

Kidman Resources Limited

ABN 88 143 526 096

Annual Report - 30 June 2018

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Directors	Mr John Pizzey (Non-Executive Director and Chairman) Mr Martin Donohue (Managing Director) Mr Brad Evans (Non-Executive Director) Mr David Southam (Non-Executive Director) Mr Aaron Colleran (Non-Executive Director)
Chief Financial Officer	Mr Frederick Kotzee
Company secretary	Mr Thomas Wilcox
Registered office	NE Suite, Level 30 140 William Street Melbourne VIC 3000 Ph: (03) 9671 3801
Principal place of business	NE Suite, Level 30 140 William Street Melbourne VIC 3000 Ph: (03) 9671 3801
Share register	Boardroom Pty Ltd Level 12, 225 George Street Sydney NSW 2000 Ph: (02) 9290 9600
Auditor	Grant Thornton Audit Pty Ltd Collins Square 727 Collins Street Melbourne, 3008 VIC
Stock exchange listing	Kidman Resources Limited shares are listed on the Australian Securities Exchange (ASX codes: Shares: KDR)
Website	www.kidmanresources.com.au
Corporate Governance Statement	Kidman's 2018 Corporate Governance Statement has been released to ASX on 27 September 2018 and is available on Kidman's website.

Dear Shareholders,

Over the past year, your company, Kidman Resources Limited (**Kidman** or the **Company**), has continued to make solid progress towards developing the Mt Holland Lithium Project in Western Australia. The project comprises the globally significant, Tier-1 lithium deposit, Earl Grey, at Mt Holland, near Southern Cross in Western Australia (the **Mt Holland mine**), with a proposed downstream lithium refinery at Kwinana (the **Refinery**). When the project is complete, Kidman will be the only independent, integrated refined lithium producer in Australia and will produce battery grade refined lithium, in particular for supply to manufacturers of electric vehicles.

Progress

One of the most important developments this year was the formation of a strategic joint venture with one of the world's largest lithium producers, Sociedad Quimica y Minera de Chile S.A. (**SQM**). Announced in July 2017, the joint venture was finalised and came into full effect in December 2017. In consideration for a 50% joint venture interest in the project, SQM has agreed to make total payments of US\$110 million, comprising a staged cash payment of US\$30 million to Kidman and a staged cash payment of US\$80 million to fund initial joint venture exploration and development costs. Importantly, Kidman has retained the marketing rights to its 50% share of production.

Kidman is pleased to have attracted a partner of the caliber of SQM. SQM and Kidman continue to work well together to further progress the Mt Holland Lithium Project. During the year it was decided that the joint venture would be renamed "Covalent Lithium" so that the joint venture has an identity and brand suitable for the future marketing of battery-grade refined lithium.

In May 2018 we also announced that the joint venture had entered into an exclusive option to lease a premier site for our Refinery within the Kwinana Strategic Industrial Area.

Another significant development was the signing of a binding, fixed-price, take-or-pay lithium hydroxide offtake agreement with pioneering electric vehicle manufacturer Tesla, announced in May 2018. This three year agreement, with two further three year options, is an important part of our strategy to de-risk development of the project, secure financing and enhance post commissioning cash flows.

Underpinning this, we announced a 54% increase in the combined Mineral Resource at Mt Holland's Earl Grey deposit, confirming it as a Tier 1, globally significant hard rock lithium deposit. This, coupled with ongoing exploration at Mt Holland, is positioning us as a long term, low sovereign risk supplier of lithium hydroxide to world markets.

Outlook

Looking ahead, the Covalent Lithium joint venture expects to complete the Definitive Feasibility Study into the Mt Holland mine and concentrator in the near term and the Definitive Feasibility Study for the Refinery by the end of CY18. In parallel, we will continue to progress discussions with a number of strategic parties seeking lithium hydroxide offtake agreements and we will continue to engage with lenders to secure debt financing to fund our share of project development costs.

Governance

We have undertaken a comprehensive Board renewal process over the last twelve months. On 1 January 2018, I commenced as Chairman of the Board, and I have been joined on the Board by Aaron Colleran along with existing Directors Brad Evans and David Southam. I look forward to continuing to meet as many shareholders as possible in the coming months and to hearing your feedback on the Company.

We have also welcomed to the executive management team two important new appointments: Frederick Kotzee as Chief Financial Officer and Tom Wilcox as General Counsel and Company Secretary.

As Kidman evolves, we will continue this renewal and skills-based strengthening process.

Full details of the qualifications and experience of the new members of our Board and senior management team can be found on pages 18 and 19 of this Annual Report.

Forfeiture application

The recent recommendation from the Perth Mining Warden to the Minister for Mines and Petroleum (Western Australia) to refuse the applications for exemption from minimum expenditure obligations for tenements held by subsidiaries of Kidman has been disappointing. Kidman disagrees with the Warden's recommendation in a number of respects and has made detailed submissions to the Minister outlining the reasons why the certificates of exemption should be granted. Along with our joint

venture partner, SQM, we believe that there are compelling reasons for the Minister to exercise his power under the Mining Act to grant certificates of exemption.

Closing remarks

Finally, it is my pleasure to thank our management team, led by Managing Director and CEO Martin Donohue, and all Kidman staff for another highly successful year of progress. In industry recognition of its efforts, Kidman was this year recognised as 'Dealer of the Year' by both Mining News online magazine and Kalgoorlie's 2018 Diggers & Dealers Mining Forum.

We hope to see as many of you as possible at the AGM and look forward to updating you on further progress over 2018 and 2019.

Yours sincerely

A handwritten signature in black ink, appearing to read 'JP' followed by a stylized flourish.

John Pizze
Non-Executive Chairman

HIGHLIGHTS:

- Updated Mineral Resource for the Earl Grey Lithium Deposit (**Earl Grey**) announced in March 2018 now estimated to contain **189 million tonnes at 1.50% Li₂O (7.03 million tonnes of Lithium Carbonate Equivalent)**. This represents a 54% increase on the December 2016 Earl Grey Mineral Resource and confirms Earl Grey as one of the world's most significant hard rock lithium deposits.
- Finalisation and completion of the 50-50 Mt Holland Lithium Project Joint Venture between Kidman and SQM.
- Formation of the Kidman/SQM joint venture management vehicle, Covalent Lithium Pty Ltd (**Covalent Lithium**) (formally Western Australia Lithium Pty Ltd), including the appointment of senior management.
- Initial scoping study for the Earl Grey Lithium Project (**Scoping Study**) demonstrated robust economics and a solid basis for further studies. The Scoping Study was completed prior to the updated 2018 Mineral Resource which is expected to further strengthen the economic and technical feasibility of the project.
- Grant of Lead Agency Service status to the Mt Holland Lithium Project by the Western Australian Government.
- Joint venture lithium refinery location announced within the Kwinana Strategic Industrial Area, Western Australia.
- The Definitive Feasibility Study for the Mt Holland mine and concentrator is progressing on schedule and is expected to be released in the near term.
- The Prefeasibility Study for the Kwinana refinery is well advanced and is expected to be released in the near term. The Definitive Feasibility Study for the refinery is scheduled to be completed in Q4 of 2018.
- Entry into a binding fixed price, take-or-pay lithium hydroxide offtake agreement with electrical vehicle manufacturer Tesla, Inc.
- Continued identification and targeting of lithium-bearing pegmatites throughout the Forresteria Greenstone Belt. Extensional exploration targets identified at the Earl Grey pegmatite, resource drilling undertaken for the Bounty pegmatite, and lithium-bearing pegmatites intersected within the Western Areas farm-in ground.

OPERATIONS

Mt Holland (Lithium)

The 2017/18 financial year was a very busy period with the Mt Holland Lithium Project making significant advancements towards production. A key milestone was reached with the completion of the Earl Grey Resource drill out in Q1 2018. A total of 68,700 metres of reverse circulation (**RC**) and diamond drilling (**DD**) was completed on schedule and resulted in a 54% upgrade to the maiden Earl Grey Mineral Resource. Concurrent to this, work continued on the mineralogical, geotechnical, metallurgical and environmental aspects of the project.

The October 2017 Scoping Study (see ASX Announcement 3 October 2017) demonstrated robust economics and was released prior to the 2018 Mineral Resource upgrade and subsequent technical and environmental studies that have strengthened the project's viability. The Definitive Feasibility Study for the mine and concentrator is progressing on schedule and is expected to be released in the near term.

The Prefeasibility Study for the Kwinana refinery is well advanced and is expected to be released in the near term. The Definitive Feasibility Study for the refinery is scheduled to be completed in Q4 2018.

Resource

During March 2018 Kidman announced a substantial increase in the Earl Grey combined Mineral Resource following a comprehensive 12-month Resource definition and exploration drill program (351 drill holes for 68,700m combined RC and DD). Earl Grey is now estimated to contain **189 million tonnes at 1.50% Li₂O, or 7.03 million tonnes of Lithium Carbonate Equivalent (LCE)**. The 2016 maiden Mineral Resource estimated Earl Grey to be 128 million tonnes at 1.44% Li₂O (or 4.54 million tonnes LCE). The updated estimate represents not only a major increase in scale but also confidence, with 91% now classified as either a Measured or Indicated Mineral Resource.

Mineral Resource for the Earl Grey Deposit ¹ – 31 March 2018					
Classification	Tonnes	Li ₂ O%	Fe ₂ O ₃ %	Li ₂ O Tonnes	Li ₂ O cut-off
Measured	66,000,000	1.58	1.18	1,040,000	0.5%
Indicated	106,000,000	1.52	1.09	1,610,000	0.5%
Inferred	17,000,000	1.11	1.20	190,000	0.5%
TOTAL	189,000,000	1.50	1.13	2,840,000	0.5%
The preceding statements of Mineral Resources conforms to the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”, 2012 Edition (JORC Code). All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.					

Table 1. Earl Grey resource table

The Mineral Resource is based on an area measuring 2.1km by 1.3km and still has exploration potential with an estimated 20-40 million tonnes at 1.3-1.5% Li₂O defined as an Exploration Target.² These areas will be further tested in future drilling campaigns.

The 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 an Ore Reserve under the JORC Code. The Exploration Target is not being reported as part of any Mineral Resource or Ore Reserve.

Earl Grey Scoping Study

On 3 October 2017, Kidman announced the results of the Earl Grey Scoping Study on a 100% project basis.

The Scoping Study examined a base case scenario to produce saleable concentrate for the export market. The study did not consider the proposed Kwinana refinery which will give Kidman access to downstream markets, strengthening the long-term business model and extracting maximum shareholder value for the project.

The Scoping Study was completed prior to the 2018 Mineral Resource upgrade which improved the Li₂O mine grade as well as significantly extending the life of mine. The Scoping Study predates the formation of the joint venture with SQM.

Metallurgy and processing

Extensive laboratory test work has been undertaken to define physical properties (hardness, abrasion index and other work indices) of the pegmatite and investigate both gravity separation and concentration via flotation. Flotation test work utilising both site water and fresh water has been completed to define reagent usage, grind size, pH and optimise the flotation circuit. This has progressed to a detailed assessment of flowsheet options and the development of a flowsheet incorporating both dense media separation to reduce mass, produce some gravity concentrate and then send the middlings to flotation. Laboratory testing continues to show expected levels of spodumene recovery and acceptable concentrate grades. Pilot plant testing is being progressed to verify bench-scale tests and to inform the Definitive Feasibility Study.

A Definitive Feasibility Study is being progressed in parallel for the refinery to produce lithium hydroxide at a production rate of 45,400tpa. A second refinery study is being undertaken in parallel which considers an expanded case to produce 68,100tpa of lithium hydroxide.

Whilst the parties initially considered a dual-purpose refinery capable of producing both lithium carbonate and lithium hydroxide, a decision has been made to produce lithium hydroxide only. This has been driven by current market fundamentals

¹ The information in this report that relates to the Estimation and Reporting of Mineral Resources has been compiled by Mr. David Billington BE (Mining). Mr. Billington is a full-time employee of Mining Plus Pty Ltd and has acted as an independent consultant on the Earl Grey Deposit Mineral Resource estimation. Mr. Billington is a Member of the Australasian Institute of Mining and Metallurgy (109676) and has sufficient experience with the style of mineralisation, deposit type under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr. Billington consents to the inclusion in this report of the contained technical information relating the Mineral Resource Estimation in the form and context in which it appears.

² The information in this report that relates to sampling techniques and data, exploration results, geological interpretation and exploration targets has been reviewed by Mr. M. Green BSc (Hons), MAusIMM. Mr. Green is an employee of the Company; Mr. Green is a shareholder of the Company. Mr. Green is a member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience with the style of mineralisation and type of deposit under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr. Green consents to the inclusion in this report of the contained technical information in the form and context in which it appears.

and forecast demand, where current and expected cathode technology requires lithium hydroxide rather than lithium carbonate.

Grant of Lead Agency Service by Western Australian Government

On 16 October 2017, Kidman reported that the Western Australian Government had advised that the Mt Holland Lithium Project, incorporating the development of a mine, processing plant and refinery, had been granted the status of Level 2 Lead Agency Service.

