



## ASX RELEASE

### Quarterly Activities Report – June 2018

25 July 2018

Kidman Resources Limited (Kidman or the Company – ASX:KDR) provides the following highlights for the period 1 April 2018 to 30 June 2018:

- **Kidman's JV lithium refinery location announced within the Kwinana Industrial Park, Western Australia**
- **The Company enters into a binding, fixed-price, take-or-pay lithium hydroxide offtake agreement with Tesla**
- **Kidman is elevated to the S&P/ASX All Australian 200 Index**
- **Kidman and SQM have agreed the refinery will initially produce solely lithium hydroxide. This is expected to deliver capital expenditure benefits over a dual stream process delivering hydroxide and carbonate.**
- **Strong interest from globally significant offtake parties for lithium hydroxide (relative to lithium carbonate)**
- **Discussions underway with potential debt financiers following the binding Tesla offtake as well as advanced discussions with other investment grade counterparties also seeking hydroxide offtake from Kidman**
- **Solid progress made on all baseline work for the upcoming feasibility studies for both the mine & concentrator and refinery during the quarter**
- **The Company's cash balance is boosted by \$7.1 million with conversion of KDR options**

During the quarter, Kidman announced that Western Australia Lithium Pty Ltd (WAL), the Company's 50:50 joint venture (JV) with Sociedad Quimica y Minera de Chile (SQM), had entered into an exclusive option with the Western Australian Land Authority (Landcorp) to lease a premier site in the Kwinana Strategic Industrial Area. More detail is provided later in this report.

Also during the quarter, the Company announced that it had entered into a lithium hydroxide offtake agreement with pioneering Electric Vehicle (EV) manufacturer Tesla, Inc (Tesla). More detail is provided later in this report.

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Other developments in the period include the Company being elevated to the S&P/ASX All Australian 200 Index which, from an investor perspective, broadens the potential shareholder base to investors who target ASX index-related criteria.

The Company's cash balance has been boosted by the conversion of KDR options (refer ASX Release 1 May 2018) and now stands at \$10.0 million. As at 30 June 2018, the number of fully-paid Kidman shares on issue is 399,560,792.

WAL has incurred US\$14.6 million in expenditure progressing the project and the upcoming feasibility studies. The Joint Venture Agreement with SQM provides for payments to be made by SQM of US\$80 million directly into WAL (of which US\$60 million is outstanding and will become payable on the decision to mine, which is expected in the second half of 2018) and a payment of US\$30 million directly to Kidman (of which US\$25 million is outstanding and will be due on the decision to mine).

A new Corporate Overview presentation has been made available (refer ASX Release 14 May 2018) which provides a more detailed insight into the Company's strategy and direction. Shareholders are encouraged to visit our website to view this detailed presentation.

Commenting on activity during the June quarter, Kidman's MD and CEO Martin Donohue said:

"We made significant progress in the period taking an exclusive option over the 76-hectare JV refinery location at the Kwinana industrial area south of Perth in Western Australia. This was a major step in our strategy to develop a fully integrated lithium business with downstream capability based solely in Western Australia.

"Kidman also signed its first offtake agreement with Tesla, with a strong level of interest from other investment grade counterparties also seeking to enter into offtake agreements. Negotiations remain ongoing with other potential offtakers with the aim of securing further binding contracts for approximately 75% of Kidman's planned production of around 22,700 tonnes per annum of lithium hydroxide. Based on the current cathode chemistry that is forecast to supply the EV market, demand for lithium hydroxide remains very strong relative to lithium carbonate. As a result, the Kidman/SQM JV has agreed to initially focus solely on producing lithium hydroxide from Mt Holland but to retain the ability to produce lithium carbonate in the future if market fundamentals change. This will translate to an improvement in capital expenditure for the refinery and will also capitalise on the fact that spodumene can be converted directly into lithium hydroxide at a cost advantage compared to brines that must convert to lithium carbonate as a first step.

"The Company now looks forward to delivery of the feasibility studies on the mine and concentrator and the refinery, which are both expected in 2H CY2018."

