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Equity Research

Kidman Resources (KDR)

Getting Ready to Expand Gold Production

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Key Points

- Kidman Resources (KDR) is an emerging gold producer and developer that has flown under the radar by virtue of the perception that they remain a copper story. The market has missed that they are now a gold producer with near term expansion possibilities.
- **We have valued the assets of KDR in the range of $0.17 - $0.58/sh, or ~2x to 6.2x the current share price. Based on peer comparison (EV/Resource oz & EV/EBITDA) and DCF NAV.** Additional upside to our base case assumptions is possible as KDR de-risk their projects.
- KDR are now well funded to continue the development and exploration of their gold projects.

Recommendation	Restricted
Previous Recommendation	Initiation
Risk Rating	NA
Current Share Price	$0.09
12 Month Price Target	Restricted
NAV Valuation (risked)	$0.18
Valuation Range	$0.17-$0.58
Cash (assumed post capital raising)	$9.5m
Debt (10% pa interest, anniversary June '17, $7.2m final payment)	$6.0m
Market capitalisation	$17m
Liquidity – Daily Value	$0.1m

Well Positioned To Grow

ASX Gold Sector outperforming: In 2016 to date the gold price is up 19%, also the ASX gold index has improved by 46%. Most of the increase can be attributed to mid-cap gold stocks, with the small caps starting to move now, as investors look for value.

Burbanks Mine: The purchase of the Burbanks Mine has enabled KDR to become a gold producer. The next step is to lift production to the 20-30koz pa target. Increasing the production rate from Burbanks is a key value add proposition for KDR. During the 1HCY16 production is expected to be reduced, due a changeover in mining contractor and planned underground development to open up a number of lodes. March Qtr production was 775oz (PAC est 900oz), our estimate for June Qtr is ~1,700oz and reaching ~6,000oz in Dec Qtr.

Mt Holland: The agreement to purchase the Mt Holland project is the potential company maker asset for KDR. The project includes resources of ~1.0Moz gold, some existing infrastructure and significant amounts of geology, mining, and processing data. The initial focus will be on expanding the 372koz Blue Vein deposit and then update the existing PFS based on an extended mine life. The blue sky potential for KDR is to replicate the ~100kpa 10year Bounty Mine life.

Other Assets: KDR has advanced exploration projects in NSW and NT, that have significant exploration potential. KDR has guided that they are looking at strategic options for the projects. The recent interest in the Lithium potential at Mt Holland is an unexpected potential windfall for KDR.

Well-Funded: KDR has recently completed a well-supported Placement and a Rights Issue. The funds will be used to undertake drilling at both projects and complete the Mt Holland DFS, not to paying down the existing $6m debt. Cash as of 31 March '16 was $1.7m. The recent sale of Gunga West to MetalsX (MLX), for up to $2.5m provides KDR with additional cash from a non-core asset.

Risks: The key risks are; reaching targeted production rates at Burbanks, expanding Mt Holland resource, meeting the payment of debt from cash flow, funding Mt Holland construction. For a full description of the risks see pg 13.

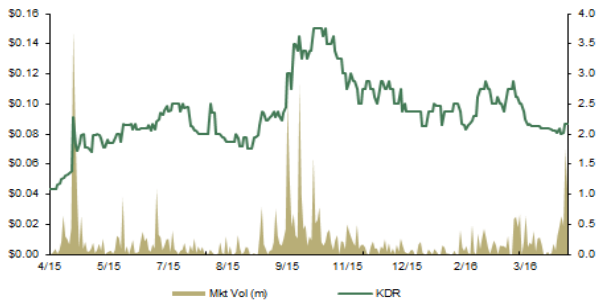
Investment Highlights

- Current gold production rate ramping up from ~12koz pa to 20-30koz pa run rate.
- Leveraged to strong news flow over next 12 months with resource and production upgrades.
- Experienced Board and Management team that have delivered on the move into the gold sector.
- Brownfields development opportunity at Mt Holland.
- We see upside potential to our valuation as KDR secures Mt Holland and hits production targets.

Financial Forecasts & Valuation Metrics

Y/e ($m)	FY16E	FY17E	FY18E	FY19E
Revenue	12	40	60	109
NPAT	-1.4	6.9	11.4	23.9
EPS (cps)	-0.6	2.5	2.5	5.2
EPS Growth	0.9	>100%	0.0	>100%
DPS (c)	0.0	0.0	0.0	2.1
EV / EBITDA (x)	-104.3	2.3	2.9	0.9
PER (x)	-16.1	3.8	3.8	1.8
Dividend Yield	0.0	0.0	0.0	22.1
Gearing	-2.9	23.3	60.3	-1.5
Interest Cover (x)	-1.3	17.5	19.4	31.2

KDR share price performance



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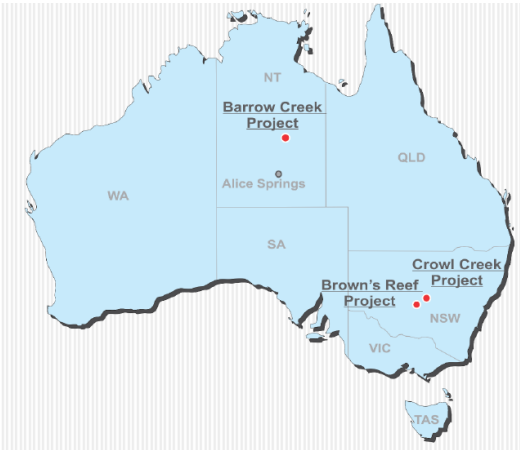
Projects Overview

Kidman has a diversified portfolio of projects that can be divided into two categories. The first is the base metals projects located in New South Wales and the Northern Territory, with the second being the more recently acquired gold projects in Western Australia.

The main focus of the company at present is the gold assets, with potential divestment of the base metals projects being investigated.

The closeness to cash flow from the WA gold assets makes them an attractive value add proposition for KDR.

KDR Project Locations



Source: Company Report

Burbanks Project (100% KDR) – The Enabler

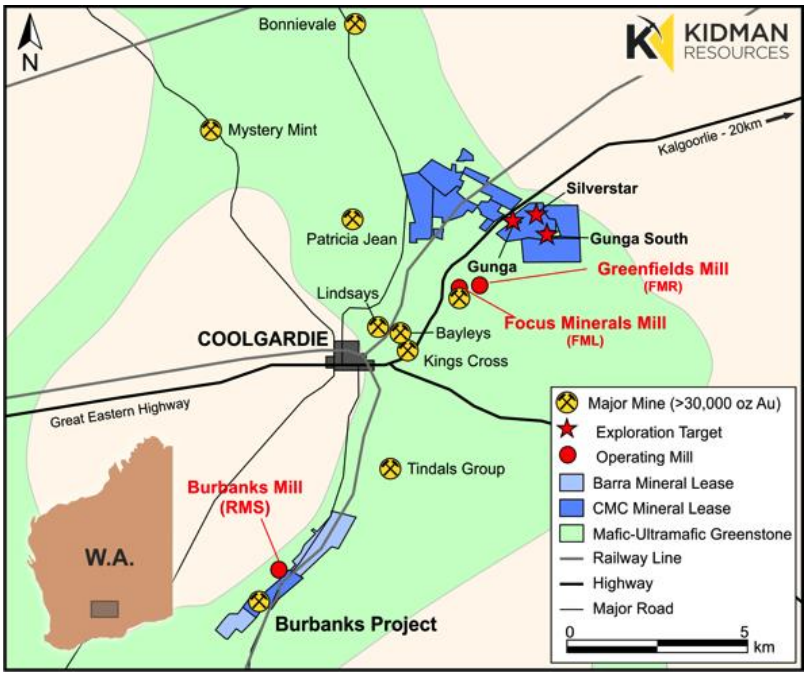
Burbanks has a long history of high grade production

The Burbanks Mine is located in the Kalgoorlie region of Western Australia. The mine is located close to existing infrastructure and skilled workforce.