The granting of Lead Agency Service to Mt Holland will assist with the streamlining of project development activities, which includes the assessment of each strategic industrial site for the refinery, and further advancement of approvals for the mining and concentrator operation. Examples of Lead Agency Service projects in Western Australia include the Gorgon project on Barrow Island and the Roy Hill iron ore project in the Pilbara.

Speaking at the time, Kidman's Managing Director, Martin Donohue, welcomed the decision by the Western Australian Government to elevate the project status of Mt Holland and said it was the culmination of proactive engagement from key government stakeholders with both Kidman and SQM executives.

"This decision reinforces the potential economic contribution of the proposed development of a large open pit lithium mine and processing operation in the Shire of Yilgarn as well as a stand-alone lithium refinery in Western Australia," Mr Donohue said.

Refinery location

In Q2 2018, Kidman advised that joint venture management company, Covalent Lithium, had entered into an exclusive option with Landcorp in Western Australia to lease a premier site in the Kwinana Strategic Industrial Area (see Figures 1 and 2 below). The option is for a period of 24 months, during which time final lease terms are to be agreed.

The 76-hectare site comprises critical infrastructure including logistics (rail, road and port), energy (electricity and natural gas) and access to chemical reagents and supplies as well as proximity to a pool of highly skilled labour.

Commissioning of the refinery is planned for 2021, with an initial annual nameplate capacity of 45,400 tonnes of lithium hydroxide. Kidman expects to participate in up to 50% of the refinery investment and market its portion of refined product.



Figure 1: Refinery Site Location – Aerial View



Figure 2: Oblique view of Kwinana refinery site

Environmental

Kidman continues to work with relevant stakeholders to ensure that all significant environmental factors which may be impacted by the development of the project can be suitably managed and their effects mitigated. The existing bilateral agreement between the Commonwealth Department of Energy and Environment (**DoEE**) and the Western Australian Environmental Protection Agency (**EPA**) means that there will be only one environmental assessment process which will be managed by the EPA.

Kidman has conducted extensive flora and fauna studies, groundwater studies, waste characterisation, site planning to locate infrastructure, and waste scheduling studies and is confident the Mt Holland Lithium Project has the potential to provide a net environmental benefit to the region. This will be achieved by the practical means of rehabilitating a significant portion of the State disturbance liability at the abandoned Mt Holland Mine Site, and through an ongoing commitment to contribute to regional conservation programs.

Project Development

The Scoping Study conducted by Kidman utilised the 2016 Mineral Resource to deliver a conceptual pit shell and mining methodology. There were no Ore Reserves estimated for the project at that stage, however Covalent Lithium plans on converting the Measured and Indicated Mineral Resources from the 2018 Mineral Resource to Ore Reserves as part of the mine and concentrator Definitive Feasibility Study.

Feeding into this Feasibility Study has been additional geotechnical work carried out by Peter O'Bryan & Associates who has analysed diamond drill core further to the north of the Scoping Study pit shell. A comprehensive RC sterilisation drilling programme has also been completed that has allowed the Mt Holland site layout to be determined.

Forrestania Regional Exploration Programme

A district-wide soil geochemistry sampling programme has continued to progress at the Mt Holland Lithium Project with over 6,000 samples being collected in FY18. Sampling has focused primarily on the most structurally prospective ground within the greenstone belt, with lithium, gold and nickel targets tested. The results will be analysed in a district-scale context upon completion, and any significant anomalism prioritised for follow-up drilling later in the year. This programme is one of the most significant in the district since the nickel and gold exploration undertaken in the 1970s through to the 1990s which did not target strategic metals such as lithium and tantalum.

Soil geochemistry was utilised for the generation pegmatite RC drill targets on several Western Areas farm-in tenements. Drilling intersected numerous pegmatite bodies ranging up to 33m in downhole width. Variable grades of up to 1.61% Li_2O and 176 ppm tantalum were returned from these pegmatites and included spodumene, petalite, and rubellite-bearing varieties. The drilling programme highlighted several areas for follow-up exploration work and has assisted in refining the district-scale zonation model of the Mt Holland pegmatite field.³

³ This information is extracted from the "Quarterly Activities Report – March 2018" released to ASX on 26 April 2018 and is available to view at <https://www.asx.com.au/asxpdf/20180426/pdf/43th7f0p2yz5fr.pdf>. The Company confirms that it is not aware of any new information or data that materially

Drilling was also completed at Bounty (located approximately 2km east of Earl Grey on M77/1066) in conjunction with the Mt Holland sterilisation and Western Areas farm-in drilling programmes. Lithium and tantalum bearing pegmatites were identified and drilled to a sufficient spacing to allow a maiden Mineral Resource to be estimated, the results of which are yet to be finalised.

The joint venture conducted a ground penetrating radar survey over 41km² of tenements within the farm-in agreement area. The survey was successful in detecting late-stage structures associated with pegmatite dykes.

SQM and Kidman Joint Venture

On 12 September 2017, Kidman announced it had finalised and executed definitive agreements with SQM regarding the 50-50 Mt Holland Lithium Joint Venture.

Key elements:

- 50-50 joint venture over a spodumene mine and lithium concentrator for a total investment by SQM of \$US110 million;
- Kidman expects to participate in up to 50% in developing a world-class lithium refinery, drawing on SQM's technical expertise in the production of lithium carbonate and lithium hydroxide;
- refinery design allowed for production of both lithium hydroxide and lithium carbonate, with the parties electing to pursue lithium hydroxide only at this stage;
- Kidman to retain sole marketing rights to its 50% share of lithium hydroxide production; and
- Kidman to retain all rights to the Mt Holland gold resource (and any other minerals).

Finalisation of the Mt Holland Lithium Joint Venture occurred following satisfaction of the relevant conditions precedent, including approval from the Foreign Investment Review Board.

As a result:

- Kidman has transferred a 50% interest in the Mt Holland tenements, including the world-class Earl Grey lithium deposit, to an Australian subsidiary of SQM;
- the Mt Holland Lithium Joint Venture has been established with each of Kidman and SQM holding a 50% interest;
- Kidman has received the initial instalment of the purchase price (US\$5m) for the transfer of the 50% interest; and
- the newly-established joint venture received its first staged contribution from SQM of net US\$20 million.

Pursuant to the definitive agreements, SQM will make further payments to both Kidman directly and to the joint venture when a decision to mine is made.

The definitive agreements contemplate a decision to mine being made shortly after the release of the mine and concentrator Definitive Feasibility Study. A decision to mine may be delayed should the certificates for exemption from minimum expenditure not be resolved in a timely manner (see ASX Announcement dated 17 September 2018). Details of the further payments under this arrangement are that Kidman will receive US\$25 million and that the joint venture will receive US\$60 million.

In February 2018 Covalent Lithium established its head office in Perth, Western Australia, with the key appointments of Mark Fones as CEO and David English as Project Director being made.

Together, and with the support of the joint venture partners, Mark and David have put together an experienced team to take the project through to production via the development of the mine and concentrator at the Mt Holland site, and the refinery at Kwinana.

A Management Committee has also been established to oversee the operation. This committee meets at least quarterly and is comprised of the following four members, each with equal voting power:

- Kidman: Martin Donohue – Managing Director & CEO (co-chair)
- Kidman: Chris Williams – General Manager Operations
- SQM: Patricio de Solminihac – CEO (co-chair)*
- SQM: Pablo Altimiras – Vice President Development and Planning

* Patricio de Solminihac has tendered his resignation and will finish his role as CEO of SQM at the end of 2018. The replacement for his role will be Mr Ricardo Ramos, the existing CFO of SQM. Mr Ramos will assume the position as co-chair for the Management Committee.

Offtake arrangements

On 17 May 2018, Kidman announced that it had entered into a binding agreement with Tesla, Inc. to supply lithium hydroxide. The agreement is for an initial term of three years on a fixed price take-or-pay basis from the delivery of first product and it contains two options to extend for further terms of three years each.

Kidman's agreement with Tesla equates to less than 25% of Kidman's portion of initial nameplate refinery production for the first three years.

In addition to the Tesla agreement, Kidman is in discussions with other strategic, globally-significant parties also seeking refined lithium offtake with particularly strong interest in lithium hydroxide. Expressions of interest from these parties have materially exceeded Kidman's portion of initial refinery nameplate production.

Kidman is aiming to enter into a limited number of offtake agreements to assist in its discussions with traditional debt financiers. It is envisaged Kidman will commit approximately 75% to 80% of the proposed 22,700tpa of lithium hydroxide to offtake agreements while leaving a minority portion of future supply uncontracted.

Marindi Metals legal action

Marindi Metals Ltd (**Marindi**) announced on the ASX on 27 July 2017 that it had decided not to pursue an appeal against the Supreme Court of Western Australia's dismissal of its claim over the lithium rights to Mt Holland. On 12th September 2017, Kidman announced that Justice Martin had awarded costs on a full indemnity basis in Kidman's favour.

In June 2018 Marindi agreed to pay \$650,000 in full and final settlement of the costs orders arising from its failed litigation against Kidman. This amount was received by Kidman on 2 July 2018 bringing the matter to a close.

Applications of exemption and forfeiture legal action

On 12 September 2018 Kidman received notification that the Perth Mining Warden (**Warden**), had recommended to the Western Australian Minister for Mines and Petroleum (**Minister**) that applications for exemption from expenditure obligations relating to the period August 2015 to March 2016 affecting 13 mining tenements at its Mt Holland Project be refused.

The Warden's recommendation is not binding on the Minister, and the Minister has the discretion to grant certificates of exemption to Kidman and its subsidiaries, notwithstanding the Warden's recommendation.

Both Kidman and its joint venture partner, SQM, believe that there are compelling reasons why the Minister should exercise his power under the *Mining Act 1978* (WA) to grant certificates of exemption and clear the way at an early stage for the joint venture to continue to progress the Mt Holland Project.

The Mt Holland Lithium Project is of strategic significance to Western Australia and the stated objective of the Western Australian Government to establish a global lithium province in the State. Kidman and SQM have so far invested more than \$55 million in the Mt Holland Lithium Project, which is expected to directly create more than 350 jobs by 2021, plus additional jobs through the construction phase. The project will make a significant contribution to the Western Australian economy through taxes and State royalties. The Mt Holland Lithium Project has already been granted the status of Level 2 Lead Agency Service as a project of State significance.

The technical, operational and commercial activities of the Project are progressing as planned and Kidman and SQM are fully committed to the project.

If the Minister were to grant the exemptions, the forfeiture applications regarding the relevant tenements will be unsuccessful and Kidman and SQM will continue to develop the Mt Holland Lithium Project for the benefit of their shareholders and the State of Western Australia.⁴

⁴ A forfeiture application is a process, separate to the exemption applications, by which any person can allege that a tenement holder has not complied with the tenement's expenditure conditions and therefore the Minister should declare the tenement "forfeited". A forfeiture application can be made even if a tenement holder has complied with the expenditure conditions relating to the tenement.

If, however, the Minister follows the Warden's recommendation not to grant the exemptions, the forfeiture applications regarding these tenements will then proceed to a contested hearing before the Warden, which Kidman will vigorously defend.⁵ If this becomes the next step in this process then delays to the Project will be incurred. The Warden may dismiss the forfeitures, impose a fine or make a recommendation to the Minister to grant forfeiture. A recommendation for forfeiture may not be made unless the Warden is satisfied that the non-compliance with expenditure is, in the circumstances, of sufficient gravity to justify the forfeiture. The Minister has ultimate discretion in regard to the Warden's recommendation and in exercising this will consider all relevant circumstances, including details of any work planned (or work already undertaken) on the tenement in the current period and whether forfeiture is in the best interests of Western Australia.

New director and board appointment

On 2 November 2017 the Kidman advised of the retirement of Non-Executive Chairman Peter Lester. On 20 December 2017, Kidman announced the appointment of two new Non-Executive Directors, including the appointment of resources industry leader John Pizzey as Non-Executive Chairman.

Mr Pizzey is joined on the Board by new Non-Executive Director Aaron Colleran, a respected minerals industry business development executive. The appointments were effective 1 January 2018.

Details of the qualifications and experience of John and Aaron can be found on page 18 of this Annual Report.

New Senior Management appointments

On 7 August 2018 Kidman announced the appointment of two new members of the Senior Management Team.

Frederick Kotzee joined Kidman on 13 August 2018 as Chief Financial Officer and Thomas Wilcox joined as General Counsel and Company Secretary on 22 August 2018.

Details of the qualifications and experience of Frederick and Tom can be found on page 19 of this Annual Report.

NSW and NT Activities

While Kidman continues to focus on joint venture activities, it will also continue the process of reviewing, and if necessary divesting, non-core assets. During the year Kidman continued to review its Northern Territory and New South Wales projects and no further field work has been conducted on these projects in the reporting period.

FINANCIAL PERFORMANCE

Cash in bank

Kidman's cash balance has been boosted by the conversion of options (refer ASX Announcement 1 May 2018) and at 30 June 2018 stood at \$10.0 million. At the same date the number of fully-paid ordinary shares on issue was 399,560,792.

Issuance of Shares

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

Options conversion

On 3 May 2018, Kidman announced the issuance of new fully paid ordinary shares in relation to the conversion of unlisted options. A total of 47,419,356 options were exercised at 15c resulting in the receipt of \$7.1 million and the issue of 47,419,356 fully paid ordinary shares.