## Exhibit 1: Lithium Prices

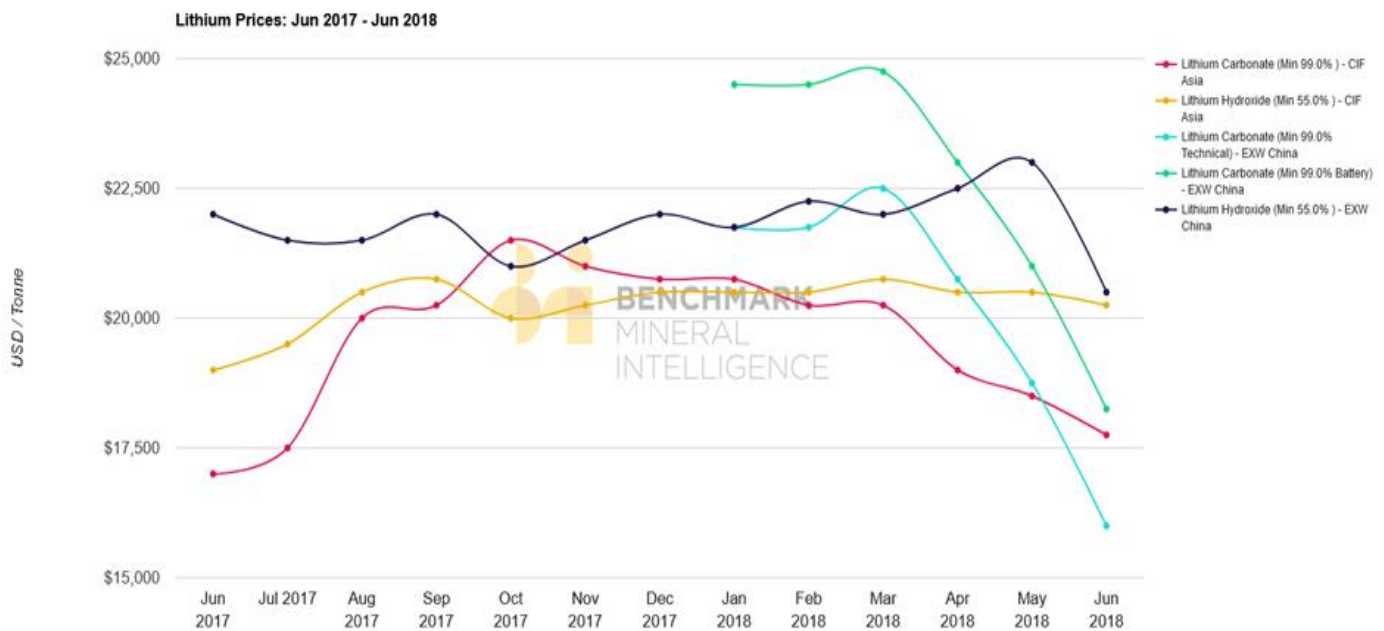


Exhibit 1: from Benchmark Mineral Intelligence shows prices of lithium carbonate falling relative to lithium hydroxide in the June 2018 quarter.

### WA refinery location

On 4 May 2018, Kidman advised that WAL had entered into an exclusive option with Landcorp in WA to lease a premier site in the Kwinana Strategic Industrial Area.

This decision follows a comprehensive assessment of three potential sites upon which the refinery could be built (refer ASX release 25 July 2017). The option is for a period of 24 months, during which time final lease terms will 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. Please see location maps below.

WAL is advancing the Definitive Feasibility Study for the refinery, which is expected to be released to the market in late 2018. WAL is planning to commission the refinery in 2021, with an initial annual nameplate capacity of 45,400tpa of lithium hydroxide. Kidman maintains the right to participate in up to 50% of the refinery investment and market its portion of refined product.

## Exhibit 2: Refinery Site Location – Aerial View



## Exhibit 3: Refinery Site Location – Oblique View with Refinery Illustration



The Mt Holland Lithium Project was granted Level 2 Lead Agency Service by the WA Government in October 2017, in recognition of the strategic significance of Kidman's and SQM's proposed investment.

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The refinery is expected to create approximately 400 construction jobs and 150 full-time direct roles, once in operation. This is in addition to approximately 300 jobs created during construction of the Mt Holland mine & concentrator and 150 full-time direct roles once the Mt Holland mine & concentrator are operational.