The Mine was first operated in the late 1800's, then in the 1950's and more recently in the 2000's. Over these periods the high grade operation has produced 366koz at an average grade of 13.9g/t, from both open pit and underground operations.

Burbanks Project Locality

Burbanks Mine is located in the mining hub of WA. Providing easy access to mining services.



Source: Company Report

Since KDR acquired Burbanks they have:

1. **Defined a maiden resource**
2. **Commenced production within months of acquisition**

KDR purchased 80% of the project in mid-2015 and then in late 2015 purchased the remaining 20% from the private operator. Since taking procession of the mine KDR has undertaken a program of drilling to define a maiden resource (Indicated and Inferred) of 99koz at a grade of 5.5g/t.

Production commenced in September 2015, with ~6koz produced to date. The ore was sourced from lower grade open pit and remanent underground resources. The average grade of the material mined during this initial phase was ~2.5g/t. The ore was then trucked ~20km to be toll treated at the Greenfields Mill.

KDR has recently replaced appointed Pybar as the mining contractor and will be changing to air leg mining to reduce dilution and improve production. Mining to date has been on remnant ore as development pushes towards previously unmined areas. Underground development is likely to continue through 1H16. Resulting in limited production in 1QCY16, then increasing in 2QCY16 and then a significant increase in production in 2H16. We estimate 1HCY16 production at ~2,500oz and 2HCY16 at ~11,000oz.

Ore processing options available:

1. **Continue toll treating at Geenfields**
2. **Restart the Burbanks Mill**

KDR has added to the processing options available to them by taking an option to utilise the Burbanks Mill, located adjacent to the Burbanks Mine. The mill is owned by Ramelius Resources (ASX:RMS) and has been on care and maintenance for several years.

The potential to use Burbanks Mill is in addition to the option of continuing to toll treat at Greenfields, located ~20kms away. Both plants have benefits and downside for KDR. Using Burbanks provides unrestricted access, but the potential time required to resume operations are a risk to meeting production targets. Staying with Greenfields does restrict KDR to designated processing windows but is a known quantity and a lower risk.

Our feeling is that continuing to process at Greenfileds in the short term whilst retaining the option over Burbanks would be a logical step for KDR.

2HCY16 production forecast to be a 340% improvement HoH

The aim is for Burbanks to be cash flow positive from 2H16 and expand the resource to support a multiyear operation. We do expect production during 1HCY16 to be limited (<2,500oz) the in 2HCY 11,000oz as the new mining contractor commences operations and the focus shifts from development to production.

During 4QCY15 Burbanks production was 3,626oz at an All In Sustaining Cash Cost (AISC) of A$1,409/oz and sales at A$1,511/oz. The underground ore sourced during the quarter was from predominantly development ore and backfilled stopes. March quarter production was 775oz as mining operations were suspended during transition to a new mining contractor.

Gunga Satellite Resource

Included in the Burbanks purchase was the lower grade Gunga West resource, located ~30km away. KDR defined a 73,000 resource at Gunga and recently entered into a sale of the non-core asset to Metals X (ASX:MLX) for up to $2.5m. The sale is effectively KDR taking an opportunity to realise the option value in the asset.

Resource Statement (September 2015)

		Indicated			Inferred			Total
	Cut Off (g/t Au)	Tonnes	Grade (g/t Au)	Gold (oz)	Tonnes	Grade (g/t Au)	Gold (oz)	Total (oz)
Open Pit	1.0	30,000	4.5	4,500	10,000	4.7	1,500	6,000
Underground Resource	2.5	185,000	5.8	34,500	325,000	5.6	58,500	93,000
Burbanks Total		**215,000**	**5.6**	**39,000**	**335,000**	**5.5**	**60,000**	**99,000**

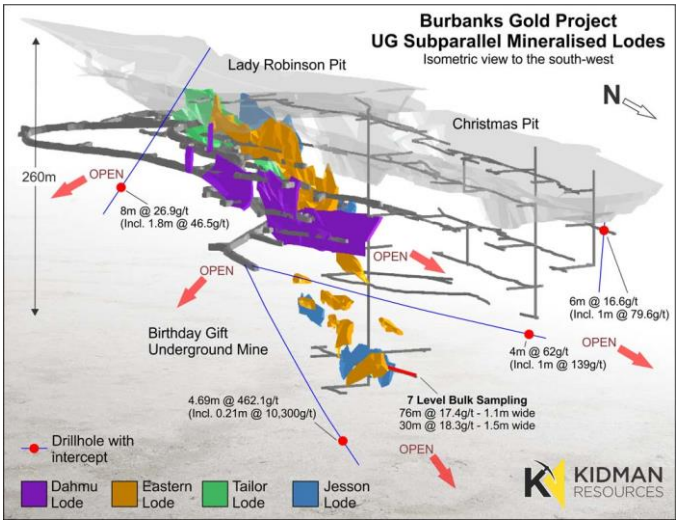
Source: Company Report

Capital raised to be used at Burbanks to increase production in 2HCY16

Part of the funds from the recent placement and current rights issue will be used at Burbanks to accelerate development and increase production. Some of the areas of expenditure include: underground development, drilling to expand the resource, upgrade to the underground ventilation system, a lift of the tailings storage facility and refurbishment of the plant to allow production to recommence. **We estimate that ~$2m of the funds raised will be utilised at Burbanks.**

Burbanks Geology: The gold at Burbanks is hosted in a folded shear zone, with the average width of mineralisation ~1.5m, in the hinges of the folds the ore zone can be up to 5m wide. The ore body is divided into 4 lodes, which are the limbs of the fold structure. Along the shear zone the grade is variable.

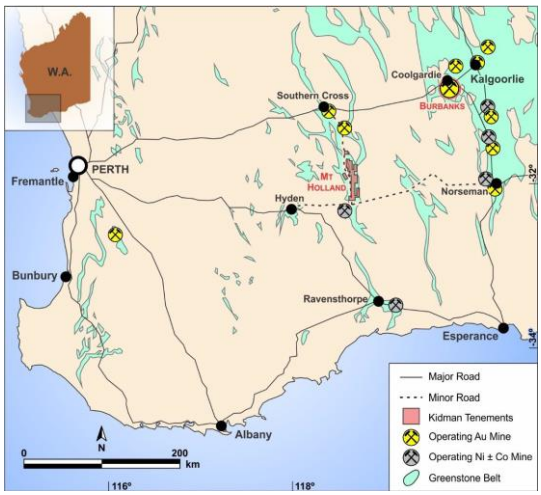
The structurally complex nature of the mineralisation and the variability along "strike" does mean that we expect production quarter on quarter to be variable.