Divestment of Non-Core Assets

On 20 December 2017, as part of an ongoing program to divest non-core assets, Kidman announced the completion of the sale of the share capital of its fully-owned subsidiary Coolgardie Mining Company Pty Ltd to Barra Resources Limited, covering

⁵ After hearing a forfeiture application, the Mining Warden may dismiss the application, impose a penalty instead of forfeiture not exceeding \$10,000 (per tenement) or recommend to the Minister that the tenement be forfeited. The Minister may, regardless of any recommendation, declare the tenement forfeited, impose a penalty instead of forfeiture not exceeding \$10,000 (per tenement), or determine not to forfeit the tenement or impose any penalty.

Mining Licence M15-161 and the Burbanks gold mine, for an upfront fee of \$121,000 and a royalty of \$20 per ounce for the first 55,000 ounces sold from the Burbanks mine.

Kidman advised on 9 January 2018 that it had entered into an agreement to sell 100% of its Crawl Creek Project to Talisman Mining for \$250,000. This agreement was finalised and funds were received on 8 June 2018.

BUSINESS STRATEGIES AND PROSPECTS

Kidman is a lithium explorer and, through its joint venture with SQM, is planning to develop the Tier-1, globally significant Earl Grey lithium deposit at Mt Holland in Western Australia.

Kidman's strategy is to address the burgeoning electric vehicle thematic as an integrated, ASX-listed, low cost producer of refined battery-grade lithium. Global lithium demand is expected to be underpinned by the increasing shift towards electric vehicles, with the majority of global car manufacturers having publicly stated their commitment to investing in electric vehicles over the medium to long term.

Kidman is pursuing a fully integrated mine, concentrator and refinery model to produce lithium hydroxide. As an integrated producer, Kidman expects to capture higher margins through the sale of lithium hydroxide than is available to producers of lithium concentrate.

In March 2018, Kidman updated its Mineral Resource for the Earl Grey lithium deposit to 189 million tonnes at 1.50% Li₂O, containing 7.03Mt of LCE. This confirmed the Earl Grey resource as one of the world's most significant hard rock lithium deposits and is expected to provide a strong foundation for operations at Mt Holland.

In addition, the Earl Grey deposit has significant growth potential which is yet to be fully-explored. Kidman will continue to target further discoveries and product-supply extension within the Mt Holland district of which Kidman and its joint venture partner SQM hold the most significant ground.

The Earl Grey deposit has several qualities that lend the Mt Holland project to becoming a long-life, low-cost open pit mining operation in the near-term, including:

- flat lying geometry with increasing thickness at depth, maintaining a very low life-of-mine strip ratio;
- high grade mineralisation, starting from the onset of mining within the fresh pegmatite and consistent grade, for the life of the project ensuring consistent feed to the concentrator;
- capacity to expand the mining front; and
- significant additions still to be tested around the Earl Grey pegmatite and throughout the district, with prospects such as Bounty and Texas still to be defined.

As part of its future sales and marketing model, Kidman is seeking to enter into a limited number of offtake agreements, while leaving a minority portion of future supply uncontracted. This strategy will provide Kidman with enhanced certainty in relation to future revenue streams and improved access to debt markets.

RISK MANAGEMENT

Key risks which may materially impact the execution and achievement of the business strategies and financial prospects for Kidman are summarised below and are risks largely inherent in the resources industry. This should not be taken to be a complete or exhaustive list of risks nor are risks disclosed in any particular order. Many of the risks are outside the control of Kidman and its officers.

Studies and development risk

Kidman, through its joint venture management company, Covalent Lithium, is undertaking studies on a mine and concentrator at Mt Holland and a refinery at the Kwinana Strategic Industrial Area in Western Australia. The studies contain technical, financial, business and other analysis in order to determine Kidman's readiness to proceed from an operational, commercial and economic perspective. Should a decision be made to proceed with the Mt Holland mine and concentrator and the refinery, the development of those assets may be exposed to cost overruns, technical difficulties, timing delays and other unforeseen events. If Kidman ultimately recovers commercial quantities of lithium, there is no guarantee that it will generate a commercial return.

The studies that are being prepared utilise the input of experts and contractors where appropriate and are subject to regular review by senior management and the Board, as well as Kidman's joint venture partner SQM.

Market demand and price

Kidman's key growth driver, the Mt Holland Lithium Project, depends on the production and subsequent sale of lithium to a variety of customers. Demand for, and pricing of, lithium is sensitive to external economic and political factors, many of which are beyond Kidman's control. Global lithium market fluctuations may materially affect Kidman's financial performance in the future.

To mitigate against future price fluctuations, Kidman is seeking to enter into a limited number of offtake agreements with strategic, globally-significant parties, while leaving a minority portion of future supply uncontracted.

Capital and liquidity risks

The future liquidity and capital requirements of Kidman will depend on many factors, including lithium prices, development costs, foreign exchange, resource size and scale and mining techniques. Kidman's business and, in particular the development of the Mt Holland Lithium Project, requires access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all. Any inability to obtain sufficient debt or equity funding would have a material impact on Kidman's business and financial performance.

Kidman's funding requirements are continuously reviewed through detailed internal cash flow models that are updated as required for external and internal factors. Kidman endeavours to ensure that the best source of funding to maximise shareholder benefits and having regard to prudent risk management is obtained and is supported by economic and commercial analysis of all business undertakings.

Material contracts

The ability of Kidman to achieve its stated objectives will depend on the performance of the counterparties under various agreements it has entered into. If any counterparties do not meet their obligations under the respective agreements, this may impact on Kidman's business and financial returns.

Kidman monitors performance across material contracts against contractual obligations to minimise counterparty risk and seeks to include terms in agreements which mitigate such risks.

Forfeiture claim

A third party lodged objections to exemption applications submitted by the previous owners of the Mt Holland Lithium Project, Convergent Minerals Ltd, and applications for forfeiture over a number of mining leases and exploration licences relating to the Project.

On 12 September 2018 Kidman received notification of the recommendation from the Perth Mining Warden (**Warden**) to the Minister for Mines and Petroleum (Western Australia) (**Minister**) that the applications for exemption from minimum expenditure obligations on the relevant tenements be refused.

Kidman has made detailed submissions to the Minister outlining the reasons why the certificates of exemption should be granted.

If the Minister follows the Warden's recommendation not to grant the exemptions, the forfeiture applications regarding the relevant tenements will then proceed to a contested hearing before the Warden. If this becomes the next step in this process then delays to the Project will be incurred which would have an adverse impact on Kidman's business and financial performance.

Regulators and stakeholders

A number of regulatory approvals will be required to commence mining and production from the proposed Mt Holland mine and the Kwinana refinery. If regulatory approvals are not obtained, take longer than expected or are obtained on unsatisfactory conditions, Kidman's ability to proceed with those developments may be impaired. Changes in Government, monetary, taxation and other laws in Australia or internationally may impact Kidman's financial performance.

Kidman and the joint venture management company, Covalent Lithium, monitor legislative and regulatory developments and work to ensure that all stakeholder concerns are addressed fairly and managed.

Environmental

Kidman's joint venture activities are subject to state, national and international environmental laws and regulations. Kidman's activities can be potentially environmentally hazardous giving rise to costs for environmental rehabilitation, damage control and losses.

Kidman takes its environmental responsibilities very seriously. Kidman, through its joint venture management company, Covalent Lithium, is developing a comprehensive approach to the management of risks associated with health, safety, environment and community which includes standards for asset reliability and integrity, as well as technical and operational competency and requirements.

The directors present their report, together with the financial statements, on the Kidman Group (referred to hereafter as the **Kidman Group**) 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 2018.

Directors

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

Mr John Pizzey (Non-Executive Chairman) (appointed 1 January 2018)
Mr Martin Donohue (Managing Director) (appointed 20 June 2014)
Mr Brad Evans (Non-Executive Director) (appointed 28 October 2014, then appointed as interim Chairman 3 November 2017 and resigned as interim Chairman 1 January 2018)
Mr David Southam (Non-Executive Director) (appointed 24 July 2017)
Mr Aaron Colleran (Non-Executive Director) (appointed 1 January 2018)
Mr Peter Lester (Non-Executive Chairman) (resigned 3 November 2017)

Principal activities

During the year the principal continuing activities of the Kidman Group consisted of exploration and development of the Mt Holland lithium and gold project located near Southern Cross 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 Kidman Group after providing for income tax amounted to \$9,681,568 (30 June 2017: \$31,310,271).

The loss was made up of the following significant amounts:

- An increase in corporate expenses to \$4,036,883 (2017: \$1,656,766) as a result of additional overheads being incurred during the period as Kidman continued to prepare for its joint venture activities;
- An increase in employee benefits expense to \$2,906,602 (2017: \$1,111,813) as Kidman appointed key management personnel during the year to manage its requirements; and,
- A share based payments expense of \$936,793 (2017: \$696,923) as a result of performance rights issued to key management personnel during the year.

The net assets of the Kidman Group increased by \$60,500 to \$16,154,237 as at 30 June 2018. (2017: \$16,093,737).

The Kidman Group's working capital deficiency, being current assets less current liabilities is \$8,481,926 as at 30 June 2018 (2017: deficit \$6,201,037). Included in the calculation at 30 June 2018 is the \$6.4m loan payable to a private financier. Since 30 June 2018, the loan has been renegotiated and extended to 1 October 2019. During the period the Kidman Group had a negative cash flow from operating activities of \$5,620,693 and \$3,017,691 from exploration and evaluation activities (2017: \$8,939,699 from operating activities and \$8,409,610 from exploration and evaluation activities).

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

Significant changes in the state of affairs

On 10 July 2017, the Kidman Group 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 (**MZN**). On 12 September 2017, Justice Kenneth Martin handed down his decision on the question of costs and ordered MZN to pay the Kidman Group'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 Kidman Group announced that it had entered into a binding agreement in relation to a proposed joint venture with Sociedad Quimica y Minera de Chile S.A. (**SQM**) to develop the Mt Holland Lithium Project.

On 12 September 2017, the Kidman Group announced that it had executed definitive agreements regarding the proposed SQM joint venture 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 joint venture expenditure will be formed that will include a joint venture Management Committee that is comprised of two Kidman and two SQM representatives to oversee the development of the Earl Grey mine, concentrator and potential refinery. Kidman has transferred 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 Kidman Group. This facility was repaid in December 2017.

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.

On 13 November 2017, the Kidman Group announced that it had agreed to sell the share capital of its 100% owned subsidiary Coolgardie Mining Company Pty Ltd (**CMC**) to Barra Resources Limited (**Barra**). CMC holds the mining licence M15-161 covering the Burbanks gold mine. Under the terms of the Sale Agreement, Barra paid the Kidman Group an upfront fee of \$121,000 and will pay a royalty of \$20 per ounce of gold for the first 55,000 ounces of gold sold from the Burbanks mine. The sale was completed on 20 December 2017.

On 21 December 2017, the Kidman Group announced that it had completed Mt Holland Lithium Joint Venture following satisfaction of the relevant conditions precedent, including approval from the Australian Government's Foreign Investment Review Board.

On 3 May 2018, the Kidman Group issued 47,419,356 fully paid ordinary shares, raising \$7.1m, following receipt of valid exercise notices from KDRO option holders for the exercise of 47,419,356 KDRO listed options.

There were no other significant changes in the state of affairs of the Kidman Group during the financial year.

Matters subsequent to the end of the financial year

Kidman has been waiting for a recommendation from the Perth Mining Warden (**Warden**) to the Minister for Mines and Petroleum (Western Australia) (**Minister**) in relation to its applications for exemption from minimum expenditure obligations for tenements held by Kidman subsidiaries. The exemption applications and objections were heard by the Warden in November 2017.

On Wednesday 12 September 2018, Kidman received notification of the recommendation from the Warden to the Minister that the applications for exemption from minimum expenditure obligations on the relevant tenements be refused.

The Warden's recommendation is not binding on the Minister and the Minister has the discretion to grant certificates of exemption to Kidman and its subsidiaries, notwithstanding the Warden's recommendation.

Both Kidman and its joint venture partner, SQM, believe that there are compelling reasons why the Minister should exercise his power under the *Mining Act 1978* (WA) to grant certificates of exemption and clear the way at an early stage for the joint venture to continue to progress the Mt Holland Project.

On 18 September 2018, Kidman renegotiated its debt with a private financier to extend its repayment date to 1 October 2019. The loan continues to be subject to normal terms and conditions.

Likely developments and expected results of operations

The main focus of the Kidman Group will be to advance the Mt Holland Lithium Project with Kidman's joint venture partner, SQM, including the assessment of a lithium refinery.

Environmental regulation

The Kidman Group 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 2018.

