



ASX RELEASE

Kidman Resources announces completion of Kwinana Lithium Refinery PFS and updated Mine & Concentrator Scoping Study

Results confirm Covalent Lithium will be a low cost, integrated producer of battery-grade lithium hydroxide for the high growth electric vehicle market

22 October 2018

Kidman Resources Limited (**Kidman**) today announces the results of a pre-feasibility study (**PFS**) completed on the proposed Kwinana Lithium Refinery (the **Refinery**) and an updated scoping study (**Scoping Study**) on the proposed Mt Holland lithium mine and concentrator (**Mine & Concentrator**).

The studies confirm that the integrated project, comprising the Mine & Concentrator and Refinery (together, the **Mt Holland Lithium Project**), being developed by Kidman (50%) and joint venture (**JV**) partner Sociedad Quimica y Minera de Chile S.A. (**SQM**) (50%), has a compelling business case with attractive economics.

The Mt Holland Lithium Project will produce a spodumene concentrate from the Mine & Concentrator, which will be transported to the Refinery and processed to produce an average of approximately 45,254 tonnes per annum of battery-grade lithium hydroxide (**LiOH**).¹ The project will make Covalent Lithium a leading provider of refined battery-grade LiOH, primarily for supply to electric vehicle manufacturers.

Headline outcomes for the integrated Mt Holland Lithium Project² from the Scoping Study and PFS³ include:

- Projected annual average production of approximately 45,254 tonnes of LiOH (Kidman share: 22,627 tonnes).
- Total integrated capital cost of US\$601 million (Kidman share US\$300 million), excluding contingency.
- Globally competitive C1 cash operating cost (excluding state government royalties and contingency) of US\$4,487 per tonne of LiOH.
- Outstanding project economics: post-tax NPV_{10%} (nominal) of US\$2.3 billion at Roskill pricing (US\$3.5 billion at spot pricing⁴) with robust margins, rapid payback (3 years) and a strong IRR of 27.7%.⁵

¹ Equivalent to 40,000 tonnes per annum of Lithium Carbonate Equivalent (**LCE**).

² All metrics in bullet points below are presented as an integrated Mine & Concentrator and Refinery. Refer to Appendix 1 for further details.

³ Kidman share 50%.

⁴ Spot scenario based on BMI Asia Lithium Hydroxide CIF spot price (sourced from Bloomberg) of US\$18,750/t as at 30 September 2018.

⁵ NPV and IRR calculations include capex and opex contingencies.

- Forecast life of project revenue of US\$33.5 billion (Kidman share: US\$16.8 billion) and project EBITDA of US\$22.0 billion (Kidman share: US\$11.0 billion) over an estimated project life of 47 years.
- Average annual project revenue of US\$713 million (Kidman share: US\$357 million) and average annual project EBITDA of US\$467 million (Kidman share: US\$234 million).
- Multiple opportunities identified to reduce capital cost estimates and improve the overall project value.
- Expected to create ~700 full time equivalent jobs during construction and ~300 full time equivalent jobs during operations.⁶
- Royalties to WA Government expected to be in excess of A\$1.7 billion, based on current model estimates.

Table 1: Summary outcomes of PFS and updated Scoping Study (integrated Mt Holland Lithium Project, 100% basis)⁷

Outcomes	Unit of Measure	Base Case approx. 45,254 Lithium Hydroxide
Estimated Project Life	Years	47
Life of project revenue (real)	US\$ billion	33.5
Life of project EBITDA (real) (i)	US\$ billion	22.0
Integrated Capital (excluding contingency) (i)(ii)	US\$ million	601
Integrated Capital (including contingency) (i)(iii)	US\$ million	755
Post-tax NPV _{10%} nominal (i) (iv)	US\$ billion	2.3
Internal rate of return (IRR) (i)	%	27.7
C1 cash operating cost (excluding contingency) (v)	US\$ / tonne LiOH	4,487
C1 cash operating cost (including contingency) (vi)	US\$ / tonne LiOH	4,808
Project payback (i)	Years	3
Average LiOH price over first 10 years (real) (vii)	US\$ per tonne	14,074
Life of project assumed LiOH price (real) (vii)	US\$ per tonne	15,115

- Inclusive of integrated Mine & Concentrator and Refinery. Refer to Appendix 1.
- Refinery capital estimate from PFS of US\$335 million (excluding contingency). Mine & Concentrator capital estimate from Scoping Study of US\$266 million (100% basis, excluding contingency). Excludes owners' cost.
- PFS allows for a contingency on Refinery capital of 30% (US\$101 million). Scoping Study allows for a contingency on Mine & Concentrator capital of 20% (US\$53m).
- NPV discount factors are presented on a nominal basis.
- Integrated cash operating cost excludes cash cost for the JV Manager and government royalties.
- PFS allows for a contingency on Refinery opex of 15%. Cash operating cost including royalties US\$5,406 per tonne.
- Based on Roskill price estimates.

