



KIDMAN RESOURCES LIMITED
ACN 143 526 096

Notice of Annual General Meeting

Explanatory Statement and Proxy Form

Date of Meeting:
Friday, 10 November 2017

Time of Meeting:
9.00am (AEDT)

Place of Meeting:
RACV Club
Level 2, Club Pavilion
501 Bourke Street
Melbourne Victoria, 3000

*This Notice of Annual 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 without delay*

KIDMAN RESOURCES LIMITED

ACN 143 526 096

Registered office: Level 4, 100 Albert Road, South Melbourne Vic 3205

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Kidman Resources Limited (the "Company") will be held at the RACV Club, Level 2, Club Pavilion, 501 Bourke Street, Melbourne, Victoria, 3000 at 9.00am (AEDT) on Friday, 10 November 2017 ("Annual General Meeting" or "Meeting").

AGENDA

The Explanatory Statement and proxy form, which accompany and form part of this Notice, describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement and the proxy form in their entirety.

ORDINARY BUSINESS

Receipt and consideration of Accounts & Reports

To receive and consider the Financial Report of the Company and the related reports of the Directors (including the Remuneration Report) and auditors for the year ended 30 June 2017.

Note: Except for as set out in Resolution 1, there is no requirement for shareholders to approve these reports. Accordingly no resolution will be put to shareholders on this item of business.

Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purpose of section 250R(2) of the Corporations Act 2001, and for all other purposes, the Remuneration Report (included in the Directors' Report) for the financial year ended 30 June 2017 be adopted."

Resolution 2: Re-election of Mr Peter Lester as a Director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Peter Lester, being a Director who retires pursuant to the Constitution of the Company and being eligible for re-election offers himself for re-election, is hereby re-elected as a Director of the Company."

Resolution 3: Election of Mr David Southam as a Director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr David Southam, having been appointed to the Board of Directors during the year, and retiring as a Director in accordance with the Constitution of the Company and being eligible for election, be elected as a Director of the Company."

Resolution 4: Ratification of Prior Issue of Shares

To consider, if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4, and for all other purposes, shareholders approve, ratify and confirm the issue and allotment of 11,111,111 fully paid ordinary shares in the Company on 28 February 2017 to Western Areas Limited on the basis set out in the Explanatory Statement."

Resolution 5: Ratification of Prior Issue of Shares

To consider, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4, and for all other purposes, shareholders approve, ratify and confirm the issue and allotment of 6,318,044 fully paid ordinary shares in the Company on 20 March 2017 to Western Areas Limited on the basis set out in the Explanatory Statement.”

Resolution 6: Ratification of Prior Issue of Shares

To consider, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.4, and for all other purposes, shareholders approve, ratify and confirm the issue and allotment of 14,810,063 fully paid ordinary shares in the Company on 19 September 2017 to Capri Trading Pty Ltd on the basis set out in the Explanatory Statement.”

Resolution 7: Approval of Convertible Loan Agreement with SQM Australia Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7, and for all other purposes, shareholders:

- 1. approve, ratify and confirm the entering into of the Convertible Loan Agreement dated 11 September 2017 with SQM Australia Pty Ltd (**Convertible Loan Agreement**); and*
- 2. approve the issue to SQM Australia Pty Ltd, upon any conversion of the amount outstanding (or part of the amount outstanding) under the Convertible Loan Agreement in accordance with its terms, of fully paid ordinary shares in the Company in the manner described in the Explanatory Statement.”*

Resolution 8: Increase in Aggregate Non-Executive Director Remuneration

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of clause 8.3 of the Constitution, ASX Listing Rule 10.17, and for all other purposes, the maximum aggregated annual Directors’ fees payable to Non-Executive Directors for the financial year from and including the year commencing 1 July 2017, be increased from \$300,000 per annum to \$500,000, as described in the Explanatory Statement which accompanies and forms part of this Notice.”