Information on directors

Name:	Mr Martin Donohue
Title:	Managing Director
Qualifications:	BA Econ
Experience and expertise:	Mr 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:	3,915,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	901,638 (three tranches subject to various vesting conditions)
Name:	Mr Brad Evans
Title:	Non-Executive Director (appointed as interim Chairman on 3 November 2017 and resigned as interim Chairman on 1 January 2018)
Qualifications:	Bachelor of Engineering (Mining), AusIMMCP (Mining)
Experience and expertise:	Mr Evans is a Principal Mining Engineer with over 20 years' experience in the mining industry and is currently the General Manager of Mining Plus Pty Ltd. Since completion of a Bachelor of Engineering (Mining) at the University of Ballarat, 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. Brad takes a realistic, practical, problem solving approach to all issues in life. Brad has an intimate knowledge of the mining industry, organisational leadership, business strategy, operations, mine planning and software which is applied in combination to extract the greatest value from projects and people.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	121,366 fully paid ordinary shares
Interests in options:	Nil
Interest in rights	Nil

Name:	David Southam
Title:	Non-Executive Director (appointed 24 July 2017)
Qualifications:	B.Comm CPA MAICD
Experience and expertise:	Mr Southam is a Certified Practising Accountant with more than 25 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam has been an Executive Director at Western Areas for nearly eight 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) and Ramelius Resources Limited (ASX: RMS)
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)
Interests in options:	Nil
Interest in rights	Nil
Name:	Mr John Pizzey
Title:	Non-Executive Chairman (appointed on 1 January 2018)
Qualifications:	BE (Melb), Fell. Dip Mngt (RMIT), FTSE, FAICD
Experience and expertise:	Mr Pizzey has been involved in the resources industry for more than 40 years. He was previously the Non-Executive Chairman of Alumina Limited, a position he stepped down from in March 2018. He is also a Non-Executive Director of Orora Limited. The majority of Mr Pizzey's executive experience was with Alcoa Inc. and Alcoa of Australia. Mr Pizzey is a Life Member and former Chairman of the International Aluminium Institute and he is a former Chairman of the London Metal Exchange.
Other current directorships:	Orora Limited (ASX: ORA)
Former directorships (last 3 years):	Alumina Limited (ASX: AWC) (resigned 31 March 2018)
Special responsibilities:	Mr John Pizzey also serves as the Independent Non-Executive Chairman to the Board of Directors.
Interests in shares:	46,626 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	44,118 share rights vesting 1 January 2019
Name:	Mr Aaron Colleran (appointed on 1 January 2018)
Title:	Non-Executive Director
Qualifications:	B Comm (UWA) B Eng (WASM)
Experience and expertise:	Mr Colleran is a strategic member of the highly-successful Evolution Mining Leadership Team, having managed their business development program for the past several years. Originally an exploration geologist with commercial tertiary qualifications, Mr Colleran has had a distinguished career in the resources-related finance industry. He has over 20 years' experience in mining finance and corporate advice and has led a range of successful corporate transactions.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil

'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 Secretary

Thomas Wilcox (appointed 22 August 2018)

Mr Wilcox joins Kidman from CSG Limited where he was General Counsel and Company Secretary. Prior to that he spent eight years with Rio Tinto where he held several legal and commercial roles in London, Melbourne and Darwin. Before joining Rio Tinto he was employed in private legal practice in Melbourne and London from 2003. Tom brings significant legal, corporate and operational experience to Kidman, including joint ventures, M&A, capital raisings, financing transactions, regulatory investigations, sales and marketing and corporate governance. He holds a Bachelor of Laws, Bachelor of Commerce and Master of Laws from the University of Melbourne.

Melanie Leydin, CA and Justin Mouchacca, CA resigned 22 August 2018

Chief Financial Officers

Frederick Kotzee (appointed 13 August 2018)

Mr Kotzee joined Kidman on 13 August 2018 as Chief Financial Officer (**CFO**). Frederick is an experienced Chief Financial Officer of listed companies. He served as Chief Financial Officer of Kumba Iron Ore Limited (Kumba), a leading supplier of high quality iron ore to the global steel industry. Kumba are listed on the Johannesburg Stock Exchange and are a member of the Anglo American Plc Group. Prior to his position at Kumba, Frederick was the Group Financial Director of African Oxygen Limited, a member of the Linde AG group, and has extensive experience in investment banking, corporate finance and business development. He has developed in-depth management, commercial and strategic skills across a range of industries and commodities, including mining, industrial gasses and financial services. Frederick is a Chartered Accountant, and also holds a Bachelor of Laws from the University of South Africa.

Charles McGill (appointed 1 February 2018 and resigned 22 May 2018)

Jason Eveleigh (ceased the role of Chief Financial Officer on 1 February 2018 and acted as an interim Chief Financial Officer from 22 May 2018 to 13 August 2018) □

Meetings of Directors

The number of meetings of Kidman's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Peter Lester	7	9	1	1	1	1
Mr Martin Donohue	17	18	-	-	-	-
Mr Brad Evans	17	18	3	3	3	3
Mr David Southam	18	18	3	3	2	2
Mr John Pizzey	6	6	1	1	2	2
Mr Aaron Colleran	6	6	2	2	2	2

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

Remuneration Report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Kidman Group 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. Directors and other key management personnel of Kidman are as follows:

Names	Position
Directors of Kidman	
Mr Peter Lester	Non-Executive Chairman (resigned 3 November 2017)
Mr Brad Evans	Non-Executive Director. Interim Chairman (appointed to this position 3 November 2017 and resigned this position 1 January 2018).
Mr John Pizzey	Non-Executive Chairman (appointed 1 January 2018)
Mr Aaron Colleran	Non-Executive Director (appointed 1 January 2018)
Mr David Southam	Non-Executive Director (appointed 24 July 2017)
Mr Martin Donohue	Managing Director
Other senior executives	
Mr Charles McGill	Chief Financial Officer (appointed 1 February 2018 and resigned 22 May 2018)
Mr Chris Williams	General Manager Operations

Changes since the end of the reporting period

Mr Frederick Kotzee joined Kidman as Chief Financial Officer on 13 August 2018.

Mr Thomas Wilcox commenced as General Counsel and Company Secretary on 22 August 2018.

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;
- Cash bonuses;
- 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 Kidman Group'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**), through recommendations provided by the Remuneration Committee, 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 Kidman Group 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 Kidman Group.

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.

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 director 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 Annual General Meeting held on 10 November 2017, where shareholders approved an aggregate remuneration of \$500,000.

Executive remuneration

The Kidman Group 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; and
- Short-term performance incentives (STI); and
- Long-term incentives (LTI)

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 Kidman Group 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 Kidman Group and adds additional value to the executive.

The Board is of the opinion that the clear advancement of the Kidman Group 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

STI's are in the form of cash bonuses which are set at a maximum of 50% of fixed remuneration for senior executives, in order to drive performance without encouraging undue risk-taking. Each year, the Board sets the key performance indicators (**KPIs**) for the executive key management personnel. The KPIs generally include measures relating to the Kidman Group, and include a mixture of project development advancement, operational, and investor specific performance indicators as appropriate. The STI plan seeks to align the interests of the executive with those of shareholders.

Long Term Incentive

The LTI consists of the granting of performance rights to key executives. Grants of performance rights are made to executives by way of issue at nil cost at the time of grant and no exercise price on vesting. Vesting is contingent on the performance of Kidman's share price in relation to specific hurdle prices and is subject to the continued employment of the executive for periods of two, three and four years. The long-term incentive plan seeks to align the interests of executives with those of shareholders as it seeks to incentivise executives to ultimately increase share price. Where that occurs, it provides a financial incentive to the executives directly linked to the share price.

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

Additional information

The earnings of the Kidman Group for the five years to 30 June 2018 are summarised below:

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Revenue	521,091	92,636	7,644,799	44,375	129,524
Net loss before tax from continuing operations	(9,314,075)	(17,528,188)	(3,735,748)	(8,537,727)	(1,066,709)
Net loss after tax from continuing operations	(9,661,620)	(17,528,188)	(1,773,946)	(8,537,727)	(1,066,709)

Voting and comments made at Kidman's 10 November 2017 Annual General Meeting ('AGM')

Kidman received 93.69% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017. Kidman did not receive any specific feedback at the AGM regarding its remuneration practices.

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

	2018	2017	2016	2015	2014
Share price at end of year (\$)	1.86	0.61	0.16	0.09	0.06
Basic earnings per share (cents per share) from continuing operations	(2.73)	(5.71)	(1.11)	(7.23)	(0.99)

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Kidman Group are set out in the following tables.

	Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments	Total
	Cash salary and fees \$	STI cash bonus \$	Super-annuation \$	Termination Payments \$	Long service leave \$	Equity-settled (Rights) \$	
2018							
<i>Non-Executive Directors:</i>							
Mr Peter Lester	27,740	-	2,635	-	-	-	30,375
Mr Brad Evans	67,500	-	-	-	-	-	67,500
Mr John Pizzey	37,500	-	-	-	-	41,471	78,971
Mr Aaron Colleran	36,530	-	3,470	-	-	-	40,000
Mr David Southam	78,912	-	-	-	-	-	78,912
<i>Executive Directors:</i>							
Mr Martin Donohue	421,590	337,325	7,825	-	-	185,110	951,850
<i>Other Key Management Personnel:</i>							
Mr Charles McGill	113,693	-	10,021	120,427	-	492,626	736,767
Mr Chris Williams	242,489	104,982	23,036	-	-	94,222	464,729
	<u>1,025,954</u>	<u>442,307</u>	<u>46,987</u>	<u>120,427</u>	<u>-</u>	<u>813,429</u>	<u>2,449,104</u>

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

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Executive Directors:</i>						
Mr Martin Donohue	45%	90%	35%	-	20%	10%
<i>Other Key Management Personnel:</i>						
Mr Charles McGill *	20%	-	-	-	80%	-
Mr Chris Williams	57%	31%	23%	-	20%	69%

* Percentages exclude termination payment of \$120,427.

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 and Chief Executive Officer
Agreement commenced:	1 January 2018
Term of agreement:	Ongoing
Details:	The terms of the Agreement for the position of Managing Director and Chief Executive Officer includes a termination period of six (6) months by either party and a severance payment amounting to 6 months of the fixed annual remuneration. The fixed annual remuneration amounts to \$550,000 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a short term incentive (STI) of 50% of the fixed annual remuneration based on meeting certain KPIs.

Name: Mr Chris Williams
Title: Chief Operating Officer
Agreement commenced: 10 February 2018
Term of agreement: Ongoing
Details: The terms of the Agreement for the position of Chief Operating Officer includes a termination period of three (3) months by either party. The fixed annual remuneration amounts to \$300,000 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a short term incentive (STI) of 50% of the fixed annual remuneration based on meeting certain KPIs.

Name: Mr Thomas Wilcox
Title: General Counsel and Company Secretary
Agreement commenced: 22 August 2018
Term of agreement: Ongoing
Details: The terms of the Agreement for the position of General Counsel and Company Secretary includes a termination period of three (3) months by either party. The fixed annual remuneration amounts to \$350,400 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a short term incentive (STI) of 50% of the fixed annual remuneration based on meeting certain KPIs.

Name: Frederick Kotzee
Title: Chief Financial Officer (appointed 13 August 2018)
Agreement commenced: 13 August 2018
Term of agreement: Ongoing
Details: The terms of the Agreement for the position of Chief Financial Officer includes a termination period of six (6) months by either party and a severance payment amounting to 6 months of the fixed annual remuneration. The fixed annual remuneration amounts to \$462,000 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a short term incentive (STI) of 50% of the fixed annual remuneration based on meeting certain KPIs.

STI cash bonus

A discretionary cash bonus of \$100,000 was paid to Mr Martin Donohue on 15 September 2017 in relation to his performance for the 2016/17 financial year, however at the time of completing the FY17 Financial Report, the bonus was not finalised.

Mr Martin Donohue and Mr Chris Williams are eligible for a short-term incentive (STI) in the form of a cash bonus to a maximum of 50% of their fixed annual remuneration for the 2017/18 financial year. The STI entitlement for certain executives is based on the degree of achievement of a number of metrics related to company performance.

Metric related to	Weighting		
	Martin Donohue	Chris Williams	
Mt Holland joint venture agreement	10%	10%	
Mt Holland project development	35%	50%	
Funding package	25%	25%	
Human resources	15%	-	
Health, safety and environment	10%	10%	
Board discretion	5%	5%	
2018	Total opportunity	Awarded	Forfeited
	\$	%	%
Mr Martin Donohue	275,000	86.3	13.7
Mr Chris Williams	139,976	75	25

Share-based compensation

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 2018.

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:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Mr John Pizzey*	44,118	9 January 2018	1 January 2019	1 January 2019	-	\$1.88
Mr Charles McGill	259,277	16 March 2018	15 March 2020	15 March 2020	\$2.00	\$1.90
Mr Martin Donohue***	300,546	16 March 2018	15 March 2020	15 March 2020	\$2.25	\$2.02
Mr Chris Williams	152,979	16 March 2018	15 March 2020	15 March 2020	\$2.25	\$2.02
Mr Charles McGill**	259,277	16 March 2018	15 March 2021	15 March 2021	\$2.50	\$1.96
Mr Martin Donohue***	300,546	16 March 2018	15 March 2021	15 March 2021	\$2.75	\$1.93
Mr Chris Williams	152,979	16 March 2018	15 March 2021	15 March 2021	\$2.75	\$1.93
Mr Charles McGill**	259,277	16 March 2018	15 March 2022	15 March 2022	\$3.00	\$1.89
Mr Martin Donohue***	300,546	16 March 2018	15 March 2022	15 March 2022	\$3.25	\$1.87
Mr Chris Williams	152,979	16 March 2018	15 March 2022	15 March 2022	\$3.25	\$1.87

* The rights granted to Mr John Pizzey do not have a hurdle price; they will vest if he remains a director at the expiry date. There is no performance condition because the rights are intended to represent 50% of his director fees.

