# KIDMAN RESOURCES LIMITED
# ABN 88 143 526 096

# ANNUAL REPORT – 30 JUNE 2017

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|---|---|
| Directors | Mr Peter Lester (Independent Non-Executive Chairman)<br>Mr Martin Donohue (Managing Director)<br>Mr Brad Evans (Non-Executive Director)<br>Mr David Southam (Non-Executive Director appointed 24 July 2017) |
| Chief Financial Officer | Mr Jason Eveleigh |
| Company secretaries | Ms Melanie Leydin<br>Mr Justin Mouchacca |
| Registered office | Level 4, 100 Albert Road<br>South Melbourne, VIC 3205<br>Ph: (03) 9692 7222<br>Fax: (03) 9077 9233 |
| Principal place of business | Suite 1, Level 7<br>24-28 Collins Street<br>Melbourne VIC 3000 |
| Share register | Boardroom Pty Ltd<br>Level 12, 225 George Street<br>Sydney NSW 2000<br>Ph: (02) 9290 9600 |
| Auditor | Grant Thornton Audit Pty Ltd<br>The Rialto<br>Level 30, 525 Collins Street<br>Melbourne VIC 3000 |
| Stock exchange listing | Kidman Resources Limited shares are listed on the Australian Securities Exchange (ASX codes: Shares: KDR and Listed Options: KDRO) |
| Website | www.kidmanresources.com.au |
| Corporate Governance Statement | The Company's 2017 Corporate Governance Statement has been released to ASX on 28 September 2017 and is available on the Company's website. |

Dear Shareholder

The past year has been one of very substantial transformation for Kidman Resources (**Kidman**) and saw your company lay the foundations for the large Mt Holland lithium project.

The Mt Holland development Joint Venture (**JV**) with Sociedad Quimica y Minera de Chile (**SQM**), announced in July 2017 and executed in September 2017, has the potential to enable Kidman to become the only ASX-listed company with a vertically integrated lithium mine-to-refinery operation in Australia. Although the Joint Venture was announced post the end of financial year, significant work on the JV commenced prior to the financial year end, and was facilitated by our success in discovering the world-class Earl Grey lithium deposit at Mt Holland.

Having discovered $Li_2O$-bearing spodumene in the old Earl Grey mining area at Mt Holland in May 2016, Kidman's primary focus for the past year was to confirm the potential for a Company-defining deposit. A disciplined drilling campaign allowed Kidman in December 2016 to announce a maiden combined Mineral Resource for Earl Grey of 128Mt at 1.44% $Li_2O$ for 1.84Mt lithium oxide. Our discovery sparked wide interest in Kidman and prompted the Board and management to assess the best strategy to develop this asset. After researching and conducting substantial due diligence on many alternative structures, clearly SQM was the stand-out partner for the Company, having both the experience and commitment to assist in driving the development of our project.

While lithium has emerged as a commodity in high demand, few have managed to secure a resource of the size and quality of Earl Grey. The extraordinary change in sentiment towards electric and hybrid vehicles by major manufacturers has seen many announcing strategies to move all or majority production to these vehicles within a few years. Earl Grey has positioned your Company to benefit from the resulting global lithium-ion battery boom that is now sweeping both the mining sector and major automotive companies around the globe.

Your Board and management are dedicated to maximising shareholder value from this world-class project. We are delighted to be partnering with SQM, a company that shares our values and ambitions. Together, we will be able to advance the Mt Holland integrated lithium project to deliver sustained value for shareholders in the quickest possible timeframe with the Western Australian Government already showing strong support.

I want to note Kidman's successful defence of Marindi Metals Ltd's (**Marindi**) attempt during the past year to use the court system to challenge Kidman's ownership of Earl Grey. While Kidman was pleased with the favourable outcome delivered by Supreme Court Justice Kenneth Martin in July when he dismissed Marindi's claim, the lengthy legal battle including a three-day trial in May took up valuable management time and resources. The result and the recent order for Marindi to pay Kidman's legal costs and has in-effect, completely vindicated our position.

I want to take this opportunity to formally welcome David Southam as a non-executive director. Mr Southam, a Certified Practicing Accountant with more than 20 years' experience across the resources and industrial sectors, is an executive director at Western Areas, a 5.2% shareholder in Kidman. Mr Southam joined in July and has already made a positive contribution to the Kidman boardroom.

Finally, I would like to acknowledge our small management team and staff for their tremendous efforts and considerable success in spite of the hurdles this past year, and our shareholders for your continued support of Kidman. We look forward to an exciting year of growth in 2017/18.

Peter Lester
Chairman

**Highlights:**

- Discovery of the world class Earl Grey lithium deposit containing 128Mt at 1.44% $Li_2O$ for 1.84Mt lithium oxide (4.54 Mt Lithium Carbonate Equivalent) (see ASX Announcement 14 December 2016);
- Metallurgical test work combining gravity and flotation to produce a consistent, high quality concentrate and improve recovery currently in progress;
- Technical studies into the zonation and mineralisation models for the Earl Grey pegmatite orebody continued to support ongoing metallurgical and mine planning studies;
- Baseline environmental studies to underpin the studies for the Earl Grey Lithium project continue;
- Referral Document prepared and submitted to the Commonwealth Department of Energy and Environment and the Western Australian Environmental Protection Authority;
- Two exploration licences were acquired immediately adjacent to the Earl Grey lithium deposit acquired from Western Areas for exploration and infrastructure purposes;
- Lithium rights through an exploration earn-in agreement with Western Areas on nineteen additional tenements within the highly prospective greenstone belt that hosts the Earl Grey Lithium deposit;
- Significant new gold results returned from the first stage of drilling at Darjeeling, designed to target both the down-dip extent of the Earl Grey Pegmatite and to define the gold mineralisation that sits above Earl Grey in the hangingwall (see ASX Announcement 24 April 2017);
- In-fill drilling continued at the Blue Vein deposit confirming the continuity of the mineralisation and demonstrating strong potential for a future pit cut-back and underground development (see ASX Announcement 24th April 2017);
- Kidman successfully defended the ownership of its lithium rights at Mt Holland against Marindi Metals Ltd. The matter was heard in WA Supreme Court by Justice Kenneth Martin;
- Marindi advised the Australian Stock Exchange on 27 July 2017 that it won’t pursue an appeal and Justice Martin in September awarded costs in favour of Kidman in September 2017; and
- Execution of a binding letter agreement with SQM setting out the broad terms of a joint venture to develop and operate the Mt Holland Lithium Project (see ASX Announcement 12 July 2017):
    - In consideration for the acquisition of a 50% joint venture interest in the Project, SQM will make an initial cash payment of US$30 million to the Company and will commit to sole funding an amount of US$80 million in respect of the development of the Project;
    - As an advance of the joint venture funding (and pending satisfaction of conditions precedent), SQM will provide a US$21.5 million convertible loan facility to the Company; and
    - Kidman will have an option to participate for up to a 50% interest in a proposed refinery to produce lithium carbonate/hydroxide in Western Australia.

## MT HOLLAND (Lithium)

Following a review of the lithium potential of the Mt Holland tenement package, Earl Grey lithium pegmatite was discovered in mid-July of 2016. The deposit was extensively drilled during late 2016, and a Resource Estimate released in the December Quarter of 2016. Further mineralogical, metallurgical, mining engineering, geotechnical, and environmental work progressed during 2016/17 and will continue to gain momentum into 2017/18 with the support of SQM’s processing and project development expertise. The Company’s goal remains to commence production as soon as possible and take advantage of its early mover position.

### Resource

During the December quarter of 2016, Kidman announced the maiden Mineral Resource estimate for its Earl Grey Lithium deposit of **128Mt at 1.44% $Li_2O$ for 1.84Mt lithium oxide (4.54 Mt Lithium Carbonate Equivalent),** establishing the Earl Grey lithium deposit as a World Class lithium resource (see ASX Announcement 14 December 2016). The Earl Grey deposit is the first lithium pegmatite drilled by Kidman within its larger Mt Holland Project area in the Forrestania Greenstone Belt near Southern Cross in WA, which is quickly evolving into a new lithium province. The Mineral Resource is based on an area measuring 1.4km by 900m, and has very significant growth potential yet to be fully explored based on high grade drill results outside of the resource boundary.

| Mineral Resource Estimate for the Earl Grey Deposit - December, 2016 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Domain | $Li_2O$ Cut-Off | Indicated | | | Inferred | | | Indicated and Inferred | | |
| | | Tonnes | $Li_2O$% | $Li_2O$ Tonnes | Tonnes | $Li_2O$% | $Li_2O$ Tonnes | Tonnes | $Li_2O$% | $Li_2O$ Tonnes |
| HW lode | 0.5% | - | - | - | 7,700,000 | 1.40 | 108,000 | 7,700,000 | 1.40 | 108,000 |
| Main Lode | 0.5% | 78,500,000 | 1.44 | 1,130,000 | 35,000,000 | 1.46 | 512,000 | 113,500,000 | 1.45 | 1,642,000 |
| FW Lode | 0.5% | - | - | - | 6,800,000 | 1.32 | 90,000 | 6,800,000 | 1.32 | 90,000 |
| Total | | 78,500,000 | 1.44 | 1,130,000 | 49,500,000 | 1.43 | 709,000 | 128,000,000 | 1.44 | 1,839,000 |
| **The preceding statements of Mineral Resources conforms to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.** | | | | | | | | | | |

Table 1: Mineral Resource Estimate for the Earl Grey Deposit – December 2016

Importantly, Kidman has intersected lithium-bearing pegmatite at high grades over substantial widths up to 600m immediately beyond the northern boundary of the current Resource, providing significant scope for future growth in resources as drilling continues to delineate the deposit. This underpins an additional **Exploration Target of 75-100 million tonnes at 1.3-1.5 % $Li_2O$** (see ASX Announcement 14 December 2016).

*The Exploration Target potential quantities and grades are conceptual in nature and there has been insufficient exploration to date to define a mineral resource. It is not certain that further exploration will result in the determination of a Mineral Resource under the "Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012). The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve*

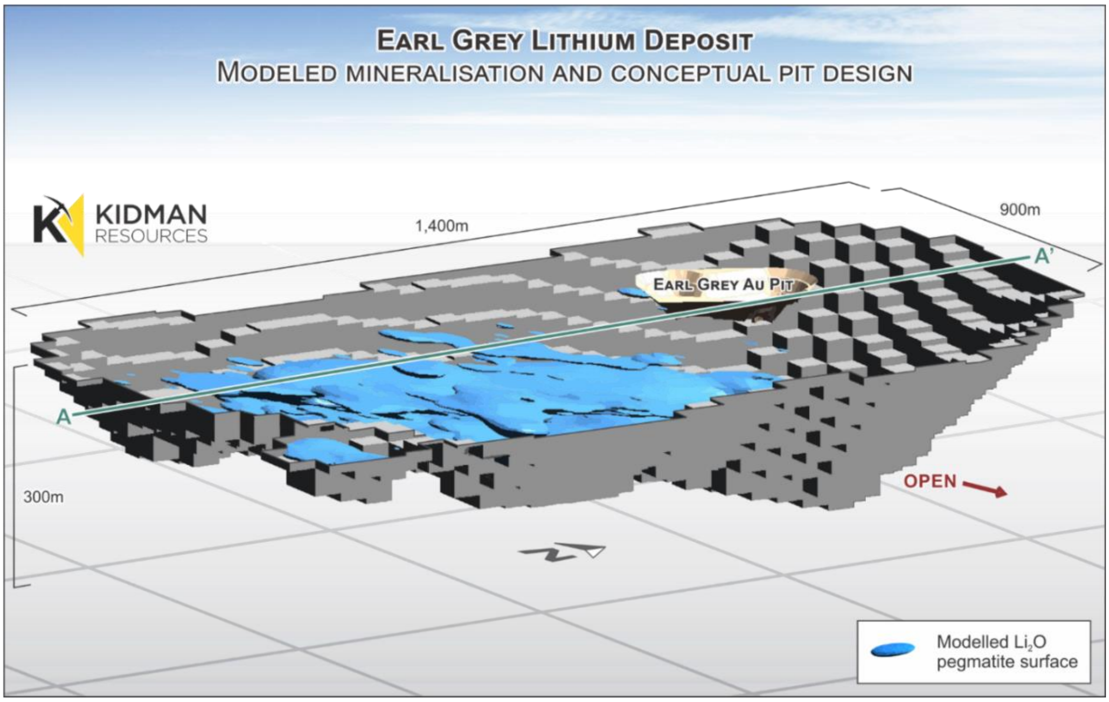


Figure 1: Oblique View of Earl Grey Lithium Bearing pegmatite viewed toward the NE

## Mineralogy

A systematic and ongoing programme of semi-quantitative X-ray diffraction (XRD) analysis was undertaken to aid in mapping the distribution of the two most common lithium aluminosilicate minerals at Earl Grey, being spodumene ($LiAlSi_2O_6$) and petalite ($LiAlSi_4O_{10}$). The results of this analysis confirmed spodumene to be the dominant Li-aluminosilcate within the Earl Grey pegmatite. Petalite was found to be restricted to the far western margin of each pegmatite body (see Figure 2), where it co-occurs with variable amounts of spodumene. These distinct spodumene and petalite domains are not due to concentric or layered magmatic zonation as typically seen in complex pegmatites, but rather caused by variable isochemical inversion of petalite to produce spodumene-quartz intergrowth throughout most of the deposit. The Earl Grey pegmatite otherwise has a mineralogy characteristic of the albite-spodumene type of pegmatite, with a simple and relatively homogenous mineralogy consisting of albite, quartz, and microcline, with minor tourmaline and muscovite in addition to the Li-aluminosilicates.

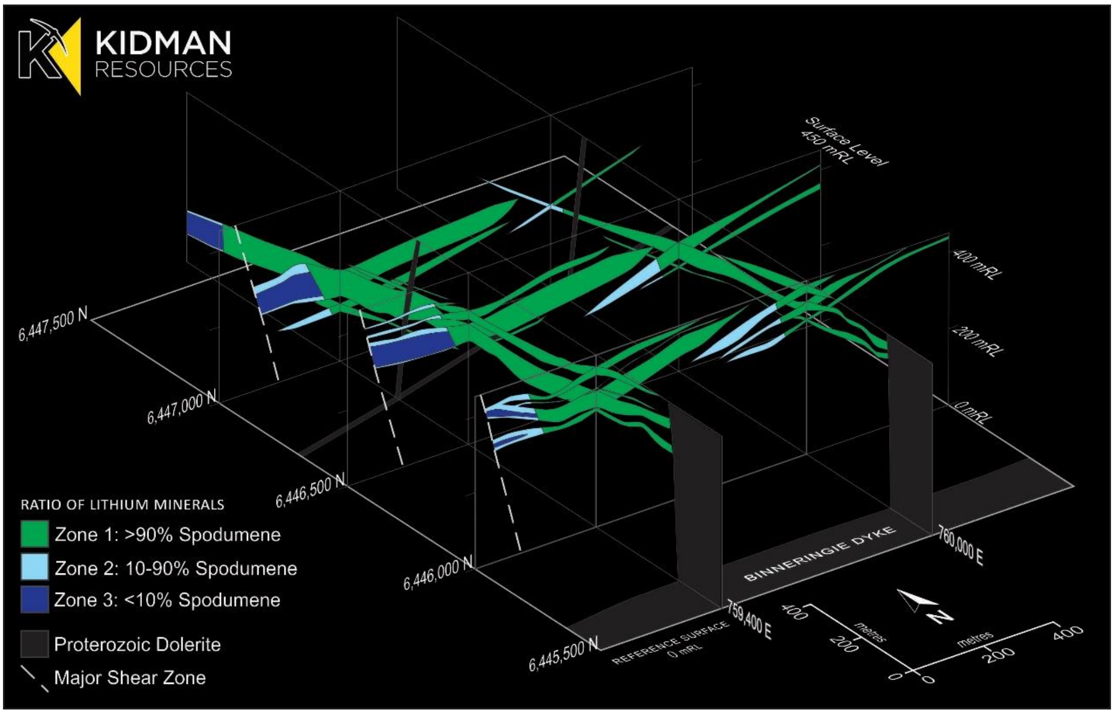


Figure 2: Composite cross section of the Earl Grey pegmatite Li-aluminosilicate mineralogy model displaying relative proportions of spodumene and petalite.