Source: Company Presentation

Mt Holland Mine – The Company Maker

Mt Holland Project Location



Source: Company report

Mt Holland is a low cost entry to a ~1.0Moz gold resource for KDR

KDR has entered into a purchase agreement on the Mt Holland Project, after the previous owners went into administration in late 2015.

The total purchase price is $3.5m ($2m cash, $1.5m script) for the ~1.0Moz resource and associated infrastructure. Mt Holland was originally referred to as the Bounty Mine and was discovered in 1986 and produced ~1.2Moz from 1989-2001.

The project is located ~120km south of Southern Cross in the Eastern Goldfields region (Western Australia)

Mt Holland provides KDR with a brownfields development opportunity that has a number of cost savings in place by virtue of the existing infrastructure, permitting and current resources.

Mt Holland (Bounty Gold) Mine History – Time Line

1986 Discovery by Aztec mining

1989 - 2001: Bounty Mine produced ~1.2Moz of gold, mining took place to a depth of ~1.3km

2001 – Bounty mine was profitable but closed due to rising operating costs, seismic activity within the mine area and restrictive hedge position. The mine was placed into Administration.

Nov 2008: Convergent Minerals (ASX:CVG) acquired Montague Resources which owned the Bounty Project. The acquisition included extensive project data; 16 years of exploration data and 12 years of mining, metallurgical and production data

2009: CVG undertook drilling and commenced feasibility studies. To fund the later stages of the feasibility studies and permitting CVG drew down $2.5m of a $5m debt facility.

2015: CVG placed into administration following failure to repay debt. A projected short mine life limited the ability of CVG the secure the capital required to undertake construction of the mine.

Existing Infrastructure – includes granted Mining Licences

Within the project area there is infrastructure established during the mining period. This includes power and water supplies, haul roads an exploration camp. Another advantage is the presence of Existing Mining Leases, whilst these are likely to need updating it does reduce the approval time.

Bounty Mine Geology

At the Bounty Mine the gold mineralisation is associated with a steeply dipping shear system, and is associated with the underlying banded iron formation and chert layers in a package ~30m wide. The gold occurs in zones of quartz-sulphide-carbonate alterations, and is mainly found in the strongly deformed areas of the Bounty Horizon near the Hanging Wall, and in one area near the Footwall.

The mineralisation at Bounty Mine extended from near surface to ~1.3km at depth.

12 open pits and several underground mines in the tenement package.

Mt Holland has a total combined Measured, Indicated and Inferred Mineral Resource of 928,000oz (we have excluded the remaining inaccessible 246,000oz Mineral Resource at Bounty underground).

Mt Holland Resource Figure (Measured, Indicated & Inferred)

Deposit	Tonnes (Mt)	Grade (g/t)	Gold (oz)
Van Uden	5.4	1.4	238,000
Blue Vein	4.8	2.4	372,500
Twinnings Group (Earl Grey, Jasmine, Darjeeling)	3.6	1.1	128,000
Bushpig	0.7	1.2	28,000
Razorback	0.3	1.1	10,000
Victory	0.4	1.2	15,000
Bounty South	0.1	1.4	3,000
Bounty Main - open cut	1.4	1.9	84,000
Bounty North - open cut	0.7	1.4	32,000
Bounty East - open cut	0.5	1.2	18,000
Sub Total	**17.9**	**1.8**	**928,500**
Bounty Main - underground	2.0	3.7	235,000
Bounty North - underground	0.1	2.5	11,000
Total	**20.0**	**0.0**	**1,174,500**

We have separated out the underground resources at Bounty as these are unlikely to be recoverable, given the limited mining opportunity at depth.

Source: Company report and PAC Partners estimates

Valuation based on mining to 400m depth versus 1.3km of the main Bounty mine. Avoids underground conditions encountered previously.

Blue Vein – Main Focus

Blue Vein is one of several defined deposits at Mt Holland and is the primary focus for development. The gold mineralisation at Blue Vein occurs as a series of sub-vertical and sub-parallel lodes striking approximately northwards, which is analogous to the Bounty mineralisation setting. The mineralisation at Blue Vein sits within a vertical mineralised corridor ~1.6km long by ~200 m wide and ~400m deep. The mineralisation remains open along strike and to depth.

Positive PFS with room for improvement

A PFS completed in 2014 on an underground operation at the main deposit, Blue Vein, was based on a 3 year operation producing 128koz, annualised ~43oz pa. Total project costs were estimated at A$1,188/oz with capital costs $31m and LOM development costs of $29m. The PFS was based on a mineable resource of 0.77Mt @ 5.52g/t, which sits within the total 4.9Mt @ 2.39g/t resource at Blue Vein. KDR are confident that with additional drilling the mineable resource can be expanded to increase the mine life beyond 3 years.

Blue Vein PFS Results

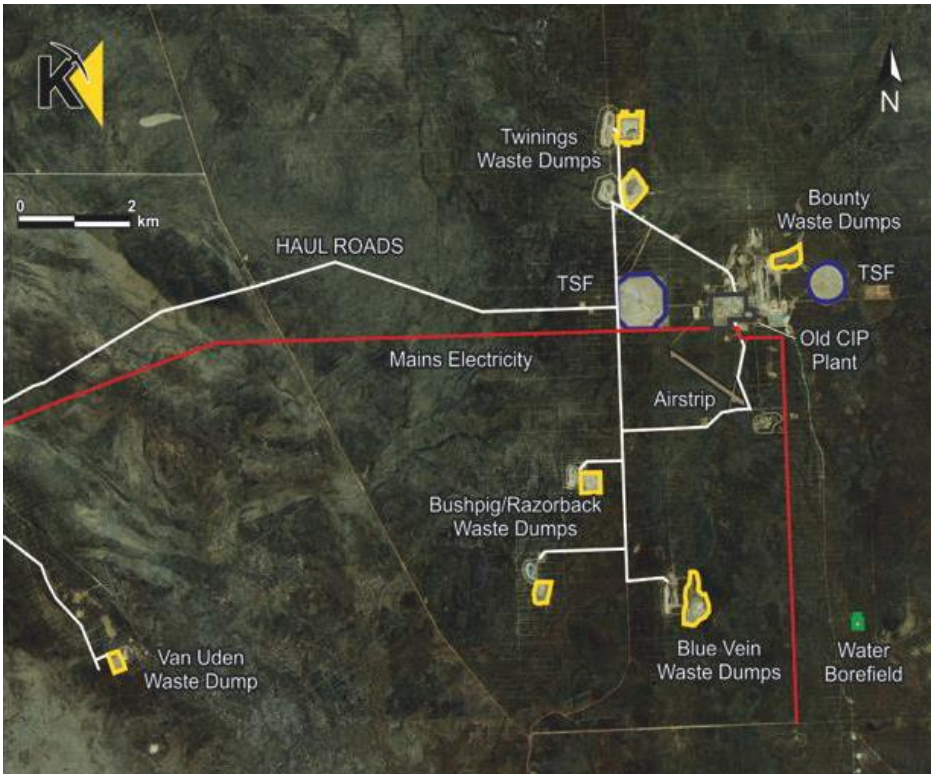
- Total gold produced128,504oz (42,800oz pa)
- Life-of-mine initial 3 years
- Plant capital cost $23.3m
- Life of Mine underground capital cost$28.7m
- Other capital costs $7.8m
- Total life-of-mine capital cost$59.8m
- Average head grade 5.52g/t, with recoveries of 94%

Other Deposits

In addition to the Blue Vein deposit other immediate value add opportunities exist at a number of the other deposits with the Mt Holland project. These include deep drilling at a Twinings and Van Uden deposits.

