28 July 2016

**ASX Release**


Kidman Resources Limited
ABN 88 143 526 096


***Corporate Details:***

ASX Code: KDR / KDRO

***Issued capital:***
237.2 M ordinary shares
47.45 M Options

***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

***Contact Details:***


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# Quarterly Activities Report – June 2016

## Kidman confirms lithium potential at the Mt Holland Project and makes strong progress in strategy to become a significant Australian gold producer

**Highlights:**

Kidman Resources Limited (ASX: KDR) is pleased to report the details of the June 2016 quarter for the Company as it implements its strategy to become a significant Australian gold producer.

- Binding Heads of Agreement signed to acquire the Mt Holland Gold project in the Forrestania Greenstone Belt near Southern Cross W.A, plus the Esmeralda Gold project in Qld for a consideration of $3.5 M. (refer to ASX announcement 18th December). Shareholder approval received in June for completion.

- Strong exploration results at Burbanks extended high grade mineralisation in the Dahmu and Hadfield Lodes, and contributed to the current mine plan. Mineralisation was also intersected in the Tailor Lode north of the current mine area. Further drilling defined down dip extensions at Hadfield. (Refer to ASX Announcement 5th April 2016)

- Gunga West gold project sold to Metals X for up to $2.5M (refer to ASX Announcement 31st March 2016)

- Kidman maiden drilling campaign at Blue Vein extends the high grade deposit by 60m down dip with an upcoming drilling program being organised to test mineralisation down plunge and to target areas of known high grade mineralisation with the aim of upgrading the current Resource. (Refer to ASX Announcement 20th June 2016)

- Lithium review of Kidman's Mt Holland Project established the 6.3 km Texas pegmatite and other multiple shallow pegmatite occurrences totalling over 25 kms within the Forrestania Greenstone Belt.

- Initial testing for Lithium in drill core from the Bounty deposit returns exceptionally strong lithium oxide assay results. 54.2m at 1.53% $Li_2O$ from 37.8m and 33.5m at 1.39% $Li_2O$ from 294m. (Refer to ASX Announcement 2nd June 2016)

- Successful Institutional Share placement and Rights Issue raising $8.07M before costs, with shortfall oversubscribed

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**Safety:**

There were no Lost Time Injuries (LTIs) for the quarter hence the Lost Time Injury Frequency Rate (LTIFR) remains at zero.

**BURBANKS**

**Mining – Underground:**

| Kidman Resources Limited July – Dec 2015 Half Yearly Production | | | | | | |
|---|---|---|---|---|---|---|
| | Units | Sep Qtr. FY16 | Dec Qtr. FY16 | Mar Qtr. FY 16 | June Qtr. FY16 | YTD FY16 |
| Ore Mined | t | 23,943 | 48,095 | 4,333 | 1,685 | 78,056 |
| Ore Mined Grade - Gold | g/t | 2.28 | 2.57 | 2.06 | 2.94 | 2.46 |
| Ore Processed | t | 17,307 | 45,815 | 13,249 | 0 | 76,371 |
| Ore Processed Grade - Gold | g/t | 2.57 | 2.57 | 1.89 | 0 | 2.45 |
| Recovery - Gold | % | 93.8% | 95.8% | 96.4% | N/A | 95.4% |
| Gold Production | oz. | 1,342 | 3,626 | 775 | 0 | 5743 |
| Gold Sold | oz. | 1,342 | 3,626 | 775 | 0 | 5743 |

Mining activities during the quarter saw the recommencement of production following a period of successful underground mine development having appointed the highly regarded operators Pybar, as the mining service contractor.

This change in contractor was the result of acquiring the remaining 20 per cent stake from Joint Venture partner, Blue Tiger Mines Pty Ltd during the March quarter. Having full ownership has enabled Kidman to lay the foundations to improve the performance not previously possible under the JV arrangement. To ensure future mining success, initial activities for the quarter involved an upgrade of infrastructure and mine services; the implementation of hand held mining methods and the further development of Dahmu and Taylor.

The Dahmu lode has been accessed on the 1350 level with strike driving now underway with grades in line with expectations. Stoping of some remnant mining blocks on both Dahmu and Tailor has also commenced, with a small stockpile on the ROM Pad by end of quarter.

Since Pybar mobilised to site, more than 240m of development has been completed and significant improvements have been made to the mine, including capital works to improve the underground infrastructure such as upgrading escapeways and increasing both primary and secondary ventilation capacity. Improvements have also been made to the dewatering system, the electrical reticulation and power supply and to safety standards throughout the mine.

Kidman has also commenced planning for an improved water management system that will allow it to consider accessing “Burbanks Deeps”. This area around the historic 7 level is 100 vertical metres below the current limit of mine workings.

**Exploration:**

Exploration activities at Burbanks for the quarter included 1,127m of reverse circulation (RC) drilling from surface into Dahmu, 1,995m of RC drilling into the Hadfield, Jesson, and Tailor Lodes, and 983.4m of underground diamond drilling into the Hadfield Lode.

