken



The DCF methodology has a strong theoretical basis, valuing a business or asset on the NPV of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital. This technique is particularly appropriate for assets with limited lives, which is often the case with mineral projects dependent upon depleting Ore Reserves. Application of this technique generally requires a 5-year minimum period of analysis, however for longer dated finite life mineral projects it is common practice to have regard to forecast cash flows over the LOM. In addition, a sensitivity analysis for variations in key assumptions adopted needs to be performed.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of Kidman's mineral interests, AMC was engaged by Kidman, and instructed by us, to prepare an independent technical specialist report in relation to reasonable production scenarios, including appropriate Ore Reserves estimations, development timetables, ramp-up periods, capital expenditure and operational cost profiles to be adopted by us in the preparation of forecast cash flows for Kidman's interest in the Mt Holland Project. In addition, AMC has assessed the value of Kidman's interests in other mineral assets not captured in the Mt Holland Project DCF valuation. A copy of AMC's report, which was prepared in accordance with the ValMin Code to the extent applicable, is attached to this report as Appendix 7.

The development and operational assumptions recommended by AMC have been adopted in the cash flow projections prepared by us in assessing the value of Kidman's interest in the Mt Holland Project. KPMG Corporate Finance was responsible for the determination of certain macroeconomic and other assumptions such as commodity prices, exchange rates, discount rates, inflation, royalty and taxation assumptions. AMC has also determined a range of values within which it considers the value of each of the relevant interests in other mineral assets to lie. The valuations ascribed by AMC to Kidman's interests in other mineral assets have been adopted in our report.

Other assets and liabilities of Kidman have been incorporated in our valuation based on book values as at 31 May 2019, as reasonable estimates of market value unless specifically noted otherwise.

9.2 Valuation summary

We have assessed the market value of Kidman assuming 100% of the company was available for sale, inclusive of a premium for control, to lie in the range of \$662.6 million to \$815.7 million, which equates to between \$1.62 and \$2.00 per Kidman Share. The valuation exceeds the price at which, based on current market conditions, we would expect Kidman shares to trade on the ASX in the absence of the Scheme.

The market value of Kidman was determined after aggregating the estimated market value of Kidman's interests in mineral assets, adding the assessed value of other assets and, if appropriate, deducting any external borrowings and non-trading liabilities. The value of Kidman has been assessed on the basis of market value, that is, the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Our range of market values include an assessment of corporate cost savings available to a general pool of purchasers but does not include any potential strategic or operational synergies that may be unique to

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individual investors. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Our range of assessed values is relatively wide reflecting that the Mt Holland Project is yet to be developed and therefore incorporates a greater degree of subjectivity than a project with an established and well-known operating profile.

Table 10: Summary of assessed market values of Kidman inclusive of a premium for control

	Assessed Values	
	Low \$m	High \$m
Market values of Kidman's interests in mineral assets:		
Mt Holland Project Ore Reserves - 50% interest	650.0	800.0
Mt Holland Project Mineral Resources (not included in the Life of Mine Model) and other mineral assets	2.1	8.6
Total mineral assets	652.1	808.6
Add: Cash and cash equivalents ²	58.2	58.2
Less: Other net liabilities ³	(2.5)	(2.5)
Future corporate overheads	(45.2)	(48.6)
Total equity value	662.6	815.7
Number of ordinary shares - undiluted (millions)	404.8	404.8
Add: performance and share rights ⁴	3.7	3.7
Number of ordinary shares - diluted (millions)	408.5	408.5
Value per share, inclusive of a premium for control - \$	1.62	2.00

Source: KPMG Corporate Finance analysis and the Specialist Report

Notes:

- Figures may not add exactly due to rounding
- Aggregate cash and cash equivalents as at 31 May 2019 held directly by Kidman and through its interest in the JV
- Other net assets comprise other current assets (\$1.0 million), research and development claim (\$0.9 million), sundry plant and equipment (\$0.5 million) and trade and other receivables (\$0.4 million), less trade and other payables (\$4.3 million), employee provisions (\$0.9 million) and non-current liabilities (\$0.1 million) as at 31 May 2019
- In the event the Scheme is approved, all outstanding performance and share rights vest and form part of the Scheme

Our range of assessed fair values for a Kidman share of between \$1.62 and \$2.00 per share compares to a closing price for a Kidman share on the last trading day prior to the announcement of the Proposal of \$1.29, and is also at a significant premium to Kidman's VWAP over the 12 months immediately prior to the announcement of the Proposal. In this regard, we note the traded share price will not incorporate a control premium as it reflects trades in minority interests in Kidman shares. We do note that Kidman's share price has traded through our assessed value range over the same 12 month period, closing at a high of \$2.43 on 23 May 2018.

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In addition, our control values for Kidman effectively assume that the JV is able to successfully bring the project on stream and that the project is fully funded. In regard to these assumptions, we note that, whilst the JV has been successful in achieving various significant project milestones in the recent past, including completion of the PFS, declaration of a maiden Ore Reserve and dismissal of forfeiture applications for the Mt Holland tenements, various completion risks still exist, including:

- FID – whilst the PFS and the pre-tax operational cash flows for the purpose of this report indicate there is a reasonable basis to expect that the Mt Holland Project is economically viable, Kidman, through the JV, is in the process of completing a DFS on the integrated Mt Holland Project prior to making any FID. Accordingly, until FID is achieved there is no guarantee that the project will ultimately proceed.
- Regulators and stakeholders - a number of regulatory approvals, including environmental, and other approvals are still required to commence mining and production.
- Market demand and price - Kidman's key value driver, its interest in the Mt Holland Project, is a long life asset dependent on the production and subsequent sale of battery grade LiOH to a variety of overseas customers. Demand for, and pricing of, battery grade LiOH is sensitive to external market, economic and political factors many of which are beyond Kidman's control.
- Funding AMC has estimated - Kidman's forecast funding obligation in relation to future project mine site and refinery capital expenditure and owner's costs during construction to be in the order of \$710 million⁹. Whilst Kidman currently has in aggregate approximately \$58 million in cash and cash equivalents available held directly and within the JV and has secured access to an interim US\$100 million loan facility (A\$143 million)¹⁰ from SQM, which becomes available after FID, to partially fund Kidman's share of construction, it is clear that Kidman will be required to raise a significant level of funding either through debt finance and/or additional equity raisings in order to meet its funding obligations whilst also meeting its corporate operating and working capital commitments.

To this end, Kidman has previously indicated that it intends to maximise, as far as possible, the proportion of the debt finance in any funding solution in order to minimise the dilutionary impact on current equity holders. In its March 2019 Quarterly Activities Report, Kidman announced that a consortium of five leading domestic and international lenders for conventional project finance had been selected and that financier due diligence has commenced. In our view however, we expect that Kidman will still be required to complete a significant capital raise in the context of its market capitalisation immediately prior to the announcement of the Proposal. The final amount terms and dilutionary impact of any equity raise, including whether any discount on the issue price is to be offered, is unknown.

⁹ Based on AMC's "most likely" Case 1 development assumptions and including owners' costs and contingency, and KPMG's forecast AUD:USD exchange rates

¹⁰ Based on a A\$:US\$ spot exchange rate of 0.70



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We believe that these uncertainties and others are likely to have been reflected in the trading price of a Kidman share in the period leading up to the Proposal.

9.2.1 Valuation of Kidman's 50% interest in the Mt Holland Project Ore Reserves

Based on our professional judgement, we have adopted a range of values for Kidman's 50% interest in the projected cash flows from the Mt Holland Project Ore Reserves of \$650 million to \$800 million.

In forming our opinion we have developed, in conjunction with AMC, various valuation scenarios reflecting AMC's view as to:

- 1) a base forecast development and production scenario for the Mt Holland Project (**Case 1**)
- 2) the potential for the JV to achieve a reduction in the capital costs, development timelines and production ramp up profiles included in Case 1 (**Case 2**)
- 3) the potential for an increase in capital costs, development timelines and production ramp up periods to those assumed in Case 1 (**Case 3**).

We consider the production and operational cash flow models prepared by AMC are sufficiently robust and reliable to adopt as an input to our assessment, having regard to the following:

- the starting point cash flows provided by Kidman to AMC were based on the independently prepared PFS.
- AMC completed site visits to both the proposed mine and refinery locations and has held discussions with Kidman and Covalent management and considered supporting information to the PFS in determining its underlying assumptions
- the cash flows are underpinned by JORC compliant Ore Reserves
- where available, AMC has considered updated information to that relied upon for the preparation of the PFS
- where relevant, AMC has adopted macro-economic assumptions determined by us
- we completed a high-level review of the veracity of the AMC production and cash flow models and AMC, where appropriate after discussion with us, amended the production cash flow models as appropriate.

Case 1- Key operational assumptions

AMC's Case 1 is based on the PFS adopted by the JV participants, adjusted by AMC to:

- include an additional 6 month delay to the original timetable to the secure approvals and complete construction
- increase capital costs (including contingencies) by 20% over that contemplated in the PFS
- provide for a 6 month ramp up in concentrator recovery rates and a 12 month ramp up in the refinery's processing capacity and recovery rates

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- reflect more recent information in relation to forecast operating costs, which resulted in an uplift from those included in the PFS

Revenue

Revenue is a function of the quantity of product produced at the Mt Holland Project to which Kidman is entitled and the prices of battery grade LiOH and, to a lesser extent, spodumene concentrate realised by Kidman.

Prior to the emergence of the Proposal, a significant proportion of Kidman's entitlement to project battery grade LiOH was expected to be sold into pre-existing medium term offtake arrangements with Tesla, Mitsui and LG Chem; with uncontracted battery grade LiOH and spodumene concentrate in excess of that required at the refinery assumed to be sold into the spot market.

In calculating future revenue receipts we have assumed for the purpose of this report that:

- Kidman will be able to agree an extension to the current timetables originally negotiated without penalty or adjustment to pricing terms for those volumes subject to the arrangements
- the current arrangements will continue for the full initial period originally contemplated
- options for extensions will be exercised where selling into proposed contractual prices over the relevant extension period is value accretive compared to selling into projected spot prices. In this regard, two of the three current offtake agreements have been assumed to be extended to the full extent provided for under the relevant contracts. None of the offtake agreements and associated option periods have been assumed to extend past a period of 10 years in total.

We note however that this assumption is not without commercial risk in that the offtake arrangement negotiated with:

- Mitsui has a 30 June 2019 sunset date for execution of a definitive supply agreement, following which Mitsui will, upon satisfying the relevant notice obligations, have an option to terminate the Heads of Agreement
- LG Chem was based on agreement by both parties to work towards execution of a binding Strategic Supply Agreement by 31 July 2019.

It is clear that these milestones will now not be met as the timetables for completion of the agreements with Mitsui and LG Chem have been impacted as a result of the Scheme. The attitude of both parties in the event discussions were required to be re-invigorated is unknown, however, we note that Kidman has advised that it is not aware of any intentions by either Mitsui or LG Chem to terminate these arrangements at this time. Whilst the Company considers, and we concur, that the previously agreed offtake volumes could be replaced by other parties or sold into the spot market, there is no guarantee that these sales would be completed on terms considered to be as attractive as those negotiated, and included in our cash flow forecasts, which would impact adversely upon our assessed range of assessed values for Kidman.

As these contracts are commercial in confidence and subject to confidentiality restrictions we have been requested by the Company not to disclose the specific details of these arrangements in our report.

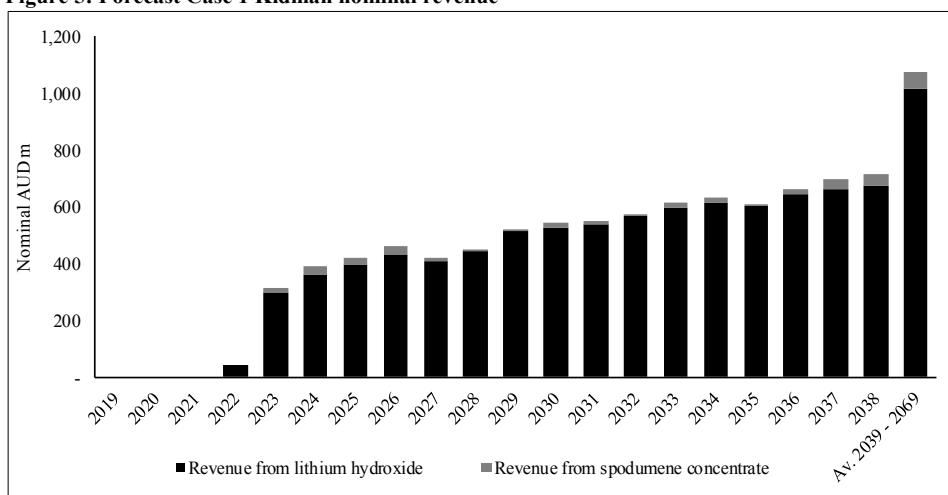


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In determining our forecast commodity price assumptions for the balance of Kidman's future production, we have had regard to forecast prices published by various economic commentators and broking houses in the period leading up to the announcement of the Proposal, as set out later in this section.

Gross annual product revenues projected to be realised by Kidman in respect of its 50% interest in the production of the Mt Holland Project over the next 20 years and the average annual revenue in nominal terms, that is, inclusive of inflation, over the balance of the project is summarised in the chart below.

Figure 5: Forecast Case 1 Kidman nominal revenue



Source: KPMG Corporate Finance Analysis

Battery grade LiOH revenue contributes approximately 94.6% of the total nominal revenue projected to be realised by Kidman over the life of the project.

Mt Holland Project Case 1 production – 100% basis

The principal life of mine operational assumptions (on 100% basis) provided by AMC and adopted in our valuation of the Mt Holland Project Ore Reserves are summarised below.

Mine and Concentrator

Table 11: AMC's Case 1 key mine and concentrator development and operating assumptions – 100% basis

	Unit	Assumption
Mine & Concentrator		
Mine life	Years	48
Total ore processed	Mt	92.4
First year of spodumene concentrate production	Year	2022
Average annual plant throughput	Mtpa	1.9
Average feed grade	%	1.5

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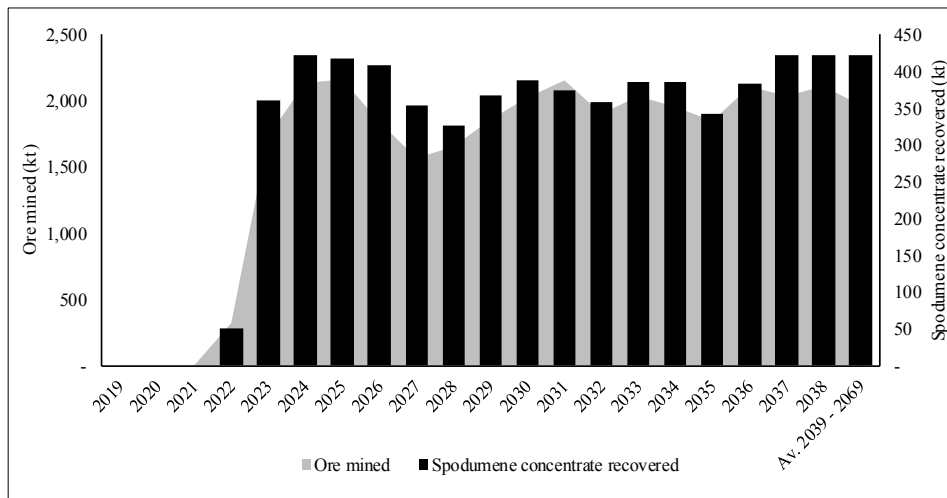
	Unit	Assumption
Average plant recovery rate	%	75.0
Average annual spodumene concentrate production	tpa	400,724
Average spodumene concentrate grade (Li2O)	%	5.5
Total capital (excluding contingency and owner's costs)	\$M	601.0
Total capital (including contingency and owner's costs)	\$M	694.9
Average operating cost per Li ₂ O tonne recovered (2019 dollars)	\$/t	407.1

Source: AMC report

Annual Case 1 ore mined and spodumene concentrate recovered – 100% basis

Projected annual ore mined and spodumene concentrate recovered at the Mt Holland Project over each of the next 20 years and the annual average over the subsequent project life is summarised in the chart below.

Figure 6: Forecast ore mined and spodumene concentrate recovered – 100% basis



Source: KPMG Corporate Finance Analysis

We note:

- mining activity at the Earl Grey deposit runs from 2021 to 2069
- spodumene concentrate recovered is primarily driven by grade and recovery rates, with minimal variation in processing throughput once the plant completes commissioning and ramp up.

Annual Case 1 nominal operating costs – 100% basis

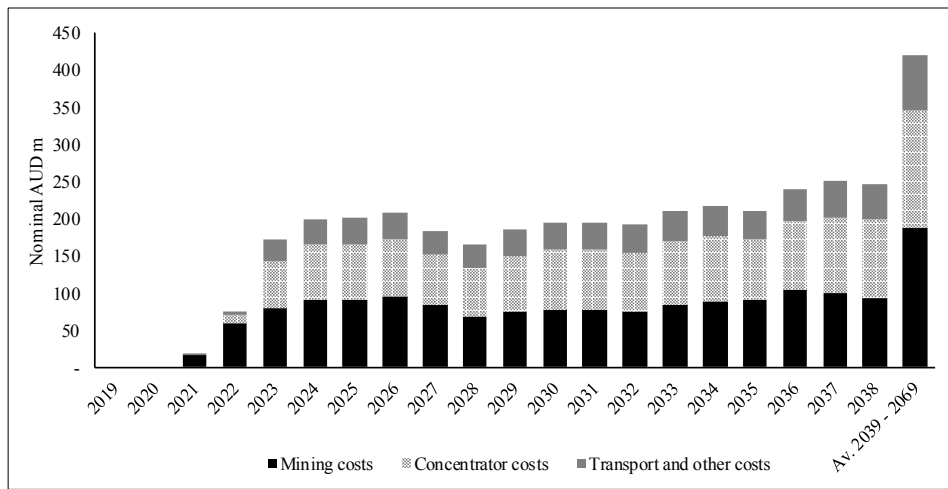
Operating costs comprise mining, processing, general and other costs over each of the next 20 years and the annual average in nominal terms over the subsequent project life is summarised in the chart below.

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Figure 7: Projected Case 1 nominal mine and concentrator operating costs – 100% basis



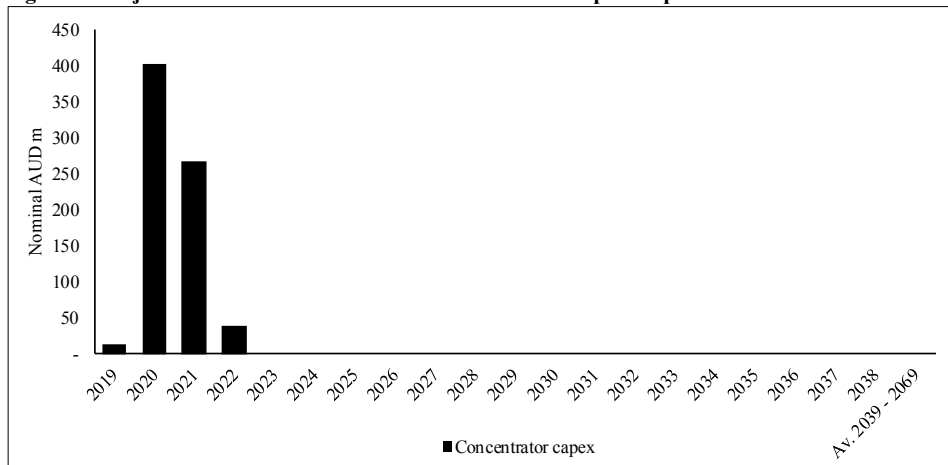
Source: KPMG Corporate Finance Analysis

We note that sustaining expenditure is included in operating costs where applicable, separate to the development capital expenditure set out below.

Capital expenditure – 100% basis

Aggregate mine and concentrator development capital expenditure, contingency and owner’s costs are set out in the chart below.

Figure 8: Projected Case 1 nominal mine and concentrator capital expenditure – 100% basis



Source: KPMG Corporate Finance Analysis

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We note that the forecast development expenditure commences in 2019 and finishes in the quarter ending 30 June 2022.

Refinery

Table 12: AMC’s key Case 1 refinery development and operating assumptions – 100% basis

	Unit	Assumption
Refinery		
Average annual spodumene concentrate feed rate	Dry tpa	335,810
Recovery of lithium in concentrate to battery grade LiOH	%	84.9
Average annual refinery production	battery grade LiOH-H ₂ O tpa	44,184
LiOH grade		Battery
Average refinery cost per LiOH tonne recovered (2019 dollars) ¹	\$/t	4,425
Total capital (excluding contingency and owner’s costs)	\$M	537
Total capital (including contingency and owner’s costs)	\$M	671

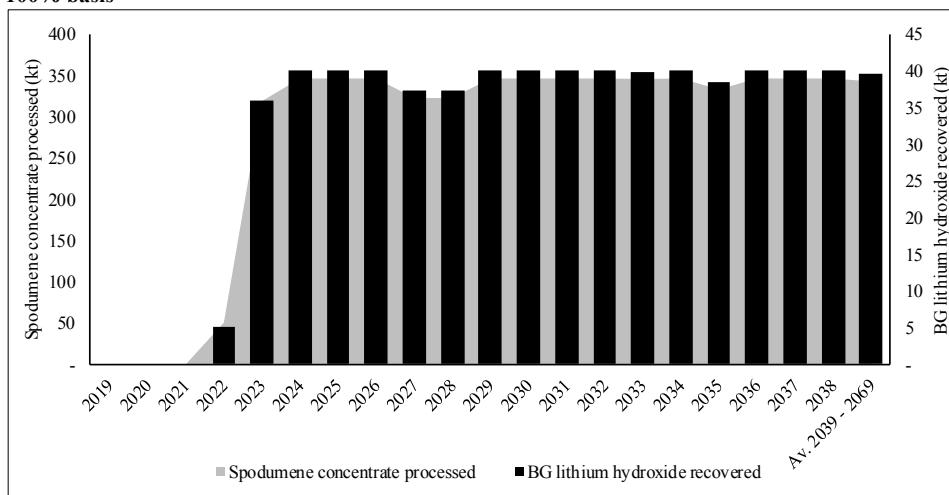
Source: AMC report

Note 1: Excluding royalties

Annual Case 1 spodumene concentrate processed and battery grade LiOH recovered – 100% basis

Projected annual spodumene concentrate processed at the refinery and battery grade LiOH recovered over each of the next 20 years and the annual average over the subsequent project life is summarised in the chart below.

Figure 9: Projected Case 1 spodumene concentrate processed and battery grade LiOH produced – 100% basis



Source: KPMG Corporate Finance Analysis

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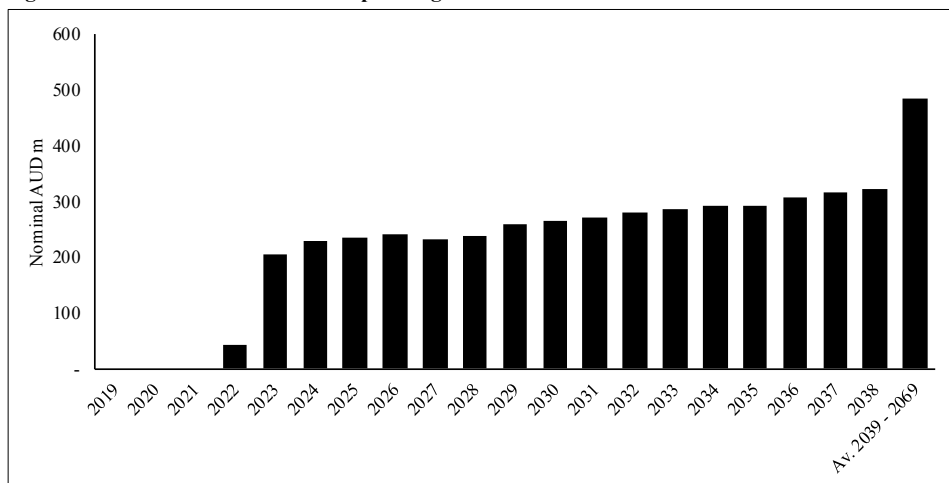
We note:

- total projected processing feed produced totals approximately 19.2 Mt of spodumene concentrate, which compares to total spodumene concentrate expected to be required as feed stock to the refinery of 16.1 Mt. The excess spodumene concentrate is assumed to be transported to the Port of Esperance in Western Australia and sold into the spot market.
- following commissioning and ramp up, there is expected to be minimal variation in processing throughput at the refinery.

Nominal Case 1 Operating costs – 100% basis

Operating costs comprise treatment and refining costs over each of the next 20 years and the annual average in nominal terms over the subsequent project life as set out below.

Figure 10: Forecast Case 1 nominal operating costs – 100% basis



Source: KPMG Corporate Finance Analysis

We note that sustaining expenditure is included in operating costs where applicable, separate to the development capital expenditure set out below.

Nominal Case 1 capital expenditure – 100% basis

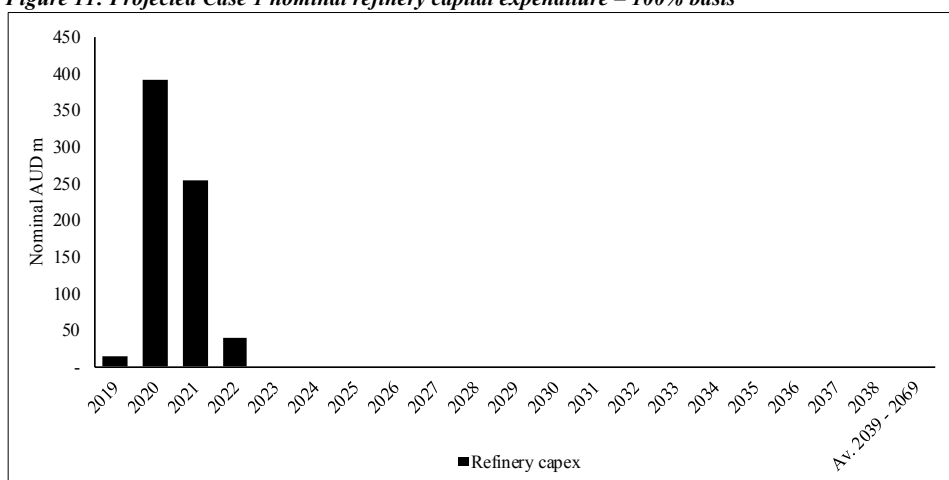
The aggregate nominal refinery development capital expenditure, contingency and owner's costs are set out in the chart below.

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Figure 11: Projected Case 1 nominal refinery capital expenditure – 100% basis



Source: KPMG Corporate Finance Analysis

We note that the forecast development expenditure commences in 2019 and finishes in the quarter ending 30 June 2022.

Further details in relation to AMC’s assumptions are set out in its report which is attached at Appendix 7.

Our range of assessed fair values for Kidman’s interest in Mt Holland Project - Case 1 does not incorporate any terminal value. At the end of the discrete forecasting period, that is 2069, we have adopted net closure and rehabilitation costs as advised by AMC.

In reality, there may be a prospect of the JV achieving further success with its development and exploration programs resulting in an extension of mining inventory available for exploitation, which may extend the life of the Mt Holland Project’s operations past the end of the discrete forecast period assumed in Case 1. AMC has however captured the value of existing Mineral Resources in its separate assessed values of Kidman’s interest in other mineral assets not included in the LOM production model. We note that given the already assumed 30 year LOM assumed in Case 1, the NPV impact of any future extension is likely to be insignificant.

We also note that the footprint of the current refinery design represents only approximately 30% of the significant land position secured by the JV in the Kwinana Industrial Area, which provides an opportunity for a future expansion of the refinery, which Kidman considers is likely to be value accretive to the project.

Whilst we agree that this option may result in additional value, this opportunity for expansion has not yet been investigated from a technical or economic viewpoint, as such we do not consider there to be a reasonable basis at this time to include any potential upside to our discrete cash flow projections for this opportunity.

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Key economic and financial assumptions

Denominations of cash flows

The NPV of the Kidman's interest in the Mt Holland Project has been calculated in AUD terms. LOM inputs denominated in USD have been converted to AUD terms based on the inflation and foreign exchange rate assumptions set out later in this report.

Commodity prices

Neither of the LiOH or spodumene concentrate products to be sold by Kidman are done so on exchange traded markets. Rather, these products are largely transacted under bespoke contractual arrangements with customers. As a result, market pricing is opaque, with a lack of deep directly observable market prices. Notwithstanding this lack of transparency, market commentary where trading details have been able to be determined indicates that after strong increases in seaborne battery grade LiOH contract prices over the period 2015 – 2018, prices have softened in recent times. Market commentators generally expect these prices to soften further over the medium term on the back of increased supply coming on-stream. Little market commentary is available in relation to the longer term outlook, however, one leading market commentator that undertakes a fundamental supply and demand analysis for the lithium market indicates it expects contract prices to return to 2018 levels around 2022, before a experiencing period of slight volatility but overall growing at moderate compound annual growth rate (CAGR) over the period from 2022 to 2027.

To mitigate against future price fluctuations and to assist in its financing discussions, Kidman has negotiated medium term offtake arrangements with Tesla, Mitsui and LG Chem in relation to the supply of battery grade LiOH, while leaving a portion of future production uncontracted.

Whilst there is no reason to expect that the Mitsui and LG Chem arrangements would not ultimately be finalised in the absence of the Scheme, we note that these arrangements are yet to be converted to long form agreements and include sunset clauses which would need to be extended.

In calculating future revenue receipts we have assumed that:

- Kidman will be able to agree an extension to the current timetables originally negotiated without penalty or adjustment
- the current arrangements will continue for the full initial period originally contemplated
- options for extensions will be exercised where selling into proposed contractual prices over the relevant extension period is value accretive compared to selling into projected spot prices. In this regard, two of the three current offtake agreements have been assumed to be extended to the full extent provided for under the relevant contracts. None of the offtake agreements and associated option periods have been assumed to extend past a period of 10 years in total.

In determining our forecast commodity price assumptions for the balance of Kidman's future production, comprising:

- spodumene concentrate in excess of Kidman's internal refinery feedstock requirements
- uncontracted battery grade LiOH produced at the refinery,

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we have had regard to forecast prices published by various economic commentators and broking houses in the period leading up to the announcement of the Proposal.

Nominal uncontracted price assumptions adopted by us in the DCF are set out in the table below.

Table 13: Summary of nominal commodity price assumptions

US\$/t	2022	2023	2024	2025	2026	2027
Battery grade LiOH (US\$/t)	11,979	11,179	12,678	14,178	15,777	15,977
Spodumene Concentrate (US\$/t)	511	530	569	578	587	596

Source: Roskill, Consensus Economics and KPMG Corporate Finance Analysis

Subsequent to 2027, we have assumed that the commodity prices will increase by the long term inflation rate for the United States. In effect, the commodity prices are assumed to remain constant in real USD terms post 2027.

We have reflected that the Mitsui and LG Chem agreements are yet to be converted to long form agreements and that it is likely, depending upon the outcome of the Scheme, Kidman may be required to revisit these parties to secure agreement to an extension to the period for formalising arrangements/delivery of product in selection of our discount rate.

Forecast currency exchange

Nominal AUD:USD assumptions adopted by us in the DCF are set out in the table below.

Table 14: Summary of nominal foreign currency exchange assumptions

	2019	2020	2021	2022	2023
AUD:USD	0.71	0.72	0.73	0.74	0.75

Source: Bloomberg, Oxford Economics, Economist Intelligence Unit and KPMG Corporate Finance Analysis

Exchange rates have been determined having regard to the forecasts of brokers and economic commentators and also the AUD:USD forward curve.

Subsequent to 2023, we had adopted an exchange rate for AUD:USD such that the nominal exchange rate is assumed to be driven by the long-term inflation differential between the AUD and USD, maintaining the relative purchasing power parity between both currencies. That is, the exchange rate stays constant in real terms.

Inflation

Inflation rate assumptions adopted by us in the DCF are set out in the table below.

Table 15: Summary of inflation assumptions

%	2019	2020	2021	2022	2023
Australia	1.7	2.1	2.4	2.4	2.5
United States	1.9	2.1	2.1	2.1	2.0

Source: Capital IQ, brokers' notes, various economic commentaries and KPMG Corporate Finance analysis

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Inflation rates have been determined having regard to the forecasts of a range of brokers and economic commentators. Subsequent to 2023, the rate has been assumed to remain constant at 2.5% per annum for Australia and 2.0% per annum for the United States.

Other assumptions

Other key financial and economic assumptions adopted by us in assessing the value of Kidman's interest in production at the Mt Holland Project include:

- as Kidman's retains the right to separately market its entitlement to production at the Mt Holland Project, we have included an additional expense outside of the JV of \$0.3 million pre-tax per annum in relation to the cost of Kidman maintaining a marketing function
- corporate income tax rate of 30% for Australian companies
- State royalty charges for mining and refinery operations calculated as 5% of revenue after adjustments for shipping and packaging costs
- Kidman has approximately \$24.6 million in revenue tax losses available to offset against future taxable income
- as advised by Kidman, capital tax losses previously available have been fully utilised in reducing the potential capital gains tax on the sale of 50% of Kidman's interest to the Mt Holland Project to SQM
- an AUD ungeared, post-tax nominal discount rate in the range of 10.3% per annum to 11.5% per annum. The basis of our calculation of discount rates is discussed at Appendix 4 to this report.

Sensitivity analysis

We have undertaken a sensitivity analysis around the mid-point of our Case 1 DCF valuation range for the Mt Holland Project based on a range of key assumptions, the outcome of which is set out below in the table below.

Table 16: Sensitivity analysis

Sensitivity analysis					
Sensitivity	-10%	-5%	0%	5%	10%
Exchange Rate	1,006	863	734	618	511
LiOH production	491	613	734	856	977
LiOH price	521	628	734	841	948
WACC	969	844	734	637	550
Opex	854	794	734	674	614
Capex	787	761	734	708	682
Spodumene price	724	729	734	740	745
Spodumene production	724	729	734	740	745

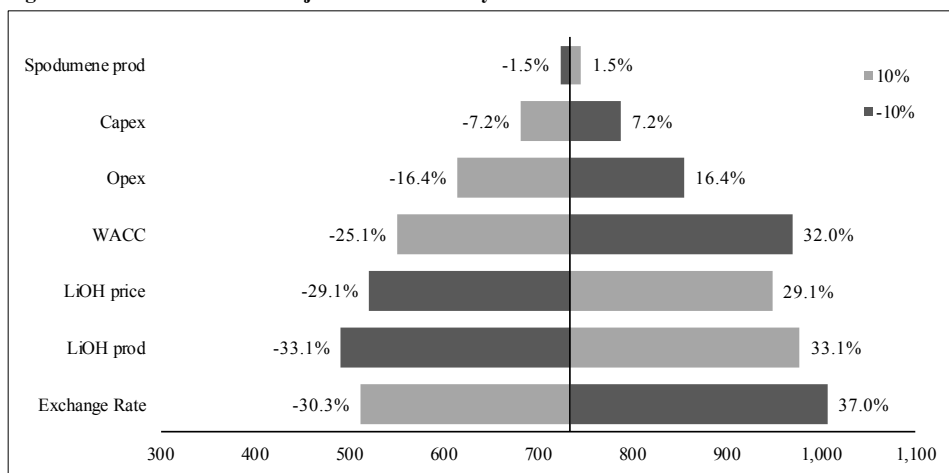
Source: KPMG Corporate Finance analysis

This analysis indicates that our range of Case 1 assessed values of Kidman's interest in the Mt Holland Project are most sensitive to the AUD:USD exchange rate, battery grade LiOH production

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levels and battery grade LiOH market prices, as set out in the chart below based on a 10% variance to each key input.

Figure 12: The Mt Holland Project DCF sensitivity



Source: KPMG Corporate Finance Analysis

Case 2 - Key operational assumptions

Based on AMC’s recommendation we have also considered upside LOM projections that are the same as Case 1 but provide for a 15% rather than 20% increase in capital costs, a three month acceleration in timetable to approvals of construction and an additional three month acceleration in timetable to completion of construction. PFS LOM plan physicals with no additional adjustments for ramp up of concentrator and refinery throughput or recovery have also been adopted.

Case 3 - Key operational assumptions

Based on AMC’s recommendation we have also considered downside LOM projections that are the same as Case 1 but provide for a 25% rather than 20% increase in capital costs, a 10% increase in operating costs, extends the construction delay period to 9 months, the ramp up in concentrator recovers to 9 months and refinery capacity and recovers to 24 months.

Valuation outcomes

The results of the NPV analysis for each of the Cases (on a 50% basis) are set out in the figure below, along with our range of assessed values for a Kidman’s 50% interest in the Mt Holland Project.

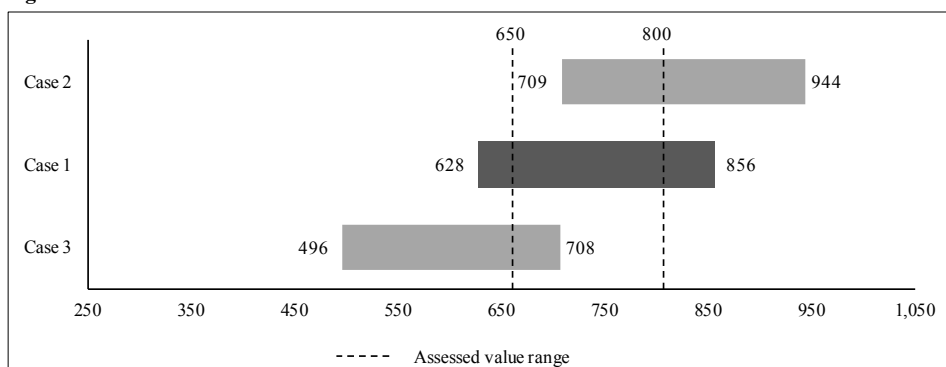
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Figure 13: Valuation outcomes



Source: KPMG analysis

Having regard to the factors set out below, we have adopted, based on our professional judgement, a range of values for Kidman's 50% interest in the projected cash flows from the Mt Holland Project Ore Reserves of \$650 million to \$800 million:

- the Mt Holland Project has both upside and downside risk and any assessment of the value of Kidman's 50% interest in the project at this stage of development is essentially subjective.
- the Mt Holland Project is still at PFS stage and is subject to regulatory and other approvals, construction and ramp up timing uncertainties. Whilst Case 1 and 3 include an allowance for a delay to production contemplated under PFS, it is quite possible that further delays may be experienced. AMC is satisfied that there is little prospect of achieving an accelerated development timetable to that contemplated in Case 2
- AMC has identified various operational matters that have the potential to have an adverse impact on values, including the requirement for increased blending requirements to meet ore feed grade targets and increased rehandling, reductions to recovery at both the concentrator and the refinery due to complex mineralogy of some ore zones and the potential for a change in the refinery plant design following detailed test work
- of the offtake and pricing arrangements negotiated with Tesla, Mitsui and LG Chem, only the Tesla arrangement has been converted to a long form agreement. Furthermore, each of the agreements include sunset clauses and provisions for adjustments to product prices in the event specified timetables are not achieved. The agreement with Mitsui is also subject to product specification and quality conditions precedent. Accordingly, should the Scheme not proceed there is a chance that these agreements may not be finalised on their current terms, at all or in the timeframe currently contemplated.

Whilst the Company is confident that in the event these arrangements were cancelled it would, based on market soundings completed prior to the announcement of the Proposal, be able to deal with alternative off-take parties, final contractual arrangements may not be achieved on terms as attractive as those currently on foot or within the timeframe currently contemplated by AMC.

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We also understand the floor pricing provided by these arrangements is considered attractive to the consortium of potential project financiers selected by the Company. Any delay in securing project financing would also adversely impact NPVs.

- the value of Kidman's interest in the Mt Holland Project is sensitive to spodumene concentrate and, in particular, battery grade LiOH pricing, both of which are set outside of transparent exchange traded markets. Whilst the forecast prices adopted by us are considered reasonable, final prices are likely to be driven by the success or otherwise of the nascent electric vehicle sector and the speed and extent the lithium market moves to supply equilibrium. Accordingly a range of forecast prices could quite credibly have been adopted, potentially impacting values positively or negatively.
- an option to expand the refinery operations exists, which has the potential to add value through increased mining and processing rates. However, this option is only at a conceptual stage and is not sufficiently advanced for there to be a reasonable basis to include it in any financial modelling.

Valuation of Kidman's interest in other mineral assets

AMC has valued Kidman's interest in the Mt Holland Project Mineral Resources that are not included in its forecast production for the Mt Holland Project Ore Reserves as well as interests in other mineral assets in the range of \$2.1 million to \$8.6 million as summarised in the table below.

Table 17: Summary of AMC's valuation of other mineral assets held by Kidman

	Assessed Values	
	Low \$m	High \$m
Mineral Resources not included in the Mt Holland Cases	0.9	2.3
Other mineral assets	1.2	6.3
Total	2.1	8.6

Source: Specialist Report

Note: Amounts may not add exactly due to rounding

In assessing these values, AMC has adopted generally accepted methods for valuing mineral assets including yardstick, a market-based approach having regard to exploration and development transaction comparisons and past exploration expenditure as appropriate. Further details in relation to each of these assets and the valuation methodology adopted are set out in AMC's report which is included at Appendix 7.

It should be noted that the valuation of early stage/exploration assets as set out in the table above is highly subjective and involves subjective assessments based on professional judgements made by AMC.

Other assets

Net assets not valued as part of Kidman's mineral assets comprise cash and other sundry assets and liabilities held either directly by Kidman or indirectly through its 50% interest in Covalent and the JV. Except as specifically noted below, having regard to their nature and quantum, these assets and liabilities have been incorporated in our valuation at net book values as at 31 May 2019.



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Cash and cash equivalents

We have adopted a cash balance as at 31 May 2019 of \$58.2 million for the purpose of our valuation, comprising \$26.0 million held directly by Kidman and \$32.2 million in respect of its 50% interest in Covalent and the JV.

Other net assets

Other net assets comprise other current assets (\$0.1 million), an research and development claim (\$0.9 million), sundry plant and equipment (\$0.5 million) and trade and other receivables (\$0.4 million), less trade and other payables (\$4.3 m), employee provisions (\$0.9 million) and non-current liabilities (\$0.1 million) as at 31 May 2019.

Future corporate overheads

Kidman incurs corporate overheads in relation to managing its business. These costs have not been incorporated into the valuation of Kidman's interest in mineral assets set out above, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to Kidman's operating assets from the value of the Company. Kidman estimates that its corporate costs, in the absence of the Scheme, to be in the order of \$7.5 million per annum (in 2019 pre-tax dollars).

We have been provided with a schedule prepared by Kidman that sets out the Company's assessment of the direct synergies and cost savings likely to be available to a pool of purchasers in acquiring a 100% interest in Kidman. Depending upon size and nature of the acquirer these synergy benefits and cost savings could total up to approximately \$2.5 million per annum (in 2019 pre-tax dollars) over the life of the Kidman's operations.

In assessing the quantum of these synergies and cost savings for the purpose of our valuation we have considered:

- head office costs - a large acquirer with excess capacity should be able realise head office wage and on-cost savings as a result of various management and head office functions being subsumed within the organisational structure of the acquirer
- directors and officers' fees – any acquirer would seek to rationalise the Board of Kidman
- audit and compliance costs – any acquirer is expected to realise economies of scale from consolidation in terms of statutory reporting and compliance requirements charged in respect of the enlarged entity when compared to two standalone entities.
- external rent – an acquirer may be able to realise cost savings associated with the reduction of space requirements as a direct result of the reduction in head office executive and employee head count.

In contrast, Kidman is of the view that a smaller acquirer may not be able to absorb the current operations of Kidman to the same extent, resulting in a reduced level of synergies and cost savings.

We have discussed with Kidman's management the basis of its assessment as to the level of synergies and cost savings that may be realised by a pool of purchasers. Whilst there is both downside risk and potential upside in relation to the final quantum and nature of the synergies that may ultimately be realised, we

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believe, based on information available that \$2.0 million pre-tax per annum is reasonable for the purpose of our evaluation.

The after-tax NPV of these adjusted corporate costs, having regard to the nature of the Company's assets, has been estimated to be in order of \$45.2 million to \$48.6 million.

9.3 Synergies unique to Wesfarmers

Having regard to the existing operational profile and location of Wesfarmers' asset base it is not expected that Wesfarmers will realise any significant direct cost savings that a general pool of purchasers may not otherwise be able to achieve, however, we consider that there are various benefits to Wesfarmers from completing the Scheme that may be unique to Wesfarmers, including:

- acquisition of Kidman's Mt Holland Project is complimentary to Wesfarmers existing Chemical, Energy and Fertiliser business and provides Wesfarmers with an entry into the upstream lithium sector
- Wesfarmers already has an established presence and knowledge of the Kwinana Industrial Area, with CSBP having operated out of the area since the 1960s. This knowledge is expected by Wesfarmers to assist in managing the refinery design, approval, construction, commissioning and ramp-up.

We have not factored these special benefits to Wesfarmers into our determination of the underlying value of Kidman. We have however considered these benefits in our assessment of the reasonableness of the Scheme.

Performance and share rights

In the event the Scheme is approved, all outstanding Performance Rights will vest and form part of the Scheme. We have adjusted Kidman's ordinary shares outstanding for the dilutionary impact of the 3.7 million performance and share rights outstanding for the purpose of our valuation.

9.4 Other valuation parameters

Having regard to our assessed values in respect of Kidman's assets and liabilities, the implied enterprise value for Kidman is between approximately \$663 million and \$816 million¹¹. Based on Kidman's published Ore Reserves and Mineral Resources, Kidman's implied enterprise value to Ore Reserve and Mineral Resource tonne of contained lithium multiples are as set out in the table below.

¹¹ Enterprise value has been calculated throughout the report as equity value plus external debt less cash



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Table 18: Ore Reserve and Mineral Resource multiples per tonne of contained lithium implied by our assessed values

Parameter	Low \$/t	High \$/t
Ore Reserves ^{1,2}	855	1,072
Mineral Resources ^{1,3,4}	426	533

Source: KPMG Corporate Finance analysis

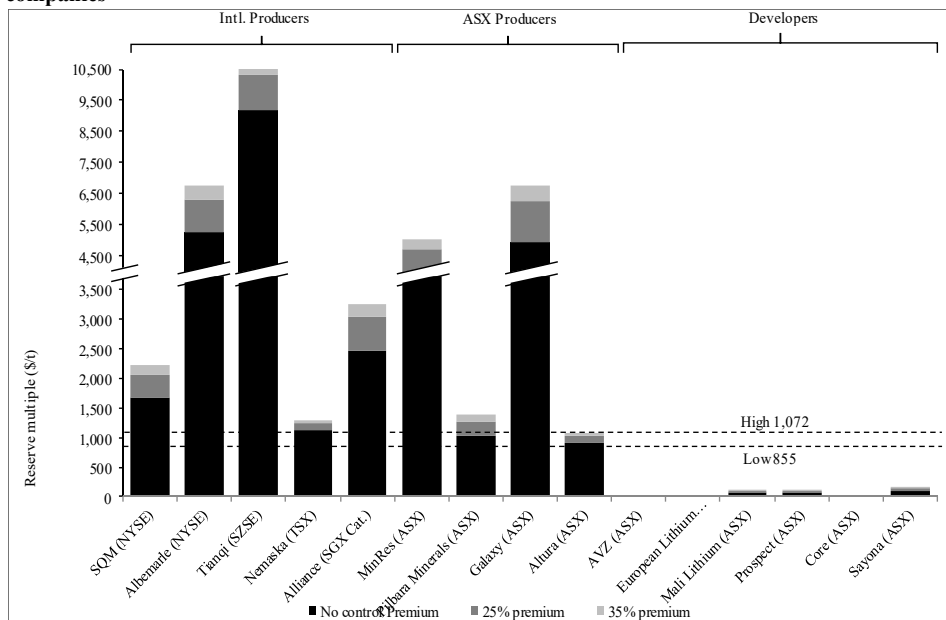
Notes:

- Ore Reserve and Mineral Resource multiples implied by our assessed values are calculated using the most recent published Ore Reserve and Mineral Resource information for the Mt Holland Project
- Ore Reserves include Proved and Probable Reserves
- Mineral Resources include Measured, Indicated and Inferred Resources
- Mineral Resources are inclusive of Ore Reserves

Comparison to listed company lithium Ore Reserve multiples

Summarised in the figure below is a comparison of the results set out above with the value per Ore Reserve tonnes for a selection of listed lithium companies implied by their market capitalisation as at the date of the announcement of the Proposal, a notional allowance, solely for comparison purposes, for a premium for control of 25% to 35% and their most recent reported net debt/(cash) positions.

Figure 14: Ore Reserve multiples per tonne of contained lithium implied by selected listed lithium companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

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In considering this outcome, we would highlight:

- our selection of listed production/pre-production lithium companies includes companies with projects located outside of Australia;
- AVZ Minerals Limited (**AVZ**), Mali Lithium Limited (**Mali Lithium**) and Prospect Resources' (**Prospect**) main projects are located in the Democratic Republic of Congo, Mali and Zimbabwe respectively
- Galaxy Resources Limited (**Galaxy**), SQM, Albermale Corporation (**Albemarle**) and Tianqi Lithium Corporation (**Tianqi**) have brine assets in Latin America in addition to spodumene assets in Australia, inter alia. These reserves may not be directly comparable to those of pegmatite mining operations
- Sayona Mining Limited (**Sayona**) and Nemaska Lithium Inc.'s (**Nemaska**) flagship projects are located in Canada, while European Lithium Limited's (**European Lithium**) flagship project is located in Austria.
- various of the companies considered, including AVZ, Mali Lithium, Prospect, Core Lithium, Sayona, Altura Mining Limited (**Altura**), and Alliance Mineral Assets Limited (**Alliance**) are targeting spodumene concentrate production, rather LiOH which is further up the lithium value chain
- AVZ, Pilbara Minerals Limited (**Pilbara Minerals**), and Alliance have or are pursuing projects which, or are expected to, benefit from by-product credits
- Kidman has completed a pre-feasibility study for an integrated LiOH operation (announced in December 2018), while various of the development companies considered have earlier stage flagship projects, including AVZ Minerals (scoping study announced May 2019), European Metals and Core Lithium Ltd. (**Core**). Each of these have not yet defined an Ore Reserve.
- We would consider the most comparable companies, in terms of operations, to be Sayona and Nemaska, and to a lesser extent, Alliance and Altura which have commenced production
 - Sayona's principal project, the Authier spodumene project located in Canada, is at a somewhat similar stage of development to the Mt Holland Project. A Definitive Feasibility Study completed in September 2018 contemplated an open cut mine initially producing 6% concentrate and a refinery is being evaluated as part of a review of the DFS announced in March 2019. We note however that the Authier project is lower grade and contemplates less than half the life of mine compared to the Mt Holland Project. Also, on 6 March 2019, Sayona announced that the Quebec Environment Minister had ruled that the project would be subject to the environmental impact assessment and review procedures under the bureau d'audiences publiques en environnement which had not been anticipated, and the company has not obtained debt financing. This may have impacted upon the market's assessment of the project in recent times
 - Nemaska's principal project, the Whabouchi spodumene mine, also in Canada, has commenced construction, expected to be completed late 2019. Nemaska is also constructing an electrochemical plant, utilising patented technology that will refine the spodumene concentrate from the mine. A "Phase 1 demonstration plant" is producing commercial LiOH.H₂O samples

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- Alliance's Bald Hill Mine has relatively significant value in tantalum credits. Additionally, Alliance is continuing drilling activities at the site, and has also entered into a Memorandum of Understanding for a joint venture that would refine spodumene concentrate from the mine into LiOH, potentially capturing greater margins from an integrated operation
- Altura's Pilangoora operation is an open cut spodumene mine and processing plant, which commenced commercial production in March 2019. Altura has completed a Definitive Feasibility Study for a 'Stage 2 expansion' which proposes to increase output to 450ktpa but is subject to securing funding and offtake agreements.
- Kidman currently has a net cash position, which operates to reduce its implied enterprise value. In comparison, the majority of the production companies are in a net debt position, which has increased their prima facie enterprise value and, in turn, the implied multiple
- For several of the international companies, namely SQM, Albemarle and Tinqi, not all Ore Reserves and Mineral Resources may have been captured in the analysis, as there is generally no requirement for them to report them in accordance with the JORC code.

