

31 October 2017

ASX Release

Kidman Resources Limited  
ABN 88 143 526 096

**Corporate Details:**

ASX Code: KDR / KDRO

**Issued capital:**

350.14 M ordinary shares  
47.45 M Listed European Options

**Substantial Shareholders:**

EDM Nominees (9.34%)

**Directors:**

**Non-Executive Chairman:**

Peter Lester

**Managing Director:**

Martin Donohue

**Non-Executive Director:**

Brad Evans

**Non-Executive Director:**

David Southam

**Chief Financial Officer (CFO):**

Jason Eveleigh

**Company Secretaries:**

Justin Mouchacca  
Melanie Leydin

**Contact Details:**

Kidman Resources Limited  
Suite 1, Level 7  
24 - 28 Collins Street  
Melbourne  
Victoria 3000  
Australia

Tel: +61 (0)3 9671 3801

Fax: +61 (0)3 9671 3523

Email:

[info@kidmanresources.com.au](mailto:info@kidmanresources.com.au)

Website:

[www.kidmanresources.com.au](http://www.kidmanresources.com.au)

## Quarterly Report – September 2017

### Highlights:

Kidman Resources Limited (ASX: KDR) (“the Company” or “Kidman”) is pleased to provide its September 2017 Quarterly Report for the Company as it focusses on the development of the Mt Holland Lithium and Gold Projects located near Southern Cross in Western Australia. Some of the key activities and milestones for the quarter included:

- KDR and SQM finalise and execute definitive agreements regarding the 50:50 Mt Holland Lithium Joint Venture (**JV**), as announced on 12 September 2017;
- The Scoping Study (“the Study”) for the Earl Grey Lithium Project was finalised during the quarter, demonstrating robust economics and a solid basis for further studies. Some of the highlights from the Study (100% Project basis - see ASX announcement on 3 October 2017) included:
  - Low strip ratio 2.3 reducing to 1.9 after pre-strip;
  - Marketable concentrate of 5.8% to 6.0% Li<sub>2</sub>O at a processing rate of 2.0Mtpa;
  - Produces an average 288ktpa concentrate, containing approximately 40Ktpa Lithium Carbonate Equivalent (LCE) units;
  - Low technical risk using open pit mining and conventional processing;
  - Large scale resource provides significant opportunity to expand mine life at potentially higher annual processing rates;
  - Unit mine site operating costs of USD\$32 per tonne of ore and C1 cash cost approximately USD\$205 per tonne of concentrate; and
  - Long life can support an investment in downstream refining infrastructure to produce lithium carbonate or hydroxide.
- Justice Martin dismissed the Marindi Metals Ltd (“Marindi”) action and Marindi announced on the ASX on 27 July 2017 that it had decided not to pursue an appeal. On 12 September 2017, the Company announced that Justice Martin has awarded costs on a full indemnity in Kidman’s favour;
- The option agreement with Poseidon Nickel Limited (**ASX: POS, “Poseidon”**), to lease the Lake Johnston plant for its Mt Holland Lithium Project (“**the Project**”), has been allowed to lapse following the JV with SQM.

## **CORPORATE**

On 12 September 2017, the Company announced it had finalised and executed definitive agreements with Sociedad Quimica y Minera de Chile SA (**SQM**) regarding the 50:50 Mt Holland JV.

### Key elements

- 50:50 JV over a spodumene mine and lithium concentrator for a total investment by SQM of \$US110 million;
- Kidman has the right to participate to 50% in developing a world-class lithium refinery, drawing on SQM's technical expertise;
- Refinery design will allow for production of both lithium hydroxide and lithium carbonate;
- Kidman to retain sole marketing rights to its 50% share of lithium concentrate production providing optionality for refinery funding; and
- Kidman to retain all rights to the Mt Holland Gold resource.

The Company's cash at bank at 30 September 2017 was \$6.23m.

By the end of the quarter and consistent with ASX announcements, Kidman had drawn down USD\$6.1m via its converting note with SQM and has been using the funds to continue progressing work at Mt Holland.