Covalent Lithium, the manager of the JV, has updated the Mine & Concentrator Scoping Study. The Refinery PFS was led by Hatch Ltd (**Hatch**), a leading international engineering and project company, as the main contributor to the Refinery design, operating and capital cost estimates with co-ordination of input from others. The PFS scope relates solely to the Refinery, but the financial analysis utilises information from the updated Scoping Study.

Kidman's CEO and Managing Director, Martin Donohue, said: "These studies mark an important milestone in our project to deliver a long-life, vertically-integrated lithium mine-to-refinery operation in Western Australia. Covalent Lithium will be a producer of premium refined battery-grade lithium, which will be a competitive advantage for Kidman's marketing activities both now and into the future. We are pleased with the findings of these studies including the attractive economics, the clear potential to further optimise the cost structure and

⁶ Mine & Concentrator expected to create ~300 full-time equivalent jobs during construction and ~150 full-time equivalent jobs during operations and Refinery expected to create ~400 full-time equivalent jobs during construction and ~150 full-time equivalent jobs during operations.

⁷ All financial assumptions are presented as an integrated Mine & Concentrator and Refinery, on a 100% basis. Refer to Appendix 1 for further details.

the opportunities for local job creation. We look forward to updating the market with further progress as the project advances as planned.”

In addition, Kidman and SQM have announced that the JV management entity, Western Australian Lithium Pty Ltd JV, has been renamed Covalent Lithium Pty Ltd (**Covalent Lithium**). The new name provides a distinctive brand for the future marketing of premium battery-grade LiOH produced from the Mt Holland Lithium Project.

Covalent Lithium continues to make progress across all aspects of the Mt Holland Lithium Project, in preparation for a final investment decision expected in 1H2019. Kidman is continuing discussions in relation to further offtake agreements with high quality counterparties, with the aim of securing further binding contracts for approximately 75% of Kidman’s share of production in the initial years of the project. Kidman will provide further updates to the market in due course.

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ABOUT KIDMAN RESOURCES

Kidman Resources Limited (ASX:KDR) is developing the world class Mt Holland Lithium Project in JV with SQM, the world’s largest lithium producer. The JV management company, Covalent Lithium, is a 50:50 JV between Kidman and SQM. Covalent Lithium will produce a spodumene concentrate at the JV’s Earl Grey hard rock lithium deposit located at Mt Holland near Southern Cross in Western Australia. The concentrate will then be treated at the JV’s purpose-built Refinery located in the Kwinana Strategic Industrial Area south of Perth in Western Australia. The fully integrated operation is expected to produce approximately 45ktpa of battery-grade lithium hydroxide. Studies on the Mine & Concentrator and Refinery are progressing well. Kidman has entered into a 3-year fixed-price take-or-pay offtake agreement with Tesla Inc for a portion (<25%) of its initial production and is continuing discussions in relation to further offtake agreements with other high-quality counterparties.

Appendix I: Additional information on PFS and updated Scoping Study

I. Overview

The Refinery PFS considered a range of options including evaluation of different production rate scenarios and building a dual plant capable of producing both lithium hydroxide and lithium carbonate. The preferred option is a Refinery that will process 315,000 tonnes per annum of spodumene concentrate produced at the Mine & Concentrator to produce an average of approximately 45,254 tonnes per annum of battery-grade LiOH (equivalent to 40,000 tonnes per annum of LCE).

The PFS scope relates solely to the Refinery, but the financial analysis utilises information from an updated Scoping Study on the Mine & Concentrator. The original scoping study on the Mine & Concentrator was released on 3 October 2017 in a market announcement titled “Scoping Study for Earl Grey Lithium Project Demonstrates Robust Economics and a solid basis for a Pre-Feasibility Study.” The announcement is at <https://www.asx.com.au/asxpdf/20171003/pdf/43mx925bp6bnxk.pdf>. Certain assumptions have been revised in the updated Scoping Study, as detailed in section VII below.

No by-product credits were considered.

II. PFS parameters

Table 2 below provides a summary of the key economic assumptions and other parameters used in the evaluation of the Refinery. All dollar figures quoted are in USD unless otherwise indicated. The financial analysis is presented in real 2018 terms.