** Tranches forfeited due to employee not meeting the service conditions following resignation from Kidman.

*** Subject to shareholder approval at the AGM. Refer to ** footnote in the next table.

The performance rights with a share price hurdle will vest if the person remains employed throughout the period and the share price hurdle is achieved within the expiry period. The share price hurdle will be achieved when Kidman's share price is equal to or greater than a 60-day Volume Weighted Average Price of the hurdle price of each right.

Performance rights granted carry no dividend or voting rights.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

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 2018 are set out below:

Name	Value of rights granted during the year \$	Value of rights vested during the year \$	Value of rights forfeited during the year \$
Mr John Pizzey	82,942	-	-
Mr Chris Williams	890,338	-	-
Mr Charles McGill *	1,490,843	492,626	998,217
Mr Martin Donohue **	1,749,178	-	-

- * Charles McGill resigned on 22 May 2018. At that date he had satisfied the share price hurdle for the first tranche of 259,277 performance rights but not the service requirement. The Board exercised its discretion to treat these as vested, however this is subject to shareholder approval at the next AGM.
- ** The Directors and Martin Donohue agreed on the terms and conditions of three tranches of performance rights on 16 March 2018. The granting of these is subject to shareholder approval at the next AGM. Under accounting standards, he is considered to have commenced rendering services in respect of that grant from the earlier date.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in Kidman held during the financial year by each director and other members of key management personnel of the Kidman Group, 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
<i>Ordinary shares</i>					
Mr John Pizzey	-	-	-	46,626	46,626
Mr Martin Donohue	3,905,000	-	-	10,000	3,915,000
Mr Brad Evans	102,547	-	-	18,819	121,366
Mr Chris Williams	1,755,000	-	-	(1,124,000)	631,000
Mr David Southam *	-	-	-	17,429,155	17,429,155
	<u>5,762,547</u>	<u>-</u>	<u>-</u>	<u>16,380,600</u>	<u>22,143,147</u>

- * Mr Southam has a relevant interest in the securities held by Western Areas Limited through his position as Executive Director of that company and was appointed as a director on 24 July 2017.

Option holding

The number of options over ordinary shares in Kidman held during the financial year by each director and other members of key management personnel of the Kidman Group, 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
<i>Options over ordinary shares</i>					
Mr Brad Evans	12,819	-	(12,819)	-	-
	<u>12,819</u>	<u>-</u>	<u>(12,819)</u>	<u>-</u>	<u>-</u>

- * 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 Kidman held during the financial year by each director and other members of key management personnel of the Kidman Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Vested	Forfeited	Balance at the end of the year	Vested and exercisable	Vested and un-exercisable
<i>Performance rights over ordinary shares</i>							
Mr John Pizzey	-	44,118	-	-	44,118	-	-
Mr Chris Williams	-	458,937	-	-	458,937	-	-
Mr Charles McGill *	-	777,831	(259,277)	(518,554)	259,277	-	259,277
Mr Martin Donohue **	-	901,633	-	-	901,633	-	-
	<u>-</u>	<u>2,182,519</u>	<u>(259,277)</u>	<u>(518,554)</u>	<u>1,404,688</u>	<u>-</u>	<u>259,277</u>

- * Vesting of the 259,277 rights is subject to shareholder approval at the next AGM.
- ** Granting of the 901,633 rights is subject to shareholder approval at the next AGM.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Kidman Resources Limited under option outstanding at the date of this report.

Shares under performance rights

Unissued ordinary shares of Kidman Resources Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Hurdle price	Number under rights
9 January 2018 *	1 January 2019	-	44,118
16 March 2018	15 March 2020	\$2.00	259,277
16 March 2018	15 March 2020	\$2.25	453,525
16 March 2018	15 March 2020	\$2.50	204,144
16 March 2018	15 March 2021	\$2.75	453,525
16 March 2018	15 March 2021	\$3.00	204,144
16 March 2018	15 March 2022	\$3.25	453,525
16 March 2018	15 March 2022	\$3.50	204,144
			<u>2,276,402</u>

* The rights granted to Mr John Pizzey do not have a hurdle price, they will vest if he remains a director at the expiry date.

The Kidman Group has adopted the barrier pricing model when valuing these rights. For the performance rights listed above with hurdle price the rights will vest when Kidman's share price is equal to or greater than a 60-day Volume Weighted Average Price of the hurdle price of each right and the person remains employed by Kidman.

Shares issued on the exercise of options

The following ordinary shares of Kidman were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
5 October 2017	\$0.4275	1,000,000
24 October 2017	\$0.4275	1,000,000
20 March 2018	\$0.4275	1,000,000
3 May 2018	\$0.15	47,419,356
17 May 2018	\$0.4275	1,000,000
		<u>51,419,356</u>

Shares issued on the exercise of performance rights

There were no ordinary shares of Kidman Resources Limited issued on the exercise of performance rights during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

Kidman 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, Kidman paid an insurance 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

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

During the financial year, Kidman has not paid a premium in respect of a contract to insure the auditor of Kidman 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 Kidman, or to intervene in any proceedings to which Kidman is a party for the purpose of taking responsibility on behalf of Kidman 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 26 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 26 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 Kidman, acting as advocate for Kidman or jointly sharing economic risks and rewards.

Officers of Kidman who are former partners of Grant Thornton

There are no officers of Kidman 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

A handwritten signature in black ink, appearing to read 'GJP' followed by a stylized flourish.

Mr George John Pizzey
Non-Executive Chairman

27 September 2018
Melbourne

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 2018, 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 Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 27 September 2018

Kidman Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	Consolidated 2018 \$	2017 \$
Revenue from continuing operations	5	67,843	92,636
Other income	6	453,248	-
Expenses			
Employee benefits expense	7	(2,906,602)	(1,111,813)
Depreciation and amortisation expense	7	(60,640)	(42,583)
Impairment of assets	15	(46,221)	(9,876,538)
Administration expenses		(1,445,397)	(663,245)
Corporate expenses	7	(4,036,883)	(1,656,766)
Share based payments	36	(936,793)	(696,923)
Finance costs	7	(107,487)	(599,854)
Loss on foreign currency translation		(256,594)	-
Loss on extinguishment of liability	7	(38,549)	(2,973,102)
Loss before income tax expense from continuing operations		(9,314,075)	(17,528,188)
Income tax expense	8	(347,545)	-
Loss after income tax expense from continuing operations		(9,661,620)	(17,528,188)
Loss after income tax expense from discontinued operations	9	(19,948)	(13,782,083)
Loss after income tax expense for the year attributable to the owners of Kidman Resources Limited		(9,681,568)	(31,310,271)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Kidman Resources Limited		<u>(9,681,568)</u>	<u>(31,310,271)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(9,661,620)	(17,528,188)
Discontinued operations		<u>(19,948)</u>	<u>(13,782,083)</u>
		<u>(9,681,568)</u>	<u>(31,310,271)</u>
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Kidman Resources Limited			
Basic earnings per share	35	(2.73)	(5.71)
Diluted earnings per share	35	(2.73)	(5.71)
Earnings per share for loss from discontinued operations attributable to the owners of Kidman Resources Limited			
Basic earnings per share	35	(0.01)	(4.49)
Diluted earnings per share	35	(0.01)	(4.49)
Earnings per share for loss attributable to the owners of Kidman Resources Limited			
Basic earnings per share	35	(2.73)	(10.19)
Diluted earnings per share	35	(2.73)	(10.19)

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

	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	10	10,025,863	2,554,441
Trade and other receivables	11	719,820	1,808,591
Prepayments		67,431	40,575
Total current assets		<u>10,813,114</u>	<u>4,403,607</u>
Non-current assets			
Investments accounted for using the equity method	12	82,248	-
Property, plant and equipment	13	284,941	137,347
Intangibles	14	17,487	27,466
Exploration and evaluation	15	15,897,408	22,139,941
Deferred tax	8	12,135,985	-
Other non-current assets	16	65,902	83,153
Total non-current assets		<u>28,483,971</u>	<u>22,387,907</u>
Total assets		<u>39,297,085</u>	<u>26,791,514</u>
Liabilities			
Current liabilities			
Trade and other payables	17	3,720,041	2,038,981
Borrowings	18	6,400,000	8,443,642
Income tax	8	8,920,394	-
Employee benefits		254,605	122,021
Total current liabilities		<u>19,295,040</u>	<u>10,604,644</u>
Non-current liabilities			
Deferred tax	8	3,563,136	-
Employee benefits		112,509	43,133
Provisions	19	172,163	50,000
Total non-current liabilities		<u>3,847,808</u>	<u>93,133</u>
Total liabilities		<u>23,142,848</u>	<u>10,697,777</u>
Net assets		<u>16,154,237</u>	<u>16,093,737</u>
Equity			
Issued capital	20	71,746,813	58,013,355
Other contributed equity	21	-	4,473,102
Reserves	22	936,793	455,081
Accumulated losses		(56,529,369)	(46,847,801)
Total equity		<u>16,154,237</u>	<u>16,093,737</u>

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

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)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 20)	27,360,439	-	-	455,081	27,815,520
Share-based payments (note 36)	412,500	-	-	284,423	696,923
Transfer from share based payments 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	<u>58,013,355</u>	<u>4,473,102</u>	<u>(46,847,801)</u>	<u>455,081</u>	<u>16,093,737</u>
Consolidated	Contributed equity \$	Other contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2017	58,013,355	4,473,102	(46,847,801)	455,081	16,093,737
Loss after income tax expense for the year	-	-	(9,681,568)	-	(9,681,568)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(9,681,568)	-	(9,681,568)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 20)	8,805,275	-	-	-	8,805,275
Share-based payments (note 36)	-	-	-	936,793	936,793
Transfer from share based payments reserve upon the exercise of options	455,081	-	-	(455,081)	-
Deferred consideration paid upon completion of Mt Holland acquisition	4,473,102	(4,473,102)	-	-	-
Balance at 30 June 2018	<u>71,746,813</u>	<u>-</u>	<u>(56,529,369)</u>	<u>936,793</u>	<u>16,154,237</u>

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

		Consolidated	
	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers		-	788,388
Payments to suppliers and employees (inclusive of GST)		(5,623,587)	(9,857,122)
Interest received		51,379	96,296
Other revenue		-	32,739
Interest paid		(48,485)	-
Net cash from/(used in) operating activities	34	(5,620,693)	(8,939,699)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(181,772)
Payments for acquisition of assets		-	(2,395,928)
Payments for exploration and evaluation		(3,017,691)	(8,409,610)
Payment for development asset		-	(3,070,000)
Proceeds from disposal of subsidiary		396,000	-
Proceeds from disposal of exploration asset		6,529,120	-
Proceeds from release of security deposits		-	50,980
Proceeds from release of bank guarantees		37,699	-
Proceeds from research and development tax incentive grant		853,545	-
Net cash from/(used in) investing activities		4,798,673	(14,006,330)
Cash flows from financing activities			
Proceeds from issue of shares	20	8,822,903	21,000,122
Costs from issue of shares		(14,071)	(1,354,522)
Proceeds from borrowings		5,743,243	2,102,644
Repayment of borrowings		(6,258,633)	(1,000,000)
Net cash from financing activities		8,293,442	20,748,244
Net increase/(decrease) in cash and cash equivalents		7,471,422	(2,197,785)
Cash and cash equivalents at the beginning of the financial year		2,554,441	4,752,226
Cash and cash equivalents at the end of the financial year	10	<u>10,025,863</u>	<u>2,554,441</u>

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
NE Suite, Level 30 140 William Street Melbourne VIC 3000	NE Suite, Level 30 140 William Street Melbourne VIC 3000

A description of the nature of the Kidman Group'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 27 September 2018. 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 Kidman Group 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 2018 the Kidman Group experienced an operating loss of \$9,681,568 (2017: \$31,310,271). Of the total loss at 30 June 2018, \$9,661,620 was from continuing operations and \$19,948 was from discontinued operations (2017: \$17,528,188 and \$13,782,083 respectively). At 30 June 2018 the Kidman Group had cash and cash equivalents of \$10,025,863 (2017: \$2,554,441). Working capital deficiency at 30 June 2018, being current assets less current liabilities, was deficit \$8,481,926 (2017: deficit \$6,201,037). Cash outflows from operating activities during the year were \$5,620,693 (2017: \$8,939,699).

Since the financial year end, the Company has been able to extend the repayment date of the loan from a private financier (as detailed in note 18), originally due on 1 November 2018, to 1st October 2019 (subject to terms and conditions customary for facilities of this nature). The revised working capital position as at 30 June 2018 with this extension is a deficit of \$2,081,926.

During the year, and in pursuit of its broader strategic plan to emerge as a producer of refined lithium hydroxide, the company has undergone significant change. These changes include the finalisation, completion and execution of the 50-50 Mt Holland Lithium Project Joint Venture between Kidman and SQM. In order to meet its objectives, the company will be required to raise significant funds, and is currently in discussions with Banks and other providers of capital.