SPECIAL BUSINESS

Resolution 9: Renewal of Proportional Takeover Bid Provision in the Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, for the purposes of Section 648G(4) of the Corporations Act 2001(Cth) and for all other purposes shareholders approve the renewal of Rule 6 of the Company’s Constitution.”

By order of the Board



Justin Mouchacca
Company Secretary
Melbourne

9 October 2017

Notes

1. **Entire Notice:** The details of the resolutions contained in the Explanatory Statement accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.
2. **Record Date:** The Company has determined that, for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (AEDT) on the date 48 hours before the date of the Annual General Meeting. Only those persons will be entitled to vote at the Annual General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.
3. **Proxies**
 - a. Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.
 - b. Each shareholder has a right to appoint up to two proxies.
 - c. A proxy need not be a shareholder of the Company.
 - d. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.
 - e. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
 - f. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
 - g. To be effective, proxy forms must be received by the Company's share registry (Boardroom Pty Limited) no later than 48 hours before the commencement of the Annual General Meeting, this is no later than 9.00am (AEDT) on Wednesday, 8 November 2017. Any proxy received after that time will not be valid for the scheduled meeting.

4. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

5. Voting Exclusion Statement:

Resolution 1

The Company will disregard any votes cast on Resolution 1 (in any capacity) by or on behalf of a member of the Key Management Personnel (being those persons described as such in the Remuneration Report) or a closely related party of such a member unless the vote cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Any undirected proxies held by Directors or other Key Management Personnel or their closely related parties for the purposes of Resolution 1 (excluding the Chairman) will not be voted on Resolution 1. Accordingly, if you intend to appoint a member of Key Management Personnel as your proxy, please ensure that you direct them how to vote. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him to vote by marking the box for Resolution 1. By marking the Chairman's box on the proxy form you acknowledge that the Chairman of the meeting will vote in favour of this item of business as your proxy. The Chairman will vote undirected proxies in favour of Resolution 1.

Resolution 2

There are no voting exclusions on this Resolution.

Resolution 3

There are no voting exclusions on this Resolution.

Resolution 4

The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5

The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6

The Company will disregard any votes cast on Resolution 6 by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7

The Company will disregard any votes cast on Resolution 7 by SQM Australia Pty Ltd (**SQMA**), any associates of SQMA and any person who may obtain a benefit if the Resolution is passed.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8

The Company will disregard any votes cast on Resolution 8 by:

- any Director and any of their associates; and
- a member of the Key Management Personnel or a Closely Related Party of such a member.

However, the Company need not disregard a vote on Resolution 8 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 9

There are no voting exclusions on this Resolution.

6. Enquiries

Shareholders are invited to contact the Company Secretary, Justin Mouchacca, on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

Receipt and consideration of Accounts & Reports

A copy of the Annual Report for the financial year ending 30 June 2017 (which incorporates the Company's Financial Report, Directors' Report (including the Remuneration Report) and the Auditor's Report) is not enclosed as there is no longer a requirement for the Company to incur the printing and distribution costs associated with doing so for all shareholders. You may obtain a copy free of charge in hard copy form by contacting the Company by phone at (03) 9692 7222, and you may request that this occurs on a standing basis for future years. Alternatively you may access the Annual Report at the Company's website: www.kidmanresources.com.au or via the Company's announcement platform on ASX. Except for as set out in Resolution 1, no resolution is required on these reports.

Resolution 1: Adoption of Remuneration Report

Background

Section 250R(3) of the Corporations Act 2001 requires that a resolution to adopt the Remuneration Report must be put to the vote at the Annual General Meeting. The vote on this Resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is set out in the Directors' Report in the Company's 2017 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

In accordance with Section 250SA of the Corporations Act 2001, Shareholders will be provided with a reasonable opportunity to ask questions concerning, or make comments on, the Remuneration Report at the Annual General Meeting.

Under the Corporations Act 2001 if twenty five (25%) per cent or more of votes that are cast are voted against the adoption of the Remuneration Report at each of two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election.