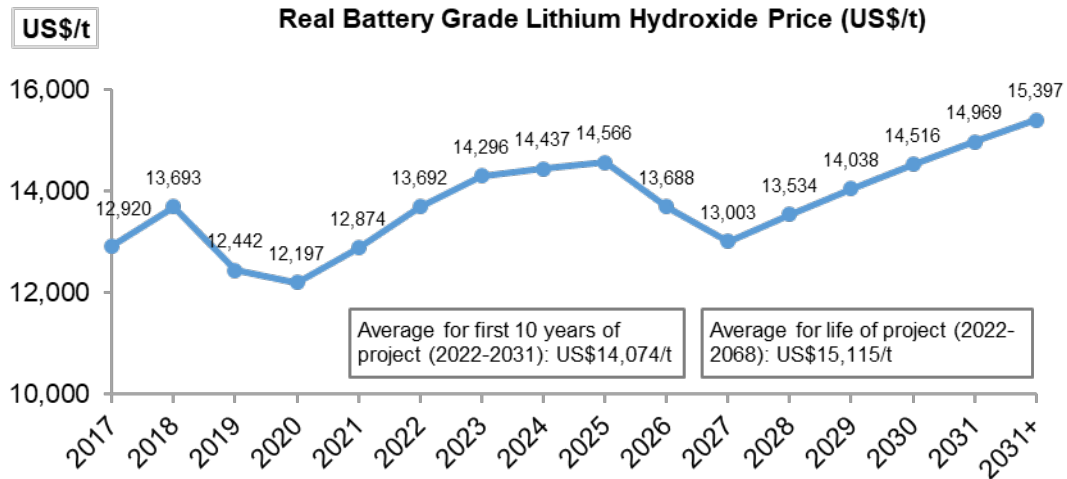
Table 2: Refinery key parameters

Parameter	Unit	Assumption
Spodumene concentrate feed rate	Dry tpa	315,000
Spodumene concentrate feed grade	Dry % Li ₂ O	6.2%
Refinery availability	%	90
Recovery of Lithium in Concentrate to LiOH	%	85
Average annual Refinery production (approx.)	tpa LiOH	45,254
LiO ₂ grade	\$ LiOH.H ₂ O	Battery-grade
Mt Holland Lithium Project life	Years	47 years
Exchange rate	AUD/USD	0.75
Average LiOH price over life of project (real)	USD/t LiOH	15,115
Refinery capital cost (excluding contingency)	USD	335
Refinery capital cost (including contingency)	USD	436
Nominal post tax discount rate	%	10%
Australian corporate tax rate	%	30%

Hatch have assumed all solid waste is filtered, allowed to dry and transported back to Mt Holland.

LiOH price assumptions are based on forecasts for battery-grade LiOH by leading industry consultant, Roskill. The chart in Figure 1 illustrates historical prices for battery-grade LiOH and forecast average annual long-term prices used in the PFS. The actual prices to be received by Kidman for its share of Refinery production will depend on market prices and the terms of its offtake agreements, as set out in Section VI below.

