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July 27th, 2016

ASX Release

Kidman Resources Limited
ABN 88 143 526 096

Corporate Details:
ASX Code: KDR

Issued capital:
237.3M ordinary shares
47.45 listed options (KDRO)

***Substantial Shareholders*:**
Capri Holdings (9.63%)
Acorn Capital (8.85%)

Directors:
Non-Executive Chairman:
Peter Lester
Managing Director:
Martin Donohue
Non-Executive Director:
Brad Evans

Chief Financial Officer (CFO):
Jason Eveleigh

Company Secretaries:
Justin Mouchacca
Melanie Leydin

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Kidman signs lithium processing MOU as part of strategy to accelerate Mt Holland project in WA

MOU with Poseidon Nickel to investigate the use by Kidman of the Lake Johnston 1.5Mtpa concentrator for Lithium concentrate production

Highlights:

- **Kidman takes key step towards accelerated, low cost development of the high grade Lithium at its Mt Holland project near Southern Cross WA**
- **MOU provides for Kidman to use Poseidon Nickel's 1.5 Mtpa Lake Johnston processing plant approximately 80km away**
- **The plant would enable Kidman to upgrade lithium ore into marketable concentrate**
- **MOU provides for Kidman to explore opportunities to either toll treat Mt Holland lithium or for a conventional off take deal**
- **MOU follows the recent outstanding high grade drilling results at Mt Holland's Earl Grey pegmatite** *(KDR ASX Announcement 15 July 2016)*
- **Resource drilling campaign now being prepared with both RC and diamond drilling**
- **Earl Grey and other Mt Holland lithium pegmatites reported by Kidman are on Granted Mining Leases**
- **Preliminary metallurgical test work on Earl Grey is now being fast tracked**
- **Drill rig currently mobilising to Mt Holland to drill Blue Vein gold deposit - once Earl Grey drilling approvals are received, this rig will be relocated to Earl Grey.**

Kidman Resources Limited (ASX: KDR) is pleased to advise it has signed a Memorandum of Understanding with Poseidon Nickel (ASX: POS) aimed at enabling Kidman to use Poseidon's 1.5 Mtpa Lake Johnston concentrator to process lithium ore from the Mt Holland project in WA.

Lake Johnson, which is located approximately 120km by road from Mt Holland, is on care and maintenance. The two companies have agreed to work together to explore the opportunity to fast track production of lithium concentrate by utilising this asset.

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Poseidon has undertaken preliminary test work which supports Lake Johnston can produce a marketable lithium concentrate.