At the Company's last Annual General Meeting, the votes cast against the Remuneration Report represented less than twenty five (25%) per cent of the total votes cast, and accordingly, a spill resolution will not be required to be put at the Meeting.

The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

Board Recommendation

Noting that each Director has a personal interest in their own remuneration from the Company (as such interests are described in the Remuneration Report) and, as described in the voting exclusions on this resolution (set out in the Notice of Annual General Meeting), that each Director (or any Closely Related Party of a Director) is excluded from voting their shares on this resolution, the Board unanimously recommend that shareholders vote in favour of Resolution 1 to adopt the Remuneration Report. The Chairman will vote undirected proxies in favour of Resolution 1.

Voting Exclusions

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of a member of the Key Management Personnel (being those persons described as such in the Remuneration Report) or a closely related party of such a member in contravention of Section 250R and 250BD unless the vote cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Any undirected proxies held by Directors or other Key Management Personnel or their closely related parties for the purposes of Resolution 1 (excluding the Chairman) will not be voted on Resolution 1. Accordingly, if you intend to appoint a member of Key Management Personnel as your proxy, please ensure that you direct them how to vote. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him to vote by marking the box for Resolution 1. By marking the Chairman's box on the proxy form you acknowledge that the Chairman of the meeting will vote in favour of this item of business as your proxy.

Resolution 2: Re-election of Mr Peter Lester as a Director of the Company

Background

The Constitution of the Company requires that, at every Annual General Meeting, at least one Director shall retire from office and, provided that such Director is eligible for re-election at the meeting, may offer himself or herself for re-election.

Mr Peter Lester retires as a Director at the Meeting under the Constitution and, being eligible, offers himself for re-election.

Mr Lester is a mining engineer with more than 40 years' experience in the mining industry. He has held various roles in the industry including construction, project and mine management, corporate and financial advisory services and business development. Mr Lester has worked in operational roles at Mt Isa and Broken Hill, as well as senior executive positions with North Ltd, Newcrest Mining Limited, Oxiana / Oz Minerals Limited and recently with Citadel Resources Group Limited.

Board Recommendation

The Board (with Mr Lester abstaining), recommends that shareholders vote in favour of the re-election of Mr Lester. The Chairman intends to vote undirected proxies in favour of Mr Lester's re-election.

Voting Exclusions

There are no voting exclusions on this Resolution.

Resolution 3: Election of Mr David Southam as a Director of the Company

Mr David Southam was initially appointed as a Director on 24 July 2017 as a casual vacancy. Mr Southam retires as a Director at the Meeting under the Constitution and, being eligible, offers himself for election.

Mr Southam is a Certified Practising Accountant with more than 25 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam has been an Executive Director at Western Areas Limited for nearly seven years and has previously acted as a Non-Executive Director of a number of ASX listed companies. Mr Southam is currently a member of the Audit and Compliance Committee of Curtin University Council, and a member of the WA Advisory Board of Starlight Children's Foundation.

Board Recommendation

The Board (with Mr Southam abstaining), recommends that shareholders vote in favour of the election of Mr Southam. The Chairman of the meeting intends to vote undirected proxies in favour of Mr Southam's election.

Voting Exclusions

There are no voting exclusions on this resolution.

Resolution 4: Ratification of Prior Issue of Shares

Background

The Company is seeking shareholder approval to ratify the issue of 11,111,111 fully paid ordinary shares to Western Areas Limited, in accordance with Tenement Sale Agreement between Western Areas Limited and the Company as per the ASX announcement dated 28 February 2017.

Listing Rule 7.4 provides that a Company may reinstate its capacity to issue up to 15% of the ordinary securities on issue in a twelve (12) month period if shareholders ratify the previous issue of securities.

Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to Listing Rule 7.4:

- (a) The number of shares allotted and issued was 11,111,111 fully paid ordinary shares in the Company;
- (b) The shares were issued at a deemed issue price of \$0.54 (54 cents) each;
- (c) The shares issued rank pari passu with all existing shares of their class;
- (d) The shares were allotted and issued to Western Areas Limited; and
- (e) The Shares were allotted and issued as consideration pursuant to the Tenement Sale Agreement and no funds were raised as part of the issue.

Board Recommendation

The Board recommends that shareholders vote in favour of the ratification of the prior issue of 11,111,111 fully paid ordinary shares to Western Areas Limited. The Chairman of the meeting intends to vote undirected proxies in favour of the prior share issue.

Voting Exclusions

The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5: Ratification of Prior Issue of Shares

Background

The Company is seeking shareholder approval to ratify the issue of 6,318,044 fully paid ordinary shares to Western Areas Limited, in accordance with a Joint Venture Agreement between Western Areas Limited and the Company as per the ASX announcement dated 20 March 2017.

Listing Rule 7.4 provides that a Company may reinstate its capacity to issue up to 15% of the ordinary securities on issue in a twelve (12) month period if shareholders ratify the previous issue of securities.

Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to Listing Rule 7.4:

- (a) The number of shares allotted and issued was 6,318,044 fully paid ordinary shares in the Company;
- (b) The shares were issued at a deemed issue price of \$0.55 (55 cents) each;
- (c) The shares issued rank pari pasu with all existing shares of their class;
- (d) The shares were allotted and issued to Western Areas Limited; and
- (e) The shares were allotted and issued as consideration pursuant to a Joint Venture Agreement executed between the Company and Western Areas Limited and no funds have been raised as part of the issue.

Board Recommendation

The Board recommends that shareholders vote in favour of the ratification of the prior issue of 6,318,044 fully paid ordinary shares to Western Areas Limited. The Chairman of the meeting intends to vote undirected proxies in favour of the prior share issue.

Voting Exclusions

The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Ratification of Prior Issue of Shares

Background

The Company is seeking shareholder approval to ratify the issue of 14,810,063 fully paid ordinary shares to Capri Trading Pty Ltd to settle the balance of the consideration owed to Capri Trading for the purchase of the Company's Mt Holland project, as per the ASX announcement dated 12 September 2017.

Listing Rule 7.4 provides that a Company may reinstate its capacity to issue up to 15% of the ordinary securities on issue in a twelve (12) month period if shareholders ratify the previous issue of securities.

Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to Listing Rule 7.4:

- (a) The number of shares allotted and issued was 14,810,063 fully paid ordinary shares in the Company;
- (b) The shares were issued at a deemed issue price of \$0.1006 (10.06 cents) each;
- (c) The shares issued rank pari pasu with all existing shares of their class;
- (d) The shares were allotted and issued to Capri Trading Pty Ltd; and
- (e) The shares were allotted and issued to settle the balance of the consideration owed to Capri Trading Pty Ltd for the purchase of the Mt Holland Project and no funds have been raised as part of the issue.

Board Recommendation

The Board recommends that shareholders vote in favour of the ratification of the prior issue of 14,810,063 fully paid ordinary shares to Capri Trading Pty Ltd. The Chairman of the meeting intends to vote undirected proxies in favour of the prior share issue.

Voting Exclusions

The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7: Approval of Convertible Loan Agreement with SQM Australia Pty Ltd (SQMA)

Background

On 12 September 2017, the Company announced that it had entered into definitive documents with SQMA (a wholly owned subsidiary of Sociedad Quimica y Minera de Chile SA (**SQM**)) to transfer a 50% interest in the Mt Holland Project to SQMA and establish a joint venture with SQMA to develop the Mt Holland Project.

The definitive documents are subject to a number of conditions precedent, being principally:

- (a) approval of the Commonwealth Treasurer under the *Foreign Acquisitions and Takeovers Act 1975*;
- (b) approval of the relevant Minister under the *WA Mining Act 1978*; and
- (c) certain other third party approvals.