## Metallurgy

Metallurgical testwork has been ongoing since the December quarter of 2016, with the knowledge base around metallurgical performance advancing considerably during this period.

Preliminary bench scale Heavy Liquid Separation (HLS) results confirmed Earl Grey can produce marketable concentrates around 6% $Li_2O$ with some results of higher $Li_2O$. Selected intercepts from the 2017 drilling campaign have been subjected to mineralogical characterisation tests by HLS and XRD. The drill holes have been located in the southern shallower portion of the orebody, which represents approximately the first 10 years of production ("Stage 1 Development"). Over 120 samples are being tested to account for variability in the ore body. The XRD results from this work have supported the mineralogical model developed by the geological team.

A large composite sample ~ 650kg from the diamond drilling at the southern end of the resource was delivered to Nagrom laboratories in early April for further metallurgical testing. A preliminary gravity only flowsheet was tested with two stage dense media separation. First stage crushing to 10mm and then a second stage at 2mm resulted in several concentrate sample grades at plus 5.8%, however more work is required to optimise increased recovery from the middlings. Test work is ongoing and further optimisation by the addition of flotation has commenced to increase the yields and concentrate grade to consistently acceptable levels and optimise grind size and reagent use. Various flotation techniques using different design cells (column and Eriez Hydroflot cell) and also reverse flotation are methods being tested to increase concentrate grades. Preliminary work is encouraging and will be fine-tuned with the assistance of SQM's processing expertise.

Magnetic separation has also shown results with increased grades and reduced mass with very low $Li_2O$ loss.

## Environmental

Following consultation with various Decision-Making Authorities (DMA's) over a six-month period, a Referral Document was prepared and submitted to the Commonwealth Department of Energy and Environment and the Western Australian Environmental Protection Authority. The Referral Document followed extensive baseline flora and fauna studies, groundwater studies, waste characterisation, site planning to locate infrastructure and detailed waste scheduling. The data was based on the presence of protected and vulnerable species in the project area under the Commonwealth EPBC Act.

Preliminary meetings with all relevant Shires (Kondonin, Yilgarn and Dundas) have occurred.

## Project Development

An engineering and design company was engaged to produce a preliminary high-level capital and operating cost for a 1.5MTpa standalone gravity plant to be located at Mt Holland. The evaluation of the Lake Johnston processing plant (owned by Poseidon Nickel Ltd) continued with further site visits by various major equipment vendors to inspect the Larox filter press, on stream analyser system and the mill. Additionally, an evaluation of the tailings storage facility (inspection, verification of tailings capacity, development of a water management strategy) and the borefield was also undertaken. A detailed cost model was built to reflect the risks and opportunities presented by Lake Johnston being reconfigured to accept lithium ore from Mt Holland. After considering its opportunities with SQM, Kidman has since allowed the option to lapse.

Mine planning continued to focus on evaluation of a strip mining approach applied to the +100MT resource with a view to understanding the way the pit would develop over a potential 25 to 35 year time frame and the resultant waste landforms (i.e. their location, capacity and area to be affected). The work demonstrated that progressive backfilling can be utilised. More detailed planning around waste scheduling and backfilling will commence in the new financial year. Also, some preliminary pit designs were developed to outline the first phase mining area containing approximately 12 million tonnes at a grade of approximately 1.4% $Li_2O$ located at the very southern end of the known resource.

Geotechnical evaluation of the general conditions expected to be encountered in excavating an open pit was also completed. This was based on a combination of geotechnical logging, laboratory stress testing (unconfined compressive strength), mapping of the Twinings gold pits, and photographic review of ten diamond drill holes located in the initial pit area. Base case wall design parameters have been developed ranging from 38 degrees to 58 degrees (inter-ramp angles) which are generally in line with the assumed over 45-degree slope angle used in earlier optimisation work.

Following the desktop review of the hydrogeological setting of Earl Grey, fourteen existing drill holes were airlifted and flowrates estimated using a “v notch” weir. Results showed typically low permeability in the southern portion of the resource area.

New aerial photography (5cm resolution) has been obtained over 200km$^2$ at Mt Holland and this has allowed more detailed planning to address optimising the site layout to ensure that impacts on native vegetation can be minimised (due to waste dumps and potential tailings facilities) and that drainage and traffic management are carefully considered for a long term operational life of 25 to 35 years.

## Developing a new Lithium Province in Western Australia

During the March 2017 quarter, Kidman made several strategic moves to grow its presence within the Forrestania region. The Company was pleased to announce two transactions with Western Areas Ltd (ASX: WSA) which have strengthened its position. Firstly, Kidman entered into a binding agreement with Western Areas Ltd to acquire two tenements that border Kidman’s Earl Grey lithium deposit in the Forrestania greenstone belt, near Southern Cross in WA (refer Figures 3 & 4). Kidman considers the acquisition to be highly strategic as the Earl Grey pegmatite extends into at least one of these tenements (E77/2099). In addition, the tenements also cover key infrastructure such as haul roads and the nearby air strip that are likely to be utilised in the future development of the Earl Grey deposit.

Drilling undertaken by Western Areas Ltd in 2016 confirmed the continuity of mineralisation to the east of the Earl Grey pegmatite. Kidman will further define this mineralisation, which sits outside of the Exploration Target it announced at the time of its Maiden Resource in December 2016 (see ASX announcement 14 December 2016).

In addition to the significant exploration potential, it is envisaged that the two licenses acquired will provide the most suitable location for hauls roads, the proposed Earl Grey waste dump and for an enlarged ROM pad site for a stand-alone processing plant at Mt Holland.

Secondly, Kidman Resources was also pleased to announce that it had entered into an earn-in agreement with Western Areas Ltd covering 19 tenements immediately adjacent to Kidman’s world-class Earl Grey lithium deposit near Southern Cross in WA. The tenements extend throughout the northern part of the prospective Forrestania greenstone belt (refer Figure 4).

Kidman has already commenced an extensive evaluation of the district using existing regional datasets and will immediately set-about evaluating the targets identified within this new joint venture package.

Under the agreement, Kidman will earn-in on the following basis:

- Stage 1 – Kidman can earn 50% by spending A$5.0m over three years with a minimum of A$1.5m being spent in the first twelve months;
- Stage 1 – at the end of Stage 1, Western Areas has the right to co-contribute with further exploration expenditure on a 50:50 basis with Kidman;
- Stage 2 – Where Western Areas elects not to co-contribute at the end of Stage 1, Kidman may elect to spend a further A$4.0m over two years to earn 70%; and
- Western Areas is free carried to a decision to mine should Stage 2 be completed

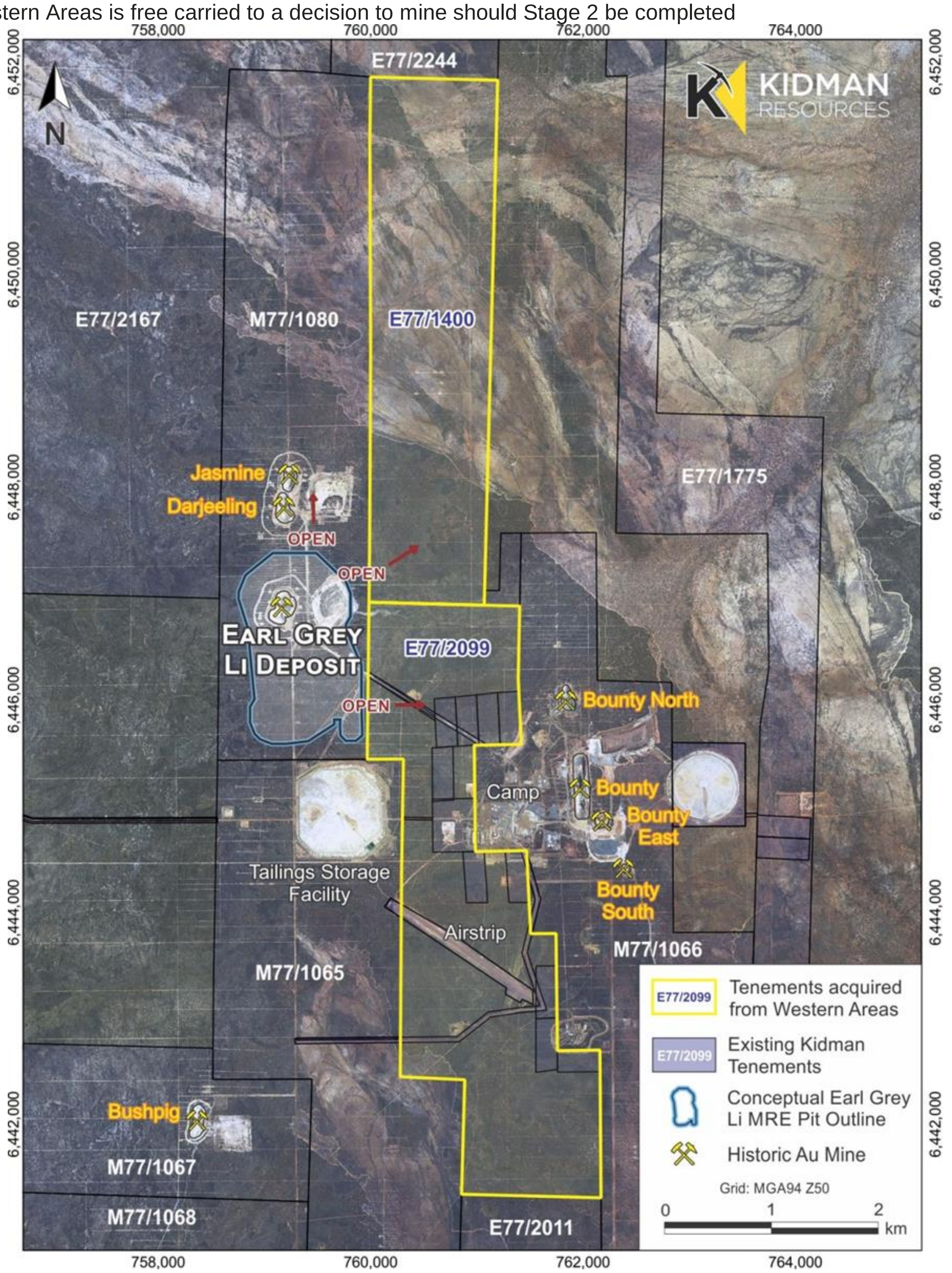


Figure 3: Newly acquired tenements from Western Areas E77/2099 and E77/1400

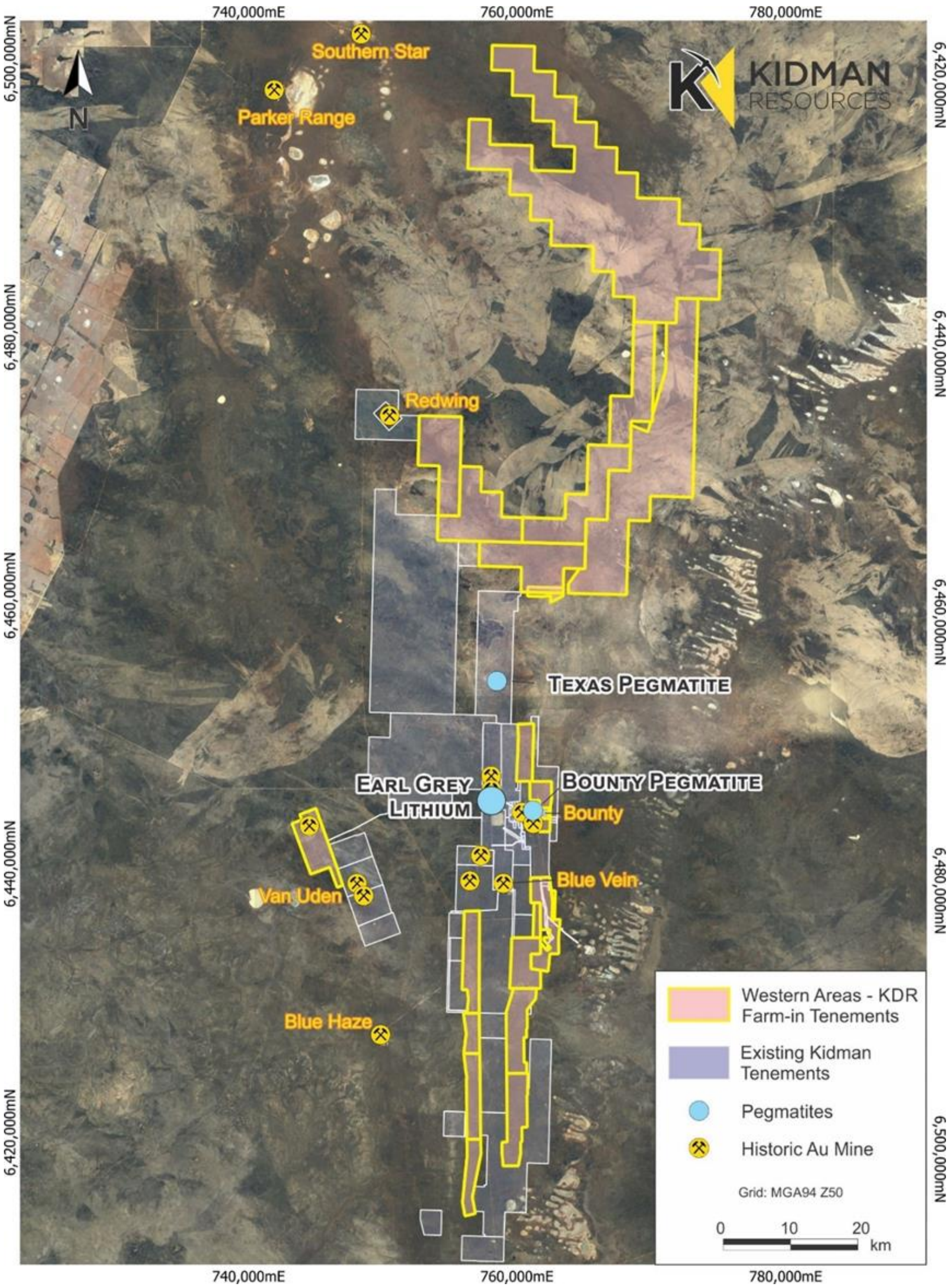


Figure 4: Joint Venture Earn-In agreement tenement holding within the highly prospective Forrestania greenstone belt

**MT HOLLAND (Gold)**

A programme of RC drilling totalling 4,153m was completed on the Blue Vein gold project during the year. This first phase of drilling at the Blue Vein gold deposit has delivered strong, high-grade results, confirming the continuity of mineralisation down-dip from the existing historic Resource (see ASX Announcement 18 December 2015). The results, which include intervals of 6m @ 7.98g/t Au from 152m down-hole in KBVR012, 8m at 6.56g/t Au from 213m down-hole in KBVR023 and 4m at 5.87g/t Au from 200m down-hole in KBVR018), are shown in the long section in Figure 5.