On 19 September 2017, 14,810,063 fully paid ordinary shares were issued to Capri Trading Pty Ltd as consideration pursuant the share sale and purchase agreement dated 29 February 2016. This transfer was deferred consideration on the purchase of the Mt Holland assets.

In July 2017 the Mining Warden in Perth ordered that applications for exemption from expenditure in relation to 13 tenements held by Kidman's subsidiaries be set down for a hearing commencing on 13 November 2017. Kidman has applied for exemption on four separate grounds under section 102 of the WA Mining Act. After hearing the exemption applications, the Mining Warden will make a written recommendation to the WA Minister for Mines as to whether the applications should be granted, and the Minister will determine the applications.

## **MT HOLLAND (Lithium)**

The Study which was announced post quarter end on 3 October 2017, examined the base case to produce a concentrate for sale into the export market. The defined production target was 47Mt at 1.4% over a 25-year period. Although it does not examine refinery potential this will be considered, with optimisation of this study, in the next level of studies to be conducted by the Kidman/SQM Joint Venture. This will result in building a long-term business which assist in Kidman becoming a very significant participant in a burgeoning lithium producing market in Western Australia. Furthermore the Study excluded any potential benefits Kidman may gain from retaining 100% of the gold right on the JV ground.

The Study was subject to a number of cautionary statements and warnings in relation to forward looking statements. The summary of the Study set out in this Quarterly Report should be read subject to those statements and warnings. In particular, there was, and remains, a low level of geological confidence associated with inferred mineral resources of the kind referred to in the Study and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target set out in the Study itself will be realised.

The Company confirms that the material assumptions in the Study which underpin the production target set out in the Study and any forecast financial information derived from that production target continue to apply and have not materially changed.

It is important to note that the Study results released did not contain the expected future benefits SQM should bring to the project, such as their processing, some of which are already being experienced in early JV workflow and technical meetings.

The Study provides order of magnitude estimates of costs, production and financial metrics for developing the Earl Grey mine and concentrator. It is the first phase of the overall vision of the Company to produce refined, downstream products to create significant wealth for our shareholders.

Upon completion of the mine and concentrator development, under the terms of the JV transaction, Kidman has the option and intends to participate up to 50% in the development of a world class, downstream processing facility (refinery) to produce lithium hydroxide and/or lithium carbonate. Kidman will be able to leverage off the expertise of SQM as a world leader in the production and marketing of these specialty products. It is important to note that Kidman will retain the sole marketing rights to its 50% share of lithium production, thereby providing optionality for refinery funding when required.

The location of the property is presented as Figure 1. The proposed mining operation will occur on 100% owned Kidman tenure.