Mt Holland Infrastructure

Diagrams highlights the existing infrastructure at Mt Holland and the location of the main deposits.



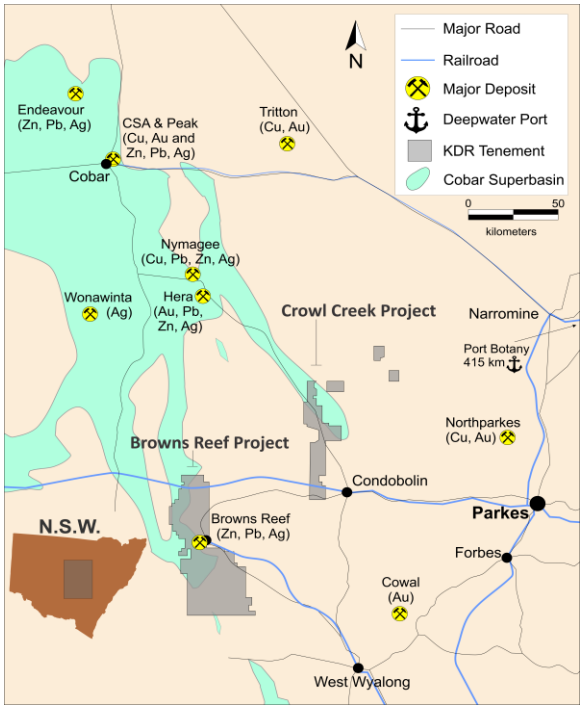
Source: Company Report

New South Wales Projects

KDR's NSW projects are located on the southern margins of the Cobar Basin. The focus for KDR has been on identifying Cobar Style copper and also primary gold resources. The two tenement areas are separated by ~75km.

The two main projects are Browns Reef and Crowl Creek. Both are advanced stage exploration assets with a number of value add opportunities for KDR.

KDR have recently outlined that they are looking to divest the assets. The proximity of the NSW assets to other projects could see them as a good strategic fit for other companies in the region.



Browns Reef 51%-100% KDR

The copper and base metals (lead, zinc and gold) Browns Reef project was first explored in the late 1970's, KDR acquired the project in early 2014.

KDR has 100% ownership of the deposit at Browns Reef and is earning up to 80% through joint ventures for some of the surrounding tenements. The tenement package includes 80kms of the Browns Reef trend.

In conjunction with drilling results, geological modelling and structural interpretation completed on the project a Cobar Style mineralisation model has been proposed. Outside of the main Browns Reef deposit a series of exploration targets have been defined.

In addition to the Cu/Zn/Pb Cobar style targets there is also potential for Tin-Tungsten style mineralisation associated with the margins of the Silurian granitoids.

Exploration target released late 2014.

KDR has released a JORC compliant exploration target of:

27 to 37Mt grading at 1.3-1.4% Zn, 0.6 – 0.7% Pb, 9-10g/t Ag and 0.2-0.3% Cu.

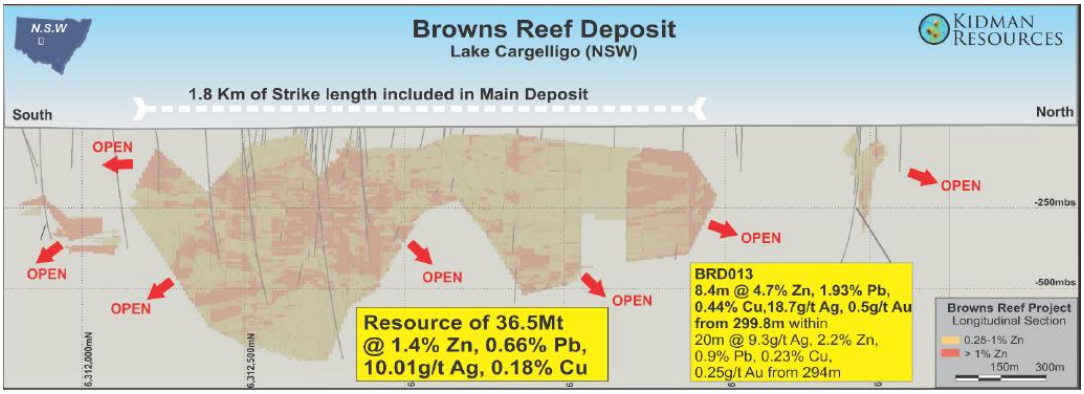
The exploration potential remains high as the Browns Reef Deposit sits within a 6km long mineralised trend.

Browns Reef Geology

Browns Reef is situated within the eastern margin of the Siluro-Devonian Rast Trough and Wagga-Omeo Zone of the central-western Lachlan Fold Belt. The mineralisation at Brown's Reef is contained in a westerly-dipping stratabound structurally controlled system. The lithological package consists of a series of marine sediments and volcanics that overall fine upwards from basal conglomerates to shale and intercalated volcanics. The average mineralised package is ~10m and in the main Browns Reef area the mineralised interval is 40m thick. The thickening is interpreted as due to structural control. Mineralisation is predominantly hosted by medium to coarse grained sandstone units and is dominated by pyrite, with lesser sphalerite, galena and chalcopyrite.

The Browns Reef exploration resources remains open in a number of directions ans sits within a 6.5km mineralised trend.

Browns Reef Long Section



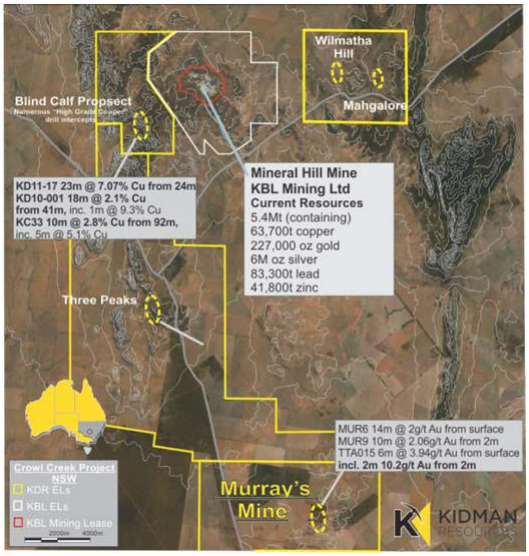
Source: Company Report

Crowl Creek Project 100% KDR

The project lies in the southern extent of the Cobar basin which hosts deposits such as the Hera and Nymagee Mines (YTC Resources), further north east the Peak Mine (New Gold) and CSA Mine (Glencore), and positioned adjacent to the tenements is the Cu/Pb/Zn/Au deposit of Mineral Hill (KBL Resources).The tenements are ~75km from KDR's Browns Reef assets.

The three prospects of most interest are:

Murray's Gold Project (Au) – the gold target is based on limited shallow (<50m) drilling that reported gold intercepts, including; 5m @ 2.6g/t (from 12m) and 6m @ 3.94g/t from surface. Previous exploration had targeted extensions of the gold in a NS orientation. A soil sampling program undertaken by KDR has identified anomalous gold numbers NW and SE of the main prospect. No exploration target or resource has been defined at Murrays. More exploration is required to test the saddle reef mineralisation model.