The Blue Vein deposit remains open in multiple directions and the new drilling has confirmed this down-dip potential, demonstrating strong potential for a future cut-back of the historic open pit as well as a future underground mining opportunity. The Blue Vein deposit is an analogue to the historical Bounty gold mine, located nearby, which was mined to a depth of 1.2km and produced ~1.2Moz. The current in-fill drilling program is designed to increase confidence in the existing resource, as well as to improve grade and tonnage.

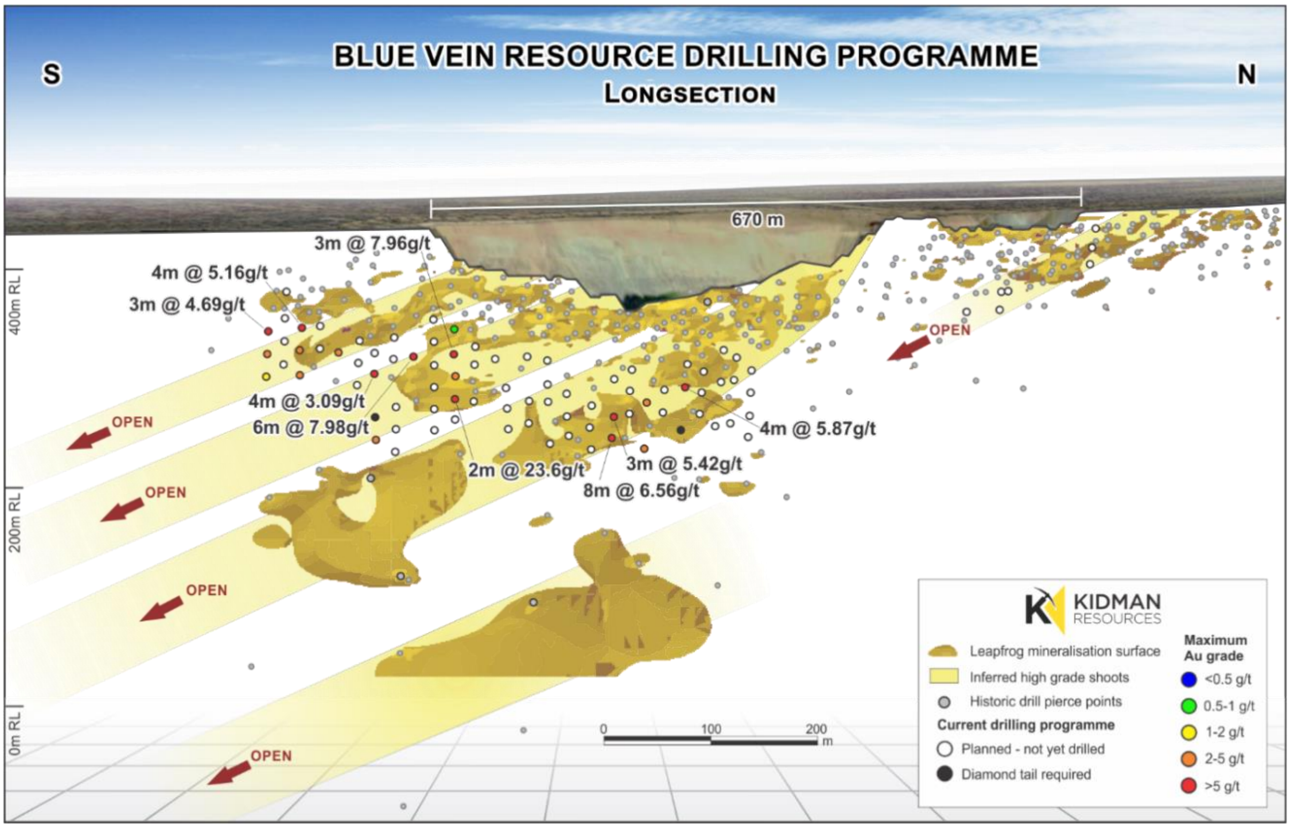


Figure 5: Results from the first phase of infill drilling at Blue Vein gold deposit

Results were also received for drilling undertaken at the Darjeeling gold deposit, targeting gold mineralisation located directly above the world-class Earl Grey lithium deposit (see Figure 6). Historically the Earl Grey, Jasmine and Darjeeling pits were mined for gold by Viceroy Pty Ltd and Forrestania Gold Ltd in the late 1990s through to 2001.

Deep gold exploration was also conducted by the previous operators of the project, with significant gold intersections recorded under the Earl Grey Gold pit. Many of these were truncated by the Earl Grey pegmatite, which at the time was not understood to be spodumene-bearing and not assayed for lithium.

The significant high-grade gold mineralisation intersected in this small early-stage exploratory programme by Kidman defined interval widths that are significant for open pit material (see ASX Announcement 24 April 2017), especially if this was to be mined as overburden for the lithium deposit. These were the first holes to be drilled east-west targeting the gold mineralisation, with all other recent drilling directed toward the south to test the Earl Grey pegmatite.

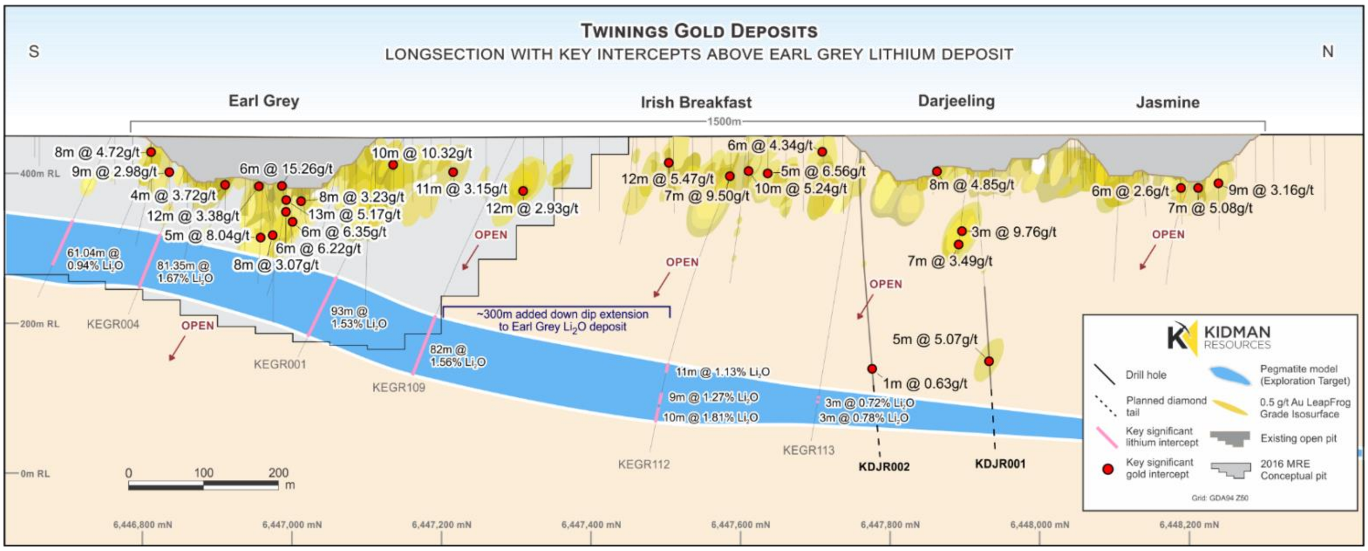


Figure 6: Results from extensional drilling into the Earl Grey Lithium Exploration Target north of the MRE area, and exploration drilling of the Twinings Au Deposits in the hanging wall position of the Earl Grey Pegmatite.

## Corporate

Marindi Metals Ltd Legal Matter

Kidman successfully defended the ownership of lithium rights in its Mt Holland project, including the Earl Grey deposit, with Supreme Court Justice Kenneth Martin handing down a judgment on 7 July 2017, which resulted in the claim by Marindi being dismissed.

The ruling by Justice Martin follows the three-day trial held from 29 to 31 May 2017 in the Supreme Court of Western Australia, when the Court dealt with the issue of whether any agreement existed with Marindi over the lithium rights to Mt Holland.

Kidman was represented by Grant Donaldson SC, instructed jointly by Maddocks and Gilbert + Tobin. In Justice Martin's reasons for judgment, he found that there was a need for binding and enforceable heads of agreement to be first signed off between these parties as a condition precedent to the companies perfecting a binding agreement. Justice Martin also agreed with Kidman's characterisation of the early draft agreement as at best "an agreement to agree", in reference to the draft clauses within the draft exchanged and that the delineation of the mining rights that Marindi was to hold was uncertain.

The draft heads of agreement was not executed, and Justice Martin also noted "were it necessary to decide, I would deny specific performance to Marindi, upon a basis of what was a seriously prejudicial and unjust delay to Kidman". This was a reference to the significant timeline of the claimed agreement and legal action being filed by Marindi.

Justice Martin, in September 2017, subsequently awarded costs in Kidman's favour and the Company will be pursuing those costs in the new financial year.

SQM and KDR 50/50 Joint Venture

On 12 September 2017, the Company announced it had executed definitive agreements with SQM regarding the 50/50 Mt Holland Joint Venture.

Joint venture arrangements:

- In consideration for the acquisition of a 50% joint venture interest in the Project, SQM will make an initial cash payment of US$30 million to the Company and will commit to sole funding an amount of US$80 million in respect of the development of the Project;
- As an advance of the joint venture funding (and pending satisfaction of conditions precedent), SQM will provide a US$21.5 million convertible loan facility to the Company; and
- The Company will have an option to participate for up to a 50% interest in a proposed refinery to produce lithium carbonate/hydroxide in Western Australia.

Under the arrangements, Kidman will retain all gold rights in relation to the Mt Holland tenements.

The Company's cash at bank at 30 June 2017 was $2.55m. Outside of normal operating expenses, $1.0m was repaid to Capri Trading pursuant to the Cash Advance Financing Facility. Other major expenses included legal fees that were incurred in relation to the successful defense of the Marindi matter which will now be pursued given Justice Martin's decision in Kidman's favour with respect to costs.

Issued Share Capital

96,064,155 ordinary shares were issued during FY17. This included an institutional share placement raising $21.0m before costs.

### BURBANKS

The Company continued the sale process of Burbanks, and made the decision to close down operations at the project in the June quarter to focus all attention on the Mt Holland Lithium and Gold project.

9,481 tonnes of ore were milled @ 1.54 g/t with a recovery of 90.1% resulting in 448 Oz produced and sold in September quarter 2016.

### NSW and NT Activities

During the year, Kidman continued to review all projects in the NT and NSW with the aim of considering ways to potentially divest these assets. The aim will be to consider opportunities that may directly benefit Kidman shareholders, as it turns its focus to the Mt Holland gold and lithium project in WA. No field work was conducted on these projects during the year.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kidman Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

**Directors**
The following persons were directors of Kidman during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Peter Lester (Independent Non-Executive Chairman)
Mr Martin Donohue (Managing Director)
Mr Brad Evans (Non-Executive Director)
Mr David Southam (Non-Executive Director) (appointed 24 July 2017)

**Principal activities**
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Exploration and development of the Company's Mt Holland lithium and gold project located near Southern Cross in WA;
- Exploration of precious and base metals deposits in New South Wales, Western Australia and Northern Territory; and
- Sale of the Company’s Burbanks Gold Project located in Western Australia.

**Dividends**
There were no dividends paid, recommended or declared during the current or previous financial year.

**Financial Position**
The loss for the consolidated entity after providing for income tax amounted to $31,310,271 (30 June 2016: $4,288,364).

Of the total loss at 30 June 2017, $17,528,188 was from continuing operations and $13,782,083 was from discontinued operations (2016: $1,773,946 and $2,514,418 respectively). The loss from continuing operations was made up of the following significant items:

- Impairment of assets amounting to $9,876,538 (2016: $1,261,431) which resulted largely from the impairment of the Crowl Creek and Barrow Creek legacy exploration assets;
- Loss on extinguishment of liability (refer to note 7 for further information) $2,973,102 (2016: $286,495); and
- Employee benefits expense of $1,808,736 (2016: $1,103,261).

The net assets of the consolidated entity increased by $1,675,274 to $16,093,737 as at 30 June 2017 (2016: $14,418,463).

The consolidated entity’s working capital, being current assets less current liabilities was in deficit $6,201,037 at 30 June 2017 (2016: surplus $209,644). During the period the consolidated entity had a negative cash flow from operating activities of $8,939,699 and $8,409,610 from exploration and evaluation activities (2016: $1,378,437 operating activities and $3,884,581 from exploration and evaluation activities).

The Directors have addressed the short term funding requirements subsequent to year end as set out in the going concern note within note 2 of the financial statements.

Accordingly, the Directors believe the consolidated entity is in a strong and stable position to expand and grow its current operations.

Refer to the detailed review of operations preceding this report for further information on the consolidated entity's activities.

**Significant changes in the state of affairs**
On 7 July 2016, the consolidated entity completed the acquisition of the Mt Holland gold and lithium project in WA for initial consideration of $2,000,000. A deferred consideration of $1,500,000 was required to be paid once certain forfeiture claims were resolved. At a shareholders meeting on 29 June 2016, the shareholders approved the issue of 14,810,063 shares in lieu of the $1,500,000 once various conditions had been met (refer to Matters subsequent to the end of the financial year).

On 21 July 2016, the consolidated entity issued 450,000 employee performance rights with the requirement for continued employment with the Company at the time of vesting. The performance rights vested during the year when the share price was equal to or greater than the 20 day VWAP of $0.40 (40 cents).

On 25 August 2016, the consolidated entity issued 1,250,000 fully paid ordinary shares to employees of the Company upon satisfaction Performance Right conditions.

On 25 August 2016, the consolidated entity issued 1,000,000 employee Performance Rights with the requirement for continued employment with the Company at time of vesting. The performance rights vested during the year when the share price was equal to or greater than the 20 day VWAP of $0.40 (40 cents).

On 25 August 2016, the consolidated entity issued 56,600,000 fully paid ordinary shares at an issue price of $0.285 (28.5 cents) raising $16,131,000 (before costs).

On 3 October 2016, the consolidated entity issued 17,085,000 fully paid ordinary shares at an issue price of $0.285 (28.5 cents) raising $4,869,225 (before costs).

On 3 October 2016, the consolidated entity issued 2,450,000 fully paid ordinary shares to an employee of the Company upon satisfaction of Performance Right conditions.

On 27 September 2016, the consolidated entity issued 4,000,000 unlisted options, in lieu of cash settlement to corporate advisers (Hartley) expiring 3 October 2018 and exercisable at $0.4275 (42.75 cents).

On 28 February 2017, the consolidated entity issued 11,111,111 fully paid ordinary shares at a deemed issue price of $0.505 (50.5 cents) per share as consideration for the acquisition of two tenements from Western Areas Ltd that border the company's Earl Grey lithium deposit.

On 6 March 2017, the consolidated entity announced that the proposed sale of the Burbank's gold mine was unlikely to proceed referring to the announcement on 22 November 2016 when the consolidated entity entered into a binding Heads of Agreement to sell the asset for $4,500,000. Following this announcement, the Company has performed an impairment assessment on the Burbanks asset and booked an impairment expense as detailed further in the notes to the financial statements.