These results need to be viewed with some caution as they do not capture such things as:

- the weighting of Reserves to Resources and whether there is any imperative for conversion
- potential timing differences by companies in reporting updated Reserves figures
- other assets and liabilities held by the selected companies not reflected in the Reserves balances. In particular, we note that:
 - approximately half of Mineral Resources Limited's (**MinRes**) EBITDA relates to mining and mineral processing services, as opposed to mining activities in its own right¹². In addition, MinRes' mining operations include iron ore and graphite projects, rather than solely lithium related operations
 - Albemarle's Lithium segment accounts for approximately half of total adjusted EBITDA¹³, and SQM's Lithium segment accounts for just over half of total net income allocated to reportable segments¹⁴
 - most of Tinqi's earnings are derived from the conversion and sale of refined lithium products¹⁵ rather than external sales from mining operations.

Accordingly, whilst in our view the outcome of this analysis provides broad support for our range of values, this form of analysis should only be considered as a high level cross-check of the outcomes of other valuation methodologies.

¹² MinRes 2018 Annual Report

¹³ Albemarle 2018 Annual Report

¹⁴ SQM 2018 Annual Report

¹⁵ Tinqi 2018 Annual Report

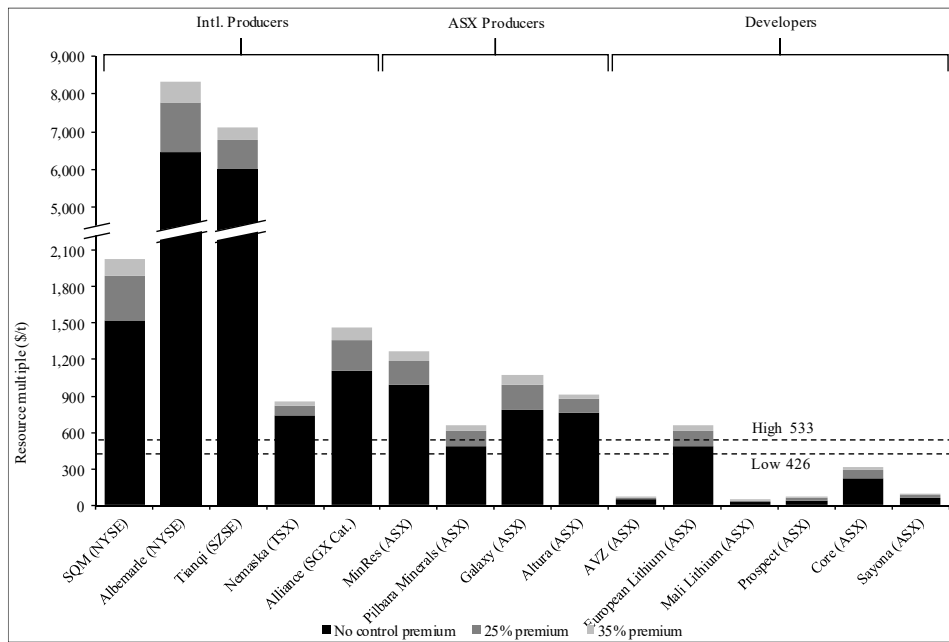


Further details of our analysis is set out in Appendix 5 to this report.

Comparison to listed company contained lithium Mineral Resource multiples

Summarised in the figure below is a comparison of the results set out above with the value per lithium equivalent Mineral Resource tonne for a selection of listed lithium companies implied by their market capitalisation as at the announcement of the Proposal, an allowance, solely for comparison purposes, for a notional premium for control of 25 percent to 35 percent and their most recent reported net debt/(cash) positions.

Figure 15: Mineral Resource multiples per tonne of contained lithium implied by selected listed lithium companies



Source: KPMG Corporate Finance Analysis, Capital IQ, respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of Mineral Resource multiples implied by our range of assessed market values for the enterprise value of Kidman lie well within the range of equivalent observed listed company multiples.

In considering these outcomes we note that many of the comments in relation to the multiples implied by listed company Ore Reserve multiples are equally relevant here, including:

- our selection of listed production/pre-production lithium companies includes companies with projects located outside of Australia;

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- various of the companies considered, are targeting spodumene concentrate production, rather LiOH which is further up the lithium value chain
- AVZ, Pilbara Minerals and Alliance have or are pursuing projects which, or are expected to, benefit from by-product credits
- Kidman has completed a pre-feasibility study for an integrated LiOH operation, while various of the development companies considered have earlier stage flagship projects
- we would consider the most comparable companies, in terms of operations, to be Sayona and Nemaska, and to a lesser extent, Alliance and Altura which have commenced production
- Kidman currently has a net cash position, which operates to reduce its implied enterprise value. In comparison, the majority of the production companies are in a net debt position, which has increased their prima facie enterprise value and, in turn, the implied multiple
- for several of the international companies, namely SQM, Albemarle and Tianqi, not all Ore Reserves and Mineral Resources may have been captured in the analysis, as there is generally no requirement for them to report them in accordance with the JORC code.

These results need to be viewed with some caution as they do not capture such things as:

- potential timing differences by companies in reporting updated Mineral Resources figures
- other assets and liabilities held by the selected companies not reflected in the Mineral Resources balances. In particular, as noted previously:
 - approximately half of MinRes's EBITDA relates to mining and mineral processing services, as opposed to mining activities in its own right. In addition, MinRes's mining operations include iron ore and graphite projects, rather than solely lithium related operations
 - Albemarle's Lithium segment accounts for approximately half of total adjusted EBITDA¹⁶, and SQM's Lithium segment accounts for just over half of total net income allocated to reportable segments¹⁷
 - most of Tianqi's earnings are derived from the conversion and sale of refined lithium products¹⁸ rather than external sales from mining operations.

Our previous comments in relation to the use of the analysis simply as a high level cross-check also have equal application here.

Further details of our analysis is set out in Appendix 5 to this report.

¹⁶ Albemarle 2018 Annual Report

¹⁷ SQM 2018 Annual Report

¹⁸ Tianqi 2018 Annual Report



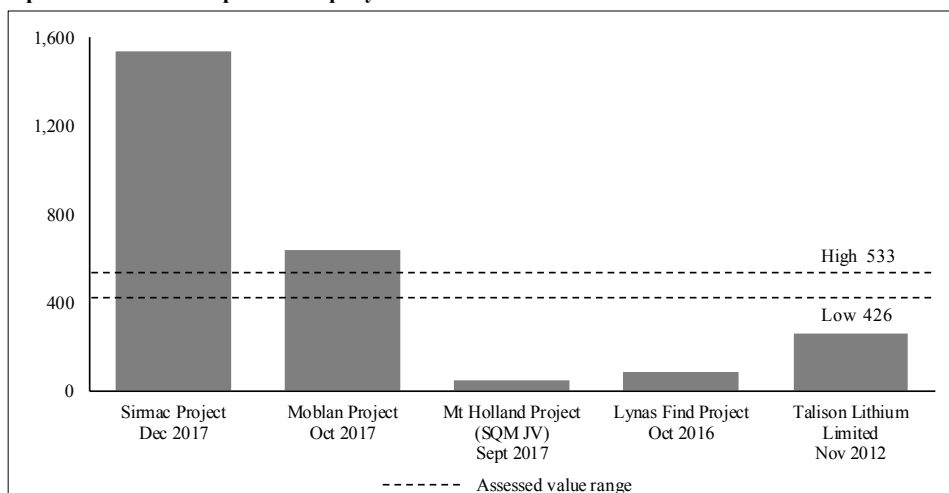
Comparison to contained lithium Ore Reserve multiples implied by recent lithium corporate transactions

Our review of recent lithium transactions involving publically listed companies with reported lithium reserves identified only one transaction, Tianqi’s acquisition of Talison Lithium Limited in 2012, with sufficient detail to allow an appropriate multiple to be calculated. Given the isolated and dated nature of this information, we do not consider this transaction to provide a meaningful comparison.

Comparison to listed contained lithium Mineral Resource multiples implied by recent lithium corporate transactions

Summarised in the figure below is a comparison of the contained lithium Mineral Resources multiples implied by the range of values for the enterprise value of Kidman with the implied value per contained lithium Mineral Resource tonne for a selection of recent corporate transactions involving companies with lithium exploration and development operations.

Figure 16: Resource multiples per tonne of contained lithium implied by selected listed lithium exploration and development company transactions



Source: KPMG Corporate Finance Analysis, Capital IQ, Merger Market and respective company announcements and Annual Reports

This analysis indicates a wide range of outcomes, however we note that the range of the Mineral Resource multiples implied by our range of assessed values for the enterprise value of Kidman lies within the observed range.

In considering the outcomes of the comparison to contained lithium Mineral Resource multiples implied by recent lithium company transactions we note:

- many of the previously mentioned comments in relation to the multiples implied by listed companies’ Enterprise Values have equal relevance here

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- whilst there were a number of corporate transactions involving lithium companies, the majority of the companies did not have any Ore Reserves disclosed as at the transaction announcement date
- at the date of the Mt Holland Project (SQM JV) transaction, the Mt Holland Project was in the pre-feasibility stage having only declared indicated and inferred mineral resource estimates. Following the completion of the transaction the Mt Holland Project has progressed to the development-stage, further details in relation to the current status of the Mt Holland Project are detailed in section 9.2
- As noted previously, the Talison Lithium transaction is considered dated and provides limited guidance in current market conditions
- the transactions considered were completed under different prevailing market conditions and the market participants may have held different expectations in relation to future lithium prices
- the final price paid by the successful acquirer may incorporate an element of synergies and cost savings unique to that purchaser that it was required to pay away. This value is excluded from the commonly accepted definition of market value but is extremely difficult to quantify but if excluded could reduce the implied transaction multiples. In this regard, we note:
 - Nemaska CEO, Guy Bourassa stated the transaction would accelerate the Sirmac project years ahead of when Nemaska could otherwise achieve, while it focussed on its Whabouchi mine and Shawinigan plant, whilst retaining rights to a small portion of the spodumene concentrate which may be required for increased production capacity in Shawinigan¹⁹
 - the Lynas Find project adjoined lithium-prospective properties already being developed by Pilbara Minerals. Pilbara stated that, in addition to offering exploration upside for the same pegmatite swarm that hosted the deposits, the existing project was based on, the acquisition would allow it to identify areas adjacent to their mining tenements that would provide options for waste dumps and other mining-related infrastructure²⁰.

Having regard to the above mentioned analysis we do not consider our range of enterprise values for Kidman to be unreasonable.

Further details of our analysis is set out in Appendix 6 to this report.

¹⁹ ABE Resources TSX announcement titled "ABE Resources to Acquire Nemaska Lithium's Sirmac Lithium Property" dated 14 December 2017

²⁰ Pilbara Minerals ASX announcement titled "Pilbara Minerals to Acquire Adjoining Lynas Find Lithium Project from Dakota Minerals" dated 6 October 2016



Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Jason Hughes and Bill Allen. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Jason Hughes is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Services Institute of Australasia, a member of the Australia Institute of Company Directors and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance.

Bill Allen is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Scheme Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by Kidman does not include estimates as to the potential impact of any future changes in taxation legislation in Australia or any other jurisdiction. Future taxation changes are unable to be reliably determined at this time.

Our report makes reference to "KPMG Corporate Finance analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Kidman for comment as to factual accuracy, as opposed to opinions

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which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Other than fees to be received in respect to preparing this report, neither KPMG Corporate Finance or the KPMG Partnership have provided professional services to Kidman or Wesfarmers in relation to either the Proposal or the Scheme.

By way of disclosure, total fees received from Kidman by the KPMG partnership and/or KPMG Corporate Finance in the 2 years prior to that date of announcement of the SID were \$35,000 excluding Goods and Services Tax (GST). From time to time KPMG and the KPMG Partnership undertake professional assignments for Wesfarmers and its affiliated entities. These assignments involve providing advice in roles such as internal audit, acquisition due diligence and accounting, operational consulting and ad-hoc tax advice. A number of such assignments were on-going during the preparation of this report. Total fees received from Wesfarmers by KPMG and/or KPMG Corporate Finance over the same 2 year period were in the order of \$15.4 million, excluding GST. The quantum of the fees received from both Kidman and Wesfarmers are not material to either the KPMG Partnership or KPMG Corporate Finance.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to Scheme Shareholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.



Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- company presentations and announcements of Kidman
- annual reports for the periods ended 30 June 2017, 30 June 2018 and 31 December 2018 for Kidman
- annual reports, company presentations and news releases of comparable companies
- industry reports sourced from IBISWorld
- data providers including S&P Capital IQ Pty Ltd, MergerMarket, Connect 4, Economic Intelligence Unit, Oxford Economics and the Department of Industry Innovation and Science.
- various broker and analyst reports

Non-public information

- the Scheme Booklet (including earlier drafts)
- unaudited management accounts as at 31 May 2019 in respect of Kidman and certain associated entities
- life of mine forecast production and costing projections prepared by AMC in respect of the Mt Holland Project
- other confidential agreements, documents, presentations and industry papers
- AMC's independent technical specialist report
- details of Kidman's performance and share rights as at 4 July 2019

In addition, we have held discussions with, and obtained information from, the senior management of Kidman and its advisers.



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Appendix 3 – Overview of the lithium industry

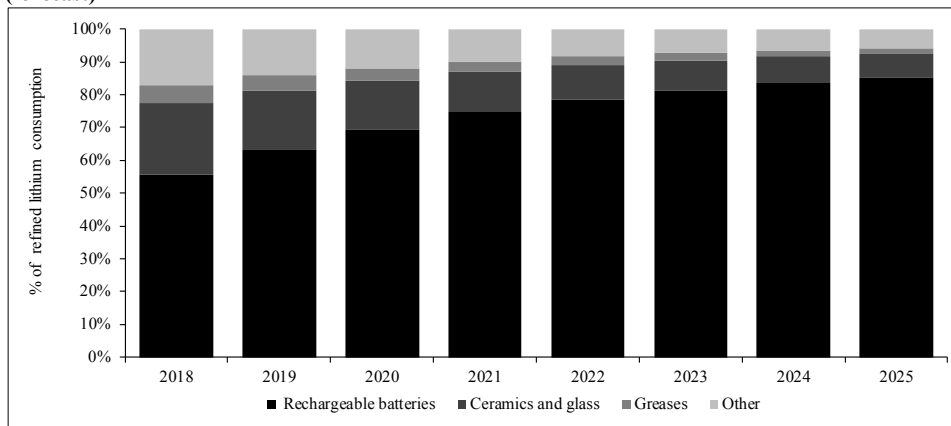
To provide a context for assessing the future prospects of Kidman, we have set out below an overview of the recent and expected trends in the international lithium market.

Introduction

Lithium is a soft metal which has many applications, including being used in the production of glass, ceramics and greases, but is today primarily used in battery manufacturing. The following figure shows the breakdown of different applications for lithium and illustrates how the lithium industry is projected to grow as a result of demand for rechargeable lithium-ion batteries. Lithium demand is forecast to continue to be influenced primarily by the demand for lithium-ion batteries, particularly their use in the developing electric vehicles market.

According to Roskill, refined lithium demand is forecast to increase at a compound annual growth rate (CAGR) of over 20%, with demand from battery applications increasing at a CAGR of over 27%, through to 2025²¹, from 145 Ktpa LCE to 802 Ktpa. Meanwhile demand for lithium from other applications such as ceramics, greases and glass is also expected to grow, albeit at a more modest CAGR of 2-3%.

Figure A3-1: Forecast refined lithium consumption by end use, 2018 (estimated), 2019 to 2025 (forecast)



Roskill – Lithium 15th Edition Update 3, March 2019

Mining methods

Lithium does not occur naturally as a pure substance, but rather occurs as chemical compounds in rocks, salts or brines and therefore must be refined from other minerals. The U.S. Geological Survey (USGS) suggests that five spodumene (the most commonly mined mineral for lithium) operations in Australia and

²¹ Roskill – Lithium 15th Edition Update 3, March 2019

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two brine operations each in Argentina and Chile accounted for the majority of 2018 world lithium production²²

Hard-rock-based operations

The majority of lithium-bearing hard-rock pegmatites (such as spodumene) that are mined commercially are near surface, and as such utilise open pit drill and blast methods to extract lithium ores. To produce spodumene concentrate the lithium-bearing ore undergoes crushing and various concentrator processes. Spodumene concentrate can be consumed directly (for example consumed in the production of glass and ceramics) but must be further refined before it can be used in value-added applications like lithium-ion batteries (for example refined to produce LiOH or lithium carbonate).

Brine based operations

Brine deposits involve solar evaporation of brine from salt lakes to produce a concentrate that is then filtered and treated, with the end product being refined into lithium carbonate or lithium chloride. The lithium industry often measures lithium and lithium compounds in terms of lithium carbonate equivalents (LCE).

IBISWorld suggests that hard-rock based operations benefit from being significantly less weather dependent and faster to produce than brine-based lithium²³. In addition spodumene ore is used to produce LiOH, which is typically preferred by downstream cathode manufactures for use in high nickel content cathodes.

We also note that LiOH can be produced from brine by first processing into lithium carbonate and then subsequently into hydroxide i.e. lithium carbonate is often refined further from brine to a lithium hydroxide.

Grade and purity

Lithium can be sold into the market in various forms including as spodumene direct shipping ore (DSO), spodumene concentrate or otherwise as LiOH, lithium carbonate or lithium chloride – the precursors to lithium-ion battery electrode materials.

The main basis for competition for hard-rock operators is the grade and purity of the ore extracted from mines. These factors can impact on the costs of processing and refining but also on the selling price. Generally, higher grade lithium will sell for a better price.

Spodumene concentrate is commonly sold as either technical grade or as chemical grade. The technical grade is usually sold with higher lithium grade of up to 7.5% Li₂O²⁴. This type of concentrate is mainly used in the glass and ceramics industry. The standard grade for chemical grade spodumene concentrate is 6% Li₂O content and this product is commonly used in converting Li₂O to lithium carbonate or LiOH. Contaminants such as iron are secondary factors that may affect the product price of spodumene concentrate.

²² U.S. Geological Survey, Mineral Commodity Summaries, February 2019

²³ IBISWorld. Battery Material Mining in Australia, December 2018

²⁴ Hatch Integrated Pre-Feasibility Report, November 2018



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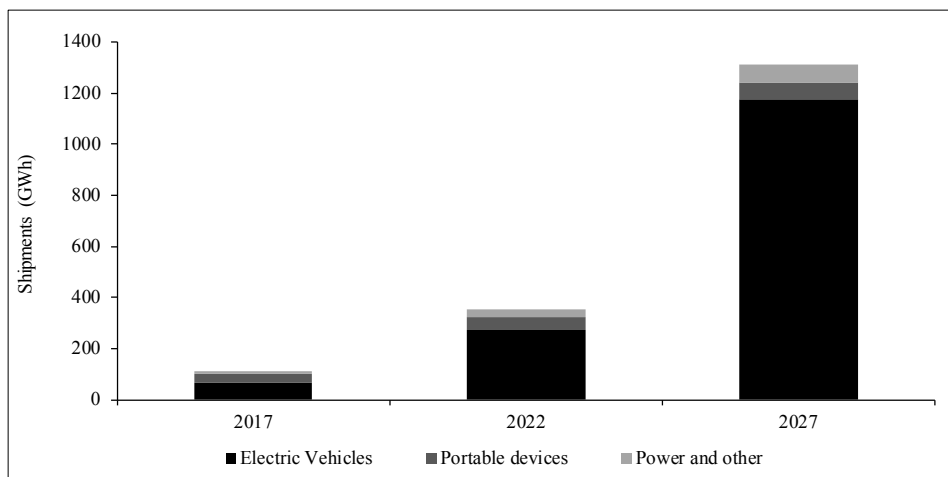
LiOH is also commonly sold as either technical grade or as battery grade, with each category having different physical and chemical specifications that vary from client to client. LiOH of technical grade has an approximate grade of 99.0% (monohydrate), whilst LiOH of battery grade has a grade over 99.0% (monohydrate) and focusses on a wider variety of contaminants thus increasing the quality of the product compared with technical grade. Similarly lithium carbonate is typically sold as either technical grade (greater than 99.0% lithium carbonate) or battery grade (greater than 99.5% lithium carbonate).

Demand

Lithium-ion batteries

In recent years, global demand for lithium has largely been driven by demand for lithium-ion batteries, which in turn has risen significantly over the past five years and is expected to continue to rise over the next decade, particularly due to their use in electric vehicles, energy storage systems and portable electronics²⁵. Lithium is used in battery electrodes due to its favourable electrical properties and low weight and because lithium-ion batteries have significant practical advantages over other battery sources (such as higher energy density, longer cycle life and faster recharge time) they are preferred over other battery sources. As a result, lithium-ion batteries are now the most common type of battery used for consumer electronics (such as smartphones and table computers), and, more recently, electric vehicles and battery storage facilities. The breakdown of forecast lithium-ion battery consumption by product through to 2027 is set out in the figure below.

Figure A3-2: Forecast Li-ion battery consumption by product



Source: Roskill, *Lithium: Global Industry, Markets and Outlook, 2018*

Demand for electric vehicles is one of the primary drivers of recent and forecast demand growth for lithium as automakers look to secure sufficient supply of batteries. IBISWorld notes that a growing

²⁵ Roskill website, *Lithium – Outlook to 2028*, 16th Edition



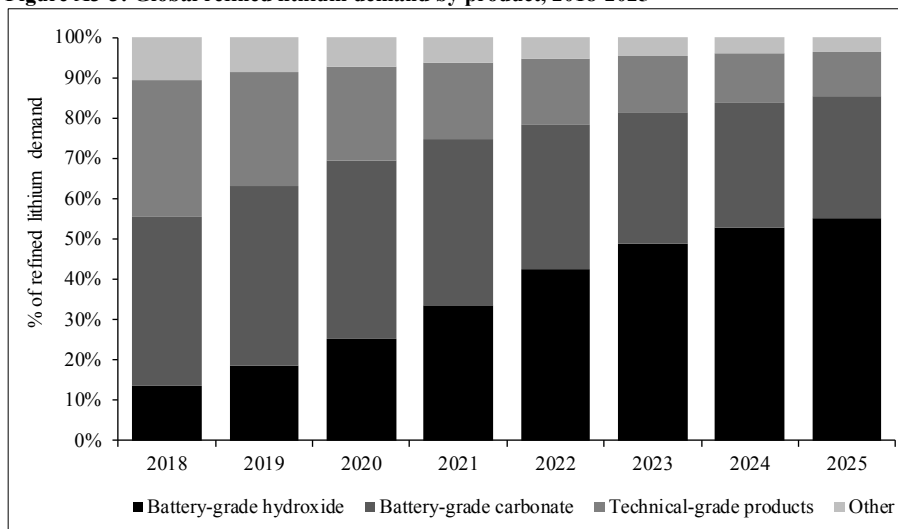
number of countries, including South Korea, Germany and Norway, have established electric vehicle sales targets over the past five years and the United Kingdom is expected to ban all non-electric vehicles by 2040.²⁶ Prices for electric vehicles are expected to match those of petrol-based vehicles by around 2023 and global electric vehicle sales are expected to increase from 2 million to 50 million by 2030.²⁷

Demand for batteries is also expected to rise as grid storage applications are rolled out in response to the rising need to store energy generated by intermittent renewable assets, such as solar and wind renewable energy assets to help smooth out supply peaks and troughs in the energy grid.

Lithium

The figure below summarises the forecast relative demand for refined lithium products for the periods 2018-2025, as forecast by Roskill, and illustrates that battery-grade hydroxide is expected to be the product most in demand in the future.

Figure A3-3: Global refined lithium demand by product, 2018-2025



Source: Roskill – Lithium 15th Edition Update 3, March 2019

China is the largest consumer of lithium in the world due to its involvement in electronics manufacturing and electric vehicles production. According to Roskill, China alone accounts for approximately 40% of global lithium consumption, whilst Japan and South Korea are the next largest and account for 19% and 14% respectively²⁸.

²⁶ IBISWorld. Battery Material Mining in Australia, December 2018

²⁷ Australian Government, Department of Industry, Innovation and Science. Resources and Energy Quarterly, March 2019

²⁸ Roskill, Lithium: Global Industry, Markets and Outlook, 2018

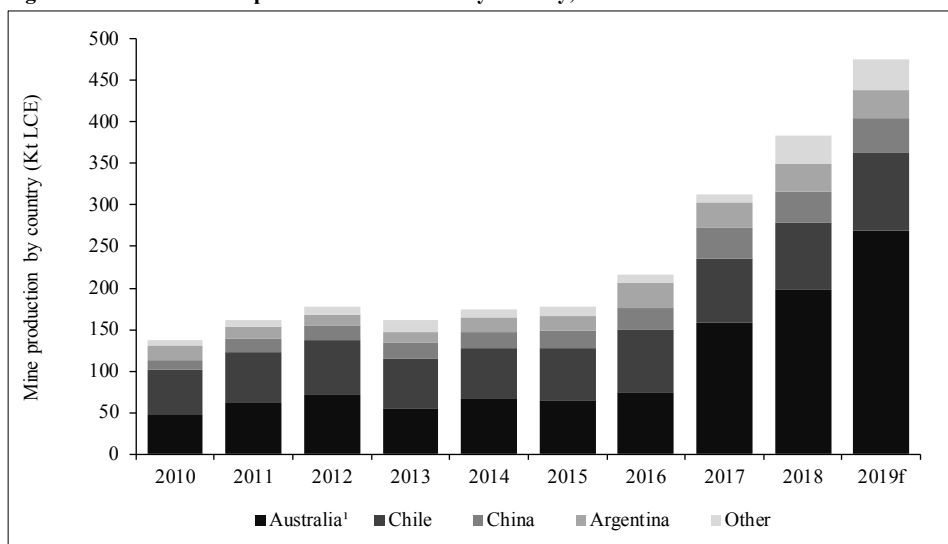


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Supply

The supply chain has scaled up over the past five years as lithium-ion battery manufacturers have sought to lock in supply ahead of anticipated future demand. A summary of historical and forecast global lithium mining output by region is provided in the following figure. It illustrates that an increase in production of approximately 46% occurred in 2017 over 2016, and an increase of approximately 22% followed in 2018. It also demonstrates Australia's significant and growing contribution to world production in recent years; USGS estimates that Australia holds approximately 19% of the world's lithium reserves, and is the world's largest producer²⁹.

Figure A3-4: World mine production of lithium by country, 2010-2019



Source: Roskill, *Lithium: Global Industry, Markets and Outlook, 2018*; Roskill – *Lithium 15th Edition Update 3, March 2019*

Note 1: Australian total excludes DSO from the Pilangoora and Wodgina mines in WA

Roskill suggests that the addition of capacity at existing and new operations will be critical to meet forecast growth over the coming decade, whether from lithium brine or lithium hard rock operations.³⁰ As such, Roskill expects that significant additional global production will come on by 2020, as current producers expand their operations and a number of new projects come online by 2020.³¹ The following figure sets out projected lithium mine nameplate capacity to 2027 based on specific projects currently in operation or under construction.

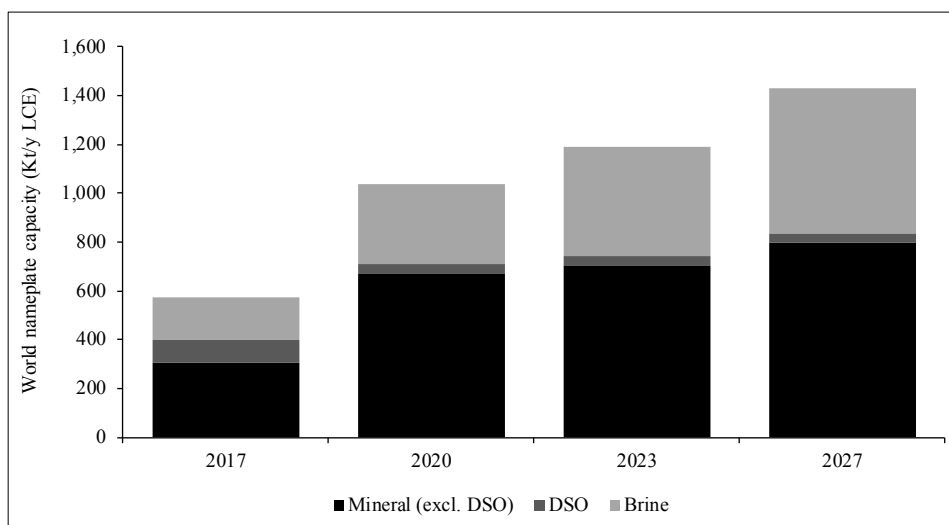
²⁹ U.S. Geological Survey, Mineral Commodity Summaries, February 2019

³⁰ Roskill website, *Lithium – Outlook to 2028, 16th Edition*

³¹ Roskill. *Lithium: Global Industry, Markets and Outlook, 2018*



Figure A3-5: World: forecast existing, expanded and under construction lithium mine nameplate capacity by company, 2017 (actual), 2020, 2023 and 2027 (forecast)



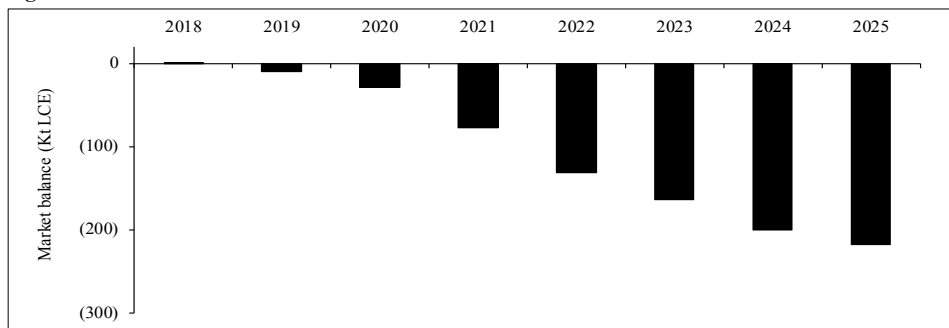
Source: Roskill, *Lithium: Global Industry, Markets and Outlook, 2018*

Note: DSO is Direct Shipping Ore with an assumed 50% recovery of contained Li_2CO_3

Mineral conversion is largely centred in China according to Roskill. This is likely to change in the future, with several large players evaluating or already constructing refineries to capture greater value from integrated operations. IBISWorld suggests that as at October 2018, five additional Australian refineries are planned or under construction.

A summary of estimated and forecast refined lithium supply and demand is set out in the figure below, which shows small excess supply in 2018 and increasing supply deficit from 2019 to 2025.

Figure A3-6: Short-term refined lithium market balance



Source: Roskill – *Lithium 15th Edition Update 3, March 2019*

Note: Includes Direct Shipping Ore reported to mine production assuming 50% recovery of contained Li_2CO_3

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Pricing

There is no exchange traded market for lithium compounds. Prices for the majority of lithium production are typically set by negotiation between producers and consumers. We note that the terms of these agreements are often confidential and that there may be a number of bespoke pricing mechanisms included in agreements making like-for-like comparison difficult. Agreements may contain annual volume flexibility, customer-specific formulations, floor prices, ceiling prices and may be based on reference prices with annual price negotiation options.

Whilst most pricing is privately negotiated, spot prices are becoming more widely quoted, especially in the Chinese market. Although they are not thought to directly influence contract pricing, according to Roskill, they do largely reflect supply and demand of material available off-contract, in small volumes, and therefore may be used as an indicator for market balance, which in turn, may later influence contract pricing.

Prices quoted by different journals or websites will generally describe a similar price profile, although they will often show a small but consistent offset between each other. These commentators will typically quote the low and high price representing the general consensus of industry correspondents who report spot transactions for the period, often on a weekly or monthly basis. These prices are not always based solely on spot transactions but often consider bids and offers. The spot price itself is therefore open to negotiation between buyer and seller according to their perceptions of current forecast market conditions.

In June 2019, the London Metals Exchange (**LME**) announced that it was working with data provider, FastMarkets to develop a futures market for lithium, although no timeline has been given for the official launch of these contracts. It is expected that the lithium contract will serve as an industry proxy, with future privately negotiated contracts struck at a premium or discount to it depending on several factors, much the way LME contracts for other commodities function³².

The price of chemical grade spodumene concentrate is directly related to the price of lithium compounds, mainly lithium carbonate and LiOH while the price of LiOH is related to the demand and supply balance of lithium compounds for battery use.

With respect to the historical prices, it is noted that the supply of battery materials became increasingly tight over the past five years through strong demand from the lithium-ion battery industry set against a backdrop of uncertainty over future supply. This resulted in a significant growth in the prices of lithium as shown in the figure below. Roskill notes that this attracted significant attention on the lithium sector and incentivised investment into both mining and processing capacity with prices for all lithium products subsequently falling as production at operations in China, Australia, Canada and Chile ramped-up, and as a swath of greenfield projects mitigated fears of future supply shortages.³³

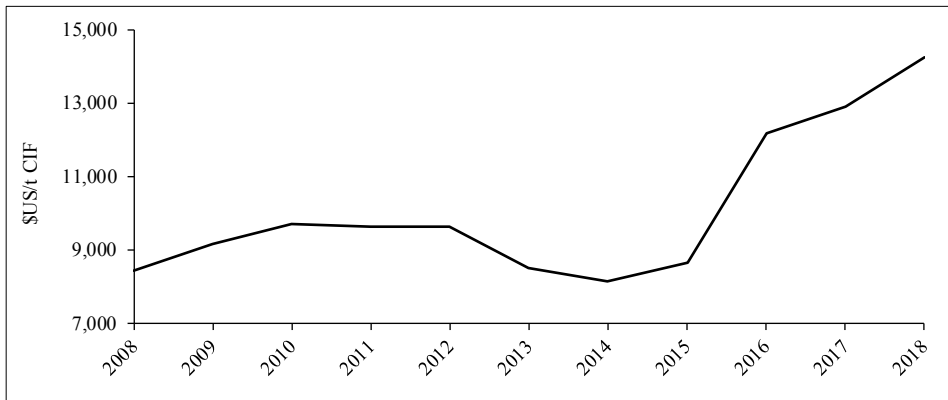
³² "LME Shock Market With Fastmarkets Choice As Lithium Partner" – Reuters 11 June 2019

³³ Roskill website, Lithium – Outlook to 2028, 16th Edition.

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Figure A3-7: Historical battery grade LiOH average annual contract prices, CIF



Source: Roskill, *Lithium: Global Industry, Markets and Outlook, 2018*

Notwithstanding the difficulties associated with the opaque nature of lithium contract pricing, available pricing information and market data indicates a softening in lithium prices in recent times and a review of general market commentary indicates an expectation of a further softening in lithium prices over the next few years on the back of new supply coming online and the rundown of existing feedstock by Chinese refineries. Lithium prices are however expected to return to growth in the medium term.

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Appendix 4 – Calculation of discount rates

We have assessed an appropriate nominal, post-tax weighted average cost of capital (**WACC**) applicable for the Mt Holland Project to be in the order of 10.3 percent per annum to 11.5 percent per annum.

The discount rates are AUD denominated discount rates, reflecting that the projected underlying cash flow models for the Mt Holland Project are denominated in AUD.

Selection of the appropriate rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement. Whilst there is a body of theory that may provide a framework for the derivation on an appropriate discount rate, it is important to recognise that given the level of subjectivity involved in selecting various inputs to the theoretical framework there is no absolute “correct” discount rate.

We consider the rates adopted to be reasonable discount rates that purchasers would use in the current market in assessing the Mt Holland Project and are reflective of the commercial, operational and technical risks of the project.

WACC

The WACC of a project is the expected cost of the various classes of capital (i.e. its equity and debt) employed in the project, weighted by the proportion of each class of capital to the total capital employed and is represented by the following formula, which calculates an after tax nominal rate:

$$\text{WACC} = K_d \times (1 - t_c) \times \left(\frac{D}{D + E} \right) + K_e \times \left(\frac{E}{D + E} \right)$$

Where the key inputs are defined as follows:

- K_e the after-tax cost of equity, which is the rate of return required by the providers of equity capital
- K_d the pre-tax cost of debt, which is the expected long-term average future borrowing cost of the relevant project and/or business
- t_c the applicable corporate tax rate
- D the market value of debt
- E the market value of equity

The WACC is an opportunity cost of capital in the sense that it reflects the returns that would have been earned in the market with the relevant capital if it was employed in the next best investment of equivalent risk profile. It represents the minimum weighted average rate of return which is required or expected by the providers of capital as compensation for bearing the risks associated with the relevant investment or business operation.

Each of the components of the WACC formula is discussed further below:

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Cost of equity (K_e)

The WACC approach represents a merger of the Capital Asset Pricing Model (**CAPM**) with capital structure theory. In the WACC formula discussed earlier, the CAPM provides the means for estimating the cost of equity.

The CAPM provides a theoretical basis for determining a discount rate that reflects the risk of a particular investment or business operation. In simple terms, the CAPM states that the returns expected by an equity investor reflect the risk of the underlying equity investment. The risk can be determined by the risk-free rate of return plus a risk premium which reflects the relative risk (as measured by the “beta” factor) and any company/project specific risk (as measured by the “alpha” factor) required to be borne by the investor. Therefore, the required rate of return for equity securities is determined as set out below.

$$K_e = R_f + (\beta \times MRP) + \alpha$$

Where the key inputs are defined as follows:

R_f	risk free rate of return
β	beta factor of the investment or business operation
MRP	equity market risk premium
α	company/project specific risk factor

A large degree of subjectivity is involved in estimating the inputs to the formula. These limitations mean that any estimate of the cost of equity must necessarily be regarded as indicative rather than as a firm and precise measure. Furthermore, because the cost of equity is a market-determined measure, changes in market conditions over time will affect its calculation.

Risk free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are generally accepted as a benchmark for a risk-free security. The spot yields to maturity of 10-year Government Bonds have traditionally been accepted as a proxy for the risk-free rates in determining costs of equity under the CAPM. Further, the market for 10-year Australian Government Bonds is liquid such that, in our view, the current yield on 10-year Government Bonds represents the best indicator of the risk-free opportunity cost of the assets for the forthcoming 10-year period at any particular point in time.

Continued market volatility and risk aversion by investors and ongoing global economic uncertainty, has contributed to bond yields continuing to trade significantly below long term averages. Further, market evidence indicates that bond yields and the market risk premium (**MRP**) are inversely correlated.

In this context, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the MRP. On balance, we consider adopting the spot Government Bond yield



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in isolation of a change in the MRP (as discussed below) to be inappropriate and therefore have applied an adjusted risk free rate.

In our view, it is appropriate to take into account both the current yield on 10 year Government Bonds, as well as the longer term expected yield in order to calculate a blended risk-free rate over a time horizon appropriate to the underlying business operations of the Mt Holland Project.

In determining an appropriate risk-free rate we have had regard to the expected project life (inclusive of development period) for the Mt Holland Project of approximately 50 years.

Accordingly in determining an appropriate risk-free rate we have had regard to the spot yield of 1.5% per annum on 10 year Australian Government Bonds followed by 3.9% per annum (based on an the current long term view of four economic forecast providers) from year 11 to year 50, which results in a blended risk free rate estimate of 3.0% per annum applicable to the Mt Holland Project.

MRP

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets such as Government bonds. Given that expectations are not observable, a historical premium is generally used as a proxy for the expected risk premium.

Measurement of historical premia in Australia is subject to considerable debate, including in relation to the method of calculation, the relevance of long dated data and the relevant period of observation, as well as the impact of the introduction of imputation credits and the value attributed to imputation credits.

The most recent Australian study of historical premia was completed in by J.C. Handley in 2012³⁴ (**the 2012 Handley Study**), as prepared for the Australian Energy Regulator, and was based on earlier works by R.R. Officer in 1989 and T. Brailsford, J.C. Handley and K. Maheswaran in 2008 and 2012. The 2012 Handley Study found that:

- relative to 10 year bonds, the equity risk premium has averaged 6.0% p.a. over 1883–2011 ignoring the impact of imputation credits (this increases to 6.3% per annum if imputation credits are valued at 100%)
- relative to 10 year bonds, the equity risk premium has averaged 5.8% p.a. over 1958–2010 ignoring the impact of imputation credits (this increases to 6.6% per annum if imputation credits are valued at 100%).

Consistent with our approach to the risk free rate, we adopted a long term view in setting the market risk premium. A market risk premium of 6.0% per annum is regarded as appropriate by KPMG Corporate Finance for the current long-term investment climate in Australia.

³⁴ J.C. Handley, "An Estimate of the Historical Risk Premium for the period 1883 to 2011", April 2012



Beta factor (β)

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or market risk. The concept of beta is central to the CAPM given that beta risk is the only risk that is priced into investor required rates of return.

The beta for equity securities can be statistically measured by regressing the returns on an equity market index against the share price returns of the relevant stock. By definition, the market portfolio has an equity beta of 1.0. A beta greater than 1.0 implies that the returns on a stock are, on average, more volatile, and hence the stock is more risky than the market, whilst a beta of less than 1.0 implies the reverse.

The beta of a stock can be presented as either an adjusted beta or as an historical beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. Conversely, the adjusted beta is an estimate of a security's future beta. It is initially derived from the historical beta, but modified by the assumption that a security's true beta will move towards the market average of one, over time. Generally, an adjusted beta is used because of its greater predictive features.

Betas derived from stock market observations represent equity betas, which reflect the degree of financial gearing of the company. Consequently, it is not possible to compare the equity betas of different companies without having regard to their gearing levels. In theory, a more valid analysis of betas can be obtained by "ungearing" the equity beta, by applying the following formula:

$$\beta_a = \frac{\beta_e}{1 + \left[\frac{D}{E} \times (1 - t)\right]}$$

where "D/E" is the debt and equity market values of the relevant equity security and "t" is the corporate tax rate. The adjustment involves stripping out the impact of financial gearing from the equity beta to obtain ungeared beta (denoted by β_a).

The following table sets out closing market capitalisation as at 31 May 2019, the two year and five year historical average financial gearing and the adjusted ungeared two year weekly and five year monthly beta estimates for a selection of listed Australian and International exploration and development (E&D), and producing lithium companies.

The beta factors have been calculated relative to the Morgan Stanley Capital Index – All Countries (MSCI), an international equities market index that is widely used as a proxy for the global stock market as a whole. The MSCI is often used as a benchmark in respect of assets likely to be attractive to international buyers, which we believe is likely to be the case in relation to the Mt Holland Project.

ATTACHMENT 1 - INDEPENDENT EXPERT'S REPORT



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Table A4-1: Selected listed companies – financial gearing and ungeared beta

Comparable companies - Beta analysis					
Company name	Market Cap AUDm	Unlevered beta		Debt to value ¹	
		2-year weekly	5-year monthly	2-year average	5-year average
International producers					
Sociedad Química y Minera de Chile S.A.	11,516	1.17	1.26	6%	10%
Albemarle Corporation	9,676	1.19	1.26	8%	17%
Tianqi Lithium Corporation	6,622	1.09	1.13	18%	13%
Nemaska Lithium Inc.	249	0.85	0.96	15%	11%
Alliance Mineral Assets Limited	257	0.90	1.10	2%	1%
Mean (International producers) excl. outliers		1.09	1.26	8%	13%
Median (International producers) excl. outliers		1.17	1.26	7%	12%
ASX listed spodumene producers					
Mineral Resources Limited	2,814	0.75	0.94	5%	2%
Pilbara Minerals Limited	1,333	1.36	0.17	1%	1%
Galaxy Resources Limited	643	1.32	1.01	0%	7%
Altura Mining Limited	223	1.20	0.51	16%	15%
Mean (ASX listed producers) excl. outliers		1.16	n/a	2%	3%
Median (ASX listed producers) excl. outliers		1.26	n/a	1%	2%
ASX listed spodumene developers					
Kidman Resources Limited	761	1.25	1.06	0%	0%
AVZ Minerals Limited	192	1.15	0.64	0%	0%
Neometals Ltd	125	1.04	0.30	0%	0%
European Lithium Limited	54	0.99	n/a	0%	n/a
Mali Lithium Limited	41	1.11	2.63	0%	0%
Prospect Resources Limited	35	1.09	1.25	0%	0%
Core Lithium Ltd.	33	0.83	1.20	0%	0%
Sayona Mining Limited	17	1.74	3.28	0%	0%
Mean (ASX listed developers) excl. outliers		1.28	n/a	0%	0%
Median (ASX listed developers) excl. outliers		1.17	n/a	0%	0%
Total Mean (excl. outliers)		1.18	1.26	2%	4%
Total Median (excl. outliers)		1.19	1.26	0%	1%

Source: Capital IQ, latest available financial statements of the companies and KPMG Corporate Finance analysis

Notes:

- 1 Market capitalisation is at 31 May 2019, converted to AUD as at the same date based on prevailing spot prices (where relevant)
- 2 Debt is average short-term and long-term debt less average cash as disclosed by Capital IQ based on financial accounts available as at 31 May 2019
- 3 Where a company does not have any interest bearing debt or the resultant net debt figure is negative, the debt to value ratio has been recorded as 0%

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4 Outliers (shaded) have been excluded from the mean and median. For debt to value, outliers have been assessed based on statistical analysis of the data set on a category-by-category basis. For unlevered beta, outliers have been assessed based on statistical confidence levels

5 "n/a" denotes insufficient observations

We have categorised the list of comparable companies into ASX-listed developers, ASX-listed producers and international producers, reflecting the fact that different mining assets have varying risk profiles depending on, amongst other things, the stage or maturity of the asset.

In selecting an appropriate ungeared beta for the Mt Holland Project, we have considered that:

- the above analysis indicates that in a large number of cases, the observed 5-year beta observations exhibit a low level of statistical confidence, such that only limited reliance can be given to these directly observed beta factors
- the long-term prospects of the lithium industry generally are expected to be materially driven by the nascent electric vehicle market, which is yet to be fully developed
- a number of ASX-listed developers, namely AVZ, Mali Lithium and Prospect, operate principally in Africa
- Galaxy, SQM, Albemarle and Tianqi have brine operations in Latin America in addition to spodumene operations in Australia
- as discussed in section 9.4, a number of the comparable companies have exposure to other minerals and/or operations in addition to lithium mining. Specifically:
 - Neometals Ltd (**Neometals**) is evaluating tenements prospective for titanium and vanadium, in addition to developing a lithium refinery and lithium recycling technologies; whilst it has secured offtake agreements for supply of spodumene, it does not own any properties containing defined Mineral Resources or Ore Reserves
 - MinRes has iron ore and graphite assets, and derived approximately half of its FY18 EBITDA from mining services
 - SQM and Albemarle produce and sell a range of other chemical products in addition to lithium derivatives
- each of Alliance, Neometals, MinRes, SQM, Tianqi and Albemarle have been involved in corporate takeovers/merger plays in recent times, which may have impacted on the share price of each company
- each of Kidman, AVZ, European, Mali Lithium, Prospect, Core and Sayona have only become focused on lithium within the last 5 years
- the majority of the ASX-listed developers are at the pre-feasibility stage, with the exception of Prospect and Sayona, each of which has completed a DFS.

Having regard to the above and considering the nature of the Mt Holland Project, we consider an ungeared beta range of 1.1 to 1.3 to be reflective of a vertically integrated battery grade LiOH mining



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operation. We have separately considered the development risk associated with the early stage of development of the Mt Holland Project in our assessment of project specific risk factors set out later in this section.

Having determined an appropriate ungeared beta, it is necessary to “regear” the beta to a specified level of financial gearing to determine the equivalent beta.

Debt/equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity level assumption should reflect what would be the optimal or target capital structure for the relevant asset. Optimal (as opposed to actual) capital structures are not readily observable. Accordingly, any estimate of optimal capital structure is necessarily subjective. In practice, the existing capital structures of comparable businesses can be used as a guide to the likely capital structure for a firm/project, taking into consideration the specific financial circumstances of that firm/project. In drawing any conclusions from the comparable company information, it is important to note that the observed gearing levels usually represent current gearing levels, which may or may not be representative of optimal, long term gearing levels. Furthermore, the gearing level of a company at a given point in time can reflect recent new issues of debt or equity.

In selecting an appropriate capital structure we have had regard to the gearing level of the set of comparable companies set out in Table A4-1. We have had particular regard to the gearing levels of international and domestic lithium producers over both a 2 year and 5 year horizon, reflecting the Mt Holland Project has effectively been valued as a production project. We consider an appropriate long term gearing level for the Mt Holland Project to be in the order of 10% debt and 90% equity.

On this basis, the regeared beta range of the Project is in the order of 1.2 to 1.4.

Company/project specific risk factor

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks because the net effect of specific risks across a diversified portfolio will, on average, be zero i.e. portfolio investors can diversify away all specific risk. In reality many investors will include an additional risk premium to reflect such factors as project location and stage of development. Certainly, it is common for companies to set “hurdle rates” for investments above their own estimates of the cost of capital, to deal with these issues.

It can be argued that the approach of a valuer to this issue should reflect the approach most likely to be adopted by actual or potential purchasers of similar assets.



Accordingly, we have assessed an appropriate risk premium to reflect development risk associated with the cash flows forecast for the Mt Holland Project to be in the order of 1% per annum after consideration of the matters below.

- Construction activities at the Mt Holland Project have not yet commenced. As such, there is a degree of inherent risk in the development, construction and commissioning of any new operation which can be considered to add to the risk of the underlying cash flows emerging as projected in comparison to an established production project with known operating parameters. In this regard we note however that AMC has developed separate models to reflect its assessment of the risk of project delays and capital and operational cost overruns and therefore these risk are already captured in the cash flow forecasts themselves
- Whilst both AMC and we consider there to be a reasonable basis for the cash flows and operational assumptions underpinning our range of values based on information available at the date of this report, the technical studies considered by AMC in relation to the Earl Grey deposit and the plant design are at a PFS level of accuracy
- As Kidman has previously advised the market, it had commenced an initial debt financing process by requesting indicative non-binding proposals from a number of domestic and international lenders in relation to a potential project finance facility. Kidman had selected a consortium of five lenders and preliminary due diligence by the lenders had commenced. That process was placed on hold when the Proposal was announced on 2 May 2019. We understand that the potential financiers' technical and commercial due diligence had not commenced in any detail and there were a number of processes, steps and potential issues associated with the proposed project financing that remained unresolved. Accordingly, a degree of financing risk still exists
- The cash flows assume that the offtake agreements with Tesla, Mitsui and LG Chem are completed based on the terms currently contemplated. In the event the scheme is not completed, Kidman will be required to seek agreement from the relevant off-taker to extend the timetable for completion of various milestones, which is not assured.