The Directors have assessed the going concern basis continues to be appropriate for the Company however in doing so acknowledges the following uncertainties:

- The Company is currently awaiting the decision by the Minister for Mines and Petroleum (Western Australia) in relation to the forfeiture claims
- The finalization of the arrangements in relation to the funding of future commitments

Note 2. Significant accounting policies (continued)

Whilst acknowledging these uncertainties the Directors have also considered the following in their going concern assessment:

- The second payments of USD\$25m and US\$60m from SQM to Kidman Resources and the Covalent Joint Venture respectively are due upon reaching the “decision to mine” at the Mt Holland Lithium project, currently expected during the 2019 financial year;
- The consolidated entity continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately;
- The expected tax liability shown in the balance sheet at 30 June 2018 is not due until April 2019; and
- To the extent required, the Company has capacity under the ASX Listing Rules to raise further funds through the issue or placement of securities.

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 Kidman Group'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 Kidman Group only. Supplementary information about the parent entity is disclosed in note 30.

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 2018 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 Kidman Group.

Subsidiaries are all those entities over which the Kidman Group has control. The Kidman Group controls an entity when the Kidman Group 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 Kidman Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Kidman Group 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 Kidman Group.

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.

Note 2. Significant accounting policies (continued)

Where the Kidman Group 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 Kidman Group 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.

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 Kidman Group'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 Kidman Group'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.

Associates

Associates are entities over which the Kidman Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Kidman Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Kidman Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Kidman Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Kidman Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in 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.

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 Kidman Group for the annual reporting period ended 30 June 2018. The Kidman Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Kidman Group, are set out below.

Note 2. Significant accounting policies (continued)

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 has assessed the impact of the standard and expects that there will be a nil impact on the carrying values of financial instruments.

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 Kidman Group will adopt this standard from 1 January 2018 but it is expected to have no material impact as there are no contracts with customers.

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 Kidman Group will adopt this standard from 1 July 2019 but no material impact is expected as the Kidman Group currently has no material leases.

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 Kidman Group 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 Barrier pricing method, 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 Kidman Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Kidman Group 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 complaints 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 complaints; 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 were heard on 13-16 November 2017 and then 20 November 2017.

On Wednesday 12 September 2018 Kidman received notification of the recommendation from the Warden to the Minister that the applications for exemption from minimum expenditure obligations on the relevant tenements be refused.

Kidman disagrees with the Warden's recommendation in a number of respects and with the assistance of its advisers (including Senior Counsel) has provided detailed submissions to the Minister outlining the reasons why the certificates of exemption should be granted. Reference is made to Kidman's ASX announcement on 18 September 2018, where an outline of the exemption and forfeiture process is laid out.

Impairment of exploration and evaluation costs

The Kidman Group assesses impairment of exploration and evaluation costs at each reporting date by evaluating conditions specific to the Kidman Group 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 Kidman Group does not have any reportable operating segments as it solely operates in the exploration for base metal and rare earths industry within Australia. 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 Kidman Group 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	
	2018	2017
	\$	\$
From continuing operations		
Interest	50,821	90,836
Other revenue	17,022	1,800
Revenue from continuing operations	<u>67,843</u>	<u>92,636</u>

Accounting policy for revenue recognition

Revenue is recognised when it is probable the economic benefit will flow to the Kidman Group 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	
	2018	2017
	\$	\$
Profit on disposal of subsidiaries and/or tenements	371,000	-
Share of gain from associates	82,248	-
Other income	<u>453,248</u>	<u>-</u>

Note 7. Expenses

	Consolidated 2018 \$	2017 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	8,608	-
Motor vehicles	10,449	3,125
Office equipment	15,646	7,180
Computer equipment	8,279	5,102
Mining equipment	7,679	12,891
Total depreciation	50,661	28,298
<i>Amortisation</i>		
Software	9,979	14,285
Total depreciation and amortisation	60,640	42,583
<i>Employee benefits expense</i>		
Wages and salaries	2,272,515	901,252
Defined contribution superannuation	80,010	31,196
Employee entitlements	214,324	23,919
Payroll tax	201,328	132,124
Other employment benefits	138,425	23,322
Total employee benefits expense	2,906,602	1,111,813
<i>Corporate expenses</i>		
Legal expenses	632,668	909,106
Consulting and advisory expenses	2,852,315	414,665
Media/Public relations	219,386	140,928
Other corporate costs	332,514	192,067
Total corporate expenses	4,036,883	1,656,766
<i>Finance costs</i>		
Interest and finance charges paid/payable	107,487	599,854
Loss on extinguishment of liability*	38,549	2,973,102

*During the prior financial year, the Kidman Group 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 or 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 Kidman'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.

Note 8. Income tax

	Consolidated 2018 \$	2017 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(9,314,075)	(17,528,188)
Loss before income tax expense from discontinued operations	(19,948)	(13,782,083)
	<u>(9,334,023)</u>	<u>(31,310,271)</u>
Tax at the statutory tax rate of 30%	(2,800,207)	(9,393,081)
Current year tax losses not recognised	(10,956,499)	5,094,387
Current year temporary differences not recognised	295,259	2,609,146
Permanent differences	161,509	1,689,548
Assessable balancing adjustment on transfer of Mount Holland tenements to JV	12,850,848	-
Tax value of Mount Holland JV assets	(483,790)	-
Sale of Coolgardie Mining Company Pty Ltd - derecognition of deferred tax assets	1,524,924	-
R&D tax credit	(244,499)	-
Income tax expense	<u>347,545</u>	<u>-</u>

	Consolidated 2018 \$	2017 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	7,640,026	46,109,789
Potential tax benefit @ 30%	2,292,008	13,832,937
Unused capital losses for which no deferred tax asset has been recognised	6,066,001	1,075,083
Potential tax benefit at statutory tax rates	1,819,800	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 Kidman Group 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 Kidman Group continues to comply with the conditions for deductibility imposed by law; and
- iii) no change in tax legislation adversely affects the Kidman Group in realising the benefits from deducting the losses.

	Consolidated 2018 \$	2017 \$
<i>Provision for income tax</i>		
Provision for income tax	<u>8,920,394</u>	<u>-</u>

Accounting policy for 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.

Note 8. Income tax (continued)

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.

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.

Note 9. Discontinued operations

Description

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

During the period the Kidman Group announced that it had completed the sale of 100% of the share capital in Coolgardie Mining Company Pty Ltd which holds the Burbanks gold mine. The consideration was consisted of \$121,000 upfront and a royalty of \$20 per Oz for the first 55,000 Oz's sold from the Burbanks mine.

Financial performance information

	Consolidated	
	2018	2017
	\$	\$
Revenue	-	788,388
Cost of sales	(168,299)	(3,229,307)
Total revenue	(168,299)	(2,440,919)
Other income	92,598	22,223
Depreciation and amortisation expenses	(647)	(124,633)
Profit/(loss) on disposal of fixed assets	56,400	(385,057)
Impairment of assets held for sale	-	(10,853,697)
Total expenses	55,753	(11,363,387)
Loss before income tax expense	(19,948)	(13,782,083)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(19,948)	(13,782,083)

Note 9. Discontinued operations (continued)

Cash flow information

	Consolidated	
	2018	2017
	\$	\$
Net cash from/(used in) operating activities	(263,502)	(4,608,142)
Net cash from/(used in) investing activities	55,000	(1,373,139)
Net decrease in cash and cash equivalents from discontinued operations	<u>(208,502)</u>	<u>(5,981,281)</u>

Accounting policy for discontinued operations

A discontinued operation is a component of the Kidman Group 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. Cash and cash equivalents

	Consolidated	
	2018	2017
	\$	\$
Cash at bank	9,573,951	2,368,373
Cash on deposit	451,912	186,068
	<u>10,025,863</u>	<u>2,554,441</u>

The Kidman Group's exposure to interest rate and foreign currency risk is discussed in Note 24.

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	
	2018	2017
	\$	\$
Other receivables	672,008	508,600
GST receivable	47,812	1,299,991
	<u>719,820</u>	<u>1,808,591</u>

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 Kidman Group has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 11. Current assets - trade and other receivables (continued)

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 12. Non-current assets - investments accounted for using the equity method

Covalent Lithium Pty Ltd (**Covalent**) is the management company for the Joint Venture with SQM. It is 50% owned by MH Gold Pty Ltd (fully owned subsidiary of Kidman) and 50% owned by SQM Australia Pty Ltd (fully owned subsidiary of SQM Chile).

Neither entity has overall control of Covalent so the equity accounting principles outlined in AASB 128 have been adopted.

	Consolidated 2018 \$	2017 \$
Investment in Covalent Lithium Pty Ltd	82,248	-

Details of material associates

Details of each of the Kidman Group's material associates at the end of the reporting period are as follows:

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Kidman Group	
			2018	2017
			%	%
Covalent Lithium Pty Ltd	Lithium Exploration	Australia	50%	-

Note 12. Non-current assets - investments accounted for using the equity method (continued)

Accounting policy for Investments in associates and joint ventures

An associate is an entity over which the Kidman Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Kidman Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Kidman Group's share of losses of an associate or a joint venture exceeds the Kidman Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Kidman Group's net investment in the associate or joint venture), the Kidman Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Kidman Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Kidman Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Kidman Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Kidman Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Note 12. Non-current assets - investments accounted for using the equity method (continued)

The Kidman Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Kidman Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Kidman Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Kidman Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Kidman Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Kidman Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Kidman Group reduces its ownership interest in an associate or a joint venture but the Kidman Group continues to use the equity method, the Kidman Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a consolidated entity transacts with an associate or a joint venture of the Kidman Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Kidman Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Kidman Group.

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Motor vehicles - at cost	34,278	49,979
Less: Accumulated depreciation	(13,573)	(18,179)
	<u>20,705</u>	<u>31,800</u>
Computer equipment - at cost	56,802	40,639
Less: Accumulated depreciation	(30,380)	(22,101)
	<u>26,422</u>	<u>18,538</u>
Office equipment - at cost	115,883	105,307
Less: Accumulated depreciation	(54,792)	(39,145)
	<u>61,091</u>	<u>66,162</u>
Mining Equipment at cost	81,760	81,761
Less: Accumulated depreciation	(68,592)	(60,914)
	<u>13,168</u>	<u>20,847</u>
Leasehold improvements	172,163	-
Less: Accumulated depreciation	(8,608)	-
	<u>163,555</u>	<u>-</u>
	<u><u>284,941</u></u>	<u><u>137,347</u></u>

Note 13. Non-current assets - property, plant and equipment (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	Property, Plant & Equipment \$	Motor vehicles \$	Computer Equipment \$	Office Equipment \$	Mining Equipment \$	Leasehold improvements \$	Total \$
Balance at 1 July 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
Additions	-	-	16,163	10,575	-	172,163	198,901
Depreciation expense included in discontinued operations	-	(646)	-	-	-	-	(646)
Depreciation expense	-	(10,449)	(8,279)	(15,646)	(7,679)	(8,608)	(50,661)
Balance at 30 June 2018	-	20,705	26,422	61,091	13,168	163,555	284,941

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.

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 Kidman Group. 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 14. Non-current assets - intangibles

	Consolidated	
	2018	2017
	\$	\$
Software - at cost	120,239	120,239
Less: Accumulated amortisation	(102,752)	(92,773)
	<u>17,487</u>	<u>27,466</u>

Note 14. Non-current assets - intangibles (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	Software \$
Balance at 1 July 2016	41,751
Amortisation expense	<u>(14,285)</u>
Balance at 30 June 2017	27,466
Amortisation expense	<u>(9,979)</u>
Balance at 30 June 2018	<u><u>17,487</u></u>

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 15. Non-current assets - exploration and evaluation

	Consolidated	
	2018	2017
	\$	\$
Exploration and evaluation assets	<u>15,897,408</u>	<u>22,139,941</u>

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 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)	<u>(4,645,288)</u>
Balance at 30 June 2017	22,139,941
Expenditure during the year	1,186,353
Impairment of assets	(46,221)
Research and development tax incentive applied against exploration and evaluation expenditure	(853,545)
Sale of interest in Lithium rights – Mt Holland	<u>(6,529,120)</u>
Balance at 30 June 2018	<u><u>15,897,408</u></u>

Note 15. Non-current assets - exploration and evaluation (continued)

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 complaints 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 complaints; 12 and forfeiture applications; 18.

Kidman has been waiting for a recommendation from the Perth Mining Warden (**Warden**) to the Minister for Mines and Petroleum (Western Australia) (**Minister**) in relation to its applications for exemption from minimum expenditure obligations for tenements held by Kidman subsidiaries. The exemption applications and objections were heard by the Warden in November 2017.

On Wednesday 12 September 2018 Kidman received notification of the recommendation from the Warden to the Minister that the applications for exemption from minimum expenditure obligations on the relevant tenements be refused.

Kidman disagrees with the Warden's recommendation in a number of respects and with the assistance of its advisers (including Senior Counsel) has prepared detailed submissions to the Minister outlining the reasons why the certificates of exemption should be granted.

Converting note and treatment of Joint Venture

As funds were drawn down on the USD\$21.5m converting note, these were recorded in the Kidman Group's accounts as a liability to SQM. Where funds drawn down were used for the purposes of exploring and evaluating the Mt Holland Lithium project, these amounts reduced the loan payable to SQM as they would be settled by deduction from the contribution SQM make to the Joint Venture ("JV"). Where funds drawn down were used for purposes other than exploring and evaluating the Mt Holland Lithium project, these amounts were expensed through Kidman Group's consolidated statement of profit or loss and other comprehensive income.