On 20 March 2017, the consolidated entity issued 6,318,044 fully paid ordinary shares at a deemed issue price of $0.405 (40.5 cents) per share pursuant to a Joint Venture Agreement executed between the consolidated entity and Western Areas Limited in relation to the Earn-in and Joint Venture Agreement.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

On 10 July 2017, the consolidated entity announced that it had successfully defended the ownership of lithium rights to its Mt Holland project, including the Earl Grey deposit, with Supreme Court Justice Kenneth Martin handing down a judgment against the plaintiff, Marindi Metals Ltd. On 12 September 2017, Justice Kenneth Martin handed down his decision on the question of costs and ordered Marindi Metals Ltd to pay the Company’s costs of the proceedings. His Honour further ordered that these costs be paid by MZN on a full indemnity basis from 1 March 2017.

On 12 July 2017, the consolidated entity announced that it had entered into a binding agreement in relation to a proposed Joint Venture with SQM to develop the Mt Holland Lithium Project.

On 12 September 2017, the consolidated entity announced that it had executed the definitive agreements regarding the proposed SQM JV as noted above. Under the Definitive Agreements, an unincorporated 50/50 joint venture under which SQM will commit to sole fund US$80 million of JV expenditure will be formed that will include a JV Management Committee that is comprised of two Kidman and two SQM representatives to oversee the development of the Earl Grey mine, concentrator and refinery. Kidman will transfer a 50% interest in the Mt Holland Tenements for US$30 million. The contributions by SQM are subject to conditions precedent (being principally foreign investment approvals, approvals of the WA Minister of Mines and other necessary third party approvals).

During September as part of the agreement noted above, a convertible loan facility of up US$21.5 million was made available to the Company.

On 19 September 2017, 14,810,063 fully paid ordinary shares were issued to Capri Trading Pty Ltd as final payment of the Deferred Consideration for the purchase of Mt Holland in July 2016.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The main focus of the consolidated entity will be to advance the development of the Earl Grey lithium project with Kidman's joint venture partner, SQM, including assessment of a lithium refinery. Additional study work will be undertaken on the feasibility of developing the Mt Holland gold projects.

**Environmental regulation**

The consolidated entity holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agency during the year ended 30 June 2017.

**Information on directors**

| | |
|---|---|
| Name: | Mr Peter Lester |
| Title: | Independent Non-Executive Chairman |
| Experience and expertise: | Mr Lester is a mining engineer with more than 40 years' experience in the mining industry in various roles including construction, project and mine management. Corporate and financial advisory services and in business development with responsibility for strategic planning and corporate development, predominantly in precious and base metals. He 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 Citadel Resources Group Limited. |
| Other current directorships: | White Rock Minerals Limited (ASX: WRM), Millennium Minerals Limited (ASX: MOY) and Nord Gold SE (London GDR) |
| Former directorships (last 3 years): | Chesser Resources Ltd (resigned 12 February 2015), Toro Energy Ltd (resigned 17 November 2014) and Doray Minerals Limited (ASX: DRM) (resigned 16 January 2017) |
| Interests in shares: | Nil |
| Interests in options: | Nil |
| Interests in rights: | Nil |

| | |
|---|---|
| Name: | Mr Martin Donohue |
| Title: | Managing Director |
| Experience and expertise: | Martin Donohue was the founder of Kidman Resources Limited. He has had over 15 years' 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 and public companies focused on base and precious metals with projects in Australia and Sub Saharan Africa. He 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 putting together Kidman's portfolio of mineral projects in Australia. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | 3,905,000 fully paid ordinary shares |
| Interests in rights: | Nil |

| | |
|---|---|
| Name: | Mr Brad Evans |
| Title: | Non-Executive Director |
| Experience and expertise: | Mr Evans is a Principal Mining Engineer with 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, Brad 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.<br>He is the holder of a First Class Mine Manager's Certificate of Competency in both Western Australia and New South Wales. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 102,547 fully paid ordinary shares |
| Interests in options: | 12,819 quoted options |

| | |
|---|---|
| Name: | Mr David Southam |
| Title: | Non-Executive Director (appointed 24 July 2017) |
| Experience and expertise: | Mr Southam is a Certified Practicing 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 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. |
| Other current directorships: | Western Areas Limited (ASX: WSA) |
| Former directorships (last 3 years): | Troy Resources Ltd (ASX: TRY) (resigned 30 December 2016) and Sundance Resources Ltd (ASX: SDL) (resigned 27 January 2016) |
| Interests in shares: | 17,429,155 fully paid ordinary shares (Mr Southam has a relevant interest in the securities held by Western Areas Limited through his position as Executive Director of that company) |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Interests in shares and options stated above are as at the date of this financial report.

## Company Secretaries

*Melanie Leydin*
Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector.

Melanie has over 24 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

*Justin Mouchacca*
Justin Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been the principal of chartered accounting firm, Leydin Freyer.

Justin has over 10 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

## Chief Financial Officer

Jason Eveleigh qualified as a Chartered Accountant with Ernst & Young in London, England.

Jason has been active in private mergers and acquisitions and has been engaged in the Australian financial services industry for the last decade providing compliance and financial support to corporate advisors. He has extensive capital markets experience and has developed a close working relationship with both the mining and exploration arms of the business.

## Meetings of Directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Mr Peter Lester | 10 | 10 | 2 | 2 |
| Mr Martin Donohue | 10 | 10 | 2 | 2 |
| Mr Brad Evans | 10 | 10 | 2 | 2 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

As at 30 June 2017, there are no longer any committees and the Board of Directors are responsible for carrying out the duties of the audit committee and remuneration and nomination committee.

## Remuneration Report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation;
- Additional information; and
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Alignment of executive compensation; and
- Transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- Focusing on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- Attracting and retaining high calibre executives

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Additionally, the reward framework should seek to enhance executives' interests by:
- Rewarding capability and experience;
- Reflecting competitive reward for contribution to growth in shareholder wealth; and
- Providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 20 May 2010, where shareholders approved an aggregate remuneration of $300,000.

*Executive remuneration*
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:

- Base pay and non-monetary benefits;
- Share-based payments; and
- Other remuneration such as long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

Long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include an increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Board will review the long-term equity-linked performance incentives specifically for executives on an on-going basis, especially now that Kidman is entering a new stage in its life cycle following the JV Agreement with SQM.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is not directly linked to performance of the consolidated entity. Staff performance assessments are undertaken with reference to their contribution to the Company's overall operational achievements.

The Board is of the opinion that the clear advancement of Kidman can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

*Short Term Incentive*
Each year, the Board sets the key performance indicators (KPI's) for the key management personnel. The KPI's generally include measures relating to the Consolidated Entity, and include a mixture of business development, operational, and investor specific performance indicators as appropriate. The Short Term Incentive Plan seeks to align the interests of the executive with those of shareholders, as this is based on more individual performance indicators relevant to the executive.

*Long Term Incentive*
The LTI consists of a grant of performance based equity securities to key executives. Grants of performance based equity securities are made on a conditional basis to executives by way of issue at nil cost both at the time of grant. Vesting is contingent on the performance of share price and is subject to the continued employment of the executive. The long term incentive plan seeks to align the interests of executives with those of shareholder value generation. The LTI incentive plan is currently under review and will be updated during the current year.

The Board considers that the above performance-linked compensation structure will generate the desired outcome in respect of attracting and retaining high calibre employees.

*Voting and comments made at the company's 14 November 2016 Annual General Meeting ('AGM')*
The Company received 98.30% of 'for' votes in relation to its remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) of Kidman are set out in the following tables.

| 2017 | Short-term benefits: Cash salary and fees $ | Short-term benefits: Bonus $ | Post-employment benefits: Super-annuation $ | Long-term benefits: Termination Payments $ | Long-term benefits: Long service leave $ | Share-based payments: Equity-settled $ | Total $ |
|---|---|---|---|---|---|---|---|
| ***Non-Executive Directors:*** | | | | | | | |
| Mr Peter Lester | 68,733 | - | 6,530 | - | - | - | 75,263 |
| Mr Brad Evans | 49,375 | - | - | - | - | - | 49,375 |
| ***Executive Directors:*** | | | | | | | |
| Mr Martin Donohue | 396,000 | 118,206 | - | - | - | 58,425 | 572,631 |
| ***Other Key Management Personnel:*** | | | | | | | |
| Mr Chris Williams | 220,000 | - | 20,900 | - | - | 549,912 | 790,812 |
| | **734,108** | **118,206** | **27,430** | **-** | **-** | **608,337** | **1,488,081** |

| 2016 | Short-term benefits: Cash salary and fees $ | Short-term benefits: Bonus $ | Post-employment benefits: Super-annuation $ | Long-term benefits: Termination Payments $ | Long-term benefits: Long service leave $ | Share-based payments: Equity-settled $ | Total $ |
|---|---|---|---|---|---|---|---|
| ***Non-Executive Directors:*** | | | | | | | |
| Mr Peter Lester* | 37,959 | - | 3,606 | - | - | - | 41,565 |
| Mr Brad Evans | 39,711 | - | 289 | - | - | - | 40,000 |
| Mr Garrick Higgins** | 22,000 | - | - | - | - | - | 22,000 |
| ***Executive Directors:*** | | | | | | | |
| Mr Martin Donohue | 396,000 | - | - | - | - | 64,975 | 460,975 |
| ***Other Key Management Personnel:*** | | | | | | | |
| Anthony Davis**** | 302,750 | - | 25,000 | 104,115 | - | 26,767 | 458,632 |
| Ms Melanie Leydin *** | 109,000 | - | - | - | - | - | 109,000 |
| | **907,420** | **-** | **28,895** | **104,115** | **-** | **91,742** | **1,132,172** |

* Mr Peter Lester was appointed on 13 November 2015.
** Mr Garrick Higgins resigned from his position on the 13 November 2015.
*** Fees paid to Leydin Freyer Corp Pty Ltd, of which Melanie Leydin and Justin Mouchacca are Directors, in respect of Company Secretarial, Chief Financial Officer and Accounting services.
**** Mr Anthony Davis was appointed Chief Operating Officer on 29 April 2015 and resigned 21 April 2016.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| *Non-Executive Directors:* | | | | | | |
| Mr Peter Lester | 100% | 100% | - | - | - | - |
| Mr Brad Evans | 100% | 100% | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Mr Martin Donohue | 90% | 86% | - | - | 10% | 14% |
| *Other Key Management Personnel:* | | | | | | |
| Mr Anthony Davis * | - | 94% | - | - | - | 6% |
| Mr Chris Williams ** | 31% | - | - | - | 69% | - |

* Resigned on 21 April 2016.
** Appointed General Manager on 23 May 2016.

***Service agreements***

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| Name: | Mr Martin Donohue |
| Title: | Managing Director |
| Agreement commenced: | 1 May 2015 |
| Term of agreement: | Ongoing |
| Details: | The Consulting Agreement may be terminated in circumstances described below with the remuneration consequences as noted to the extent permitted by the Corporations Act and Listing Rules. Resignation period by the Managing Director is six months' notice. Termination by the company giving six months' notice in writing or payment in lieu thereof, or a combination of notice and payment in lieu. The Company can immediately terminate Mr Donohue's employment with cause, in a number of circumstances, including where there is a serious breach of the Employment Agreement, serious misconduct, bankruptcy or conviction of any criminal offence |

***Share-based compensation***

*Issue of shares*

During the financial year a total of 2,250,000 fully paid ordinary shares were issued to Mr Chris Williams which included the issue of 1,250,000 fully paid ordinary shares as an incentive and 1,000,000 fully paid ordinary shares upon satisfaction of performance rights vesting conditions being achieved.

A total of 2,250,000 fully paid ordinary shares were issued to Mr Martin Donohue upon satisfaction of performance rights vesting conditions being achieved.

The consolidated entity also issued a total of 450,000 fully paid ordinary shares to other non-key management personnel following the satisfaction of Performance Rights vesting conditions.

*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

*Performance rights*

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date | Expiry date | Hurdle price | Fair value per right at grant date |
|---|---|---|---|
| 25 August 2016 | 30 September 2017 | $0.40 | $0.137 |

* These performance rights vested during the year when the performance conditions were met, which occurred when the Company's share price was equal to or greater than a 20 day Volume Weighted Average Price of the each rights hurdle price.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

| Name | Number of rights granted during the year 2017 | Number of rights granted during the year 2016 | Number of rights vested during the year 2017 | Number of rights vested during the year 2016 |
|---|---|---|---|---|
| Mr Martin Donohue | - | - | 2,250,000 | - |
| Mr Chris Williams | 1,000,000 | - | 1,000,000 | - |
| Mr Anthony Davis | - | - | - | 500,000 |

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

| Name | Value of rights granted during the year $ | Value of rights vested during the year $ | Value of rights lapsed during the year $ | Remuneration consisting of rights for the year % |
|---|---|---|---|---|
| Mr Martin Donohue | - | 58,425 | - | 10% |
| Mr Chris Williams | 137,412 | 137,412 | - | 17% |

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

| Name | Grant date | Vesting date | Number of rights granted | Value of rights granted $ | Value of rights vested $ |
|---|---|---|---|---|---|
| Mr Martin Donohue | 24 November 2014 | 25 August 2016 | - | - | 3,447 |
| Mr Martin Donohue | 24 November 2014 | 25 August 2016 | - | - | 23,790 |
| Mr Martin Donohue | 24 November 2014 | 4 October 2016 | - | - | 31,188 |
| Mr Chris Williams | 25 August 2016 | 4 October 2016 | 1,000,000 | 137,412 | 137,412 |

***Additional information***

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

| | 2017<br>$ | 2016<br>$ | 2015<br>$ | 2014<br>$ | 2013<br>$ |
|---|---|---|---|---|---|
| Revenue (including other income) | 92,636 | 843,549 | 44,375 | 129,524 | 147,253 |
| Net loss before tax from continuing operations | (17,528,188) | (3,735,748) | (8,537,727) | (1,066,709) | (536,100) |
| Net loss after tax from continuing operations | (17,528,188) | (1,773,946) | (8,537,727) | (1,066,709) | (536,100) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Share price at end of year ($) | 0.61 | 0.16 | 0.09 | 0.06 | 0.23 |
| Basic earnings per share (cents per share) from continuing operations | (5.71) | (1.11) | (7.23) | (0.99) | (0.65) |

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Vesting of performance rights | Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Mr Martin Donohue * | 1,655,000 | - | 2,250,000 | - | 3,905,000 |
| Mr Brad Evans | 102,547 | - | - | - | 102,547 |
| Mr Chris Williams ** | - | 1,250,000 | 1,000,000 | (495,000) | 1,755,000 |
| | 1,757,547 | 1,250,000 | 3,250,000 | (495,000) | 5,762,547 |

* Granted upon the vesting of performance rights following hurdle criteria been satisfied.

** A total of 1,000,000 granted upon the vesting of performance rights following hurdle criteria been satisfied and 1,250,000 issued as an employee incentive.

*Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Mr Brad Evans | 12,819 | - | - | - | 12,819 |
| | 12,819 | - | - | - | 12,819 |

* Quoted options exercisable at $0.15 (15 cents) expiring on or before 30 April 2018.