Cost of equity calculation (K_e)

The following table sets out our cost of equity estimate based on the assumptions and inputs discussed above:

Table A4-2: AUD nominal cost of equity – Mt Holland Project

Input	Definition	Low	High
R_f	Risk free rate of return	3.0%	3.0%
β_α	Asset beta (ungeared beta estimate)	1.1	1.3
β_e	Equity beta (regeared beta estimate)	1.2	1.4
MRP	Equity market risk premium	6.0%	6.0%
α	Project specific risk factor	1.0%	1.0%
K_e	Cost of equity (post-tax)	11.1%	12.4%

Source: KPMG Corporate Finance analysis

Note amounts may not add exactly due to rounding

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Cost of debt calculation (K_d)

In determining the cost of debt appropriate for the Mt Holland Project, we have considered:

- the current spread on BBB rated Australian corporate bonds over Australian Government bonds.
- our aforementioned adjusted risk free rate commensurate with the forecast project life.

Based on the above considerations, we consider an appropriate nominal, pre-tax cost of debt to be in the order of 3.9% per annum to 4.4% per annum.

Corporate tax rate (t_c)

The Australian corporate tax rate of 30% has been applied to calculate the post-tax, nominal discount rates for the Mt Holland Project.

Calculation of the WACC

The following table summarises the implied base calculation of a nominal post-tax WACC for application in our valuation assessment based on the assumptions/inputs discussed above.

Table A4-3: Summary of the WACC – Mt Holland Project

Input	Definition	Low	High
K_d	Cost of debt (pre-tax)	3.9%	4.4%
K_e	Cost of equity (post-tax)	11.1%	12.4%
t_c	Corporate tax rate	30%	30%
D/(D+E)	Proportion of debt in the capital mix	10%	10%
E/(D+E)	Proportion of equity in the capital mix	90%	90%
WACC	Weighted average cost of capital (nominal, post-tax)	10.3%	11.5%

Source: KPMG Corporate Finance analysis

Note amounts may not add exactly due to rounding

Having regard to the above variables, we adopted a discount rate in the order of 10.3% per annum to 11.5% per annum for the Mt Holland Project.

Whilst we consider the range of discount rates adopted by us to be reasonable, we note that the assessment of an appropriate discount rate is ultimately a matter of judgement and that it is quite possible that individual investors may select a different range depending upon their risk appetite. Any such difference would impact upon our assessed values either positively or negatively. In this regard we would refer Scheme Shareholders to section 9 in the body of the report; which sets out the sensitivity of our range of our values for the Case 1 cash flows in respect of the Mt Holland Project to changes in various operation and macro-economic assumptions.



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Appendix 5 – Selected listed companies

Company	Market capitalisation \$m	Enterprise value \$m	Resources		No control premium multiple		25% control premium multiple		35% control premium multiple	
			Mt	Mt	\$t	\$t	\$t	\$t	\$t	\$t
International producers										
Sociedad Química y Minera de Chile S.A.	11,516	12,291	8.05	1.527	1,676	1,885	2,069	2,028	2,226	
Albemarle Corporation	9,676	11,867	1.84	2.26	6,461	7,778	6,326	8,305	6,754	
Tianghi Lithium Corporation	6,622	13,066	2.17	1.43	6,028	9,166	10,327	7,097	10,791	
Namaska Lithium Inc.	249	580	0.78	0.52	745	1,119	1,239	856	1,287	
Alliance Mineral Assets Limited	257	282	0.26	0.11	1,107	1,359	3,039	1,459	3,264	
Mean (international producers)				3,174	3,938	3,728	4,600	3,949	4,865	
Median (international producers)				1,527	2,476	1,885	3,039	2,028	3,264	
ASX listed spodumene producers										
Mineral Resources Limited	2,814	3,485	3.52	0.89	3,920	1,190	4,712	1,269	5,029	
Pilbara Minerals Limited	1,333	1,404	2.86	1.36	490	1,033	607	1,278	1,376	
Galaxy Resources Limited	643	608	0.78	0.12	780	4,937	987	6,243	1,069	
Altium Mining Limited	223	391	0.51	0.43	904	872	1,033	915	1,085	
Mean (ASX producers)				756	2,699	914	3,317	977	3,564	
Median (ASX producers)				772	2,477	929	2,995	992	3,202	
ASX listed lithium developers										
AVZ Minerals Limited	192	203	3.96	-	51	n/a	n/a	68	n/a	
European Lithium Limited	54	54	0.11	-	490	n/a	613	n/a	662	
Mali Lithium Limited	41	36	1.39	0.49	26	74	33	95	36	
Prospect Resources Limited	35	26	0.61	0.35	42	73	56	98	62	
Core Lithium Ltd	33	29	0.13	-	224	n/a	288	n/a	314	
Seyona Mining Limited	17	13	0.21	0.12	60	105	81	140	89	
Neometals Ltd	125	99	-	-	n/a	n/a	n/a	n/a	n/a	
Mean (ASX developers)				149	84	189	111	205	122	
Median (ASX developers)				56	74	72	98	79	107	
Total mean				1,369	2,645	1,625	3,159	1,728	3,365	
Total median				763	2,476	914	3,017	977	3,233	

Source: CapitalIQ, company financial statements and reports, publicly available Resource/Reserve information of relevant companies and KPMG

Notes:

1. Enterprise Value has been calculated as market capitalisation as at 31 May 2019 converted to AUD as at the same date based on prevailing spot price (where relevant) and the latest net debt/cash of the selected company reported prior to 31 May 2019
2. Where the Resources/Reserve are not 100 percent owned, the calculation of the multiple is based on the company's relevant interest.
3. Resources include Measured, Indicated and Inferred Mineral Resources.
4. Reserves include Proven and Probable Ore Reserves.
5. Reserves are quoted inclusive of reserves.
6. Resource multiple is calculated as enterprise value divided by total Mineral Resource.
7. Reserve multiple is calculated as enterprise value divided by total Ore Reserve.
8. "n/a" indicates the information is not available.

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Company	Description
International producers	
Sociedad Química y Minera de Chile S.A.	SQM produces and distributes specialty plant nutrients, iodine and its derivatives, lithium and its derivatives, industrial chemicals, potassium, and other products and services. The company produces lithium carbonate and LiOH in its Salar del Carmen plant, close to Antofagasta, Chile, from solutions extracted from the Salar de Atacama. It also holds a 50% stake in the Mt Holland Project through an unincorporated JV with Kidman Resources Ltd. The company sells its various products through sales offices and a network of distributors in Chile, Latin America, the Caribbean, Europe, North America, Asia, Central and South America, and internationally. Sociedad Química y Minera de Chile S.A. was founded in 1968 and is headquartered in Santiago, Chile.
Albemarle Corporation	Albemarle Corporation develops, manufactures, and markets engineered specialty chemicals. Its three reportable segments include Lithium, Bromine specialties and Catalysts. Its Lithium segment offers lithium compounds, including lithium carbonate, LiOH, lithium chloride, and value-added lithium specialties, as well as reagents, such as butyl lithium and lithium aluminium hydride for applications in lithium batteries. It also offers cesium, zirconium, barium, and titanium products, as well as technical services, such as the handling and use of reactive lithium products and recycling services for lithium-containing by-products. The company has lithium brine operations at the Salar de Atacama, Chile, and in Silver Peak, Nevada, as well as a 49% share in the Greenbushes Spodumene mine in Western Australia. Facilities in the US, Germany, France and Taiwan further process the materials into various derivatives. The company was founded in 1994 and is headquartered in Charlotte, North Carolina.
Tianqi Lithium Corporation	Tianqi Lithium Corporation, an energy materials company, engages in lithium resource investment, lithium concentrate extraction, and production of advanced lithium specialty compounds in Australia, Chile, and China. The company's resources include its 51% interest in the Greenbushes project in Western Australia and mining licence of Cuola Mine in Yajiang Country. The company was founded in 1995 and is based in Chengdu, the People's Republic of China.
Nemaska Lithium Inc.	Nemaska Lithium Inc. operates as a developing chemical company in Canada. The company focuses on integrating activities from spodumene mining to the commercialization of LiOH and lithium carbonate. It owns the Whabouchi lithium mine in the Eeyou Istchee/James Bay area of Quebec province. Nemaska Lithium Inc. was incorporated in 2007 and is headquartered in Quebec City, Canada.

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Company	Description
Alliance Mineral Assets Limited	Alliance Mineral Assets Limited engages in exploring and developing tantalum and lithium mineral resources primarily in Western Australia. Whilst the company is domiciled in Australia, it is listed in both Australia and Singapore, with most of the volume in trading of its shares taking place on the Singapore exchange. The company's principal project is the Bald Hill lithium-tantalum mine located to the southeast of Kambalda region in the Eastern Goldfields, Western Australia. The company was formerly known as HRM Resources Australia Limited and changed its name to Alliance Mineral Assets Limited in March 2014. The company was incorporated in 1998 and is based in Osborne Park, Australia.
ASX listed spodumene producers	
Mineral Resources Limited	Mineral Resources Limited operates as a mining services and processing company in Australia, China, Singapore, and internationally. It operates through three segments: Mining Services and Processing, Mining, and Central. The company's commodity interests include a portfolio of iron ore assets, an interest in the McIntosh Graphite Project in northern Western Australia, and the Wodgina Lithium Project and a 50% interest in the Mount Marion lithium project, also both in Western Australia. The company was founded in 1993 and is headquartered in Applecross, Australia.
Pilbara Minerals Limited	Pilbara Minerals Limited engages in the exploration, evaluation, and development of mineral resources in Australia. The company focuses on its wholly owned Pilgangoora lithium-tantalum project located in the Pilbara region of Western Australia. Pilbara Minerals Limited was incorporated in 2005 and is headquartered in West Perth, Australia.
Galaxy Resources Limited	Galaxy Resources Limited engages in the production of lithium products, and exploration of mineral assets in Australia, Canada and Argentina. The company owns and operates the Mount Cattlin spodumene mine in Western Australia and is developing the James Bay spodumene project in Quebec, Canada, as well as lithium brine operations in the Salta province of Argentina. Galaxy Resources Limited is headquartered in Perth, Australia.
Altura Mining Limited	Altura Mining Limited engages in the exploration and development of mineral properties in Australia. The company's principal asset is its 100% owned Pilgangoora lithium project located in the Pilbara region of Western Australia. The company is based in Perth, Australia.
ASX listed spodumene developers	
Kidman Resources Limited	Kidman is a mineral exploration and development company. Kidman's principal activities are the development of the integrated Mt Holland Project comprising a mine, concentrator and refinery through its 50% stake in an unincorporated JV with SQM. Kidman Resources Limited was incorporated in 2010 and is based in Melbourne, Australia.

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Company	Description
AVZ Minerals Limited	AVZ Minerals Limited explores for mineral properties in central Africa. The company focusses on the development of its Manono lithium, caesium, and tantalum project in the south of the Democratic Republic of the Congo, of which it owns 60 percent. AVZ Minerals Limited is based in Mount Hawthorn, Australia.
Neometals Ltd	Neometals Ltd explores and evaluates mineral properties in Australia. The company explores for lithium, titanium, and vanadium. Its three main projects are the Kalgoorlie Lithium Refinery Project, a proprietary lithium-ion battery recycling plant, as well as their Barrambie titanium and vanadium project. The company was formerly known as Reed Resources Ltd and changed its name to Neometals Ltd in December 2014. Neometals Ltd was founded in 2001 and is based in West Perth, Australia.
European Lithium Limited	European Lithium Limited explores and develops lithium properties in Austria. It focuses on the development of its Wolfsberg lithium project located in Carinthia. The company is headquartered in West Leederville, Australia.
Mali Lithium Limited	Mali Lithium Limited engages in the exploration and development of lithium properties in Mali, West Africa. The company holds 100% interest in the Goulamina Lithium project in the Bougouni Region of southern Mali. It also holds gold exploration assets in southern Mali. The company was formerly known as Birimian Limited and changed its name to Mali Lithium Ltd in July 2019. Mali Lithium is based in Subiaco, Australia.
Prospect Resources Limited	Prospect Resources Limited engages in exploration, evaluation, and development of mineral properties in Zimbabwe. The company primarily explores for lithium and gold deposits. Its flagship project is the Arcadia lithium project east of Harare, Zimbabwe. The company was incorporated in 2007 and is headquartered in Subiaco, Australia.
Core Lithium Ltd	Core Lithium Ltd explores for lithium and base metals deposits, primarily in the Northern Territory, Australia. The company focusses on the development of its Finnis Lithium Project located near Darwin, NT. Core Lithium Ltd was incorporated in 2010 and is based in Adelaide, Australia.
Sayona Mining Limited	Sayona Mining Limited, together with its subsidiaries, engages in the identification, acquisition, evaluation, and exploration of mineral assets in Australia and Canada. The company primarily explores for lithium and graphite. It is evaluating the Mallina lithium project located in the Pilbara region, Western Australia and developing the Authier Lithium project in Canada. Sayona Mining Limited was incorporated in 2000 and is headquartered in Paddington, Australia.

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Appendix 6 – Selected transactions

Target	Acquirer	Date Announced	Percentage Acquired	Enterprise value A\$/m	Resources t	Reserves t	Resource multiples A\$/t	Reserve multiples A\$/t
Sirmac Lithium Property of Nemaska Lithium Inc.	ABE Resources Inc.	14 Dec 17	100%	6.3	4,136	-	1,534	n/a
Moblan Lithium Project	GUO AO Lithium Ltd.	18 Oct 17	60%	127.7	200,925	-	635	n/a
Mt Holland lithium project in Western Australia	SQM Australia Pty Ltd	11 Sep 17	50%	86.4	1,839,000	-	47	n/a
Dakota Minerals Limited, Lynas Find Lithium Project	Pilbara Minerals Limited	6 Oct 16	100%	8.0	91,250	-	87	n/a
Talisson Lithium Limited	Windfield Holdings Pty Ltd	19 Nov 12	80%	746.1	2,848,800	1,727,200	262	432
Mean							258	432
Median							175	432

Source: S&P Capital IQ, MergerMarket, company websites and announcements

Notes:

1. Implied enterprise value calculated using the consideration offered by the acquirer and the target's net debt/cash position reported prior to the announcement of the transaction.
2. Where the transaction involved a company acquiring an interest of below 100 percent, the consideration has been grossed up to reflect an implied acquisition of 100 percent.
3. Resources are based on Measured, Indicated and Inferred Resources. Resources are quoted inclusive of reserves.
4. If the relevant resource statement does not disclose whether resources are inclusive/exclusive of reserves, we have assumed that resources are disclosed as being inclusive of reserves.
5. Reserves are based on proven and probable reserves.
6. Resource and reserve multiples are calculated using the Enterprise Value implied by the transaction and resources and reserves sourced from latest resource and reserve statement announced by the target prior to the announcement of the transaction.
7. In relation to the reserve and resource multiples, "n/a" indicates that Reserve or Resource figures were not available to calculate the multiple.

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Company	Description
Moblan Lithium Project	On 18 October 2017, GUO AO Lithium Ltd. agreed to acquire a 60% stake in the Moblan Lithium project from Globestar Mining corporation for US\$60 million. The Moblan Lake site is located in northern Quebec, Canada. The project involved a conceptual open pit mine covering approximately 23 hectares and with an expected LOM of 15 years, as well as a spodumene concentrator with an estimated ore capacity of 2600t per day.
Lynas Find Lithium Project	On 6 October 2016, Pilbara Minerals entered into a binding contract to acquire the Lynas Find lithium project from Dakota Minerals Limited (Dakota) for \$5 million cash plus further consideration contingent on each of four license applications being granted and transferred, which was subsequently paid in scrip totalling an additional \$5 million. Dakota had completed exploration drilling identifying a large near-surface pegmatite, which underpinned the maiden Mineral Resource estimate of 7.3Mt @ 1.25% Li ₂ O reported the day before the announcement of the transaction. The acquisition secured the eastern and northern extensions of the same pegmatite swarm that hosted the key lithium-tantalum deposits that Pilbara Minerals were developing on their Pilangoora tenements, which they brought into commercial production in April 2019.
Mt Holland Project (SQM JV)	On 17 September 2017, SQM entered into a Definitive Agreement with Kidman to establish the 50:50 Joint Venture for the Mt Holland Project, first announced 12 July 2017. In consideration for their 50 percent interest, SQM agreed to make payments of US\$30 million to Kidman and a further US\$80 million to fund initial costs of development. At the time, Kidman had only declared indicated and inferred Mineral Resource estimates (128Mt at 1.44% Li ₂ O).
Sirmac Lithium Property	On 13 December 2017, ABE Resources Inc. (ABE) signed a definitive asset purchase agreement to acquire the Sirmac Lithium project from Nemaska Lithium for approximately CA\$6.3 million, comprising CA\$0.25 million cash and 15 million common ABE shares, as well as various royalty rates and offtake agreements, and a pre-emptive right to any future equity financing. The property consists of 24 mining claims totalling approximately 1,100 hectares in northern Quebec, Canada.
Talison Lithium Limited	On 6 December 2012, Tianqi entered into a scheme implementation agreement (SIA) under which Tianqi would acquire all the issued shares in Talison that it did not already own for CA\$7.50 per share. This acquisition included the wholly owned Greenbushes mine in Western Australia.

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Appendix 7 – AMC – Independent Technical Specialist Report

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Report

Kidman Resources Limited

AMC Project 219063
4 July 2019

Unearth a smarter way

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4 July 2019

The Directors
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NE Suite, Level 30
140 William Street
MELBOURNE VIC 3000

Mr Jason Hughes
KPMG Financial Advisory Services (Australia) Pty Ltd
235 St Georges Terrace
Perth WA 6000

Dear Sirs

**Independent Technical Specialist's Report
Kidman Resources Limited**

Wesfarmers Limited (Wesfarmers) announced on 23 May 2019, that Wesfarmers and Kidman Resources Limited (Kidman) and Wesfarmers Lithium Pty Ltd (Wesfarmers Lithium), a wholly owned subsidiary of Wesfarmers, have entered into a Scheme Implementation Deed (SID) for the purchase of 100% of the issued capital of Kidman (the Proposed Transaction) by way of a scheme of arrangement (the Scheme).

Kidman holds a 50% interest in the Covalent Lithium Joint Venture (Covalent) which owns assets comprising the Earl Grey Lithium Project (Earl Grey), and certain exploration properties that are not considered part of Earl Grey (Exploration Properties). Earl Grey consists of a planned open pit mine (the Mine) at the Mt Holland spodumene deposit in the southwest of Western Australia (WA), a spodumene concentrator (the Concentrator) to be located at the Mt Holland site, and a spodumene conversion plant (the Refinery) to be located in Kwinana in WA which will produce lithium hydroxide (LiOH) from spodumene concentrate.

Kidman has appointed KPMG Financial Advisory Services (Australia) Pty Ltd (KPMG) as an independent expert (Expert) to prepare an independent expert's report (IER) in relation to the Proposed Transaction. Kidman appointed AMC Consultants Pty Ltd (AMC) to act as an independent technical specialist to assist the Expert by providing technical support during preparation of the IER. The results of AMC's work are presented in this independent technical specialist's report (ITSR), jointly addressed to Kidman and the Expert.

This ITSR is to be attached in full as an appendix to the IER, which will be provided to the shareholders of Kidman. In the preparation of this ITSR, AMC took instruction from, and reported to, the Expert.

KPMG instructed AMC to review technical and engineering data pertaining to geological, mining, mineral processing, refining and environmental areas, including estimates of Mineral Resources and Ore Reserves, life-of-mine (LOM) plans, production schedules, and estimates of capital and operating costs for Earl Grey, and to advise KPMG as to whether these estimates are reasonable for valuation purposes. KPMG instructed AMC to prepare several production/development scenarios for Earl Grey (the Production Cases) that are based on the LOM plans and adjusted based on AMC's review of Kidman's Integrated Pre-Feasibility Study (IPFS), its supporting data, and early data from Covalent's definitive feasibility study for the Project (the DFS). AMC considers it reasonable to assume that additional and upgraded equipment identified in the DFS will result in increased capital expenditure (CapEx) and has therefore included a range of CapEx increases in the Production Cases.

In addition, KPMG required AMC to prepare an independent valuation of Mineral Resources not included in the LOM plan and the Exploration Properties.

KPMG directed AMC to prepare an ITSR setting out:

- The scope of AMC's engagement.
- The nature of the work performed.
- A description of Kidman's mineral assets and their planned development.

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- AMC's conclusions as to the technical assumptions regarding mining inventory, capital costs, production profiles, and operating costs for each of the production/development scenarios, which AMC refers to in this report as its Production Cases.
- AMC's valuations of Mineral Resources not included in the LOM plan and the Exploration Properties.

AMC has prepared this ITSR as a Specialist in accordance with the VALMIN Code¹ to the extent that the code is relevant to AMC's engagement.

AMC's use, in this ITSR, of the terms Mineral Resources and Ore Reserves is in accordance with the JORC Code². The totals of Mineral Resources and Ore Reserves estimates presented in this ITSR have been rounded.

For the purposes of preparing this ITSR, appropriately qualified experts from AMC visited the Mt Holland and Kwinana sites during June 2019.

AMC reviewed material technical reports and management information, and communicated with management staff of Kidman, Covalent, and Greenhill & Co., who are financial advisors to Kidman for the Proposed Transaction. AMC has not visited the Exploration Properties. AMC is satisfied that Kidman has provided sufficient information for AMC's informed appraisal of Earl Grey and the Exploration Properties.

AMC considers that it has enough information on which to base its valuation of the undeveloped resources and the Exploration Properties.

AMC has not audited the information provided to it but has aimed to satisfy itself that all the information has been prepared in accordance with proper industry standards and is based on data that AMC considers to be of acceptable quality and reliability.

AMC's Production Cases

The Production Cases provided by AMC to KPMG include mining and processing schedules, and capital and operating cost estimates, and are based on information provided by Kidman. AMC considers that the Production Cases cover a range of reasonable operating strategies and are based on reasonable grounds and assumptions. AMC developed three production cases describing alternative production and cost profiles for the project. AMC's central case is Case 1, with alternative profiles in Case 2 and Case 3. AMC considers that all cases are based on reasonable grounds and assumptions but are exposed to technical risks and opportunities.

- Case 1 is based on an adjusted project timeline, with receipt of approvals and commencement of construction in Q2 2020 and completion of construction in Q2 2022, IPFS LOM plan physicals with a number of adjustments based on AMC's review of project parameters, ramp up in concentrator recovery over six months, ramp up in refinery throughput over 12 months, and ramp up in refinery recovery over 12 months. Updated mining cost model applied and IPFS operating cost (OpEx) increased by inclusion of additional tailings management costs. IPFS capital cost (CapEx) is increased by 20% to allow for the ongoing process of development and refinement of the Project, including clearer definition of infrastructure requirements, which is being undertaken as a normal part of the DFS.

¹ Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

² Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition, Effective 20 December 2012, Mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

- Case 2 is based on an adjusted project timeline, with receipt of approvals and commencement of construction in Q1 2020 (three months earlier than Case 1), and completion of construction in Q4 2021 (a further three months earlier than Case 1). IPFS LOM plan physicals with no additional adjustments for ramp of concentrator and refinery throughput or recovery have been used. Updated mining cost model applied and IPFS LOM plan for other OpEx with no additional costs used. IPFS LOM plan CapEx has been increased by 15% to allow for the ongoing process of development and refinement of the Project, including clearer definition of infrastructure requirements which is being undertaken as a normal part of the DFS. Early results from the DFS suggest that CapEx increases may be higher than included in this case, however, an allowance was included for ongoing value engineering to result in a reduction in this escalation over the remaining period of the DFS.
- Case 3 is based on an adjusted project timeline, with receipt of approvals and commencement of construction in Q2 2020 (same as Case 1), and completion of construction in Q3 2022 (further three months delay to Case 1). IPFS LOM plan physicals with a number of adjustments based on AMC's review of project parameters, including ramp up in concentrator recovery over nine months, ramp up in refinery throughput over two years, ramp up in refinery recovery over two years, updated mining cost model, inclusion of additional tailings management cost, other OpEx increased by 10% to allow for increases in labour costs and other operating cost inputs, and IPFS CapEx increased by 25% to allow for the ongoing process of development and refinement of the Project, including clearer definition of infrastructure requirements which is being undertaken as a normal part of the DFS.

The Production Cases do not include off-site costs such as head office or corporate costs, and shipping costs, which are considered by KPMG.

Operating costs in May 2019 terms calculated for the Production Cases are shown in Table 1 while capital costs in May 2019 terms are shown in Table 2.

Table 1 Production Case operating costs

Description	Units	Case 1	Case 2	Case 3
Total mining cost	\$M	3,574	3,576	3,579
Total Concentrator cost	\$M	2,989	2,778	3,266
Total transport costs	\$M	1,385	1,386	1,523
Mine rehabilitation fund	\$M	5	5	6
Total refinery cost	\$M	9,385	9,396	10,303
Total operating cost	\$M	17,338	17,141	18,677
Mining unit cost	\$/t ore	38.7	38.7	38.7
Concentrator unit cost	\$/t concentrate	155.4	144.3	169.8
Refinery unit cost	\$/t LiOH	4,425	4,425	4,870
Total operating unit cost	\$/t LiOH	8,175	8,070	8,827

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Table 2 Production Case capital costs

Description	Units	Case 1	Case 2	Case 3
Mining - Earl Grey				
Owners costs	\$M	9.9	8.4	11.3
Mobilisation	\$M	0.9	0.9	0.9
Site establishment	\$M	4.8	4.6	5.0
Other	\$M	3.7	3.1	4.1
Total mining	\$M	19.3	16.9	21.4
Concentrator				
Concentrator	\$M	358.5	344.7	373.5
Infrastructure	\$M	44.3	42.5	46.1
Indirect Costs	\$M	188.9	179.7	196.7
Contingency	\$M	83.9	80.7	87.4
Total Concentrator	\$M	675.6	647.6	703.7
Refinery				
Mechanical supply	\$M	164.1	157.8	165.4
Civil and site works	\$M	8.6	8.2	8.9
Construction works	\$M	249.9	240.2	260.3
EPCM	\$M	33.2	30.4	36.1
Indirect costs	\$M	81.2	74.0	86.9
Contingency	\$M	134.5	129.3	140.1
Total refinery	\$M	671.3	639.8	697.8
Closure				
Land purchases	\$M	12.2	12.1	12.2
Mine and concentrator closure	\$M	56.8	54.4	59.2
Refinery closure	\$M	33.4	31.7	34.7
Total closure	\$M	102.4	98.1	106.1
Total CAPEX	\$M	1,468.6	1,402.5	1,528.9

AMC's exploration valuations

AMC has reviewed Kidman's Mineral Resources not included in the LOM plan and the Exploration Properties to assess their additional value. AMC's preferred valuation is \$5.3 million. These assets are not approved for development. AMC has assumed that access to the Mineral Resources not included in the Production Cases will be restricted because of limited room on the mining lease and will not be available for possible development until the Project is completed in 2069. Appropriate escalation and discount factors were applied to convert the 2069 estimated value to value at the valuation date.

Details of this ITSR

All references to Mineral Resources, Ore Reserves, and actual and scheduled production and costs are presented in this ITSR on a 100% basis.

Production and costs presented in this ITSR are on a calendar year (January to December) basis unless otherwise specified.

All monetary figures expressed in this ITSR are in 31 May 2019 Australian dollars (\$). Costs are presented on a cash cost basis unless otherwise specified.

For definitions of abbreviations used in this ITSR, refer to Appendix A, and for contributors to this ITSR, refer to Appendix B.

Exclusions

Exclusions from this ISTR are:

- Standing of tenements and approvals.
- Marketing, commodity prices and exchange rates.
- Determination of product royalty charges.
- Financial and taxation analysis, including inflation and discount rates.
- Estimation of corporate, funding, head office, insurances costs, and working capital.
- Assessment of sovereign risk.
- Legal aspects of contracts.
- Legal and social considerations.
- Valuation of Kidman's operations and non-mineral assets.

AMC understands that these are addressed by others to the extent necessary.

Yours faithfully



R Chesher
FAusIMM
Principal Consultant



M Thomas
FAusIMM (CP)
Principal Consultant

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Appendices

- Appendix A List of abbreviations
- Appendix B Report contributors
- Appendix C Source of information

Distribution list

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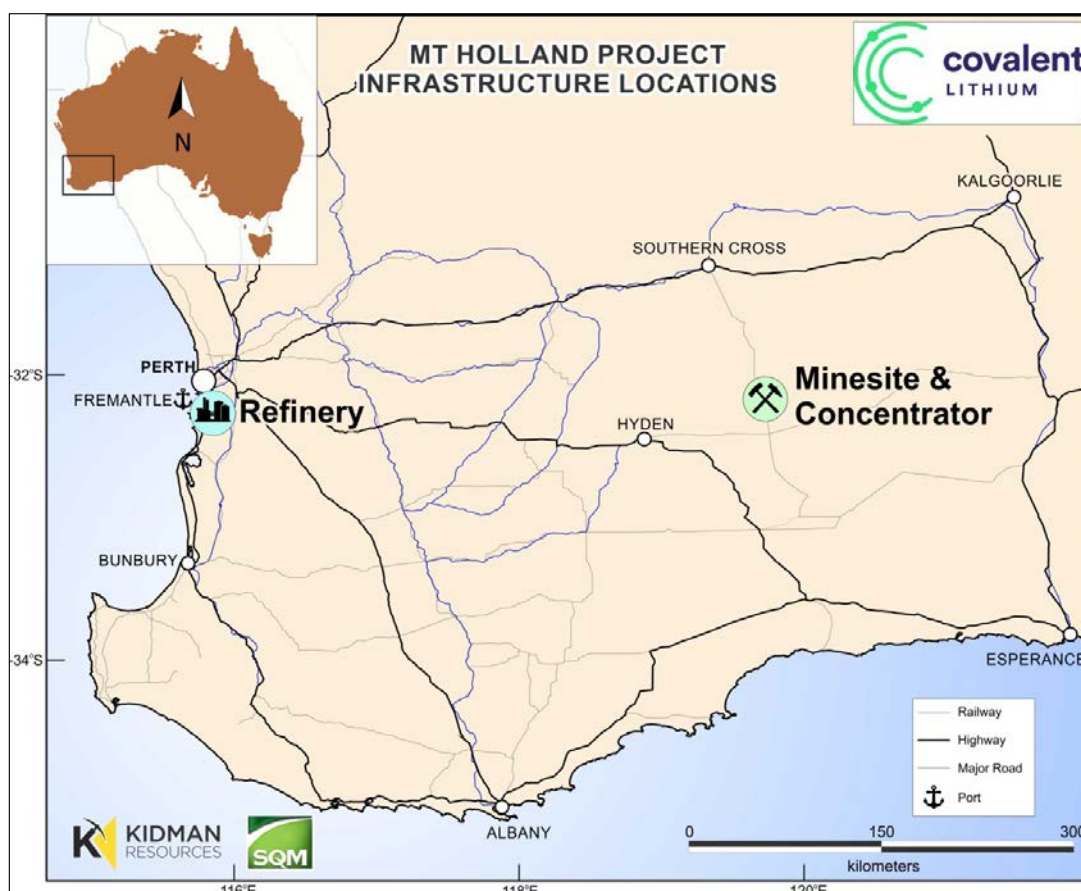
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1 Mineral assets

1.1 Location of assets

The project is centred on the Earl Grey hard-rock lithium deposit south of Southern Cross in Western Australia, approximately 500 km east of Perth. It is owned by a 50-50 joint venture (JV) between Kidman Resources (Kidman) and Sociedad Química y Minera de Chile S.A. (SQM). The JV manager is named Covalent Lithium. The project consists of two sites, the proposed mine and concentrator located at Mount Holland (the Mine and Concentrator), and a proposed refinery located at Kwinana (the Refinery). The Project locations are shown in Figure 1.1.

Figure 1.1 Project locations



Source: Kidman

1.2 Tenements and approvals

1.2.1 Tenure

The tenements associated with the Project are partly or wholly held by MH Gold Pty Ltd (MH Gold) and Montague Resources Australia Pty Ltd (Montague), both wholly owned subsidiaries of Kidman Resources Limited (Kidman). The tenements are shown in Table 1.1 and Figure 1.2. Pursuant to a sale agreement dated 11 September 2017 (Sale Agreement), Kidman, Montague and MH Gold (amongst others) agreed to transfer 50% of their interests in the tenements, highlighted in green in Table 1.1, to SQM Australia Pty Ltd (SQM Australia).

Table 1.1 Tenure held by Kidman Resources or their subsidiaries

Project	Tenement	Expiry	Area	Tenement Holders	Mineral Title Online Indicated Holder %	Beneficial % Held
Van Uden	M77/477@	30/08/2032	620.95 ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
Van Uden	M77/478@	30/08/2032	620.30ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
Van Uden	M77/522	10/10/2033	529.15ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
Van Uden	M77/523	20/10/2033	449.15ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
	E77/1361	14/03/2021	19 BL	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
	E77/1535	14/03/2021	10 BL	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
	E77/1582	31/01/2020	1 BL	MONTAGUE RESOURCES AUSTRALIA PTY LTD	80%	80% - JV Owned 100% lithium right
				TIANYE SXO GOLD MINING PTY LTD	20%	
	E77/2305	13/01/2021	2 BL	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	80%*** - JV owns 100% lithium rights
Early Grey Lithium Project	M77/1065	12/12/2025	960.00ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100% - JV owns 100% lithium rights
Early Grey Lithium Project	M77/1066	12/12/2025	999.60ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%*	50%* - KDR owns 100% gold rights
	M77/1067	12/12/2025	988.00ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100% - JV owns 100% lithium rights
	M77/1068	12/12/2025	358.99ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100% - JV owns 100% lithium rights
Early Grey Lithium Project	M77/1080	12/12/2025	896.9ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%*	50%*- KDR owns 100% gold rights
	P77/4115	29/08/2020	12.58ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/1400	26/05/2020	3 BL	MH GOLD PTY LTD	100%	50%* - KDR owns 100% gold rights
	E77/1773	17/04/2021	7 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/1775	28/03/2021	6 BL	MH GOLD PTY LTD	100%	100% - JV owns

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Project	Tenement	Expiry	Area	Tenement Holders	Mineral Title Online Indicated Holder %	Beneficial % Held
						100% lithium rights
	E77/2011	7/10/2022	3 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2080	9/07/2023	1 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2097	27/06/2023	1 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2099	27/06/2023	1 BL	MH GOLD PTY LTD	100%	50%*- KDR owns 100% gold rights
	E77/2137	11/02/2019	1 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2162	20/07/2019	1 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2167	17/06/2019	20 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2188	6/10/2019	3 BL	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2244	21/09/2022	10 BL	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100% - JV owns 100% lithium rights
	E77/2530	07/10/2023	3 BL	MH GOLD PTY LTD	100%	100%#
	G77/37	30/08/2032	9.94ha	MH GOLD PTY LTD	100%	100%#
	G77/38	30/08/2032	9.98ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	G77/109	15/12/2025	54.0ha	MH GOLD PTY LTD	100%	100%
Early Grey Lithium Project	G77/129	3/10/2038	195.00ha	MH GOLD PTY LTD	100%	50%*- KDR owns 100% gold rights
	G77/130	3/10/2038	28.00ha	MH GOLD PTY LTD	100%	50%*- KDR owns 100% gold rights
	G77/131	22/10/2039	211.0ha	MH GOLD PTY LTD	100%	50%*- KDR owns 100% gold rights
	G77/132	28/01/2040	90.55ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100%# #
	G77/133	28/01/2040	10.99ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100%# #
	G77/134	17/04/2040	31.00ha	MH GOLD PTY LTD	100%	50%**- KDR owns 100% gold rights
	G77/136	Pending	12.00ha	MH GOLD PTY LTD	100%	50%**- KDR owns 100% gold rights
	L77/85	25/04/2020	0.33ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	L77/96	29/01/2022	55.00ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	L77/107	27/05/2022	18.37ha	MH GOLD PTY LTD	100%	50%**- KDR owns 100% gold

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Project	Tenement	Expiry	Area	Tenement Holders	Mineral Title Online Indicated Holder %	Beneficial % Held
						rights
	L77/176	9/12/2023	0.56ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/193	15/12/2025	3.00ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/194	15/12/2025	0.60ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/198	12/10/2027	19.00ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	L77/199	12/10/2027	4.40ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	L77/200	4/04/2034	21.33ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/205	4/04/2034	30.00ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/206	4/04/2034	5.00ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/207	4/04/2034	67.00ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
	L77/208	4/04/2034	20.00ha	MH GOLD PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/271	3/07/2039	22.43ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	50%** - KDR owns 100% gold rights
	L77/295	21/10/2039	131.00ha	MH GOLD PTY LTD	100%	100%##
	L77/296	9/12/2039	10.00ha	MH GOLD PTY LTD	100%	100%##
	L77/298	14/01/2040	10.00ha	MH GOLD PTY LTD	100%	100%##
	L77/299	Pending	5.0ha	MONTAGUE RESOURCES AUSTRALIA PTY LTD	100%	100%#
	L77/300	Pending	9.0ha	MH GOLD PTY LTD	100%	100%##
	L77/301	Pending	47.0ha	MH GOLD PTY LTD	100%	50%**
	L77/302	Pending	2.0ha	MH GOLD PTY LTD	100%	50%**
	P77/4485	Pending	66.00ha	MH GOLD PTY LTD	100%	100% - JV owns 100% lithium rights
NT	EL 23186					100%
NSW	EL 6321					100%

Notes:

*Pending transfer as part of the MHG / SQMA Asset Sale Agreement.

** New licences over core licences – requires transfer with SQM Australia Pty Ltd as 50% holder.

*** 20% will be transferred to Tianye SXO Gold Mining Pty Ltd on execution of VoC & DoAA

Requires request from Covalent to be a Lithium Rights Licence

Requires request from Covalent to be a Core licence

@ Historical disturbance transfer to current tenement holder

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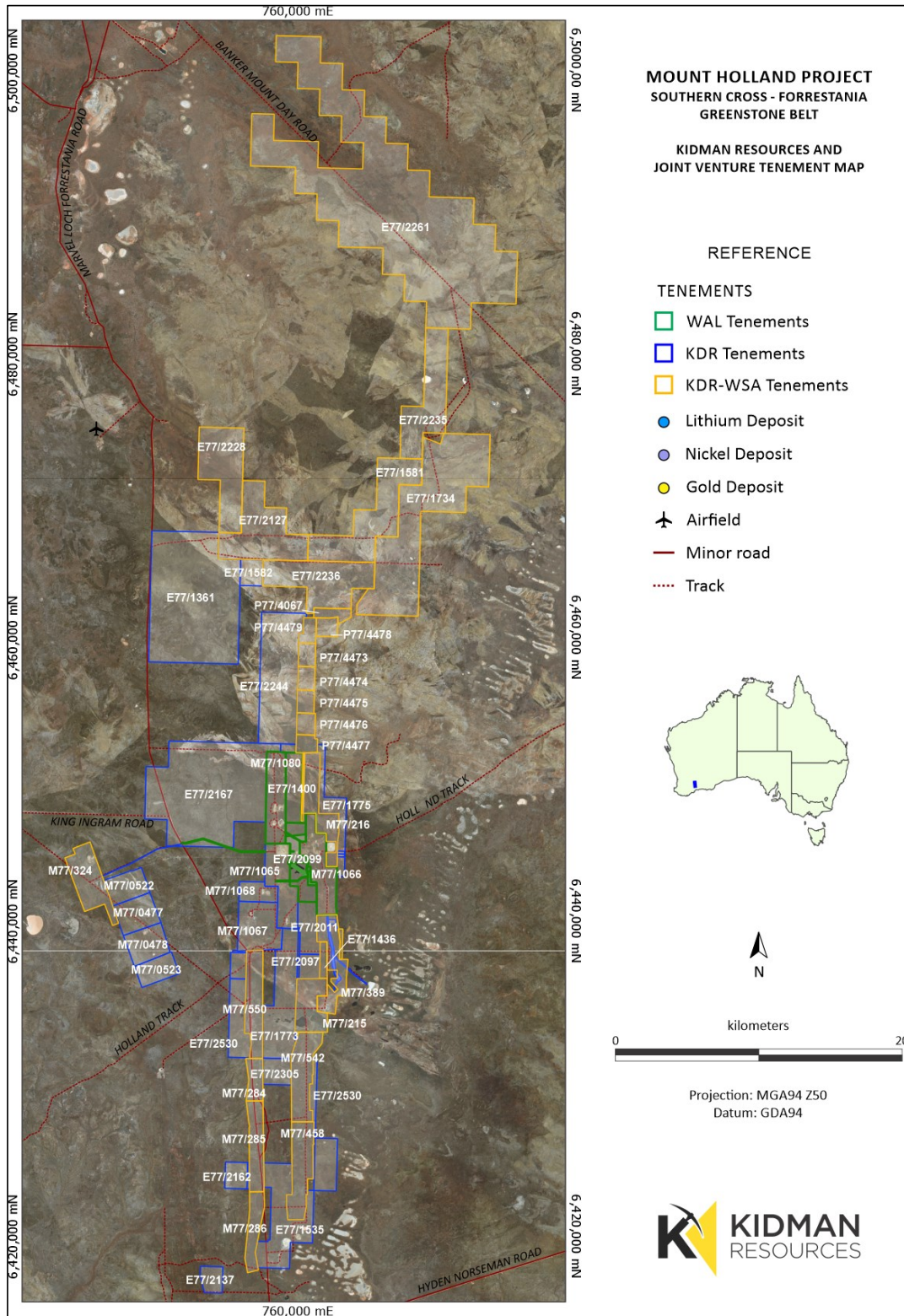
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AMC notes that historical disturbance associated with the abandoned Mt Holland / Bounty Gold Mine (the Previous Projects) is not a liability held by Kidman or its subsidiaries due to a break in tenure. The original tenements associated with the Mt Holland site operated between 1988 and 2002 were dropped, transferring the rehabilitation and closure liability to the State of Western Australia. However, once the Project commences and Covalent commences activities that incorporate historical disturbance, they will be liable for environmental impact associated with the historical areas they are using as well as the rehabilitation and closure obligations and costs.

This is not the case for the tenements associated with the Van Uden Project located on M77/478 and M77/477. The tenure associated with the Van Uden Project was granted in 1990 and list historical approvals associated with the Previous Projects. As such, the current tenement holder inherits the rehabilitation and closure liability that occurs on these tenements.

On 11 September 2017 MH Gold Pty Ltd, Montague Resource Australia Pty Ltd, Kidman Resources Ltd and Kidman Gold Pty Ltd signed a Gold Rights Agreement for the exploration and mining of gold resources. Figure 1.4 highlights a number of tenements that will retain gold rights for Kidman. On 21 December 2017 SQM Australia Pty Ltd, MH Gold Pty Ltd, Montague Resource Australia Pty Ltd, Kidman Resources Ltd, and Kidman Gold Pty Ltd, signed a Deed of Assignment and Assumption – Gold Rights Agreement.

Figure 1.2 Project Tenements



Source: Kidman

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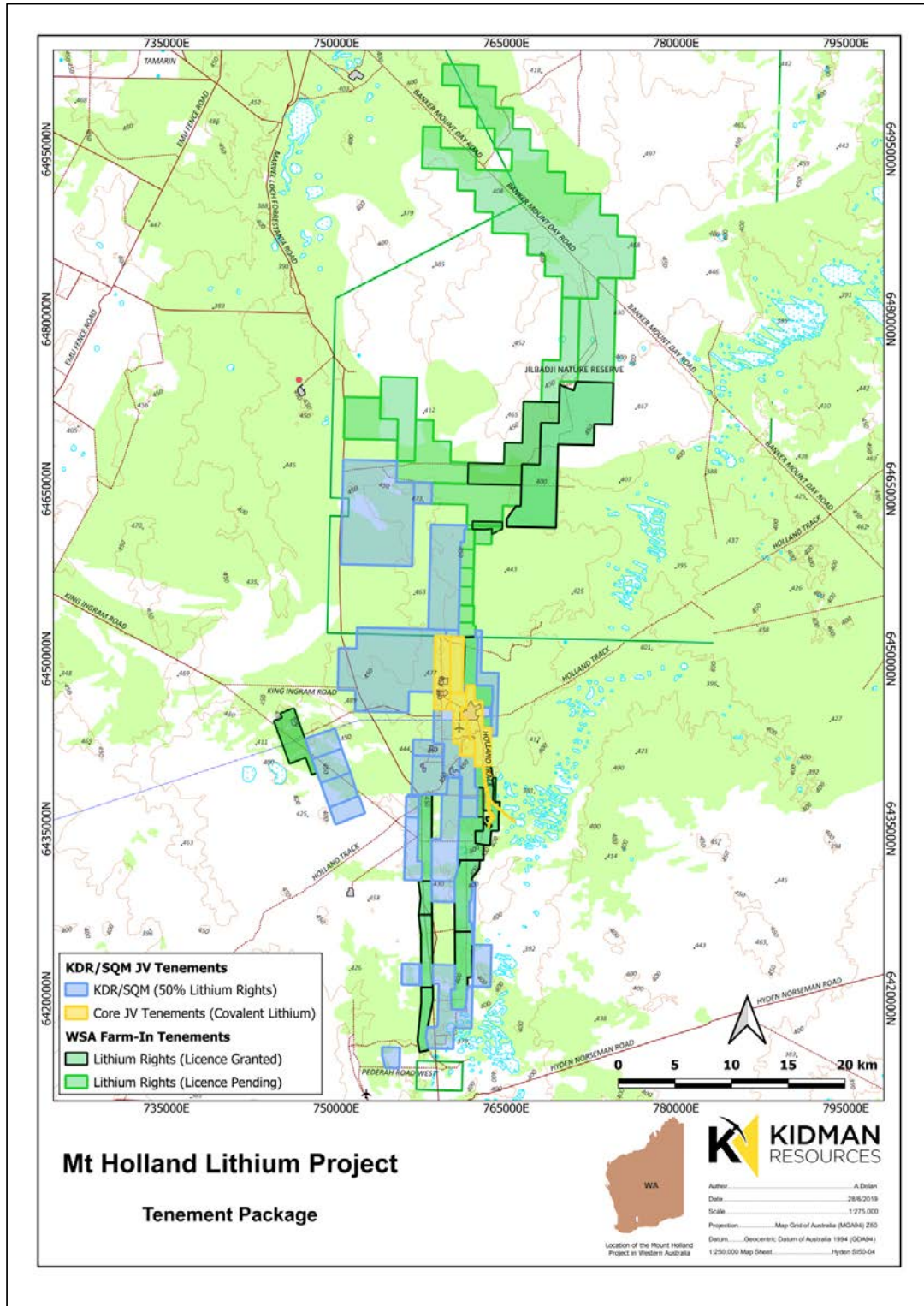
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Kidman also hold rights to acquire up to 70% of the lithium rights associated with 26 granted and pending tenements in the Mt Holland region (Table 1.2). The location of the tenement packages is shown in Table 1.2 and Figure 1.3.

Table 1.2 Kidman Lithium Right Tenure

Tenement	Expiry	Area	Tenement Holders
M77/215	20/03/2030	756.95ha	WESTERN AREAS LIMITED
M77/216	20/03/2030	591.95ha	WESTERN AREAS LIMITED
M77/284	28/06/2030	325.45ha	WESTERN AREAS LIMITED
M77/285	28/06/2030	661.65ha	WESTERN AREAS LIMITED
M77/286	28/06/2030	492.05ha	WESTERN AREAS LIMITED
M77/324	27/07/2031	949.50ha	WESTERN AREAS NICKEL PTY LTD
M77/389	4/07/2031	842.95ha	WESTERN AREAS LIMITED
M77/458	19/09/2032	969.50ha	WESTERN AREAS LIMITED
M77/542	22/01/2034	957.45ha	WESTERN AREAS LIMITED
M77/550	28/07/2034	858.85ha	WESTERN AREAS LIMITED
E77/1436	22/02/2020	2 BL	WESTERN AREAS NICKEL PTY LTD
E77/1581	31/01/2020	8 BL	WESTERN AREAS NICKEL PTY LTD
E77/1734	29/09/2021	17 BL	WESTERN AREAS LIMITED
E77/2127	Pending	7 BL	WESTERN AREAS LIMITED
E77/2228	Pending	6 BL	WESTERN AREAS LIMITED
E77/2235	Pending	6 BL	WESTERN AREAS LIMITED
E77/2236	Pending	7 BL	WESTERN AREAS LIMITED
E77/2261	Pending	47 BL	WESTERN AREAS LIMITED
P77/4067	15/07/2021	195.00ha	WESTERN AREAS NICKEL PTY LTD
P77/4473	Pending	199.00ha	WESTERN AREAS LIMITED
P77/4474	Pending	199.00ha	WESTERN AREAS LIMITED
P77/4475	Pending	196.00ha	WESTERN AREAS LIMITED
P77/4476	Pending	200.00ha	WESTERN AREAS LIMITED
P77/4477	Pending	184.00ha	WESTERN AREAS LIMITED
P77/4478	Pending	200.00ha	WESTERN AREAS LIMITED
P77/4479	Pending	183.00ha	WESTERN AREAS LIMITED

Figure 1.3 Lithium Rights Tenure



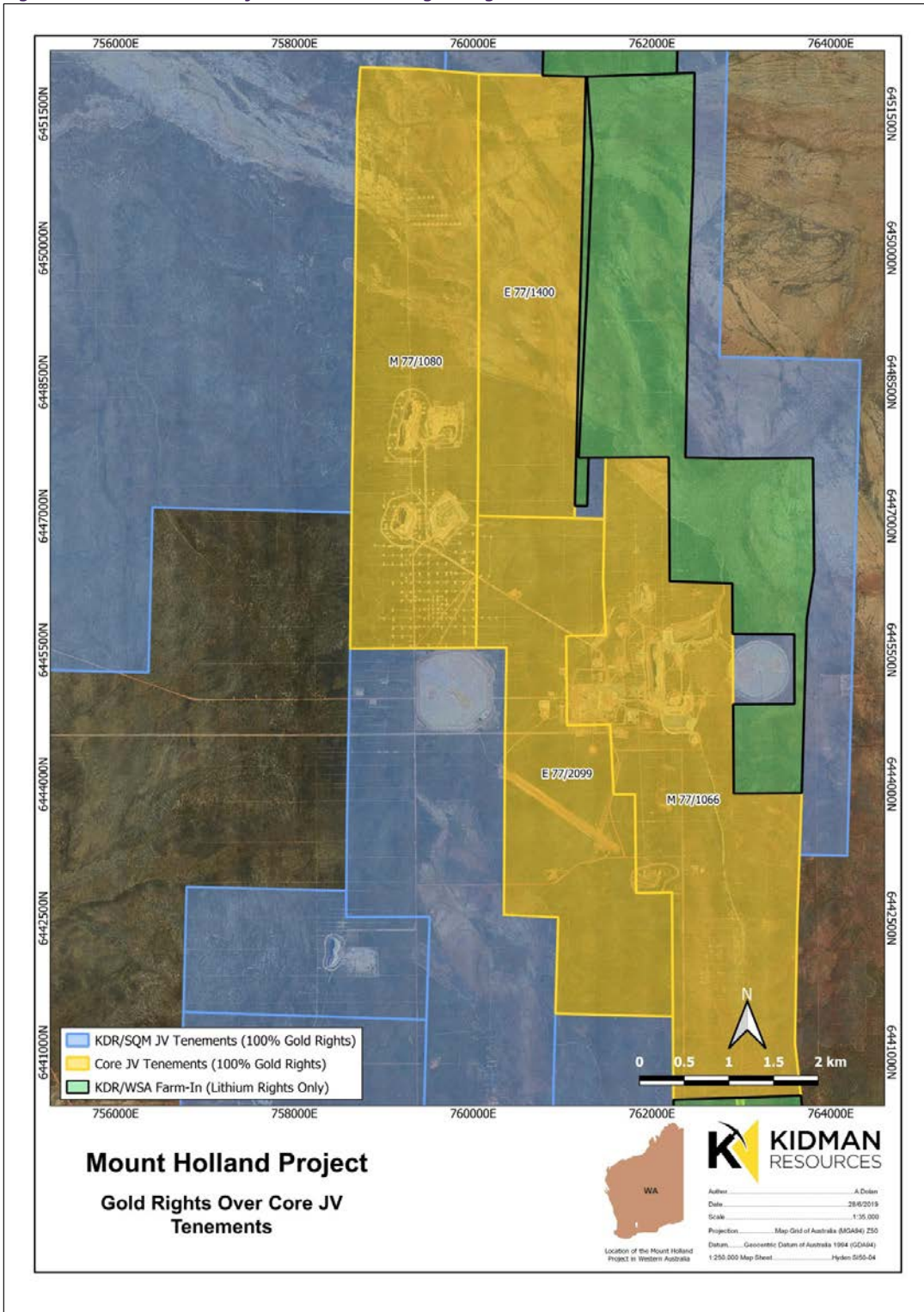
Source: Kidman

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Figure 1.4 Tenure subject to the Gold Rights Agreement



Source: Kidman

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1.2.2 Approvals

Regulatory framework associated with mining activities in WA is a two-stage process; stage one is access to land and/or water, and stage two is land use. Land use approvals are then broken up into Primary and Secondary Approvals.

