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Agreement reached on sale of S. Kidman & Co Ltd

Hancock Prospecting Pty Ltd, Shanghai CRED Real Estate Stock Co Ltd and S. Kidman & Co Ltd (Kidman) are pleased to announce that they have today entered into a Bid Implementation Agreement (BIA) under which a joint venture company Australian Outback Beef Pty Ltd (AOB) owned 67% by Hancock and 33% by Shanghai CRED has committed to make a takeover offer to acquire 100% of the shares of Kidman (Offer).

The Offer is conditional on, amongst other things:

- the transaction being permitted to proceed in its current form under Australia's foreign investment regime and is subject to People's Republic of China (PRC) government approvals; and
- completion of the divestment of the Anna Creek station and the Peake by Kidman to other Australian grazing interests. The proceeds from the sale of Anna Creek and the Peake will be paid to Kidman and retained in the company for the benefit of AOB, effectively reducing the "net price" being paid by AOB for the remaining Kidman portfolio to approximately \$365M.

A full list of the bid conditions is attached to this announcement.

Chairman of the Hancock group Mrs Gina Rinehart said she was pleased to have the opportunity to invest further in Australia's cattle holdings through the acquisition of the Kidman stations and was looking forward to working with the Kidman management and staff to grow and develop the operations.

"Kidman is an iconic cattle business established more than a century ago by Sir Sidney Kidman. It is an operation founded on hard work and perseverance by an outstanding Australian, and is an important part of Australia's pioneering and entrepreneurial history," Mrs Rinehart said.

Garry Korte, CEO of Hancock said, "The quality of the Kidman herd and channel country properties complement Hancock's existing northern cattle properties, and align well with Mrs Rinehart's plans to build a diversified cattle holding in Australia, taking advantage of integration opportunities."

The Hancock family started their first cattle station in North West Australia, and founded the first port in the area at Cossack on the West Pilbara Coast to enable the cattle trade. Since then Mrs Rinehart has extensively grown the Hancock portfolio of cattle stations.

Principal of Shanghai CRED Mr Gui Guojie said that partnering with leading local business Hancock had already proved to be a productive approach and that he looked forward to having the opportunity to work with Hancock through the Kidman investment.

Chairman of Kidman John Crosby welcomed the signing of the BIA and said Kidman shareholders were pleased that an agreement had now been signed with the highly respected Australian business Hancock, working together with Shanghai CRED.

"We welcome the significant investment proposed in addition to the purchase price and are confident that the Kidman business will be in good hands", Mr Crosby said.

More than 600 interested parties have held discussions with sale manager Ernst & Young since the iconic Kidman landholding went on sale almost 18 months ago.

S. Kidman & Co Ltd is one of Australia's largest beef producers, with an average herd carrying capacity of 185,000 cattle. The company has pastoral leases covering 101,000 square kilometres across South Australia, Western Australia, Northern Territory, and Queensland.



Within Kidman's property portfolio there are 19 individual properties operated as 12 enterprises, being ten cattle stations, a bull breeding stud farm and a feedlot.

Should the transaction proceed to completion then the level of foreign ownership of S. Kidman & Co will reduce from the existing level of 33.9% currently foreign owned.

Exclusivity, Matching Right, Break Fee and Escrow

Kidman and AOB have agreed to exclusivity arrangements and a matching right for the benefit of AOB in relation to the Offer. The BIA also provides that Kidman must pay AOB a 'break fee' (being equal to \$3,800,000) in certain circumstances.

Within 5 business days of signing the BIA, AOB must pay an 'escrow amount' (being equal to \$3,800,000) to an escrow agent / stakeholder. The BIA sets out the particular circumstances when Kidman is entitled to the escrow amount (and any interest earned on that sum), but otherwise AOB will be entitled to it.

Offer conditions

The Offer is subject to a number of conditions (see annexure). These conditions include:

- a) a minimum acceptance condition of 90%;
- b) obtaining certain regulatory approvals in Western Australia, Northern Territory and South Australia in relation to the change of control of certain pastoral leases;
- c) the Treasurer has no objection, or is precluded from exercising power, under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in relation to the acquisition by AOB of the shares in Kidman;
- d) obtaining certain PRC regulatory approvals;
- e) completion of the divestment of the Anna Creek station by Kidman;
- f) no 'superior proposal' being received by Kidman that is recommended by the majority of the Kidman board of directors; and
- g) no 'material adverse change' in relation to Kidman.