In order to allow the Company to proceed with development work in connection with the Mt Holland Project prior to the conditions precedent being satisfied or waived, SQMA made available to the Company a loan facility of up to USD21.5 million under a Convertible Loan Agreement.

In certain circumstances (described below), amounts outstanding under the Convertible Loan Agreement may be converted into ordinary shares in the Company in accordance with the terms of the Convertible Loan Agreement. The terms of this conversion are also described below. Accordingly, the Convertible Loan Agreement is an 'equity security' for the purposes of Listing Rule 7.1 of the ASX Listing Rules.

Listing Rule 7.1 provides that a company may not issue equity securities, including convertible securities, unless the issue is approved by shareholders or the issue, when aggregated with all other issues by the Company in the last 12 months for which shareholder approval was not obtained, would be less than 15% of the issued capital of the Company (**15.0% Cap**).

The Convertible Loan Agreement is a convertible security for the purposes of Listing Rule 7.1. The Company has made an initial drawdown of USD6.1 million under the Convertible Loan Agreement. This amount, if converted into ordinary shares in the Company, would be currently within the Company's 15.0% Cap.

However, further drawdowns under the Convertible Loan Agreement are not permitted unless the conversion of the Outstanding Amounts is approved by shareholders for the purposes of Listing Rule 7.1.

Resolution 7 is intended to:

1. approve the issue of the convertible security and the initial drawdown of AUD6.1 million (which did not require additional approval under Listing Rule 7.1) for the purposes of Listing Rule 7.4; and
2. approve the issue of shares and any subsequent conversions of the Convertible Loan Agreement in amounts in excess of AUD6.1 million for the purposes of Listing Rule 7.3 and to satisfy the conditions precedent to further drawings under the Convertible Loan Agreement.

Terms of Convertible Loan Agreement

The principal terms of the Convertible Loan Agreement are:

- (a) Drawings under the Convertible Loan Agreement must, subject to the next paragraph, be used by the Company to repay an existing facility of USD3.0 million made available by SQM (which occurred on the first drawdown under the Convertible Loan Agreement) and to fund development studies and exploration work in connection with the Mt Holland Project;
- (b) At the election of Kidman or, in certain circumstances, by SQM, the proceeds of drawings under the Convertible Loan Agreement may be used to retire certain existing secured indebtedness of the Company
- (c) Amounts outstanding under the Convertible Loan Agreement accrue interest at the rate of 7% per annum;
- (d) Amounts outstanding under the Convertible Loan Agreement (including accrued interest) (**Outstanding Amounts**) are payable by the Company on the Repayment Date, being the earlier of:
 - (i) 11 September 2021;
 - (ii) the date on which the conditions precedent are satisfied or waived under the definitive documents (in which case the Outstanding Amounts will be set off against amounts required to be paid by SQMA under the definitive documents);
 - (iii) the date which is 5 business days after the date on which the definitive documents are terminated due to the conditions precedent not being satisfied or waived (being a maximum period of two and a half years from 11 September 2017) (**Condition Precedent Termination Date**); and
 - (iv) the date which is 5 business days after the definitive agreements are otherwise terminated (**Termination Date**).
- (e) The Convertible Loan Agreement contains usual provisions for an agreement of this kind, including a number of events of default (**Events of Default**) which entitle SQMA to accelerate payment of the Outstanding Amounts.
- (f) The Convertible Loan Agreement provides that SQMA:
 - (i) may, 5 business days after the Termination Date or upon the occurrence of an Event of Default, convert the Outstanding Amounts into fully paid ordinary shares in the Company; and
 - (ii) must, within 5 business days of the Condition Precedent Termination Date, convert the Outstanding Amounts into fully paid ordinary shares in the Company (unless the Company and SQMA agree otherwise).
- (g) Under the Convertible Loan Agreement, the conversion price is \$0.6782; and
- (h) Upon conversion, any Shares issued will be treated as fully paid and will rank equally with all other Shares on issue.