The Project has been given Level 2 Lead Agency Status and is a WA State Significant Project.

Access to land for mining and associated supporting activities is established through freehold land ownership or by the granting of mining leases or miscellaneous licenses through the WA *Mining Act 1978*, and/or the grant of a lease or an easement via the Land Administration Act 1997, each in compliance with the Commonwealth *Native Title Act 1993*.

Access to water for industrial activities is authorised by the WA *Rights in Water and Irrigation Act 1914*.

Once land access has been obtained, approval to use the land and/or water is required. In WA land use is approved via *Mining Act 1978*, *Environmental Protection Act 1986* (EP Act), *Aboriginal Heritage Act 1972*, *Rights in Water and Irrigation Act* and Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC).

Any land use that is likely to have a significant impact on the environment must be referred to the West Australian Environment Protection Authority (WA EPA) for consideration and approval under the WA *Environmental Protection Act 1986*. Projects expected to impact matters of national environmental significance must be referred to the Department of the Environment and Energy (DoEE) for approvals.

1.2.2.1 Primary Approvals

The Mine and Concentrator were referred to the WA EPA and the Commonwealth DoEE in May 2017 with the EPA setting the level of assessment at Environmental Review with four-week public consultation period. The DoEE deemed the proposed project to be a Controlled Action in July 2017 in respect to impacts on listed threatened species requiring a formal environmental impact assessment. The Commonwealth Minister for Environment will consider the results of the State environmental impact assessment process and will issue a decision regarding project approval subsequent to State approval. The focus areas for the EPA are flora and vegetation and terrestrial fauna.

The Environmental Review Document was released for Consultation in February 2019 for a four-week period ending on March 11, 2019. The Covalent Response to Public Comments Report is yet to be signed off by EPA and released to the Public. The EPA report and recommendation is expected in Q4 2019 assuming there are no appeals. Once the EPA Report has been released the DoEE will commence their EPBC Assessment. Ministerial approvals under the EP Act and EPBC Act are expected in Q4 2019 / Q1 2020.

Table 1.3 summarises the EP Act and EPBC Act Primary Approvals steps and timeline associated with the Primary Approvals for the Mine and Concentrator.

It should be noted that the referred Project is for more than 40-years, however, the dry-stacked tailings storage facility (DTSF) proposed for the Project is only capable of storing tailings from the first 20-years. Kidman has not identified a specific tailings storage location for the remainder of the Project, however there is capacity within existing pit voids and planned waste storage sites to store tailings.

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Table 1.3 Mine and Concentrator Primary Approval timeline

Approval step	Status / timing
EPA referral	Submitted – May 2017
EPBC referral	Submitted – May 2017
Environmental review/public consultation	Submitted – Feb/Mar 2019
EPA assessment	Q3 2019
EPA report and recommendation	Q4 2019
DoEE assessment	Q4 2019
Ministerial Statement Issued	Q4 2019-Q1, 2020
Commonwealth EPBC Act Ministerial Approval	Q4 2019-Q1, 2020

1.2.2.2 Secondary Approvals

In addition, to the Primary Approvals outline above, the Mine and Concentrator will require Secondary Approval authorised under the following WA legislation and summaries in Table 1.4:

- *Mining Act 1978*
- *Environmental Protection Act 1986*
- *Dangerous Goods Safety Act 2004*
- *Rights in Water and Irrigation Act 1914*
- *Biodiversity Conservation Act 2016*

Table 1.4 Mine and Concentrator Secondary Approvals

Proposed activity	Type of approval	Responsible Government agency	Legislation
Prescribed Premises Activities (e.g. processing, disposal of waste, power generation, tailings disposal, sewerage disposal)	Part V - Works Approval and Licence	DWER (Dept Water and Environmental Regulation)	Environmental Protection Act 1986
Mining and associated activities (e.g. processing, waste stockpiling, tailings storage)	Mining Proposal and Mine closure plan	DMIRS (Department Mines Industry Regulation and Safety) with input from DBCA (Department Biodiversity Conservation and Attractions)	Mining Act 1978
Mine dewatering construction of bores groundwater abstraction	5C Licence application to take groundwater and 26D Licence application to construct groundwater wells	DWER	Rights in Water and Irrigation Act 1914
Storage and handling of chemicals	Dangerous Good Storage Licence	DMIRS	Dangerous Goods Safety (Storage and Handling of Non-explosives) Regulations 2007
Disturbance to declared rare flora	Application for permit to take declared rare flora in a non-departmental management operation	DBCA	Biodiversity Conservation Act 2016

The above approvals can be compiled and submitted in parallel with the EP Act and EPBC Act approvals. Compilation of the Secondary Approvals submission has commenced. Primary Approvals cannot be approved until the WA EP Act Part IV approvals process has been completed. AMC believes that the Secondary Approvals could be compiled and assessed between Q3 2019 and Q1 2020 enabling construction to commence in Q1, 2020.

The Project currently has an existing 5C Groundwater Licence, issued in May 2015. The licence, GWL180267, was amended as a consequence of commencement of the approvals process, and now allows for the abstraction of 358,000 kLpa and expires 31 January 2020. DWER can only authorise works consistent with EPA approvals. Abstracted waters are for dust suppression, earthworks and construction, and campsite purposes. The IPFS contemplated use of retained water from the Bounty pit and underground workings. AMC understands that the DFS is also considering the sourcing of water from the Perth-to-Kalgoorlie pipeline. AMC understands that Kidman has commenced negotiations for further amendments aligned with the ongoing operational water requirements of the Project, once a decision has been reached on water sourcing. Kidman has further confirmed that the eventual application will allow additional abstraction for purposes beyond those currently described in GWL180267, once the EPA referral has been approved.

Covalent on behalf of the JV has obtained a Minor and Preliminary Works Approvals (s41A(3)) from the EPA. This approval allows for the removal of rubbish and historical infrastructure associated with the abandoned gold mine and the establishment of an onsite landfill. In support of these activities Covalent has also lodged a Works Approvals Application for the Landfill with DWER and a Mining Proposal with DMIRS. Neither application has been approved as of 19 June 2019.

AMC notes the complexity of the approvals process and the short time allowed in the Project timeline. This timeline has been retained in Case 2; however, AMC has modelled an additional three months to gain approvals in Case 1 and in Case 3.

1.2.2.3 Environmental offsets

Environmental offsets are actions that provide environmental benefits which counterbalance the Significant Residual Environmental Impacts or risks of a Proposal. Offsets may be applied after other mitigation measures have been considered, as per the following hierarchy:

- Avoid
- Minimise
- Rehabilitate
- Offset

Covalent has considered all of these potential residual impacts and risks in the context of both State and Commonwealth values and proposes a direct offset for the potentially significant residual impacts to fauna (Chuditch and Malleefowl) through undertaking 100% land acquisition within the WA wheatbelt to connect remnant patches and provide better connectivity around the Great Western Woodlands (GWW).

Covalent estimates the proposed Environmental Biodiversity Offset would equate to:

- \$2.5 million in the first 2-years to purchase land, and
- \$0.2 million annually for the life of the operations.

Disposition of the land at the completion of the Project is at the discretion of Covalent. In AMC's experience, often such parcels of land are gifted to the state.

1.3 Environment and community

1.3.1 Environment

Several assessments of flora and fauna have been undertaken within and in the vicinity of the project. Surveys of flora and vegetation identified and confirmed the presence of conservation significant species within and surrounding the Mine and Concentrator.

No Threatened Ecological Community (TEC), as listed under the WA Biodiversity Act 2016 or the Commonwealth Environment Protection and Biodiversity Conservation Act 1999, occurs within the vicinity of the Project. The Project will impact one Declared Rare Flora, *Banksia sphaerocarpa* var. *dolichostyla*. The Project will result in direct impact of less than 0.01% to the currently known local population and 0.1% of the regional population with the potential to indirectly impact on 0.38% of the currently known local population. The Proposal has the potential to impact nine Priority Flora species, with the most significant risk to *Microcorys* sp. Mt Holland (D. Angus 2397). The Proposal directly impacts on 14.89% of the currently known local population of *Microcorys* sp. Mt Holland (D. Angus 2397) and has the potential to indirectly impact on 0.15%. Additional surveys have recently been undertaken and potential impacts are expected to vary once analysis has been completed.

Western Wildlife were commissioned to carry out Level 2 fauna surveys over the Project area, between 2016 and 2017. Three broad fauna habitats have been defined in the Project area. Habitats were identified during the fauna surveys and based on vegetation mapping. None of the habitats were considered to be restricted or unique to the region. Two State and EPBC listed species the Malleefowl and Chuditch have been recorded within the Mine and Concentrator Area.

Only one introduced species was recorded within the development envelope.

Material characterisation of Mine and Concentrator waste has identified that, with the exception of minor quantities of dispersive material that cannot be placed on the outside batters of the waste rock dump (WRD), the material is considered to be Non-Acid Forming (NAF) and not anticipated to be a risk to the surrounding environment and saline groundwater.

An assessment of the compatibility of the existing gold tailings with the lithium tailings and waste rock was conducted. The seepage from lithium tailings is predicted to be saline and circum-neutral to moderately alkaline and generally low in dissolved metals (especially those present in elevated concentrations in the gold tailings). In addition, traffic compaction from the construction of the WRD as part of the dry-stack tailings storage facility (DTSF) is expected to provide a low permeability layer which would be beneficial to limiting ingress of water and oxygen to the underlying tailings.

1.3.2 Community

A land access agreement is in place which covers the access road to the west of the project site. The agreement contains terms and conditions that are relatively standard for an agreement of its type and is not expected to affect the Project in any material sense.

Other than as specifically outlined above, no land access agreements have been entered into regarding the Tenements.

The project plans to construct and operate the DTSF as an upstream tailings storage facility (TSF). Upstream TSFs used to contain wet tailings are considered inherently high risk following two significant failures worldwide in the last five years, resulting in communities and regulators opposing the use of wet upstream TSFs. The Project proposes to construct a TSF to store dry tailings; that is, a dry stack tailings facility (DTSF). The risk of a DTSF failing and causing harm is considerably lower than that of a wet TSF, particularly in an area of high evaporation such as Mt Holland. Even so, a risk to the Project remains, and an alternative method may be considered.

Native Title

Two Native Title Claims overlap the full Mt Holland tenement package; the Ballardong People claim and the Marlinyu Ghoorlie claim.

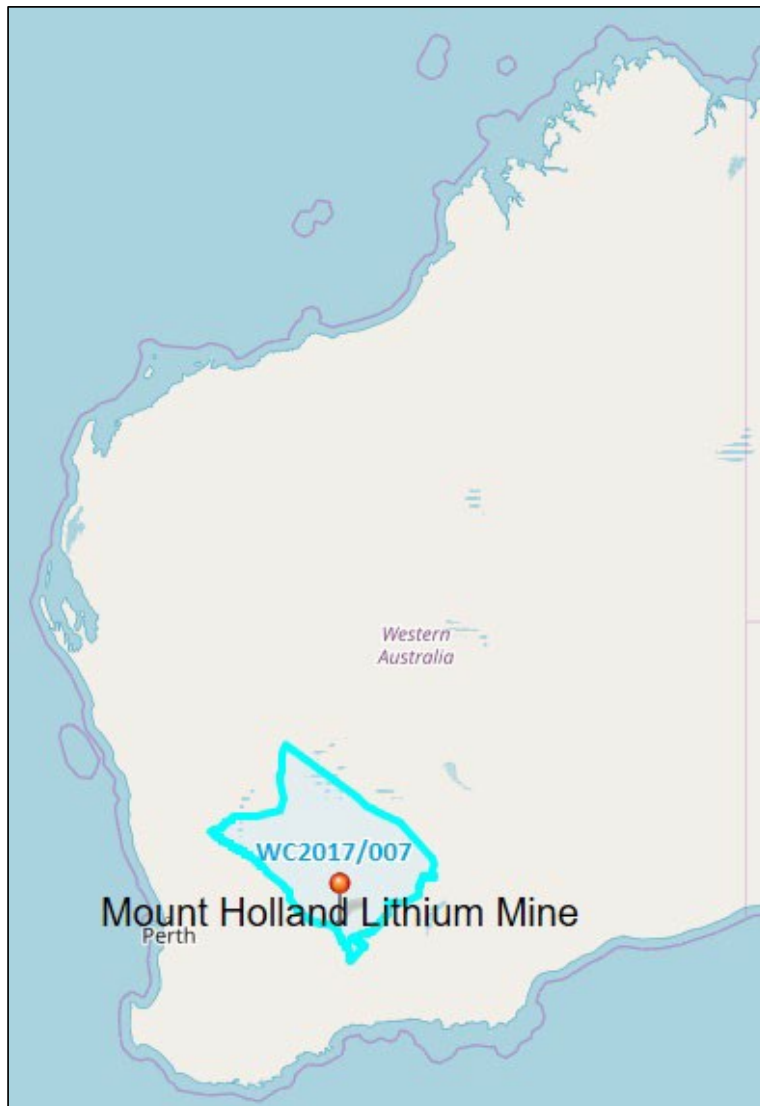
The Marlinyu Ghoorlie native title claim was registered in late 2017. It covers an area of approximately 98,638 km² to the east of Kalgoorlie, including the Mine and Concentrator. Figure 1.5 shows an outline of the Marlinyu Ghoorlie claim area. The claim has been accepted for registration but remains undetermined.

The Ballardong People native title claim was made in 1998. It covers 62,748 km² to the south and east of Southern Cross, including a proportion of the Mine access road, the Van Uden Project and a proportion of the Mt Hollard tenement package. Figure 1.6 shows an outline of the Ballardong People claim area which abuts the Marlinyu Ghoorlie claim on the eastern side.

In addition, in relation to L77/271, which covers a section of the main access road to the west of the Mine site, part of this area is situated within the Ballardong People Indigenous Land Use Agreement (ILUA) area.

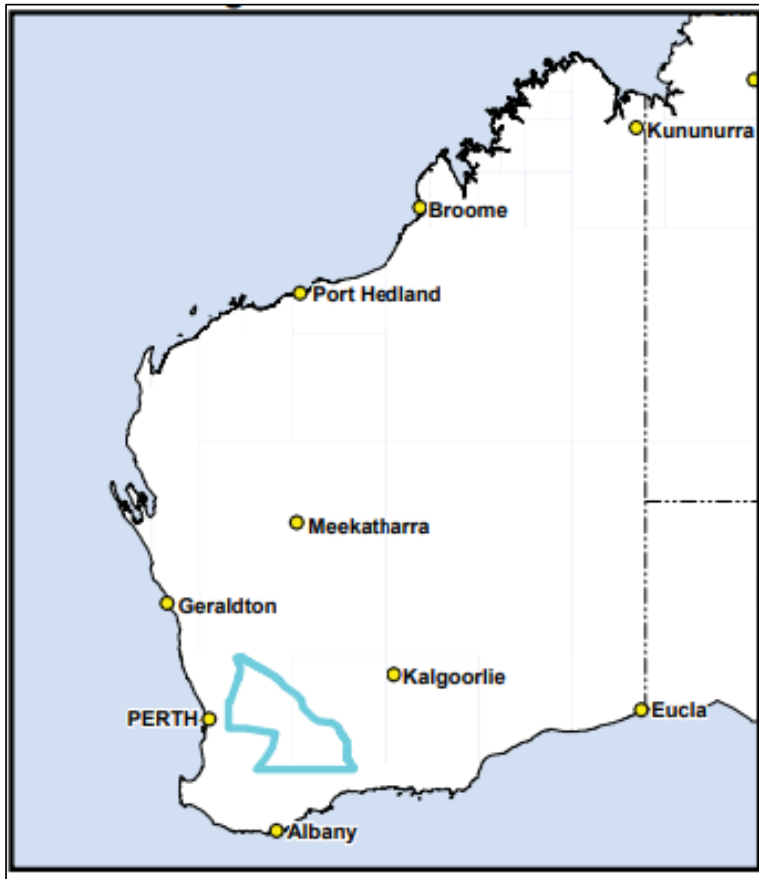
An Aboriginal Heritage Agreement has been entered into between MH Gold and the Ballardong People with respect to that portion of L77/271 that is covered by the ILUA, the terms and conditions of which are usual for an agreement of this type; involving consultation, record keeping, remediation, and possibly some minor compensation.

Figure 1.5 Marlinyu Ghoorlie Claim - WC2017/007



Source: Integrated Pre-Feasibility Report

Figure 1.6 Ballardong People Claim - WC2000/007



Source:
http://www.nntt.gov.au/searchRegApps/NativeTitleRegisters/Pages/RNTC_details.aspx?NNTT_FileNo=WC2000/007

1.3.3 Aboriginal heritage

A search of the department of Planning, Lands and Heritage Aboriginal Heritage Inquiry System (AHIS) completed in July 2018 and verified in June 2019, determined that no archaeological or ethnographic places were recorded, either on the Register of Places & Objects or the Other Heritage Places within the Mine and Concentrator area.

AMC's check of the AHIS indicates that an ethnographic survey has been completed over the Mine and Concentrator area, and Kidman commissioned Land Access Solutions to complete an archaeological survey of the Mine and Concentrator area. An ethnographic and archaeological survey has also been completed along the Western Power Line corridor. Because of the dense nature of vegetation and the scale of proposed clearing, AMC expects that further archaeological inspections will be required prior to commencing new ground disturbing activities to prevent impact to unrecorded heritage values.

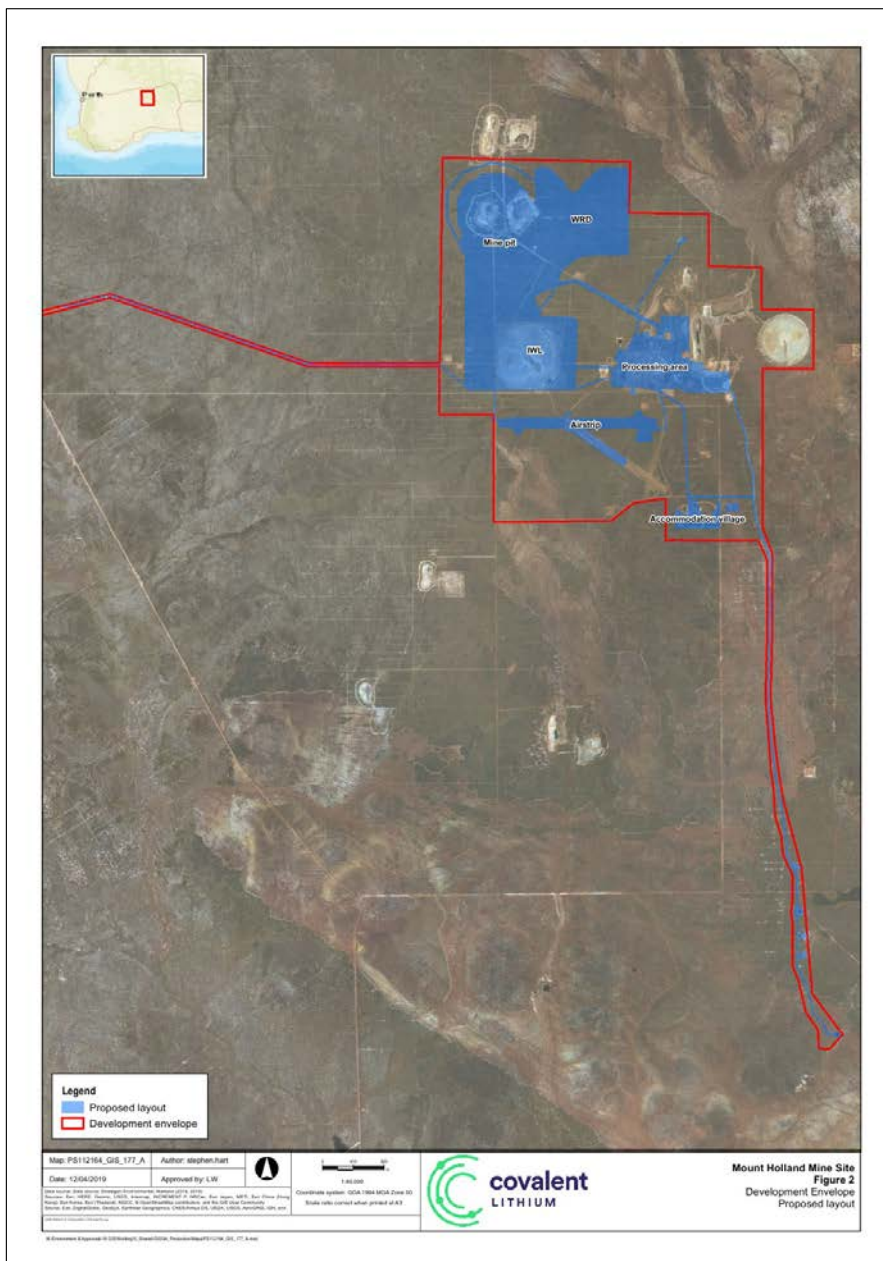
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2 Mt Holland mine and concentrator

2.1 Location

The Mine and Concentrator are located approximately 105 km south-southeast of Southern Cross in the Yilgarn Mineral Field of WA (32°6'5"S 119°46'11"E) (Figure 2.1). Access to the Mine and Concentrator site is by road from the Great Eastern Highway via the Parker Range Road and then the Marvel Loch–Forresteria Road or alternatively via Hyden. Access from Marvel Loch–Forresteria Road is by unsealed road over which Covalent holds a miscellaneous licence (L77/271).

Figure 2.1 Mine and Concentrator location



Source: Straten Environmental Consultants Pty Ltd, April 2019, supplied by Covalent

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2.2 Geology and mineralisation

The geology and mineralisation review will focus exclusively on the Mt Holland pegmatite field and the Earl Grey lithium deposit as the core asset of the Kidman-SQM 50-50 joint venture. Kidman has tenements in the area covering other unreported potential lithium deposits (e.g. Bounty pegmatite) and various unreported historical gold deposits (e.g. Bounty, Earl Grey, Twinings, Blue Vein, Bushpig/Razorback and Van Uden).

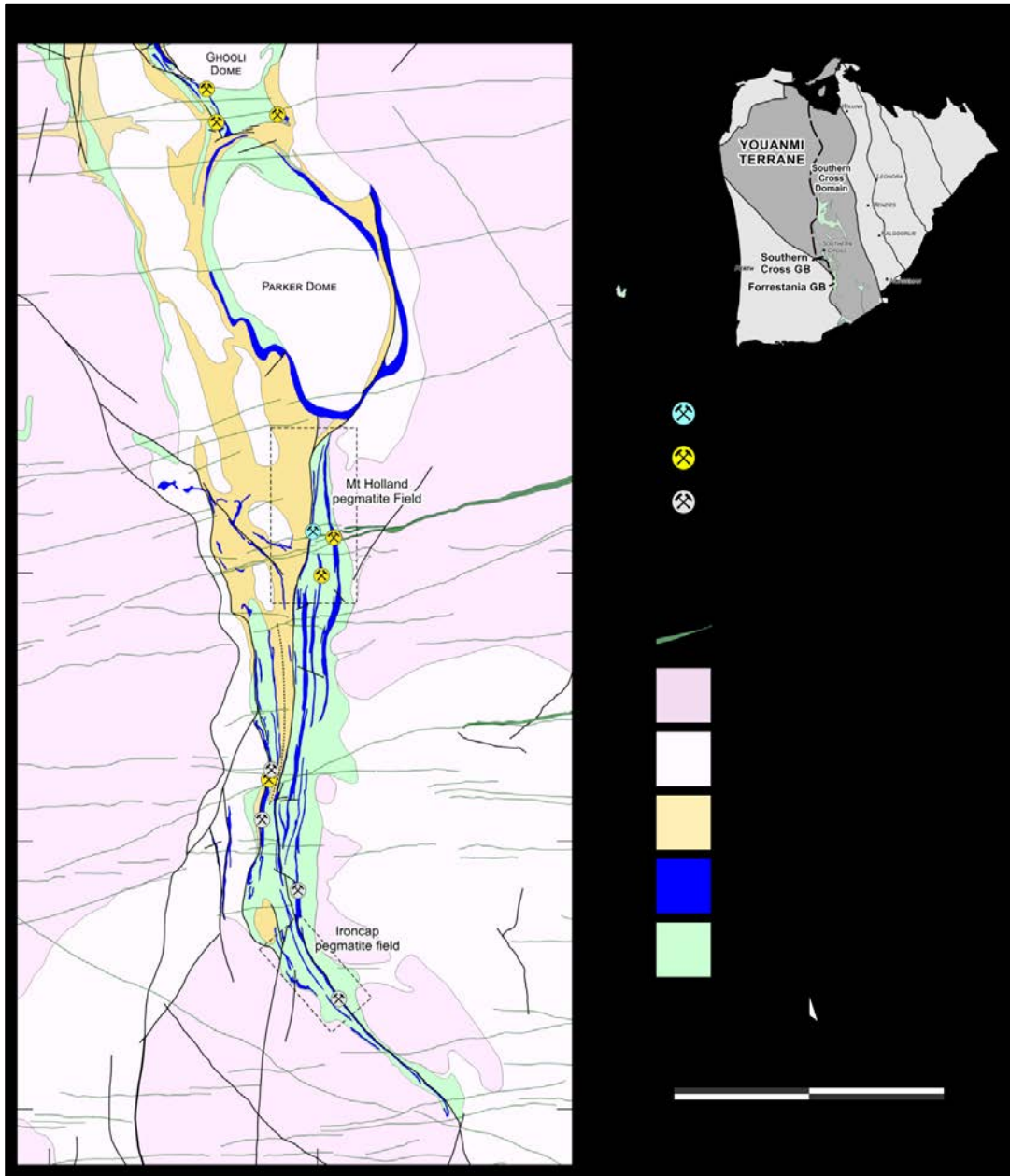
The following summary references the Mineral Resource report for the Earl Grey Mineral Resource estimate by Mining Plus Pty Ltd (March 2018).

2.2.1 Regional setting

The Mt Holland pegmatite field and the Earl Grey Mineral Resource are located within the Archaean Forrestania greenstone belt, which is part of the Archaean Yilgarn Craton of Western Australia. The narrow (up to 30 km wide) Forrestania greenstone belt extends to Southern Cross, striking approximately north-south over 250 km (Figure 2.2). The greenstone belt stratigraphy is complex and not well understood, but generally consists of a lower mafic-ultramafic volcanic succession and an upper metasedimentary succession. These units are regionally folded into a north-plunging syncline having steep east-dipping and shallow west-dipping limbs. The mafic and ultramafic units include intercalated banded iron formations, cherts, and clastic sediments. The greenstones are intruded and bounded by large, syn-orogenic and post-orogenic granites. The rare-element pegmatites in the region are believed to be associated with some post-orogenic granites with the pegmatites clustering in two known fields; Mt Holland and South Ironcap. A series of late stage, approximately east-west trending Proterozoic dolerite dykes crosscut the belt.

The Forrestania Greenstone belt hosts a number of gold, nickel and lithium deposits. The historical Bounty gold mine produced 1.2 million ounces of gold between 1989 and 2001. Rare element pegmatites were first identified south of the Bounty Gold Mine in the 1970s during nickel exploration. The small lepidolite-type pegmatite was mined for small quantities of tantalum and gemstones (elbaite and beryl). Other narrow spodumene-rich pegmatites were identified further to the north. There was an apparent hiatus in exploration for the lithium and strategic metal-rich pegmatites from the 1980s until Kidman began consolidating tenements in the region in 2015. The acquisitions led to compilation of over 30 drillhole databases collected over a period of 40 years into a single database. With the compiled data as a foundation, Kidman resumed exploration for the rare-element pegmatites in 2016 and has identified a number of albite-spodumene-type, albite-type and complex spodumene and lepidolite-type pegmatites across the Mt Holland region, including the albite-spodumene-type Earl Grey deposit.

Figure 2.2 General geology of the Forresteria greenstone belt and location of the Project



Source: Mining Plus Pty Ltd, 2018, from the Integrated Pre-Feasibility Report, 2018

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2.2.2 Project geology

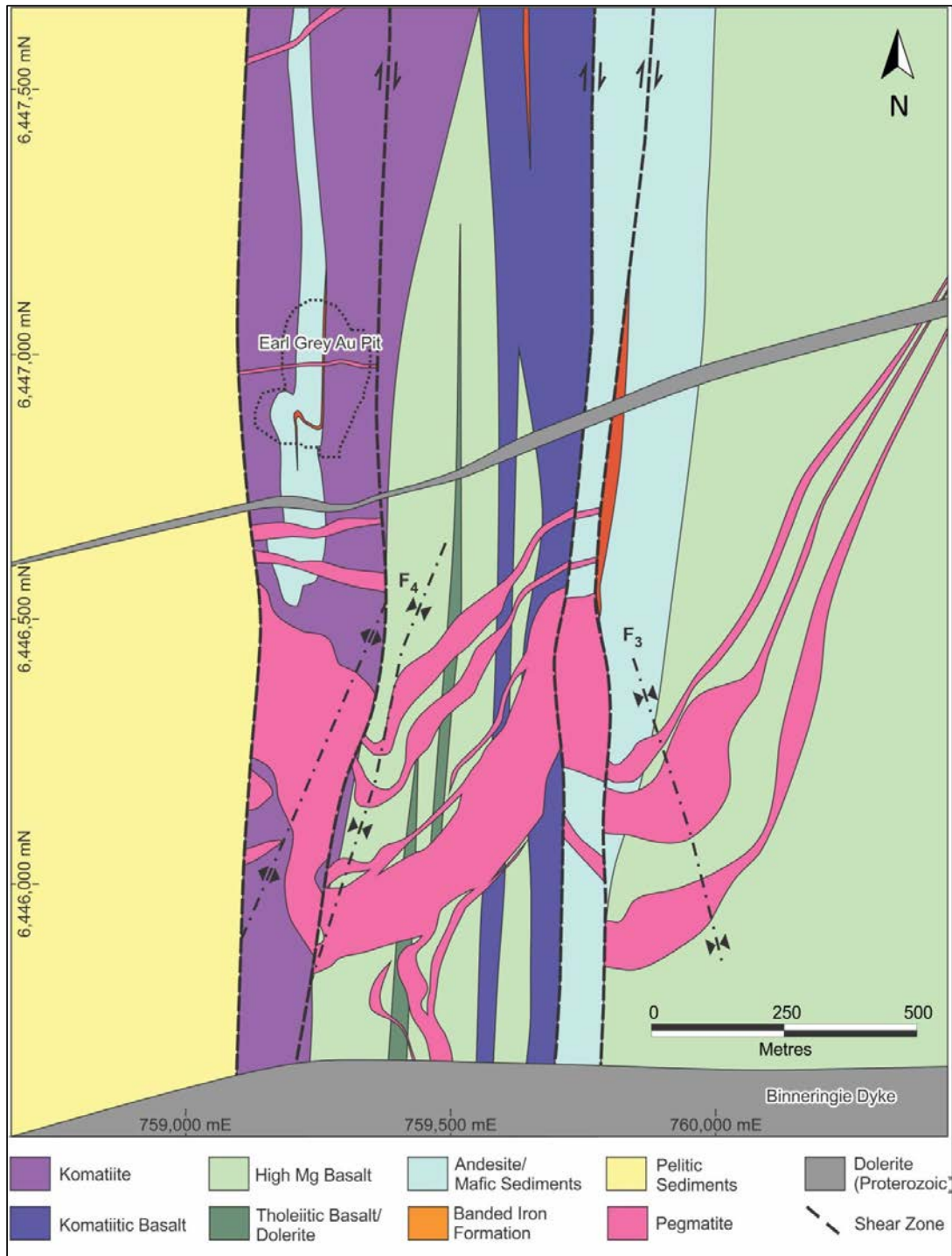
2.2.2.1 Lithology and structure

The Earl Grey pegmatite is hosted by the mid-eastern portion of the north-south striking ultramafic belt (Figure 2.3). The base of the local stratigraphy is predominantly a tholeiitic basalt sequence intercalated with andesites, mafic metasediments, banded iron formations, intruded by tholeiitic sills. Above the tholeiitic basalt sequence is a sequence of komatiitic basalts including intercalated banded iron formations and minor metasediments. To the west of the Earl Grey deposit are metasediments comprising psammitic, pelitic and carbonaceous schists. It is thought that the locally steep east-dipping stratigraphic succession generally youngs towards the west. Structural offsets and repetition of the sequences along major north-south striking and steep east-dipping shears cause some complexity and local uncertainties. The host rock geology has been modelled primarily using whole rock geochemistry and matched petrological descriptions. This has been done due to the difficulty in identifying the lithology during logging, particularly in reverse circulation (RC) chips. The exceptions are the visually distinct Proterozoic dolerite dykes and the sulphide-rich banded iron formations. Metamorphic grade is generally amphibolite facies in the project area.

The Earl Grey pegmatite dyke group consists of a generally shallow north-dipping tabular intrusive pegmatite body flanked by numerous narrower hangingwall and footwall splays. The pegmatite crosscuts the host-rock stratigraphy. The pegmatite has a strike length of approximately 1 km, a down-dip extent of over 2 km, and a thickness of up to 100 m. The pegmatite terminates against the Mt Holland Shear zone to the west and against the 400 m wide Proterozoic Binneringie dolerite dyke to the south. The pegmatite is also crosscut by the narrower Earl Grey dolerite dyke. The pegmatites become progressively narrower and splayed to the south and the east of the main pegmatite. Narrow rafts of wall rock occur as inclusions within the pegmatites. Other north-south shears like the Mt Holland Shear disrupt, deform and offset the pegmatite dyke. The shears are interpreted to bound several styles of lithium mineralisation.

It should be noted that there is some potential gold mineralisation along the Earl Grey – Jasmine trend that occurs above (and possibly below) the Earl Grey pegmatite dyke system. The gold mineralisation is not currently incorporated as part of the Earl Grey lithium model although Kidman are aware of it.

Figure 2.3 General geology of the Earl Grey lithium deposit area



Source: Mining Plus Pty Ltd, 2018, from the Integrated Pre-Feasibility Report, 2018

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2.2.2.2 Mineralisation

The Earl Grey pegmatite group consists of a simple albite-quartz-microcline-spodumene-petalite dominated assemblage with minor biotite, muscovite and tourmaline. Mineralogical variation across the deposit is marked by variations in the lithium aluminosilicates, with spodumene, petalite and several alteration-related phases found in distinct domains.

Textures range from extremely coarse pegmatite through to finer grained seriate granitic to aplitic and late stage replacement textures. Having a relatively simple internal structure, an abundance of spodumene, and predominance of albite over microcline distinguish the Earl Grey pegmatite as an unusual petalite-bearing albite-spodumene type of rare element pegmatite.

Spodumene occurs as two texturally and genetically distinct forms:

- A fine to coarse-grained acicular to prismatic form which occurs as distinct euhedral to subhedral crystals up to 200 mm in length (Figure 2.6).
- A spodumene-quartz intergrowth (SQI), where fine-grained white spodumene grows in a complex symplectite texture with quartz (Figure 2.7). The grain size of spodumene and quartz in SQI is extremely variable, ranging from less than 10 µm up to approximately 3 mm.

Petalite occurs as fine to coarse-grained subhedral to anhedral cloudy grey-white to translucent crystals and can display a strong basal cleavage. The petalite is difficult to accurately identify in drill core.

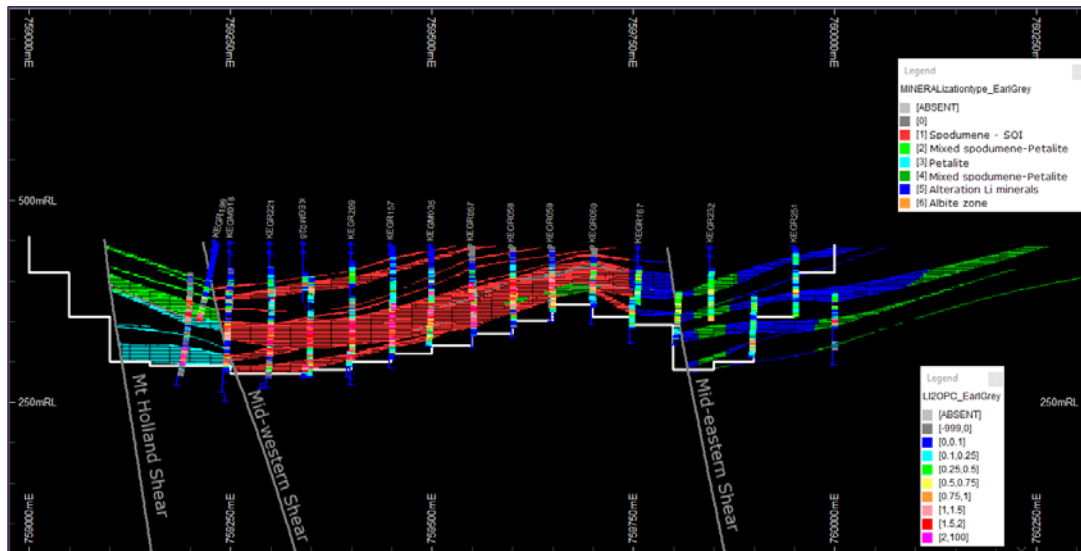
Minor replacement assemblages comprise a wide array of lithium-bearing minerals including eucryptite, cookeite, lepidolite, bikitaite, and Li-phosphates. These tend to occur along shear zones, at the margins of dolerite dykes, and internally within the pegmatite in replacement assemblages.

The dolerite dykes and surface weathering adversely influence the lithium mineralisation.

The spodumene, petalite, and alteration lithium mineral assemblages show distinct zonation and are strongly correlated with individual fault blocks and their bounding structures (Figure 2.4 and Figure 2.5):

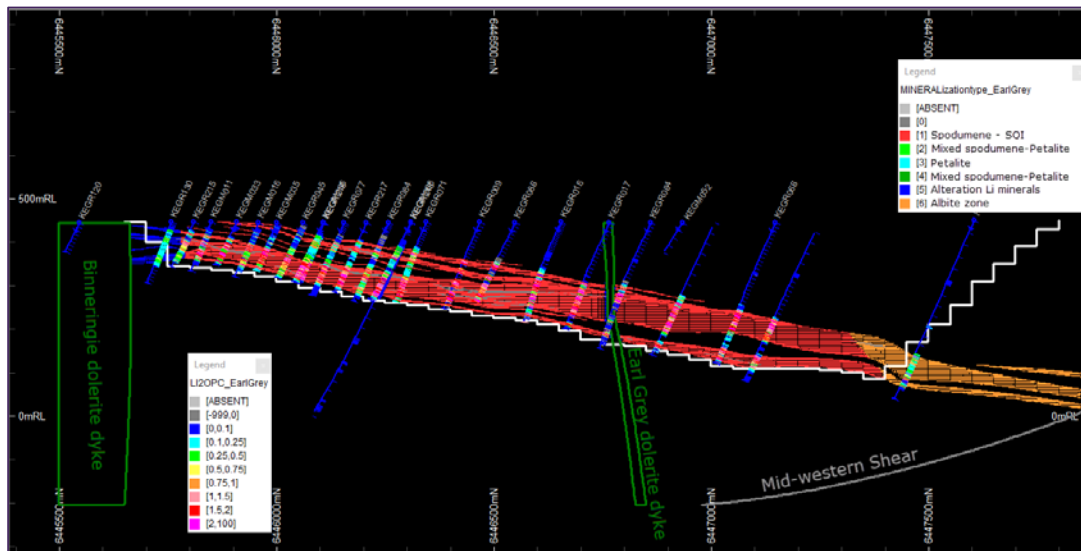
- The western margin of the pegmatite between the Mt Holland Shear and the Mid-western Shear consists mostly of petalite. The hangingwall contact of the pegmatite tends to have a 'mixed' spodumene-petalite mineralogy.
- The main block bound by the Mid-western Shear and Mid-eastern Shear is dominated by spodumene. Petalite is mostly replaced by SQI. Small zones of remnant petalite remain close to the contact with the Mid-Eastern Shear zone and are associated with the alteration assemblage.
- The narrower pegmatite splays east of the Mid-eastern Shear have a mixed spodumene-petalite mineralogy, with large zones of cookeite alteration.
- Main alteration zones are focused along the margins of the two dolerite dykes, as well as the Mid-Eastern Shear. Cookeite is the dominant lithium alteration mineral.
- Down-dip towards the north, the pegmatite has a clear transition to albite-microcline dominated pegmatite where the Li-aluminosilicates are replaced by feldspars.

Figure 2.4 Cross-section 6,446,000 mN (looking north) showing block model mineralisation types, drillholes coloured on Li₂O percent, ±30 m window



Source: AMC.

Figure 2.5 Long. section 759,500 mE (looking west) showing block model mineralisation types, drillholes coloured on Li₂O percent, ±30 m window.



Source: AMC.

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Figure 2.6 Coarse-grained spodumene mineralisation



Source: AMC.

Figure 2.7 SQI-type mineralisation



Source: AMC.

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2.2.2.3 Weathering and oxidation

Oxidation related to weathering of surface rocks around the Earl Grey pegmatite extends 30 to 40 m below surface. There is limited outcrop in the area. Topographic depressions contain minor alluvial and colluvial sediments. The surface is generally covered by laterite, up to 5 m thick, which is underlain by a 10 to 15 m thick zone of pallid grey to mottled pedolithic clay material, grading downwards into iron-rich saprolite and saprock. The regolith profile is well exposed in areas like the Earl Grey open pit (mined for gold; Figure 2.8).

Figure 2.8 Regolith profile exposed in the Earl Grey open-pit gold mine.



Source: AMC.

2.2.3 Data review

2.2.3.1 History of drilling programmes

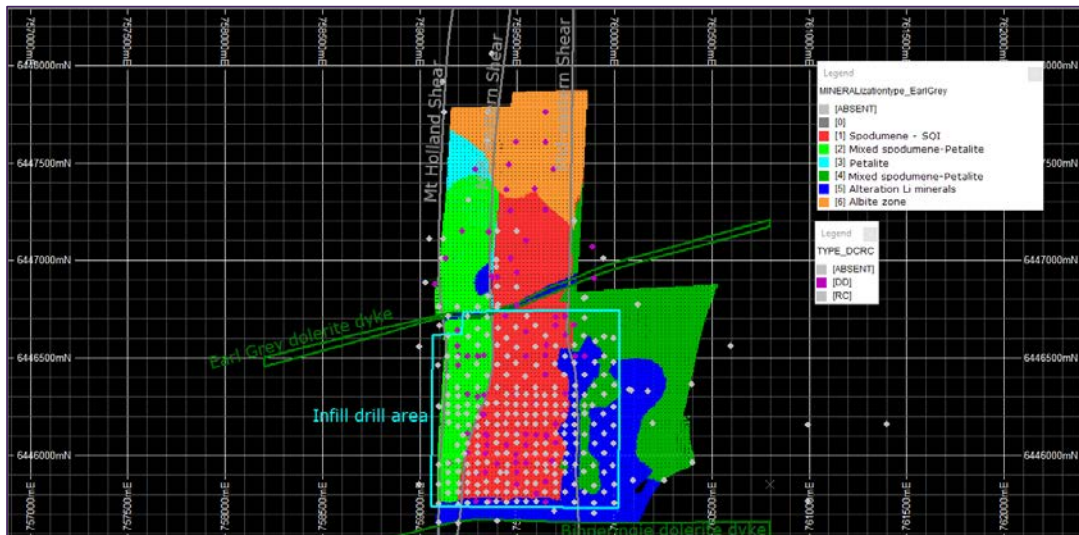
The drillhole database for the Earl Grey deposit consists of 351 RC and diamond core (DC) drillholes. Types and depths are summarised in Table 2.1. The RC holes are 92 to 132 mm diameter. The DC holes utilised NQ, NQ2, HQ and PQ diameter core, drilled for geological, metallurgical and geotechnical purposes. All but five of the holes have been drilled by Kidman since 2016. Recoveries for the DC holes are noted as being very high (95 to 100%).

A large proportion of the resource has been drilled at either a 50 mN x 50 mE grid or dice-five pattern, with peripheral areas of drilled at 100 mN x 100 mE and greater in the along-strike and down-dip extension areas (Figure 2.9).

Table 2.1 Drillholes and types used for the Earl Grey Mineral Resource

Hole type	Number of drillholes	Total Metres
Reverse Circulation (RC)	268	48,329
Diamond core (DC)	83	20,371
Total	351	68,700

Figure 2.9 Drillhole collar locations relative to the block model extents



Source: AMC.

2.2.3.2 Surveying

All coordinates use the MGA94 zone 50S grid datum. Vertical regional level is based on the Australian height datum. Drillhole collars have been surveyed using differential GPS (DGPS). A total of 331 of the 351 drillholes have downhole surveying completed with readings commonly on 10 m or 30 m intervals using a gyroscopic survey tool.

The natural surface topography used for the model is based on a wireframe of surface drillhole collar coordinates generated by Kidman. Open pit and waste dump topographic wireframes from the historical gold mines (Earl Grey and Jasmine) were also used to flag depleted and filled portions of the model respectively.

2.2.3.3 Logging, sampling, assaying and data management procedures

All drillholes have been geologically logged for features such as lithology, mineralogy, weathering, structural occurrence, geotechnical structural measurements (DC holes). DC holes were also routinely photographed. The data is incorporated into the digital drillhole database.

Kidman drillholes have generally selectively sampled the pegmatite intercepts including a 5 m buffer of adjacent wall rock. Selected pegmatite intervals have also been analysed by semi-quantitative X-ray diffraction (XRD) to ascertain mineralogy, totalling 819 samples.

RC samples were collected predominantly using a cyclone mounted cone splitter for a ¼ split of the sample. Field duplicates (also ¼ split) and RC chip trays were generated and retained for reference, logging and analytical quality control (QAQC) analyses. RC samples were collected routinely on 1 m intervals. DC samples were collected commonly on 1 m intervals with some variation for sampling to geological contacts. Half core samples were generated using a diamond saw. For the larger diameter PQ core, ¼ core samples were collected.

Sample preparation was completed by an accredited laboratory. The process is industry standard and included pulverisation of the sample using an LM5 pulveriser with 90% passing 75 µm to generate a 100 g pulp.

Samples were assayed using a sodium pentoxide fusion process with an ICP-OES or ICP-MS finish. The samples were routinely assayed for Al₂O₃, As, Be, CaO, Co, Cr₂O₃, Cu, Fe₂O₃, K₂O, Li₂O, MgO, MnO, Ni, Pb, S, SiO₂, TiO₂, Zn, Cs, Nb, Rb, Sn, Ta, Th, and U. Some samples were selectively assayed for Au.

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Selected holes are documented as having been twinned, with no significant variation noted between assay grades for the twinned holes.

Bulk density values have been calculated from 5,270 measurements collected on site using the water immersion method. The data has been subsequently analysed according to lithology, weathering, and pegmatite mineralisation styles.

QAQC procedures and data appear to be of industry standard. Documentation notes that Kidman submitted 1,001 field duplicate samples from Earl Grey. This is 2.7% of the total number of samples submitted for Earl Grey. A total of 1293 check / standard samples were submitted for assay. This is 3.4% of the total number of samples for Earl Grey. Documentation notes that the Kidman QAQC samples and laboratory QAQC checks indicate that the assaying shows acceptable levels of accuracy and precision.

The geological logging, sampling and assay information is loaded and stored into a relational SQL database. Import validation protocols are documented, with database validation checks run routinely on the database.

Logging, sampling, assaying and data management appear to follow industry standard procedures.

2.2.4 Summary

The geology appears to be well understood. The continuity and geometry of the pegmatite contacts has the potential to be slightly more complex than currently envisaged. However, the main pegmatite zones are quite thick and any issues with the contacts will be resolved through good quality grade control.

In a similar way, the mineralisation styles may be locally more complex and variable than interpreted. The main zones targeted for mining appear to be thick and relatively consistent.

The Mid-Eastern Shear zone is documented as probably being more complex than currently modelled, and likely to be part of a broader shear complex.

Iron contamination is anticipated to occur primarily from dilution at the pegmatite contacts by the mafic-ultramafic host rocks or internally from rafts or xenoliths of similar host rock-types. This is well managed in the interpretation process and can be managed during mining through good grade control practices as the pegmatite is visually quite distinct in colour from the surrounding host rocks.

Fe₂O₃ assays (considered a deleterious element for processing) are potentially slightly high-biased from RC samples and possibly the sample preparation processes. The Fe₂O₃ data has not been factored, is considered conservative (as a deleterious element), and remains similarly low compared to other Australian pegmatite deposits.

Other potential contaminant elements such as U and Th appear to be generally at low to insignificant levels.

Elements such as Ta, Nb, and Sn occur within the Earl Grey pegmatite but appear to be generally of low and non-economic grades. Further economic evaluation could determine potential viability of by-product extraction.

Potential gold mineralisation occurs above the pegmatite-hosted lithium mineralisation in the Earl Grey to Jasmine open pit areas. While the Project is cognisant of that gold mineralisation, it has not clearly stated in the context of the Earl Grey lithium deposit Mineral Resource how that material might be handled during the process of waste-stripping to expose the pegmatite material.

2.3 Mineral Resource

2.3.1 Introduction

The following summary references the Mineral Resource report for the Earl Grey Mineral Resource estimate by Mining Plus Pty Ltd (March 2018). The Mineral Resource model was constructed by Mining Plus Pty Ltd in 2018 using Maptek Vulcan™ mining software and utilising ordinary kriging (OK) as the primary estimation method. Inverse distance using a power of two (ID2) was used for estimation of the albite domains where data was insufficient to generate variograms.

2.3.2 Geological modelling

Geological and mineralogical modelling of the Earl Grey pegmatite has been undertaken using Leapfrog Geo™, with a link to ioGAS™ for geochemical and mineralogical analysis.

Lithologies have been modelled by Kidman using LeapFrog Geo™ to define the host rock package comprising komatiitic basalts, komatiites, andesites, high Mg basalts, sediments, banded iron formations, pegmatites, internal xenolith zones to the pegmatites, and the dolerite dykes. The host rock geology has been modelled primarily using whole rock geochemistry and matched petrological descriptions. Numeric lithology codes based on the wireframes are assigned to the model.

The pegmatites have been interpreted initially on a sectional basis using strings to interpret the relationship of each pegmatite between sections. The pegmatite boundaries have been determined by geochemical criteria rather than lithological data. With RC drilling in the dataset smearing pegmatite/wall rock contacts, the use of geochemical criteria ensured that mixed pegmatite/wall rock samples at the external pegmatite boundary have been excluded. Two criteria were applied: $\text{SiO}_2 > 70\%$ and $\text{Fe}_2\text{O}_3 < 3\%$. A third parameter, the presence of $\text{Ta} > 20$ ppm has been checked to ensure that quartz veins have not been interpreted as pegmatite. Pegmatite wireframes have been further subdivided by the fault blocks and are assigned individual numeric pegmatite codes in the data and model.