Figure 1: Real battery-grade lithium hydroxide price forecast



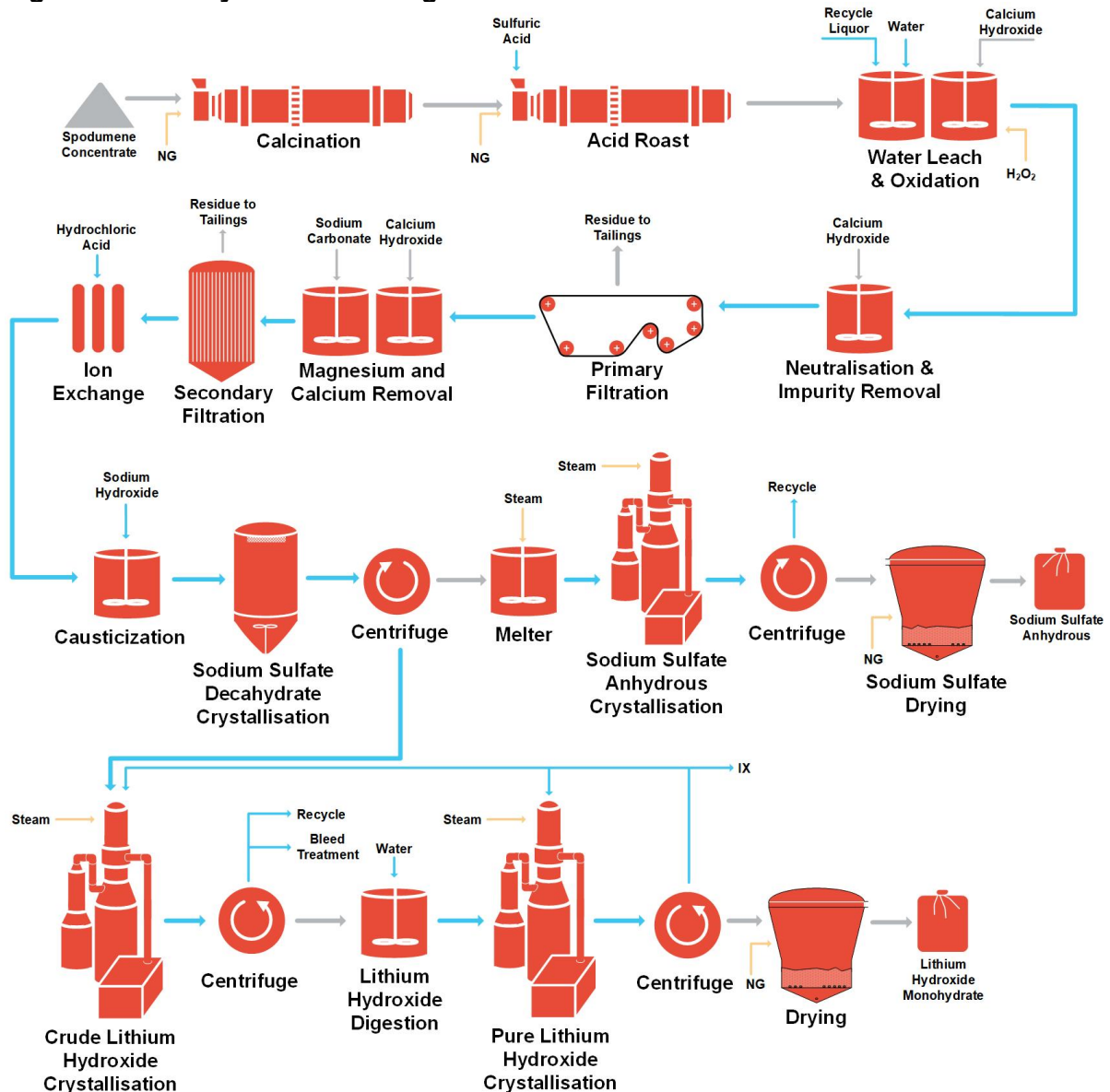
Source: Roskill

III. Refinery plant definition

Covalent Lithium has defined the production capacity of the conversion plant to be an average of approximately 45,254 tonnes per annum LiOH (equivalent to 40,000 tonnes per annum LCE). This implies annual consumption of 315,000 tonnes per annum of spodumene concentrate at 6.2% Li₂O.

The proposed flowsheet for spodumene conversion is conventional and in line with other lithium conversion plants in development. A block flow diagram of the Refinery is show in Figure 2.

Figure 2: Refinery block flow diagram



The initial concentrate processing contains the following areas:

- **Calcination Area:** the filtered spodumene concentrate is received and calcined at approximately 1,080°C in a rotary kiln. This calcination converts the alpha-spodumene to the reactive beta-spodumene form. The calcined spodumene is cooled in a rotary cooler using cooling water and is sent to the Acid Roast Area.
- **Acid Roast Area:** the calcined spodumene is mixed with sulfuric acid and roasted in a rotary kiln to sulfate the beta-spodumene. The sulfated spodumene is then cooled in a rotary cooler using cooling water.
- **Leaching Area:** the sulfated calcine is transferred to the Leaching Area where the sulphated spodumene leaches into the process liquor. Impurities such as calcium, magnesium, iron, and a small fraction of aluminium also leach into the liquor. Following the leach, the slurry is pH adjusted by calcium hydroxide and hydrogen peroxide addition in order to convert iron in solution from the ferrous ions to ferric ions. The pH will depend of the solubility of lithium sulfate. The neutralized slurry is filtered in a press filter using a water wash. The wash water must be handled separately from the mother liquor to avoid unwanted dilution. The residue solids are sent back to Mt Holland for disposal, while the filtrate is fed to the Neutralization and Purification Area.

- *Neutralization and Purification Area:* the filtrate is fed to a reactor tank to remove magnesium with calcium hydroxide addition. The subsequent stream is filtered in a press filter using a cold-water wash. The washed residue solids are sent to disposal. The filter liquor is further treated in a two-stage calcium precipitation process. Calcium hydroxide and sodium carbonate are added to the reactors to remove calcium. The outlet slurry of the second calcium removal tank is filtered in a press filter using a cold-water wash. The washed residue solids are sent to disposal. The filter filtrate goes directed to the Ion Exchange Area.
- *Ion Exchange Area:* trace impurities are removed from the filtrate using ion exchange columns, mainly Calcium and Magnesium. The resulting purified liquor solution is sent to the Lithium Hydroxide Causticization Area.

Lithium hydroxide production contains the following areas:

- *Lithium Hydroxide Causticization Area:* Pregnant liquor solution and sodium hydroxide are mixed to convert lithium sulfate to lithium hydroxide. The resulting lithium hydroxide liquor is fed to the Lithium Hydroxide Glauber's Salt Crystallization Area.
- *Lithium Hydroxide Glauber's Salt Crystallization Area:* in this area, the solution enters then to a crystallizer to produce Glauber's Salt, at 5°C. The salt is then transferred to the Centrifugation stage.
- *Lithium Hydroxide Centrifugation Area:* the Glauber's salt is fed to a preheater cyclone and is centrifuged, with the cake being directed to the melter system and Sodium Sulfate Crystallization Area, while the centrate is sent to the Crude Lithium Hydroxide Crystallization Area.
- *Crude Lithium Hydroxide Crystallization Area:* lithium hydroxide monohydrate is crystallized in an evaporative crystallizer. The crystal slurry is fed to a hydrocyclone, and then is dewatered and washed in a centrifuge, with the centrate being recycled back to causticization. The solids discharge is fed on a conveyor to the Lithium Hydroxide Ion Exchange Area.
- *Lithium Hydroxide Ion Exchange Area:* the crystals are dissolved in a circuit of digesting reactors, and are further purified in ion exchange columns. The product of the ion exchange columns feeds the Pure Lithium Hydroxide Crystallization Area.
- *Pure Lithium Hydroxide Crystallization Area:* lithium hydroxide monohydrate crystals are re-precipitated using an evaporative crystallizer. The slurry is fed to a hydrocyclone, and then to a centrifuge, where lithium hydroxide monohydrate crystals are sent for to the Lithium Hydroxide Drying Area.
- *Lithium Hydroxide Drying Area:* the lithium hydroxide monohydrate is dried and bagged.
- *Sodium Sulfate Crystallization Area:* the Glauber's Salt formed from Lithium Hydroxide and sodium sulfate from Lithium Carbonate are fed to a melter and then to a crystallizer. Anhydrous Sodium Sulfate is produced and fed to a hydrocyclone and after that is dewatered in a centrifuge. The product is sent to the Sodium Sulfate Drying and Bagging Area.
- *Sodium Sulfate Drying and Bagging Area:* The sodium sulfate is dried at 120°C. The dried solids are cooled in a screw conveyor and bagged.