### **Offtake arrangements**

On 17 May 2018, Kidman advised that it had entered into a binding agreement with Tesla 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 3-year term extension options.

Kidman's agreement with Tesla equates to less than 25% of the Company'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% of the proposed 22,700tpa of lithium hydroxide to offtake agreements while leaving a minority portion of future supply uncontracted.

### **Feasibility studies**

Progress during the quarter was as planned with the Mine and Concentrator study due in 2H CY18. Extensive laboratory test work programs utilising both site water and fresh water have been completed to define reagent usage and metallurgical recoveries. This has progressed to a detailed assessment of flowsheet options and the development of flowsheet incorporating dense media separation and flotation. Laboratory testing is showing good recovery of spodumene. Pilot plant testing is being progressed to verify laboratory tests and to inform the feasibility study.

A preliminary study is being progressed in parallel for the refinery, which during the quarter considered a dual-purpose refinery capable of producing both lithium hydroxide and lithium carbonate at production rates ranging from 30,000tpa of LCE to produce 30,000tpa of lithium carbonate alone up to 40,000tpa of LCE to produce 45,400tpa of lithium hydroxide alone. As a result of this both Kidman and SQM agreed to continue with a Feasibility Study for the 45,400tpa lithium hydroxide only scenario with a second refinery study in parallel considering an expanded case to 60,000tpa LCE to produce 68,100tpa of lithium hydroxide alone.

The decision to go to hydroxide only was driven by current market fundamentals and forecasted demand where current and expected cathode technology requires hydroxide and not carbonate. Kidman has also received unsolicited approaches to supply lithium hydroxide at volumes that far exceed its 50% share of production at 45,400tpa.

### **Corporate**

In June 2018 Marindi Metals Limited (ASX: MZN) agreed to pay \$650,000 in full and final settlement in relation to the costs orders arising from its failed litigation against Kidman. This amount was received by Kidman on 2 July.

During the quarter, the Company's listed options (KDRO) expired and 47,419,356 options were exercised at 15c resulting in the issue of 47,419,356 new fully paid ordinary shares. There are now 399,560,782 shares on issue and cash proceeds of \$7.1 million were received during the quarter.

The Company awaits a recommendation from the Mining Warden for Perth to the Minister for Mines and Petroleum (Western Australia) (Minister) in relation to its applications for exemptions from minimum expenditure obligations for tenements held by Kidman subsidiaries which were heard by the Mining

Warden in November 2017. The applications relate to the period August 2014 to March 2016 (which was the period before Kidman acquired the Mt Holland Project on 7 July 2016) and affect 13 tenements in the Mt Holland Project.

The Mining Warden's recommendation is a necessary procedural step for the granting of expenditure exemptions but the recommendation is not binding on the Minister. The Minister can grant certificates of exemption notwithstanding the Mining Warden's recommendation.

If the Minister grants the applications for exemption, the forfeiture applications made regarding these tenements will not proceed.

### **Human Resources**

Thomas Wilcox has been appointed to the role of General Counsel and Company Secretary and will join the senior management team at Kidman. The appointment is effective from 22 August 2018.

Tom 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 a number of legal and commercial roles in London, Melbourne and Darwin. Before joining Rio Tinto 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.

Tom has a Bachelor of Laws, Bachelor of Commerce and Master of Laws from The University of Melbourne.

The company has also reached a shortlist of potential candidates for the CFO role. It is expected that this key role will be filled in the September Quarter.

### **Mt Holland exploration activities**

A district-wide soil geochemical sampling programme has been ongoing throughout the quarter at the Mt Holland Project (See Appendix A). 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 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.