Wireframes for the mineralogy styles within the pegmatites have been modelled by Kidman using LeapFrog Geo™ with numeric mineralogy codes for the SQI, mixed spodumene-petalite, petalite, altered and albite zones assigned to the data and model. Two sources of data have been used to model the lithium mineral distribution: X-ray diffraction (XRD) data and downhole mineralogical logging data. Both sets of data have been individually imported into ioGAS™ and various ratios of lithium minerals calculated. Five broad lithium mineralogy domains have been established:

- Spodumene (spodumene % / total lithium mineral % > 0.8).
- Petalite (petalite % / total lithium mineral % > 0.8).
- Alteration ((cookeite % + eucryptite % + bikitaite %) / total lithium mineral % > 0.8).
- Mixed spodumene-petalite (spodumene % / total lithium mineral % between 0.2-0.8 and alteration < 0.8 (as defined above)).
- Albite (Li minerals absent).

These five domains have consistent distributions related to initial crystallisation of the pegmatite and subsequent relaxation of pressure-temperature conditions and hydrothermal alteration.

Base of complete oxidation and top of fresh wireframe surfaces were generated by Kidman from logging and used to assign a numeric weathering code to the data and model.

The estimation process uses a combination of the lithology, pegmatite, mineralogy style and weathering codes to define sub-domains for estimation of the fresh pegmatite material. There are 71 fresh pegmatite domains used (of which eight do not contain any data). Li_2O estimates are only generated for the fresh pegmatite material.

2.3.3 Composite data

Considering that most of the raw assay data was on 1 m intervals, compositing was also done on 1 m intervals within the key pegmatite mineralisation domains (63 of which have data). A residual retention type compositing process is used to avoid loss of data. The compositing process generated 15,362 by 1 m composites for the fresh pegmatite mineralisation domains.

2.3.4 Statistical analyses

The requirement for high-grade cutting was assessed by Mining Plus Pty Ltd. High grade outliers were not apparent for the Li_2O or Fe_2O_3 data, and therefore no high-grade cuts were applied to that data for the fresh pegmatite domains. A high-grade cut of 1,500 ppm was applied to the fresh pegmatite domain '7143' for one distinct Ta outlier having a grade of 2,500 ppm. The high-grade cut, as applied, had negligible impact on the Ta mean. The second highest Ta grade in the domain was 157 ppm.

AMC notes that the use of the large number of domains resulted in many of the domains having very small and geostatistically indeterminate data sets. Application of a high-grade cut to a deleterious element like Fe_2O_3 might not have been appropriate if a cut had been applied.

Statistical analysis was also conducted on the bulk density data using 5,270 bulk density measurements. Density data was analysed by grouped lithology and weathering zones for non-pegmatite material. The data for pegmatite material was analysed by grouped mineralisation style and weathering zones. Rounded mean bulk density values were assigned to the various domains. Fresh pegmatite mineralisation style densities in the block model range from 2.6 to 2.7 t/m^3 . The fresh pegmatites contained a significant amount of data.

2.3.5 Variography

Normalised downhole and directional variograms were generated by Mining Plus Pty Ltd using Supervisor™ software. The variograms were generated only for fresh pegmatite domains for Li_2O %, Fe_2O_3 % and Ta ppm data. The limited data in many of the fresh pegmatite domains required selective generation of variograms (12) for domains with adequate data for specific mineralisation styles and some combination of similar domains in several instances. The Li_2O variograms generated are characterised by variable relative nugget variances less than 55% and commonly lower than 40%. The variograms commonly reach the sill variance at four major axis ranges from 200 m to 400 m, usually characterised by diminishing (limited) data pairs from those ranges. The experimental variograms are not consistently well structured. Variograms, where borrowed, were oriented appropriately into the dip planes of the fresh pegmatite mineralisation domains. Major axes are usually oriented in the nominal northern down-dip direction with some minor variations. The semi-major axis is generally oriented approximately along strike. No variograms were able to be generated or applied to the albite domains.

Ultimately, the variogram models are reoriented according to the dynamic anisotropy process discussed in Section 2.3.7.

2.3.6 Volume modelling/block model development

The block model has been constructed using two different parent panel sizes:

- 25 mE X by 25 mN by 2.5 mRL within the area of infill drilling.
- 50 mE by 50 mN by 5 mRL outside of the area of infill drilling.

In both cases, the parent block dimensions in plan are half of the nominal drillhole spacing. Controlled sub-celling is used to fit the blocks to the various wireframe surfaces used for the model construction (pegmatites, shears, lithologies, mineralisation styles).

2.3.7 Grade estimation

Estimation of Li_2O , Fe_2O_3 and Ta grades in the fresh pegmatite domains has utilised OK except for the albite domains which utilised ID2. Each of the fresh pegmatite domain codes was used as a hard boundary for the data and estimation. Block estimates were generated separately for the two different parent panel sizes (within/outside of the infill drilling area).

The search and estimation parameters tended to reflect the different levels of drilling and one metre composite data available. The parameters tended to be identical for estimation of the Li_2O , Fe_2O_3 and Ta variables. The estimation processes all use a 3-pass search. The parameters can be briefly summarised as follows:

- Inside the infill drilling area (25 mE X by 25 mN by 2.5 mRL panels)
 - First pass search ellipse of 150 m by 90 m by 10 m with a second and third pass that both use a 1.5 expansion factor of the first pass ranges.
 - The first and second pass searches use a minimum of eight composites, a maximum of 35 composites and a maximum limit of five composites per drillhole. The third pass search just reduces the minimum number of composites to four and omits the composites per drillhole constraint.
- Outside the infill drilling area (50 mE by 50 mN by 5 mRL panels)
 - First pass search ellipse of 200 m by 120 m by 13 m with a second and third pass that both use a 1.5 expansion factor of the first pass ranges.
 - The first and second pass searches use a minimum of eight composites, a maximum of 35 composites and a maximum limit of five composites per drillhole. The third pass search just reduces the minimum number of composites to four and omits the composites per drillhole constraint.

Due to the variable strike, dip and plunge of the pegmatites, dynamic anisotropy has been utilised. The pegmatite hangingwall and footwall wireframe surfaces have been used to generate local orientations that have been applied to the pegmatite block model. The process assumes that any data zonation (grades, mineralogy etc.) is sub-parallel to those surfaces and attempts to emulate that potential zonation across the width of the zone. The orientations (strike, dip, plunge) in the panels are used to control the orientation of both the variogram model and search ellipse.

Default grades have been assigned to all non-fresh pegmatite material which were not estimated. The default values are as follows:

- Li_2O =0.01% for all non-fresh pegmatite material.
- Ta=0 ppm for all non-fresh pegmatite material.
- Fe_2O_3 =10% for all non-pegmatite lithologies except banded iron formation which is assigned Fe_2O_3 =15%. Non-fresh pegmatite is assigned Fe_2O_3 =3% (oxide pegmatite) and 2% (transitional pegmatite) respectively.
- S=0.1% (external waste), 5% (banded iron formation), 0.5% (internal waste and dolerite) and 0% (non-fresh pegmatite) respectively.

2.3.8 Ancillary fields

Bulk densities have been assigned to the block model based on the lithology and weathering state in the waste material and based on the mineralogy and weathering state in the pegmatites (Table 2.2).

Table 2.2 Densities assigned to the block model according to grouped domains

Lithology and weathering	Mineralogy and weathering	Oxide density (t/m ³)	Transitional density (t/m ³)	Fresh density (t/m ³)
Komatiitic Basalt	-	2.00	2.85	2.95
Komatiite	-	2.00	2.60	2.90
Andesite	-	1.90	2.80	2.90
High Mg Basalt	-	1.80	2.75	2.95
Sediments	-	1.80	2.70	2.95
Banded iron formation	-	2.20	2.80	3.00
Internal Waste	-	1.80	2.75	2.90
Dolerite	-	2.00	2.80	2.95
-	Pegmatite - SQI	2.00	2.60	2.70
-	Pegmatite - Mixed	2.00	2.50	2.60
-	Pegmatite - Petalite	2.00	2.50	2.60
-	Pegmatite - Mixed Eastern	2.00	2.50	2.60
-	Pegmatite - Alteration	1.60	2.50	2.60
-	Pegmatite - Albite	2.00	2.50	2.60
-	waste dump fill	2.00	NA	NA

Depletions for the Earl Grey and Jasmine open pits have been flagged in the model as mined=1. Similarly, the Earl Grey and Jasmine waste dumps (above the natural surface topography) have been flagged as fill=1. Other ancillary variables have been added to flag:

- Tenements.
- Above or below the natural surface topography.
- The infill drilling (small parent panel) area.
- Areas with presence of a rare banksia species.
- Portions of the model within or outside of the Kidman / SQM JV area. (all the reported Mineral Resource within the nominal constraining pit shell is within the JV area).
- Portions of the model that are affected by a Western Areas royalty (none of the reported Mineral Resource within the nominal constraining pit shell is within the Western Areas royalty area).

The Mineral Resource has been classified in accordance with the JORC Code. The classification of the Mineral Resource as Measured, Indicated and Inferred has been based on general data spacing, confidence in grade and geological continuity and data quality. Consideration of estimation outputs such as slope of regression has also been material to assessment of confidence within the infill drilling area assigned as Measured and Indicated.

Mr David Billington of Mining Plus Pty Ltd is the Competent Person for the Earl Grey lithium deposit Mineral Resource.

2.3.9 Reporting

Documentation reports the Mineral Resource for the Earl Grey lithium deposit as shown in Table 2.3.

The Mineral Resource is reported within a nominal pit optimisation shell as a constraint to demonstrate "reasonable prospects for eventual economic extraction". The Mineral Resource (within the pit shell), as flagged in the model; consists of:

- Fresh pegmatite material only.
- Pegmatite that occurs entirely within Mining Lease 77-1080.
- Pegmatite material that is part of the Kidman-SQM joint venture.

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Kidman Resources Limited

219063

AMC has verified the reported Mineral Resource as shown in Table 2.4. The AMC check figures are sufficiently identical to the Mineral Resource. It is noted that the Li₂O metal tonnage in the Mineral Resource table is calculated from the rounded tonnes, causing an immaterial discrepancy between the Mineral Resource and check table figures. The cut-off grade for Li₂O of 0.5% is considered reasonable and is comparable to other hard-rock lithium deposits in Western Australia.

Table 2.3 Earl Grey lithium deposit Mineral Resource, February 2018

Li ₂ O cut-off grade (%)	Classification	Tonnes (t)	Li ₂ O (%)	Li ₂ O (t)	Fe ₂ O ₃ (%)
0.5	Measured	66,000,000	1.58	1,040,000	1.18
	Indicated	106,000,000	1.52	1,610,000	1.09
	Inferred	17,000,000	1.11	190,000	1.20
	Total	189,000,000	1.50	2,840,000	1.13

Table notes:

1. Source Mining Plus Pty Ltd report, February 2018.
2. Figures have been rounded.
3. JORC Code Table 1 accompanies the report.
4. The model is reported above and within a nominal pit optimisation shell fxpe_f6pit32bo.00t.

Table 2.4 AMC check report of the Earl Grey lithium deposit model

Li ₂ O cut-off grade (%)	Classification	Volume (m ³)	Tonnes (t)	Density (t/m ³)	Li ₂ O (%)	Li ₂ O (t)	Fe ₂ O ₃ (%)	Ta (ppm)
0.5	Measured	24,709,175	65,932,878	2.67	1.58	1,040,038	1.18	55
	Indicated	40,155,538	106,386,332	2.65	1.52	1,622,288	1.09	47
	Inferred	6,500,375	16,940,977	2.61	1.11	188,210	1.20	47
	Total	71,365,088	189,260,186	2.65	1.51	2,850,536	1.13	50

Table notes:

1. This is not the official Mineral Resource table.
2. Figures are shown at full precision for comparison purposes only.
3. The model is reported above and within a nominal pit optimisation shell fxpe_f6pit32bo.00t.

2.3.10 Areas of technical risk and summary

As a general summary, AMC makes the following comments regarding the Mineral Resource model:

- The lithology interpretations, including the pegmatites, are considered and robust.
- The interpreted mineralogy styles for the pegmatite lithium minerals are considered and robust.
- The interpretation of the weathering related oxidation profile is considered and robust.
- The use of 1 m composites is satisfactory.
- The assignment of density values to lithology/weathering and mineralisation style/weathering domains is considered and robust.
- The choice of block model panel dimensions of 25 mE X by 25 mN by 2.5 mRL and 50 mE by 50 mN by 5 mRL for areas relative to the infill drilling are considered reasonable.
- The estimation process utilising OK and ID2, the associated search and estimation parameters including the use of dynamic anisotropy are considered and reasonable.
- The assignment of ancillary fields in the model is comprehensive and considered.
- The Mineral Resource classification is considered and reasonable.
- The cut-off grade for Li₂O of 0.5% is considered reasonable and is comparable to other hard-rock lithium deposits in Western Australia.

AMC considers the areas of minor technical risk in the Mineral Resource model to be as follows:

- The use of 71 pegmatite domains as hard boundaries for the estimate (of which 63 have data), while considered and reasonable, also imposes a high level of subdivision of the data. The subsequent geostatistical analyses, including variography, are not entirely effective as a result. Some regrouping of the domains for statistical and variogram analyses would have been reasonable.
 - Nevertheless, the outcomes are generally satisfactory.
- As noted in Section 2.2.4, the continuity of pegmatite mineralisation grades, styles of mineralisation, and pegmatite/wall rock contacts all have the potential to be slightly more complex locally than as modelled.

AMC considers the 2018 Earl Grey lithium deposit Mineral Resource to be fit-for-purpose for use in subsequent mining studies.

2.4 Ore Reserves

Kidman announced the maiden Ore Reserve for open pit mining of the Earl Grey deposit in an Australian Stock Exchange release regarding the results of their IPFS on 18 December 2018. The Ore Reserve was estimated by external consultants at the completion of the IPFS and was classified and reported in accordance with the guidelines of the JORC Code.

The Ore Reserve table from the announcement is reproduced in Table 2.5.

Table 2.5 Earl Grey Ore Reserve, December 2018

Classification	Feed (Mt)	Grade Li ₂ O (%)	Grade (Fe ₂ O ₃) (%)	Grade Ta ₂ O ₅ (ppm)	Waste (Mt)	Total (Mt)
Proved	54.4	1.5	1.3	45	199	253
Probable	39.8	1.5	1.4	54	222	261
Total	94.2	1.5	1.4	50	422	515

Note: All figures have been rounded to appropriate significant figures and rounding errors may occur.

The Ore Reserve was generated using an industry standard approach to mine planning. The level of study underpinning the estimate and the Modifying Factors used to convert Mineral Resources to Ore Reserves is a pre-feasibility study level assessment. Only Measured and Indicated Mineral Resources were used in the assessment, which included 2% ore loss and 4% waste dilution from mining, and economic assessment was undertaken to determine that extraction of the deposit is economically viable using reasonable financial assumptions.

Proved Ore Reserves were directly converted from Measured Mineral Resources and Probable Ore Reserves from Indicated Mineral Resources, with the exception of Stage 2 (that part of the pit is not covered by current mining approvals) Measured Mineral Resources, which were classified as Probable Ore Reserves due to the status of the mining approvals.

There is approximately 15 Mt of predominantly spodumene Inferred Mineral Resource and various classifications of other types of lithium mineralisation within the pit design that is not included in the Ore Reserve.

The Ore Reserve was based on a long-life integrated lithium ore mining and processing operation feeding spodumene concentrate to an associated refinery to produce and sell lithium hydroxide, as well as spodumene not required for the Refinery. At the proposed processing rate in the IPFS, the Earl Grey deposit has a 48-year mine life. A lithium hydroxide price of approximately US\$15,000/t and spodumene price of US\$476/t were used to develop the Ore Reserve.

Recoveries of 75% through the Concentrator and 85% through the Refinery were used for processing spodumene mineralisation. No recovery is assumed for other lithium mineralisation, such as petalite, or for tantalum. A cut-off grade of 0.5% Li₂O was used for Ore Reserves. No cut-off for Fe₂O₃ was used.

Current mining approvals are in place for the initial two thirds of the area required for mine development (Stage 1), with approvals for the remaining area (Stage 2) in progress.

2.5 Mining operations

All mining operations are proposed as open pit mining. Operations are proposed to be undertaken by an experienced mining contractor using standard open pit mining techniques and mining equipment. Grade control drilling is proposed to be undertaken by the JV. The topography around the pit is flat and will not require specialised mining techniques. The presence of surface lateritic material around the site will make the construction of surface haul roads and infrastructure easier.

Mining assumes a 200-t class hydraulic excavator and a mixed fleet of 140-t and 90-t rear dump off-highwall haul trucks for bulk waste mining and a 120-t class hydraulic excavator for selective mining of the ore/waste contact, ore mining and to supplement waste mining. A second 120-t excavator is included as a backup machine.

The equipment fleet includes 90-t rear dump haul trucks for relocation of dewatered tails to the integrated waste landform, blending from stockpiles on the run-of-mine ore pad to the concentrator, and for topsoil stripping.

A strip-mining approach has been used for pit development because of the flat lying nature of the pegmatite, similar to that used for many truck and excavator coal mines. This technique involves opening up the deposit to access ore, and then developing the pit along strike of the deposit in 100 m strips using highwall ramps to access the pit. When sufficient pit void has been opened up, this technique allows backfilling of the pit void with waste rock. This mining technique allows early access to pit void for waste backfilling and tends to minimise land disturbance used for waste rock dumps, rather than identify the lowest cost of operation by minimising early strip ratios.

The majority of the deposit will require drill and blast, although some free dig may be present near surface along with light blasting through the oxidised material close to the surface. The mineralised zone and surrounding country rock appear hard and will require high powder factors, which coupled with the flat lying nature of the pegmatite deposit will present challenges in cleanly mining to the ore/waste interface. Blast movement technology may be required to assist with defining grade boundaries.

Ore and waste will be drilled and blasted in 5 m or 10 m blasts and mined in 2.5 m high lifts in areas close to the ore/waste contact, and up to 10 m high benches in areas of bulk ore or waste. Grade control drilling will be used in advance to identify the ore and waste contact to assist with controlled blasting techniques to minimise ore loss and waste dilution in effectively fracturing the rock.

Ore will be hauled from the pit via the high wall ramps to grade-based finger stockpiles on the run-of-mine (ROM) ore pad located adjacent to the concentrator. Blending from the fingers using front end loaders and 90-t haul trucks will be required to feed the concentrator a consistent blend in both lithology and grades. AMC understands that the DFS is considering the use of ore sorting techniques to pre-treat ore contaminated with high iron grades to decrease waste at the end of the mine life and create more ore suitable for treatment in the Concentrator.

Waste will initially be hauled from the pit via the high-wall ramps to ex-pit waste dumps located to the north and east of the pit. When sufficient pit void is available to enable in-pit dumping of waste rock, waste will be hauled via internal ramps to the in-pit dump.

In some areas, gold mineralisation overlies the mineralised pegmatite within the pit. Although this material is not included in mine plans, it is likely that it will be defined through grade control drilling, mined and stored separately for possible later sale or treatment.

Covalent personnel will provide contract management and technical support, including grade control management, survey, long term mine planning, mine design and production scheduling.

2.5.1 Geotechnical

AMC conducted a review of the available geotechnical data, reports, geotechnical design assumptions and the methodologies used. The most recent geotechnical design study for the Earl Grey deposit considered only the Stage 1 pit, which will be 170 m deep. The final pit (Stage 15) will be 285 m deep, and limited stability analysis of the final stage of pit development was undertaken with the reinterpretation of the slope design parameters.

Geology and structure

The Project area is in the Archaean Forresteria Greenstone Belt. In the Project area the lithium-bearing pegmatites are emplaced in mafic and ultramafic lithologies. The host rocks have a north-south strike and subvertical easterly dips. The ultramafic rocks including komatiites are now altered to talc-chlorite schist, are in fault contact with sedimentary schists on the west. The mafic rocks have a tholeiitic basalt origin. The pegmatites are bound by the ultramafic/sediment fault contact (Twinings shear) from the west and by a 400 m thick dolerite-gabbro dyke (Binneringie dyke) from the south.

The Earl Grey pegmatite group consists of a series of 20-90 m thick pegmatite bodies flanked by narrower hangingwall and footwall splays. The pegmatites have an approximate 210°-220° strike. The sub-horizontal dip in the south steepens to 10° to 15° north of the Earl Grey gold pit.

Apart from the steep foliation, there are predominantly two joint sets that dip moderately to east and west.

The fresh rocks are sparsely fractured, RQD values near 100% and fractures per meter range from 2 to 6. The rock mass adjacent to the pegmatite contacts is relatively more fractured.

Weathering

Rock mass weathering is fairly consistent in the Project area and does not vary across rock types. The fresh rock is generally found at a depth of about 60 m. The generalised weathering profile consists of;

- A laterite hard cap - 0 to 5 m.
- An eluvial zone of pallid grey mottled clay (extremely weathered rock) - 5 m to 15 m.
- Highly to moderately weathered rock - 15 m to 40 m.
- Slightly weathered rock - 40 m to 60 m.

There are three existing pits (Earl Grey, Jasmine and Darjeeling) developed in the weathered zone, with depths ranging from 30 to 50 m and with overall slopes up to 45°. The slopes are largely intact after more than 20 years, with some minor failures observed in the Earl Grey pit.

Rock mass domains

A number of rock mass domains classified according to the Bieniawski Rock Mass Rating (RMR) system have been identified. They have been further classified using the Laubscher's Mining Rock Mass Rating system (MRMR). The latter has been used to define applicable slope angles using the empirical method; Hains and Terbugge method-1991.

Intact rock strength

The intact rock strength in the highly weathered zone is generally low, < 25 mPa. Most of the fresh rock units fall into the ISRM – very strong category (100 to 250 MPa) and the mafic rocks fall in the extremely strong (>250 MPa) class.

The geotechnical domains and rock strengths are presented in Table 2.6.

Table 2.6 Geotechnical domains and intact rock strength (Geotech 2018)

Domain	Description	Intact rock strength (Range) (MPa)
Laterite	Clay rich transported material	
Weathered mafic rocks	Completely weathered to moderately weathered	1 - 25
Fresh mafic rocks	Slightly weathered to fresh	220 - 390
Fresh mafic schists	Slightly weathered to fresh	180 - 220
Weathered pegmatite		1 - 50
Fresh pegmatite	Slightly weathered to fresh	180 - 210
Weathered sedimentary schist	Completely weathered to moderately weathered	1 - 25
Fresh sedimentary schist	Slightly weathered to fresh	50 - 150
Fresh ultramafic schist		90 - 133

Slope design

The Hains & Terbugge 1991 empirical method (H & T) has been used for slope design, with MRMA ratings used as input parameters. Dry conditions were assumed for the fresh rock zone. H & T method is considered to return conservative results and is generally not used in the final stages of design. However, some limit equilibrium analysis has been done, also assuming dry conditions for the fresh rock zone. Kinematic failure analysis (planar and wedge failure) for batter design has also been carried out. The structural data for the assessment was obtained from oriented drill core logging and photogrammetry of existing pits in the Project area. An acceptance criterion of factor of safety (FOS) of greater or equal to 1.3 for overall slope stability had been used for the design.

The geotechnical slope design recommendations resulting from the analysis are presented in

Table 2.7. The slope designs have been developed using these parameters. The batter designs below 380 m RL have used 20 m batter height, 70° batter face angle and 7 m berms.

Table 2.7 Slope design parameters (Geotech 2018)

Level Interval		Rock mass description	Bench Height (m)	Batter Angle (°)	Berm Width (m)	Inter Ramp Angle (°)
From (mRL)	To (mRL)					
445	415	Highly weathered rock	10	50	4	38.9
415	400	Moderately weathered rock	15	55	6	42.3
400	380	Slightly weathered rock	20	65	7	50.8
380	300	Fresh rock	20	70	7	54.5
300	275	Fresh rock	25	75	Pit floor	75

Source: O'Bryan and Associates (Geotech 2018)

The evaluation indicated that the deep slopes designed using the recommended slope design parameters meet the acceptance criterion for FOS.

It is expected that there will be scope to improve slope designs. It is also recommended 15 m wide geotechnical berms be used at the base of the weathered zone (60 m below surface) and then at 100 m intervals.

2.5.2 Mine design and LOM planning process

The mine plan and Ore Reserve were generated using an industry standard approach to mine planning. This included pit optimisation to determine economic pit limits, followed by pit design and production scheduling to confirm that production targets can be met and that the Project is economic. Pit optimisation input parameters assumed industry standard mining equipment operated by a mining contractor. Budget tender quotes were requested from several mining contractors and a mid-range cost estimate was used for mining cost estimates.

Mining dilution and ore loss was accounted for by regularising the mineral resource block model to 5 m x 5 m x 2.5 m blocks, which resulted in approximately 4% waste dilution and 2% ore loss. AMC considers this is a reasonable approach for a PFS, although experience with producing lithium mines suggests that ore loss will be higher and dilution lower than modelled as operators react to the visual nature of the ore/waste interface and assign any contaminated ore to a low-grade stockpile in an effort to keep high iron material out of the Concentrator feed.

A strip-mining approach was selected for mine development, allowing partial backfill of the completed pit void with waste rock. Ex-pit waste dumps will also be required to store both waste rock from the pit as well as dewatered Concentrator tailings in integrated landforms.

Pit slopes are based on geotechnical design recommendations and observations of long-standing pit walls from existing pits from the previous gold mining operation. Metallurgical recoveries have been developed using targeted bench-scale metallurgical testwork and pilot plant work. Processing and downstream operating costs have been developed by specialist consultants, as were marketing inputs and product prices.

2.5.3 Earl Grey LOM plan

The mining schedule commences with site establishment, mobilisation, and initial mine development works, such as grubbing and topsoil removal in Q1 2020, followed by mining excavation in Q2 2020.

After the completion of a waste pre-strip to expose the initial mineralised zone, material movements required to achieve the approximately 2 Mtpa ore feed to the mill are approximately 10-13 Mtpa for the first five years until the pit is opened up, before falling away to 6-8 Mtpa for the following six years.

The IPFS identifies an initial mining area in the southern end of the deposit based on minimising strip ratio. However, a desire to access higher Li_2O and lower Fe_2O_3 feed for the Concentrator may require a revamped mine development schedule and revised mine plan. AMC understands that a new mine planning update is in progress as part of the DFS to address this issue, which is likely to require an increase in waste pre-strip.

The site layout from the IPFS mine plan shows room allocated for ex-pit and in-pit waste dumps, the ROM pad, the Concentrator and site infrastructure.

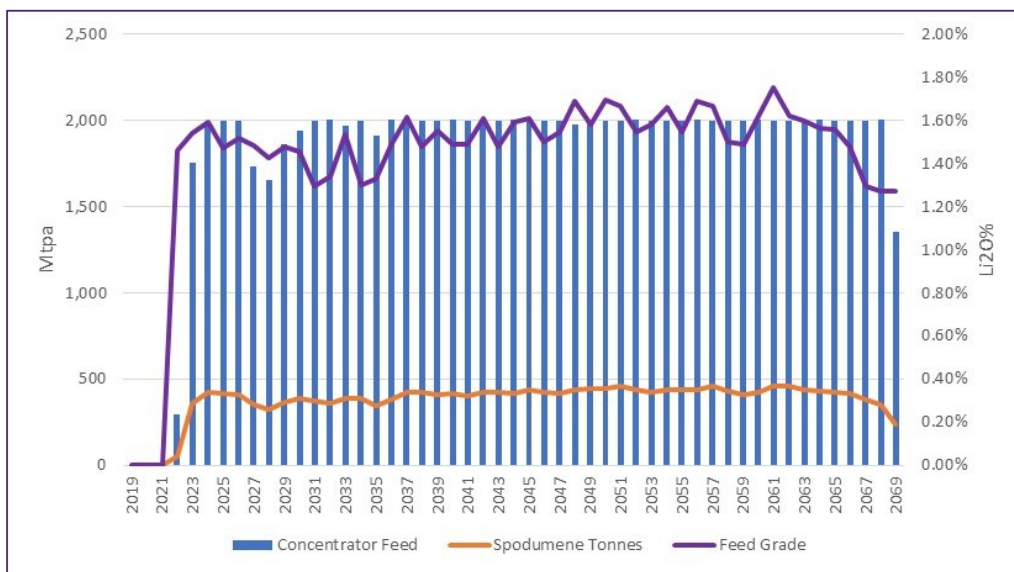
The mining schedule targets providing feed to the Concentrator to generate concentrate grading 5.5% Li_2O per annum. Scheduling constraints include a maximum milling throughput of 2 Mtpa.

Other types of lithium ore and low confidence Inferred Mineral Resources were considered a risk for inclusion in the LOM plan as Concentrator feed and were treated as waste.

The Earl Grey LOM plan was able to achieve the target Concentrator feed tonnages, other than a four-year shortfall from 2027-2030, which more detailed scheduling in the next stage of mine planning should address. Waste movements are higher initially as the first ore is exposed and the initial mining area opened up. Strip ratios then decrease significantly once the initial mining area is developed and then rise incrementally over time as the mine progresses down dip into higher strip ratio ore. The revised mining plan is likely to result in higher initial stripping ratios to address grade issues discussed above and the ore tonnage shortfall.

The Concentrator feed tonnes and grade and spodumene concentrate produced are shown in Figure 2.10. AMC notes that's Kidman's LOM plan forecasts decrease in Concentrator feed in 2027-2028 and 2035. This is driven by low ore supply from the pit in those periods. AMC considers that this gap in steady supply of ore will be addressed in subsequent versions of Kidman's LOM plan.

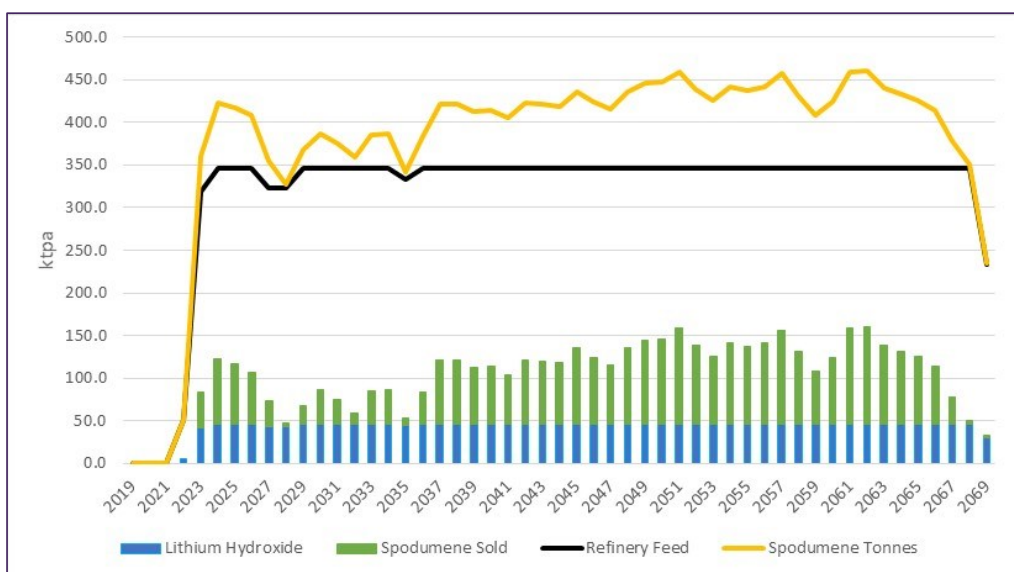
Figure 2.10 Earl Grey LOM plan Concentrator quantities



Source: AMC.

The spodumene concentrate produced, Refinery feed tonnes, lithium hydroxide produced and spodumene concentrate sold are shown in Figure 2.11.

Figure 2.11 Earl Grey LOM plan Refinery quantities



Source: AMC.

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2.6 Spodumene concentrator

Testwork and Concentrator design studies carried out are documented in the IPFS Report.

2.6.1 Testwork conducted

A series of detailed programs of testwork were carried out by Covalent to further refine the spodumene concentrator flowsheet which was carried forward from earlier work. Table 2.8 shows the programmes conducted.

Table 2.8 Covalent testwork programme

Test Program	Processing Circuit	Company
Physical characteristics of ore	Comminution	ALS
HPGR tests and simulation	Comminution	Koeppern
DMS flowsheet development	Gravity separation	Nagrom
WHIMS tests and stream characterisation	Magnetic separation	ALS
Circuit configuration and reagent screening	Flotation	SGS
Acid wash in cleaner circuit	Flotation	ALS
Tailings filtration tests	Flotation	Paterson & Cooke
Pilot plant flotation trials	Flotation	SGS
Oleic acid flotation trials	Flotation	Nagrom

2.6.1.1 Comminution

Five samples representing domains within the orebody were selected. Comminution tests yielding the standard Bond parameters and SMC Tests were performed. The following results were obtained:

- Bond Rod Mill Work Index (BRWi).
 - Ranged from 14.36 to 18.62 kWh/t.
 - Rated as "hard".
- Bond Ball Mill Work Index (BBWi).
 - Ranged from 17.98 to 20.10 kWh/t.
 - Rated as "hard".
- Bond Abrasion Index (Ai).
 - Ranged from 0.3028 to 0.5032.
 - Rated as "abrasive".
- SMC Test DWi parameter.
 - Ranged from 4.28 to 5.94 kWh/m³.
 - Rated as 21 to 41% (lower number is softer) of the range of samples tested using the SMC Test.

High pressure grinding rolls (HPGR) were also evaluated. A feature of HPGRs is the generation of a product size distribution that is generally coarser than that generated by tertiary crushing using a cone crusher. This attribute is desirable when gravity separation is likely to be used early in the flowsheet, as a higher proportion of the feed is kept in the coarser size fractions, and production of ultra-fine slimes is minimised. These units have been successfully used to treat WA spodumene ores similar to the expected Earl Grey ROM ore.

Testing and modelling by ALS confirmed that three-stage crushing (primary jaw crusher, secondary cone crusher, tertiary HPGR) followed by a single stage of ball milling could produce the P₈₀ (size passing 80% of material) of 180 µm recommended from the flotation tests. This arrangement is common in the industry and should not present undue technical challenges.

2.6.1.2 Gravity separation

It was anticipated that removal of mica at the beginning of the circuit flowsheet would be implemented. This prevents contamination of flotation concentrate with mica which lowers the grade and presents issues in the conversion plant calciner. A reflux classifier treating material sized in the range [-1.4 mm+0.5 mm] has been found to efficiently separate mica as the light fraction. Tests confirmed this assumption, with 41% of mica rejected with a recovery of Li₂O of 97%.

Dense medium separation (DMS) was evaluated in a series of trials evaluating single-stage and two-stage circuit arrangements. The size distribution selected was [-2.8 mm+0.5 mm], which is typically the range produced by crushing followed by screening at 0.5 mm. The more typical, two-stage arrangement has been recommended. An initial separation at lower medium density rejects a light fraction to tailings, then a second separation at higher density produces a coarse spodumene concentrate (the underflow), and a middling stream (the overflow) which is then upgraded by grinding and flotation. This circuit was able to produce concentrate at 5.5% Li₂O.

2.6.1.3 Magnetic separation

Magnetic separation is used to reduce iron content by removing magnetic iron species (primarily magnetite) from the circuit. A series of tests determined the following:

- Further work will be required to determine the exact configuration and specification of the magnetic separation units. Wet high intensity magnetic separation (WHIMS), and wet high gradient magnetic separation (WHGMS) are being evaluated, and operating parameters determined.
- The need for magnetics removal from the coarse DMC concentrate is not yet determined. The concentrator flowsheet, as currently designed, does not contain this circuit.
- Removal of magnetics from the fine size range [-2.8 mm+0.5 mm] is more efficient if the feed to the magnetic separator is deslimed. A range of desliming cut sizes were tested. 20 µm was selected as the recommended cut size, which optimised the loss of Li₂O (5.7% of the overall feed) and the variable loss of Li₂O with different desliming cut sizes.

2.6.1.4 Flotation

A range of batch flotation tests were used to establish the required feed particle size distribution, reagents required and dosages, and other basic operating parameters. A typical flotation approach for spodumene using a moderate grind size, and anionic collection in slightly alkaline conditions was selected.

Pilot plant tests of various circuit configurations were conducted. A conventional cell arrangement with roughers followed by scavengers, and multiple stages of cleaning of rougher concentrate was able to produce concentrate at the required specification of 5.5% Li₂O with 75% recovery of Li₂O.

2.6.1.5 Other testing

Mt Holland ground water is characterised as hypersaline with a total dissolved solids content of 66 g/L. Testing determined that significant adverse effects on flotation performance result from use of untreated hypersaline ground water. Treatment of all water for use in the flotation plant was recommended.

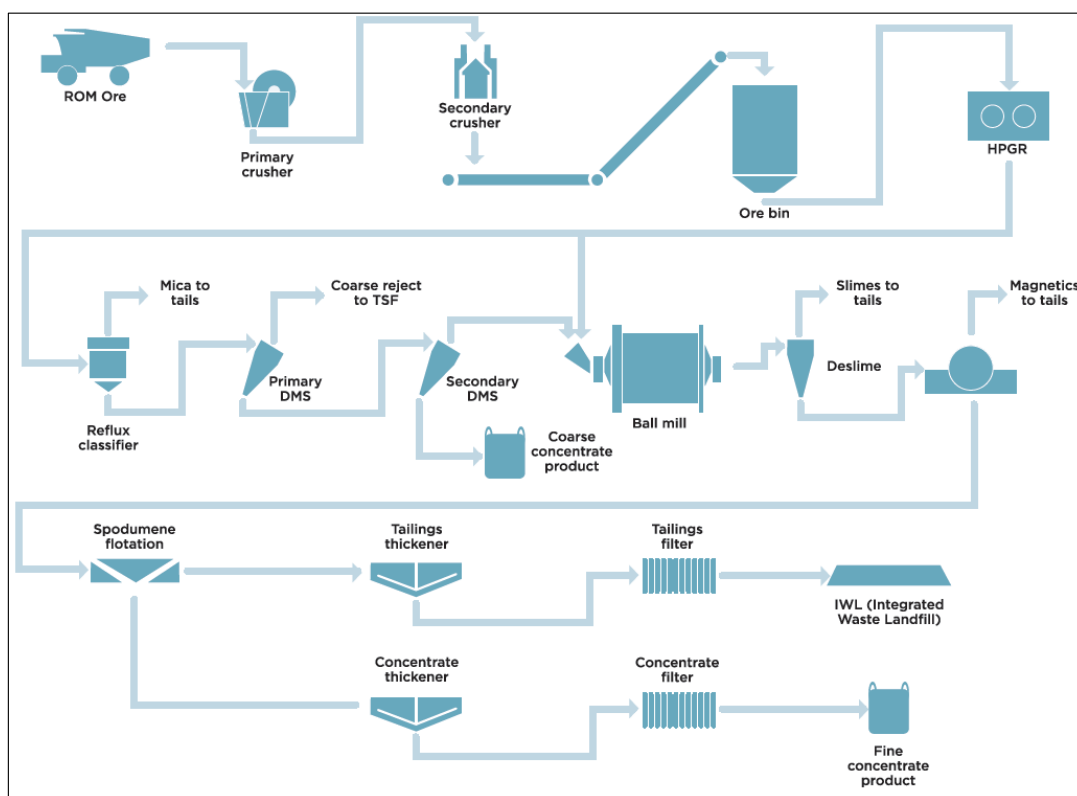
Standard filtration tests were conducted on flotation tailings to provide data for evaluation of 100% filtration and dry stacking of tailings. A moisture content of approximately 15% (w/w) was achieved using a filter press which is reasonable for truck transportation of tailings, placement in a DTSF and compaction by truck traffic, which is typical for the dry stacking method of tailings sequestration.

Tests also confirmed that a filter press will be appropriate for spodumene concentrate dewatering.

2.6.2 Circuit design

The spodumene concentrator has been designed to process 2.0 Mtpa of ROM spodumene ore containing 1.34% Li₂O and 0.9% Fe₂O₃ from the Earl Grey mine. A simplified flowsheet for the Concentrator is shown in Figure 2.12.

Figure 2.12 Concentrator simplified flowsheet



Source: Integrated Pre-Feasibility Report, 2018

2.6.2.1 Crushing circuit

The crushing circuit is shown in Figure 2.12. ROM ore with a nominal F₈₀ (size passing 80% of material) of 550 mm is reduced to -3 mm in the three-stage circuit. The tertiary unit, an HPGR, was selected to minimise the production of fines and to retain a greater proportion of material in the +0.5 mm fraction where spodumene recovery is expected to be greater.

2.6.2.2 Dense Medium Separation circuit

The dense medium separation (DMS) circuit is shown in Figure 2.12. [-3.0 mm+0.5 mm] material reports to the reflux classifier where mica is removed as the light fraction and discarded to tailings.

Two-stage DMS using ferrosilicon to achieve operating relative densities of 2.65 (primary) and 2.90 (secondary) produces discardable, coarse tailings, coarse concentrate at 5.5% Li₂O, and a middling-density fraction which reports to the grinding circuit and spodumene flotation.

2.6.2.3 Grinding circuit

The grinding circuit is shown in Figure 2.12. A simple closed-circuit arrangement produces a cyclone overflow product with P₈₀ of 180 µm. The product size has been kept as coarse as possible; balancing the need to liberate spodumene from composite, locked particles and the increase in losses in slimes fractions caused by finer grinding.

2.6.2.4 Magnetic separation and spodumene flotation

Figure 2.12 shows the magnetic separation and spodumene flotation circuit. Feed to the circuit is deslimed at 20 µm, with the finer, slimes fraction discarded to the tailings thickener. Deslimed material reports to magnetic separation. The magnetic fraction is also discarded to the tailings thickener.

Anionic flotation at a slightly alkaline pH of 8.0 is used to recover spodumene. A conventional rougher-scavenger arrangement is used, with scavenger concentrate returned to rougher feed. Rougher concentrate is subjected to three stages of cleaning to produce third cleaner concentrate at 5.5% Li₂O. High-intensity conditioning prior to rougher and first cleaner flotation has been shown to enhance flotation efficiency and is included in the circuit.

A thickener and a filter press dewater concentrate to 10% (w/w) for shipment by truck to the Refinery in Kwinana.

2.6.3 Performance parameters

The Concentrator has been designed to process 2.0 Mtpa of ROM ore using the flowsheet described in Section 2.6.2, with nominal concentrate production of 411,000 tpa. Customary design factors have been used to determine designed capacities for individual circuits and performance characteristics for central pieces of equipment supplied by known, well-regarded manufacturers have also been used in the design. Lithium recovery of 75% at the nominal feed rate of 2 Mtpa has been estimated. AMC finds this performance assumption reasonable.

2.7 Infrastructure and services

2.7.1 Tailings storage

It is proposed that flotation tailings, slimes and magnetic discards will be thickened and filtered using press filters to achieve a truckable density of 15% (w/w). This material is trucked to the DTSF where it will be placed and compacted. The DTSF is located over the existing, historical Earl Grey TSF. The facility is a rectangular design, using lift embankments of waste rock constructed by the upstream-raise method, and has a stated capacity of 32.3 Mt. The DTSF is reported to be sufficient for 20.2 years of operation, although AMC notes that at the nominal production rate of 1.9 Mtpa, the life will only be 16.8 years. Space for additional tailings storage capacity is available on the site integrated with waste landforms.

A key design feature of the DTSF is that the embankments and contents will remain unsaturated during operations and after closure, and that the embankments and contents are geochemically stable. The historical Earl Grey tailings are classified as potentially acid forming (PAF), the new tailings (flotation tailings, DMS rejects, magnetic discards) which will overlay the Earl Grey material are classified as non-acid forming (NAF) and rock waste used to construct the embankments is also NAF. The entire DTSF has been characterised as NAF.

Dusting in periods of high temperature and high winds could present an issue. 14% (w/w) of tailings is in the nuisance size range of [-50 µm+10 µm] while 10% (w/w) is -10 µm which is regarded as hazardous to humans. Water sprays may be necessary in some extreme conditions.

2.7.2 Power supply

Estimated power requirement is 11.5 MW. An additional 4 MW will be required for the water treatment plant, should on-site water treatment be included in the Project. Western Power has power infrastructure in the area and Covalent is negotiating for installation of a 33 kV feeder system to the Bounty Sub-station. In 2018, the full power requirement could not be guaranteed to meet the proposed Project schedule. AMC understands that the power situation is not yet finalised, and the Project is currently investigating installation of a generating system on site for use during construction and commissioning, and that the system will be retained as back-up to the eventual Western Power supply.

Estimated power cost used in the IPFS is \$0.196/kWh.

2.7.3 Water supply

Testwork has shown that hypersaline ground water at Mt Holland with TDS of 66 g/L cannot be directly used as process water in the Concentrator. The IPFS contemplated options for supplying suitable water to Mt Holland and concluded that the most cost-effective option was recovery of water from the flooded workings of the historical Bounty mine using a new system of bores, and construction of a mechanical vapor compression desalination plant.

The system specified would produce 1,400 m³/day, which equates to an overall site water usage of 0.23 tonnes water per tonne ROM ore (t/t) treated. AMC regards this as low compared to comparable operations in similar locations where rates from 0.6 t/t to 1.0 t/t are measured. AMC also notes that filtration of tailings prior to dry stacking (as will occur at Earl Grey) rather than placing wet tailings slurry in a tailings dam where some water will evaporate, will result in lower usage per tonne of ROM ore treated.

Operating cost for the treatment plant is estimated to be \$19/kL.

AMC understands that the decision to treat hypersaline mine water is currently being revisited by Covalent. Installation of a 120 km pipeline from Southern Cross and purchase of water is being investigated and is reported to be the preferred option at this stage of the DFS.

2.7.4 Logistics

The closest regional centre to Mt Holland is Southern Cross which is situated 369 km east of Perth on National Highway 94. The Project site is located less than 5 km from the Marvel-Forrestania Road and approximately 122 km south of Southern Cross. The Marvel-Forrestania Road is unsealed however it and other access roads around the site are in reasonable condition and will require some upgrading and sealing when used for heavy truck traffic during the life of the Project.

2.7.4.1 Incoming equipment and supplies

Equipment and supplies can be brought to site from Fremantle using State Route 40 from Fremantle to Hyden, then on regional roads to Forrestania and then to Mt Holland. The distance is approximately 472 km.

2.7.4.2 Transportation of Li₂O concentrate

The Earl Grey concentrator will nominally produce 411,000 dry tpa of concentrate at 10% (w/w) moisture; 345,000 dry tpa of which will be delivered to the Kwinana Refinery. The remainder (67,000 dry tpa) will be exported from the Port of Esperance on the south coast of WA.

Qube Logistics (Qube) completed a desktop study of concentrate transportation in June 2018 and recommended several options for transporting concentrate. A combination of rail and road transportation was recommended, with concentrate either contained in closed, 20' QCC containers supplied by Qube with 28 t capacity, or in covered, B-Double+dog tipping road trains. The following haul procedures were recommended and are shown in Figure 2.13:

- 67,000 dry tpa export of concentrate through Esperance, road only
 - 402 km trip.
 - B-Double+dog, covered tippers, 82 t payload.
 - Trucks unloaded and concentrate stored in covered bulk storage facility in Esperance.
 - When ship ready to be loaded, QCC containers loaded, 28 t each.
 - Containers transported to the port using Qube double skel container carriers.
 - Containers unloaded directly into vessels using Qube's Rotabox system.
 - \$60.78/t.

- 67,000 dry tpa export of concentrate through Esperance, road / rail
 - 733 km total trip.
 - Containers loaded at Mt Holland and transported to Koolyanobbing Rail Siding (KRS) using Qube Double Skel container carriers.
 - Containers railed to Esperance, then trucked to bulk storage facility where they are unloaded.
 - When ship ready to be loaded, QCC containers loaded, 27 t each.
 - Containers transported to the port using Qube Double Skel container carriers.
 - Containers unloaded directly into vessels using Qube's Rotabox system.
 - \$91.93/t.
- 345,000 dry tpa transported to Kwinana Refinery
 - 646 km total trip.
 - Containers loaded at Mt Holland and transported to Koolyanobbing Rail Siding (KRS) using Qube Double Skel container carriers.
 - Containers railed to Kwinana rail siding, then trucked to the Refinery site where they are unloaded into Refinery storage facility.
 - \$66.91/t. This rate was quoted by Qube based on an earlier volume of 300 dry ktpa.

Figure 2.13 Transport routes for Li₂O concentrate



Source: Qube Logistics Report, June 2018, from Integrated Pre-Feasibility Report, 2018

2.7.4.3 Port and ocean freight

Qube propose use of 15,000 t vessels for shipment of concentrates. Qube proposes to load containers with 27 t each at the Esperance storage facility and transport them with double skel carriers to the vessel. Qube's Rotabox system will be used on the dock cranes to invert the containers inside the hold to prevent loss of product. The cost of port handling is included in the unit rates stated in 2.7.4.2.

3 Spodumene conversion plant

3.1 Location

The proposed spodumene conversion plant (the Refinery) location is 15 Mason Road (D074883 15), Kwinana (32°13'8"S 115°46'19"E). An aerial view of the site is shown in Figure 3.1. Road access to the Refinery is via Mason Road to the East, which connects to Rockingham Road to the southeast.

Figure 3.1 Lithium Refinery site



Source: Integrate Sustainability Pty Ltd, 2019

3.2 Land Access and approvals

Covalent Lithium has entered into an exclusive option with WA Land Authority (LandCorp) to lease a site in the Kwinana Strategic Industrial Area (KSIA). The site is approximately 76 hectares in area and provides access to infrastructure including logistics (rail, road and port), energy (electricity and natural gas), chemical reagents and supplies. The option is for a period of 24 months during which time final lease terms will be negotiated.

The Refinery site consists of a previously developed lot currently zoned for industrial activities. The northern half of the site is hard surfaced and surfacing materials comprise loose gravel and a grid of tarmac roads spanning the length and width of the surfaced area. The southern half of the site is unsurfaced and hosts a mix of invasive and native species. Vegetation coverage in this area ranges from sparse to dense. The proposed Refinery layout plans for the 40 Ktpa proposed facility to only use the northern, cleared section of the lot.

3.2.1 Environmental approvals

While the Refinery is located within KSIA, approvals will be required under WA *Environmental Protection Act 1986* (EP Act) Part V and local government planning requirements. It is not expected that an EP Act Part IV approval will be required, provided the Refinery does not want to make use of the WaterCorp Sepia Depression Ocean Outfall Line (SDOOL) for the disposal of Refinery waste (MBS Environmental, 2018) nor extend onto the southern revegetated area. Discussions during the site visit suggest that the SDOOL is no longer being considered and Refinery infrastructure can be established within the already cleared northern area.

Under Part V of the EP Act, Works Approvals and Prescribed Premises Licences are required for a range of prescribed activities such as processing plants, refineries, bulk chemical storage. Works Approvals and Prescribed Premises Licences are administered by the Department of Water and Environment Regulation (DWER) to allow for the construction and operation of Prescribed Premises. Based on the adjacent lithium hydroxide processing plant currently under construction, it is envisaged that a works approval will be required for the construction of a Category 44 metal smelting or refining plant (capacity threshold WA trigger greater than 100 tpa) and Category 31 chemical manufacturing premises (capacity threshold WA trigger greater than 1,000 tpa). The approvals time by DWER is 12-16 weeks, however significant delays are being experienced suggesting that the works approval could take between 24-32 weeks.