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The drilling has further delineated mineralisation along extensions of the Tailor, Jesson and Hadfield Lodes and has also further defined up-dip mineralisation in the Dahmu lode. (Refer to ASX Announcement 5th April 2016)

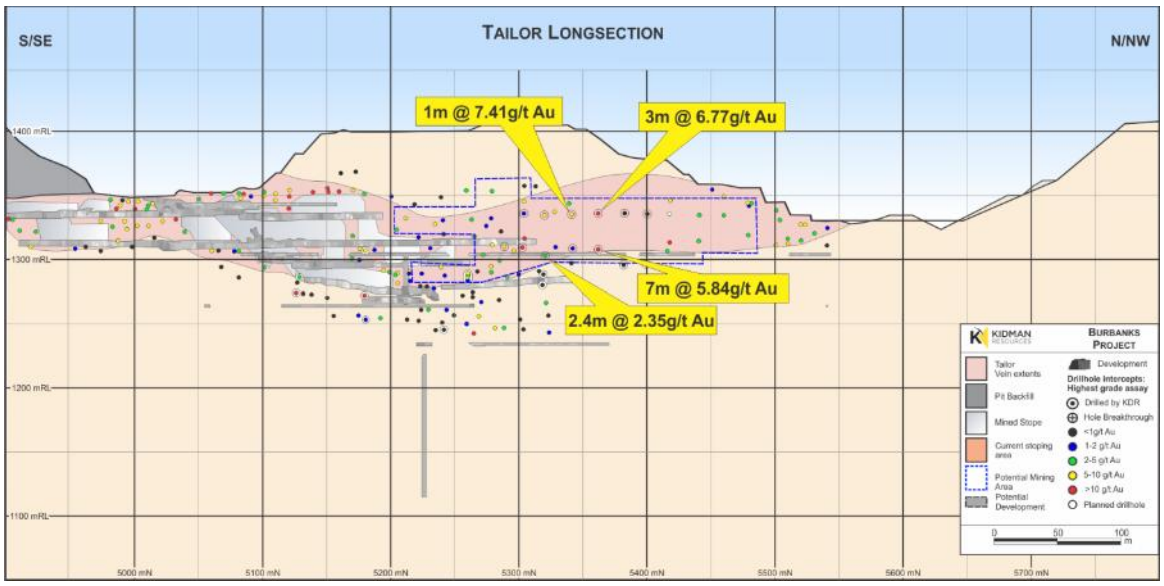



**Figure 1: March 2016 Surface RC Programme targeting Tailor** (coloured intercepts represent peak downhole Au grade intercept -*Refer to KDR ASX announcement Apr 5th*)

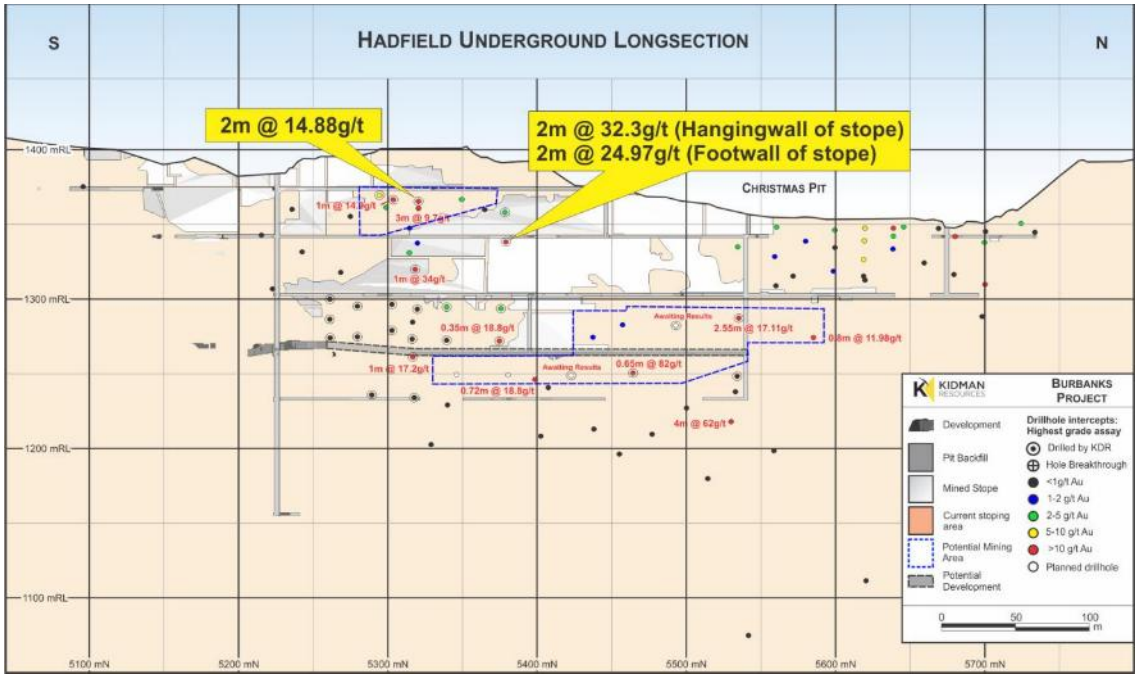



**Figure 2: March 2016 Surface RC and Underground Diamond Programme targeting Hadfield** (coloured intercepts represent peak downhole Au grade intercepts - *Refer to KDR ASX announcement Apr 5th*)