*Performance rights holding*
The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Performance rights over ordinary shares* | | | | | |
| Mr Martin Donohue | 2,250,000 | - | (2,250,000) | - | - |
| Mr Chris Williams | - | 1,000,000 | (1,000,000) | - | - |
| | 2,250,000 | 1,000,000 | (3,250,000) | - | - |

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Kidman under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 19 April 2016 | 30 April 2018 | $0.15 | 47,453,487 |
| 27 September 2016 | 3 October 2018 | $0.4275 | 4,000,000 |
| | | | 51,453,487 |

**Shares under performance rights**

There were no unissued ordinary shares of Kidman under performance rights outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of Kidman issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

**Shares issued on the exercise of performance rights**

The following ordinary shares of Kidman were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of performance rights granted:

| Date performance rights granted | Hurdle price | Number of shares issued |
|---|---|---|
| 24 November 2014 | $0.20 | 500,000 |
| 24 November 2014 | $0.30 | 750,000 |
| 24 November 2014 | $0.40 | 1,000,000 |
| 25 August 2016 | $0.40 | 1,000,000 |
| 21 July 2016 | $0.40 | 250,000 |
| 21 July 2016 | $0.40 | 200,000 |
| | | 3,700,000 |

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of Grant Thornton**

There are no officers of the company who are former partners of Grant Thornton.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

Grant Thornton continues in office in accordance with section 327 of the Corporations Act 2001.

**Rounding of amounts**

Kidman is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Peter Lester
Non-Executive Chairman

28 September 2017
Melbourne

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# AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF KIDMAN RESOURCES LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Kidman Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A R J Nathanielsz
Partner – Audit & Assurance

Melbourne, 28 September 2017

**Kidman Resources Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2017**

| | Note | Consolidated 2017 $ | 2016 $ |
|---|---|---|---|
| **Revenue from continuing operations** | 5 | 92,636 | 15,668 |
| Other income | 6 | - | 827,881 |
| **Expenses** | | | |
| Employee benefits expense | 7 | (1,808,736) | (1,103,261) |
| Depreciation and amortisation expense | 7 | (42,583) | (42,948) |
| Impairment of assets | 14 | (9,876,538) | (1,261,431) |
| Administration expenses | | (663,245) | (420,902) |
| Corporate expenses | | (1,656,766) | (747,493) |
| Finance costs | 7 | (599,854) | (646,885) |
| Loss on sale of joint operation | | - | (69,882) |
| Loss on extinguishment of liability | 7 | (2,973,102) | (286,495) |
| **Loss before income tax benefit from continuing operations** | | (17,528,188) | (3,735,748) |
| Income tax benefit | 8 | - | 1,961,802 |
| Loss after income tax benefit from continuing operations | | (17,528,188) | (1,773,946) |
| Loss after income tax expense from discontinued operations | 9 | (13,782,083) | (2,514,418) |
| **Loss after income tax benefit for the year attributable to the owners of Kidman Resources Limited** | | (31,310,271) | (4,288,364) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of Kidman Resources Limited** | | (31,310,271) | (4,288,364) |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | (17,528,188) | (1,773,946) |
| Discontinued operations | | (13,782,083) | (2,514,418) |
| | | (31,310,271) | (4,288,364) |
| | | **Cents** | **Cents** |
| **Earnings per share for loss from continuing operations attributable to the owners of Kidman Resources Limited** | | | |
| Basic earnings per share | 36 | (5.71) | (1.11) |
| Diluted earnings per share | 36 | (5.71) | (1.11) |
| **Earnings per share for loss from discontinued operations attributable to the owners of Kidman Resources Limited** | | | |
| Basic earnings per share | 36 | (4.49) | (1.58) |
| Diluted earnings per share | 36 | (4.49) | (1.58) |
| **Earnings per share for loss attributable to the owners of Kidman Resources Limited** | | | |
| Basic earnings per share | 36 | (10.19) | (2.69) |
| Diluted earnings per share | 36 | (10.19) | (2.69) |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

| | Note | Consolidated 2017 $ | 2016 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 2,554,441 | 4,752,226 |
| Trade and other receivables | 11 | 1,808,591 | 401,251 |
| Prepayments | | 40,575 | 35,472 |
| Total current assets | | 4,403,607 | 5,188,949 |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 137,347 | 522,163 |
| Intangibles | 13 | 27,466 | 41,751 |
| Exploration and evaluation | 14 | 22,139,941 | 14,386,911 |
| Mines under development | 15 | - | 4,937,803 |
| Other | 16 | 83,153 | 134,133 |
| Total non-current assets | | 22,387,907 | 20,022,761 |
| **Total assets** | | 26,791,514 | 25,211,710 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 2,038,981 | 3,860,113 |
| Borrowings | 18 | 8,443,642 | 1,000,000 |
| Employee benefits | | 122,021 | 119,192 |
| Total current liabilities | | 10,604,644 | 4,979,305 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | - | 5,741,345 |
| Employee benefits | | 43,133 | 22,597 |
| Provisions | | 50,000 | 50,000 |
| Total non-current liabilities | | 93,133 | 5,813,942 |
| **Total liabilities** | | 10,697,777 | 10,793,247 |
| **Net assets** | | 16,093,737 | 14,418,463 |
| **Equity** | | | |
| Issued capital | 20 | 58,013,355 | 29,847,701 |
| Other contributed equity | 21 | 4,473,102 | - |
| Reserves | 22 | 455,081 | 108,292 |
| Accumulated losses | | (46,847,801) | (15,537,530) |
| **Total equity** | | 16,093,737 | 14,418,463 |

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Kidman Resources Limited**
**Statement of changes in equity**
**For the year ended 30 June 2017**

| Consolidated | Contributed equity $ | Accumulated losses $ | Reserves $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2015 | 20,223,171 | (11,249,166) | 50,973 | 9,024,978 |
| Loss after income tax benefit for the year | - | (4,288,364) | - | (4,288,364) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | (4,288,364) | - | (4,288,364) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 20) | 9,590,107 | - | - | 9,590,107 |
| Share based payments | - | - | 91,742 | 91,742 |
| Transfer from option reserve on the vesting of performance rights | 34,423 | - | (34,423) | - |
| Balance at 30 June 2016 | 29,847,701 | (15,537,530) | 108,292 | 14,418,463 |

| Consolidated | Contributed equity $ | Other contributed equity $ | Accumulated losses $ | Reserves $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2016 | 29,847,701 | - | (15,537,530) | 108,292 | 14,418,463 |
| Loss after income tax expense for the year | - | - | (31,310,271) | - | (31,310,271) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | (31,310,271) | - | (31,310,271) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs (note 20) | 27,360,439 | - | - | 455,081 | 27,815,520 |
| Share-based payments (note 37) | 412,500 | - | - | 284,423 | 696,923 |
| Transfer from options reserve upon the vesting of performance rights | 392,715 | - | - | (392,715) | - |
| Deferred consideration payable upon completion of Mt Holland acquisition | - | 4,473,102 | - | - | 4,473,102 |
| Balance at 30 June 2017 | 58,013,355 | 4,473,102 | (46,847,801) | 455,081 | 16,093,737 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Kidman Resources Limited**
**Statement of cash flows**
**For the year ended 30 June 2017**

| | Note | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 788,388 | 7,457,413 |
| Payments to suppliers and employees (inclusive of GST) | | (9,857,122) | (9,038,075) |
| Interest received | | 96,296 | 28,392 |
| Other revenue | | 32,739 | 144,818 |
| Payments for security bonds on operating activities | | - | 29,015 |
| Net cash used in operating activities | 35 | (8,939,699) | (1,378,437) |
| **Cash flows from investing activities** | | | |
| Loan provided to MH Gold | | - | (209,281) |
| Payments for property, plant and equipment | | (181,772) | (389,666) |
| Payments for acquisition of assets | | (2,395,928) | - |
| Payments for exploration and evaluation | | (8,409,610) | (3,884,581) |
| Payment for development asset | | (3,070,000) | - |
| Payments for acquisition of subsidiary, net of cash acquired | | - | (1,254,089) |
| Proceeds from release of security deposits | | 50,980 | - |
| Proceeds from disposal of Gunga West | | - | 1,500,000 |
| Net cash used in investing activities | | (14,006,330) | (4,237,617) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 20 | 21,000,122 | 8,067,181 |
| Costs from issue of shares | | (1,354,522) | (432,305) |
| Proceeds from borrowings | | 2,102,644 | - |
| Repayment of borrowings | | (1,000,000) | - |
| Net cash from financing activities | | 20,748,244 | 7,634,876 |
| Net increase/(decrease) in cash and cash equivalents | | (2,197,785) | 2,018,822 |
| Cash and cash equivalents at the beginning of the financial year | | 4,752,226 | 2,733,404 |
| Cash and cash equivalents at the end of the financial year | 10 | 2,554,441 | 4,752,226 |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The financial statements cover Kidman Resources Limited as a consolidated entity consisting of Kidman Resources Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Kidman Resources Limited's functional and presentation currency.

Kidman Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| Registered office | Principal place of business |
|---|---|
| Level 4<br>100 Albert Road<br>South Melbourne VIC 3025 | Suite 1, Level 7<br>24-28 Collins Street<br>Melbourne VIC 3000 |

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2017. The directors do not have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Going concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the financial year ended 30 June 2017 the consolidated entity experienced an operating loss of $31,310,271 (2016: $4,288,364). Of the total loss at 30 June 2017, $17,528,188 was from continuing operations and $13,782,083 was from discontinued operations (2016: $1,773,946 and $2,514,418 respectively).

At 30 June 2017 the consolidated entity had cash and cash equivalents of $2,554,441 (2016: $4,752,226). Working capital at 30 June 2017, being current assets less current liabilities, was in deficit $6,201,037 (2016: surplus $209,644). Cash outflows from operating activities during the year were $8,939,699 (2016: $1,378,437).

During the year, the consolidated entity raised a total of $21,000,225 through the issue of 73.7 million fully paid ordinary shares at $0.285 (28.5 cents) per share.

**Note 2. Significant accounting policies (continued)**

The going concern of the consolidated entity is dependent upon maintaining sufficient funds for operations and commitments. Based on the minimum commitment expenditure required under existing tenements over the next 12 months as detailed in the commitments note and the cash holdings as at 30 June 2017, the Directors are confident that the consolidated entity remains a going concern for the following reasons:

- Subsequent to year end the consolidated entity announced that it would enter into a 50:50 Joint Venture (JV) with Sociedad Química y Minera de Chile S.A. (SQM) to develop the Mt Holland Lithium Project. In consideration for the acquisition of the 50% interest in the JV SQM will make payments of US$110 million, comprising a cash payment of US$30 million, and a staged payment of US$80 million to fund the initial costs of the development of the Mt Holland Lithium Project;
- Included as part of the JV with SQM is an unsecured US$21.5 million convertible loan facility provided to the consolidated entity. The facility will bear interest of 7% p.a. and will be payable on the date the convertible loan becomes repayable;
- The directors have no reason to conclude that the Phoenix Rise Pty Ltd’s plaint objecting to the exemptions granted and applied for over certain of the Mt Holland lithium project's exploration licenses (see Note 14) will be successful;
- The 12 month rolling cash flow forecast demonstrates the ability of the consolidated entity to vary the cash expenditure on the Mt Holland project accordingly, including funding the costs of defence of the plaint regarding the forfeiture noted above, to ensure there is sufficient cash on hand over the relevant period; and
- The directors consider that the plaint in relation to Phoenix Rise Pty Ltd does not impact the consolidated entity’s ability to secure additional funds as and when they are required over this period.

The Company continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities. On this basis the directors consider that the consolidated entity remains a going concern and these financial statements have been prepared on this basis.

**Basis of preparation**
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kidman Resources Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Kidman Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

## Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## Note 2. Significant accounting policies (continued)

### Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

### Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## Note 2. Significant accounting policies (continued)

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The company has made a preliminary assessment of the changes and does not expect any material impact on implementation.

*AASB 15 Revenue from Contracts with Customers*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018. The consolidated entity has made a preliminary assessment of the changes and does not expect any material impact upon implementation of the standard.

## Note 2. Significant accounting policies (continued)

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The consolidated entity has made a preliminary assessment of the changes and does not expect any material impact upon implementation of the standard.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Exploration and evaluation costs*
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Between October 2015 and July 2016, Phoenix Rise Pty Ltd lodged 13 plaints objecting to exemption applications submitted by previous owners Convergent Minerals Ltd, and a further 27 applications for forfeiture over Mining and Exploration licences at the Mt Holland Gold and Lithium Project. Some of these licences have been relinquished thus making the current plaints; 12 and forfeiture applications; 18.

The jurisdiction of these proceedings are set in the Western Australian Wardens Court. These proceedings are each on the basis that the previous tenement holders did not comply with their obligations of expenditure. The exemption applications will be heard on 13-16 November 2017 and then 20 November 2017.

The consolidated entity see the plaints as opportunistic and the evidence compiled demonstrates that the required expenditure was met. With the expectation that the Warden recommends to the Minister of Mines, IR and Safety for the exemptions to be granted the consolidated entity expects this legal action be concluded by during 2018.

*Business combinations*
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

*Impairment of exploration and evaluation costs*
The consolidated entity assesses impairment of exploration and evaluation costs at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

## Note 4. Operating segments

*Identification of reportable operating segments*
The consolidated entity does not have any reportable operating segments as it solely operates in the exploration for base metal and rare earths industry within Australia. This internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources are prepared on the consolidated entity as a whole.

*Accounting policy for operating segments*
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## Note 5. Revenue

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **From continuing operations** | | |
| Interest | 90,836 | 15,668 |
| Other revenue | 1,800 | - |
| Revenue from continuing operations | 92,636 | 15,668 |

*Accounting policy for revenue recognition*
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Interest*
Interest revenue from investments is recognised on an accrual basis.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

## Note 6. Other income

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Gain on acquisition of controlling interest | - | 827,881 |

## Note 7. Expenses

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Loss before income tax from continuing operations includes the following specific expenses: | | |
| *Depreciation* | | |
| Motor vehicles | 3,125 | - |
| Office equipment | 7,180 | 5,732 |
| Computer equipment | 5,102 | 2,079 |
| Mining equipment | 12,891 | 11,415 |
| Total depreciation | 28,298 | 19,226 |
| *Amortisation* | | |
| Software | 14,285 | 23,722 |
| Total depreciation and amortisation | 42,583 | 42,948 |
| *Employee benefits expense* | | |
| Wages and salaries | 901,252 | 847,315 |
| Defined contribution superannuation | 31,196 | 37,648 |
| Share based payments | 696,923 | 91,742 |
| Employee entitlements | 23,919 | 48,021 |
| Payroll tax | 132,124 | 52,875 |
| Other employment benefits | 23,322 | 25,660 |
| Total employee benefits expense | 1,808,736 | 1,103,261 |
| *Finance costs* | | |
| Interest and finance charges paid/payable | 599,854 | 646,885 |
| Loss on extinguishment of liability* | 2,973,102 | 286,495 |

*During July 2016, the consolidated entity entered into a deed of settlement in regards to the acquisition of Mt Holland and the deferred consideration payable. The share sale agreement dated 29 February 2016 stated that the deferred consideration of $1.5 million would be paid upon the dismissal of the forfeiture claims surrounding the Mt Holland assets in either cash of fully paid ordinary shares at a valued weighted average price (VWAP) 30 days prior to the date of the share sale agreement. As part of a renegotiation of the Capri debt (extension of term and reduction in interest charged) the deed of settlement signed in July 2016 amended the settlement terms whereby the consideration would be paid by way of fully paid ordinary shares. Therefore the loss recognised above represents the movement in the company's share price between 29 February 2016 and July 2016 multiplied by the number of shares to be issued upon dismissal of the forfeiture claims.