AOB intends to declare the Offer unconditional when the last of the Offer conditions referred to in items (a) to (e) above is satisfied or waived, provided that none of the remaining Offer conditions is incapable of satisfaction at that time.

Full particulars of the Offer will be provided in the Bidders' Statement and Target's Statement along with an independent expert's report.

The Kidman board is now awaiting the Independent Expert's Report on the cash Offer and will meet shortly to consider the Target's Statement.

**Media Contacts: Lucy Broad, Cox Inall Communications (for Kidman), 0408 028 809
Sophie Mirabella, Hancock Prospecting, 0439 030 608**



ANNEXURE - OFFER CONDITIONS

a) Minimum acceptance condition

That during or at the end of the Offer Period, Bidder has a Relevant Interest in at least 90% (by number) of all Kidman Shares.

b) Australian regulatory approvals

Before the end of the Offer Period, the following WA, SA and NT approvals are obtained:

i) WA approval

Western Australian Minister for Lands – Ministerial approval under the *Land Administration Act 1997* (WA) to the acquisition of all of the Kidman Shares by Bidder in respect of the Ruby Plains Pastoral Lease (Lease N049918) and the Sturt Creek Pastoral Lease (Lease N049928) (either unconditionally or on conditions that are reasonably acceptable to Bidder).

ii) SA approval

South Australian Minister for Sustainability, Environment and Conservation – approval under the terms of the Innamincka Lease (Crown Lease 1625/52) in respect of that Lease and under section 30(1)(a) of the *Pastoral Land Management and Conservation Act 1989* (SA) in respect of the Macumba Lease (Crown Lease 1607/55) (either unconditionally or on conditions that are reasonably acceptable to Bidder).

iii) NT approval

Northern Territory Minister for Land Resource Management - approval under section 34 of the *Pastoral Land Act* (NT) in respect of the Banka Banka East Lease (Perpetual Pastoral Lease 01204), the Brunchilly Lease (Perpetual Pastoral Lease 00945) and the Helen Springs Lease (Perpetual Pastoral Lease 01001) (either unconditionally or on conditions that are reasonably acceptable to Bidder).

iv) Foreign investment approval

Before the end of the Offer Period, one of the following occurs:

- A) Bidder receives written notice issued by or on behalf of the Treasurer of Australia stating that there are no objections under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (FATA) or the Australian Government's foreign investment policy to the acquisition by Bidder of all of the Kidman Shares under the Offer (either unconditionally or on conditions that are reasonably acceptable to the Bidder); or
- B) the Treasurer of Australia becomes precluded from exercising any power to make an order under FATA in relation to the acquisition by Bidder of all of the Kidman Shares under the Offer.



c) PRC regulatory approvals

i) NDRC approval

Before the end of the Offer Period, Shanghai CRED receives all Approvals required from the PRC National Development and Reform Commission (or its relevant local branch) for or in relation to the acquisition by Bidder of all of the Kidman Shares under the Takeover Bid, including payment of moneys under the Shareholders Agreement relating to Bidder to enable the consideration to be paid under the Takeover Bid.

ii) MOFCOM approval

Before the end of the Offer Period, Shanghai CRED receives all Approvals required from the PRC Ministry of Commerce (or its relevant local branch) for or in relation to the acquisition by Bidder of all of the Kidman Shares under the Takeover Bid, including payment of moneys under the Shareholders Agreement relating to Bidder to enable the consideration to be paid under the Takeover Bid.

iii) SAFE approval

Before the end of the Offer Period, Shanghai CRED receives all Approvals required from the PRC State Administration of Foreign Exchange (SAFE) (or its relevant local branch) for or in relation to the acquisition by Bidder of all of the Kidman Shares under the Takeover Bid, including payment of moneys under the Shareholders Agreement relating to Bidder to enable the consideration to be paid under the Takeover Bid.

d) No prescribed occurrences

That during the period between the Announcement Date and the end of the Offer Period (each inclusive), none of the following events occurs:

i) Kidman converts all or any of its shares into a larger or smaller number of shares;

ii) Kidman resolves to reduce its share capital in any way;

iii) Kidman:

A) enters into a buy back agreement; or

B) resolves to approve the terms of a buy back agreement under section 257C(1) or section 257D(1) of the Corporations Act;

iv) Kidman issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;

v) Kidman issues, or agrees to issue, convertible notes;

vi) Kidman disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property (other than in connection with the Anna Creek Restructure);



- vii) Kidman grants, or agrees to grant, a Security Interest in the whole, or a substantial part, of its business or property;
 - viii) Kidman resolves to be wound up;
 - ix) a liquidator or provisional liquidator of Kidman is appointed;
 - x) a court makes an order for winding up of Kidman;
 - xi) an administrator of Kidman is appointed under section 436A, section 436b or section 436C of the Corporations Act;
 - xii) Kidman executes a deed of company arrangement; or
 - xiii) a Controller is appointed in relation to the whole, or a substantial part, of the property of Kidman.
- e) No action by Government Agency adversely affecting the Takeover Bid

During the period between the Announcement Date and the end of the Offer Period (each inclusive):

- i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- ii) no action or investigation is instituted, or threatened by any Government Agency; or
- iii) no application is made to any Government Agency (other than an application by Bidder or any company within the Bidder Group, an application under section 657C of the Corporations Act, or an application commenced by a person specified in section 659B of the Corporations Act in relation to the Takeover Bid),

in consequence of, or in conjunction with, the Takeover Bid, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely, impact upon, the making of the Takeover Bid or the objectives of the Takeover Bid or seeks to require the divestiture by Bidder of any Kidman Shares, or the divestiture of any assets of Kidman other than a divestment of Anna Creek Station in accordance with the Anna Creek Restructure.

- f) No material acquisitions, disposals, etc.

Other than in connection with the Anna Creek Restructure and except for any proposed transaction publicly announced by Kidman on or before the Announcement Date and any transaction undertaken by Kidman in its ordinary course of business, none of the following events occur during the period between the date of this document and the end of the Offer Period (each inclusive) unless Bidder has consented in writing:

- i) Kidman acquires, offers to acquire or agrees to acquire one or more companies or assets (including livestock) (or an interest in one or more companies or assets) for an amount in aggregate greater than \$5 million or makes an announcement in relation to such an acquisition;



- ii) Kidman disposes, offers to dispose or agrees to dispose of one or more companies or assets (including livestock) (or an interest in one or more companies or assets) for an amount in aggregate greater than \$5 million or makes an announcement in relation to such a disposal;
- iii) Kidman enters into, offers to enter into or announces that it proposes to enter into any joint venture, asset or profit sharing arrangement, alliance, amalgamation, merger of businesses or corporate entities, or partnership, involving a commitment of, or assets having a value, greater than \$5 million or makes an announcement in relation to such a commitment; or
- iv) Kidman incurs or commits to, or grants to another person a right, the exercise of which would involve Kidman incurring or committing to any capital expenditure or other liability of any nature (whether conditional or otherwise) in respect of one or more related items of greater than \$5 million or where the duration of the commitment exceeds one year or makes an announcement in relation to such a commitment.

g) No dividends

That during the period between the Announcement Date and the end of the Offer Period (each inclusive), Kidman must not declare or pay any dividend.

h) No Superior Proposal

No Superior Proposal being received by Kidman that is recommended by a majority of the Kidman Board.

i) Conduct of Business

That during the period between the Announcement Date and the end of the Offer Period (each inclusive), Kidman must not without Bidder's prior written consent:

- i) other than to renew the provisions set out in clause 103 of its constitution, amend its constitution; or
- ii) other than in accordance with the Retention Bonus Regime or in connection with the Anna Creek Restructure, enter or agree to enter into any contract of service or vary or agree to vary any existing contract of service with any director or manager, or pay or agree to pay any retirement benefit or allowance to any director, manager or former manager, or make or agree to make any substantial change in the basis of remuneration of any director or manager (except as required by law).

j) Anna Creek Restructure

The Anna Creek Restructure is completed in accordance with the:

- i) business asset sale agreement and land sale agreement referred to in clause 5 of the Call and Put Option Deed set out in Annexure A; or
- ii) terms of the business asset sale agreement and land sale agreement entered into with WPH both dated 23 March 2016 (as amended).



k) No Material Adverse Change in relation to Kidman

That during the period between the Announcement Date and the end of the Offer Period (each inclusive), there is no Material Adverse Change in relation to Kidman.