IV. Refinery capital cost estimate

Table 3 below provides a breakdown of the Refinery capital estimate.

The Refinery capital cost estimate includes a contingency of 30%. Sustaining capital, owners' costs and government levies/taxes have not been included in the Refinery capital estimate. In addition, the estimate below does not include capital associated with the Mine & Concentrator (which is discussed in Section VII below).

Table 3: Refinery capital estimate (100% basis)

Project area	US\$ million
Mechanical supply	98
Site preparation and civil works	5
Balance of direct costs	167
Subtotal – direct costs	271
Temporary construction facilities	10
Freight	1
Spares and first fills	8
Vendor assistance	1
EPCM	46
Subtotal – indirect costs	65
Total capital (excluding contingency)	335
Contingency (30%)	101
Total capital (including contingency)	436

V. Refinery operating cost estimate

Table 4 below provides a breakdown of the Refinery operating cost estimate. The operating cost estimate includes a contingency of 15%. The estimates have been prepared based on a target accuracy of +/- 10-15%. Operating costs are based on the first full year of production and are not reflective of construction, commissioning or ramp-up phases of the project. Operating costs include transport of spodumene concentrate from the Mine & Concentrator to the Refinery. The estimate below does not include operating costs associated with the Mine & Concentrator (which are discussed in Section VII below).

Table 4: Refinery operating cost estimate

Project area	US\$ million per annum
Labour	20.4
Reagents	36.5
Consumables	2.6
Services	17.6
Maintenance	5.0
Solid waste transport	14.8
Total operating cost (excluding contingency)	96.8
Contingency (15%)	14.6
Total operating cost (including contingency)	111.4

Based on forecast average annual production of 45,254 LiOH, this implies a Refinery C1 cash operating cost of US\$2,139 per tonne of LiOH (excluding contingency) and US\$2,462 per tonne of LiOH (including contingency). This excludes cash cost for the JV Manager, Mine & Concentrator opex and government royalties.

VI. LiOH Marketing

Each JV participant has the right to market their share of JV production. The Refinery PFS financial assessment has been based on the forecast LiOH price assumptions as set out in Section II. The actual price received by Kidman for its share of Refinery production will be a function of market prices and the terms of its offtake agreements.

On 17 May 2018, Kidman announced that it had entered into a binding 3-year (with two 3-year options) fixed-price, take-or-pay lithium hydroxide offtake agreement with Tesla. The commercial terms of the agreement are strictly confidential. The agreement equates to less than 25% of Kidman's share of production for the first 3 years from the Refinery.

In addition to the Tesla offtake agreement, Kidman is continuing discussions in relation to further offtake agreements with high quality counterparties, with the aim of securing further binding contracts for approximately 75% of Kidman's share of production in the initial years of the project. Kidman has seen strong interest from potential counterparties and expects to enter into further offtake agreements to assist in its discussions with traditional debt financiers.

VII. Mine & Concentrator updated Scoping Study

The PFS assessment is based on a Refinery that will convert approximately 315,000 tonnes per annum of spodumene concentrate produced from the Mine & Concentrator.

The financial analysis undertaken as part of the Refinery PFS is on the basis of the integrated Mt Holland Lithium Project, inclusive of both the Refinery and Mine & Concentrator. This includes inputs from an updated Scoping Study on the Mine & Concentrator.

A summary of the key findings of the updated Scoping Study is provided in Table 5 below.

Table 5: Mine & Concentrator updated Scoping Study assumptions

Assumption	M&C Updated October 2018
Proposed construction start date	2H 2019
Start of Concentrator Production	2H 2020
Potential Mine Life (Years)	47
LOM plant feed (Mt)	94
Measured resources (%)	48
Indicated resources (%)	52
Inferred resources (%)	0
Mineralisation	Spodumene only (i)
Average annual plant throughput (Mtpa)	2.0
Average strip ratio (waste to plant feed) to 2040 (ii)	3.7
Average feed grade	1.53%
Plant recovery	75%
Potential annual concentrate production(tonnes) (iii)	364,803
Concentrate grade (Li ₂ O)	6.2%

- i. Other minerals treated as waste for the purposes of the study, but offer an opportunity to optimise.
- ii. LOM strip ratio 4.5.
- iii. Concentrate production over and above the Refinery required need of 315,000 tonnes assumed for the study to be sold to the market.