Blind Calf Prospect (Cu) – KDR has undertaken shallow drilling under historic copper workings, that are located just 4km west of the Mineral Hill Mine (ASX:KBL). Drilling in 2011 and 2012 returned results of 23m @ 7.07 % Cu from 24m and 13m @ 2.18% Cu from 72m. Thre is the possibility that these results are from within a supergene horizon and the primary copper source is located at depth.

Three Peaks Prospect (polymetallic) is a Cobar style target and similar to the Mineral Hill Deposit. The prospect consists of three historic workings that produced small amounts of high grade oxide and sulphide ore. KDR has undertaken limited drilling at one of the mines with results including 2m @ 2.1% Cu, 35.5g/t Ag, 0.5% Pb, 0.1% Zn from 14m. Although promising KDR has not undertaken additional exploration due to focussing on other projects in their portfolio.

The Crowl Creek tenements are adjacent to the Mineral Hill Mine operated by KBL Mining (KBL) and could form a logical fit with the Mineral Hill operations.

In late 2014 KDR acquired the $12.6m debt in KBL Mining (ASX:KBL) from Capri Trading. As part of the transaction KDR acquired a 9.7% equity position in KBL. The loan was secured against the Mineral Hill base metal mine (NSW) and the Sorby Hill lead-silver project in WA.

The motive for KDR acquiring the debt was as a possible avenue to acquire the Mineral Hill Mine, which is adjacent to KDR's Crowl Creek assets and synergies exist between the two. The strategy was in line with KDR's objective of acquiring cash flow generating operations.

The wash up of the transaction was that the holding in KBL was sold, netting KDR ~$860k and the loan was repaid in April 2015 and all legal matters resolved.

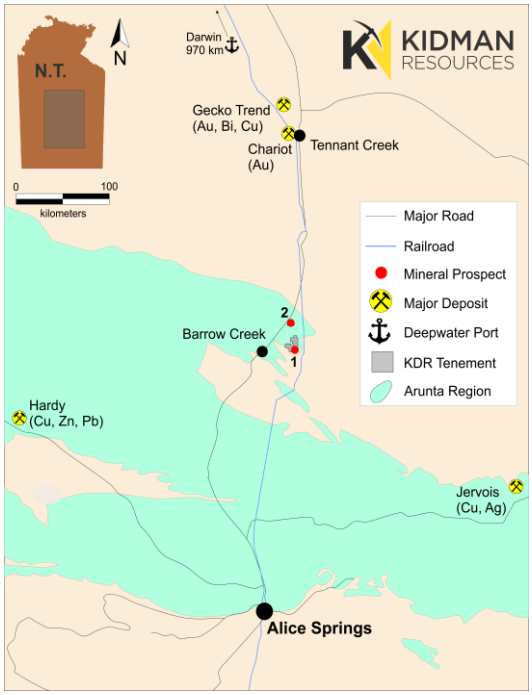
Barrow Creek Project (NT)

The Barrow Creek project includes the Home of Bullion copper deposit and is located 100km south of Tennant Creek and 350km NE of Alice Springs (Northern Territory).

The project was acquired in May 2012 for $2.5m (cash and script). Historic mining in the 1920's and 1950's was on a small scale, producing ~8kt of copper during these periods.

The main mineralised horizons are outcropping and are interpreted as polymetallic VMS (Volcanogenic Massive Sulphide) deposits, consisting of two lodes that remain open in a number of directions.

In addition to reaming open at depth a number of other exploration targets remain untested on the project. For example historic reference is made to another lode located 100m east of the main lode, to date KDR has not drilled this target.



Source: Company report

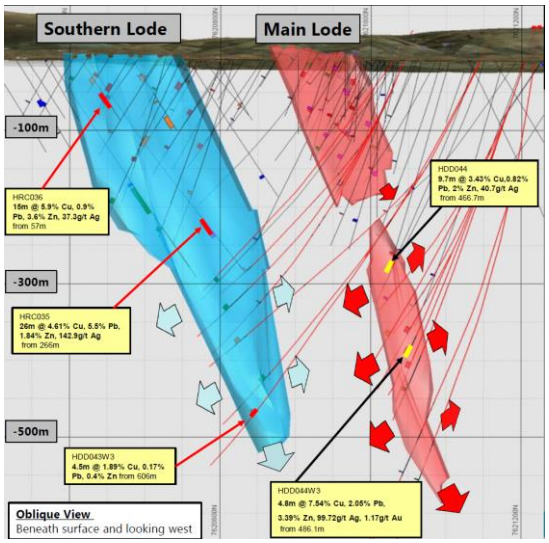
Resource announced mid 2014 – a promising start

KDR announced in mid-2014 an Inferred resource of **2.5Mt @ 2.8% Cu equivalent.**

The resource figure is: 2.5mt @ 1.8% Cu, 2% Zn, 36 g/t Ag, 1.2 % Pb,0.14 g/t Au.

Work on the project since the resource announcement in mid 2014 has slowed as the focus firstly shifted to Browns Reef and more recently the Western Australian gold projects.

At the current resource and commodity prices the project would be uneconomic to develop. However as an advanced exploration asset there remains upside potential.



Mt Holland Nickel Potential

The Mt Holland project is situated within the northern part of the Forrestania greenstone belt, adjacent to the nickel projects held by Western Areas.

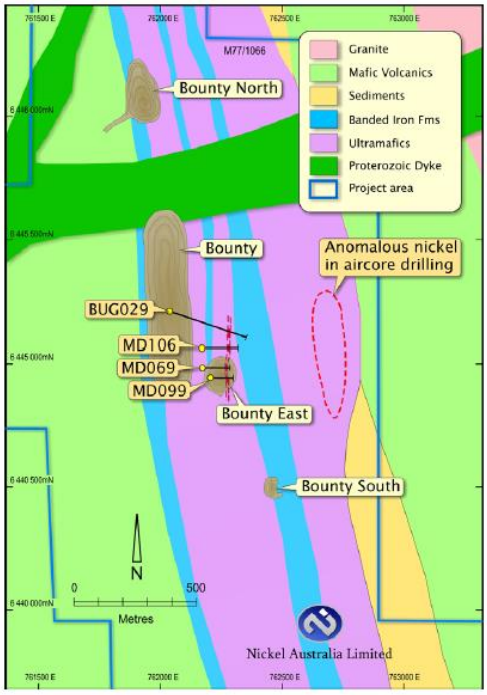
Within KDR's tenements there are ~ 24km strike length of ultramafics that are prospective for nickel sulphide mineralisation. This includes the northern extensions of the ultramafic unit hosting the Cosmic Boy and Digger Rocks nickel sulphide deposits.

Historic nickel drilling results and geophysics targets make the nickel story and attractive value add proposition. Following development of the gold assets.

Limited nickel exploration has been undertaken as previous holders of the ground have been focussed on gold exploration.

Nickel sulphide occurrences was reported in drilling undertaken in the late 1990's located ~250m to the east of the Bounty Mine. Intercepts reported at the time included; 3.5m at 1.19% nickel, 5.0m @1.88% nickel and 4.2m @ 1.11% nickel. With a strike length of ~200m and depth extent of ~300m.