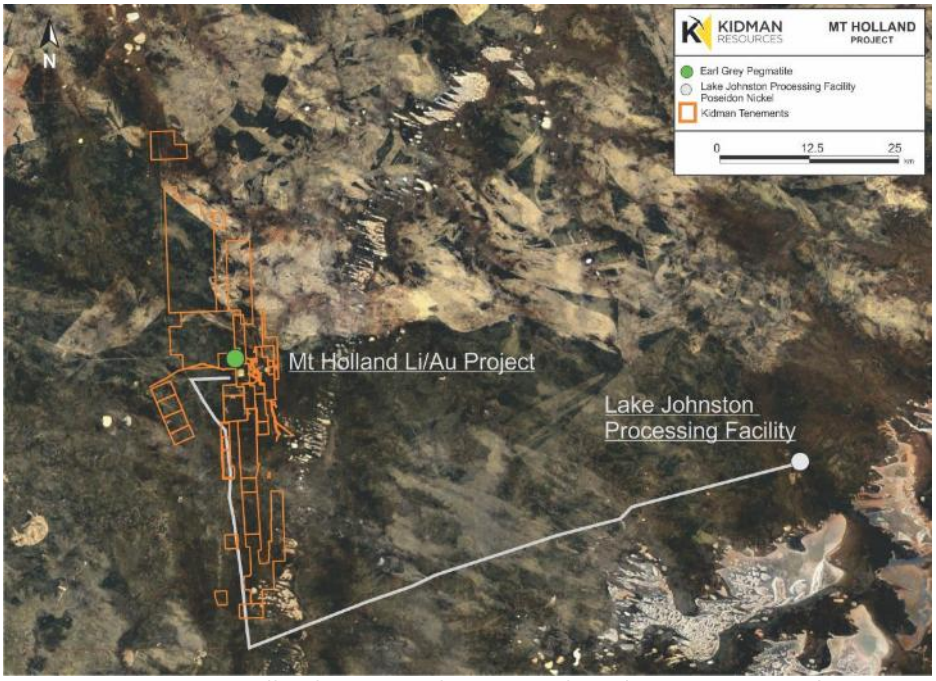


Figure 1: Mt Holland Project relative to Lake Johnston Process Plant

As previously advised Kidman's Mt Holland project comprises numerous granted Mining Leases (ML) and the Earl Grey, Prince of Wales and Bounty pegmatites are all located within these ML's.

Recently Kidman announced *(KDR ASX Announcement 15 July 2016)* that 5 RC drill holes into the Earl Grey pegmatite returned outstanding results as follows;

- 52m @ 1.53% Li_2O from 206m to end of hole
- 45m @1.81% Li_2O from 231m to end of hole, including 7m @2.23% Li_2O from 255m and 5m @ 2.5% Li_2O from 268m downhole
- 39m @1.93% Li_2O from 189m to end of hole including 12m @2.46% from 215m downhole
- 11m @ 1.04% Li_2O from 126m downhole and 27m @ 1.73% Li_2O from 153m to end of hole including 9m @ 2.45% Li_2O from 168m downhole
- 34m @1.35% Li_2O from 176m downhole and 29m @ 1.31% Li_2O including 6m @ 2.09% Li_2O from 218m downhole

Significantly all these drill holes were terminated in Lithium mineralisation as they were originally drilled targeting gold. As a result the actual thickness of the Earl Grey pegmatite is still unknown however the existing drill holes confirm a minimum true width of 50m. The interpreted dip of the mineralised zone appears to be between 20-25 degrees which is ideal for open cut mining at a low strip ratio.

Follow up drilling has now been designed up dip towards surface and laterally along strike as the Earl Grey pegmatite is open in every direction. The aim of this program will be to undertake a maiden estimation of the Earl Grey Deposit.

There will also be sufficient diamond drill holes into the Earl Grey pegmatite during this program to allow for more detailed geological analysis and for preliminary metallurgical test work. This metallurgical work will be done in conjunction with POS and the results will be applied to finalise the design criteria for the existing Lake Johnston processing facility.