Table 6: Mine & Concentrator updated capital (100% basis)

Project area	US\$ million
Concentrator (i)	129
Non-Process Infrastructure (ii)	61
Construction Capital – Excluding Contingency	190
Mine development – Pre Strip	76
Total Capital (Excluding Contingency)	266
Contingency @ 20% (iii)	53
Capital – Including Contingency (iv)	319

- i. Includes grinding, flotation, DMS, crushing and tailings.
- ii. Includes water plant, buildings, power substation, village, aerodrome and EPC management cost.
- iii. Contingency included at 20% on items not tendered.
- iv. Capital excludes owner's cost (including spares, first fills and flights and accommodation) of US\$10.0 million.

Capital costs for the Mine & Concentrator have increased in the updated Scoping Study. The estimate is still at a scoping study level but reflects a greater understanding of the project and a change in project parameters based on significant additional analysis by Covalent Lithium since the original scoping study and the outcomes of the Refinery PFS. The flowsheet has been further optimised and will now include a high-pressure grinding roll machine as a tertiary crusher ahead of dense media separation. More stages of flotation are required and best results are achieved in fresh water. The plant therefore contains a water treatment plant. Other capital areas that have increased include mine-development (pre-strip), additional scope for new airport, additional plant capital for filtering all tailings to maximise water recovery, allowance for road upgrades on municipal roads and a larger camp. In addition, the capital estimate has been more conservative due to the increasing competition for equipment, services and personnel in the Western Australian market.

Covalent Lithium is actively pursuing ways to optimise the capital expenditure on the Mine & Concentrator. In doing so specific attention is currently focused on options to treat the saline water at Mt Holland and to reduce the contingency by actively engaging with potential vendors. It is also noted that capital estimates for crushing and power are included in the figures above as Covalent Lithium is not currently anticipating build, own, operate contracts.

Table 7: Mine & Concentrator updated operating cost (average to 2040)

Project area	US\$ per tonne of Concentrate delivered in Kwinana
Mining (i)	102
Processing (ii)	112
Transportation (iii)	46
General and Administration (iv)	33
Total operating cost	293

- i. LOM average = US\$112/t.
- ii. LOM average = US\$110/t.
- iii. LOM average = US\$46/t. Transport cost reflects cost of delivering of tonnes of concentrate to Refinery.
- iv. LOM average = US\$31/t.

Note: The integrated Mine & Concentrator and Refinery C1 cash operating cost is based on total average concentrate production of 364,803 tonnes per annum from the Mine & Concentrator, which exceeds requirements for the Refinery.

Covalent Lithium has done extensive metallurgical testwork and expects to achieve a concentrate grade of >5.5% Li₂O at Mt Holland. Testwork is continuing to optimise and improve results; for the purposes of the PFS and defining an economic outcome, Hatch has assumed a concentrate grade of 6.2% Li₂O.

As an integrated producer of LiOH, rather than a seller of concentrate to overseas markets, Covalent Lithium is able to optimise the Refinery to process the concentrate from the Mine & Concentrator. As a result, Covalent Lithium does not rely on concentrate grade to the extent of producers of concentrate only, and has lower overall freight costs so can have a more flexible outlook on concentrate grade.

The Company confirms that the project is proposing to mine the spodumene only zones of mineralisation within the Earl Grey deposit and no economic benefit is ascribed to petalite and/or zones of mixed spodumene and petalite. Previously, the 2017 scoping study attributed value to the petalite and mixed ore zones.

VIII. Mineral Resource

The PFS assessment utilises the estimated Mineral Resource at Earl Grey, the hard rock lithium deposit located at Mt Holland. The estimated Mineral Resource was issued to ASX on 19 March 2018 in a market announcement titled “Substantial Increase in Earl Grey Lithium Mineral Resource Estimate” and is available to view at <https://www.asx.com.au/asxpdf/20180319/pdf/43siypy0krwfyf.pdf>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

The relevant proportions of measured, indicated and inferred Mineral Resources that are utilised by Hatch in the PFS assessment are 48%, 52% and 0% respectively.

IX. Valuation and sensitivity analysis

Financial analysis of the Mt Holland Lithium Project was undertaken on the basis of an integrated Mine & Concentrator and Refinery, with an assessment of the forecast discounted cash flows over the initial 47-year project life. A cash flow model was constructed for the PFS, based on the parameters summarised above.

Based on this analysis, the Mt Holland Lithium Project (100% basis) will generate average annual revenue of US\$713 million and average annual EBITDA of US\$467 million. The project returns a NPV_{10%} (post tax) of US\$2.3 billion and an IRR (post tax) of 27.7%. Operating costs for the integrated Mine & Concentrator and Refinery are estimated to be US\$4,487 per tonne of LiOH (excluding contingency) and US\$4,808 per tonne of LiOH (including contingency).

A sensitivity analysis for the Mt Holland Lithium Project was carried out to determine the effects of key variables in relation to the post-tax NPV of US\$2.3 billion at a nominal discount rate of 10%. The results of the sensitivity analysis are presented in Table 8 below.