Results of geophysical surveys undertaken at the same time reported a number of targets that remain untested.



From Nickel Australia (now Azure) release 18th February 2005

With the core focus for KDR being the development of the gold resources on Mt Holland and the current depressed price for nickel there has been little emphasis placed on exploring for nickel by KDR.

Additional Non-Core Minerals - Lithium

Lithium potential – not a core focus but historic references need to be investigated in light of the current market interest.

In historical exploration results there are references to potential lithium bearing pegmatites at the Mt Holland tenements, with mention of spodumene rich pegmatites intruding the main Bounty Horizon.

Additionally at the Crowl Creek projects the exploration potential for Tin-Tungsten mineralisation was recognised by earlier explorers. A number of other junior exploration companies are currently picking over tin-tungsten occurrences for the possibility of lithium.

Exploration for lithium is not core for KDR and they do not plan on diverging from the current gold focus. Their plan is to do a very limited assessment of the potential to see what the market value for the assets could be.

Major Shareholders

Holder	Shares (m)	%	Comments
Capri Trading	22.75	12.8	Capri has been a long term investor into Kidman, they are holder of the debt over Mt Holland and also have provided debt funding (A$6m) to KDR to fund the purchase of Burbanks. The debt is for two years at 10% interest rate, the final payment of $7.2m is due mid 2017 As part of the Mt Holland purchase Capri will be issued cash or script to the value of $1.5m and receive payment of $2m
Holdex Nominies	11.3	6.4	Long term holders, Singapore based fund.
Acorn Fund	10.0	5.62	Participated in the recent placement
DDH 1 Drilling	4.63	2.6	

Valuation

We have derived a valuation range for KDR based on a blend of DCF modelling for Burbanks and Mt Holland, plus peer comparisons.

The blended valuation range from the three methods is $0.18/sh to $0.58/sh. An upside of 2x – 6.2x current share price.

Sum Of the Parts – range $0.17/sh to $0.26sh)

Unrisked valuation of $0.26/sh

Risk weighting applied to both operations to reflect stage of development

	Unrisked		RIsked	
	Value (A$)	A$/Share	Value (A$)	A$/Share
Burbanks (DCF)	$23	$0.10	$20.34	$0.09
Mt Holland (DCF)	$35	$0.15	$17.35	$0.07
Corporate	-$8	-$0.03	-$7.75	-$0.03
Debt	-$6	-$0.03	-$6.00	-$0.03
Cash	$9.5	$0.04	$9.5	$0.04
Exploration	$10	$0.04	$10.00	$0.04
Total NAV (A$m)	**$62**	**$0.26**	**$42.54**	**$0.18**

Source: PAC Partners estimates

DCF Valuations for Burbank's and Mt Holland

Mt Holland Modelling Assumptions

We have modelled production from Mt Holland largely in line with the 2014 PFS results released by the previous owners of the project.

- Plant capacity of 300,000tpa, with a ramp up period of 3 quarters to ramp up to reach nameplate levels.
- A feed grade 5.5g/t and recoveries of 93%. This is under the 6.7g/t resource grade if a 2.5g/t cut off figure is used.
- 4 years production at an average rate of 49,300oz pa, for total production of 158,350oz. This assumes that approximately half of the current resources (372koz) at the Blue Vein deposit are recovered. Our assumed production grade and volume is in line with the Blue Vein resource at a higher cut-off grade (2.5g/t), which is 1.24Mt @ 5.83g/t for 232,400oz.
- Pre-production capital of A$38m, sustaining capital of $0.75m/quarter.
- We have assumed that the plant and associated above ground infrastructure will cost ~$30m and underground development of $8m until first ore is produced.

Burbanks Modelling Assumptions

- Production of ~75,000oz at an average rate of ~25,000oz pa with mining completed by early CY19. This assumes that ~75% of the current resources are recovered.
- Minimal production in the current quarter as the new contractor is yet to commence operations, with the 25,000oz run rate to be reached the June quarter.
- Costs: C1 A$865 and an average AISC of A$1,105/oz, this compares to the last quarter AISC which was ~$1,400/oz, due the ore grade being ~2.5g/t as the ore mined was either low grade material or waste/development ore.
- Capital development costs during 1HCY16 of $4m and $500k pq sustaining capital
- Average gold sales price of A$1,666/oz, current price is A$1,642/oz

Upside Poential

Increasing the resource by 20% at both Burbanks and Mt Holland increases our unrisked NAV from $0.26 to $0.30/sh

We see the possibility of increasing the resource at Blue Vein in particular as likely with more drilling.

Our DCF valuation is based on what would be seen as conservative estimates for both gold projects and then we have risk weighted the valuations accordingly.

Outside of an increasing gold price the key areas for additional value add within KDR's control is the increasing the resources and therefore mine life at Burbanks and/or Mt Holland.

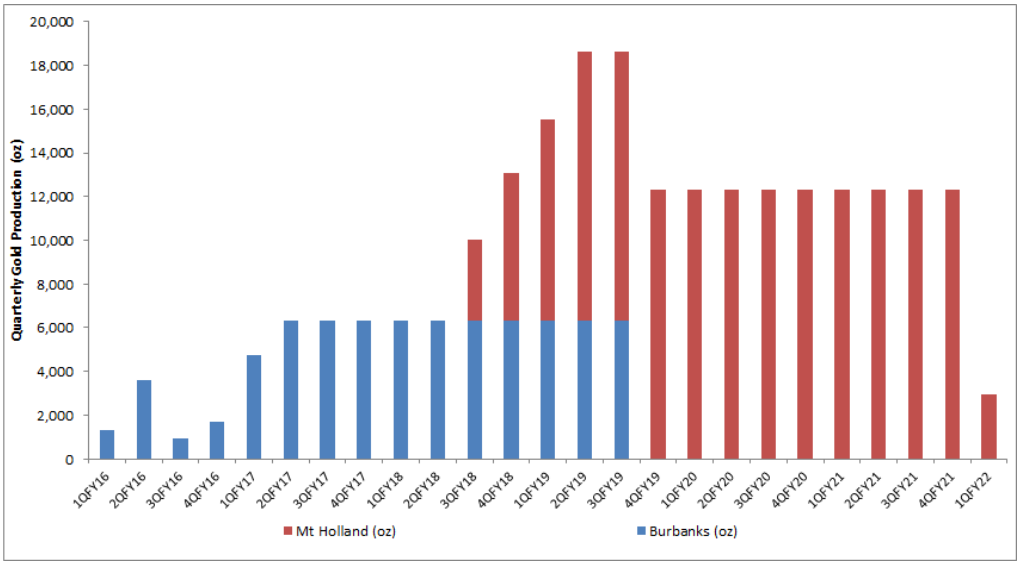
Scenarios

1. Increase Burbanks assumed head grade by 0.5g/t – this increases the NPV by $6m (+13%) to $29m or $0.02/sh.
2. Increase Burbanks resource by 20% - increases the NPV by $3m to $26m or $0.01/sh. KDR is currently undertaking drilling at Burbanks to increase the resource.
3. Increase the Blue Vein resource by 20% adds an additional ~22koz to our modelled LOM production and increases the Mt Holland NPV by 17% to $43m or ~$0.025/sh.

We have not factored in the blue sky potential of KDR defining another Bounty size operation, that is ~100,000oz pa gold production for over 10 years.