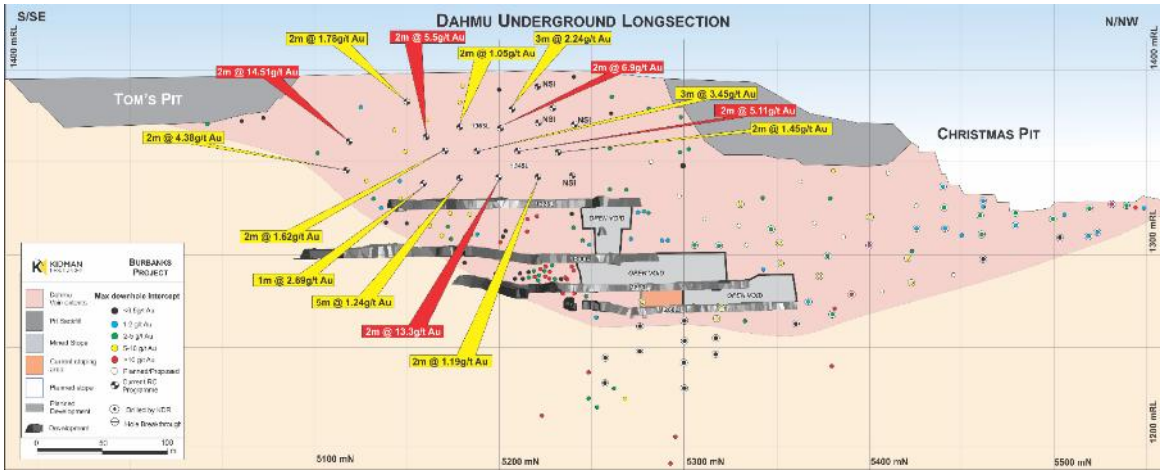



**Figure 3: February 2016 RC Programme targeting Dahmu** (coloured intercepts represent peak downhole Au grade intercepts - *Refer to KDR ASX announcement 27th Jan*)

Highlights from these drilling programmes include:

**Dahmu:**

- **2m @ 14.51g/t Au from 42m**
- **2m @ 13.3g/t Au from 59m**
- **2m @ 6.9g/t Au from 39m**
- **2m @ 5.5g/t Au from 42m**
- **2m @ 5.11g/t Au from 48m**

**Tailor:**

- **3.0m @ 6.77 g/t Au from 96m**
- **7.0m @ 5.84 g/t Au from 101m**
- **1.0m @ 7.41 g/t Au from 96m**

**Hadfield:**

- **2.55m @ 17.11g/t Au from 197.2m**
- **0.65m @ 82g/t Au from 116.45m**
- **2.0m @ 32.3 g/t Au from 70m**
- **2.0m @ 24.97 g/t Au from 74m**
- **2.0m @ 14.88 g/t Au from 45m**

As well as extending the known mineralisation, the results confirmed the structural model developed by Kidman when it acquired the project last year. (*Refer to announcements 27th Jan, 23rd Mar, and 5th Apr).*

An underground diamond drilling program has been designed to upgrade the mineralisation below the 7 level so that a mine plan can be devised for accessing this part of the mine. Historic reports held in the public domain by the WA DMP record sampling by early miners of the 7 level. These report intervals of 76m along strike averaging 17.1 g/t with an average width of 1.1m and 30m along strike @ 18.3 g/t with an average width of 1.5m. The 7 level mineralisation is believed to form part of a second deeper folded shear zone under the main mineralised shear currently being mined. Apart from the area around the 7 level, this deeper shear zone remains very poorly tested.