Table 8: NPV in sensitivity scenarios

Sensitivity	Change from base case (US\$ million)	NPV (US\$ billion)
Base NPV		2.34
LiOH price +10%	+425	2.77
LiOH price -10%	-425	1.92
Spot LiOH price ⁽ⁱ⁾	+1,180	3.52
Refinery capital cost +10%	-58	2.28
Refinery capital cost -10%	+58	2.40
Exchange rate +5%	+220	2.56
Exchange rate -5%	-220	2.12

i. Spot scenario based on BMI Asia Lithium Hydroxide CIF spot price (sourced from Bloomberg) of US\$18,750/t as at 30 September 2018.

X. Environmental & Permitting

Covalent Lithium has commenced baseline studies to address expected permitting requirements at the Refinery such as air quality, noise, traffic impacts, groundwater, flora and fauna, among others. One of the main approvals being sought will be planning approval under the Western Australian Planning Commission and through local government planning authority of the City of Kwinana. Covalent Lithium has appointed an experienced consulting group, Urbis, to prepare this approval submission. The second major approval is the Environmental Protection Act Part 5 Works Approval and Licence to Operate. Covalent Lithium has appointed an experienced consulting group, MBS Environmental Consultants, to prepare this approval submission.

The Mt Holland Lithium Project was granted Level 2 Lead Agency Service by the Western Australian Government in October 2017, in recognition of the strategic significance of Kidman's and SQM's proposed investment. All proposals within the Lead Agency Framework receive a level of service related to their size, complexity or environmental, economic or social impacts.

XI. Project Funding

A number of funding sources are expected to be available to Kidman to finance its US\$300 million share of the integrated Mine & Concentrator and Refinery capital cost (excluding contingency) and any additional working capital requirements.

Given the favourable economics for the Mt Holland Lithium Project as demonstrated by the PFS; the existing offtake agreement entered into with Tesla; the strong interest that is being expressed by other potential offtake partners; and the attractive jurisdiction in which the project is located, Kidman believes that its 50% interest in the Mt Holland Lithium Project has the capacity to attract material debt financing. Kidman is in discussions with traditional debt financiers, which it will continue to progress while further studies on the Mt Holland Lithium Project are completed. Kidman will continue to evaluate the most appropriate way to fund its share of the project, with regard to the pricing and availability of capital, and its strategy to maximise debt financing and minimise any equity contribution required.

In addition, the JV Agreement with SQM provides for payments to be made by SQM of US\$80 million directly into the JV (of which US\$60 million is outstanding and a payment of US\$30 million directly to Kidman (of which US\$25 million is outstanding)).

Kidman may consider other funding sources if required.

XII. Exclusions

In line with accepted PFS activities, the study has not addressed in detail the topics of scheduling, timing nor start-up or completion dates for construction, and commissioning leading to first production of refined product.

The PFS did not include a range of assessments extending to geotechnical, detailed project execution planning, marketing, environmental, permitting, social management plans, definitive closure plans and costs, government levies and taxes, plant location, logistics for product shipping or a quantitative risk assessment.

XIII. Summary risks

The PFS identified a number of areas for further study. These relate to inclusions in the scope of the Refinery, metallurgical testwork and pilot scale testwork and will be addressed as part of the Refinery DFS.

Ongoing metallurgical testwork is continue to improve Covalent Lithium's understanding of the ultimate physical behaviour of spodumene material in both the Concentrator and the Refinery. These testworks will be optimised as part of the DFS.

Kidman announced on 17 September 2018, the Perth Mining Warden (**Warden**) has made a recommendation to the Minister for Mines and Petroleum (Western Australia) (**Minister**) that applications for exemption from minimum expenditure obligations for tenements held by Kidman subsidiaries 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. Kidman believes that there are compelling reasons why the Minister should exercise his power under the *Mining Act 1978* (WA) and made detailed submissions to the Minister in this regard on 25 September 2018. The parties are currently going through a process of exchanging submissions in accordance with the guidelines of the Department of Mines, Industry Regulation and Safety. The PFS outcomes summarised in this announcement assume that the exemptions will be granted by the Minister in a timely manner. If this does not occur, there may be delays associated with the project that could impact the key conclusions of the PFS.