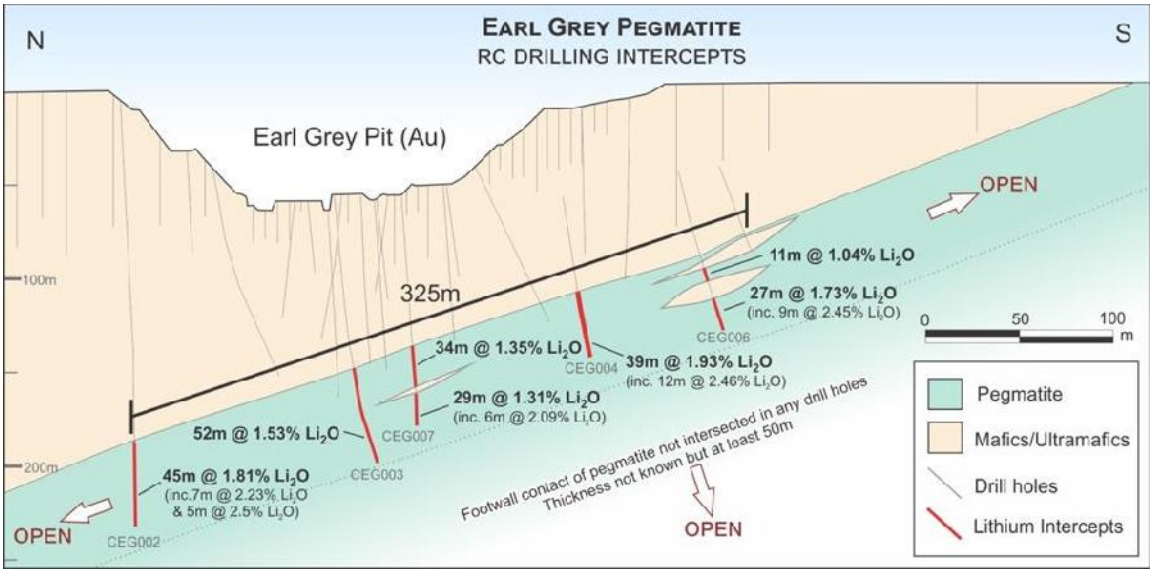


Figure 2: Cross section of the Earl Grey pegmatite with intercepts from resampled RC drill holes. The thickness of the pegmatite is still unknown, however the existing drill holes confirm a minimum true width of 50m

The Lake Johnston 1.5 million tonne per annum process plant includes a conventional 3 stage crushing circuit, 3 ball mills, 2 flotation circuits, multiple thickeners and 2 Larox filtration circuits and a large concentrate storage shed. The Primero Group engineering subcontractors have been commissioned by POS to progress preliminary engineering design for the processing of Lithium hosted pegmatites. An initial review of the concentrator will be focussed on a plant trial to process Lithium ores to produce a 6% spodumene concentrate.

Kidman has submitted a Program of Works (POW) to the WA Department of Mines for the planned drilling program at Earl Grey. Presently a multi-purpose RC and Diamond drill rig is mobilising to site to commence the resource drill out at the companies Blue Vein gold project which is located around 10km from Earl Grey. This same rig will be utilised at Earl Grey as soon as the POW is approved.



Figure 3: Lake Johnston 1.5 Mtpa Process Plant

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Memorandum of Understanding (MOU)

The proposed transaction between Poseidon and Kidman (parties) is to evaluate the possibility of processing lithium (that may be mined by Kidman) at Poseidon's Lake Johnston processing facility providing an expeditious path to market for a lithium concentrate.

The purpose of the MOU between the parties is to provide a framework to evaluate the proposed transaction and for the consideration and finalisation of a structure. This will facilitate the exchange of confidential information by both parties to allow discussions and negotiations to conclude a formal agreement.

The parties have agreed to work together in good faith during the term of the MOU to finalise a business model for the proposed transaction that may include one of the following:

Ore Tolling Agreement Kidman would mine lithium bearing pegmatite ore and Poseidon would toll treat the ore to produce a lithium concentrate for Kidman at an agreed pricing arrangement with sales and marketing to be managed entirely by Kidman; and/or

Off-Take Agreement Under an off-take agreement Poseidon would purchase the ore from Kidman at an agreed market pricing arrangement.

The parties envisage the following steps to evaluate the proposed transaction:

i) Resource and Reserve definition
ii) Process plant engineering review
iii) Trial mining
iv) Trial processing
v) Regulatory approval

Under the MOU each party grants the other party legally binding pre-emptive rights for a period of 3 months from the signing of the MOU. If prior to the parties entering into a formal agreement, a third party wishes to enter into an agreement outside the MOU, the parties each have the exclusive right to match the third party offer for a period of 45 days after receipt of that offer.

With the exception of the pre-emptive rights described above the parties may terminate the MOU with 30 days written notice.