### **For more information:**

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## Competent Persons Statement

*Exploration: The information in this release 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 Kidman Resources. 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 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('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.*

*Cautionary Statement: Readers should use caution when reviewing the exploration and historical information results presented and ensure that the Modifying Factors described in the 2012 Edition of 'The JORC Code' are considered before making an investment decision. Potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource.*

*Information in this report may also reflect past exploration results and Kidman's assessment of exploration completed by past explorers, which has not been updated to comply with 'The JORC Code.' The Company confirms it is not aware of any new information or data which materially affects the information included in this announcement.*

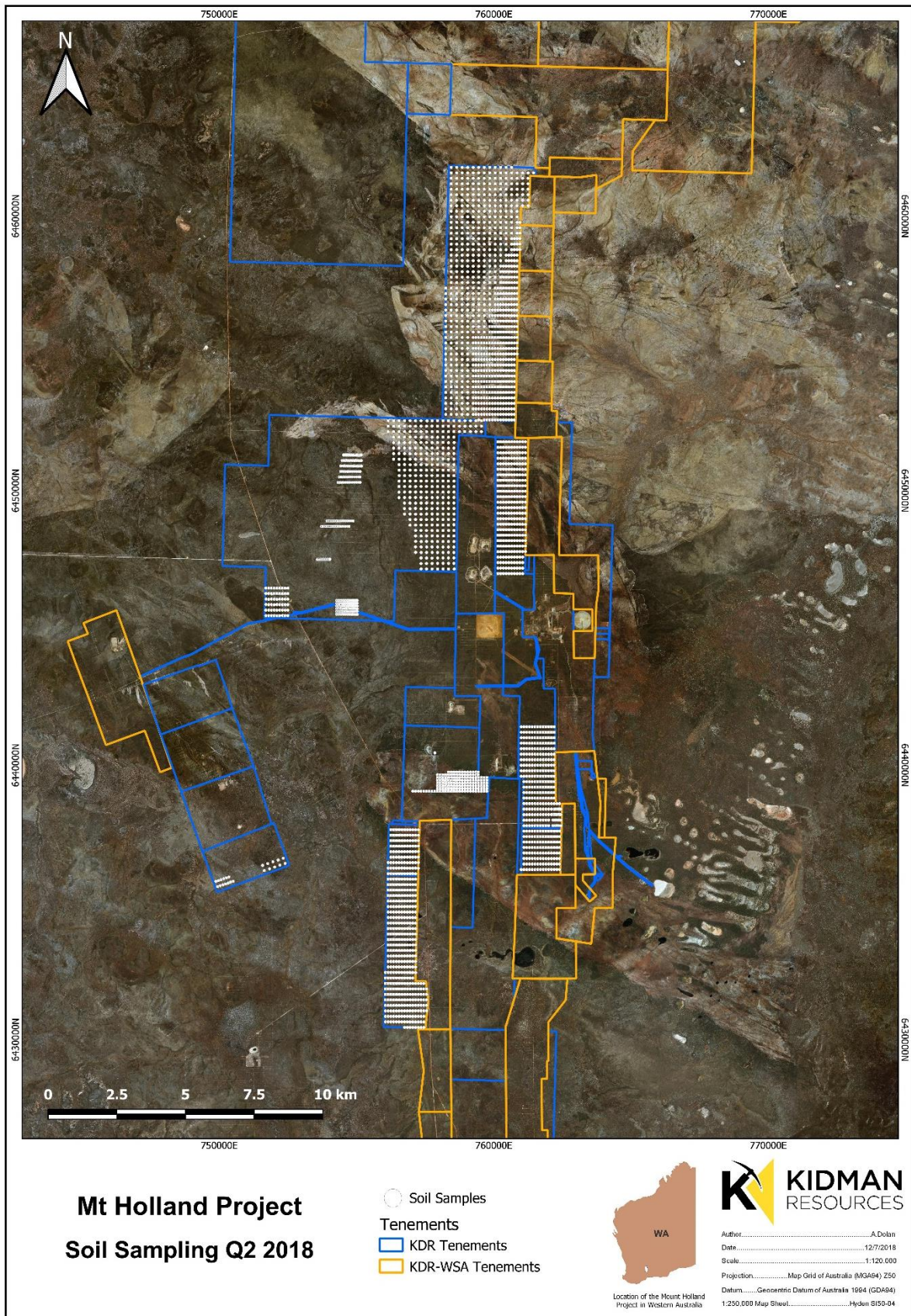
## Forward-Looking Statements and Important notice

*This announcement contains certain statements which may constitute forward-looking statements. Such statements are only predictions and are subject to inherent risks, uncertainties and other factors which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements.*

*Forward-looking statements are not statements of historical fact, and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions including environmental regulation and liability, and potential title disputes.*