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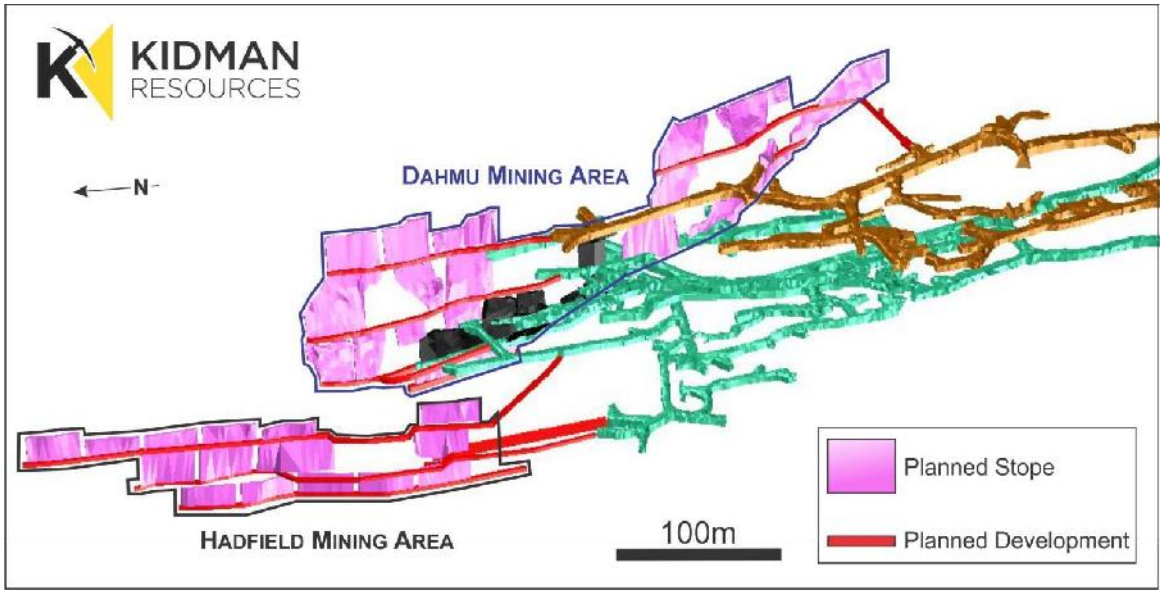



**Figure 4. Current development and planned stoping on Dahmu and Hadfield lodes**

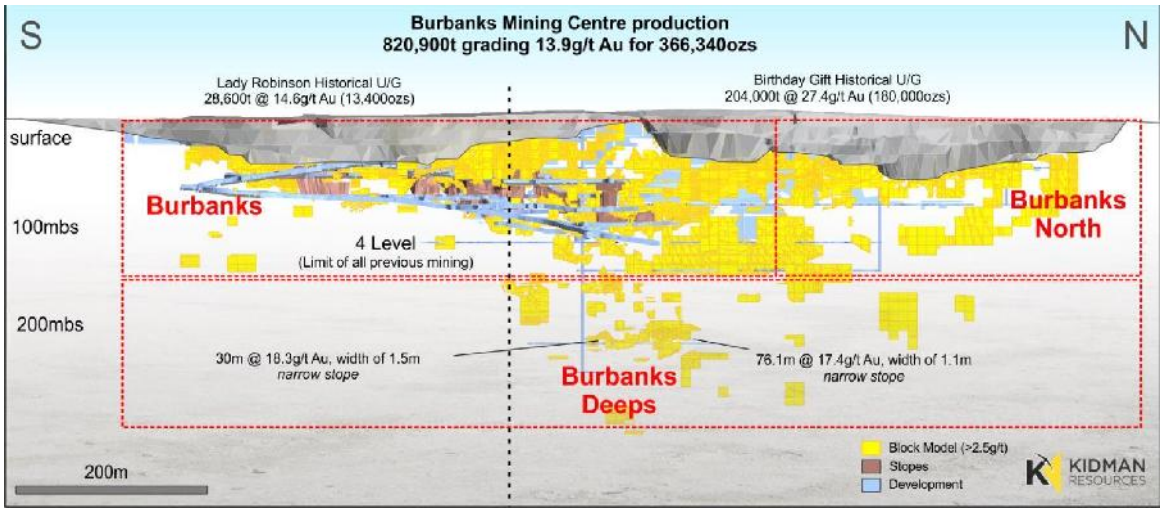



**Figure 5. Long section showing Burbanks Deeps area which is currently around 100m vertically below current limit of mine workings**

## MT HOLLAND

### Exploration:

Kidman signed a Binding Agreement to acquire the Mt Holland gold field in WA at a price that equates to $3.77 per Resource ounce. (Refer to ASX Announcement 1st March 2016). Shareholder approval to complete the acquisition was received at a general meeting on June 29th.

The Mt Holland Goldfield extends over a 50km long package within the Forrestania greenstone belt south of Southern Cross. Within this 50km strike extent there remains numerous untested geochemical and geophysical anomalies that provide significant potential to Kidman in an area that rarely becomes available in WA's eastern goldfields.

In May 2016, Kidman commenced a maiden drilling campaign at Blue Vein to extend the high grade Blue Vein deposit by 60m down dip with results including an intersection of 3.8m at 5.47gpt Au within a wider zone of 13m @2.28 gpt Au.

The Blue Vein deposit remains open down-plunge and will be tested in this direction as part of the next drilling program. This upcoming program will also target areas of known high-grade mineralisation with the aim of increasing grade confidence in the upper areas of the deposit.

Kidman Resources employed the services of Mining Plus to undertake a Leapfrog modelling exercise to better determine the high grade mineralisation controls in the Blue Vein deposit. The work has highlighted three consistent high-grade lodes which show strong geological and grade continuity from surface. The observations made during this work have been confirmed through the review of historic drill core and core photographs, thus increasing confidence in the impending drilling program.