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Figure 4: Tailings Disposal Cells at Lake Johnston

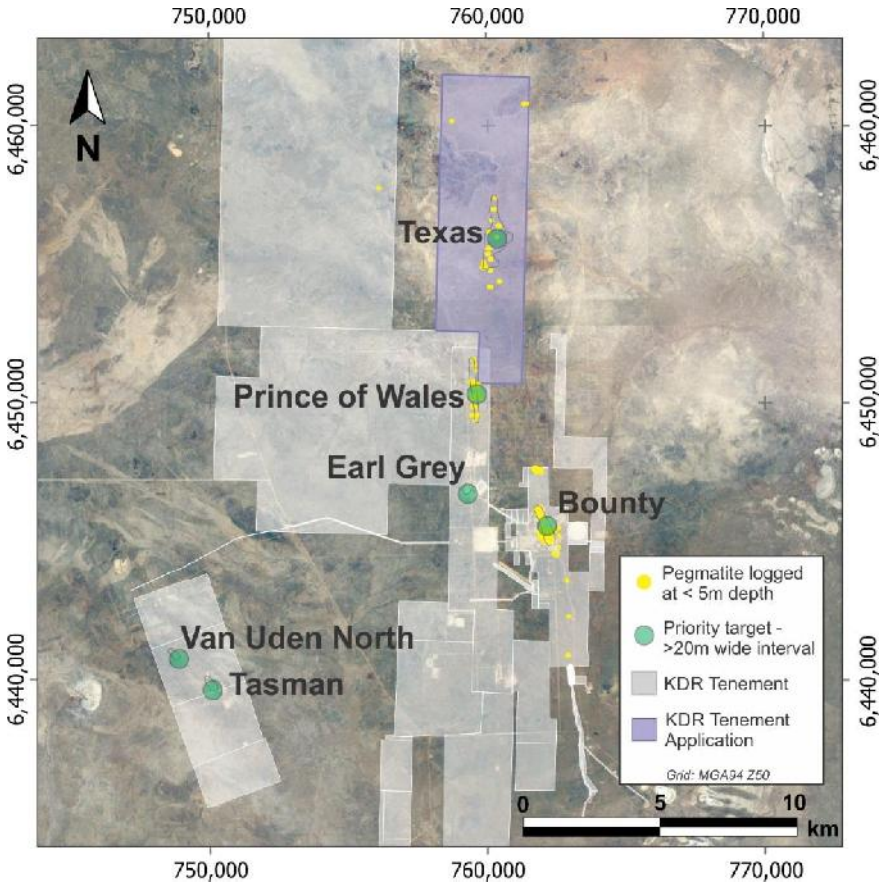


Figure 5: Pegmatite targets identified during district wide review for LCT Pegmatite potential. The yellow dots represent drillholes in which pegmatite has historically been logged at less than 5m depth, the green dots show the primary targets as pegmatite intervals are greater than 20m in thickness in multiple lodes

Kidman Background

Kidman is a diversified resource company currently in production at the Burbanks Gold Mine near Coolgardie in WA. Production commenced in the September quarter of 2015.

Kidman also owns the Mt Holland gold field near Southern Cross in WA (see ASX Announcement 18th December for further details of the project). The company intends to revise the existing gold resource at Mt Holland with a significant RC and Diamond drilling program, followed by an update to the feasibility study undertaken by previous operators. The company is now also planning a drilling program to further test the highly prospective Lithium targets within the Mt Holland tenement package and has entered into an MOU to potentially process Lithium ores at the Lake Johnston 1.5Mtpa concentrator owned by Poseidon Nickel.

Kidman also owns advanced exploration projects in the Northern Territory (Home of Bullion – Cu, Au, Pb, Zn, Ag/ Prospect D - Ni, Cu) and New South Wales.

In New South Wales the company has the Crowl Creek Project which is host to numerous projects such as Murrays (Au) Blind Calf (Cu, Au) and Three Peaks (Cu, Pb, Ag).

The company also owns the Brown's Reef project in the southern part of the Cobar Basin (Zn, Pb, Ag, and Cu)

For further information on the Company's portfolio of projects please refer to the website at: www.kidmanresources.com.au

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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 2012 Code. The company confirms it is not aware of any new information or data which materially affects the information included in this announcement.

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