On 27 November 2015, the consolidated entity issued 9,549,824 fully paid ordinary shares following receipt of shareholder approval received at the Company’s 2015 Annual General Meeting held on 13 November 2015 in order to reduce outstanding liabilities of the Company. The shares issued had a deemed issue price of $0.075 (7.5 cents) per share at the date of approval, however on 27 November 2015 the fair value quoted price on the ASX was $0.105 (10.5 cents) per share giving rise to a difference to which has therefore been booked as ‘loss on extinguishment of liability’.

## Note 8. Income tax benefit

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| *Numerical reconciliation of income tax benefit and tax at the statutory rate* | | |
| Loss before income tax benefit from continuing operations | (17,528,188) | (3,735,748) |
| Loss before income tax expense from discontinued operations | (13,782,083) | (2,514,418) |
| | (31,310,271) | (6,250,166) |
| Tax at the statutory tax rate of 30% | (9,393,081) | (1,875,050) |
| Current year tax losses not recognised | 5,094,387 | (229,554) |
| Current year temporary differences not recognised | 2,609,146 | - |
| Permanent differences | 1,689,548 | 165,096 |
| Other | - | (22,294) |
| Income tax benefit | - | (1,961,802) |

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 46,109,789 | 22,418,839 |
| Potential tax benefit @ 30% | 13,832,937 | 6,725,652 |
| Unused capital losses for which no deferred tax asset has been recognised | 1,075,083 | 1,075,083 |
| Potential tax benefit at statutory tax rates | 322,525 | 322,525 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:
i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and

iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

## Note 9. Discontinued operations

*Description*
On 29 August 2016 the consolidated entity placed the Burbanks mine on care and maintenance, following expressions of interest to acquire the property from multiple parties. On 22 November 2016 consolidated entity signed a binding Heads of Agreement to sell the Burbanks gold mine for $4.5 million however on 6 March 2017 the consolidated entity announced that the sale was unlikely to proceed.

## Note 9. Discontinued operations (continued)

*Financial performance information*

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Revenue | 788,388 | 7,457,413 |
| Cost of sales | (3,229,307) | (10,061,090) |
| Total revenue | (2,440,919) | (2,603,677) |
| Other income | 22,223 | 171,718 |
| Depreciation and amortisation expenses | (124,633) | (82,459) |
| Loss on disposal of fixed assets | (385,057) | - |
| Impairment of assets held for sale | (10,853,697) | - |
| Total expenses | (11,363,387) | (82,459) |
| Loss before income tax expense | (13,782,083) | (2,514,418) |
| Income tax expense | - | - |
| Loss after income tax expense from discontinued operations | (13,782,083) | (2,514,418) |

*Cash flow information*

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Net cash used in operating activities | (4,608,142) | (1,529,750) |
| Net cash used in investing activities | (1,373,139) | (2,966,359) |
| Net decrease in cash and cash equivalents from discontinued operations | (5,981,281) | (4,496,109) |

Although the Board continues to believe the Burbanks mine has value, we also believe that greater value lies at the Earl Grey Lithium deposit. To this end we decided to put the mine on “care and maintenance” and commenced a sales process. A number of parties looked at purchasing the asset but we were unable to negotiate a commercial outcome. We have since allowed the mine to flood and have written the asset value down to nil.

*Accounting policy for discontinued operations*
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

## Note 10. Current assets - cash and cash equivalents

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Cash at bank | 2,368,373 | 4,619,784 |
| Cash on deposit | 186,068 | 132,442 |
| | 2,554,441 | 4,752,226 |

The consolidated entity's exposure to interest rate and foreign currency risk is discussed in Note 23.

*Accounting policy for cash and cash equivalents*
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Note 11. Current assets - trade and other receivables

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Other receivables | 508,600 | 14,177 |
| Loan to MH Gold (1) | - | 209,281 |
| GST receivable | 1,299,991 | 177,793 |
| | 1,808,591 | 401,251 |

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

(1) During the prior financial year, the consolidated entity acquired MH Gold Pty Ltd. The amount above represents the loan paid to MH Gold Pty Ltd as at 30 June 2016, which has been eliminated on consolidation from the date of acquisition.

*Accounting policy for trade and other receivables*
Other receivables are recognised at amortised cost, less any provision for impairment.

## Note 12. Non-current assets - property, plant and equipment

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Plant and equipment - at cost | - | 207,278 |
| Less: Accumulated depreciation | - | (12,371) |
| | - | 194,907 |
| | | |
| Motor vehicles - at cost | 49,979 | 59,640 |
| Less: Accumulated depreciation | (18,179) | (9,983) |
| | 31,800 | 49,657 |
| | | |
| Computer equipment - at cost | 40,639 | 22,001 |
| Less: Accumulated depreciation | (22,101) | (16,998) |
| | 18,538 | 5,003 |
| | | |
| Office equipment - at cost | 105,307 | 36,164 |
| Less: Accumulated depreciation | (39,145) | (31,965) |
| | 66,162 | 4,199 |
| | | |
| Mining Equipment at cost | 81,761 | 377,375 |
| Less: Accumulated depreciation | (60,914) | (108,978) |
| | 20,847 | 268,397 |
| | | |
| | 137,347 | 522,163 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | Property, Plant & Equipment $ | Motor vehicles $ | Computer Equipment $ | Office Equipment $ | Mining Equipment $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2015 | - | 5,273 | 1,841 | 7,463 | 219,605 | 234,182 |
| Additions | 186,149 | 5,758 | 5,241 | 2,468 | 113,113 | 312,729 |
| Additions through business combinations | 21,129 | 48,602 | - | - | 7,206 | 76,937 |
| Depreciation expense included in discontinued operations | (12,371) | (9,976) | - | - | (60,112) | (82,459) |
| Depreciation expense | - | - | (2,079) | (5,732) | (11,415) | (19,226) |
| | | | | | | |
| Balance at 30 June 2016 | 194,907 | 49,657 | 5,003 | 4,199 | 268,397 | 522,163 |
| Additions | 67,884 | 16,139 | 18,637 | 69,143 | 57,760 | 229,563 |
| Disposals | (210,571) | (21,119) | - | - | (229,758) | (461,448) |
| Depreciation expense included in discontinued operations | (52,220) | (9,752) | - | - | (62,661) | (124,633) |
| Depreciation expense | - | (3,125) | (5,102) | (7,180) | (12,891) | (28,298) |
| | | | | | | |
| Balance at 30 June 2017 | - | 31,800 | 18,538 | 66,162 | 20,847 | 137,347 |

*Accounting policy for property, plant and equipment*
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

### Note 12. Non-current assets - property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Plant and equipment | 3-7 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### Note 13. Non-current assets - intangibles

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Software - at cost | 120,239 | 120,239 |
| Less: Accumulated amortisation | (92,773) | (78,488) |
| | 27,466 | 41,751 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | Software<br>$ |
|---|---|
| Balance at 1 July 2015 | 65,473 |
| Amortisation expense | (23,722) |
| Balance at 30 June 2016 | 41,751 |
| Amortisation expense | (14,285) |
| Balance at 30 June 2017 | 27,466 |

*Accounting policy for intangible assets*
*Software*
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

### Note 14. Non-current assets - exploration and evaluation

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Exploration and evaluation assets | 22,139,941 | 14,386,911 |

## Note 14. Non-current assets - exploration and evaluation (continued)

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | Exploration $ |
|---|---|
| Balance at 1 July 2015 | 11,954,197 |
| Additions through business combinations | 2,826,636 |
| Expenditure during the year | 2,367,509 |
| Sale of Gunga | (1,500,000) |
| Write off of assets | (1,261,431) |
| Balance at 30 June 2016 | 14,386,911 |
| Acquisition of tenements | 3,500,000 |
| Expenditure during the year | 18,774,856 |
| Impairment of assets | (9,876,538) |
| Impairment of assets (discontinued operations) | (4,645,288) |
| Balance at 30 June 2017 | 22,139,941 |

During the financial year the consolidated entity undertook a review on the carrying values of its exploration and evaluation assets and accounted for impairments which included $9,193,268 on its Crowl Creek and Barrow Creek assets and $4,645,288 relating to the Burbank's asset which has been reclassified as a discontinued operation following management's decision to place the mine on care and maintenance in August following expressions of interest to acquire the property. The impairment has been a result of a review of the current market conditions and on assessment of the fair value less costs to sell the assets.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Between October 2015 and July 2016, Phoenix Rise Pty Ltd lodged 13 plaints objecting to exemption applications submitted by previous owners Convergent Minerals Ltd, and a further 27 applications for forfeiture over Mining and Exploration licences at the Mt Holland Gold and Lithium Project. Some of these licences have been relinquished thus making the current plaints; 12 and forfeiture applications; 18.

The jurisdiction of these proceedings is set in the Western Australian Wardens Court. These proceedings are each on the basis that the previous tenement holders did not comply with their obligations of expenditure. The exemption applications will be heard on 13-16 November 2017 and then 20 November 2017.

The consolidated entity see the plaints as opportunistic and the evidence compiled demonstrates that the required expenditure was met. With the expectation that the Warden recommends to the Minister of Mines, IR and Safety for the exemptions to be granted the consolidated entity expects this legal action be concluded during 2018.

*Accounting policy for exploration and evaluation assets*
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

## Note 15. Non-current assets - Mines under development

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Mines under development | - | 4,937,803 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | Mines under development $ |
|---|---|
| Balance at 1 July 2015 | 2,430,000 |
| Additions through business combinations | 1,297,558 |
| Expenditure during the year | 1,366,768 |
| Amortisation expense | (156,523) |
| | |
| Balance at 30 June 2016 | 4,937,803 |
| Expenditure during the year | 1,270,606 |
| Impairment of assets | (6,208,409) |
| | |
| Balance at 30 June 2017 | - |

*Accounting policy for mining assets*
*Mining rights*
Capitalised mining costs include expenditures incurred to acquire the rights to mine in an area of interest.

*Mining development*
Costs to develop new ore bodies, to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production are capitalised as incurred. Costs from exploration and evaluation phase are transferred to mining development once production commences in the area of interest.

Amortisation of mining rights and development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

*Mines under construction*
Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mines properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product producing while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After productions starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

## Note 16. Non-current assets - other

| | Consolidated | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Security deposits | 780 | 11,760 |
| Exploration security bonds | 82,373 | 122,373 |
| | 83,153 | 134,133 |

## Note 17. Current liabilities - trade and other payables

| | Consolidated | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Trade and other payables | 2,038,981 | 3,860,113 |

Refer to note 24 for further information on financial instruments.

The average credit period on purchases is 30 days. Due to the short term nature of the payables their carrying value is assumed to approximate their fair value. No interest is charged on the payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## Note 18. Current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Loan from private financier | 6,440,998 | 1,000,000 |
| Loan from Sociedad Quimica y Minera de Chile S.A (SQM) | 2,002,644 | - |
| | 8,443,642 | 1,000,000 |

Refer to note 24 for further information on financial instruments.

During the 2016 financial year the consolidated entity signed a Deed of Settlement and Release to amend the repayment date of the loan from the private financier. Under the agreement the amount listed above is repayable on or before 1 May 2018.

The loan from Sociedad Quimica y Minera de Chile S.A (SQM) is a short term loan facility of US$1.5 million as part of the negotiations that resulted in the joint venture transaction announced as on 12 July 2017. If the transaction does not proceed, it is intended that the amount outstanding under this loan facility will be set off against a break fee of the same amount payable by SQM to the Company. If the Proposed Transaction does proceed, this loan facility will become part of the convertible loan facility amounting to US$21.5 million which the consolidated entity will be in a position to draw-down once the transaction proceeds.

## Note 19. Non-current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Loan from private financier | - | 5,741,345 |

Refer to note 24 for further information on financial instruments.

During the prior financial year the company signed a deed of settlement and release to amend the repayment date of the loan outstanding at 30 June 2016 (as noted above). Under the agreement the amount listed above is repayable on or before 1 May 2018 and has therefore been reclassified to a current liability.

*Total secured liabilities*
The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Loan from private financier | 6,440,998 | 6,741,345 |

*Accounting policy for borrowings*
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

## Note 20. Equity - issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 2017 No. | 2016 No. | 2017 $ | 2016 $ |
| Ordinary shares - fully paid | 333,331,373 | 237,267,218 | 58,013,355 | 29,847,701 |
| Listed Options at $0.15 Expiring 30 April 2018 | 47,453,487 | 47,453,487 | - | - |
| | 380,784,860 | 284,720,705 | 58,013,355 | 29,847,701 |

## Note 20. Equity - issued capital (continued)

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2015 | 119,610,593 | | 20,223,171 |
| Share Consideration - Capri Loan | 14 August 2015 | 12,700,000 | $0.075 | 952,500 |
| Share Consideration - Capri Loan | 27 November 2015 | 9,549,824 | $0.105 | 1,002,732 |
| Performance Rights | 27 November 2015 | 500,000 | $0.069 | 34,425 |
| Placement | 11 March 2016 | 35,590,001 | $0.085 | 3,025,150 |
| Rights issue entitlement | 11 March 2016 | 19,297,500 | $0.085 | 1,640,288 |
| Rights issue underwritten | 29 April 2016 | 16,415,411 | $0.085 | 1,395,310 |
| Rights issue shortfall | 10 May 2016 | 23,603,889 | $0.085 | 2,006,430 |
| Cost of capital raising | | - | - | (432,305) |
| Balance | 30 June 2016 | 237,267,218 | | 29,847,701 |
| Issue of fully paid ordinary shares upon vesting of performance rights | 25 August 2016 | 1,250,000 | - | 91,677 |
| Issue of fully paid ordinary shares as employee incentive | 25 August 2016 | 1,250,000 | - | 412,500 |
| Issue of fully paid ordinary shares | 25 August 2016 | 56,600,000 | $0.285 | 16,131,000 |
| Issue of fully paid ordinary shares | 3 October 2016 | 17,085,000 | $0.285 | 4,869,225 |
| Issue of fully paid ordinary shares upon vesting of performance | 3 October 2016 | 1,000,000 | - | 75,040 |
| Issue of fully paid ordinary shares upon vesting of performance rights | 3 October 2016 | 1,000,000 | - | 137,412 |
| Issue of fully paid ordinary shares upon vesting of performance rights | 3 October 2016 | 450,000 | - | 88,586 |
| Issue of fully paid ordinary shares to Western Areas Limited for acquisition of tenements | 28 February 2017 | 11,111,111 | $0.505 | 5,611,111 |
| Issue of fully paid ordinary shares to Western Areas Limited for farmin and Joint Venture agreement | 20 March 2017 | 6,318,044 | $0.405 | 2,558,808 |
| Cost of capital raising | | - | - | (1,809,705) |
| Balance | 30 June 2017 | 333,331,373 | | 58,013,355 |

*Movements in options over ordinary shares*

| Details | Date | Options | $ |
|---|---|---|---|
| Balance | 1 July 2015 | - | - |
| Issue of listed options | 19 April 2016 | 29,658,487 | - |
| Issue of listed options | 16 May 2016 | 17,795,000 | - |
| Balance | 30 June 2016 | 47,453,487 | - |
| Balance | 30 June 2017 | 47,453,487 | - |

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## Note 20. Equity - issued capital (continued)

*Capital risk management*
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 21. Equity - Other contributed equity

| | Consolidated | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| Other contributed equity | 4,473,102 | - |

The 'Other contributed equity' listed above represents the deferred consideration to be settled wholly by issuing ordinary shares for the Mt Holland acquisition upon the dismissal of the forfeiture claims pending. The valuation has been determined by multiplying the number of shares to be issued upon the settlement of the forfeiture claims multiplied by the fair value of the company's share price as at the date of the deed of settlement signed on 22 July 2016. Upon resolution of the forfeiture claims the amount listed above will be reclassified as share capital upon the issue of the fully paid ordinary shares.