Further Information

Listing Rule 7.3 requires the following information to be provided to shareholders for the purposes of obtaining shareholder approval under Listing Rule 7.1:

- (a) It is not possible to definitively calculate the maximum number of shares that may be issued under the Convertible Loan Agreement as the number of shares will depend on the prevailing AUD/USD exchange rate and the amount actually drawn down under the Convertible Loan Agreement. However, the number of shares in the Company that will be issued under the Convertible Loan Agreement may be determined by the following formula:

$$A = \frac{B \times C}{D}$$

Where:

A is the maximum number of shares

B is the Outstanding Amount as at the conversion date.

C is the USD/AUD exchange rate on the day of any conversion.

D is 0.6782.

The following table provides an example of the maximum number of Shares that may be issued based on:

1. the assumption that the Convertible Loan Agreement is fully drawn on the day on which shareholder approval is obtained and that the conditions precedent under the definitive documents are not satisfied prior to the Condition Precedent Termination Date (giving an amount outstanding, being principal and accrued interest, of USD25,172,667); and
2. different USD/AUD exchanges rates:

	B	C	D	A
Example	Outstanding Amount USD	Exchange Rate USD/AUD	Conversion Price	Maximum No. of shares
1	25,172,667	1.15	0.6782	42,684,410
2	25,172,667	1.25	0.6782	46,459,555
3	25,172,667	1.35	0.6782	50,176,319

- (b) The Company has already entered into the Convertible Loan Agreement. There will be a further issue of a "convertible security" for the purposes of Listing Rule 7.1 on the day that shareholder approval is obtained and the Company becomes entitled to draw further amounts under the Convertible Loan Agreement;
- (c) The issue price of the securities on conversion is AUD0.6782 (67.82 cents);
- (d) Shares issued on conversion of the Convertible Loan Agreement will be issued to SQMA;
- (e) The shares will rank pari-passu with all other ordinary shares in the Company;
- (f) The shares will be issued in satisfaction of the Company's obligation to repay Outstanding Amounts under the Convertible Loan Agreement. No additional funds will be raised from the issue; and
- (g) As noted above, the issue date of the Convertible Loan Agreement for the purposes of Listing Rule 7.1 will be the date of shareholder approval.

Board Recommendation

The Board unanimously recommends that shareholders vote in favour of the approval of the Convertible Loan Agreement. Each Director intends to vote, or procure the voting of, any shares held by or on behalf of that Director in favour of the resolution. The Chairman of the meeting intends to vote undirected proxies in favour of the resolution.

Voting Exclusions

The Company will disregard any votes cast on this Resolution by SQMA, any associates of SQMA and any person who may obtain a benefit if the Resolution is passed.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8: Increase in Aggregate Non-Executive Director Remuneration

The Company seeks shareholder approval to increase the maximum aggregate fees paid to non-executives of the Board from \$300,000 to \$500,000 per annum. Shareholder approval is sought under clause 8.3 of the Constitution and ASX Listing Rule 10.17.

The Board considers it appropriate to increase the Maximum Fees Cap, to take account of:

- (a) The Board recently appointing an additional Non-Executive Director to provide additional skills and expertise;
- (b) The continuing increase in size and scale of operations of the Company;
- (c) The potential to increase the number of board members from four to five, reflecting the future requirements of the Company;
- (d) The need to enable incremental increases in Non-Executive Director remuneration as required over time; and
- (e) The need for appropriate succession planning.

It is imperative that the Company remains able in the future to attract and retain Non-Executive Directors with the appropriate experience, expertise, skills and diversity to oversee the Company's business and strategic direction. An increased Maximum Fees Cap will assist to achieve this and will also provide the Company with sufficient flexibility to make appropriate appointments to the Board if suitable candidates are identified.

Shareholders should also note that, if the proposed new Maximum Fees Cap is approved, it will not necessarily represent the full sum paid to Non-Executive Directors each financial year. The Company will in future continue to set the actual level of remuneration of its Non-Executive Directors within the Maximum Fees Cap, having regard to independent external advice, market practice, Board performance and other appropriate factors.