Based on the information available during this review, no works approvals applications for the Refinery have been lodged with DWER thus far.

3.2.2 Other approvals

In addition to approvals discussed above and dependent on the final project design, the Project may require the following Secondary Approvals:

- Development approvals for project construction from the City of Kwinana.
- Approval for the storage and use of Dangerous Goods via a Dangerous Goods Licence under the *Dangerous Goods Safety Act 2004*, administered by the Department of Mines, Industry Regulation and Safety (DMIRS).
- Approval to construct or install a sewage treatment facility (if required and allowed) or to connection to deep sewage.
- Restricted Access Vehicle (RAV) network access permit from Main Roads WA for the transport of lithium ore concentrate and Refinery waste streams between the Earl Grey Mine and KSIA.
- Permits to transport concentrate and process waste materials on local Shire roads not contained within the Main Roads WA RAV network.
- Amendment of the Fremantle Port Authority (FPA) Environmental Licence to permit loading of lithium carbonate and/or lithium hydroxide from the Kwinana Bulk Terminal (if required) under the EP Act and not previously obtained. It is anticipated that this amendment would be obtained by the FPA, with assistance from Covalent.

3.3 Refinery study level of detail

Review of the spodumene conversion plant portion of the IPFS was undertaken on the basis that the study was at a pre-feasibility study (PFS) level of detail. The level of detail of this review should be considered high-level, and in keeping with the methods and consequent accuracy of data generated in the IPFS. AMC's review focused on key elements that can influence project financials, plant throughput and product quality requirements, which were examined for alignment with the objectives of the Project.

The scope of the Refinery section of the IPFS for the Project included:

- Design and layout of processing circuits.
- Spodumene concentrate delivery to the site boundary.
- Reagent delivery to the site boundary.
- Product dispatch.
- Residue dispatched at the site boundary.
- Service and infrastructure connections as proposed in the IPFS Report or assumed to be supplied to the site boundary.

The documents provided for review are as follows:

- Study Report (H355891-00000-200-230-0001).
- Financial Model (H355891-1100-200-066-0001) (no revision number or date).
- Schedule (Covalent Management Presentation 09.05.19).

3.4 Testwork and process design basis

The testwork completed for the Project only looked at the three front-end stages of the flowsheet; those being calcination, sulfation and leaching. The testwork focused on the recovery of lithium as well as key impurities through each stage. The testwork appeared to be completed to a reasonable level of detail and by a reputable laboratory. The values obtained through this testwork, or more conservative values, were incorporated into the process design criteria where appropriate.

It should be noted that no testwork was completed for the downstream stages of the process in the IPFS. Values used in the process design criteria of the downstream processes are largely based on Hatch recommendations and assumptions. These values where possible were supported by calculations and literature.

AMC understands that testwork being conducted for the DFS has confirmed at bench-scale the production of LiOH of appropriate purity, and that testing for the purification and crystallisation circuits is in progress. AMC understands that end-to-end refinery testwork (closed circuit trials) is also planned during the DFS.

AMC notes sources of risk for the Project at this stage due to the lack of testwork to validate design parameters for downstream sections of the flowsheet. The following sections focus on key downstream design aspects which could affect overall design and success of the flowsheet.

3.4.1 Saturations and solubilities

Lithium flowsheets rely on the different solubilities of compounds in order to selectively crystallise them from solution. Two key stages in the flowsheet which rely on this are the crystallisation of sodium sulfate and lithium hydroxide.

Sodium sulfate is crystallised out of solution at lower temperatures where it forms sodium sulfate decahydrate which has a very low solubility. This process selectively removes sodium sulfate from solution while leaving other compounds behind.

Lithium hydroxide is then crystallised from solution by evaporating water out of the pregnant liquor. Sufficient water is evaporated that the concentration of lithium hydroxide exceeds its solubility and is crystallised from solution. The amount of evaporation is maximised to recover as much lithium as possible but must be controlled such that sodium sulfate does not crystallise with the lithium hydroxide.

Another key factor in the design of lithium flowsheets is the ion-bearing capacity of the mother liquor. During the leach stage, lithium and other sulfate compounds are dissolved into solution. Make-up liquor is added to this stage of the process to ensure that there is sufficient water to dissolve all of the lithium in the sulphated concentrate.

The amount of water added is a function of the sulfate saturation concentration (ion bearing capacity) of the liquor. The general aim is to minimise the amount of make-up water added to the process but still solubilise all the lithium; a rather delicate balance. Additional water increases the flowrates through most of the plant and increases the evaporative load on the crystallisers in the circuit. This increases the overall size of the process plant and increases its operating cost (additional power for evaporators and pumping).

As discussed above, the saturations and solubilities of compounds within the process liquor are key to the design and operation of the flowsheet. In complex aqueous systems where there are several ionic compounds held in solution such as the pregnant liquor, the solubility of compounds can be difficult to predict theoretically and can only be definitively known through crystallisation testwork.

3.4.2 Department of impurities/product quality

Lithium flowsheets consist of a large recycling loop of liquor. Impurities introduced into the process generally accumulate within the process liquors until a steady state is reached. Impurities are primarily introduced into the flowsheet from the ore, contained in reagents, and in make-up water.

Higher concentrations of impurities such as chlorides within process liquors generally promote corrosion. This increases materials-of-construction specification requirements and therefore increases capital cost.

The concentration of chlorides can be controlled by varying the process bleed rate. An increased bleed rate decreases the chloride concentration in the circuit but also reduces the product yields. Other impurities are removed by neutralisation or ion exchange.

The process design considers chlorides as impurities in the feed water and reagents. It also considers the required bleed rate to maintain chlorides within acceptable levels. However, the concentration of chlorides within the feed water and reagents is based on assumed values.

The actual concentrations of impurities within reagents and feed water should be incorporated into the process design. If these values are higher than those assumed, the overall lithium recovery of the process could decrease.

The department of other impurities such as iron and magnesium are also critical to product quality. If these impurities are not effectively removed from the process they can carry over to the product.

Key parameters that the effect impurity removal are as follows:

- Impurity removal efficiencies in the Impurity Removal and Neutralisation stage of the process.
- Loading concentrations in ion exchange.
- Wash efficiencies on filters and centrifuges exchange efficiencies and centrifuge wash efficiencies.

The design criteria used assumed values for most of these parameters and calculated near 100% removal of impurities, as shown by the composition of the lithium product in the stream table provided in the IPFS design criteria.

The ability to effectively create a product to a set specification is highly dependent on the composition of the ore and the process used to do so. Understanding how impurities are introduced and removed from the process is important to the overall process design and its performance. The only method of definitively demonstrating the accumulation and department of impurities is through closed circuit testwork, which has not yet been completed.

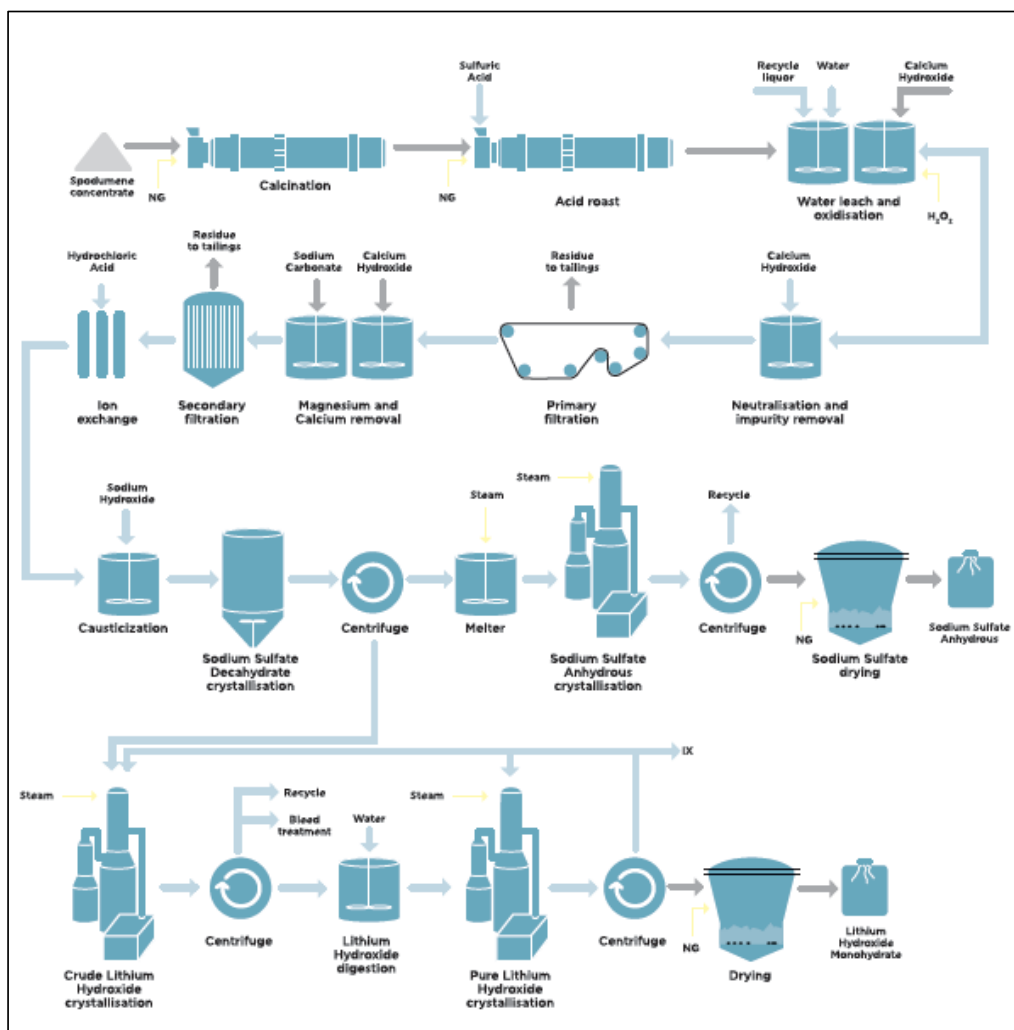
This level of testwork completed is often typical for a pre-feasibility level of study. However, closed circuit testwork should be undertaken before subsequent project stages. This testwork should confirm key process design criteria and demonstrate that product can be produced to the required specifications from the feed concentrate using the selected flowsheet design.

3.5 Circuit design

A simplified block flow diagram for the Refinery is shown in Figure 3.2. A high-level review of the flowsheet design and equipment selection was completed. Though lithium hydroxide flowsheets are not commonplace, the process design uses industry-proven equipment and unit-process technologies. The configuration of the flowsheet is also consistent with designs utilised by other lithium hydroxide producers and aligns with the process chemistry. The process also incorporates reasonable buffer storage/surge capacity where appropriate.

AMC understands that further refinement of the design is being undertaken during the DFS. For example, use of two calcination kilns and dual process streams at the input end of the plant. This is likely to increase CapEx and OpEx however plant reliability will improve due to an increase in overall plant availability. Details regarding such design changes are not yet available for review by AMC.

Figure 3.2 Refinery block flow diagram



Source: Integrated Pre-Feasibility Report, 2018

3.6 Mass and energy balance

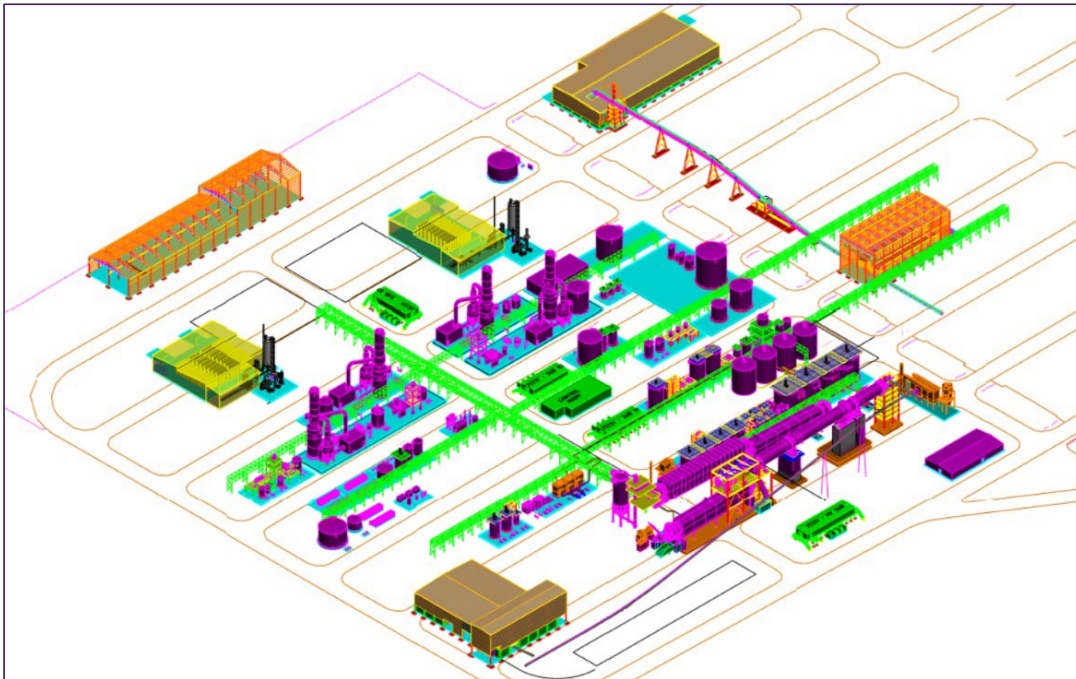
The mass and energy balance was developed to an appropriate level of detail, and the documentation of inputs and outputs is detailed and reasonable. A check of key inputs and outputs versus the IPFS design basis was performed. A key difference is that the mass and energy balance overall lithium recovery (92%) is higher than that provided in the design basis (85%). As the value in the mass balance is higher than the targeted (and published) recovery, the plant could achieve the desired lithium hydroxide production at a lower overall throughput. AMC concurs with the conservative use of 85% as the lithium recovery for the plant, given the early stage of circuit design.

3.7 Infrastructure and services

3.7.1 Site suitability

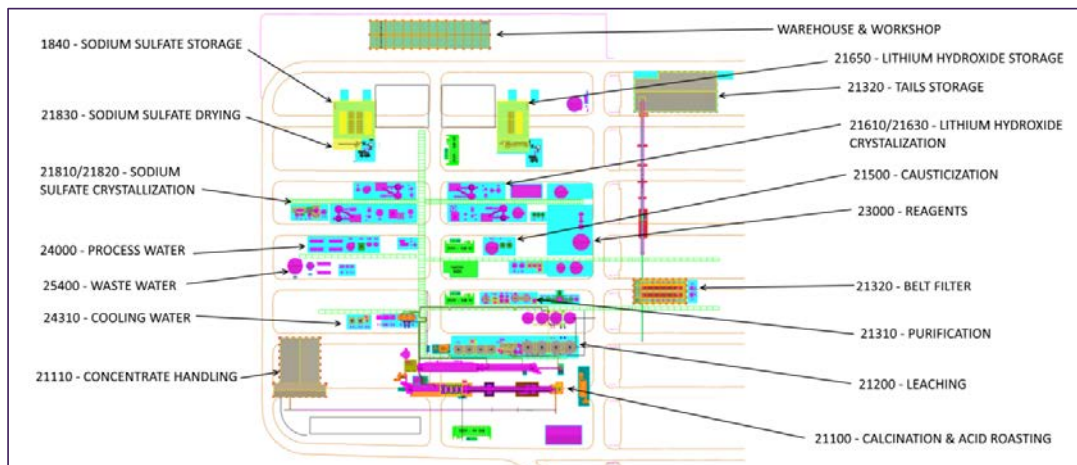
Figure 3.3 and Figure 3.4 show the general layout of the Refinery recommended in the IPFS. The proposed site appears suitable considering the preliminary layout shows the plant fits on the previously disturbed portion of the site, services and utilities are in close proximity, and road access is existing.

Figure 3.3 Isometric view of Refinery processing plant layout



Source: Integrated Pre-Feasibility Report, 2018

Figure 3.4 Plan view of Refinery processing plant layout



Source: Integrated Pre-Feasibility Report, 2018

3.7.2 Power supply

It is highlighted that more detailed discussions with the power provider (Western Power) regarding power supply are in progress as part of the DFS to confirm the ability to supply the plant. 16 MW is estimated to be required in the IPFS, using scaling from a similar, existing plant. AMC considers the risk that additional capital cost may be incurred for Refinery power supply to be low.

3.7.3 Water supply

The IPFS estimates that 1 ML/day will be required by the Refinery. The proposed water source is the Kwinana Water Reclamation Plant (KWRP) which produces 5.5 ML/day of potable water. Potable water is also available from nearby buried services. Both appear to be a reasonable source and AMC expects that commitments for reliable, appropriate water supply will be negotiated during the DFS.

3.7.4 Logistics

The transport requirements for the plant have been well defined and are substantial. Qube Logistics (Qube) conducted a desktop review of all logistics for the Project and provided recommendations and estimated costs for all material movements.

Lithium hydroxide product will be packaged in 25 kg, double-ply bags and stacked and shrink wrapped onto pallets. 20' or 40' shipping containers will be loaded at the Refinery and transported to the Fremantle Port for export. Qube estimated the operating cost for transportation of 20' containers to the port and loading on board ship to be \$42.55/t, and AMC has used this figure in modelling for the Project.

Definition of all vehicle movements, review of impacts on local communities and their road networks, and procurement of all applicable permits and approvals must be addressed in the DFS.

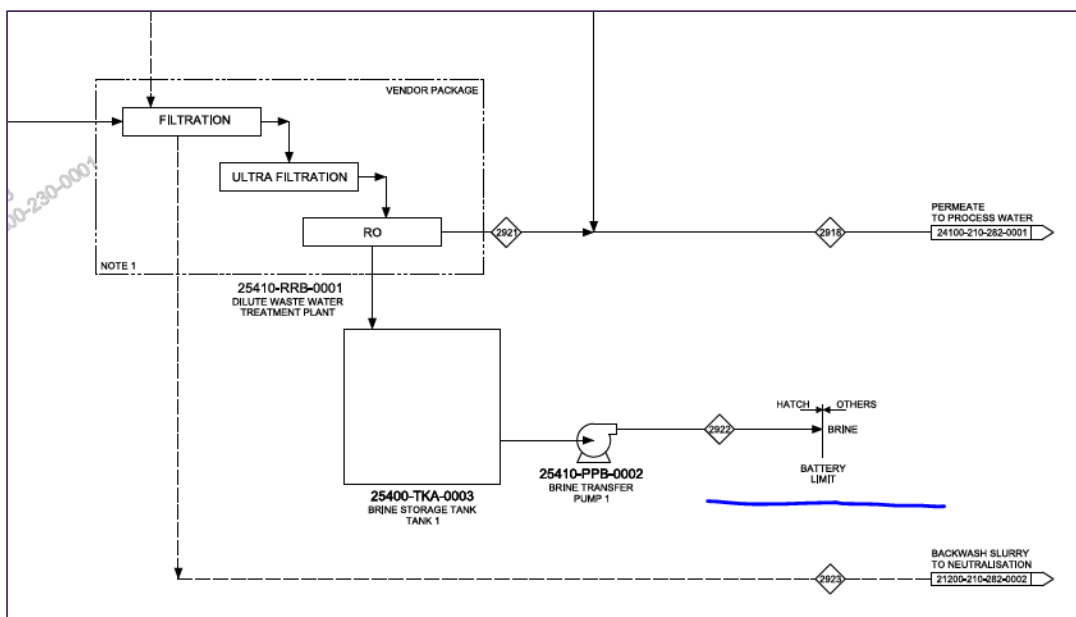
3.7.5 Alumina silicate residue storage

Short-term storage of the alumina silicate residue is provided on site which is adequate provided a nearby third party is identified to accept the residue. AMC understands that a number of longer-term options for disposition of alumina silicate are being considered as part of the DFS.

3.7.6 Wastewater effluent

The wastewater treatment process flowsheet (Figure 3.5) shows a brine discharge to a third party of around 31,000 kL per year with a total dissolved solids (TDS) concentration of 9.4 g/L. It appears this has been captured in the operating cost, but it is not clear from the IPFS where this effluent goes to, how it gets to the third party and the cost of discharging this stream.

Figure 3.5 Wastewater effluent treatment flowsheet



Source: Integrated Pre-Feasibility Report, 2018

3.8 Environmental and community

3.8.1 Environment

3.8.1.1 Contaminated site

The Refinery site was part of a land grant to British Petroleum (BP) in 1957 and was used by the BP Refinery for storage and/or disposal of several materials and wastes between 1965 and 1984. Materials thought to have been stored or disposed during this period include oily sludges, tetraethyl lead, acid soluble oil, pyrophoric materials, arsenic trioxide sludges, calcium fluoride, calcium molybdenum, asbestos materials and building rubble (MBS Environmental, 2018). The site was purchased by the former Petrochemical Industries Company Limited (PICL) in 1987, for the proposed development of an integrated petrochemical complex. As part of the purchase agreement, BP undertook remedial works at the site between 1987 and 1988.

The site is currently listed as "Remediated for Restricted Use" under the *Contaminated Sites Act 2003* on the basis that hydrocarbons are identified as being present in the surface soils in the central portion of the site and present in the groundwater beneath the south western portion of the site. Accordingly, the site is considered to be suitable for commercial/industrial use, provided that the Construction and Operational Environmental Management Plan is implemented. A specific restriction associated with this classification is that groundwater is not abstracted (except for analysis or remediation).

During the site visit on 13 June 2019, the northern section was found to be generally free of surface waste and no signs of contamination were evident on the surface or in run-off drains. Groundwater was observed to be within 5 m of surface at monitoring location GGW02. Due to access limitation the southern vegetation area was not traversed.

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Should the Refinery need to use the southern section, additional remediation works are required, and additional approvals would be needed to clear the regrowth. Figure 3.6, Figure 3.7, and Figure 3.8 show the general condition of the proposed Refinery site.

Figure 3.6 Northern hardstand area



Source: AMC.

Figure 3.7 Outer edge drain northern side



Source: AMC.

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Figure 3.8 Typical vegetation on the southern section of the Refinery site



Notes: AMC.

3.8.1.2 Process waste characterisation

Pilot study material characterisation work on two Refinery process waste streams, the pure aluminosilicate and an aluminosilicate blend, suggested that both waste streams appear to fall within the Class 1 landfill criteria and thus could be disposed of at a Class 1 landfill. Further work is required to verify this pilot study.

3.8.2 Community

Although the Project will be sited within an industrial area, the closest residences are approximately 2.3 km to the east in Medina and 2.6 km northeast in Hope Valley. Air emissions and noise generated by the Refinery have the potential to cause amenity impacts for sensitive receptors and vibration, through accumulative impact during construction and operations. Due to the proximity of the site to residences there will be an expectation that the Refinery will operate in accordance with the *Environmental Protection (Noise) Regulations 1997* and that air dispersion modelling will be undertaken to ensure emissions comply with the Environmental Protection (Kwinana) (Atmospheric Wastes) Policy Approval Order 1999 and the Environmental Protection (Kwinana) (Atmospheric Wastes) Regulations 1992 (Kwinana EPP Regulations).

Given the existing contamination issues within KSIA and the proposed site's proximity to residential areas and Cockburn Sound, a rigorous stakeholder consultation program is likely to be required, which would continue during the Refinery's operational life.

4 Production cases

4.1 Description of production cases

AMC developed three production cases describing alternative production and cost profiles for the Project. The use of a PFS to define production cases for a greenfields project carries inherent risk due to the lower level of definition and the preliminary nature of much of the underlying test work, analysis and cost estimation for both OpEx and CapEx. A DFS is in progress for the Project to increase the level of engineering and the resulting cost estimation is likely to result in a number of changes to the assumptions underlying the PFS. As a result, AMC has included allowances for changes in OpEx and CapEx, where it is prudent to do so in formulating the Production Cases.

Likely changes to project infrastructure that have been identified that may result in changes to the IPFS include provision of a backup on-site power plant to supplement the power supplied by Western Power, provision of a water pipeline rather than a water treatment plant at Mt Holland, changes in the Refinery front-end pyrometallurgical design, inclusion of design optionality for possible increases in throughput, increases in owners cost due to the revised project schedule, labour cost increases and a revised mine plan discussed in Section 2.

No capital or operating cost was assumed for tantalum recovery or value assigned from the tantalum content of the ore in any of the production cases. AMC is not aware if inclusion of tantalum recovery in the process flowsheet is being assessed in the DFS.

No capital or operating cost was assumed for gold recovery or value assigned from the gold content of the material within the pit in any of the production cases. Kidman has stated that its focus is on developing its lithium assets, and although Kidman has announced that it will seek proposals from third parties to maximise the value of the gold and by-product assets at the site, AMC is not aware of any assessment for the sale or processing of gold-bearing material in the DFS. AMC has, therefore, not attributed value to any of the gold assets.

AMC has not included any extension of mine life beyond Ore Reserves in any of the production cases due to the long life of the operation at 48 years. However, AMC notes that a significant proportion of the Mineral Resource of 189 Mt will remain after depletion of the Ore Reserve and has potential to extend the life of the operation, although in less economic mineralisation. AMC considers that a possible extension to the mine life will not have a material impact on value, and Mineral Resources remaining at the completion of the Project have been included in the separate valuation of Mineral Resources outside of the AMC Production Cases.

AMC has also not included any expansion of production in any of the Production Cases. At this stage of development of the Project, AMC does not have a reasonable basis for assuming an increase in capacity beyond the design capacity of the existing proposed infrastructure. No information is available supporting CapEx required for an increase in capacity for the Concentrator and the Refinery or market analysis supporting increased production. AMC notes that Kidman has not proposed an expansion of production.

The Production Cases are based on spodumene ore being mined from the Earl Grey deposit at a constant rate to feed the 2 Mtpa Concentrator. Spodumene concentrate produced is trucked to the Refinery at Kwinana for conversion to lithium hydroxide. Any spodumene concentrate produced at the Concentrator that is not required for the Refinery at Kwinana is trucked to the port at Esperance for separate sale. Other lithium ore types have not been included in the production profile as per the IPFS LOM plan.

AMC's central case is Case 1, with alternative profiles in Case 2 and Case 3. AMC considers that all cases are based on reasonable grounds. A description of the assumptions in AMC's production cases follows.

Case 1 is based on:

- Updated project timeline, with receipt of approvals and commencement of construction in Q2 2020, and completion of construction in Q2 2022.
- IPFS LOM plan physicals, with a number of adjustments based on AMC's review of Project parameters:
 - Ramp up in Concentrator recovery over six months, commencing at 75% of the final recovery for the first quarter and 90% of final recovery for the second quarter.
 - Ramp up in Refinery throughput over 12 months, with 20% in the first quarter, 40% in the second quarter, 80% in the third quarter, and 85% in the fourth quarter.
 - Ramp up in Refinery recovery over 12 months, with 75% of final recovery in the first quarter, 90% in the second quarter, 95% in the third quarter, and 95% in the fourth quarter.
- Mining cost model
- IPFS other OpEx increased by including an additional cost for tailings management
- IPFS CapEx increased by 20% to allow for the ongoing definition of infrastructure requirements as part of the DFS, with some minor allowance for value engineering being able to reduce early DFS CapEx estimates.

Case 2 is based on:

- Updated project timeline, with receipt of approvals and commencement of construction in Q1 2020 (three months earlier than Case 1), and completion of construction in Q4 2021 (a further three months earlier than Case 1).
- IPFS LOM plan physicals with no additional adjustments for ramp of concentrator and Refinery throughput or recovery.
- Mining cost model.
- IPFS LOM plan for other OpEx with no additional costs.
- IPFS LOM plan CapEx increased by 15% to allow for the ongoing definition of infrastructure requirements as part of the DFS and the lower definition of the underlying PFS. Early results from the DFS suggest that CapEx increases may be higher than included in this case, however, an allowance was included for ongoing value engineering to result in a reduction in this escalation over the remaining period of the DFS.

Case 3 is based on:

- Updated project timeline, with receipt of approvals and commencement of construction in Q2 2020 (same as Case 1), and completion of construction in Q3 2022 (further three months delay to Case 1).
- IPFS LOM plan physicals, with a number of adjustments based on AMC's review of Project parameters:
 - Ramp up in Concentrator recovery over nine months, 75% of the final recovery for the first quarter and 90% of final recovery for the second quarter and 95% of final recovery for the third quarter (three months longer than Case 1).
 - Ramp up in Refinery throughput over two years, with the same profile as Case 1 in the first year and an average of 90% in the second year (100% assumed in Case 1).
 - Ramp up in Refinery recovery over two years, with the same profile as Case 1 in the first year and an average of 96% in the second year (100% assumed in Case 1).
 - The resulting Refinery production is assumed at 52% in the first year and 86% in the second year.
- OpEx increased by 10% to allow for increases in labour costs and other operating cost inputs.
- IPFS CapEx increased by 25% to allow for the ongoing definition of infrastructure requirements as part of the DFS, with no allowance for value engineering being able to materially reduce early DFS CapEx estimates.

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4.2 Physicals

The LOM plan mining physicals are assumed to be the same in all Production Cases. AMC's review identified a number of areas where assumptions were adjusted for Case 1, based on AMC's experience in similar operating environments.

Case 1 assumed that it would take an additional three months to proceed to the start of construction than Kidman's preferred project timetable. It also assumed that the construction period for the Refinery would take an additional three months to Kidman's preferred development timetable.

Case 2 assumed that Kidman's preferred approvals and development timetable could be achieved, and pre-strip, Mine production, Concentrator production and Refinery production all commence six months before the equivalent timeframe in Case 1.

Case 3 assumed pre-strip, Mine production, Concentrator production and Refinery production all commence three months after the equivalent timeframe in Case 1.

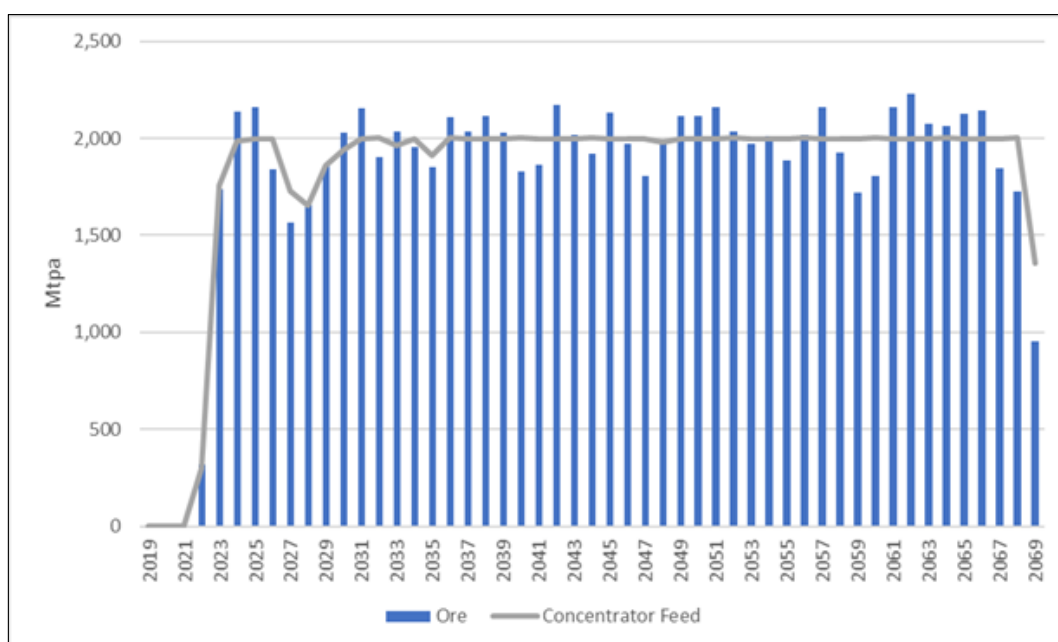
For Concentrator recovery, no ramp-up was applied in Case 2, a six-month ramp-up was applied for Case 1 and a nine-month ramp-up for Case 3. In AMC's experience, the range of time to attain designed recovery that is provided by the three cases is reasonable for concentrators of this scale and complexity.

For Refinery throughput and recovery, no ramp-up was applied in Case 2, a 12-month ramp-up was applied for Case 1 and a two-year ramp-up to reach full production rate and recovery was applied for Case 3. Based on experience with similar projects, AMC has allowed the extended ramp-up times because of the complexity of the processing flowsheet and the relative newness of the technology being employed.

Minor differences in Concentrator and Refinery recovery assumptions during the ramp up period to full production result in minor differences in the amount of lithium hydroxide produced and spodumene concentrate remaining for sale.

The Case 1 LOM plan mine production profile is shown in Figure 4.1.

Figure 4.1 LOM plan production profile



Source: AMC.
amconsultants.com

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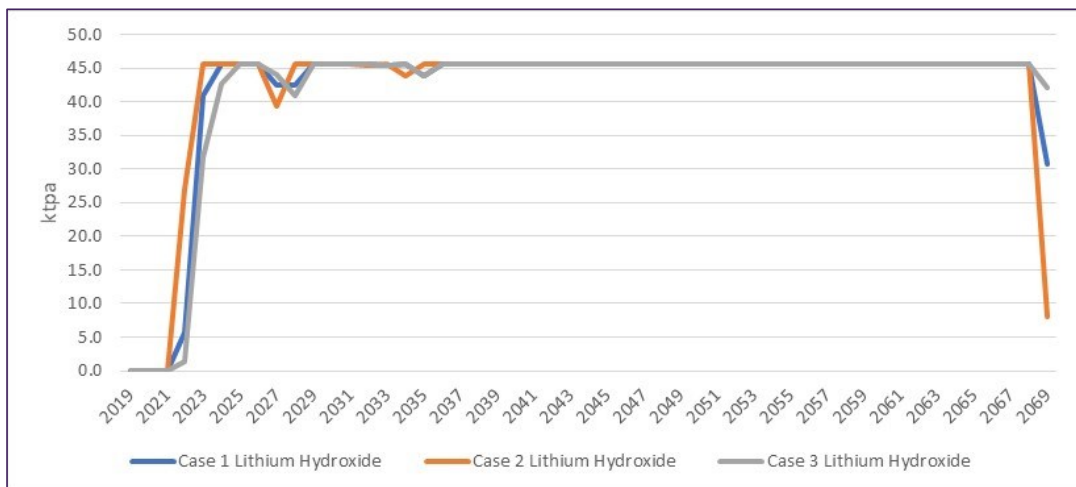
A summary of project physicals and timeline is included in Table 4.1.

Table 4.1 Production Case LOM plan physicals and timelines

Description	Units	Case 1	Case 2	Case 3
Mining				
Ore	Mt	92.4	92.4	92.4
Waste	Mt	420	420	420
Total Mining	Mt	512	512	512
Concentrator				
Feed	Mt	92.4	92.4	92.4
Feed Grade	%Li ₂ O	1.53%	1.53%	1.53%
Recovery	%	75.0%	75.0%	75.0%
Spodumene	Mt	19.2	19.2	19.2
Refinery				
Feed	Mt	16.12	16.13	16.10
Recovery	%	84.9%	85.0%	84.7%
Lithium Hydroxide	kt	2,121	2,124	2,116
Spodumene Concentrate	kt	3,116	3,116	3,136
Timeline				
Receive approvals/start construction	Time	Q2 2020	Q1 2020	Q2 2020
Complete construction	Time	Q2 2022	Q4 2021	Q3 2022
Start pre-strip mining	Time	Q3 2021	Q1 2021	Q4 2021
Start concentrator/refinery	Time	Q3 2022	Q1 2022	Q4 2022
Closure	Time	2069	2069	2069

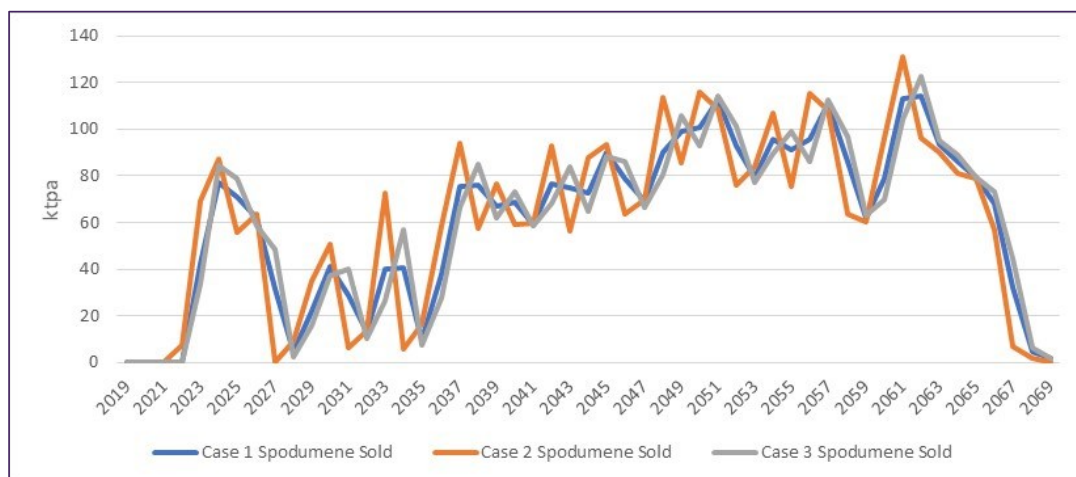
A graph of the lithium hydroxide output from the three production cases is shown in Figure 4.2 showing minor differences in commencement of operations and throughput and recovery ramp-up. The spodumene concentrate not required for refinery operations and sold separately is shown in Figure 4.3.

Figure 4.2 Production Case lithium hydroxide profiles



Source: AMC.

Figure 4.3 Production Case - spodumene concentrate sales profiles



Source: AMC.

4.3 Operating costs

Production case OpEx inputs were generally derived from the IPFS. AMC's review identified two areas where operating costs were adjusted for Case 1 based on updated information. Additional mining cost estimation was completed by external consultants for the DFS currently in progress and was provided by Kidman for review, which indicated an increase in mining fixed and variable costs, and also estimated the cost of tailings management for the DTSF.

This updated mining cost information was used for mining costs for all cases and for tailings management costs for Case 1 and Case 3.

Operating costs for the Concentrator have been built up from the plant design criteria and quotations for reagents and consumables used in the process. For Case 1, AMC has increased the cost of operation of the DTSF to provide additional labour and equipment to place and compact tailings, and to wet the DTSF surface in dry, dusting conditions. The Case 1 unit operating cost is \$32.34/t processed. This value correlates well with unit costs for similar plants in comparable sections of the minerals industry. Case 2 uses a unit cost of \$30.05/t treated, reflecting the Kidman model OpEx. Case 3 uses an increase in OpEx of 10% resulting in a unit cost of \$35.33/t treated.

Operating costs for the Refinery have been built up from the plant design criteria and quotations for reagents and consumables used in the process. For Case 1 and Case 2 the unit cost is \$4,425/t LiOH product. AMC finds this value reasonable for the plant and for the level of accuracy of the IPFS estimation methodology. AMC notes lack of certainty in quoted costs for some reagents, and also notes that no OpEx has been allowed for some by-product disposal. It is presumably assumed that recipients will accept material at no cost or charge. Therefore, in Case 3 the OpEx has been increased 10%, resulting in a unit cost of \$4,870/t LiOH product.

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Production Case operating cost assumptions and operating cost outputs by functional area are summarised in Table 4.2.

Table 4.2 Production Case operating costs

Description	Units	Case 1	Case 2	Case 3
Total mining cost	\$M	3,574	3,576	3,579
Total Concentrator cost	\$M	2,989	2,778	3,266
Total transport costs	\$M	1,385	1,386	1,523
Mine rehabilitation fund	\$M	5	5	6
Total refinery cost	\$M	9,385	9,396	10,303
Total operating cost	\$M	17,338	17,141	18,677
Mining unit cost	\$/t ore	38.7	38.7	38.7
Concentrator unit cost	\$/t concentrate	155.4	144.3	169.8
Refinery unit cost	\$/t LiOH	4,425	4,425	4,870
Total operating unit cost	\$/t LiOH	8,175	8,070	8,827

4.4 Capital costs

Production case CapEx inputs were based on estimation work completed in the IPFS and adjusted for increases in CapEx identified in more recent work. Preliminary advice from the DFS in progress to increase the level of engineering and resulting cost estimation for the project has identified a number of areas that may result in changes to the PFS CapEx including:

- Provision of a backup on-site power plant at Mt Holland to supplement the power supplied by Western Power.
- Provision of a water pipeline from Southern Cross to Mt Holland rather than a water treatment plant to upgrade the locally sources hypersaline water.
- Changes in the Refinery front end pyrometallurgical design to include a second train in the calcining area.
- Inclusion of design optionality in the Refinery and Concentrator for possible future increases in throughput.
- Increases in owner's costs due to the revised project schedule.
- Labour cost increases.
- A revised mine plan discussed in Section 2 to access higher ore grades and lower impurity grades for early operations.

Case 1 assumed that IPFS CapEx estimates would increase by 20% to allow for the ongoing definition of infrastructure requirements as part of the DFS, with a minor allowance for value engineering to reduce early DFS CapEx estimates.

Case 2 assumed that IPFS CapEx estimates would increase by 15% to allow for the ongoing definition of infrastructure requirements as part of the DFS, with allowance for value engineering to reduce early DFS CapEx estimates.

Case 3 assumed that IPFS CapEx estimates would increase by 25% to allow for the ongoing definition of infrastructure requirements as part of the DFS, with no allowance for value engineering being able to reduce early DFS CapEx estimates.

Production case CapEx assumptions by functional area are summarised in Table 4.3.

Table 4.3 Production Case capital costs

Description	Units	Case 1	Case 2	Case 3
Mining - Earl Grey				
Owners costs	\$M	9.9	8.4	11.3
Mobilisation	\$M	0.9	0.9	0.9
Site establishment	\$M	4.8	4.6	5.0
Other	\$M	3.7	3.1	4.1
Total mining	\$M	19.3	16.9	21.4
Concentrator				
Concentrator	\$M	358.5	344.7	373.5
Infrastructure	\$M	44.3	42.5	46.1
Indirect Costs	\$M	188.9	179.7	196.7
Contingency	\$M	83.9	80.7	87.4
Total Concentrator	\$M	675.6	647.6	703.7
Refinery				
Mechanical supply	\$M	164.1	157.8	165.4
Civil and site works	\$M	8.6	8.2	8.9
Construction works	\$M	249.9	240.2	260.3
EPCM	\$M	33.2	30.4	36.1
Indirect costs	\$M	81.2	74.0	86.9
Contingency	\$M	134.5	129.3	140.1
Total refinery	\$M	671.3	639.8	697.8
Closure				
Land purchases	\$M	12.2	12.1	12.2
Mine and concentrator closure	\$M	56.8	54.4	59.2
Refinery closure	\$M	33.4	31.7	34.7
Total closure	\$M	102.4	98.1	106.1
Total CAPEX	\$M	1,468.6	1,402.5	1,528.9

AMC's closure estimate assumes that after 48 years of use, the salvage value of the plant and equipment remaining at Mt Holland and Kwinana is relatively modest due to the highly specialised nature of the components and the age and location of the plants. Closure costs therefore are assumed to be net of any salvage value.

4.5 Risks and opportunities

AMC considers that the principal risks to the Production Cases to be as follows:

- Potential for more detailed scheduling to require significant blending requirements to meet ore feed grade targets and increase operating costs through rehandling.
- Potential for reductions in recovery through the Concentrator and Refinery due to the complex mineralogy of some ore zones with mixed lithium-bearing minerals.
- Potential for increased CapEx in the Refinery should detailed testwork to confirm the flowsheet result in changes to the plant design.
- Potential for less favourable lithium market conditions reducing the price or requirement for lithium products.
- Potential additional costs associated with future tailings management facilities if suitable low-cost alternatives are not available when the initial facility is full.
- Potential for more stringent operating requirements to impact future operations, such as restrictions on upstream construction of DTSF.

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AMC considers that the principal opportunities for the production cases are:

- Potential for sale, toll treating or on-site treatment of gold-bearing ore within the pit that needs to be mined to access the Concentrator feed. In some areas, gold mineralisation overlies the mineralised pegmatite within the pit. Although this material is not included in mine plans, it is likely that this material will be defined through grade control drilling and will be readily amenable to segregated mining and storage for possible later sale or treatment nearby.
- Potential for expansion of production capacity if the lithium hydroxide and spodumene market and prices supports it.
- Potential for extension of mine life beyond the current Ore Reserve, using Mineral Resources currently valued as Mineral Resources outside of the AMC Production Cases.
- Potential for extraction and sale of tantalum from ore.
- Potential for realising value from petalite or other lower quality lithium minerals mined during the life of the Project through changes in processing technology or economic conditions.

5 Remaining Mineral Resource valuation

To value Mineral Resources outside of the AMC Production Cases (the Residual Mineral Resource remaining after extracting the Ore Reserve), AMC investigated a number of methods. It conducted a search of a subscription database to identify comparable transactions of lithium projects with Mineral Resources but without Ore Reserves. In assessing the transactions, it was apparent that transactions for lithium Mineral Resources in recent years in Australia are scarce. After considering a range of yardstick values from comparable transactions in Australia and an actual transaction, AMC determined these were not entirely appropriate. As a consequence, AMC evaluated an extension of the AMC Production Cases beyond 48 years to determine values.

The methods used for the valuations have been selected by AMC based on the nature of the mineral asset and the data that is available.

5.1 Yardstick values

The yardstick values for Earl Grey are based on the transactions listed in Table 5.1 for the valuation of the Mineral Resources outside the production case. The transactions selected by AMC are the lithium projects with Mineral Resources and no Ore Reserves (two selected). AMC has reviewed the lithium concentrate price history using available public information, see Figure 5.1, and considers that prices were similar enough between April 2016 and April 2019 for these transactions to be relevant to the valuation date without adjustment for price.

Figure 5.1 Benchmark Mineral Price index

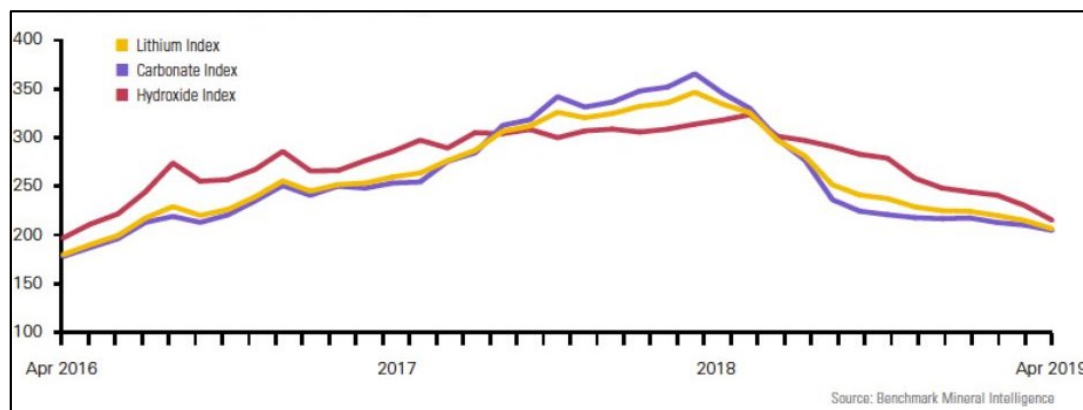


Table 5.1 Transactions for projects with Mineral Resources

Date	Buyer	Project	Li (t)	Transacti on Value (\$M)	Implied Value (\$/t Li)
26/10/2018	Investor group	Mt Marion	134,688	103.8	770.70
27/05/2016	Jiangxi Ganfeng Lithium	Reed Industrial Minerals (Mt Marion)	58,400	35.5	607.46
17/02/2015	Mineral Resources	Reed Industrial Minerals (Mt Marion)	42,296	26.4	624.40
27/10/2015	Pilbara Minerals	Lynas Find	102,625	8.0	77.95
06/10/2016	Quantum Resources	Manitoba Minerals	52,000	1.6	30.77

Transaction values exclude options and conditional payments.

Mt Marion is an operating mine with no reported Ore Reserves.

Excludes company takeovers unless single project.

The implied values per tonne are compared with the status of the deposits. Mt Marion is an established, operating mine, although there is no reported Ore Reserve. On this basis it, and the transactions involving the ownership of Reed Industrial Minerals (Reed), who own and operate the Mt Marion mine, have been excluded.

The Residual Mineral Resource outside of the AMC Production Cases is considered to be approximately 89 Mt grading at 1.50% Li₂O containing 1.335 Mt of Li₂O, of which the majority, approximately 60 Mt (or approximately 69%) is classified as Indicated Mineral Resource. For the two comparable transactions used, the proportion of Indicated Resources is similar for Lynas Find at 75%, while the Manitoba acquisition is based on drill indicated historical resources and is not classified in accordance with the JORC Code. On the basis of the description provided in the Quantum Resources Limited ASX release of 6 October 2016, including a geological description of the deposit, its dimensions and the fact that 32 drill holes had been completed, AMC considers a reasonable equivalence of the drill indicated historical resource with Indicated Resources for valuation purposes.

Because, for the most part, it would be impractical to exploit the remnant Mineral Resources until after the Ore Reserve has been mined and processed, AMC believe that there are reasonable grounds for assuming that the remnant Mineral Resources would not be available until the end of the currently planned operation in 48 years. Because of this long delay, and the consequent uncertainty of the criteria surrounding the lithium price, the demand for lithium in a market where it is not possible to be certain that lithium still be required for battery production, in AMC's professional opinion the likely current value of the remnant Mineral Resources, that is the price anyone would be willing to pay for these remnant Mineral Resources would be quite low.

The deposits relating to these transactions were immediately available for continued assessment and development without having to wait 48 years to be accessed. In addition, they did not have the most economic portion of the resource extracted. Thus, although the comparable transactions fall within the range of \$30 to \$80 per tonne of lithium, AMC does not consider that interested parties would be prepared to pay that price for a deposit that would not be available for 48 years.

5.2 Actual transactions

AMC reviewed actual transactions as a second method of evaluation. A transaction between Kidman Resources and Sociedad Quimica y Minera da Chile S.A. (SQM) for 50% of the project is provided in Table 5.2.

Table 5.2 Actual transactions with Mineral Resources

Date	Buyer	Project	Li (t)	Transaction Value (\$M)	Implied Value (\$/t Li)
30/10/2017	SQM Chile	Mt Holland	919,500	39.2	42.63

Transaction values exclude options and conditional payments.

Lithium tonnes shown represent the 50% of the asset in the transaction.

The actual transaction was in July 2017, when the Project had a Mineral Resource, but an Ore Reserve had not been announced. Based on this transaction, a value today could reasonably be expected to be in the range of \$40 to \$50 per tonne of lithium based on the similarity of the lithium concentrate price in 2017 and 2019.

AMC usually considers the valuation using the yardstick values is more reliable. In this case the number of transactions is limited. At the same time the value from the actual transaction method falls within the range determined from the yardstick method.

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5.3 Extension of AMC production cases

AMC considers that extension of the AMC Production Cases beyond 48 years to determine value through discounted cash flow introduces a range of uncertainties around likely industrial uses of lithium and hence product prices so far into the future, as well as operating costs and additional capital costs required to extend the life of the Concentrator and Refinery after such a long period of operation. However, AMC made the assumptions shown in Table 5.3 to assess the potential value of the Residual Mineral Resources.