A fourth high-grade lode has also been recognised at depth. However, due to the sparseness of drilling at this depth, the geological continuity cannot be confirmed. As Kidman drills the upper extents of the deposit, holes will be designed and eventually drilled to increase the confidence in this high-grade shoot geometry, which will hopefully increase the longevity of the Blue Vein project.

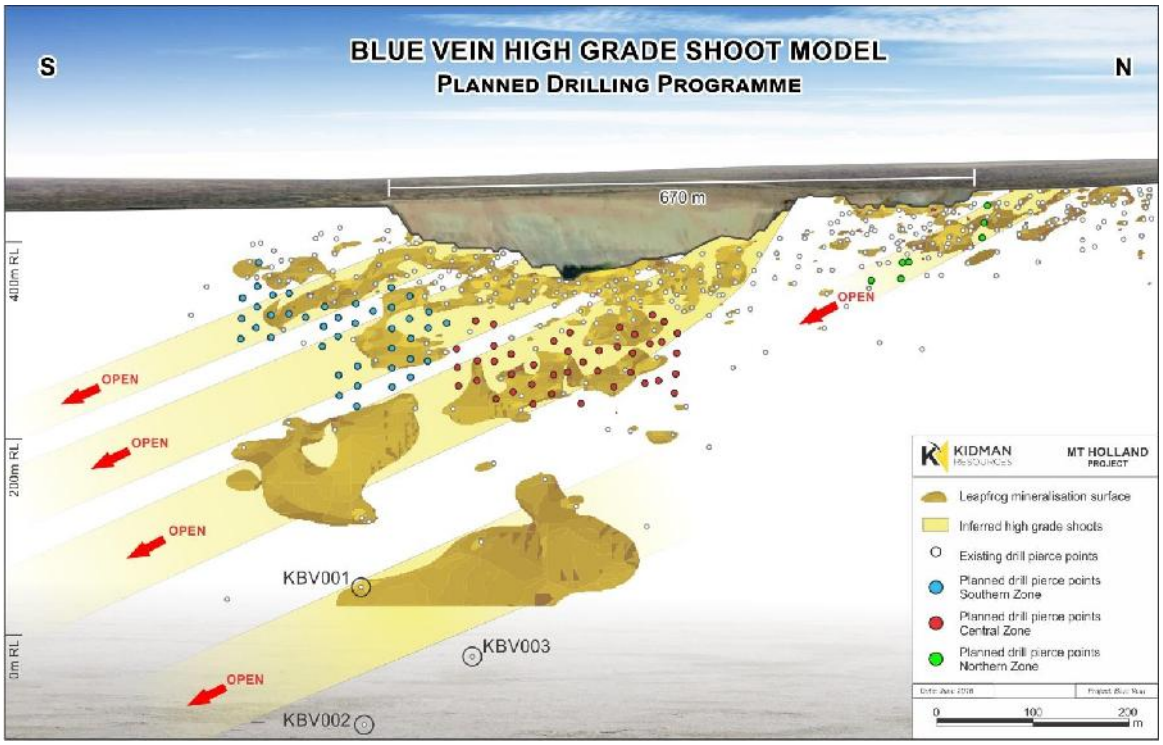



**Figure 6: Blue Vein Long section, planned programme of work**

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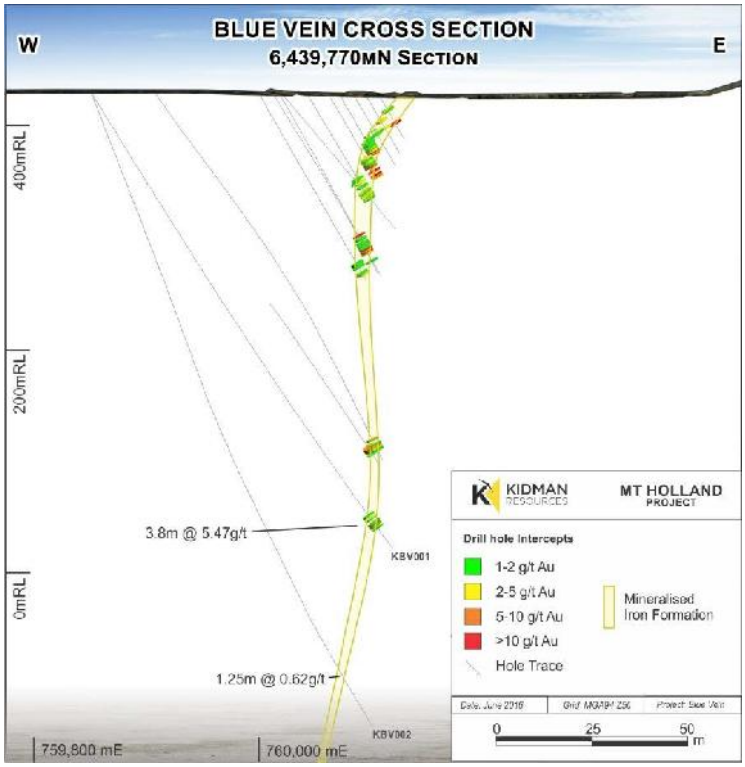
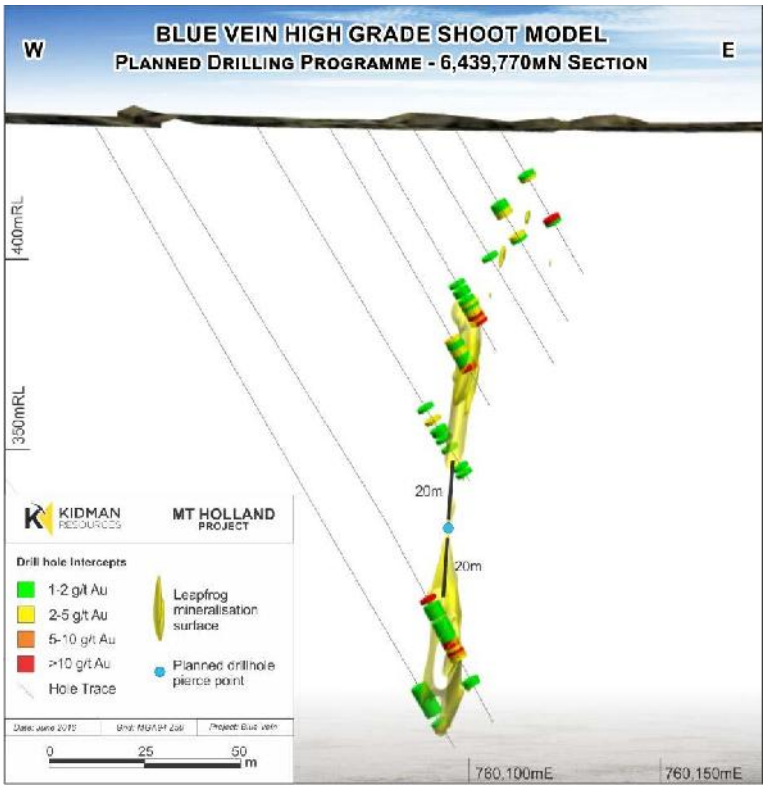



**Figure 7: Blue Vein Cross section on 6,439,770 Section. KBV001 showed the grade continuity 60m down dip of the previously drilled intercepts at Blue Vein, KBV002 intercepted the mineralised structure however showed a lower grade as it lies outside the plunge of the high grade shoot that continues to the south.