Assumed quarterly production profile for Burbanks and Mt Holland

Estimated Quarterly Production For Burbanks and Mt Holland

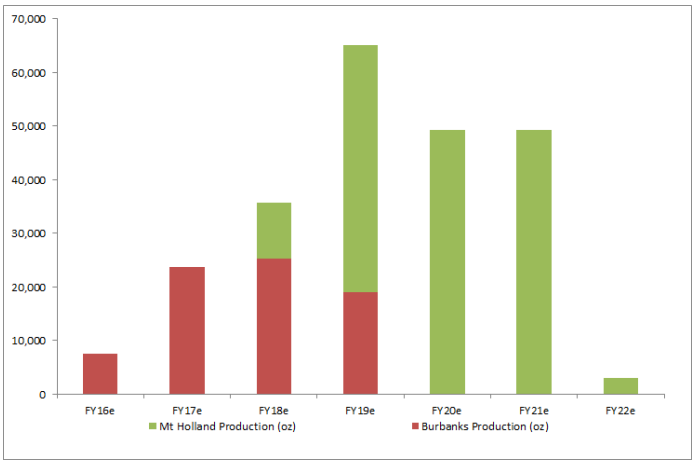


Source: PAC Partners estimates

Assumed yearly production across both projects.

Extensions to the modelled mine life at either operations are possible

Estimated Annual Production



Source: PAC Partners estimates

Peer Comparison Results

Peer Comparison – EV/Resource Ounce

We have looked at a number of ASX gold companies, either developing or producing, and calculated an average EV/Resource ounce figure of $121/oz.. Based on this metric the implied valuation for KDR would be $0.58/sh. If the average of developers and emerging producers of $57/oz is used then the implied valuation for KDR would be $0.27/sh. **The resulting range is $0.27 - $0.58/sh**

Peer Comparison – EV/EBITDA

We have calculated the EV/EBITDA for FY17 and FY18 based on consensus numbers with the FY17 average 2.82x and FY17 average 2.47x.

Using these multiples **the implied valuation range for KDR is $0.23/sh to $0.36/sh**.

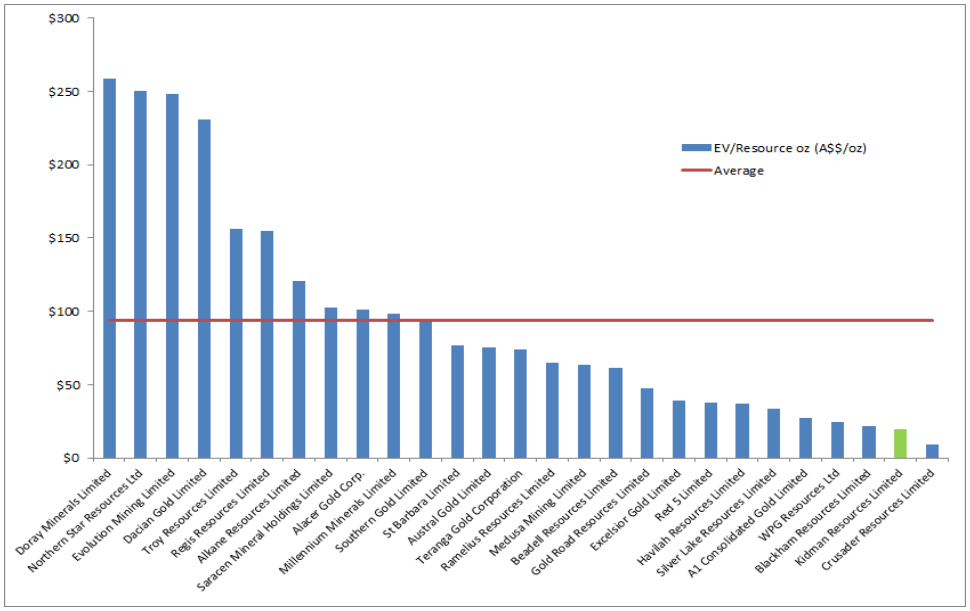
Peer Comparison – EV/EBITDA and EV/Resource Ounce

	EV/Resource Oz	EV/EBITDA FY17	EV/EBITDA FY18
Doray Minerals Limited	259	1.70	1.80
Northern Star Resources Ltd	250	3.90	3.25
Evolution Mining Limited	249	3.80	3.74
Dacian Gold Limited	231	-40.39	6.18
Troy Resources Limited	156	2.72	1.80
Regis Resources Limited	155	4.95	4.53
Alkane Resources Limited	121	3.02	1.84
Saracen Mineral Holdings Limited	102	3.90	3.72
Alacer Gold Corp.	101	3.85	2.16
Millennium Minerals Limited	98	nm	nm
Southern Gold Limited	94	nm	nm
St Barbara Limited	77	1.68	1.57
Austral Gold Limited	75	nm	nm
Teranga Gold Corporation	74	2.10	2.89
Ramelius Resources Limited	65	1.71	2.00
Medusa Mining Limited	64	1.03	1.02
Beadell Resources Limited	62	3.38	3.08
Gold Road Resources Limited	47	-28.57	-23.50
Excelsior Gold Limited	39	nm	nm
Red 5 Limited	38	0.58	0.79
Havilah Resources Limited	37	nm	nm
Silver Lake Resources Limited	34	1.69	1.24
A1 Consolidated Gold Limited	27	nm	nm
WPG Resources Ltd	24	nm	nm
Blackham Resources Limited	22	2.32	1.34
Kidman Resources Limited	20	1.16	0.66
Crusader Resources Limited	9	nm	nm

Source: PAC Partners estimates, company reports and consensus estimates, Capital IQ.

Peer Comparison Chart - EV/Resource Ounce

On an EV/Resource ounce basis KDR is trading under a number of their peers.



Source: PAC Partners estimates, company reports and consensus estimates, Capital IQ.

Risks

Geological Variability: The nature of the mineralisation at Burbanks in particular is in a structurally complicated setting and will require tight geological control during mining.

Production from Burbanks – the gold is coarse/nuggetty style and therefore can fluctuate along the seam. The company has used a 5.5g/t figure in their resource model, historically production grades have ranged from 14-27g/t. Therefore the resource grade could be seen as conservative but there is still a risk with this type of gold that there will be lean quarters. – high risk

Resource extensions – At Burbanks the resource is 99koz, so ~2yrs production. KDR will be undertaking drilling to increase the resource and increase mine life, but this remains an unknown. – high risk

Resource extensions – At Mt Holland the mine life is 3.5 years, one of the priorities will be infill drilling and drilling at depth to increase mine life. The nature of the mineralisation at Mt Holland make this a lower risk than Burbanks but the risk of increasing the Mt Holland resource needs to be acknowledged.

Access to capital – The construction of Mt Holland will require an estimated ~$40m (PAC estimates), at this stage no funding package is in place.

Commodity Pricing and Currency Changes: As a commodities company KDR are exposed to movements in the underlying commodity prices and also the prevailing exchange rate.

Permitting: Whilst a number of existing permits are in place at Mt Holland the permitting process will need to be completed before construction and production commence.