Upon settlement of the JV in December 2017, the amount of the loan drawn and used at Mt Holland was netted off against amounts SQM contributed to the JV.

Where funds had been used for purposes other than exploring and evaluating the Mt Holland asset, this amount of the loan was offset against the USD\$5m paid to consolidated entity by SQM upon settlement of the JV.

At 30 June 2018, the liability to SQM had been extinguished and any amounts added to the statement of financial position of the Kidman Group using converting note funds had been transferred to the JV.

Per AASB 11, the JV with SQM is accounted for as a joint operation. The JV was initially capitalised with a USD\$20m contribution from SQM. The Kidman Group are yet to directly contribute any funds.

As part of the asset sale agreement, SQM have committed to contribute a further USD\$60m into the JV upon reaching the decision to mine. To maintain the 50/50 nature of the JV, both JV participants need to contribute funds equally once the initial USD\$80m has been spent.

Once a decision to mine has been reached and the JV moves into a development stage, the Kidman Group will recognise its proportion of the JV development asset into its accounts.

Farm-outs - exploration and evaluation phase

The Kidman Group does not record any expenditure made by a farm-in party on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from a farm-in party is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the asset holder as a gain on disposal.

Note 15. Non-current assets - exploration and evaluation (continued)

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 16. Non-current assets - Other non-current assets

	Consolidated	
	2018	2017
	\$	\$
Security deposits	21,228	780
Exploration security bonds	44,674	82,373
	<u>65,902</u>	<u>83,153</u>

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade and other payables	<u>3,720,041</u>	<u>2,038,981</u>

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 Kidman Group 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 Kidman Group 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	
	2018	2017
	\$	\$
Loan from private financier	6,400,000	6,440,998
Loan SQM	-	2,002,644
	<u>6,400,000</u>	<u>8,443,642</u>

Refer to note 24 for further information on financial instruments.

Note 18. Current liabilities - borrowings (continued)

During the year the loan from the private financier was extended and is now repayable on or before 1 October 2019 and is subject to customary terms and conditions.

The loan from SQM was a short term loan facility of US\$1.5 million and was repaid this financial year.

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 19. Non-current liabilities - provisions

	Consolidated	
	2018	2017
	\$	\$
Lease make good	172,163	-
Provision for rehabilitation	-	50,000
	<u>172,163</u>	<u>50,000</u>

Accounting policy for provisions

Provisions are recognised when the Kidman Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Kidman Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 20. Equity - issued capital

	Consolidated			
	2018	2017	2018	2017
	No.	No.	\$	\$
Ordinary shares - fully paid	399,560,792	333,331,373	71,746,813	58,013,355
Listed Options at \$0.15 Expiring 30 April 2018	-	47,453,487	-	-
Unlisted Options at \$0.4275 Expiring 3 October 2018	-	4,000,000	-	-
	<u>399,560,792</u>	<u>384,784,860</u>	<u>71,746,813</u>	<u>58,013,355</u>

Note 20. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 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 farm-in 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
Issue of shares to Capri Trading as consideration for deferred element of MH Gold purchase	19 September 2017	14,810,063	\$0.302	4,473,102
Options exercise	5 October 2017	1,000,000	\$0.4275	427,500
Options exercise	24 October 2017	1,000,000	\$0.4275	427,500
Options exercise	20 March 2018	1,000,000	\$0.4275	427,500
Options exercise	3 May 2018	47,419,356	\$0.15	7,112,903
Options exercise	17 May 2018	1,000,000	\$0.4275	427,500
Transfer from share based payments reserve upon of exercise of options		-	-	455,082
Cost of capital raising		-	-	(17,629)
Balance	30 June 2018	<u>399,560,792</u>		<u>71,746,813</u>

Movements in listed options over ordinary shares

Details	Date	Options (KDRO)	
Balance	1 July 2016	47,453,487	
Balance	30 June 2017	47,453,487	
Lapse of options	30 April 2018	(34,131)	-
Exercise of options	3 May 2018	(47,419,356)	\$0.15
Balance	30 June 2018	<u>-</u>	

Note 20. Equity - issued capital (continued)

Movements in unlisted options over ordinary shares

Details	Date	Unlisted options	Issue price
Balance	1 July 2016	-	
Issue of options to corporate advisors	27 September 2016	4,000,000	-
Balance	30 June 2017	4,000,000	
Option exercise	5 October 2017	(1,000,000)	\$0.4275
Option exercise	24 October 2017	(1,000,000)	\$0.4275
Option exercise	20 March 2018	(1,000,000)	\$0.4275
Option exercise	17 May 2018	(1,000,000)	\$0.4275
Balance	30 June 2018	-	

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of Kidman in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and Kidman 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.

Capital risk management

The Kidman Group'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 Kidman Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Kidman Group 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 Kidman Group 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	
	2018	2017
	\$	\$
Other contributed equity	-	4,473,102

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. The 'Other contributed equity' listed above has therefore been re-classified to issued capital upon the issue of the shares.

Note 22. Equity - reserves

	Consolidated	
	2018	2017
	\$	\$
Share-based payments reserve	936,793	455,081

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.

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 2016	108,292
Share based payments	284,423
Transfer from share based payment reserve on the vesting of performance rights	(392,715)
Advisory options issued	455,081
Balance at 30 June 2017	455,081
Share based payments	936,793
Transfer from share based payments reserve upon the exercise of options	(455,081)
Balance at 30 June 2018	936,793

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 Kidman Group'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 Kidman Group'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 Kidman Group. The Kidman Group 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 Kidman Group 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 Kidman Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Kidman Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Kidman Group 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 Kidman Group's income. The Kidman Group has a policy of maintaining full exposure to changes in key market variables being interest rates. The Kidman Group is exposed to interest rate risk arising from its cash at bank. The Kidman Group regularly reassesses market conditions and market risks so as to optimise return on capital.

Interest rate risk

The Kidman Group's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

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

	2018		2017	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	\$	%	\$
Cash at bank	1.40%	9,573,951	1.40%	2,368,373
Cash on deposit	1.80%	451,912	1.80%	186,068
Net exposure to cash flow interest rate risk		<u>10,025,863</u>		<u>2,554,441</u>

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 2018 and 2017 financial years. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

Note 24. Financial instruments (continued)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Consolidated - 2018						
Cash at bank	50	47,870	47,870	(50)	(47,870)	(47,870)
Cash on deposit	100	4,519	4,519	(100)	(4,519)	(4,519)
		<u>52,389</u>	<u>52,389</u>		<u>(52,389)</u>	<u>(52,389)</u>
	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Consolidated - 2017						
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)
		<u>13,703</u>	<u>13,703</u>		<u>(13,703)</u>	<u>(13,703)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Kidman Group. The Kidman Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Kidman Group 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 Kidman Group does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the Kidman Group 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 Kidman Group 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.

Remaining contractual maturities

The following tables detail the Kidman Group'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.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2018					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	3,720,041	-	-	-	3,720,041
<i>Interest-bearing - fixed rate</i>					
Loan from private financier	6,400,000	-	-	-	6,400,000
Total non-derivatives	<u>10,120,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,120,041</u>

Note 24. Financial instruments (continued)

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

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. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Kidman Group is set out below:

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	1,468,261	852,314
Post-employment benefits	46,987	27,430
Termination benefits	120,427	-
Share-based payments	813,429	608,337
	2,449,104	1,488,081

Note 26. Remuneration of auditors

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

	Consolidated	
	2018	2017
	\$	\$
<i>Audit services - Grant Thornton</i>		
Audit or review of the financial statements	62,975	80,250
<i>Other services - Grant Thornton</i>		
Taxation related services	84,786	126,720
	147,761	206,970

Note 27. Contingent liabilities

There were no contingent liabilities at 30 June 2017 and 30 June 2018.

Note 28. Commitments

	Consolidated	
	2018	2017
	\$	\$
<i>Lease Commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	267,660	74,000
One to five years	1,003,725	117,167
	<u>1,271,385</u>	<u>191,167</u>
<i>Exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	225,684	355,083
One to five years	751,596	831,122
	<u>977,280</u>	<u>1,186,205</u>
<i>Bank guarantees in relation to rental premises and exploration permits</i>		
Maximum amount bank may call	<u>398,921</u>	<u>102,724</u>

Exploration and evaluation

In order to maintain current rights to tenure to exploration and mining tenements, the Kidman Group 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 Kidman concluded a number of farm-out agreements which resulted in Kidman 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 29. Related party transactions

Parent entity

Kidman Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Note 29. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2018	2017
	\$	\$
Payment for goods and services:		
Payments to Mining Plus Pty Ltd (a director related entity associated with Mr Brad Evans)*	9,820	194,247

* 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.

The Kidman Group makes payments to Western Areas Limited (ASX: WSA) an entity associated with Mr David Southam. The amounts paid relate to director fees for the Kidman Group. All amounts paid to WSA have been set out in the remuneration report within the directors' report.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018	2017
	\$	\$
Current payables:		
Trade payables to Mining Plus Pty Ltd (relationship noted above)	9,820	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 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	\$	\$
Loss after income tax	(9,103,550)	(31,277,890)
Total comprehensive income	(9,103,550)	(31,277,890)

Note 30. Parent entity information (continued)

Statement of financial position

	Parent	
	2018 \$	2017 \$
Total current assets	26,408,548	2,985,745
Total assets	28,284,565	26,629,100
Total current liabilities	10,168,926	9,395,595
Total liabilities	10,453,598	9,436,652
Equity		
Issued capital	71,746,813	58,013,355
Other contributed equity	-	4,473,102
Share-based payments reserve	936,793	455,081
Accumulated losses	(54,852,639)	(45,749,090)
Total equity	17,830,967	17,192,448

Contingent liabilities

The parent entity had no contingent liabilities as at 2017 and 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 2017 and 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Kidman Group, 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 31. 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	
		2018 %	2017 %
Crowl Creek Exploration Limited	Australia	100%	100%
Casey Exploration Pty Ltd	Australia	100%	100%
Kidman Barrow Creek Pty Ltd	Australia	100%	100%
Kidman Mining Pty Ltd	Australia	100%	100%
Coolgardie Mining Company Pty Ltd	Australia	-	100%
MH Gold Pty Ltd	Australia	100%	100%
Montague Resources Australia Pty Ltd	Australia	100%	100%
Forrestania Lithium Pty Ltd	Australia	100%	100%
Kidman Gold Pty Ltd *	Australia	100%	-

* Incorporated on 7 September 2017

Note 32. 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'.

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

	2018	2017
	\$	\$
Statement of profit or loss and other comprehensive income		
Revenue	438,050	88,496
Depreciation and amortisation expense	(43,537)	(34,362)
Impairment of loan to subsidiary	-	(18,714,578)
Impairment of assets	(14,840)	(5,347,232)
Administration expenses	(1,186,240)	(457,783)
Corporate expenses	(4,036,845)	(1,358,388)
Employment expenses	(2,906,602)	(1,184,212)
Share based payments	(936,792)	(696,923)
Finance costs	(107,487)	(599,854)
Loss on foreign currency translation	(256,594)	-
Loss on extinguishment of liability	(67,502)	(2,973,102)
Loss before income tax expense	(9,118,389)	(31,277,938)
Income tax expense	-	-
Loss after income tax expense	(9,118,389)	(31,277,938)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(9,118,389)	(31,277,938)
	2018	2017
	\$	\$
Equity - accumulated losses		
Accumulated losses at the beginning of the financial year	(45,734,247)	(14,471,198)
Loss after income tax expense	(9,118,389)	(31,277,938)
Accumulated losses at the end of the financial year	(54,852,636)	(45,749,136)

Note 32. Deed of cross guarantee (continued)

	2018 \$	2017 \$
Statement of financial position		
Current assets		
Cash and cash equivalents	9,375,790	2,319,809
Trade and other receivables	719,127	625,315
Prepayments	67,431	40,575
	<u>10,162,348</u>	<u>2,985,699</u>
Non-current assets		
Other financial assets	17,788,584	23,447,836
Property, plant and equipment	250,245	84,900
Intangibles	17,486	27,466
Other non-current assets	65,903	83,153
	<u>18,122,218</u>	<u>23,643,355</u>
Total assets	<u>28,284,566</u>	<u>26,629,054</u>
Current liabilities		
Trade and other payables	3,514,320	940,220
Borrowings	6,400,000	8,343,642
Employee benefits	254,605	111,733
	<u>10,168,925</u>	<u>9,395,595</u>
Non-current liabilities		
Employee benefits	112,509	41,057
Provisions	172,163	-
	<u>284,672</u>	<u>41,057</u>
Total liabilities	<u>10,453,597</u>	<u>9,436,652</u>
Net assets	<u>17,830,969</u>	<u>17,192,402</u>
Equity		
Issued capital	71,746,813	58,013,355
Other contributed equity	-	4,473,102
Reserves	936,792	455,081
Accumulated losses	(54,852,636)	(45,749,136)
Total equity	<u>17,830,969</u>	<u>17,192,402</u>

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

Note 33. Events after the reporting period

On Wednesday 12 September 2018 Kidman received notification of the recommendation from the Warden to the Minister that the applications for exemption from minimum expenditure obligations on the relevant tenements be refused.