## Note 22. Equity - reserves

| | Consolidated | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| Share-based payments reserve | 455,081 | 108,292 |

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

## Note 22. Equity - reserves (continued)

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| **Consolidated** | Share based payments $ |
|---|---|
| Balance at 1 July 2015 | 50,973 |
| Share based payments | 91,742 |
| Transfer from option reserve on the vesting of performance rights | (34,423) |
| Balance at 30 June 2016 | 108,292 |
| Share based payments | 284,423 |
| Transfer from option reserve on the vesting of performance rights | (392,715) |
| Advisory options issued | 455,081 |
| Balance at 30 June 2017 | 455,081 |

## Note 23. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 24. Financial instruments

***Financial risk management objectives***
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

*Foreign currency risk*
The consolidated entity operates within Australia and is exposed to foreign exchange risk arising from fluctuations in commodity prices, primarily in relation to commodity prices.

*Price risk*
Market risk is the risk that changes in market prices, such as commodity prices and interest rates will affect the consolidated entity's income. The consolidated entity has a policy of maintaining full exposure to changes in key market variables being gold price and interest rates. The consolidated entity does not undertake gold forward selling and hence is exposed to commodity price risk. The consolidated entity is exposed to interest rate risk arising from its cash at bank. The consolidated entity regularly reassesses market conditions and market risks so as to optimise return on capital.

*Interest rate risk*
The consolidated entity's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

## Note 24. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

| Consolidated | 2017 Weighted average interest rate % | 2017 Balance $ | 2016 Weighted average interest rate % | 2016 Balance $ |
|---|---|---|---|---|
| Cash at bank | 1.40% | 2,368,373 | 2.00% | 4,619,784 |
| Cash on deposit | 1.80% | 186,068 | 2.50% | 132,442 |
| Net exposure to cash flow interest rate risk | | 2,554,441 | | 4,752,226 |

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank and 100 basis points on cash on deposit for the 2017 and 2016 financial years. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| Consolidated - 2017 | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| Cash at bank | 50 | 11,842 | 11,842 | (50) | (11,842) | (11,842) |
| Cash on deposit | 100 | 1,861 | 1,861 | (100) | (1,861) | (1,861) |
| | | 13,703 | 13,703 | | (13,703) | (13,703) |

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| Consolidated - 2016 | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| Cash at bank | 50 | 23,099 | 23,099 | (50) | (23,099) | (23,099) |
| Cash on deposit | 100 | 1,324 | 1,324 | (100) | (1,324) | (1,324) |
| | | 24,423 | 24,423 | | (24,423) | (24,423) |

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

***Liquidity risk***

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

## Note 24. Financial instruments (continued)

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2017 | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade and other payables | 2,038,981 | - | - | - | 2,038,981 |
| Borrowings | 2,023,505 | - | - | - | 2,023,505 |
| *Interest-bearing - fixed rate* | | | | | |
| Loan from private financier | 6,977,748 | - | - | - | 6,977,748 |
| Total non-derivatives | 11,040,234 | - | - | - | 11,040,234 |

| Consolidated - 2016 | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade and other payables | 3,860,113 | - | - | - | 3,860,113 |
| *Interest-bearing - variable* | | | | | |
| Loan from private financier | 1,000,000 | 5,741,345 | - | - | 6,741,345 |
| Total non-derivatives | 4,860,113 | 5,741,345 | - | - | 10,601,458 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 25. Fair value measurement

*Accounting policy for fair value measurement*
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Note 26. Key management personnel disclosures

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Short-term employee benefits | 852,314 | 907,420 |
| Post-employment benefits | 27,430 | 28,895 |
| Termination benefits | - | 104,115 |
| Share-based payments | 608,337 | 91,742 |
| | 1,488,081 | 1,132,172 |

## Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton , the auditor of the company:

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| *Audit services - Grant Thornton* | | |
| Audit or review of the financial statements | 80,250 | 63,000 |
| *Other services - Grant Thornton* | | |
| Taxation related services | 126,720 | 5,500 |
| | 206,970 | 68,500 |

## Note 28. Contingent liabilities

There were no contingent liabilities at 30 June 2016 and 30 June 2017.

## Note 29. Commitments

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| *Lease Commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 74,000 | 16,224 |
| One to five years | 117,167 | - |
| | 191,167 | 16,224 |
| *Exploration and evaluation* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 355,083 | 1,264,796 |
| One to five years | 831,122 | 1,571,138 |
| | 1,186,205 | 2,835,934 |

Exploration and evaluation

**Note 29. Commitments (continued)**

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. During prior years the Company concluded a number of farm-out agreements which resulted in the Company only being responsible for a share of the work programs. The farm-in partners also expended funds on the permits during the year which resulted in work programs for certain years being met.

**Note 30. Related party transactions**

*Parent entity*
Kidman Resources Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 32.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | **2017** **$** | **2016** **$** |
| Payment for goods and services: | | |
| Payments to Mining Plus Pty Ltd (a director related entity associated with Mr Brad Evans)* | 194,247 | 322,004 |
| Payments for legal fees to Grillo Higgins (an entity associated with Mr Garrick Higgins, Mr Higgins resigned on 13 November 2015) | - | 205,230 |

* It is noted that Mr Evans is an employee of Mining Plus Pty Ltd and does not directly receive a benefit from the amounts paid to the associated entity.

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | **2017** **$** | **2016** **$** |
| Current payables: | | |
| Trade payables to Mining Plus Pty Ltd (relationship noted above) | 69,048 | - |

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent 2017 $ | Parent 2016 $ |
|---|---|---|
| Loss after income tax | (31,277,890) | (4,246,481) |
| Total comprehensive income | (31,277,890) | (4,246,481) |

*Statement of financial position*

| | Parent 2017 $ | Parent 2016 $ |
|---|---|---|
| Total current assets | 2,985,745 | 3,157,889 |
| Total assets | 26,629,100 | 22,825,845 |
| Total current liabilities | 9,395,595 | 1,395,641 |
| Total liabilities | 9,436,652 | 7,341,050 |
| Equity | | |
| Issued capital | 58,013,355 | 29,847,701 |
| Other contributed equity | 4,473,102 | - |
| Share-based payments reserve | 455,081 | 108,292 |
| Accumulated losses | (45,749,090) | (14,471,198) |
| Total equity | 17,192,448 | 15,484,795 |

*Contingent liabilities*
The parent entity had no contingent liabilities as at 2016 and 2017.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment at as 2016 and 2017.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest 2017 % | 2016 % |
|---|---|---|---|
| Crowl Creek Exploration Limited | Australia | 100.00% | 100.00% |
| Casey Exploration Pty Ltd | Australia | 100.00% | 100.00% |
| Kidman Barrow Creek Pty Ltd | Australia | 100.00% | 100.00% |
| Kidman Mining Pty Ltd | Australia | 100.00% | 100.00% |
| Coolgardie Mining Company Pty Ltd | Australia | 100.00% | 100.00% |
| MH Gold Pty Ltd * | Australia | 100.00% | - |
| Montague Resources Australia Pty Ltd ** | Australia | 100.00% | - |
| Forrestania Lithium Pty Ltd *** | Australia | 100.00% | - |

* Company acquired on 7 July 2016.
** Company acquired on 7 July 2016.
*** Incorporated on 11 July 2016.

## Note 33. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Kidman Resources Limited
Crowl Creek Exploration Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Kidman Resources Limited, they also represent the 'Extended Closed Group'.

## Note 33. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

| Statement of profit or loss and other comprehensive income | 2017 $ | 2016 $ |
|---|---|---|
| Revenue | 88,496 | 332,507 |
| Depreciation and amortisation expense | (34,362) | (42,948) |
| Impairment of loan to subsidiary | (18,714,578) | (884,437) |
| Impairment of assets | (5,347,232) | (376,994) |
| Administration expenses | (457,783) | (365,181) |
| Corporate expenses | (1,358,388) | (694,376) |
| Employment expenses | (1,881,135) | (1,211,790) |
| Finance costs | (599,854) | (646,885) |
| Loss on extinguishment of liability | (2,973,102) | (356,377) |
| **Loss before income tax expense** | (31,277,938) | (4,246,481) |
| Income tax expense | - | - |
| **Loss after income tax expense** | (31,277,938) | (4,246,481) |
| Other comprehensive income for the year, net of tax | - | - |
| **Total comprehensive income for the year** | (31,277,938) | (4,246,481) |

| Equity - retained profits | 2017 $ | 2016 $ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (14,471,198) | (10,224,717) |
| Loss after income tax expense | (31,277,938) | (4,246,481) |
| Accumulated losses at the end of the financial year | (45,749,136) | (14,471,198) |

### Note 33. Deed of cross guarantee (continued)

| Statement of financial position | 2017 $ | 2016 $ |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 2,319,809 | 2,827,611 |
| Trade and other receivables | 625,315 | 381,715 |
| Prepayments | 40,575 | 35,484 |
| | 2,985,699 | 3,244,810 |
| **Non-current assets** | | |
| Other financial assets | 23,447,836 | 14,267,723 |
| Property, plant and equipment | 84,900 | 19,828 |
| Intangibles | 27,466 | 41,751 |
| Exploration and evaluation | - | 5,918,827 |
| Other | 83,153 | 134,133 |
| | 23,643,355 | 20,382,262 |
| **Total assets** | 26,629,054 | 23,627,072 |
| **Current liabilities** | | |
| Trade and other payables | 940,220 | 1,272,061 |
| Borrowings | 8,343,642 | 1,000,000 |
| Employee benefits | 111,733 | 107,846 |
| | 9,395,595 | 2,379,907 |
| **Non-current liabilities** | | |
| Borrowings | - | 5,741,345 |
| Employee benefits | 41,057 | 21,025 |
| | 41,057 | 5,762,370 |
| **Total liabilities** | 9,436,652 | 8,142,277 |
| **Net assets** | 17,192,402 | 15,484,795 |
| **Equity** | | |
| Issued capital | 58,013,355 | 29,847,701 |
| Other contributed equity | 4,473,102 | - |
| Reserves | 455,081 | 108,292 |
| Accumulated losses | (45,749,136) | (14,471,198) |
| **Total equity** | 17,192,402 | 15,484,795 |

On 28 February 2012, Kidman Resources Limited provided a Deed of Cross Guarantee under Class Order 98/1418 made by ASIC to Crowl Creek Exploration Limited as per the signed agreement between the two entities.

### Note 34. Events after the reporting period

On 10 July 2017, the consolidated entity announced that it had successfully defended the ownership of lithium rights to its Mt Holland project, including the Earl Grey deposit, with Supreme Court Justice Kenneth Martin handing down a judgment against the plaintiff, Marindi Metals Ltd. On 12 September 2017, Justice Kenneth Martin handed down his decision on the question of costs and ordered Marindi Metals Ltd to pay the Company's costs of the proceedings. His Honour further ordered that these costs be paid by MZN on a full indemnity basis from 1 March 2017.

On 12 July 2017, the consolidated entity announced that it had entered into a binding agreement in relation to a proposed Joint Venture with SQM to develop the Mt Holland Lithium Project.

## Note 34. Events after the reporting period (continued)

On 12 September 2017, the consolidated entity announced that it had executed the definitive agreements regarding the proposed SQM JV as noted above. Under the Definitive Agreements, an unincorporated 50/50 joint venture under which SQM will commit to sole fund US$80 million of JV expenditure will be formed that will include a JV Management Committee that is comprised of two Kidman and two SQM representatives to oversee the development of the Earl Grey mine, concentrator and refinery. Kidman will transfer a 50% interest in the Mt Holland Tenements for US$30 million. The contributions by SQM are subject to conditions precedent (being principally foreign investment approvals, approvals of the WA Minister of Mines and other necessary third party approvals).

During September as part of the agreement noted above, a convertible loan facility of up US$21.5 million was made available to the Company.

On 19 September 2017, 14,810,063 fully paid ordinary shares were issued to Capri Trading Pty Ltd as final payment of the Deferred Consideration for the purchase of Mt Holland in July 2016.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 35. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| Loss after income tax benefit for the year | (31,310,271) | (4,288,364) |
| Adjustments for: | | |
| Depreciation and amortisation | 167,215 | 125,407 |
| Share based payments | 696,923 | 91,742 |
| Exploration costs written off | 20,730,235 | 1,261,431 |
| Interest accrued | 599,854 | 646,885 |
| Realised loss on loan settlement | 2,973,102 | 286,495 |
| Loss on sale of joint operation | - | 69,882 |
| Amortisation of mine | - | 156,523 |
| Income tax benefit | - | (1,961,802) |
| Loss on disposal of fixed assets | 413,453 | - |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (1,407,340) | (59,661) |
| Decrease/(increase) in prepayments | (5,103) | 14,661 |
| Increase/(decrease) in trade and other payables | (1,821,132) | 2,217,424 |
| Increase in employee benefits | 23,365 | 60,940 |
| Net cash used in operating activities | (8,939,699) | (1,378,437) |

## Note 36. Earnings per share

| | Consolidated | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| *Earnings per share for loss from continuing operations* | | |
| Loss after income tax attributable to the owners of Kidman Resources Limited | (17,528,188) | (1,773,946) |

**Note 36. Earnings per share (continued)**

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 307,229,810 | 159,396,192 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 307,229,810 | 159,396,192 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | (5.71) | (1.11) |
| Diluted earnings per share | (5.71) | (1.11) |

| | Consolidated | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| *Earnings per share for loss from discontinued operations* | | |
| Loss after income tax attributable to the owners of Kidman Resources Limited | (13,782,083) | (2,514,418) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 307,229,810 | 159,396,192 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 307,229,810 | 159,396,192 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | (4.49) | (1.58) |
| Diluted earnings per share | (4.49) | (1.58) |

| | Consolidated | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| *Earnings per share for loss* | | |
| Loss after income tax attributable to the owners of Kidman Resources Limited | (31,310,271) | (4,288,364) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 307,229,810 | 159,396,192 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 307,229,810 | 159,396,192 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | (10.19) | (2.69) |
| Diluted earnings per share | (10.19) | (2.69) |

Diluted Earnings per Share

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights to options are non-dilutive as the consolidated entity has generated a loss for the year.

As at 30 June 2017, the consolidated entity had 47,453,487 quoted options on issue, exercisable at $0.15 (15 cents) expiring on or before 30 April 2018. These options have not been included in the above calculation as explained above.

## Note 36. Earnings per share (continued)

*Accounting policy for earnings per share*

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of Kidman Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Note 37. Share-based payments

There were no options granted under the plan during the 30 June 2017 financial year.

During the financial year, the company issued a total of 1,450,000 performance rights to employees of the company, all of which vested during the period upon meeting their respective vesting conditions.

During the financial year, 1,250,000 fully paid ordinary shares were issued to an employee of the Company as an incentive.