Table 5.3 Extension to mine life

Assumption	Units	Low Case	Mid case	High Case
Extension to mine life	Years	5	15	20
Additional Resources processed	Mt	10	30	40
Strip ratio ¹	T:t	7.0	7.0	7.0
Mining cost ²	\$/t	9.35	8.5	8.5
Concentrator feed grade ³	%Li ₂ O	1.20	1.20	1.20
Concentrator recovery ⁴	%	65	65	65
Concentrator cost	\$/t feed	71	65	60
Refinery cost	\$/t feed	182	173	165
Capital cost	\$M	3.0	3.0	3.0
Lithium hydroxide price	\$'000/t	16	16	16
Discount rate	%	13	13	13
Indicative increase in discounted value	\$M	0.8	1.5	2.3

Notes: 1. Strip ratio increased to account for deeper mining and narrower ore zones

2. Mining cost increase from deeper mining, longer hauls, and more selective mining of narrow ore zones

3. Grade reduced in line with decreasing feed grade towards the end of mine life.

4. Recovery reduced from non-spodumene ore and narrow ore zones with increased dilution

5.4 Valuation applied

AMC considers that the yardstick and comparable transaction values derived above are inappropriate to apply to the Residual Mineral Resources, and that despite the caveats related to the production extension case mentioned above, that the extension of the AMC production cases provides the most appropriate range of values for Mineral Resources that would not be available for extraction for 48 years. AMC valuation range is therefore \$0.8 million to \$2.3 million with a preferred value of \$1.5 million.

In AMC's experience the process used to estimate the valuation range of the Earl Grey Residual Mineral Resource is based on reasonable grounds and results in a realistic value at the valuation date.

6 Exploration properties

Mineral tenements that do not host Mineral Resources or Ore Reserves can be valued by using several industry-accepted methods. These tenements occur around Earl Grey in WA, at Barrow Creek in NT, and at Browns Reef (NSW).

In this report, mineral tenements without Mineral Resources have been valued using ranges of value per unit area (km²) derived from "comparable transactions" and "exploration expenditure" methods. The VALMIN Code specifies that at least two valuation methods should be applied. The methods used for the valuations have been selected by AMC based on data that is available, and are methods considered appropriate.

At Earl Grey, comparable transactions and past expenditure have been applied to the tenements. At Browns Reef, there is only data available for one method to be used. At Barrow Creek, a former Mineral Resource has been used to derive a second, yardstick method.

Transactions in Eastern Australia and Western Australia have been considered separately due to differences in influencing factors such as geology, prospectivity and available infrastructure.

A separate value for Mineral Resources that are not included in the Production Cases has been determined. This is provided in Section 5.

6.1 Earl Grey valuation of tenements without Mineral Resources

Mineral tenements that do not host Mineral Resources or Ore Reserves can be valued by using several industry-accepted methods.

The VALMIN Code specifies that at least two valuation methods should be applied. AMC has valued mineral tenements without Mineral Resources using ranges of value per unit area derived from comparable transactions, and the past expenditure method.

AMC has separately determined a value for Mineral Resources that do not form part of the Production Case.

6.1.1 Unit area value

AMC has considered several recent gold and lithium transactions to determine values per unit area for exploration tenements (Table 6.1).

Table 6.1 Gold transactions for tenements without Mineral Resources.

Date	Gold Project	Buyer	Area km ²	Transaction Value \$M	Implied Value \$/km ²
16/02/2016	Goongarrie	Intermin Resources Limited	10	0.04	4,020
22/03/2016	Menzies	Intermin Resources Limited	141	0.38	2,660
3/05/2016	Davyhurst	Eastern Goldfields Limited	417	0.63	1,499
9/05/2016	Meckering	Alltech Chemicals Limited	177	2.00	11,299
20/05/2016	Mt Venn	Cazaly Resources Limited	204	0.19	919
30/05/2016	Millrose	Bowlane Nominees (WA) Limited	39	0.95	24,359
31/05/2016	Mt Gill and Kurrajong	Gold Road Resources Limited	54	0.05	226
27/07/2016	Monument	Syndicated Metals Limited	210	0.25	1,190
10/08/2016	Yandal	Echo Resources Limited	215	0.51	2,359
26/08/2016	Beatons Creek	Beatons Creek Gold Pty Ltd	180	1.00	5,556
1/11/2016	Cargo	Agriculture Equity Investments Pty Ltd	46	0.50	10,870
18/11/2016	Harris Find	Great Western Exploration Limited	24	0.65	13,542
21/11/2016	Leonora	Roman Kings Pty Ltd	36	0.45	12,535

Date	Gold Project	Buyer	Area km ²	Transaction Value \$M	Implied Value \$/km ²
3/01/2017	Jaurdi	Beacon Minerals Limited	4.8	0.10	20,704
7/04/2017	Lake Carey	Matsa Resources Limited	20	0.05	2,540
1/05/2017	Mount Mulga and Bulgera	Accelerate Resources Pty Ltd	73	0.63	8,654
5/05/2017	Dingo	Blina Minerals NL	12	0.02	1,700
18/05/2017	Kat Gap	Classic Minerals Ltd	38	0.44	11,733
6/06/2017	Dumleyung	Ausgold Limited	461	0.36	781
5/09/2017	Yandal East	Overland Resources Limited	327	1.13	3,466
29/09/2017	Charteris Creek	LMTD Wits Pty Ltd	123	0.50	4,065
3/10/2017	Mertondale East	Magnetic Resources NL	3.0	0.04	13,333
16/10/2017	Grants Creek	Pantoro Limited	156	0.05	320
6/11/2017	Black Hills	Greatland Gold PLC	25	0.23	9,000
13/12/2017		Tando Resources Ltd	22	0.21	9,375
22/12/2017	Gidgee	Gateway Mining Ltd	1,339	1.50	1,120
31/01/2018	Mary River	Pantoro Limited	60	0.08	1,333
5/02/2018	South Yamarna	Gold Road Resources Limited	2,467	14.00	5,675
15/03/2018	Trojan	Aruma Resources Limited	8.8	0.15	17,143
29/03/2018	Warrawoona	Calidus Resources Limited	213	0.08	360
16/04/2018	Ockerburry Hill	Red5 Limited	72	0.05	625
18/04/2018	Slate Dam	Aruma Resources Limited	19	0.06	3,263
25/05/2018	South Darlot	Kingwest Resources Limited	289	0.58	2,007
18/06/2018	Ruby Plains	Dampier Gold Limited	821	0.50	609
				mean	6,142
				median	3,365
Date	Lithium Project	Buyer	Area km ²	Transaction Value \$M	Implied Value \$/km ²
15/08/2016	EL 29698 licence	Core Exploration Limited	50	0.08	1,600
12/12/2017	Seven mining licenses	Draig Resources Limited	22	0.23	0,227
22/02/2019	Pippingarra & Marble Bar	Fe Limited	360	0.68	1,875
3/08/2017	Bynoe project	Liontown Resources Limited	80	0.11	1,375
14/04/2016	EL29699	Liontown Resources Limited	8.2	0.01	610
9/12/2016	Kathleen Valley project	Liontown Resources Limited	75	0.45	6,000
11/11/2016	Greenbushes project	Lithium Australia NL	400	0.10	250
19/04/2018	Moolyella project	Lithium Australia NL	3.2	0.05	15,625
26/04/2018	Li rights Mt Edwards project	Neometals Limited	240	2.50	0,417
30/10/2018	Exploration licenses	Pilgangoora Minerals Pty Ltd.	708	0.75	1,059
29/01/2019	Pilbara lithium portfolio	Sayona Mining Limited	871	0.79	904
24/01/2019	Pilbara lithium portfolio	Sayona Mining Limited	871	0.50	574
31/07/2018	Lake Cowan project	Tawana Resources NL	410	0.29	707
				mean	3,940
				median	1,375

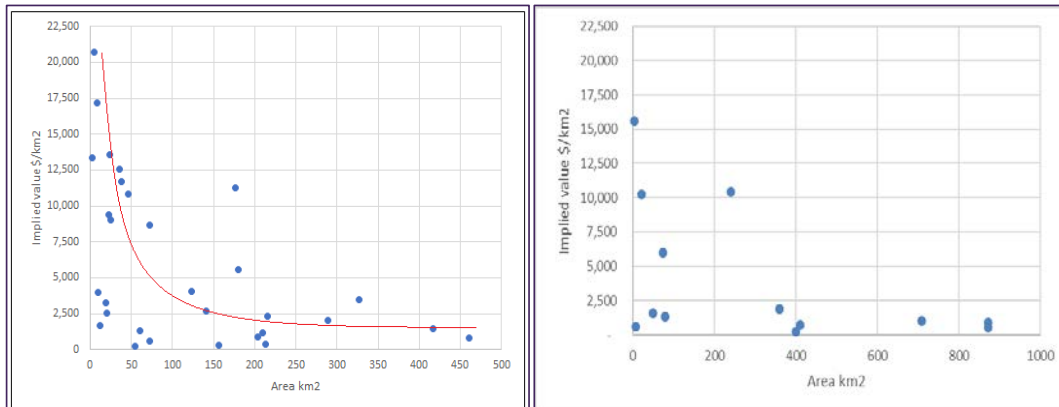
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The implied values per square kilometre are compared with the area of the tenements subject to the transaction in Figure 6.1. Five outliers have been removed. There is a distinct relationship between tenement area and the unit area value indicated by transactions. Smaller tenements tend to return higher unit area values than larger tenement areas.

Figure 6.1 Comparison of unit area value and tenement area for gold (left) and lithium (right).



Source: AMC.

The unit area values indicated by gold transactions are clustered into three groups:

- \$300 to \$4,500
- \$8,500 to \$13,500
- >\$17,000

Within this the unit area values indicated by lithium transactions are also clustered into three groups, generally overlapping the gold transactions:

- \$300 to \$2,000
- \$6,000 to 10,500
- >\$15,000

The value of mining leases that host Mineral Resources is reflected in the Production Case and the valuation of Mineral Resources beyond Ore Reserves. No further exploration value has been derived for those tenements.

To distinguish tenements that might be more prospective than others, AMC identified tenements with recognised prospects. Those tenements are the focus of further exploration and resource definition activity. A higher range of values was applied to these tenements. Table 6.2 outlines the detailed breakdown of the tenure valuation using a ranking of geological prospectivity.

Table 6.2 Breakdown of tenure valuation

Tenement	Name	area KMs	Prospects	Commodity	AMC Rank	Proportion	Company	Value Low	Value High
E77/1361	Deserts	55.3777	0		3	0.8	Montague	55,378	276,889
E77/1400	Game Fish	5.6265	0		3		MH Gold	5,627	28,133
E77/1436		1.7634	0		3		Western Areas Nickel	1,763	8,817
E77/1535	Cities	22.9807	1	gold	2	0.8	Montague	137,884	310,239
E77/1581		23.3346	0		3		Western Areas Nickel	23,335	116,673
E77/1582	Aircraft	2.9153	0		3	0.8	Montague	2,915	14,577
E77/1734		47.6858	galaxy	gold	3		Western Areas Limited	47,686	238,429

Tenement	Name	area KMs	Prospects	Commodity	AMC Rank	Proportion	Company	Value Low	Value High
E77/1773-i	Southern Cross	16.3003	0		3		MH Gold	16,300	81,502
E77/1775-1	Sea	6.5371	0		3	1	MH Gold	6,537	32,686
E77/2011	Coffee	4.8894	0		3	1	MH Gold	4,889	24,447
E77/2080	Battles	2.0599	0		3		MH Gold	2,060	10,300
E77/2097	Generals	2.4471	0		3		MH Gold	2,447	12,236
E77/2099	Chile	7.0807	0		3		MH Gold	7,081	35,404
E77/2137	Planets	2.7172	0		3	1	MH Gold	2,717	13,586
E77/2162	Moons	2.9033	0		3		MH Gold	2,903	14,517
E77/2167	Golf	53.506	0		3		MH Gold	53,506	267,530
E77/2188	Hamlet	6.9029	1		2		MH Gold	41,417	93,189
E77/2244	Texas	25.1386	1	lithium	2		Montague	150,832	339,371
E77/2305	Michael	3.7111	0		3		Montague	3,711	18,556
E77/2530		25.3	0		3		MH Gold	25,300	126,500
M77/1065	Cheeses	9.592	3	gold	1	1	Montague	57,552	129,492
M77/1066	Bounty	10.0045	lots	lithium	3	1	Montague	10,005	50,023
M77/1067	Razorback	9.8798	2	gold	1	1	Montague	59,279	133,377
M77/1068	BushPig	3.5804	1		2	1	Montague	21,482	48,335
M77/1080	Twinings	8.9855	lots	gold	0	1	Montague	8,986	44,928
M77/215		7.5777	0		3		Western Areas Limited	7,578	37,889
M77/216		8.5549	0	gold	3		Western Areas Limited	8,555	42,775
M77/284		3.2574	0		3		Western Areas Limited	3,257	16,287
M77/285		6.6212	1	ni	3		Western Areas Limited	6,621	33,106
M77/286		4.9249	1	ni	3		Western Areas Limited	4,925	24,625
M77/324		9.5014	1		2		Western Areas Nickel	57,008	128,269
M77/389		8.4371	lts	lithium	1		Western Areas Limited	50,623	113,901
M77/458		9.7023	2	ni	2		Western Areas Limited	9,702	48,512
M77/477	Van Uden North	6.2143	2		1	0.8	Montague	37,286	83,893
M77/478	Van Uden South	6.2074	1		2	0.8	Montague	37,244	83,800
M77/522	Van Uden North North	5.2955	0		3	0.8	Montague	5,296	26,478
M77/523	Van Uden South South	4.4948	1		2	0.8	Montague	26,969	60,680
M77/542		9.5813	1		2		Western Areas Limited	57,488	129,348
M77/550		8.5948	0		3		Western Areas Limited	8,595	42,974
P77/4067	prospecting	1.9503	leeuwin		2		Western Areas Nickel	11,702	26,329
P77/4115	Snow	0.1259	0		3		MH Gold	126	630
WSA/KDR/S QM Tenements									
E77/2211		14.5586	2	gold	2			14,559	72,793
E77/2460		11.2383	0		3		Owner	11,238	56,192
								1,110,363	3,498,208

The ranges of unit area values applied to Kidman tenements in WA were:

- Prospective tenements: \$8,500 to \$13,500 per square kilometre.
- Other tenements: \$1,000 to \$5,000 per square kilometre.

The valuation of tenements that do not host Mineral Resources for the tenements around Earl Grey is between \$1.1 million and \$3.5 million. In considering the valuation, only exploration licences, prospecting licences, and mining leases were included. Mining leases do not overlap exploration licences. There are exploration licence applications sited over some of the MLs. General purpose leases, miscellaneous licences, and tenement applications were excluded.

6.1.2 Past expenditure

AMC reviewed past expenditure information provided as a second method of evaluation. The data provided is described as historical expenditure for KDR/SQM tenements, and current period expenditure for the KDR/SQM tenements and Western Areas Ltd (WSA)/KDR/SQM tenements. Expenditure data for the last five years typically reflects the level of exploration success being achieved and project advancement. The dates for the data provided are not available, so the data is considered less reliable than the yardstick values but is considered as an indication of possible value.

The past expenditure, including year-to-date data provided on the WA tenements other than Twinings, host of Earl Grey, is approximately \$8.1 million. Each exploration tenement with past expenditure has had a prospectivity enhancement multiple (PEM) applied. The PEMs applied by AMC range from 0.5 to 0.8 for the tenements, based on AMC's assessment of exploration results and their impact on their prospectivity. The total value for the tenements with past expenditure by this method is between \$4.0 and \$6.5 million.

6.1.3 Earl Grey tenements valuation

AMC considers the valuation using the yardstick values is more reliable than the past expenditure given the years in which the expenditure occurred is unknown.

Table 6.3 Valuation of Earl Grey tenements without Mineral Resources

	Area km ²	Value \$million From	Value \$million Preferred	Value \$million To
Earl Grey	462	1.1	2.3	3.5

6.2 Barrow Creek and Browns Reef valuation of tenements

The methods used for the valuations have been selected by AMC based on data that is available, and are methods considered appropriate.

Mineral Resources were reported at Barrow Creek in 2014 and have not been re-reported in recent times. As such AMC has considered the valuation of EL 23186, Barrow Creek, using the yardstick method for the Mineral Resource and using unit area values for the 91.5 km² exploration tenement, giving it moderate to high prospectivity for predominantly copper.

The Barrow Creek Project (Home of Bullion and Prospect D) is located 300 kms NE of Alice Springs within the emerging Arunta Province and is 100% owned by Kidman Resources. The project area, EL23186 (Barrow Creek) covers 91.5 sq kms. The JORC Inferred Mineral Resource at Home of Bullion historic mine is strategically located near major infrastructure including the Stuart Hwy and gas pipeline (30kms west), and also the Darwin-Adelaide Railway (10kms east), presenting sound potential for a viable future operation. Kidman has completed 16,000 m of drilling resulting in the estimation of an Inferred Mineral Resource in 2014.

The 2014 Mineral Resources are as shown in Table 6.4. AMC has not reviewed the Mineral Resource on the basis that it has not been reported for several years.

Table 6.4 2014 Barrow Creek Mineral Resource

Load	Weath	Class	Tonnage (kt)	Density	CuEq6 (%)	CuEq3 (%)	Cu (%)	Zn (%)	Ag ppm	Pb (%)	Au ppm	Co (%)
Main Upper	Oxide	Indicated	94	2.7	4.5	3.8	2.9	2.0	70	2.4	0.39	0.02
Main Upper	Fresh	Indicated	370	3.8	4.5	4.0	2.8	3.7	53	1.4	0.28	0.03
Main Lower	Fresh	Inferred	390	4.3	4.4	3.9	3.0	2.9	38	0.9	0.44	0.03
South	Oxide	Inferred	120	2.7	2.3	2.1	1.6	1.8	20	0.8	0.01	0.01
South	Fresh	Inferred	1,100	3.8	2.6	2.2	1.6	1.7	38	1.3	0.04	0.02
South LGFW	Oxide	Inferred	55	2.7	0.6	0.5	0.3	0.4	11	0.5	0.01	0.00
South LGFW	Fresh	Inferred	420	3.4	0.7	0.6	0.3	0.5	13	0.5	0.01	0.00
Total			2,500	3.7	2.8	2.5	1.8	2.0	36	1.2	0.14	0.02
All	Oxide		270	2.7	2.8	2.4	1.8	1.6	36	1.3	0.14	0.01
All	Fresh		2,200	3.8	2.8	2.5	1.8	2.0	36	1.1	0.14	0.02
Total			2,500	3.7	2.8	2.5	1.8	2.0	36	1.2	0.14	0.02
All		Indicated	470	3.6	4.5	3.9	2.8	3.4	56	1.6	0.30	0.03
All		Inferred	2,000	3.7	2.5	2.1	1.6	1.7	31	1.0	0.11	0.02
Total			2,500	3.7	2.8	2.5	1.8	2.0	36	1.2	0.14	0.02

- Tonnages and grades are rounded to two significant figures. Discrepancies in totals may exist due to rounding.
- Effective cut off 0.5% CuEq6. The Main and South lodes are reported at 0% CuEq6 cut off within a geological volume based on a nominal 0.5% Cu cut off. The lowest block grade in the Main and South Lodes is 1.2% CuEq6. The South Low Grade footwall (LGFW) Lode is reported at a 0.5% CuEq6 block cut off.
- $CUEQ6 = Cu + 0.19 * Zn + 81.08 * Ag + 5178 * Au + 0.2 * Pb + 2.93 * Co$ (all elements in ppm). $CUEQ3 = Cu + 0.19 * Zn + 81.08 * Ag$ (all elements in ppm). Assumed prices and recoveries are as in the table below.

Metal	Prices	Units	Recoveries
Cu	7120	USD / t	90%
Zn	2006	USD / t	60%
Ag	20.2	troy oz	80%
Pb	2085	USD / t	60%
Au	1290	troy oz	80%
Co	31300	USD / t	60%

For CuEq6 the relative value contribution of each element, based on the above cost and recovery parameters and total average grades, is Cu 63%, Zn 13%, Ag 10%, Pb 8%, Au 3% and Co 2%.

Source: Kidman Resources ASX release 14 July 2014 Maiden Resource at Home of Bullion.

The Browns Reef Project is located close to the township of Lake Cargelligo in central NSW. The project contains the Browns Reef base metal (lead-zinc-copper-silver-gold) deposit and several other surrounding exploration licenses covering >80 kms of strike length of the under-explored Browns Reef trend. Brown's Reef is a westerly-dipping stratabound mineralised structurally controlled system that does not outcrop extensively at surface. The local geology is comprised of a sequence of west dipping marine sedimentary and volcanic stratigraphy.

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There is no Mineral Resource at Browns Reef. In December 2014, the Company delivered a JORC compliant Exploration Target consisting of:

27 to 37 Mt grading at 1.3-1.4% Zn, 0.6 – 0.7% Pb, 9-10g/t Ag and 0.2-0.3% Cu*

* "The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource."

Source: Kidman Resources Limited website <http://kidmanresources.com.au/projects/the-browns-reef-project>: viewed 23 July 2019.

To value the tenements a search of a subscription database was completed to identify comparable transactions. In assessing the transactions, it was apparent that transactions in eastern and central Australia indicated different ranges of yardstick values for Mineral Resources, and unit area values for exploration tenements compared with transactions in Western Australia. Accordingly, the ranges of yardstick and unit area values have been applied from eastern Australian transactions to determine values.

6.2.1 Yardstick

The yardstick values are based on the transactions listed in Table 6.5 from 2015 to 2019 for valuation of Mineral Resources outside of Production Cases. The transactions are copper and polymetallic copper-based projects, and after review of copper prices from 2015 to 2019, are considered relevant to the valuation date without adjustment.

Table 6.5 Transactions for tenements with Mineral Resources

Date	Project	Buyer	Resource (kt Cueq)	Value (\$M)	Implied Value (\$/contained metal t)
31/07/2015	Chunderloo	Auris Minerals Limited	354	20.30	57.34
4/06/2018	Portia, North Portia	E B Mawson & Sons	160	7.00	43.75
17/03/2017	Mount Gunson	Gindalbie Metals	555	2.00	3.60
31/10/2016	Leigh Creek	Resilience Mining	20	0.10	5.08
19/08/2016	Thaduna	Sandfire Resources	81	1.54	18.94
16/10/2017	Leigh Creek	Strategic Minerals	37	1.50	40.65
15/12/2015	Mount Gunson	Torrens Mining	711	0.40	0.56
24/04/2017	Barbara Copper	Washington H. Pattinson	44	4.60	103.59
14/06/2017	Stockman	Washington H. Pattinson	287	11.20	39.02
28/08/2018	Gindalbie	Mt Gunson	270	5.48	20.30

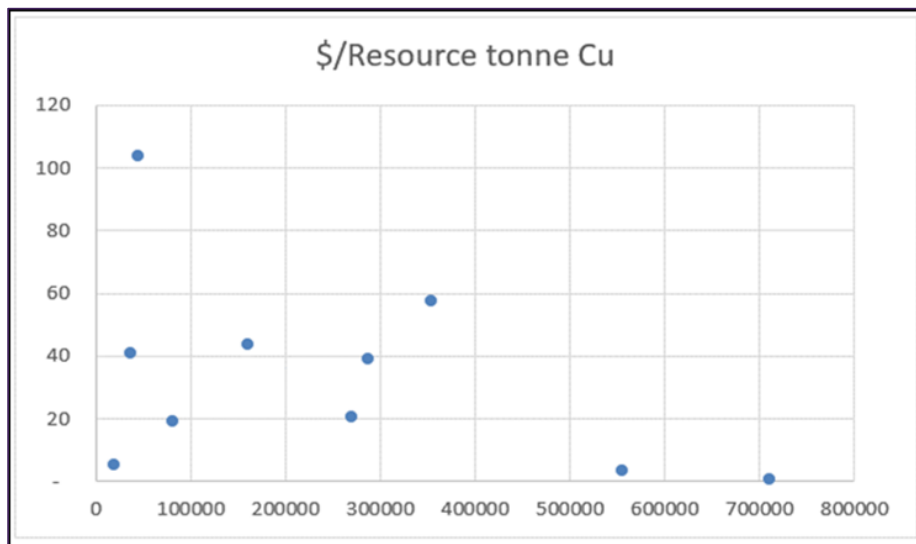
Table notes: Transaction values exclude options and conditional payments.

Excludes transactions on operating mines.

Excludes company takeovers unless single project.

The implied values per tonne are compared with the size of the deposits in Figure 6.2. Transactions generally fall within the range of \$1 to \$60 per tonne of contained metal, with one outlier excluded. The implied value does not appear to be influenced by deposit size.

Figure 6.2 Comparison of yardstick value and deposit size



Source: AMC.

The Mineral Resources that are subject to the transactions vary in size, mining status and relative proportion of Measured, Indicated and Inferred Resource. The Mineral Resource estimates at Barrow Creek to which the yardstick values will be applied are Indicated and Inferred classification, with most of the Mineral Resource being Inferred. Due to the lack of recent reporting, the Mineral Resource has been treated as all Inferred for this valuation.

A range of implied values has been used, excluding the outlier above \$100 per tonne, indicated by the transactions to assign ranges of values to be applied. The ranges of yardstick values applied to each Mineral Resource category are:

Measured Resource: \$50/t to \$70/t.

Indicated Resource: \$25/t to \$50/t.

Inferred Resource: \$1/t to \$25/t.

Based on these ranges, the total value for the Barrow Creek mineral resources by this method is between \$0.07 and \$1.75 million. Browns Reef cannot be valued by this method.

6.2.2 Comparable transactions valuations

For this valuation method AMC has assessed both Barrow Creek and Browns Reef, based on data available.

Barrow Creek is an EL with moderate to high prospectivity. This is on the basis that a previously reported Mineral Resource has not been reported publicly for several years, and no activity has been reported at the site.

Browns Reef is a poly-metallic exploration target covering 441 km². Although mineralisation was identified, Kidman has reported "The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource". As such AMC considers the tenement to have low prospectivity.

A number of recent transactions of tenements without Mineral Resources have been considered to determine values per unit area for exploration tenements in Eastern Australia that are prospective for polymetallic deposits based on copper. These are listed in Table 6.6. After review of copper prices from 2015 to 2019, the historical transactions are considered to be still relevant to the test date and do not require adjustment.

ATTACHMENT 1 - INDEPENDENT EXPERT'S REPORT

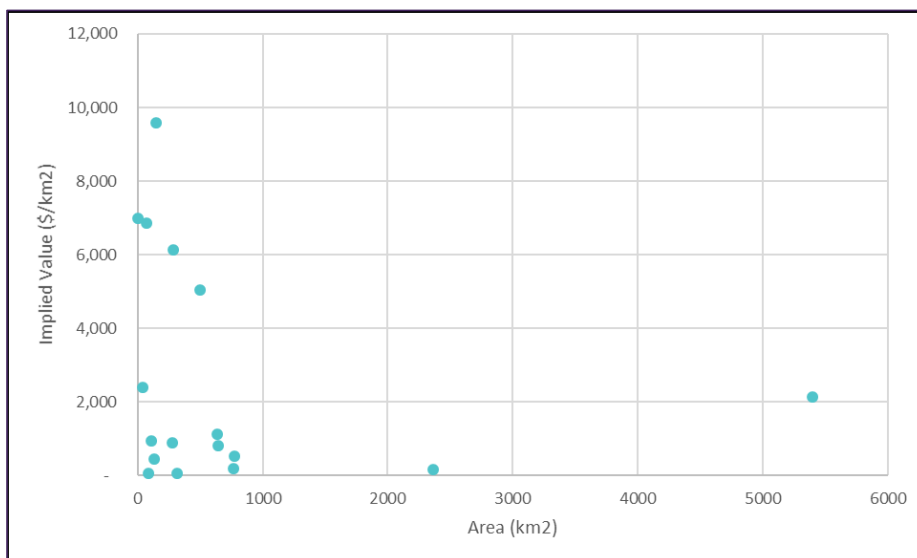
Table 6.6 Transactions for tenements in Eastern Australia without Mineral Resources

Date	Project	Buyer Comparable transactions	Area (km ²)	Value (\$M)	Implied Value (\$/km ²)
30/05/2016	Overflow, Eurow, Girilambone	Alchemy Resources Limited	647	0.52	804
4/05/2017	Briggs, Mannersley	Canterbury Resources Limited	41.6	0.10	2,404
5/09/2017	Five projects	Castillo Copper Limited	637.1	0.72	1,129
11/08/2017	Three assets	Castillo Copper Limited	286.6	1.76	6,141
2/10/2015	Olympic Domain	Forte Energy NL	2,365	0.40	169
15/02/2016	Moonmera	GBM Resources Limited	5	0.04	7,000
16/08/2017	Mount Isa tenements	Hammer Metals Limited	133	0.06	444
27/03/2017	Unca Creek	KGL Resources Limited	72.9	0.50	6,859
22/04/2015	Yambah tenements	KGL Resources Limited	315.97	0.02	63
20/07/2018	Highlands	Minotaur Exploration Limited	776	0.40	515
30/01/2019	Four projects	OZ Minerals Limited	5,400	11.6	2,148
26/09/2017	Churchill Dam	Riversgold Limited	107	0.10	935
4/01/2016	Temora & Currumburrama	Sandfire Resources NL	495	2.50	5,051
10/04/2015	Glenthompson copper	Stavely Minerals Limited	83	0.01	60
8/06/2018	Crowl Creek	Talisman Mining Limited	278	0.25	899
3/08/2018	Montejinni & Claypan Dam	Tempus Resources Limited	765.13	0.14	182
5/10/2018	Bonya tenements	Thor Mining PLC	143.282	1.38	9,596

Table note: Transaction values stated are for the percent of the tenement ownership transacted. The value for 100% of the property is implied from the transaction to determine the implied value per km.

The implied values per square kilometre are compared with the area of the tenements subject to the transaction in Figure 6.3. Outliers have been removed. There is no distinct relationship between tenement area and the unit area value indicated by transactions. A large cluster of tenements return a value less than \$1,000/km² reflecting their modest prospectivity.

Figure 6.3 Comparison of unit area value and tenement area



Source: AMC.

The unit area values indicated by transactions are clustered into three groups to distinguish between tenements that might be more prospective than others. Tenements have been grouped to reflect available date, geological understanding and recognised prospectivity within the following ranges:

- \$100 to \$2,500 per km².
- \$5,000 to \$7,000 per km².
- Above \$7,000 per km².

Within the lower cluster, less than \$2,500 per km², tenements within transactions have had limited exploration or have no established exploration potential. Tenements with early-stage exploration activity indicating further potential are considered at the higher end of this range.

The middle cluster, \$5,000 to \$7,000 per km² are considered to show a moderate or high level of prospectivity from exploration activities and geological understanding, correlation with known mineralisation styles, or assay results. These may also be identified as targets adjacent to identified Mineral Resources, and with exploration data suggesting high prospectivity. Those tenements are the focus of further exploration and resource definition activity.

The third cluster, above \$7,000 per km², is considered to be high prospectivity or within small exploration tenement areas.

To account for the previously reported Mineral Resource at Barrow Creek and the subsequent absence of activity and reporting, the tenement has been assessed using the range of \$5,000 to \$7,000 per km². This represents the upper end of the middle range to the lower end of the top range as conservative treatment of the high prospectivity. This method indicates a unit area value of \$0.45 million to \$0.73 million.

The mineralisation at Browns Reef has been described as unlikely to develop a Mineral Resource. As such the tenement has been assessed using the range of \$100 to \$2,500 per km². This method indicates a unit area value of \$0.04 million to \$1.1 million.

6.2.3 Barrow Creek and Browns Reef valuation

The valuation for the Barrow Creek tenements considers the yardstick values and unit area valuations. The unit area valuation range falls within the yardstick valuation range. AMC has applied the yardstick value for this valuation, based on the potential identified and the market.

The valuation at Browns Reef is by the unit area method, as the only method available to undertake from available data.

Table 6.7 Valuation of Barrow Creek tenement

Location	Value From (\$M)	Value Preferred (\$M)	Value To (\$M)
Barrow Creek	0.07	0.91	1.75
Browns Reef	0.04	0.57	1.1

6.3 Summary valuation

The summary of AMC's valuation for Kidman's mineral assets other than the Earl Grey Production Case is presented in Table 6.8. These valuations are for 100% of the mineral assets.

Table 6.8 Valuation summary

Location	Value From (\$M)	Value Preferred (\$M)	Value To (\$M)
Earl Grey Mineral Resource ^a	0.8	1.5	2.3
Earl Grey Tenements	1.1	2.3	3.5
Barrow Creek	0.07	0.91	1.75
Browns Reef	0.04	0.57	1.1
Total	2.1	5.3	8.6

^a Outside Production Case
amcconsultants.com

7 Qualifications

AMC is a firm of mineral industry consultants whose activities include the preparation of independent technical specialist's reports, and due diligence reports on, and reviews of, mining and exploration projects for purposes related to equity and debt funding, and public reports. In these assignments, AMC and its subconsultants act as an independent party.

Based on our checks of AMC's project database, and enquiries of our team members who have contributed to the preparation this ITSR, we advise that we do not have a conflict of interest in preparing this ITSR.

In carrying out these consulting assignments, AMC and its subconsultants have acted as independent parties and have no business relationship with any parties involved in the Proposed Transaction (Wesfarmers, Kidman and Covalent) other than the carrying out of individual consulting assignments, as engaged.

While some employees of AMC and its subconsultants may have direct or beneficial shareholdings in Kidman, neither AMC nor the contributors to this report nor members of their immediate families have any interests in Kidman that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with Kidman.

Kidman will pay AMC a professional fee of approximately \$180,000 according to AMC's normal per diem rates for the preparation of this ITSR, plus reimbursement of out-of-pocket expenses. The fee is not contingent upon the outcome of announcement by Wesfarmers on 23 May 2019 that Wesfarmers and Kidman have entered into an SID for the purchase of 100% of the issued capital of Kidman by way of a scheme of arrangement, and AMC will receive no other benefit for the preparation of this ITSR.

In a letter relating to our engagement, Kidman agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made.

AMC has not been made aware of any omission of material public reports pertaining to the Project.

AMC has not audited the Reserves, mining and processing schedules, cost estimates or other information provided by Kidman. AMC has reviewed that information to the extent necessary to satisfy itself that the Production Cases presented in this report are based on reasonable grounds and assumptions, and that the information AMC has in relation to valuation of the exploration properties, is sufficient.

Kidman has been provided with drafts of this ITSR to enable correction of any factual errors and notation of any material omissions.

This ITSR and the conclusions in it are effective at 01 July 2019. Those conclusions may change in the future with changes in relevant commodity prices, exploration and other technical developments in regard to the operation, and the market for mineral properties.

Kidman has provided AMC with indemnities regarding damages, losses and liabilities related to or arising out of its engagement other than those arising from illegal acts, bad faith or negligence on its part or its reliance on unauthorised statements from third parties.

This ITSR has been provided to KPMG for the purposes of it forming its opinion and preparing its IER in relation to the Proposed Transaction. AMC has given its consent for its report to be appended to the IER and for it to be provided to shareholders and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this ITSR nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and bound by its Code of Ethics.

Yours faithfully



R Chesher
FAusIMM
Principal Consultant



M Thomas
FAusIMM (CP)
Principal Consultant

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Appendix A List of abbreviations

\$	Australia dollars
\$M	dollars million
%	percent
Ai	Abrasion index
AMC	AMC Consultants Pty Ltd
ARD	Acid rock drainage
BP	British Petroleum
BRWi	Bond rod mill work index
CapEx	Capital cost
DFS	Definitive Feasibility Study
DM	Dense medium
DMC	Dense medium cyclone
DMS	Dense media separation
EP Act	State Environmental Protection Act
EPBC Act	Environmental Protection and Biodiversity Conservation Act
EU	effective utilisation
FOR	Free on rail
FOS	Factor of safety
FPA	Fremantle Port Authority
GPS	global positioning system
h	hour
ha	Hectares
HPGR	High pressure grinding rolls
HSEC	health, safety, environment and community
H & T	The Hains & Terbugge 1991 empirical method
ID2	Inverse distance using a power of two
IER	independent expert's report
ITSR	Independent Technical Specialist's Report
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).
km	Kilometres
KRS	Kooyanobbing Rail Siding
KSIA	Kwinana Strategic Industrial Area
kt	Thousand tonnes
ktpa	Thousand tonnes per annum
kV	Thousands of volts
KWRP	Kwinana Water Reclamation Plant
LandCorp	WA Land Authority
LOM	Life-of-mine
M	Million
m	Metres
m ²	Square metre
m ³	Cubic metres

MA	mechanical availability
Mbcm	Million bank cubic metres
ML	Mining Lease
ML/d	
mm	Millimetres
mRL	Reduced level
MRMR	Rock mass rating system
Mt	Million tonnes
Mtpa	Million tonnes per annum
N	nitrogen
NAF	Non-acid forming
Oube	Oube Logistics
OoM	Order of magnitude
OpEx	Operating cost
PAF	Potentially acid forming
PEM	Prospectivity enhancement multiplier
PFS	Pre-feasibility study
PICL	Petrochemical Industries Company Limited
RAV	Restricted Access Vehicle
RC	Reverse circulation
REED	Reed Industrial Minerals
RMR	Rock mass rating
ROM	Run-of-mine
RPI	Regional planning interest
SCA	Strategic cropping land
SDOOL	Sepia Depression Ocean Outfall Line
t	Tonnes
t/m ³	Tonnes per cubic metres
TDS	Total dissolved solids
tpa	Tonnes per annum
tph	Tonnes per hour
TS	total sulphur
TSF	Tailings storage facility
US\$	United States dollars
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2015 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
WHIMS	Wet high intensity magnetic separation
WHGMS	Wet high gradient magnetic separation
WSA	Western Areas Ltd

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Appendix B Report contributors

The contributors to this report include the following personnel.

Name	Qualifications	Affiliations	Involvement
Andrew Proudman	MEngSc – Mining Geomechanics, Dip App Sc – Applied Geology, B App Sc – Applied Geology	AMC Principal Consultant	Mineral Resource, valuations
Glen Williamson	BEng (Mining) (Hons)	AMC Principal Mining Engineer	Ore Reserve, mining aspects, production case modelling.
Ingvar Kirchner	BSc (Geological Sciences) (Hons)	AMC Corporate Consulting Manager/Principal Geologist	Mineral Resources, geology
Lawrie Gillett	BEng (Mining) (Hons) DipGeoSc (Mineral Economics)	AMC Practice Leader – Corporate Consultancy Australia	Project Director.
Mike Thomas	Higher National Diploma of Mining Engineering	AMC Principal Mining Consultant	Peer Review.
Belinda Bastow	Masters Enviro Law, BSc (Hons) Enviro Science	AMC Principal Environmental Consultant	Rehabilitation, environmental bond, closure costs, Native Title, tenements.
Rob Chesher	BSc Metallurgy (Hons)	AMC General Manager – Brisbane Principal Consultant	Mineral processing, site infrastructure, and Project Manager.
Asoka Herath	BSc (Hons) – Geology MSc – Engineering Geology	AMC Principal Geotechnical Engineer	Geotechnical aspects
Ross Cooper	BSc (Hons) Applied Chemistry PhD Applied Chemistry	AMC Hydromet Consultant	Refinery design and costs

Appendix C Source of information

Kidman has provided AMC with information to prepare this report. The information was sourced from an electronic data room and consisted of numerous spreadsheets, reports, data room notes, design files, and animations. AMC also relied on information obtained from site visits, conversations with Kidman and Covalent personnel, and email correspondence.

AMC has not audited the information provided by Kidman and Covalent. AMC has, however, reviewed the information to the extent necessary to satisfy itself that the Production Cases presented in this report are based on reasonable grounds and assumptions.

The principal sources of information used by AMC in the preparation of the report and for cross-checking of data are listed below. This list is not exhaustive.

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ATTACHMENT 1 - INDEPENDENT EXPERT'S REPORT



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PART TWO – FINANCIAL SERVICES GUIDE

Dated 4 July 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Jason Hughes, and Bill Allen as authorised representatives of KPMG Corporate Finance (**Authorised Representatives**), Authorised Representative numbers 404183, 404189 and 401986 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Corporate Finance. This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

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KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
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- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representatives responsibility to you

KPMG Corporate Finance has been engaged by Kidman Resources Limited (**the Client**) to provide general financial product advice in the form of a Report to be included in the

Scheme Booklet prepared by the Client in relation to its proposed takeover by Wesfarmers Limited (**Wesfarmers**). You have not engaged KPMG Corporate Finance or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

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As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report. You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance approximately \$265,000 for preparing the Report.

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report. KPMG Corporate Finance officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (**the KPMG Partnership**). KPMG Corporate Finance's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

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Neither KPMG Corporate Finance nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

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Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership. From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. KPMG entities provided, and continue to provide, tax services to the Client for which professional fees have been received. Over the two years prior to the date of the Scheme Implementation Deed professional fees of approximately \$35,000 have been received from the Client for advisory services. Over the same period professional fees of approximately \$15.4 million have been received from Wesfarmers for a range of assurance, tax and advisory services. Neither of the fees received from the Client or Wesfarmers are material to the KPMG Partnership or KPMG Corporate Finance. KPMG entities have not been involved in setting the terms of the transaction or alternatives to the transaction. No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website

www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 367 287

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

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ATTACHMENT 2 - SCHEME OF ARRANGEMENT



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DX 259 Melbourne

Scheme of Arrangement

Kidman Resources Limited ACN 143 526 096
and

**Each person registered as a holder of fully paid ordinary shares in Kidman
(other than an Excluded Shareholder) as at the Record Date**

[7872513: 24032223_12]

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ATTACHMENT 2 - SCHEME OF ARRANGEMENT



Maddocks

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Scheme of Arrangement

Parties

Name	Kidman Resources Limited ACN 143 526 096
Address	NE Suite, Level 30, 140 William Street, Melbourne Victoria 3000 Australia
Email	tom.wilcox@kidmanresources.com
Contact	Company Secretary
Short name	Kidman
Name	The persons registered as holders of fully paid ordinary shares in Kidman (other than an Excluded Shareholder) as at the Record Date
Short name	Scheme Participants

The parties agree

1. Definitions

1.1 Defined terms

In this Scheme:

Adviser means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser, or consultant who provides advisory services in a professional capacity and who has been engaged by that entity in connection, directly or indirectly, with this Scheme.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.

Authority means any:

- (a) government, government department, government agency or government authority;
- (b) governmental, semi-governmental, municipal, judicial, quasi-judicial, administrative or fiscal entity or person carrying out any statutory authority or function; or
- (c) other entity or person (whether autonomous or not) having powers or jurisdiction under:

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- (i) any statute, regulation, ordinance, by-law, order or proclamation, or the common law; or
- (ii) the rules of any recognised stock or securities exchange.

Business Day means a day which is not a Saturday, Sunday or public holiday in Melbourne, Australia or Perth, Australia.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or another court having jurisdiction in relation to the Scheme as agreed in writing between Kidman and Wesfarmers Lithium.

Deed Poll means the deed poll dated 23 July 2019 executed by Wesfarmers Lithium and Wesfarmers in favour of the Scheme Participants substantially in the form of Schedule 1 of the Scheme Implementation Deed (or in such other form as agreed in writing by Wesfarmers, Wesfarmers Lithium and Kidman).

Delivery Time means 8:00 am on the Second Court Date.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 November 2019, or such later date as Wesfarmers Lithium and Kidman may agree in writing.

Excluded Shareholder means any Wesfarmers Group Member who holds a Share.

Implementation Date means the date which is 5 Business Days after the Record Date, or such other date as Kidman and Wesfarmers Lithium agree in writing.

Listing Rules means the official listing rules of the ASX.

Performance Rights has the meaning given in the Scheme Implementation Deed.

Record Date means 7:00 pm on the third Business Day after the Effective Date or such other date after the Effective Date as Wesfarmers Lithium and Kidman agree in writing.

Register means the register of Shares kept by the Share Registry.

Registered Address means, in relation to a Scheme Participant, the address shown in the Register as at the Record Date.

Related Entity means, in relation to an entity (the *first entity*):

- (a) a Subsidiary of the first entity;
- (b) an entity of which the first entity is a Subsidiary; or
- (c) a Subsidiary of another entity of which the first entity is also a Subsidiary,



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but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50AA of the Corporations Act) and:

- (d) a trust may be a Subsidiary, for the purpose of which a unit or other beneficial interest will be regarded as a share; and
- (e) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a body corporate.

Representatives means in respect of a party, any person acting for or on behalf of that party (including any Related Entity of that party, and any director, officer, employee, agent, affiliate, contractor or Adviser of that party or its Related Entities).

Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by Kidman and Wesfarmers Lithium.

Scheme Consideration means the amount of \$1.90 cash for each Scheme Share.

Scheme Implementation Deed means the scheme implementation deed dated 23 May 2019 between Wesfarmers, Wesfarmers Lithium and Kidman relating to (among other things) the implementation of this Scheme.

Scheme Meeting means the meeting of Shareholders ordered by the Court in relation to the Scheme to be convened pursuant to Section 411(1) of the Corporations Act and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Participant means a Shareholder (other than an Excluded Shareholder) on the Record Date.

Scheme Shares means all Shares held by the Scheme Participants as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court by Kidman for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Separate Account has the meaning given in clause 5.2.4(b).

Share means a fully paid ordinary share issued in the capital of Kidman.

Share Registry means Boardroom Pty Ltd ACN 003 209 836

Shareholder means each person who is registered in the Register as the holder of Shares.

Subsidiary has the meaning given in the Corporations Act.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Kidman as trustee for the Scheme Participants (except that any interest on the amount deposited (less bank fees and other charges) will accrue for the benefit of Wesfarmers Lithium), details of which Kidman must notify to Wesfarmers Lithium no later than 5 Business Days before the Implementation Date.

Unclaimed Money Act means the *Unclaimed Money Act 2008* (VIC).

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Wesfarmers means Wesfarmers Limited ACN 008 984 049.

Wesfarmers Group means Wesfarmers and each of its Related Entities.

Wesfarmers Group Member means any member of the Wesfarmers Group.

Wesfarmers Lithium means Wesfarmers Lithium Pty Ltd ACN 633 472 803.

2. Preliminary matters

- 2.1 Kidman is a listed public company limited by shares and quoted on ASX (ASX: KDR), incorporated in Australia and registered in Victoria, Australia with its registered office at 'NE Suite', Level 30, 140 William Street, Melbourne Victoria 3000 Australia.
- 2.2 As at 23 May 2019:
- 2.2.1 404,797,403 Shares were on issue; and
- 2.2.2 3,721,171 Performance Rights were on issue which are not quoted on any financial market.
- 2.3 Wesfarmers is a listed public company limited by shares and quoted on ASX (ASX: WES), registered in Western Australia, Australia with its registered office at 'Brookfield Place Tower 2', Level 14, 123 St Georges Terrace, Perth WA 6000 Australia.
- 2.4 Wesfarmers Lithium is a proprietary company limited by shares, registered in Western Australia, Australia with its registered office at 'Brookfield Place Tower Two', Level 14, 123 St Georges Terrace, Perth WA 6000 Australia.
- 2.5 Wesfarmers Lithium is a wholly-owned subsidiary of Wesfarmers.
- 2.6 Wesfarmers, Wesfarmers Lithium and Kidman have entered into the Scheme Implementation Deed.
- 2.7 If this Scheme becomes Effective, Wesfarmers must procure that Wesfarmers Lithium pays, and Wesfarmers Lithium must pay the Scheme Consideration in accordance with the terms of this Scheme.

3. Conditions

3.1 Conditions precedent

The Scheme is conditional on:

- 3.1.1 as at the Delivery Time, all the conditions in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1.4 of the Scheme Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed;
- 3.1.2 neither the Scheme Implementation Deed nor the Deed Poll being terminated in accordance with its terms by the Delivery Time;
- 3.1.3 this Scheme being approved by the Court at the Second Court Date under section 411(4)(b) of the Corporations Act, including with any alterations or conditions made



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or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by Kidman and Wesfarmers Lithium;

- 3.1.4 such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are agreed or consented to in writing by Kidman and Wesfarmers Lithium having been satisfied; and
- 3.1.5 the order of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme having come into effect pursuant to section 411(10) of the Corporations Act on or before the End Date.

3.2 **Effect of conditions precedent**

The satisfaction of each condition precedent in clause 3.1 is a condition precedent to the operation of clause 4 and clause 5 and the binding effect of this Scheme.

3.3 **Certificate**

- 3.3.1 At the hearing on the Second Court Date, each of Kidman and Wesfarmers Lithium will provide to the Court a certificate (substantially in the form set out in Attachment 4 of the Scheme Implementation Deed) confirming whether or not the conditions in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1.4) have been satisfied or waived as at the Delivery Time.
- 3.3.2 The certificates given by Kidman and Wesfarmers Lithium constitute conclusive evidence that the conditions precedent in clauses 3.1 have been satisfied or waived as at the Delivery Time.

3.4 **Termination and End Date**

Without limiting any rights under the Scheme Implementation Deed, if:

- 3.4.1 either the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms before the Scheme becomes Effective; or
- 3.4.2 the Effective Date or the Implementation Date has not occurred on or before the End Date,

then, unless Kidman and Wesfarmers Lithium otherwise agree in writing, this Scheme will lapse and each of Wesfarmers, Wesfarmers Lithium and Kidman are released from any further obligation to take steps to implement the Scheme.

4. **Implementation of this Scheme**

4.1 **Lodgement of Court orders with ASIC**

If the conditions set out in clauses 3.1.1 to 3.1.4 are satisfied, Kidman must lodge with ASIC an office copy of the order made by the Court under section 411 of the Corporations Act approving this Scheme as soon as possible, and in any event by no later than 5:00 pm on the Business Day following the day on which the Court approves this Scheme or such later date as Kidman and Wesfarmers Lithium agree in writing.

4.2 **Transfer of Scheme Shares**

- 4.2.1 On the Implementation Date:

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- (a) the Scheme Consideration must be paid in the manner contemplated in clause 5;
- (b) subject to the payment of the Scheme Consideration to each Scheme Participant in accordance with clauses 5.2.2 and 5.2.3, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Wesfarmers Lithium, without the need for any further act by any Scheme Participant (other than acts performed by Kidman or its officers as attorney and agent for Scheme Participants under clause 8.5), by:
 - (i) Kidman delivering to Wesfarmers Lithium a duly completed and executed Scheme Transfer (as transferor) for all Scheme Shares; and
 - (ii) Wesfarmers Lithium duly executing the Scheme Transfer (as transferee) and delivering it to Kidman for registration.

4.2.2 Immediately following receipt of the Scheme Transfer in accordance with clause 4.2.1(b), Kidman must enter, or procure the entry of, the name of Wesfarmers Lithium in the Register in respect of all of the Scheme Shares.

5. Scheme Consideration

5.1 Scheme Consideration

Subject to the terms of this Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant.

5.2 Provision of Scheme Consideration

- 5.2.1 Wesfarmers Lithium must, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit of, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Participant, into the Trust Account, such amount to be held by Kidman as trustee for the Scheme Participants (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Wesfarmers Lithium's account).
- 5.2.2 Subject to Wesfarmers Lithium complying with clause 5.2.1 and also subject to clause 5.4, on the Implementation Date, Kidman must pay or procure the payment from the Trust Account to each Scheme Participant the Scheme Consideration attributable to that Scheme Participant in respect of the relevant Scheme Participant's Scheme Shares.
- 5.2.3 Kidman's obligation under clause 5.2.2 will be satisfied by Kidman:
 - (a) where a Scheme Participant has, before the Record Date, made an election in accordance with the requirements of the Registry to receive dividend payments from Kidman by electronic funds transfer to a bank account nominated by the Scheme Participant, paying, or procuring the payment of, the relevant amount of Australian currency by electronic means in accordance with that election; or
 - (b) otherwise, dispatching, or procuring the dispatch of, a cheque in Australian currency to the Scheme Participant by prepaid post to their address shown in the Register as at the Record Date, such cheque being drawn in the name



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of the Scheme Participant (or in the case of joint holders, in accordance with the procedures set out in clause 5.3), for the relevant amount.