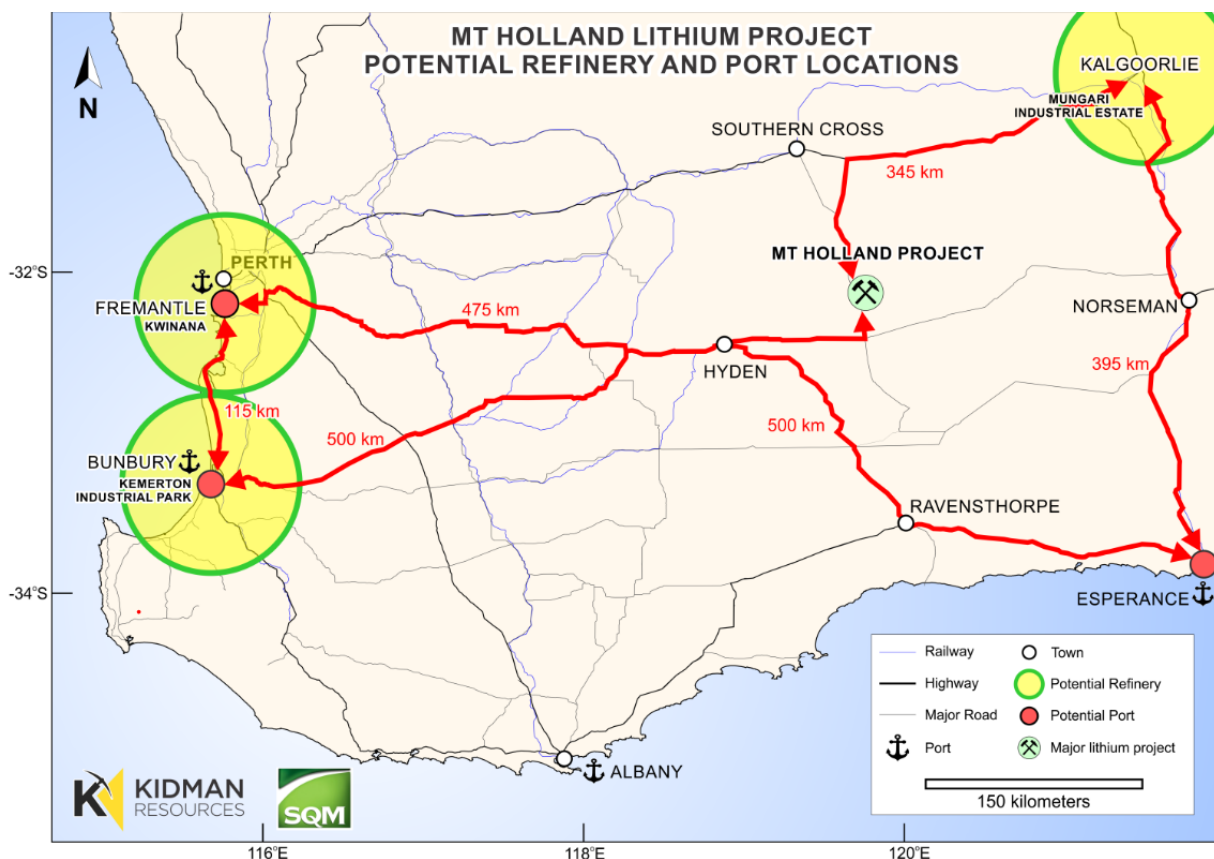


Figure 1: Project Location

The objective of the Phase 1 Earl Grey development is to mine lithium by using conventional processes to produce a marketable  $\text{Li}_2\text{O}$  concentrate. The concentrate will be transported in bulk by road to the Esperance port for overseas shipment.

Kidman has investigated a traditional processing flowsheet consisting of a 2.0 Mtpa concentrator circuit that contains a three-stage crushing circuit, primary dense media separation (DMS) plant with coarse and fine circuits, a secondary (fines) DMS circuit and a flotation plant to treat the high-grade middlings from the second stage DMS. Thickening and tailings disposal system is also required. An initial scoping-level mass balance and processing capital estimate was prepared by Primero Group Pty Ltd for a gravity only flow sheet. This was then superseded by the addition of a flotation circuit to boost yield and recovery. This combined gravity and flotation flowsheet was reviewed by CPC Project Design (CPC) who then provided estimates for capital and operating costs.

The project NPV post tax on a 100% basis discounted at 10% has been estimated via cash flow modelling. The deterministic sensitivity analysis of the base case NPV estimates have been calculated at a range of +/-30%. These estimates accommodate fundamental uncertainties at the scoping level of study and will be refined through feasibility level studies. The sensitivity analysis was undertaken on all of the key inputs to arrive at a range of project NPV's for any given sensitivity (Concentrate price, Plant Recovery, Mine grade, Plant operating cost & Base Capital Expenditure). The NPV is most sensitive to foreign exchange (US\$:AUD\$), concentrate price, recovery and grade and less sensitive to base case capital and processing operating costs.



Figure 2: General Arrangement of the Mt Holland mine

Considering the level of accuracy, the sensitivities and the reasonable estimate of potential cost variations the base case Post tax NPV10% is approximately US\$565M, with a low-high range of US\$430M - US\$670M around the base case.



Figure 2: Earl Grey Deposit

Material Assumptions and Key Metrics for the Study are presented in Table 1.