The remuneration of each Non-Executive Director for the financial year ended 30 June 2017 is detailed in the Annual Report.

As required by ASX Listing Rule 10.17, no securities have been issued to the Company's Non-Executive Directors under ASX Listing Rule 10.11 or 10.14 within the preceding three years.

Board Recommendation

Given their interest in the outcome of this resolution, the Board does not make any recommendation on how Shareholders vote in respect of Resolution 8.

Voting Exclusions

The Company will disregard any votes cast on this resolution by any Director and any of their associates.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or by the Chairman of the meeting as proxy for a person who is entitled to vote and does not specify the way the proxy is to vote.

Further, a member of the Key Management Personnel and their closely related parties who are appointed proxy will not vote on this resolution unless the appointment specifies the way the proxy is to vote on the resolution or the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

SPECIAL BUSINESS

Resolution 9: Renewal of Proportional Takeover Bid Provision in the Constitution

Rule 6 of the Company's Constitution contains provisions dealing with shareholder approval requirements if there was to be any proportional takeover bids for the Company's securities (**Proportional Bid Provisions**).

A "proportional takeover bid" means an off-market bid for a specified proportion of the Company's securities held by each shareholder in a class for which a takeover bid has been made. It is not a bid for all securities held by all members of that class, only part of the securities each holds.

Part 6.5 Subdivision 5C of the Corporations Act provides that these Proportional Bid Provisions cease to apply at the end of 3 years from their adoption (or last renewal), but that they may be renewed by special resolution of the Company's shareholders. The Board believes it is appropriate that the Proportional Bid Provisions of the Company's Constitution (Rule 6) be renewed.

In seeking approval for the renewal of the Proportional Bid Provisions, the Corporations Act requires the below information to be provided to its shareholders.

Effect of provisions proposed to be renewed

Rule 6 of the Constitution provides that the Company is prohibited from registering any transfer of securities giving effect to a contract of sale pursuant to a proportional takeover bid unless and until after the proposed transfer has been approved by the Company's shareholders at a general meeting (**Approving Resolution**). The person making the offer for the securities (**Offeror**) (and their associates) cannot vote on the Approving Resolution and the Approving Resolution requires the approval of more than 50% of members who are entitled to vote at that meeting.

Rule 6 also provides that:

- (a) A prescribed resolution is to be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one half, and otherwise is to be taken to have been rejected.
- (b) If a prescribed resolution to approve a proportional takeover scheme has not been voted on in accordance with this rule 6.3 before the relevant day, a prescribed resolution to approve the proportional takeover scheme will be taken to have been passed in accordance with this rule 6.3 on the relevant day.

Reason for the resolution

Rule 6 of the Constitution is required to be renewed as more than 3 years have passed since the last renewal of the Constitution. Section 648(G)(1) of the Corporations Act provides that Proportional Bid Provisions such as provided in Rule 6 cease to apply at the end of 3 years from their adoption (or their last renewal). Section 648(G)(4) enables the Company's shareholders to approve a renewal of Proportional Bid Provisions.

The Directors believe that the members should continue to have the choice of considering whether to accept a bid for what might become control of the Company without the members having the opportunity to dispose of all of their securities (rather than just some of their securities, as would be the case under a proportional takeover bid). To preserve this choice, Rule 6 needs to be renewed. If Rule 6 is renewed and any proportional takeover bid (if any) is subsequently approved by shareholders, each shareholder will still have the right to make a separate decision whether that member wishes to accept the (proportional takeover) bid for their own securities.

Awareness of current acquisition proposals

As at the date of these Explanatory Notes, none of the Directors are aware of any proposal for any person to acquire (or increase the extent of) a substantial interest in the Company from its current level.

Advantages and disadvantages of the Proportional Bid Provisions since last renewed

As there have been no takeover bids made for any of the securities in the Company since the last renewal of the Proportional Bid Provisions, there has been no application of Rule 6. It may be argued that the potential advantages and disadvantages described below have also applied for the period since adoption of Rule 6.