Appendix II: Refinery site location

Figure 3: Refinery site location showing route to Mine & Concentrator

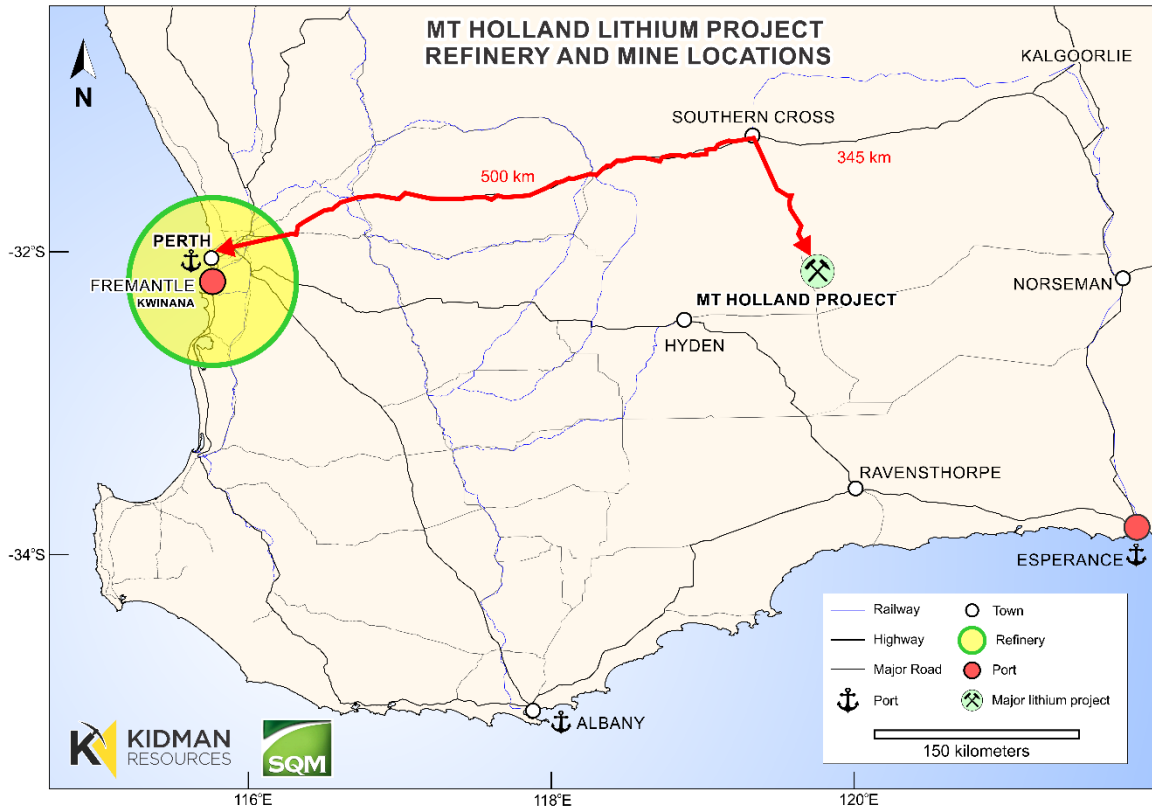


Figure 4: Refinery site location – aerial view

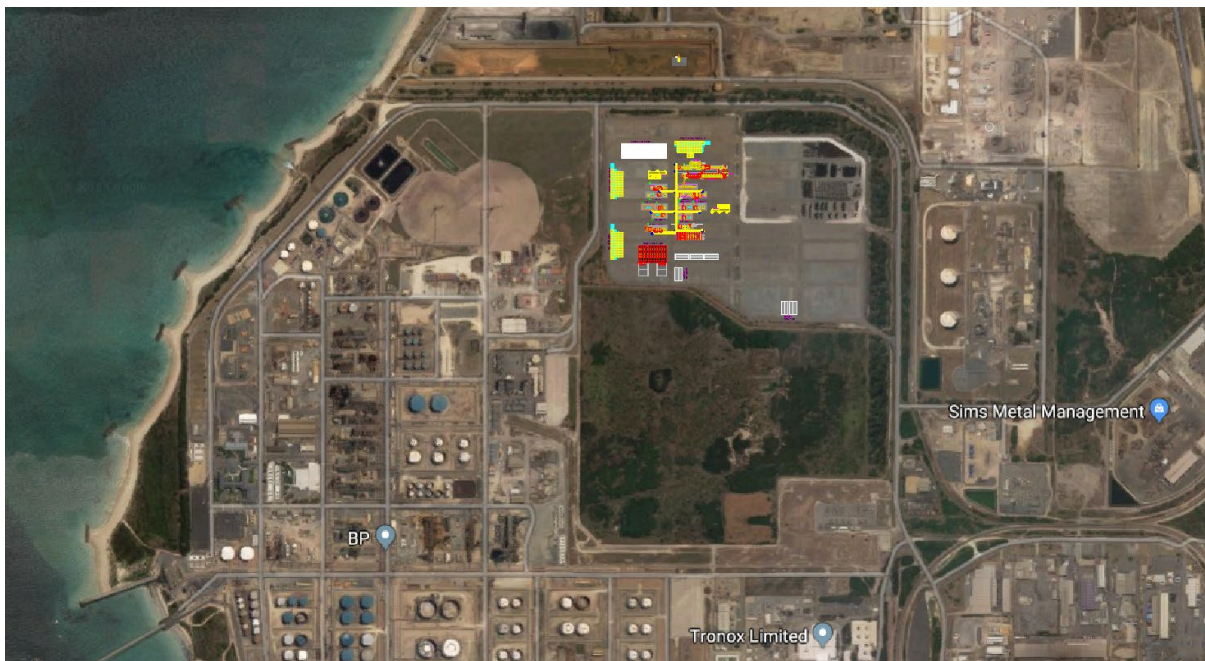


Figure 5: Refinery site location – oblique view with Refinery illustration



Kidman Resources Limited

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Competent Person

The information in this release that relates to the relevant proportions of measured, indicated and inferred Mineral Resources that are utilised by Hatch in the PFS assessment 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 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". Mr Billington consents to the inclusion in this report of the contained technical information relating the Mineral Resource in the form and context in which it appears.