Kidman disagrees with the Warden's recommendation in a number of respects and with the assistance of its advisers (including Senior Counsel) has provided detailed submissions to the Minister outlining the reasons why the certificates of exemption should be granted. Reference is made to Kidman's ASX announcement on 18 September 2018, where an outline of the exemption and forfeiture process is laid out.

On 18th September 2018, Kidman renegotiated its debt with a private financier to extend its repayment date to 1st October 2019. The loan continues to be subject to normal terms and conditions.

Note 34. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax expense for the year	(9,681,568)	(31,310,271)
Adjustments for:		
Depreciation and amortisation	60,640	167,215
Share based payments	936,793	696,923
Exploration costs written off	46,221	20,730,235
Interest accrued	59,002	599,854
Realised loss on loan settlement	38,549	2,973,102
Income tax expense	347,545	-
Loss on disposal of fixed assets	(372,810)	413,453
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,088,771	(1,407,340)
Increase in prepayments	(26,856)	(5,103)
Increase/(decrease) in trade and other payables	1,681,060	(1,821,132)
Increase in employee benefits	201,960	23,365
Net cash used in operating activities	<u>(5,620,693)</u>	<u>(8,939,699)</u>

Note 35. Earnings per share

	Consolidated	
	2018	2017
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Kidman Resources Limited	<u>(9,661,620)</u>	<u>(17,528,188)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>354,239,265</u>	<u>307,229,810</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>354,239,265</u>	<u>307,229,810</u>
	Cents	Cents
Basic earnings per share	(2.73)	(5.71)
Diluted earnings per share	(2.73)	(5.71)
	Consolidated	
	2018	2017
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Kidman Resources Limited	<u>(19,948)</u>	<u>(13,782,083)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>354,239,265</u>	<u>307,229,810</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>354,239,265</u>	<u>307,229,810</u>

Note 35. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.01)	(4.49)
Diluted earnings per share	(0.01)	(4.49)
	Consolidated	
	2018	2017
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Kidman Resources Limited	<u>(9,681,568)</u>	<u>(31,310,271)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>354,239,265</u>	<u>307,229,810</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>354,239,265</u>	<u>307,229,810</u>
	Cents	Cents
Basic earnings per share	(2.73)	(10.19)
Diluted earnings per share	(2.73)	(10.19)

Diluted Earnings per Share

The rights to options or performance rights held by equity 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 or performance rights are non-dilutive as the Kidman Group has generated a loss for the year. As at 30 June 2018 there were no options on issue however there were a total of 2,276,402 performance rights on issue.

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 36. Share-based payments

There were no options granted under the plan during the 30 June 2018 financial year.

Note 36. Share-based payments (continued)

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

2018

Grant date	Expiry date	Hurdle price	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
09/01/2018	01/01/2019	-	-	44,118	-	-	44,118
16/03/2018	15/03/2020	\$2.00	-	259,277	(259,277)	-	259,277
16/03/2018	15/03/2020	\$2.25	-	453,525	-	-	453,525
16/03/2018	15/03/2021	\$2.50	-	259,277	-	(259,277)	-
16/03/2018	15/03/2021	\$2.75	-	453,525	-	-	453,525
16/03/2018	15/03/2022	\$3.00	-	259,277	-	(259,277)	-
16/03/2018	15/03/2022	\$3.25	-	453,525	-	-	453,525
16/03/2018	15/03/2020	\$2.50	-	204,144	-	-	204,144
16/03/2018	15/03/2021	\$3.00	-	204,144	-	-	204,144
16/03/2018	15/03/2022	\$3.50	-	204,144	-	-	204,144
			-	2,794,956	(259,277)	(518,554)	2,276,402

* The rights granted to Mr John Pizzey do not have a hurdle price, they will vest if he remains a director at the expiry date.

** The rights granted to Mr Martin Donohue and those vested for Mr Charlie McGill are subject to shareholder approval.

2017

Grant date	Expiry date	Hurdle price	Balance at the start of the year	Granted	Vested	Forfeited	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)	-	-

None of the performance rights granted through the year are exercisable at the end of the financial year.

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
09/01/2018	01/01/2019	\$1.88	-	100.00%	-	\$1.88
16/03/2018	15/03/2020	\$2.13	\$2.00	100.00%	1.97%	\$1.90
16/03/2018	15/03/2020	\$2.13	\$2.25	100.00%	1.97%	\$2.02
16/03/2018	15/03/2020	\$2.13	\$2.50	100.00%	2.08%	\$1.96
16/03/2018	15/03/2021	\$2.13	\$2.50	100.00%	1.97%	\$1.97
16/03/2018	15/03/2021	\$2.13	\$2.75	100.00%	2.08%	\$1.93
16/03/2018	15/03/2021	\$2.13	\$3.00	100.00%	2.08%	\$1.90
16/03/2018	15/03/2022	\$2.13	\$3.00	100.00%	2.08%	\$1.89
16/03/2018	15/03/2022	\$2.13	\$3.25	100.00%	2.08%	\$1.87
16/03/2018	15/03/2022	\$2.13	\$3.50	100.00%	2.08%	\$1.85

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Note 36. Share-based payments (continued)

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 is measured at fair value on grant date. Fair value is independently determined using the barrier pricing model (2017: Binomial or Black-Scholes) that takes into account the exercise price, the term of the right, 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 right, together with non-vesting conditions that do not determine whether the Kidman Group 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 is 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 the barrier pricing model (2017: Binomial or Black-Scholes), 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.

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.

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 Kidman Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Kidman Group 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 Kidman Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that Kidman 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 32 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

A handwritten signature in black ink, appearing to read 'GJP' followed by a stylized flourish.

Mr George John Pizzey
Non-Executive Chairman

27 September 2018
Melbourne

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 2018, 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 2018 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 auditor 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred net cash outflows of \$5,620,693 for the year and had a working capital deficiency of \$8,481,926 as at 30 June 2018. We do note the following, as detailed in Note 2:

- the working capital deficiency has been reduced subsequent to year end with the extension of the loan from a private financier;

- the Directors have taken a number of actions in respect to future funding arrangements for the Company which are subject to finalisation; and
- the Company is entitled to receive significant payments should certain events occur in the future.

These events or conditions, along with other matters and mitigating factors as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern, and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets – Valuation - Note 5	
As Kidman Resources Limited hold significant tenements in the exploration stage, qualifying exploration expenditure is capitalised in accordance with Australian Accounting Standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. 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 <i>Impairment of Assets</i>. AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> requires exploration and evaluation asset to be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. AASB 6 provides a list of 4 indicators, however that list is not exhaustive and therefore subjectivity is involved in the assessment. 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 included, amongst others: • Obtaining the management prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • Selecting a sample of capitalised exploration and evaluation expenditure and obtaining documentation to support the amount capitalised in line with AASB 6; • Critically reviewing management's assessment of impairment indicators for the Group's capitalised exploration assets under AASB 6 by: - 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; - Reviewing forecasts to ensure that they indicate further planned exploration expenditure in the area of interest; - Confirming that exploration activities have not determined that viable quantities do not exist; - Confirming that sufficient data does not exist that indicated the carrying value unlikely to be recovered from successful development or by sale; and - Considering any other available evidence of impairment. • Assessing management's consequent determination of impairment loss; and • Reviewing adequacy of the related financial statement disclosures.

Equity transactions: Issue of employee share rights – Note 20

The consolidated entity issued approximately 1,849,200 unlisted employee share rights in March 2018. The fair value of these employee share rights at 30 June 2018 is \$3,545,285.

The accounting for and valuation of the employee share rights is complex due to the existence of market conditions which require judgements in respect to the underlying assumptions and ensuring appropriate classification in line with AASB 2 *Share Based Payments*.

Employee share rights give rise to risks around measurement and classification. We must ensure all treatment is in line with the relevant standards.

We have determined that this is a key audit matter due to the inherent subjectivity that is involved in determining the valuation of share based payments at grant date.

Our procedures included, amongst others:

- Agreeing the issue of employee performance rights to underlying agreements;
- Agreeing certain key inputs to the relevant terms within the agreements;
- Reviewing the assumptions applied by management and the valuation specialist for reasonableness and historical accuracy;
- Assessing the qualifications and objectivity of management's valuation specialist;
- Utilised the expertise of Grant Thornton Corporate Finance to assess the appropriateness and reasonableness of the valuation attributed to the share rights; and
- Reviewing adequacy of the related financial statement disclosures.

Accounting for Income Tax – Note 8

The consolidated entity had a deferred tax asset of \$12,135,985 and income tax liabilities of \$8,920,394 as at 30 June 2018. These balances predominantly arose from a sale transaction that occurred during the year.

The income tax calculations are required to comply with the Income Tax regulations which can require interpretation in respect to the application of these regulations.

The deferred tax asset and income tax liabilities are a key audit matter due to the existence of judgements and assumptions in relation to the calculation of these balances.

Our procedures included, amongst others:

- Reviewing the underlying agreements in respect to the sale of assets;
- Agreeing the inputs into the calculation of the income tax liabilities and deferred tax assets to supporting information;
- Assessing the assumptions applied by Management in the calculation of the income tax liabilities and deferred tax assets;
- Assessing the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income; and
- Reviewing adequacy of the 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 2018, 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 19 to 26 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Kidman Resources Limited, for the year ended 30 June 2018 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 Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 27 September 2018

The shareholder information set out below was applicable as at 10 September 2018.

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 unlisted rights
1 to 1,000	2,223	-
1,001 to 5,000	3,249	-
5,001 to 10,000	1,460	-
10,001 to 100,000	2,080	4
100,001 and over	368	2
	9,380	6
Holding less than a marketable parcel	884	-

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 % of total shares issued
Number held	
EDM Nominees Pty Ltd	32,500,000 8.13
HSBC Custody Nominees (Australia) Limited	24,770,249 6.20
Western Areas Limited	17,429,155 4.36
J P Morgan Nominees Australia Limited	16,703,084 4.18
Capri Trading Pty Ltd (The Capri Family A/C)	13,319,029 3.33
HSBC Custody Nominees (Australia) Limited - A/C 2	10,939,586 2.74
National Nominees Limited	10,144,496 2.54
Commodity House Pty Ltd	8,106,461 2.03
Citicorp Nominees Pty Limited	7,776,794 1.95
HSBC Custody Nominees (Australia) Limited-Gsco Eca	7,028,172 1.76
Mr Pasquale Bevilacqua & Mrs Maria Carmela Bevilacqua	5,650,000 1.41
DWNK Pty Ltd (The Derek Smith Family A/C)	5,423,732 1.36
Kale Capital Corporation Ltd	3,370,949 0.84
Crosbie Consulting Pty Ltd	3,055,000 0.76
Pearce Financial Services Pty Ltd (Tom Pearce Superfund A/C)	3,000,000 0.75
Mr Simon William Tritton (Investment A/C)	2,525,000 0.63
Capri Trading Pty Limited (The Capri Family A/C)	2,500,000 0.63
Welch No 1 Super Pty Ltd 9welch No 1 Superfund A/C)	2,282,288 0.57
Penstock Advisory Pty Ltd	2,250,000 0.56
BNP Paribas Nominees Pty Ltd (Agency Lending Drp A/C)	2,175,251 0.54
	180,949,246 45.27

Unquoted equity securities

	Number on issue	Number of holders
Rights over ordinary shares issued	2,276,402	6

Substantial holders

Substantial holders in Kidman are set out below:

	Ordinary shares % of total shares issued
Number held	
EDM Nominees Pty Ltd	32,500,000 8.13

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.

Tenements

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

Mining Tenement	Location	Beneficial Interest Held
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%*
P77/4115 - Snow	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%
E77/2244 - Texas	WA, Australia	100%
E77/1400 - Game Fish	WA, Australia	100%*
E77/2099 - Chile	WA, Australia	100%*
G77/0037	WA, Australia	100%
G77/0038	WA, Australia	100%
G77/129	WA, Australia	100%*
G77/130	WA, Australia	100%*
G77/131 - Application	WA, Australia	100%**
G77/132 - Application	WA, Australia	100%**
G77/133 - Application	WA, Australia	100%**

Mining Tenement	Location	Beneficial Interest Held
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%*
L77/271	WA, Australia	100%*
L77/294	WA, Australia	100%*
L77/295 - Application	WA, Australia	100%*
L77/296 – Application	WA, Australia	100%*
P77/4485 – Application	WA, Australia	100%
E77/2530 – Application	WA, Australia	100%
M77/0215	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0216	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0284	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0285	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0286	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0324	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0389	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0458	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0542	WA, Australia	Right to acquire up to 70% of Lithium Rights
M77/0550	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/1436	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/1581	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/1734	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/2127 - Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/2228 - Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/2235 - Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/2236 - Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
E77/2261 - Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4067 - Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4473 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4474 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4475 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4476 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4477 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4478 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
P77/4479 – Application	WA, Australia	Right to acquire up to 70% of Lithium Rights
EL 23186 – Home of Bullion	NT, Australia	100%
EL 6321 – Browns Reef	NSW, Australia	100%

* Pending transfer of 50% to SQM Australia Pty Ltd.

** Upon grant pending transfer of 50% to SQM Australia Pty Ltd.