Table 1: Material assumptions and key metrics for the Base Case (100% Project basis)

Parameter	Value
Proposed start of construction	August 2018
Duration of Construction	10 – 12 months
Start of Production	First quarter FY 2019 /20
Potential Mine Life (Years)	25
Target LOM ore mined (Mt)	47
Indicated Resources (%)	85
Inferred Resources (%)	15
Annual ore throughput (Mtpa)	2.0
Life of Mine Strip ratio (waste to plant feed)	2.3 reducing to 1.9 after pre-strip
Average feed grade (% Li <sub>2</sub> O)	1.4%
Plant Recovery	60%
Potential Annual Production (tonnes 6% Li <sub>2</sub> O concentrate)	288,000
Pre-production Capital Cost: +/- 35%incl. 20% contingency (USD\$M)	111
Royalty rate (lithium concentrate)	5%
Average C1 Cash Cost (USD\$/t concentrate)	205
Long Term Concentrate Price (USD\$/t concentrate)	685
Approximate Lithium Carbonate Equivalent Units Produced	1 Million
Revenue from Payable Metals (USD\$)	4,527
Gross operating expenses (USD\$)	1,540
Base case Project Pre-Tax NPV <sub>10%</sub> (USD\$M)*	861 (A\$1,148M)
Base case Project Post Tax NPV <sub>10%</sub> (USD\$M) (30% Corporate tax)*	565 (A\$754M)
Range of Project Post Tax NPV <sub>10%</sub> (USD\$M) (30% Corporate tax)*	430-670
Project IRR	57%
USD : AUD Rate long term	0.75

## **TECHNICAL STUDIES**

Kidman is also continuing to advance its regional exploration programme on the Westen Areas farm-in tenements in the northern district of the Mt Holland Project. Soil sampling is progressing well with finalised results for several targets expected by the end of the December quarter.

The Resource team has also commenced and progressed rapidly the second phase of resource drilling at Earl Grey. This work is intended to provide greater confidence in the existing resource as well as examine some near by targets and extensions to the Earl Grey Deposit. The work has also included advancement in geotechnical drilling and metallurgical sampling which will drive optimisation within the PFS in 2018.

## **BURBANKS**

During the quarter, the Company continued the sale process of Burbanks and is confident of achieving an outcome in the near term.

## **NSW & NT Projects**

During the quarter, Kidman continued to review all projects in the NT and NSW with the aim of considering alternatives to potentially divest these assets. No field work was conducted on these projects during the quarter.

## **Kidman Tenement holding summary**

Below is a listing of the tenements held by Kidman Resources Limited as at 30 September 2017:

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
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%	-	-
EPM18050 - Esmerelda	QLD, Australia	100%	-	-
EPSX00410113	QLD, Australia	100%	-	-
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%	-	100%*
P77/4115 – Snow	WA, Australia	100%	-	-

P77/4220 – Lily	WA, Australia	100%	-	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%	-	-
E77/2244 - Texas	WA, Australia	100%	100%	-
E77/1400 – Game Fish	WA, Australia	100%	100%	-
E77/2099 - Chile	WA, Australia	100%	100%	-
G77/0037	WA, Australia	100%	-	-
G77/0038	WA, Australia	100%	-	-
G77/0045	WA, Australia	100%	-	100%*
G77/0047	WA, Australia	100%	-	100%*
G77/0048	WA, Australia	100%	-	100%*
G77/0049	WA, Australia	100%	-	100%*
G77/0050	WA, Australia	100%	-	100%*
G77/0068	WA, Australia	100%	-	100%*
G77/0070	WA, Australia	100%	-	100%*
G77/0071	WA, Australia	100%	-	100%*
G77/0072	WA, Australia	100%	-	100%*
G77/0073	WA, Australia	100%	-	100%*
G77/0109	WA, Australia	100%	-	-
G77/0110	WA, Australia	100%	-	100%*
G77/129	WA, Australia	100%	100%	-
G77/130	WA, Australia	100%	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%	-	-
E77/2111 - Application	WA, Australia	100%	-	100%
L77/0271 - Application	WA, Australia	100%	-	-
P77/4485 - Application	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	-	-

<b>P77/4067</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/1734</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>*Amalgamated</b>				

**Media Contacts:**

**Martin Donohue**

**Managing Director**

[info@kidmanresources.com.au](mailto:info@kidmanresources.com.au)

**+61 3 9671 3801**