**



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**Figure 8: Blue Vein Cross section showing a typical infill hole in the upper portions of the upper area of the deposit. The drill programme is designed to increase the confidence in the high grade zones in the upper portions of the deposit this is typically reflected in Figure 3; numerous sections will be drilled to increase this confidence and reflects the continuity seen within the Blue Vein deposit.**

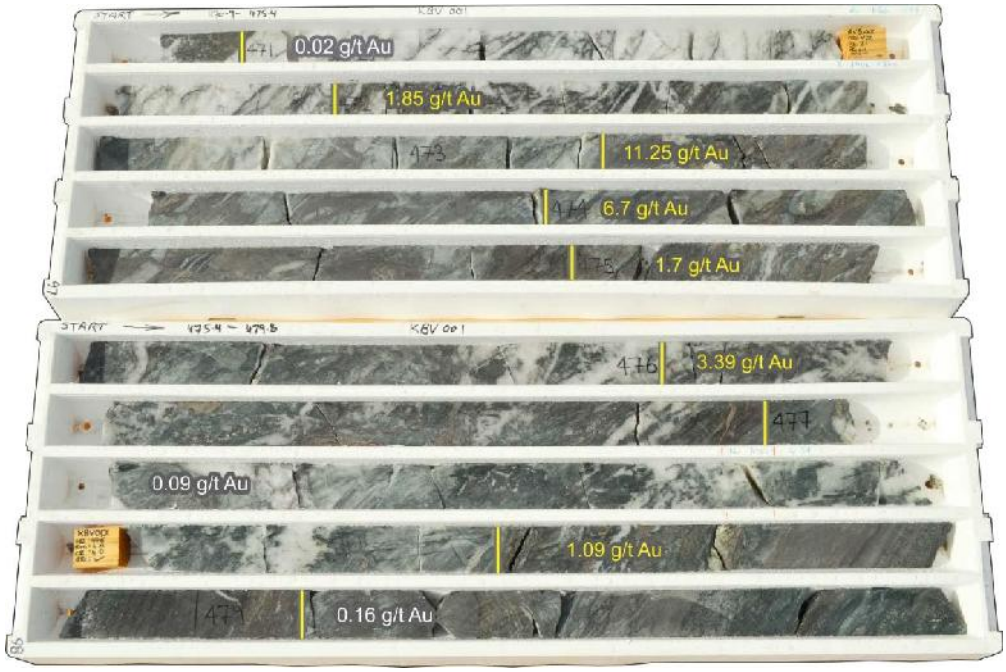



**Figure 9: Main mineralised interval of KBV001 displaying sulphide altered Iron Formation with significant quartz veining. The gold is distributed within the sulphide-rich Iron formation primarily in association with pyrrhotite and arsenopyrite. The significant intercept of 3.8m at 5.47gpt Au in KBV001 shows the same textures and rock characteristics as high grade intercepts seen in the upper portions of the deposit that will be targeted in the upcoming Reverse Circulation drill programme.**