5.2.4 In the event that:

(a) either:

- (i) a Scheme Participant does not have an address recorded in the Register; or
- (ii) Kidman as the trustee for the Scheme Participant believes that a Scheme Participant is not known at the Scheme Participant's address recorded in the Register,

and no account has been notified in accordance with clause 5.2.3 or a deposit into such an account is rejected or refunded; or

- (b) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.6,

the Unclaimed Money Act will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the Unclaimed Money Act) and Kidman as the trustee for the Scheme Participant may credit the amount payable to the relevant Scheme Participant to a separate bank account of Kidman (**Separate Account**) to be held until the Scheme Participant claims the amount or the amount is dealt with in accordance with the Unclaimed Money Act. To avoid doubt, if the amount is not credited to the Separate Account, the amount will continue to be held in the Trust Account until the Scheme Participant claims the amount or the amount is dealt with in accordance with the Unclaimed Money Act. Kidman must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

5.2.5 To the extent that, following satisfaction of Kidman's obligations under clause 5.2.2 5.2.3 and 5.2.4, there is a surplus in the amount held by Kidman as trustee for the Scheme Participants in the Trust Account, that surplus must be paid by Kidman to Wesfarmers Lithium.

5.3 **Joint holders**

In the case of Scheme Shares held in joint names:

- 5.3.1 any Scheme Consideration will be taken to be paid to the joint holders upon payment to the holder whose name appears first in the Register as at the Record Date; and
- 5.3.2 any cheque or other document required to be sent under this Scheme will be sent to the holder whose name appears first in the Register as at the Record Date.

5.4 **Foreign resident capital gains withholding**

5.4.1 If Wesfarmers Lithium considers that it must pay an amount to the Commissioner of Taxation (**Commissioner**) under Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) (**TAA**) in relation to the acquisition of Scheme Shares from a Scheme Participant (**Relevant Foreign Scheme Participant**), Wesfarmers Lithium will, for any such Relevant Foreign Scheme Participant:

- (a) determine the amount to be paid to the Commissioner (**Withholding Amount**);



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- (b) remit the Withholding Amount to the Commissioner within the time frame required under the TAA; and
- (c) pay an amount equal to the Scheme Consideration attributable to the Relevant Foreign Scheme Participant less the applicable Withholding Amount.

5.4.2 Wesfarmers Lithium must, if requested in writing by a Relevant Foreign Scheme Participant, provide to the Relevant Foreign Scheme Participant a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of payment of the Withholding Amount to the Commissioner.

5.4.3 Wesfarmers Lithium will be deemed to have satisfied its obligations under the Deed Poll, this Scheme and the Scheme Implementation Deed in relation to the payment of the Scheme Consideration to a Relevant Foreign Scheme Participant if the amount paid is equal to the amount of the Scheme Consideration attributable to that Relevant Foreign Scheme Participant less the applicable Withholding Amount.

5.5 **Orders of a Court or other Authority**

If written notice is given to Kidman (or the Registry) of an order or direction made by a court of competent jurisdiction or by another Authority that:

5.5.1 requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with this Scheme, then Kidman shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

5.5.2 prevents Kidman from providing consideration to any particular Scheme Participant in accordance with this Scheme, or the payment of such consideration is otherwise prohibited by applicable law, Kidman shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as provision of the consideration in accordance with this Scheme is permitted by that order or direction or otherwise by law.

5.6 **Cancellation and reissue of cheques**

5.6.1 Kidman may cancel a cheque issued under clause 5 if the cheque:

- (a) is returned to Kidman; or
- (b) has not been presented for payment within six months after the date on which the cheque was sent.

5.6.2 During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Participant to Kidman (or the Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under this clause 5.6 must be reissued.



6. Dealings in Scheme Shares**6.1 Determination of Scheme Participants**

To establish the identity of the Scheme Participants, dealings in Shares or other alterations to the Register will only be recognised if:

- 6.1.1 in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Shares on or before the Record Date; and
- 6.1.2 in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00pm on the day on which the Record Date occurs at the place where the Register is kept,

and Kidman must not accept for registration, nor recognise for any purpose (except a transfer to Wesfarmers Lithium pursuant to this Scheme and any subsequent transfer by Wesfarmers Lithium or its successors in title), any transfer or transmission application or other request received after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

6.2 Register

- 6.2.1 Kidman must register or procure the registration of registrable transmission applications or transfers of Shares in accordance with clause 6.1.2 by no later than the Record Date.
- 6.2.2 Kidman will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after 5.00pm on the day on which the Record Date occurs, other than to Wesfarmers Lithium in accordance with this Scheme.
- 6.2.3 If this Scheme becomes Effective, each entry which is current on the Register as at the Record Date is the sole evidence of entitlement to the Scheme Consideration on the terms of this Scheme in respect of the Shares relating to that entry.
- 6.2.4 If this Scheme becomes Effective, a Scheme Participant (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Kidman will be entitled to disregard any such disposal, purported disposal or agreement.
- 6.2.5 For the purpose of determining entitlements to the Scheme Consideration, Kidman must procure the maintenance of the Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Participants. The Register in this form will solely determine entitlements to the Scheme Consideration.
- 6.2.6 All statements of holding for Shares (other than statements of holding in favour of Wesfarmers Lithium) will cease to have effect after the Record Date as documents of title in respect of those Shares and, as from that date, each entry current at that date on the Register (other than entries in respect of Wesfarmers Lithium) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.
- 6.2.7 As soon as possible after the Record Date, and in any event at least 3 Business Days before the Implementation Date, Kidman will procure that details of the

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names, registered addresses and holdings of Shares for each Scheme Participant as shown in the Register as at the Record Date are available to Wesfarmers Lithium in the form Wesfarmers Lithium reasonably requires.

7. Quotation of Shares

- 7.1 Kidman must apply to ASX for suspension of trading in Shares on ASX with effect from the close of trading on the Effective Date.
- 7.2 On a date after the Implementation Date to be determined by Wesfarmers Lithium (acting reasonably and subject to the Listing Rules), Kidman must apply to ASX for the termination of the official quotation of Shares on ASX and to have Kidman removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- 8.1.1 Kidman may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Wesfarmers Lithium has consented; and
- 8.1.2 each Scheme Participant agrees to any such alterations or conditions which counsel for Kidman has consented in accordance with clause 8.1.1.

8.2 Scheme Participants' agreements and warranties

- 8.2.1 Each Scheme Participant:
- (a) agrees to the transfer of their Scheme Shares to Wesfarmers Lithium together with all rights and entitlements attaching to those Shares in accordance with this Scheme;
 - (b) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
 - (c) agrees:
 - (i) that after the transfer of their Scheme Shares to Wesfarmers Lithium, any statement of holdings for Shares relating to their Scheme Shares will not constitute evidence of title to those Scheme Shares; and
 - (ii) at the direction of Wesfarmers Lithium, to destroy any statement of holdings for Shares relating to their Scheme Shares; and
 - (d) acknowledges that this Scheme binds Kidman and all Scheme Participants (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting).
- 8.2.2 Each Scheme Participant is taken to have warranted to Wesfarmers Lithium, and appointed and authorised Kidman as its attorney and agent to warrant to Wesfarmers Lithium, on the Implementation Date that, as at the Implementation Date:



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- (a) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Wesfarmers Lithium, be fully paid and free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind; and
- (b) they have full power and capacity to transfer their Scheme Shares to Wesfarmers Lithium together with any rights attaching to those Scheme Shares;
- (c) they have no existing right to be issued any Shares, or any other Kidman securities.

8.2.3 Kidman undertakes that it will provide the warranties in clause 8.2.2 to Wesfarmers Lithium as agent and attorney for each Scheme Participant.

8.3 Title to and rights in Scheme Shares

8.3.1 To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Wesfarmers Lithium, vest in Wesfarmers Lithium free from all:

- (a) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
- (b) restrictions on transfer of any kind.

8.3.2 Upon the provision of the Scheme Consideration to each Scheme Participant in accordance with clauses 5.2.2 and 5.2.3, Wesfarmers Lithium will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Kidman of Wesfarmers Lithium in the Register as the holder of the Scheme Shares. Wesfarmers Lithium's entitlement to be registered in the Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Participant in accordance with clauses 5.2.2 and 5.2.3 and until Kidman procures the registration of Wesfarmers Lithium as the holder of all Scheme Shares in the Register, each Scheme Participant:

- 8.4.1 is deemed to have irrevocably appointed Wesfarmers Lithium as attorney and agent (and directed Wesfarmers Lithium in each such capacity) to appoint any director, officer, secretary or agent nominated by Wesfarmers Lithium as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any Shareholders' resolution whether in person, by proxy or by corporate representative;



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- 8.4.2 undertakes not to attend or vote at any Shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4.1);
- 8.4.3 must take all other actions in the capacity of a registered holder of Scheme Shares as Wesfarmers Lithium reasonably directs; and
- 8.4.4 acknowledges and agrees that in exercising the powers conferred by clause 8.4.1, Wesfarmers Lithium and any director, officer, secretary or agent nominated by Wesfarmers Lithium under that clause may act in the best interests of Wesfarmers Lithium as the intended registered holder of the Scheme Shares.

8.5 Authority given to Kidman

Each Scheme Participant, without the need for any further act:

- 8.5.1 on the Effective Date, irrevocably appoints Kidman and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Wesfarmers Lithium; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to and to implement this Scheme and the transactions contemplated by it, including executing, as agent and attorney of each Scheme Shareholder, the Scheme Transfer as contemplated by clause 4.2,

and Kidman accepts such appointment; and

- 8.5.2 on the Implementation Date, will be deemed to have authorised Kidman to do and execute all acts, matters, things and documents on the part of each Scheme Participant necessary to implement this Scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 8.5.1.

Kidman, as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally, or jointly and severally).

8.6 Binding effect of this Scheme

This Scheme binds Kidman and all of the Scheme Participants (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Kidman.

9. Interpretation

- 9.1 In this Scheme, unless expressed to the contrary:

- 9.1.1 words denoting the singular include the plural and vice versa;
- 9.1.2 the word 'includes' in any form is not a word of limitation;
- 9.1.3 where a word or phrase is defined, another part of speech or grammatical form of that word or phrase has a corresponding meaning;



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- 9.1.4 headings and sub-headings are for ease of reference only and do not affect the interpretation of this Scheme; and
- 9.1.5 a reference to:
- (a) a gender includes all other genders;
 - (b) any legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced and includes any subordinate legislation issued under it;
 - (c) any instrument (such as a deed, agreement or document) is to that instrument (or, if required by the context, to a part of it) as amended, novated, substituted or supplemented at any time and from time to time;
 - (d) writing includes writing in digital form;
 - (e) 'this Scheme' is to this Scheme as amended from time to time;
 - (f) 'A\$', '\$', 'AUD' or 'dollars' is a reference to Australian dollars;
 - (g) a clause, schedule or appendix is a reference to a clause, schedule or appendix in or to this Deed;
 - (h) a reference to time in this Deed is a reference to the time in Melbourne, Victoria, Australia (being Australian Eastern Standard Time or Australian Eastern Daylight Time, as applicable);
 - (i) any property or assets of a person includes the legal and beneficial interest of that person of those assets or property, whether as owner, lessee or lessor, licensee or licensor, trustee or beneficiary or otherwise;
 - (j) a person includes a firm, partnership, joint venture, association, corporation or other body corporate;
 - (k) a person includes the legal personal representatives, successors and permitted assigns of that person, and in the case of a trustee, includes any substituted or additional trustee; and
 - (l) any body (**Original Body**) which no longer exists or has been reconstituted, renamed, replaced or whose powers or functions have been removed or transferred to another body or agency, is a reference to the body which most closely serves the purposes or objects of the Original Body.
- 9.2 A clause in this Deed must not be construed adversely to a party merely because that party prepared it or caused it to be prepared.

10. General

10.1 Stamp duty

Wesfarmers Lithium will:

- 10.1.1 pay all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Participants of the Scheme Shares to Wesfarmers Lithium pursuant to this Scheme or the Deed Poll; and



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10.1.2 indemnify each Scheme Participant against any liability incurred by the Scheme Participant arising from failure to comply with clause 10.1.1.

10.2 **Consent**

Each Scheme Participant consents to Kidman and Wesfarmers Lithium doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

10.3 **Notices**

10.3.1 If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Kidman, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Kidman's registered office or at the office of the Registry.

10.3.2 The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Scheme Participant will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10.4 **Governing law and jurisdiction**

10.4.1 This Scheme is governed by the laws in force in Victoria, Australia.

10.4.2 Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Victoria, Australia, Commonwealth courts having jurisdiction in that State and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 10.4.2(a).

10.5 **Further action**

Kidman (on its own behalf and on behalf of each Scheme Participant) must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

10.6 **No liability when acting in good faith**

Each Scheme Participant agrees that none of Kidman, Wesfarmers Lithium, or any of their respective Representatives, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Schedule 1 Deed Poll

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ATTACHMENT 2 - SCHEME OF ARRANGEMENT

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ATTACHMENT 3 - DEED POLL



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Lawyers
Collins Square, Tower Two
Level 25, 727 Collins Street
Melbourne VIC 3008
Australia
a
Telephone 61 3 9258 3555
Facsimile 61 3 9258 3666
e
info@maddocks.com.au
www.maddocks.com.au
DX 259 Melbourne

Deed Poll

In favour of each person registered as a holder of fully paid ordinary shares in
Kidman (other than an Excluded Shareholder) as at the Record Date

Wesfarmers Lithium Pty Ltd ACN 633 472 803
and

Wesfarmers Limited ACN 008 984 049

[7872513: 24045043_6]

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Deed Poll

Parties

Name	Wesfarmers Lithium Pty Ltd ACN 633 472 803
Address	Level 14, Brookfield Tower 2, 123 St Georges Terrace, Perth, Western Australia
Email	aspaseska@wesfarmers.com.au
Contact	Aleks Spaseska
Short name	Wesfarmers Lithium

Name	Wesfarmers Limited ACN 008 984 049
Address	Level 14, Brookfield Tower 2, 123 St Georges Terrace, Perth, Western Australia
Email	aspaseska@wesfarmers.com.au
Contact	Aleks Spaseska
Short name	Wesfarmers

In favour of

Name	Each person registered as a holder of fully paid ordinary shares in Kidman (other than an Excluded Shareholder) as at the Record Date
Short name	Scheme Participant

Background

- A. On 22 May 2019, Wesfarmers, Wesfarmers Lithium and Kidman Resources Limited ACN 143 526 096 (**Kidman**) entered into a scheme implementation deed (**Scheme Implementation Deed**).
- B. Under the Scheme Implementation Deed:
- B.1 Wesfarmers Lithium has, among other things, agreed to pay the Scheme Consideration to the Scheme Participants in consideration for the acquisition by Wesfarmers Lithium of all of the Scheme Shares (being all of the fully paid ordinary shares issued in the capital of Kidman at the Record Date); and
- B.2 Wesfarmers has, among other things, agreed to:
- B.2.1 procure the performance by Wesfarmers Lithium of its obligations under the Scheme Implementation Deed; and
- B.2.2 unconditionally and irrevocably guarantee the due and punctual performance by Wesfarmers Lithium of its obligations under the Scheme

Implementation Deed, this deed poll and the Corporations Act in relation to the Scheme.

- C. Wesfarmers Lithium enters into this deed poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations and actions under the Scheme.
- D. Wesfarmers enters into this deed poll for the purposes of:
 - D.1 performing its obligations and actions under the Scheme;
 - D.2 covenanting in favour of Scheme Participants to procure that Wesfarmers Lithium performs all obligations and actions attributed to it under the Scheme; and
 - D.3 guaranteeing the due and punctual performance of Wesfarmers' Lithium of all of its obligations and actions attributed to it under the Scheme.

The parties agree

1. Definitions and Interpretation

1.1 Defined Terms

Unless the context otherwise requires, terms defined in the Scheme Implementation Deed (other than words and expressions defined in this deed poll) have the same meaning when used in this deed poll.

1.2 Interpretation

The rules in clause 19 of the Scheme Implementation Deed apply in interpreting this deed poll (unless the context makes it clear that a rule is not intended to apply, save that references to 'Deed' in that clause will be taken to be references to 'deed poll').

1.3 Nature of deed poll

Wesfarmers and Wesfarmers Lithium acknowledge and agree that:

- 1.3.1 this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it; and
- 1.3.2 under the Scheme, each Scheme Participant irrevocably appoints Kidman and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent to enforce this deed poll against Wesfarmers and Wesfarmers Lithium.

2. Conditions precedent and termination

2.1 Conditions

The obligations of Wesfarmers and Wesfarmers Lithium under this deed poll are subject to the Scheme becoming Effective.

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2.2 Termination

This deed poll and the obligations of Wesfarmers and Wesfarmers Lithium under this deed poll will automatically terminate, and the terms of this deed poll will be of no further force or effect if:

2.2.1 the Scheme Implementation Deed is terminated in accordance with its terms; or

2.2.2 the Scheme does not become Effective by the End Date,

unless Kidman, Wesfarmers and Wesfarmers Lithium otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2 in addition and without prejudice to any other available rights, powers or remedies:

2.3.1 Wesfarmers and Wesfarmers Lithium are released from their obligations to further perform this deed poll; and

2.3.2 each Scheme Participant retains any rights, powers or remedies they have against Wesfarmers and Wesfarmers Lithium in respect of any breach of this deed poll which occurred before it was terminated.

3. Scheme obligations and actions

3.1 Performance of the Scheme

Subject to clause 2, Wesfarmers Lithium undertakes in favour of each Scheme Participant that it will duly and punctually observe and perform all obligations and actions attributed to it under the Scheme as if named as a party to the Scheme, including all obligations and actions attributed to it relating to the provision of the Scheme Consideration, in accordance with the terms of the Scheme.

3.2 Wesfarmers' obligations and guarantee

Subject to clause 2, Wesfarmers undertakes in favour of each Scheme Participant:

3.2.1 to duly and punctually observe and perform all obligations and actions attributed to it under the Scheme as if named as a party to the Scheme;

3.2.2 to procure that Wesfarmers Lithium performs all obligations and actions attributed to it under the Scheme; and

3.2.3 to guarantee the due and punctual performance of Wesfarmers Lithium of all of its obligations and actions attributed to it under the Scheme.

4. Warranties

Each of Wesfarmers and Wesfarmers Lithium represents and warrants in favour of each Scheme Participant that it:

4.1 is a corporation validly existing under the laws of its place of incorporation;

- 4.2 has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- 4.3 has not suffered an Insolvency Event;
- 4.4 has taken all necessary corporate action to authorise the entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- 4.5 is legally bound by this deed poll, and this deed poll does not and will not result in a breach of, or default under any provision of, its constitution or any term of any order, judgment or law which it is a party to or is subject to or by which it is bound or any term or provision of any material agreement to which it is a party.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until the earlier of:

- 5.1.1 both Wesfarmers and Wesfarmers Lithium having fully performed their respective obligations under this deed poll; or
- 5.1.2 termination of this deed poll under clause 2.2.

6. General

6.1 Further assurances

Wesfarmers and Wesfarmers Lithium will, at their own expense, do all things reasonably required of it and execute all documents reasonably necessary to give full effect to this deed poll and the transactions contemplated by it.

6.2 Stamp duty

- 6.2.1 Wesfarmers Lithium must:
 - (a) be responsible for its own costs arising out of the negotiation, preparation and execution of this deed poll;
 - (b) pay or procure the payment of all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Participants of the Scheme Shares to Wesfarmers Lithium pursuant to the Scheme or this deed poll; and
 - (c) indemnify each Scheme Participant against any liability arising from failure to comply with clause (b).
- 6.2.2 Wesfarmers must be responsible for its own costs arising out of the negotiation, preparation and execution of this deed poll.



6.3 Notices

6.3.1 Any notice or other communication to Wesfarmers and /or Wesfarmers Lithium in connection with this deed poll must be:

- (a) in legible writing in English;
- (b) signed by the person making the communication or that person's duly authorised agent; and
- (c) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Attention: Aleks Spaseska, Company Secretary
Address: Level 14, Brookfield Tower 2, 123 St Georges Terrace, Perth WA 6000
Email: aspaseska@wesfarmers.com.au

with a copy (for information purposes only) to:

Attention: Andrew Pascoe, Partner, Allens
Address: Level 37, QV1 Building, 250 St Georges Terrace, Perth WA 6000
Email: andrew.pascoe@allens.com.au

6.3.2 Subject to clause 6.3.3, any notice or other communication given in accordance with clause 6.3.1 will be deemed to have been duly given as follows:

- (a) if delivered personally or left at the person's address, upon delivery;
- (b) if posted within Australia to an Australian address:
 - (i) using express post, 2 Business Days after posting; and
 - (ii) using any other prepaid post, 6 Business Days after posting;
- (c) if posted to an address in a different country, 10 Business Days after posting; and
- (d) if delivered by email, at the time the email left the sender's email system, unless the sender receives notification that the email was not received by the recipient.

6.3.3 Any notice or other communication that, pursuant to clause 6.3.2 would be deemed to be given:

- (a) other than on a Business Day or after 5:00 pm on a Business Day is regarded as given at 9:00am on the following Business Day; and
- (b) before 9:00 am on a Business Day is regarded as given at 9:00 am on that Business Day,

where references to time are to time in the place the recipient is located.

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6.4 Cumulative rights

The rights, powers and remedies of Wesfarmers, Wesfarmers Lithium and the Scheme Participants under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

6.5 Waiver and variation

6.5.1 A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.

6.5.2 Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

6.5.3 A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Kidman in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by Kidman in writing and the Court indicates that the variation would not of itself preclude approval by the Court of the Scheme,

in which event Wesfarmers and Wesfarmers Lithium must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation.

6.6 Assignment

6.6.1 The rights of each Scheme Participant created by this deed poll must not be assigned, encumbered or otherwise dealt with at law or in equity without the prior written consent of Wesfarmers and Wesfarmers Lithium.

6.6.2 Any purported dealing in contravention of clause 6.6.1 is invalid.

6.7 Governing law and jurisdiction

6.7.1 This deed poll is governed by the laws in force in Victoria, Australia.

6.7.2 Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Victoria, Australia, Commonwealth courts having jurisdiction in that State and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.7.2(a).

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Execution Page

Executed as a deed poll.

Each attorney executing this Deed states that he or she has no notice of revocation or suspension of his or her power of attorney.

Signed Sealed and Delivered for Wesfarmers Lithium Pty Ltd ACN 633 471 803 by its attorney under power of attorney dated 21 May 2019 in the presence of:

N. Robinson

Witness Signature

[Handwritten Signature]

Attorney Signature

Victi Robinson

Print Name

TIMOTHY JAMES BULT

Print Name

Signed Sealed and Delivered for Wesfarmers Limited ACN 008 984 049 by its attorney under power of attorney dated 22 May 2019 in the presence of:

N. Robinson

Witness Signature

[Handwritten Signature]

Attorney Signature

Victi Robinson

Print Name

TIMOTHY JAMES BULT

Print Name

ATTACHMENT 3 - DEED POLL

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ATTACHMENT 4 - NOTICE OF SCHEME MEETING



KIDMAN RESOURCES LIMITED
ACN 143 526 096

NOTICE OF SCHEME MEETING

Date of Meeting:

5 September 2019

Time of Meeting:

10:00am (AEST)

Place of Meeting:

**RACV Club
Level 2
Bourke Room 2 & 3
501 Bourke Street
Melbourne VIC 3000**

This Notice of Scheme Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

ATTACHMENT 4 - NOTICE OF SCHEME MEETING

KIDMAN RESOURCES LIMITED

ACN 143 526 096

Registered office: NE Suite, Level 30, 140 William Street, Melbourne, Victoria, 3000

NOTICE OF SCHEME MEETING

Notice is hereby given by order of the Federal Court of Australia made on 30 July 2019 pursuant to section 411(1) of the Corporations Act, that a Meeting of Kidman Shareholders will be held at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000 at 10:00am (AEST) on 5 September 2019.

AGENDA

CHAIR OF THE SCHEME MEETING

The Court has directed that John Pizzey, or failing him Aaron Colleran, be chair of the meeting and has directed the chair to report the result of the Scheme Meeting to the Court.

PURPOSE OF MEETING

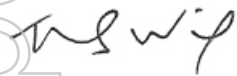
The purpose of the Scheme Meeting to be held pursuant to this Notice of Scheme Meeting is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Kidman and Kidman Shareholders.

SCHEME RESOLUTION

To consider and, if thought fit, to agree (with or without modification) to the following resolution:

“That pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed between Kidman and the holders of its fully paid ordinary shares, the terms of which are contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification or conditions as approved by the Federal Court of Australia) and, subject to approval of the scheme of arrangement by the Court, the Kidman Board is authorised to implement the scheme of arrangement with any such alterations or conditions.”

By order of the Court and Kidman Board



Thomas Wilcox
Company Secretary
Melbourne

30 July 2019

NOTES TO THE NOTICE OF SCHEME MEETING

These notes should be read in conjunction with the Notice of Scheme Meeting and the information in the Scheme Booklet.

Terms used in the Notice of Scheme Meeting and in these notes have the same meaning as set out in the Glossary in Section 8 of the Scheme Booklet.

KIDMAN SHAREHOLDERS ENTITLED TO ATTEND AND VOTE AT THE SCHEME MEETING

The time for the purposes of determining voting entitlements will be is 7:00pm (AEST) on **3 September 2019**.

Accordingly, share transfers registered after this time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

REQUIRED VOTING MAJORITIES

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution needs to be approved by:

- at least 75% of the total number of votes cast on the Scheme Resolution by Kidman Shareholders; and
- a majority in number (more than 50%) of Kidman Shareholders present and entitled to vote at the Scheme Meeting (in person or by proxy).

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the Scheme Resolution put to this meeting is passed by the requisite majorities and the other conditions to the Scheme are satisfied, Kidman intends to apply to the Court on **12 September 2019** for approval of the Scheme.

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VOTING AND PROXY INSTRUCTIONS

VOTING PROCEDURE

Voting at the Scheme Meeting will be conducted by way of a poll.

HOW TO LODGE YOUR VOTE

A Kidman Shareholder entitled to attend and vote at the Scheme Meeting can do so either by:

- attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate Kidman Shareholders, by a duly appointed corporate representative; or
- appointing not more than two proxies to attend and vote at the Scheme Meeting on behalf of the Kidman Shareholder, using the Proxy Form accompanying the Scheme Booklet (of which the Notice of Scheme Meeting forms part).

Direct voting is not available for the Scheme Meeting.

VOTING IN PERSON (OR BY ATTORNEY OR CORPORATE REPRESENTATIVE)

You should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting, if possible, so that your shareholding can be checked against the Register and attendances noted.

A person attending the Scheme Meeting as an attorney must provide the Share Registry with an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting by no later than the time specified for lodging a Proxy Form (being **10:00am AEST on 3 September 2019**) unless it has been previously provided.

A Kidman Shareholder that is a body corporate or a proxy that is a body corporate may elect to appoint an individual as its corporate representative to act at the Scheme Meeting. A corporate representative of a Kidman Shareholder that is a body corporate attending the meeting should bring to the Scheme Meeting satisfactory evidence of their appointment, including any authority under which that appointment is signed, unless such evidence has previously been given to the Share Registry. The appointment of a corporate representative must be under section 250D of the Corporations Act.

VOTING BY PROXY

- All Kidman Shareholders who are entitled to attend and vote at the Scheme Meeting have the right to appoint a proxy to attend the Scheme Meeting and vote in their place. A proxy need not be a Kidman Shareholder.
- If you wish to appoint a proxy, you must complete and return the Proxy Form or lodge your Proxy Form online. You can direct your proxy how to vote (i.e. to vote 'for' or 'against' or to 'abstain' from voting on the Scheme Resolution) by following the instructions on the Proxy Form.
- If you are entitled to cast two or more votes, you may appoint two proxies and you may specify the proportion or number of votes that each proxy is appointed to exercise. If your appointment does not specify the proportion or number of your voting rights, each proxy may exercise half your votes (disregarding fractions).
- Kidman Shareholders who return their Proxy Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chair of the Scheme Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Scheme Meeting or chooses not to vote on a poll, the chair of the Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. The chair of the Scheme Meeting intends to vote all available proxies in favour of the Scheme Resolution.

LODGING YOUR PROXY FORM

- To be effective, Proxy Forms must be received by the Share Registry no later than **10:00am** AEST on **3 September 2019**.
- Completed Proxy Form(s) may be lodged:
 - online to the Share Registry by visiting the website <https://www.votingonline.com.au/kdrschememeeting>. To submit your proxy voting instructions you will need your Voting Access Code (VAC). You will be taken to have signed the Proxy Form if you lodge it in accordance with the instructions on the website; or
 - by smart phone using your smartphone to scan the QR code that appears on the Proxy Form, and following the instructions provided. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile proxy voting instructions site. You will be taken to have signed the Proxy Form if you lodge it in accordance with the instructions on the site; or
 - in person by hand delivering it to the Share Registry - Boardroom Pty Limited at Level 12, 225 George Street, Sydney, NSW 2000 Australia during business hours (8:30am to 5:00pm AEST); or
 - by mail to the Share Registry - Boardroom Pty Limited at GPO Box 3993, Sydney, NSW 2001 Australia (using the business reply paid envelope provided); or
 - by fax to the Share Registry on +61 2 9290 9655.

Please refer to the Proxy Form for more information about submitting proxy voting instructions online.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for Kidman Shareholders who wish to appoint two proxies with different voting directions.

Kidman Shareholders should contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside of Australia), Monday to Friday (excluding public holidays), between 8:30 am and 5:00 pm (AEST) with any queries regarding the number of Kidman Shares they hold, how to vote at the Scheme Meeting or how to lodge the Proxy Form.

QUESTIONS FROM KIDMAN SHAREHOLDERS

Kidman welcomes questions from Kidman Shareholders who are attending the Scheme Meeting in person. In the interests of all present, please confine your questions to matters before the Scheme Meeting that are relevant to Kidman Shareholders as a whole. Kidman staff will be available at the Shareholder Information desk in the foyer on the day of the meeting to discuss individual questions from Kidman Shareholders.

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ATTACHMENT 5 - NOTICE OF GENERAL MEETING



KIDMAN RESOURCES LIMITED
ACN 143 526 096

NOTICE OF GENERAL MEETING

Date of Meeting:

5 September 2019

Time of Meeting:

**Immediately following the closing
or adjournment of the Scheme Meeting**

Place of Meeting:

**RACV Club
Level 2
Bourke Room 2 & 3
501 Bourke Street
Melbourne VIC 3000**

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

ATTACHMENT 5 - NOTICE OF GENERAL MEETING

KIDMAN RESOURCES LIMITED

ACN 143 526 096

Registered office: NE Suite, Level 30, 140 William Street, Melbourne, Victoria, 3000

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Kidman Shareholders will be held at the RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, Victoria 3000 on 5 September 2019 immediately upon the closing of the Scheme Meeting.

AGENDA

ORDINARY BUSINESS

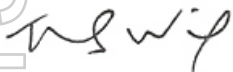
The purpose of the meeting is to consider and, if thought fit, to pass the following resolution as an ordinary resolution. Ordinary resolutions require a simple majority of votes cast by Kidman Shareholders entitled to vote on the resolution.

APPROVAL OF POTENTIAL TERMINATION BENEFITS TO KIDMAN KEY MANAGEMENT PERSONNEL (KMP)

To consider and, if thought fit, approve the following resolution as an ordinary resolution:

“That, subject to and conditional on the Scheme becoming Effective and the Implementation Date occurring, approval be given for all purposes, including section 200B and 200E of the Corporations Act, for the giving of termination benefits to any person who currently holds a managerial or executive office (as defined in the Corporations Act) in Kidman Resources Limited as at the date of the passing of this resolution in connection with any of those persons ceasing to hold an office or position in Kidman Resources Limited, on the terms set out in the Explanatory Notes attached to this Notice of Meeting.”

By order of the Kidman Board



Thomas Wilcox
Company Secretary
Melbourne

30 July 2019

NOTES TO THE NOTICE OF GENERAL MEETING

These notes should be read in conjunction with the Notice of General Meeting and the information in the Explanatory Statement, which accompanies and forms part of the Notice of General Meeting, and describes in more detail the matters to be considered at the General Meeting. Please consider the Notice of General Meeting and the Explanatory Statement in their entirety.

Except as expressly provided or unless context otherwise requires, terms used in the Notice of General Meeting have the same meaning as set out in the Glossary in Section 8 of the Scheme Booklet.

KIDMAN SHAREHOLDERS ENTITLED TO ATTEND AND VOTE AT THE GENERAL MEETING

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) will be 7:00pm (AEST) on 3 September 2019.

Accordingly, share transfers registered after this time will be disregarded in determining entitlements to attend and vote at the General Meeting.

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VOTING AND PROXY INSTRUCTIONS

HOW TO LODGE YOUR VOTE

A Kidman Shareholder entitled to attend and vote at the General Meeting can do so either by:

- attending the General Meeting and voting in person or by attorney or, in the case of corporate Kidman Shareholders, by a duly appointed corporate representative; or
- appointing not more than two proxies to attend and vote at the General Meeting on behalf of the Kidman Shareholder, using the Proxy Form accompanying the Notice of General Meeting.

Direct voting is not available for the General Meeting.

VOTING IN PERSON (OR BY ATTORNEY OR CORPORATE REPRESENTATIVE)

You should arrive at the meeting venue 30 minutes before the time designated for the General Meeting, if possible, so that your shareholding can be checked against the Register and attendances noted.

A person attending the General Meeting as an attorney must provide the Share Registry with an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the General Meeting by no later than time specified for lodging a Proxy Form (being 10:00am AEST on 3 September 2019) unless it has been previously provided.

A Kidman Shareholder that is a body corporate or a proxy that is a body corporate may elect to appoint an individual as its corporate representative to act at the General Meeting. A corporate representative of a Kidman Shareholder that is a body corporate attending the meeting should bring to the General Meeting satisfactory evidence of their appointment, including any authority under which that appointment is signed, unless such evidence has previously been given to the Share Registry. The appointment of a corporate representative must be under section 250D of the Corporations Act.

VOTING BY PROXY

- All Kidman Shareholders who are entitled to attend and vote at the General Meeting have the right to appoint a proxy to attend the General Meeting and vote in their place. A proxy need not be a Kidman Shareholder.
- If you wish to appoint a proxy, you must complete and return the Proxy Form or lodge your Proxy Form online. You can direct your proxy how to vote (i.e. to vote 'for' or 'against' or to 'abstain' from voting on the Resolution) by following the instructions on the Proxy Form.
- If you are entitled to cast two or more votes, you may appoint two proxies and you may specify the proportion or number of votes that each proxy is appointed to exercise. If your appointment does not specify the proportion or number of your voting rights, each proxy may exercise half your votes (disregarding fractions).
- Kidman Shareholders who return their Proxy Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chair of the General Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the General Meeting or chooses not to vote on a poll, the chair of the General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. The chair of the General Meeting intends to vote all available proxies in favour of the Resolution.

LODGING YOUR PROXY FORM

- To be effective, Proxy Forms must be received by the Share Registry no later than **10:00am AEST on 3 September 2019**.
- Completed Proxy Form(s) may be lodged:
 - online to the Share Registry by visiting the website www.votingonline.com.au/kdrgm2019
 - To submit your proxy voting instructions you will need your Voting Access Code (VAC). You will be taken to have signed the Proxy Form if you lodge it in accordance with the instructions on the website; or
 - by smartphone using your smartphone to scan the QR code that appears on the Proxy Form, and following the instructions provided. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile proxy voting instructions site. You will be taken to have signed the Proxy Form if you lodge it in accordance with the instructions on the site; or

- For personal use only
- in person by hand delivering it to the Share Registry - Boardroom Pty Limited at Level 12, 225 George Street, Sydney, NSW 2000 Australia during business hours 8:30am to 5:00pm AEST); or
 - by mail to the Share Registry - Boardroom Pty Limited at GPO Box 3993, Sydney, NSW 2001 Australia (using the business reply paid envelope provided); or
 - by fax to the Share Registry on +61 2 9290 9655.

Please refer to the Proxy Form for more information about submitting proxy voting instructions online.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for Kidman Shareholders who wish to appoint two proxies with different voting directions.

Kidman Shareholders should contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside of Australia), Monday to Friday (excluding public holidays), between 8:30 am and 5:00 pm (AEST) with any queries regarding the number of Kidman Shares they hold, how to vote at the General Meeting or how to lodge the Proxy Form.

VOTING EXCLUSION STATEMENT:

If any Kidman Shareholder currently holds a managerial or executive position with Kidman or a related body corporate and wishes to preserve their ability to receive benefits under this approval, then that Kidman Shareholder and their associates should not vote on the Resolution.

In addition, the Company will disregard any votes cast by or on behalf of the following persons, on the Resolution:

- the KMP of the Company at the date of the General Meeting; and
- each Closely Related Party of the KMP.

Closely Related Party of a member of the KMP means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- a company the member controls; or
- a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

However, a person described in the preceding paragraph may cast a vote on the Resolution if:

- the person is appointed as a proxy, and the proxy appointment specifies how the proxy is to vote on the Resolution; or
- the appointed proxy is the chair of the General Meeting and:
 - the appointment does not specify how the chair of the General Meeting is to vote on the Resolution; and
 - the appointment expressly authorises the chair of the General Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP.

If you appoint the chair of the General Meeting as your proxy, and you do not direct your proxy on how to vote on the Resolution on the Proxy Form, you will be expressly authorising the chair of the General Meeting to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP, which includes the chair of the General Meeting.

The chair of the General Meeting intends to vote all available proxies in favour of the Resolution.

EXPLANATORY STATEMENT

BACKGROUND

Approval is being sought in respect of any current person who holds a 'managerial or executive office' (as defined in the Corporations Act) in Kidman (each a **Kidman KMP**).

No decision has been made in relation to whether any Kidman KMP will be ceasing employment, but this approval is being sought so that Kidman can be in a position to treat Kidman KMP fairly and appropriately by providing all contractual entitlements, and entitlements under the Kidman Group short term incentive plan applying at the date of the Scheme Booklet (**STI Entitlements**), on termination to the Kidman KMP (as well as any statutory entitlements).

WHY IS SHAREHOLDER APPROVAL BEING SOUGHT?

The Corporations Act restricts the benefits which can be given to a person who holds a 'managerial or executive office', on leaving employment or upon retirement, with a member of the Kidman Group. Under section 200B of the Corporations Act, a company may only give a person a 'benefit' (as defined in the Corporations Act) in connection with their ceasing to hold a managerial or executive office in the company if it is approved by the members of the company and, where applicable, the listed holding company, or an exemption applies.

Under the Corporations Act, "benefits" are widely defined and may include amounts that would otherwise be payable under the employment agreement or other arrangements of the Kidman KMP but which are paid at the same time, or in conjunction with, the termination of employment. If member approval is provided, the prohibition under the Corporations Act will not apply, and in this sense the relevant approved benefit will be a benefit excluded by the Corporations Act in relation to the calculation of any benefits for the purpose of the Corporations Act.

The principal purpose of this approval is to ensure that if the employment of any Kidman KMP is terminated, Kidman is able to make payments to the relevant Kidman KMP in accordance with their existing contractual and STI Entitlements (as well as any statutory entitlements).

The purpose of seeking this approval is to ensure that restrictions under the Corporations Act on termination benefits for Kidman KMP do not apply in respect of those entitlements that Kidman has, prior to the date of the Scheme Booklet, contracted to provide to Kidman KMP or in relation to the STI Entitlements, and to preserve Kidman's discretion (subject to all relevant provisions of the Scheme Implementation Deed) to provide non-contractual benefits to any Kidman KMP.

Approval is being sought so that benefits may be provided to Kidman KMP under:

- their employment agreement; and
- the Kidman Group short term incentive plan applying at the date of the Scheme Booklet,

in addition to any other amounts required to be paid under statute (including annual leave and long service entitlements and superannuation) and any minor incidental benefits that may be provided on termination.

Approval of the payment of termination benefits under the Kidman Omnibus Incentive Plan was obtained at the 2018 Annual General Meeting and nothing in this approval is intended to affect the resolution passed at that meeting.

The termination benefits for which approval is now being sought are set out in the table below (**Relevant Termination Benefits**):

DESCRIPTION	POTENTIAL BENEFITS
EMPLOYMENT AGREEMENTS	
Termination by Kidman of Kidman KMP (other than for cause)**	<p>Payment in lieu of notice</p> <p>Kidman may pay to a Kidman KMP, in lieu of notice, the payment in lieu of notice specified in the relevant Kidman KMP's employment agreement, which in each case is an amount equivalent to 6 months of the Kidman KMP's fixed annual remuneration (being gross base remuneration and compulsory superannuation) (FAR).</p> <p>Severance, termination or redundancy payment</p> <p>In addition to payment in lieu of notice, Kidman may pay the severance payment specified in the relevant Kidman KMP's employment agreement, (being either 6 months of the FAR or 12 months of base remuneration, as applicable under the terms of the relevant KMP's employment contract).</p>
SHORT-TERM INCENTIVE*	
Cessation for any reason other than for cause**	<p>Kidman may award or exercise its discretion to:</p> <ul style="list-style-type: none"> • pay; • vest; • release; and/or • leave on foot, <p>some (for example, pro rata for the period employed) or all of Kidman KMP's short-term incentive (STI), subject to the terms of the incentive award, the plan rules and the employment agreement applying at the date of the Scheme Booklet (if applicable.)</p> <p>Currently, the STI is based on the Kidman KMP's performance and the Kidman Group's performance, and the Kidman KMP are eligible for an STI payment of 50% of FAR for "on target" performance, with an opportunity to achieve a maximum of up to 75% of FAR.</p>
OTHER	
Incidental payments	<p>Circumstances may arise from time to time where it will be appropriate for Kidman to make small incidental payments to departing Kidman KMP, including allowing them to retain certain property following cessation (such as phones or other electronic devices). Approval is sought to grant such incidental benefits provided that they are reasonable and not significant in all the circumstances, and have an aggregate value that is less than \$5,000.</p>

* A short term incentive paid on termination that was earned by the employee in the period prior to termination will not ordinarily be in connection with the termination of the employee's employment and therefore is not a 'benefit' under the Corporations Act. However, to remove all doubt, approval is sought in relation to the short term incentives.

** Termination 'for cause' typically includes where a Kidman KMP ceases employment or ceases to hold office due to fraud, dishonesty, serious or wilful misconduct, negligence, a serious breach of their employment contract or where the Kidman KMP is convicted of an offence punishable by imprisonment or is otherwise summarily dismissed.

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EXPLANATORY STATEMENT

The actual amount and value of the termination benefits that may be provided cannot be ascertained in advance. This is because various matters, events and circumstances will, or are likely to, affect the calculation of the amount and value, including the following:

- the circumstances in which the Kidman KMP ceases to hold office or ceases employment and whether he serves all or part of any applicable notice period;
- the Kidman KMP's base remuneration and relevant STI at the time of cessation;
- any other factors that Kidman considers relevant when exercising its discretions (such as the assessment of the performance of the Kidman KMP and the Kidman Group's performance up to the cessation date);
- the jurisdiction and location in which the Kidman KMP is based at the time he ceases to hold office or ceases employment, and the applicable laws in that jurisdiction; and
- any changes in law between the date Kidman entered into the employment agreement with the Kidman KMP and the date the Kidman KMP ceases employment.

APPROVAL IS SOUGHT FOR A THREE-YEAR PERIOD

If Kidman Shareholder approval is obtained, it will be effective from the date the resolution is passed (subject to and conditional on the Scheme becoming Effective and the Implementation Date occurring) and remain in place for three years.

That is, subject to and conditional on the Scheme becoming Effective and the Implementation Date occurring, shareholder approval will be effective:

- if Kidman exercises certain discretions under the Kidman Group short term incentive plan applying at the date of the Scheme Booklet;
- in relation to any incentive granted under the Kidman Group short term incentive plan applying at the date of the Scheme Booklet; and/or
- if a Kidman KMP ceases to hold office,

during the period beginning at the conclusion of this General Meeting and expiring at the conclusion of three years from that date (subject to all applicable provisions of the Scheme Implementation Deed).

It can be reasonably anticipated that aspects of the arrangements relating to the Relevant Termination Benefits will be amended from time to time in line with market practice and changing governance standards.

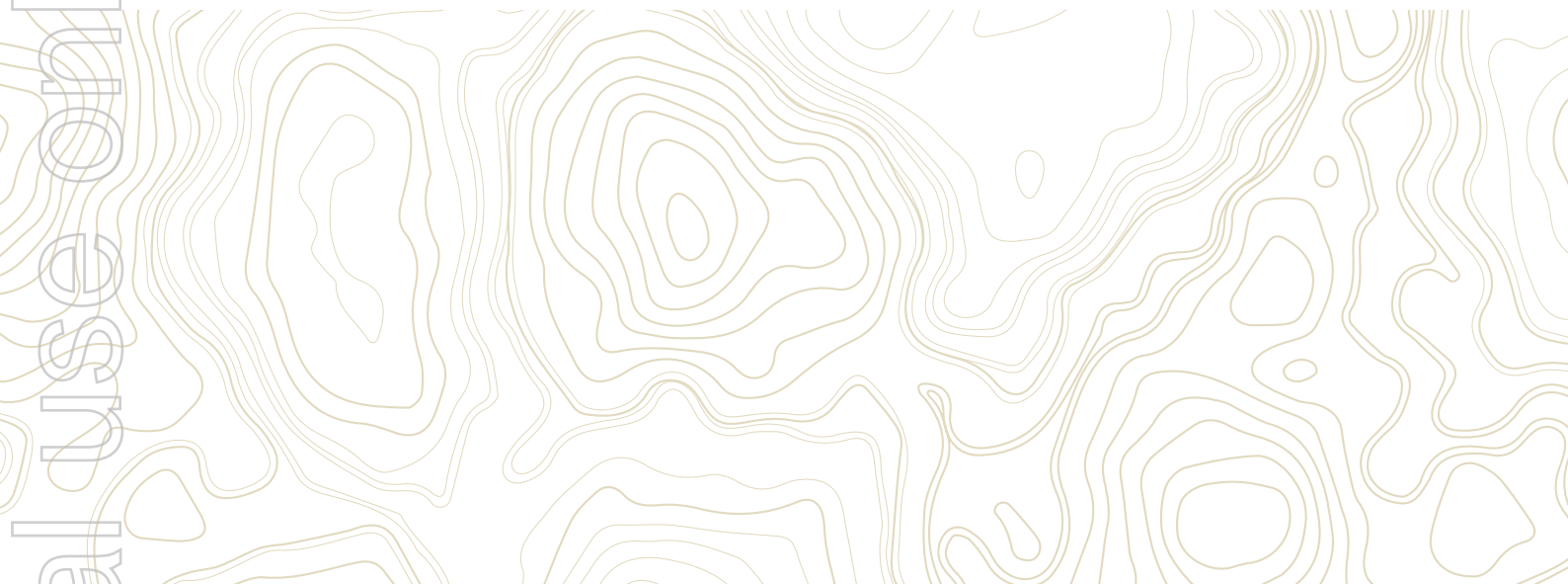
However, it is intended that this approval will remain valid for as long as those arrangements provide for the treatment on cessation of employment within the limits set out above.

BOARD RECOMMENDATION

The Kidman Board (excluding Mr Donohue)¹ recommends that Kidman Shareholders vote in favour of this resolution.

1 Mr Donohue is a member of the Kidman KMP and may, if his contract of employment is subsequently terminated, receive Relevant Termination Benefits. Mr Donohue will therefore not make any recommendations or vote on the resolution in the General Meeting.

For personal use only



Proxy Form – Scheme Meeting

LODGING YOUR PROXY FORM

For your vote to be effective your Proxy Form must be recorded before 10:00am on Tuesday, 3 September 2019.

LODGE YOUR PROXY

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.votingonline.com.au/kdrschememeeting
- 👤 **In Person:** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia
During business hours (8:30am to 5:00pm AEST)
- 📱 **By Smartphone:** Scan the QR Code below using smartphone QR Reader App
- ☎ **All enquiries to:**
(within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

LODGE YOUR PROXY ONLINE

- STEP 1: VISIT <https://www.votingonline.com.au/kdrschememeeting>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)
- STEP 3: Enter your Voting Access Code (VAC):

BY SMARTPHONE



Scan QR Code using smartphone QR Reader App

HOW TO COMPLETE AND LODGE THIS PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a shareholder of the company. Do not write the name of the issuer company or the registered shareholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the Meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) lodge both forms in accordance with Step 4.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, place a mark in one of the boxes opposite the item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of shares are to be voted on the item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses. If you mark more than one box on the item for all your shares your vote on that item will be invalid.

CORPORATE REPRESENTATIVES

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the Meeting must have provided an "Appointment of Corporate Representative" prior to admission to the Meeting. An Appointment of Corporate Representative form can be obtained from the company's share registry.

STEP 3 SIGN THE FORM

The form must be signed as follows:

Individual: this form is to be signed by the shareholder.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under a Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001* (Cth)) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the Meeting, therefore by **10:00am on Tuesday, 3 September 2019**. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** www.votingonline.com.au/kdrschememeeting
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
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Level 12, 225 George Street,
Sydney NSW 2000 Australia
During business hours (8:30am to 5:00pm AEST)
- 📱 **By Smartphone:** Scan the QR Code above using smartphone QR Reader App

Attending the Meeting

If you wish to attend the Meeting please bring this form with you to assist registration.

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Shareholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your shares using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of Kidman Resources Limited (Company) and entitled to attend and vote hereby appoint:

the Chair of the Meeting (mark box)

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting as my/our proxy at the Scheme Meeting of the Company to be held at RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, VIC, 3000 on Thursday, 5 September 2019 at 10:00am (AEST) and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a poll and your vote will not be counted in calculating the requisite majorities.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Resolution 1	*That pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed between Kidman and the holders of its fully paid ordinary shares, the terms of which are contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification or conditions as approved by the Federal Court of Australia) and, subject to approval of the scheme of arrangement by the Court, the Kidman Board is authorised to implement the scheme of arrangement with any such alterations or conditions".	For	Against	Abstain*
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Shareholder 1 (individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (individual)

Director / Company Secretary (delete one)

Joint Shareholder 3 (individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy of it must be attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019

Proxy Form – General Meeting

LODGE YOUR PROXY

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
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STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, place a mark in one of the boxes opposite the item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of shares are to be voted on the item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses. If you mark more than one box on the item for all your shares your vote on that item will be invalid.

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Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001* (Cth)) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. **Please indicate the office held by signing in the appropriate place.**

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During business hours (8:30am to 5:00pm AEST)
- 📱 **By Smartphone:** Scan the QR Code above using smartphone
QR Reader App

Attending the Meeting

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Kidman Resources Limited

ACN 143 526 096

Your Address

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the Chair of the Meeting (mark box)

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at RACV Club, Level 2, Bourke Room 2 & 3, 501 Bourke Street, Melbourne, VIC, 3000 on Thursday, 5 September 2019 immediately following the closing or adjournment of the Scheme Meeting on 5 September 2019 and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the requisite majorities.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Resolution 1 Approval of potential termination benefits to Kidman Key Management Personnel (KMP)

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Shareholder 1 (individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (individual)

Director / Company Secretary (delete one)

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Contact Name.....

Contact Daytime Telephone.....

Date / / 2019