Potential advantages and disadvantages of the proposed resolution for both directors and shareholders

An advantage to the directors of renewing the Proportional Bid Provisions is that the Board will be able to assess the member's acceptance or otherwise of a proportional takeover bid should one be made.

As stated above, renewing Rule 6 provides the members with the choice of considering whether to accept a bid for what might become control of the Company without the members having the opportunity to dispose of all of their securities (rather than just some of their securities, as would be the case under a proportional takeover bid). If Rule 6 is not renewed, members will not have this opportunity.

On the other hand, it may be argued that the renewal of Rule 6 may make proportional takeover bids more difficult to succeed and therefore effectively discourage proportional takeover bids being made and reduce the freedom for members to sell some of their securities.

Board Recommendation

Balancing the above advantages and disadvantages, the Board is of the view that the advantages of renewing the Proportional Bid Provisions outweigh any disadvantages and unanimously recommend the renewal. Accordingly, Shareholder approval is sought pursuant to this Resolution. The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving this Resolution.

Voting Exclusions

There are no voting exclusions on this Resolution.

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

“\$” means Australian Dollars;

“**Annual Report**” means the Directors’ Report, the Financial Report, and Auditor’s Report, in respect to the year ended 30 June 2017;

“**ASX**” means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires;

“**ASX Settlement Operating Rules**” means the rules of ASX Settlement Pty Ltd which apply while the Company is an issuer of CHESS approved securities;

“**Auditor’s Report**” means the auditor’s report on the Financial Report;

“**AEDT**” means Australian Eastern Daylight Time.

“**Board**” means the Directors acting as the board of Directors of the Company;

“**Chairman**” means the person appointed to chair the Meeting of the Company convened by the Notice;

“**CHESS**” has the meaning in Section 2 of the ASX Settlement Operating Rules;

“**Closely Related Party**” means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

“**Company**” means Kidman Resources Limited ACN 143 526 096;

“**Constitution**” means the constitution of the Company as at the date of the Meeting;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Director**” means a Director of the Company;

“**Directors’ Report**” means the annual directors’ report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

“**Equity Security**” has the same meaning as in the Listing Rules;

“**Explanatory Memorandum**” means the explanatory memorandum which forms part of the Notice;

“**Financial Report**” means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

“**Key Management Personnel**” means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

“**Listing Rules**” means the Listing Rules of the ASX;

“**Meeting**” has the meaning given in the introductory paragraph of the Notice;

“**Notice**” means the Notice of Meeting accompanying this Explanatory Statement;

“**Proxy Form**” means the proxy form attached to the Notice;

“**Remuneration Report**” means the remuneration report which forms part of the Directors’ Report of Kidman Resources Limited for the financial year ended 30 June 2017 and which is set out in the 2017 Annual Report.

“**Resolution**” means a resolution referred to in the Notice;

“**Share**” means a fully paid ordinary share in the capital of the Company; and

“**Shareholder**” means shareholder of the Company.

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9.00am (AEDT) on Wednesday 8 November 2017.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** www.votingonline.com.au/kdragm2017
- 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

TO VOTE BY COMPLETING THE 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. 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 securityholder of the company. Do not write the name of the issuer company or the registered securityholder 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 securities 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 securities 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.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any 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 a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

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. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **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 **9.00am (AEDT) on Wednesday 8 November 2017.** 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/kdragm2017
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Kidman Resources Limited

ACN 143 526 096

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. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities 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 securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **RACV Club, Level 2, Club Pavilion, 501 Bourke Street, Melbourne Victoria 3000 on Friday 10 November 2017 at 9.00am (AEDT)** 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.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

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 required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Peter Lester as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr David Southam as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Convertible Loan Agreement with SQM Australia Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Increase in Aggregate Non-executive Director Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Renewal of Proportional Takeover Bid Provision in the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2017