Legal Challenges: As is unfortunately a regular occurrence with Western Australian there has been forfeiture claims lodged over some of the tenements in the Mt Holland Project. The claims are alleging that minimum expenditure commitments were not met by the previous holder. In the most recent quarterly released by KDR they maintain that expenditure commitments over the Mt Holland group of tenements exceeded minimum requirements. KDR is confident that the claims will be resolved and as such has commenced planning and approval for a drilling program at Mt Holland.

Board and Management

Peter Lester
Chairman

Peter is a mining engineer with more than 40 years' experience in the mining industry in various roles including construction, project and mine management. He has worked in operational roles at Mt Isa and Broken Hill, as well as senior executive positions with North Ltd, Newcrest Mining Ltd, Oz Minerals Ltd and most recently with Citadel Resources Group Limited. Peter is also currently chairman Doray Minerals.

Martin Donohue
Managing Director

Martin is the founder of Kidman Resources Limited. He has had over 15 years' experience in equity capital markets and the natural resources sector He is a director of several private and public companies focused on base and precious metals with projects in Australia and Sub Saharan Africa. He has been instrumental in putting together Kidman's portfolio of mineral projects in Australia.

Brad Evans
Non-Exec Director

Brad is a mining engineer with over 17 years' mining experience and is currently General Manager of Mining Plus, an international Mining Consultancy. He has a range of experience from mine production, planning and management on mine sites, to organisation leadership.

Michael Green
Geology Manager

Michael is a geologist with 10 years' experience. He spent 6 years at Newmont working in both the Regional Exploration Team in Qld, NSW and the NT before moving to the Tanami Operations where he was responsible for both near mine and District exploration

COMPANY SUMMARY

Kidman Resources Limited

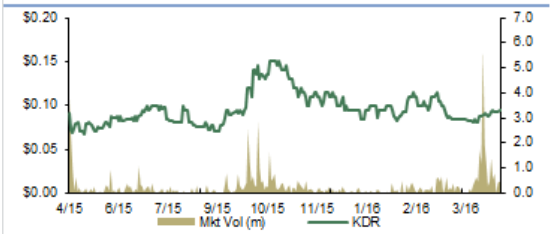
KDR.AX

28/04/2016

Price Information

Price ($/Share)	$0.10	Target Price ($/Share)	$0.18
Mkt Cap ($m)	$23		
Enterprise Value ($m)	$22		

Share Price & Volume Chart



Commodity / FX forecasts

	FY16E	FY17E	FY18E	FY19E
Gold Price (US$)	1,163	1,200	1,200	1,200
AUD:USD	0.73	0.72	0.72	0.72

Production

	FY16E	FY17E	FY18E	FY19E
Burbanks Prod. (oz)	7,563	23,623	25,198	18,899
Mt Holland Prod (oz)			10,484	46,252

NPV by parts

	Un Risked		Risked	
	A$m	Per Share	A$m	Per Share
Burbanks	$22.6	$0.10	$20.3	$0.09
Mt Holland	$34.7	$0.15	$17.3	$0.07
Corporate	-$7.7	-$0.03	-$7.7	-$0.03
Debt	-$6.0	-$0.03	-$6.0	-$0.03
Cash	$8.6	$0.04	$8.6	$0.04
Exploration	$10.0	$0.04	$10.0	$0.04
Total NAV (A$m)	**$62.1**	**$0.26**	**$42.5**	**$0.18**

FINANCIAL SUMMARY

Year End - Jun	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E
KEY METRICS						
EPS Growth (%)	93.3%	>100%	-0.7%	>100%	-23.1%	7.0%
PER (x)	-16.08	3.76	3.79	1.81	2.36	2.20
Dividend Yield (%)	0	0	0	22	17	18
EV/EBITDA (x)	-104.3	2.3	2.9	0.9	0.5	-0.1
EV ($m)	22	30	64	42	20	-2
ROE (%)	-17.8%	54.5%	46.4%	56.8%	32.5%	28.1%
ROA (%)	-24.2%	42.0%	27.6%	40.6%	35.7%	46.8%
ROIC (%)	-7.6%	37.6%	21.1%	48.4%	45.1%	59.3%
PROFIT & LOSS (AUD $m)						
Revenue	12	40	60	109	84	86
EBITDA	0	13	22	48	39	40
Depreciation & Amortisation	1	2	5	13	12	12
EBIT	-0.8	10.5	17.2	35.2	26.9	28.2
Net Interest Expense	-0.6	-0.6	-0.9	-1.1	-0.7	-0.2
Income Tax Expense	0.0	-3.0	-4.9	-10.2	-7.9	-8.4
NPAT Reported	-1.4	6.9	11.4	23.9	18.3	19.6
NPAT Adjusted	-1.4	6.9	11.4	23.9	18.3	19.6
PER SHARE DATA (cps)						
Shares on Issue (m)	237	275	455	455	455	455
EPS Reported	-0.6	2.5	2.5	5.2	4.0	4.3
EPS Adjusted	-0.6	2.5	2.5	5.2	4.0	4.3
DPS	0.0	0.0	0.0	2.1	1.6	1.7
BALANCE SHEET (AUD $m)						
Cash	7	5	2	16	30	45
Debtors & Inventory	1	2	4	5	4	4
PP&E	10	19	53	45	36	27
Intangibles	0	0	0	0	0	0
Total Assets	18	26	63	73	77	83
Borrowings	6	8	22	15	7	0
Creditors	1	3	6	8	6	6
Total Liabilities	7	11	28	23	14	6
Net Assets	11	15	34	50	63	77
BALANCE SHEETS RATIOS						
Gearing - Debt/Equity (%)	-2.9	23.3	60.3	-1.5	-36.1	-59.3
Interest Cover (x)	-1.3	17.5	19.4	31.2	40.0	150.8
NTA per Share (cps)	4.4	5.4	7.5	10.9	13.8	16.8
CASH FLOW (AUD $m)						
EBITDA	1	15	26	53	44	42
Interest & Tax	0	-3	-6	-11	-7	-5
Working Capital Change	0	0	0	0	0	0
Operating Cash Flow	1	8	16	39	35	35
Maintenance Capex	-4	-7	-6	-5	-3	-3
Free Cash Flow	-3	2	11	35	32	32
Capex	-7	-4	-34	0	0	0
Equity Issues / (Buy Backs)	8	2	14	0	0	0
Proceeds from Borrowings	5.4	2.3	11.2	-8.6	-8.6	-6.4
Other	-2.0	-4.0	-4.0	-2.5	-2.0	-2.0
Net Cash Flow	**1**	**-2**	**-3**	**14**	**14**	**16**

Resources

	Tonnes (Mt)	Au grade (g/t	Au (oz)
Van Uden	5.4	1.38	238,000
Blue Vein	4.8	2.39	372,500
Twinnings Group (Earl Grey, J	3.6	1.10	128,000
Bushpig	0.7	1.16	28,000
Razorback	0.3	1.13	10,000
Victory	0.4	1.20	15,000
Bounty South	0.1	1.42	3,000
Bounty Main - open cut	1.4	1.86	84,000
Bounty North - open cut	0.7	1.40	32,000
Bounty East - open cut	0.5	1.20	18,000
Mt Holland Sub Total	**17.9**	**1.78**	**928,500**
Bounty Main - underground	2.0	3.69	235,000
Bounty North - underground	0.1	2.52	11,000
Mt Holland Total	**20.0**		**1,174,500**

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

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PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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