*Forward-looking statements in this document are based generally on the Company's beliefs, opinions and estimates as of the dates the forward-looking statements are made, and no obligation is assumed to update forward-looking statements if these beliefs, opinions and estimates should change or to reflect other future developments. Although the Company believes the outcomes expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include license applications, the development of economic mineral or metal substitutes and general economic, market or business conditions. While the Company has made every reasonable effort to ensure the veracity of the information presented, the Company cannot expressly guarantee the accuracy and reliability of the estimates, forecasts and conclusions contained herein. Accordingly, the statements in the presentation should be used for general guidance only.*

# Appendix A: Geochemical Sampling Program – Location Diagram



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## Appendix B: Tenement holding summary

Below is a listing of the tenements held by Kidman Resources as at 30 June 2018:

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
M77/0477 - Van Uden North	WA, Australia	80%	-	-
M77/0478 - Van Uden South	WA, Australia	80%	-	-
M77/0522 - Van Uden North	WA, Australia	80%	-	-
M77/0523 - Van Uden 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	50%*	-	-
M77/1067 – Razorback	WA, Australia	100%	-	-
M77/1068 – BushPig	WA, Australia	100%	-	-
M77/1080 – Twinings	WA, Australia	50%*	-	-
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	50%*	-	-
E77/2099 - Chile	WA, Australia	50%*	-	-
G77/0037	WA, Australia	100%	-	-
G77/0038	WA, Australia	100%	-	-
G77/0109	WA, Australia	100%	-	-
G77/129	WA, Australia	50%*	-	-
G77/130	WA, Australia	50%*	-	-
L77/0059	WA, Australia	50%*	-	-
L77/0085	WA, Australia	100%	-	-
L77/0096	WA, Australia	100%	-	-
L77/0107	WA, Australia	50%*	-	-
L77/0176	WA, Australia	50%*	-	-
L77/0193	WA, Australia	50%*	-	-
L77/0194	WA, Australia	50%*	-	-
L77/0198	WA, Australia	100%	-	-
L77/0199	WA, Australia	100%	-	-
L77/0200	WA, Australia	50%*	-	-
L77/0205	WA, Australia	50%*	-	-
L77/0206	WA, Australia	50%*	-	-
L77/0207	WA, Australia	100%	-	-
L77/0208	WA, Australia	50%*	-	-
L77/0271 - Application	WA, Australia	100%	-	-
P77/4485 - Application	WA, Australia	100%	-	-
M77/0215	WA, Australia	Right to acquire 70% Lithium Rights	-	-
M77/0216	WA, Australia	Right to acquire 70% Lithium Rights	-	-
M77/0284	WA, Australia	Right to acquire 70% Lithium Rights	-	-
M77/0285	WA, Australia	Right to acquire 70% Lithium Rights	-	-
M77/0286	WA, Australia	Right to acquire 70% Lithium Rights	-	-

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<b>M77/0324</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>M77/0389</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>M77/0458</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>M77/0542</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>M77/0550</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/1436</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/1581</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/1734</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4067</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/2127 - Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/2228 - Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/2235 - Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/2236 - Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>E77/2261 - Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4473 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4474 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4475 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4476 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4477 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4478 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>P77/4479 – Application</b>	WA, Australia	Right to acquire 70% Lithium Rights	-	-
<b>EL 23186 – Home of Bullion</b>	NT, Australia	100%	-	-
<b>EL 7537 – Blind Calf</b>	NSW, Australia	0%	-	100%
<b>EL 7538 – Wilmatha</b>	NSW, Australia	0%	-	100%
<b>EL 7820 – Melrose</b>	NSW, Australia	0%	-	100%
<b>EL 7821 – Lockerbie</b>	NSW, Australia	0%	-	100%
<b>EL 7523 – Kiacatoo</b>	NSW, Australia	0%	-	100%
<b>EL 4152 – Bogong</b>	NSW, Australia	0%	-	100%
<b>EL 6321 – Browns Reef</b>	NSW, Australia	100%	-	-
<b>EPM18050 - Esmerelda</b>	QLD, Australia	100%	-	-
<b>EPSX00410113</b>	QLD, Australia	100%	-	-
<b>*Pending transfer as part of the SQM JV Agreement.</b>				

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