Set out below are summaries of performance rights granted under the plan:

**2017**

| Grant date | Expiry date | Hurdle price | Balance at the start of the year | Granted | Vested | Lapsed | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 24/11/2014 | 10/10/2016 | $0.20 | 500,000 | - | (500,000) | - | - |
| 24/11/2014 | 10/10/2017 | $0.30 | 750,000 | - | (750,000) | - | - |
| 24/11/2014 | 10/10/2017 | $0.40 | 1,000,000 | - | (1,000,000) | - | - |
| 21/07/2016 | 30/06/2019 | $0.40 | - | 450,000 | (450,000) | - | - |
| 25/08/2016 | 30/09/2019 | $0.40 | - | 1,000,000 | (1,000,000) | - | - |
| | | | 2,250,000 | 1,450,000 | (3,700,000) | - | - |

**2016**

| Grant date | Expiry date | Hurdle price | Balance at the start of the year | Granted | Vested | Lapsed | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 24/11/2014 | 10/10/2016 | $0.20 | 500,000 | - | - | - | 500,000 |
| 24/11/2014 | 10/10/2017 | $0.30 | 750,000 | - | - | - | 750,000 |
| 24/11/2014 | 10/10/2017 | $0.40 | 1,000,000 | - | - | - | 1,000,000 |
| 11/05/2015 | 10/10/2016 | $0.10 | 500,000 | - | (500,000) | - | - |
| 11/05/2015 | 10/10/2017 | $0.15 | 750,000 | - | - | (750,000) | - |
| 11/05/2015 | 10/10/2017 | $0.30 | 1,000,000 | - | - | (1,000,000) | - |
| | | | 4,500,000 | - | (500,000) | (1,750,000) | 2,250,000 |

## Note 37. Share-based payments (continued)

Set out below are the performance rights exercisable at the end of the financial year:

| Grant date | Expiry date | 2017 Number | 2016 Number |
|---|---|---|---|
| 24/11/2014 | 10/10/2016 | - | 500,000 |
| 24/11/2014 | 10/10/2017 | - | 750,000 |
| 24/11/2014 | 10/10/2017 | - | 1,000,000 |
| | | - | 2,250,000 |

These options remain outstanding at the end of the current financial year. The valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|
| 27/09/2016 | 03/10/2018 | $0.66 | $0.427 | 118.77% | 1.62% | $0.455 |

There are 4,000,000 options which were issued to advisors of the company relating to share issue costs, the expense has been applied against issued capital as a capital raising cost in the amount of $455,081.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Hurdle price | Expected volatility | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|
| 21/07/2016 | 30/06/2019 | $0.31 | $0.40 | 112.99% | 1.50% | $0.197 |
| 25/08/2016 | 30/09/2017 | $0.33 | $0.40 | 118.52% | 1.43% | $0.137 |

*Accounting policy for share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

## Note 37. Share-based payments (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Peter Lester
Non-Executive Chairman

28 September 2017
Melbourne

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF KIDMAN RESOURCES LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Kidman Resources Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Exploration and Evaluation Assets – valuation** | |
| At 30 June 2017 the carrying value of Exploration and Evaluation Assets was $22.1m.<br><br>As Kidman Resources Limited hold significant tenements in the exploration stage, qualifying exploration expenditure is capitalised in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources.<br><br>The resulting exploration and evaluation assets are required to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed their recoverable amounts. Any impairment losses are then measured in accordance with AASB 136 Impairment of Assets.<br><br>This area is a key audit matter as significant judgement is required in determining whether the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and then consequently in measuring any impairment loss. | Our procedures, amongst others, included:<br>• Obtaining the management prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;<br>• Selecting a sample of capitalised exploration and evaluation expenditure and obtaining documentation to support the amount capitalised in line with AASB 6;<br>• Critically reviewing management's assessment of impairment indicators for the Group's capitalised exploration assets under AASB 6 by:<br>   · Ensuring the period for the right to explore the areas of interest have not expired or will not expire in the near future without an expectation of renewal;<br>   · Reviewing forecasts to ensure that they indicate further planned exploration expenditure in the area of interest;<br>   · Confirming that exploration activities have not determined that viable quantities do not exist;<br>   · Confirming that sufficient data does not exist that indicated the carrying value unlikely to be recovered from successful development or by sale; and<br>   · Considering any other available evidence of impairment.<br>▪ Assessing management's consequent determination of impairment loss.<br>▪ Reviewing related financial statement disclosures. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Going concern** | |
| As disclosed in Note 2, the Group recorded an operating loss of $31.3m and had a current asset deficiency of $6.2m.<br><br>There was also an outstanding plaint in regards to exemption from forfeiture of the Group's rights in Mt Holland, which remained unresolved at reporting period end.<br><br>This is a key audit matter as there are significant judgements applied by management and directors in light of these uncertainties when concluding that the going concern basis of preparation of the financial statements is appropriate. | Our procedures, amongst other, included:<br>▪ Assessing the going concern assumptions for reasonableness by discussing with management and reviewing board minutes;<br>▪ Obtaining and reviewing a copy of management's cash-flow forecast to assess whether it appears the current cash levels and funding expected to be received post reporting period end can sustain the operations of the Group for the 'relevant period';<br>▪ Reviewing the inputs and assumptions used by management in the cash flow forecasts for reasonableness and consistency compared with the prior period actual results and minimum exploration expenditure required and challenging any significant differences.<br>▪ Obtaining an understanding of the funding and asset sale agreements entered into post reporting period end with Sociedad Química y Minera de Chile S.A. and agreeing this understanding to the cash flow forecasts;<br>▪ Conducting discussions with the Group's legal counsel in relation to an outstanding plaint and assessing the reasonableness of conclusions by management of its impact on the going concern assessment; and<br>▪ Reviewing related financial statement disclosures. |

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 23 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Kidman Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A R J Nathanielsz
Partner - Audit & Assurance

Melbourne, 28 September 2017

The shareholder information set out below was applicable as at 21 September 2017.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of listed options | Number of holders of unlisted options |
|---|---|---|---|
| 1 to 1,000 | 326 | 38 | - |
| 1,001 to 5,000 | 1,003 | 64 | - |
| 5,001 to 10,000 | 679 | 64 | - |
| 10,001 to 100,000 | 1,425 | 207 | - |
| 100,001 and over | 350 | 76 | 1 |
| | 3,783 | 449 | 1 |
| Holding less than a marketable parcel | 160 | 35 | - |

**Equity security holders**

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| EDM Nominees Pty Ltd | 32,500,000 | 9.34 |
| Western Areas Limited | 17,429,155 | 5.01 |
| Capri Trading Pty Ltd (The Capri Family A/C) | 14,810,063 | 4.25 |
| Mr Pasquale Bevilacqua & Mrs Maria Carmela Bevilacqua | 8,000,000 | 2.30 |
| UBS Nominees Pty Ltd | 7,428,417 | 2.13 |
| Commodity House Pty Ltd | 6,700,000 | 1.92 |
| HSBC Custody Nominees (Australia) Limited | 6,411,744 | 1.84 |
| BNP Paribas Noms Pty Ltd (DRP) | 5,486,243 | 1.58 |
| HSBC Custody Nominees (Australia) Limited | 5,435,449 | 1.56 |
| CS Third Nominees Pty Limited (HSBC Cust Nom Au Ltd 13 A/C) | 5,380,154 | 1.55 |
| Nero Resource Fund Pty Ltd (Nero Resource Fund A/C) | 5,273,416 | 1.51 |
| Bonza View Superannuation Fund Pty Ltd (Bonza View S/F A/C) | 4,930,004 | 1.42 |
| Citicorp Nominees Pty Limited | 4,384,068 | 1.26 |
| Commodity House Pty Ltd | 4,130,000 | 1.19 |
| Crosbie Consulting Pty Ltd | 3,901,780 | 1.12 |
| Pearce Financial Services Pty Ltd (Tom Pearce Superfund A/C) | 3,600,000 | 1.03 |
| Kale Capital Corporation Ltd | 3,410,000 | 0.98 |
| DWNK Pty Ltd (The Derek Smith Family A/C) | 3,398,000 | 0.98 |
| Mr Simon William Tritton (Investment A/C) | 2,904,706 | 0.83 |
| Belair Australia Pty Ltd (The Capri Investment A/C) | 2,700,000 | 0.78 |
| | 148,213,199 | 42.58 |

| | Options over ordinary shares (KDRO) Number held | % of total options issued |
|---|---|---|
| Nero Resource Fund Pty Ltd (Nero Resource Fund A/C) | 2,785,272 | 5.87 |
| Mr George Chien Hsun Lu & Mrs Jenny Chin Pao Lu | 2,251,500 | 4.74 |
| Mr Simon William Tritton (Investment A/C) | 1,950,000 | 4.11 |
| Mr Pasquale Bevilacqua & Mrs Maria Carmela Bevilacqua | 1,765,400 | 3.72 |
| Citicorp Nominees Pty Limited (Colonial First State Inc A/C) | 1,750,000 | 3.69 |
| Mr Charles Peter McGuigan & Mrs Tiffany Eliza Farrar McGuigan (McGuigan Family A/C) | 1,537,500 | 3.24 |
| Mr Darren Jeffery Hargreaves | 1,412,223 | 2.98 |
| Mr Dinh Lan Nguyen | 1,027,559 | 2.17 |
| Atkins Superannuation Fund Pty Ltd (Atkins Super Fund A/C) | 975,000 | 2.05 |
| Pershing Australia Nominees Pty Ltd (Accum A/C) | 870,000 | 1.83 |
| J P Morgan Nominees Australia Limited | 857,000 | 1.81 |
| Merrill Lynch (Australia) Nominees Pty Limited | 800,000 | 1.69 |
| Tanamera Resources Pte Ltd | 758,528 | 1.60 |
| Bairdos Pty Ltd | 718,450 | 1.51 |
| Mr Vinh Phan | 650,000 | 1.37 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 650,000 | 1.37 |
| Kenma Investment Advisors Pty Limited (Kenma Super Fund A/C) | 605,000 | 1.27 |
| Mr Alan Paul Rudd | 603,783 | 1.27 |
| Kings Park Superannuation Fund Pty Ltd (Kings Park Super Fund A/C) | 562,751 | 1.19 |
| Mr Timothy Bryce Kleemann & Mrs Tracy Michele Kleemann (Tim Kleemann Super A/C) | 559,362 | 1.18 |
| | 23,089,328 | 48.66 |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 4,000,000 | 1 |

**Substantial holders**
Substantial holders in the company are set out below:

| | Ordinary shares Number held | % of total shares issued |
|---|---|---|
| EDM Nominees Pty Ltd | 32,500,000 | 9.34 |
| Western Areas Limited | 17,429,155 | 5.01 |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

### Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary shares | 28 February 2018 | 11,111,111 |

### Tenements

Below is a listing of mining tenements held by the consolidated entity as at the date of this report:

| Mining Tenement | Location | Beneficial Percentage held |
|---|---|---|
| **EL 23186 – Home of Bullion** | NT, Australia | 100% |
| **EL 7537 – Blind Calf** | NSW, Australia | 100% |
| **EL 7538 – Wilmatha** | NSW, Australia | 100% |
| **EL 7820 – Melrose** | NSW, Australia | 100% |
| **EL 7821 – Lockerbie** | NSW, Australia | 100% |
| **EL 7523 – Kiacatoo** | NSW, Australia | 100% |
| **EL 4152 – Bogong** | NSW, Australia | 100% |
| **EL 6321 – Browns Reef** | NSW, Australia | 100% |
| **EL 7746 – Achilles** | NSW, Australia | Right to acquire up to 90% |
| **EL 7931 – Shepherds** | NSW, Australia | Right to acquire up to 90% |
| **EL 7891 – Tarilta** | NSW, Australia | Right to acquire up to 90% |
| **EL 8604 – Hill View** | NSW, Australia | Right to acquire up to 90% |
| **M15/0161 – Burbanks** | WA, Australia | 100% |
| **M77/0477 - Van Uden North** | WA, Australia | 80% |
| **M77/0478 - Van Uden South** | WA, Australia | 80% |
| **M77/0522 - Van Uden North North** | WA, Australia | 80% |
| **M77/0523 - Van Uden South South** | WA, Australia | 80% |
| **E77/1361 – Deserts** | WA, Australia | 80% |
| **E77/1535 – Cities** | WA, Australia | 80% |
| **E77/1582 – Aircraft** | WA, Australia | 80% |
| **M77/1065 – Cheeses** | WA, Australia | 100% |
| **M77/1066 – Bounty** | WA, Australia | 100% |
| **M77/1067 – Razorback** | WA, Australia | 100% |
| **M77/1068 – BushPig** | WA, Australia | 100% |
| **M77/1080 – Twinings** | WA, Australia | 100% |
| **P77/4082 – Cascadia** | WA, Australia | 100% |
| **P77/4115 – Snow** | WA, Australia | 100% |
| **P77/4220 – Lily** | WA, Australia | 100% |
| **E77/1773 - Southern Cross** | WA, Australia | 100% |
| **E77/1775 – Sea** | WA, Australia | 100% |
| **E77/2011 – Coffee** | WA, Australia | 100% |
| **E77/2080 – Battles** | WA, Australia | 100% |
| **E77/2097 – Generals** | WA, Australia | 100% |
| **E77/2137 – Planets** | WA, Australia | 100% |
| **E77/2162 – Moons** | WA, Australia | 100% |
| **E77/2167 – Golf** | WA, Australia | 100% |
| **E77/2188 – Hamlet** | WA, Australia | 100% |
| **E77/2305 – Michael** | WA, Australia | 100% |
| **G77/0037** | WA, Australia | 100% |
| **G77/0038** | WA, Australia | 100% |
| **G77/0045** | WA, Australia | 100% |
| **G77/0047** | WA, Australia | 100% |
| **G77/0048** | WA, Australia | 100% |

| | | |
|---|---|---|
| **G77/0049** | WA, Australia | 100% |
| **G77/0050** | WA, Australia | 100% |
| **G77/0068** | WA, Australia | 100% |
| **G77/0070** | WA, Australia | 100% |
| **G77/0071** | WA, Australia | 100% |
| **G77/0072** | WA, Australia | 100% |
| **G77/0073** | WA, Australia | 100% |
| **G77/0109** | WA, Australia | 100% |
| **G77/0110** | WA, Australia | 100% |
| **L77/0059** | WA, Australia | 100% |
| **L77/0085** | WA, Australia | 100% |
| **L77/0096** | WA, Australia | 100% |
| **L77/0107** | WA, Australia | 100% |
| **L77/0176** | WA, Australia | 100% |
| **L77/0193** | WA, Australia | 100% |
| **L77/0194** | WA, Australia | 100% |
| **L77/0198** | WA, Australia | 100% |
| **L77/0199** | WA, Australia | 100% |
| **L77/0200** | WA, Australia | 100% |
| **L77/0205** | WA, Australia | 100% |
| **L77/0206** | WA, Australia | 100% |
| **L77/0207** | WA, Australia | 100% |
| **L77/0208** | WA, Australia | 100% |
| **EPM18050** | WA, Australia | 100% |
| **EPSX00410113** | WA, Australia | 100% |
| **E77/2111 – Application** | WA, Australia | 100% |
| **E77/2244 - Application** | WA, Australia | 100% |
| **L77/0271 - Application** | WA, Australia | 100% |
| **E77/1400** | WA, Australia | 100%* |
| **E77/2099** | WA, Australia | 100%* |
| **E77/1436** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/1581** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/2127- Application** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/2228 - Application** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/2235 - Application** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/2236 - Application** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/2261 - Application** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0215** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0216** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0284** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0285** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0286** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0324** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0389** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0458** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0542** | WA, Australia | Right to acquire 70% Lithium Rights |
| **M77/0550** | WA, Australia | Right to acquire 70% Lithium Rights |
| **P77/4067** | WA, Australia | Right to acquire 70% Lithium Rights |
| **E77/1734** | WA, Australia | Right to acquire 70% Lithium Rights |
| *** Transfer Pending from Western Areas to Kidman Resources.** | | |