**Figure 10: KBV001 Drilling undertaken by DDH1 Drilling at Blue Vein**

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In addition to Blue Vein, Mt Holland has other deposits which include Twinings, Van Uden, Bush Pig and Razor Back. Significantly, these deposits are open at depth and provide significant scope for Kidman to grow the potential within the overall project area

Due to third party interest and inquiries regarding the lithium rights at Mt Holland, Kidman performed a review on the Lithium potential within the Mt Holland Project area. Five historical Bounty Mine drill holes were selected for their notable spodumene bearing pegmatite intersections. The returned assay results were exceptional with grades including:

**MDA084A, from 0 to 2.8m:**

- **2.8m @ 2.38% $Li_2O$, 211 ppm $Cs_2O$, and 56 ppm $Ta_2O_5$**

**BUG0010, from 238.7 to 239.3m:**

- **0.6m @ 1.33% $Li_2O$, 337 ppm $Cs_2O$, and 27 ppm $Ta_2O_5$**

**BUG0170, from 194 to 199m:**

- **5m @ 1.79% $Li_2O$, 160 ppm $Cs_2O$, and 50 ppm $Ta_2O_5$**

Further analysis of previously drilled diamond holes showed significant lithium potential at the Bounty deposit returning some of the best seen in WA, showing **54.2m at 1.53% $Li_2O$ from 37.8m and 33.5m at 1.39% $Li_2O$ from 294m.** (refer to ASX Announcement 23rd May, 2016). These results highlight the huge potential of lithium mineralisation within the Mt Holland package and will be explored by Kidman in the next quarter.

## NSW & NT Projects

During the quarter, Kidman continued to review all projects in the NT and NSW with the aim of considering ways to potentially divest these assets. The aim will be to consider opportunities that may directly benefit Kidman shareholders, as it turns its focus to the Burbanks and Mt Holland Gold projects in WA. No field work was conducted on these projects during the Quarter.

## CORPORATE

### Update on Cash Advance Financing Facility

Subsequent to the end of the quarter, the Company has entered into an agreement to extend the repayment date of the Cash Advance Financing Facility with Capri Trading Pty Ltd entered into on 28 April 2015. The Company has now agreed to repay $1 million on or before 1 May 2017 and the remaining balance of the loan and interest ($6.3 million) is due payable on or before 1 May 2018, being a 12 month extension from the previous repayment date of May 2017 for only $100,000 in interest.

### Other financing

The last quarter saw Kidman Resources raise over $5m through its Rights Issue Offer and placement of shortfall shares, with the shortfall being oversubscribed. The total amount raised in 2016 amounted to $8m.

Following approval received by shareholders for the purchase of MH Gold Pty Ltd in June 2016, the Company completed the transaction through the payment of the initial consideration of $2m. MH Gold Pty Ltd owns the Mt Holland goldfield in WA and the Esmeralda gold project in Qld.

The remaining $1.5m in relation to the purchase of MH Gold Pty Ltd is payable in shares (not cash) which was renegotiated along with the extension to the cash finance facility with Capri Trading Pty Ltd. This final payment will be due once certain forfeiture claims are resolved. These claims were lodged

over some tenements after administrators were appointed to Convergent Minerals and prior to Kidman signing the Heads of Agreement to acquire MH Gold on 18th Dec 2015.

## Kidman Tenement holding summary

Below is a listing of the tenements held by Kidman Resources Limited as at 30 June 2016:

| Mining Tenement | Location | Beneficial Percentage held | Interest acquired/farm-in during the quarter | Interest disposed/farm-out during the quarter |
|---|---|---|---|---|
| EL 23186 – Home of Bullion | NT, Australia | 100% | - | - |
| EL 7537 – Blind Calf | NSW, Australia | 100% | - | - |
| EL 7538 - Wilmatha | NSW, Australia | 100% | - | - |
| EL 7820 – Melrose | NSW, Australia | 100% | - | - |
| EL 7821 – Lockerbie | NSW, Australia | 100% | - | - |
| EL 7523 - Kiacatoo | NSW, Australia | 100% | - | - |
| EL 4152 – Bogong | NSW, Australia | 100% | - | - |
| EL 8275 – Murrin Bend | NSW, Australia | 0% | - | 100% |
| EL 8276 – Trevallan | NSW, Australia | 0% | - | 100% |
| EL 6321 – Browns Reef | NSW, Australia | 100% | - | - |
| EL 7746 – Achilles | NSW, Australia | Right to acquire up to 90% | - | - |
| EL 7931 – Shepherds | NSW, Australia | Right to acquire up to 90% | - | - |
| EL 7891 – Tarilta | NSW, Australia | Right to acquire up to 90% | - | - |
| EL 8103 – Hill View | NSW, Australia | Right to acquire up to 90% | - | |
| M15/0161 | WA, Australia | 0% | 20% | 100% ** |
| M15/0026 | WA, Australia | 0% | 20% | 100% ** |
| M15/0518 | WA, Australia | 0% | 20% | 100% ** |
| M15/0637 | WA, Australia | 0% | 20% | 100% ** |
| M15/1272 | WA, Australia | 0% | 20% | 100% ** |
| M15/1361 | WA, Australia | 0% | 20% | 100% ** |
| P15/4848 | WA, Australia | 0% | 20% | 100% ** |
| P15/4849 | WA, Australia | 0% | 20% | 100% ** |
| P15/4852 | WA, Australia | 0% | 20% | 100% ** |
| P15/4851 | WA, Australia | 0% | 20% | 100% ** |
| P15/5234 | WA, Australia | 0% | 20% | 100% ** |
| M77/0477 - Van Uden North | WA, Australia | 80%* | 80% | - |
| M77/0478 - Van Uden South | WA, Australia | 80%* | 80% | - |
| M77/0522 - Van Uden North North | WA, Australia | 80%* | 80% | - |
| M77/0523 - Van Uden South South | WA, Australia | 80%* | 80% | - |
| E77/1361 - Deserts | WA, Australia | 80%* | 80% | - |
| E77/1463 - Alpine | WA, Australia | 80%* | 80% | - |
| E77/1535 - Cities | WA, Australia | 80%* | 80% | - |
| E77/1582 - Aircraft | WA, Australia | 80%* | 80% | - |
| M77/1065 - Cheeses | WA, Australia | 100%* | 100% | - |
| M77/1066 - Bounty | WA, Australia | 100%* | 100% | - |
| M77/1067 - BushPig | WA, Australia | 100%* | 100% | - |
| M77/1068 - Razorback | WA, Australia | 100%* | 100% | - |
| M77/1080 - Twinings | WA, Australia | 100%* | 100% | - |
| P77/4082 - Cascadia | WA, Australia | 100%* | 100% | - |
| P77/4115 - Snow | WA, Australia | 100%* | 100% | - |
| P77/4220 - Lily | WA, Australia | 100%* | 100% | - |
| E77/1772 - Castles | WA, Australia | 100%* | 100% | - |
| E77/1773 - Southern Cross | WA, Australia | 100%* | 100% | - |
| E77/1775 - Sea | WA, Australia | 100%* | 100% | - |
| E77/2011 - Coffee | WA, Australia | 100%* | 100% | - |
| Mining Tenement | Location | Beneficial | Interest | Interest |

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| | | Percentage held | acquired/farm-in during the quarter | disposed/farm-out during the quarter |
|---|---|---|---|---|
| **E77/2080 - Battles** | WA, Australia | 100%* | 100% | - |
| **E77/2097 - Generals** | WA, Australia | 100%* | 100% | - |
| **E77/2137 - Planets** | WA, Australia | 100%* | 100% | - |
| **E77/2162 - Moons** | WA, Australia | 100%* | 100% | - |
| **E77/2167 - Golf** | WA, Australia | 100%* | 100% | - |
| **E77/2188 - Hamlet** | WA, Australia | 100%* | 100% | - |
| **E77/2305 - Michael** | WA, Australia | 100%* | 100% | - |
| **G77/0037** | WA, Australia | 100%* | 100% | - |
| **G77/0038** | WA, Australia | 100%* | 100% | - |
| **G77/0045** | WA, Australia | 100%* | 100% | - |
| **G77/0047** | WA, Australia | 100%* | 100% | - |
| **G77/0048** | WA, Australia | 100%* | 100% | - |
| **G77/0049** | WA, Australia | 100%* | 100% | - |
| **G77/0050** | WA, Australia | 100%* | 100% | - |
| **G77/0068** | WA, Australia | 100%* | 100% | - |
| **G77/0070** | WA, Australia | 100%* | 100% | - |
| **G77/0071** | WA, Australia | 100%* | 100% | - |
| **G77/0072** | WA, Australia | 100%* | 100% | - |
| **G77/0073** | WA, Australia | 100%* | 100% | - |
| **G77/0109** | WA, Australia | 100%* | 100% | - |
| **G77/0110** | WA, Australia | 100%* | 100% | - |
| **L77/0059** | WA, Australia | 100%* | 100% | - |
| **L77/0085** | WA, Australia | 100%* | 100% | - |
| **L77/0096** | WA, Australia | 100%* | 100% | - |
| **L77/0107** | WA, Australia | 100%* | 100% | - |
| **L77/0176** | WA, Australia | 100%* | 100% | - |
| **L77/0193** | WA, Australia | 100%* | 100% | - |
| **L77/0194** | WA, Australia | 100%* | 100% | - |
| **L77/0198** | WA, Australia | 100%* | 100% | - |
| **L77/0199** | WA, Australia | 100%* | 100% | - |
| **L77/0200** | WA, Australia | 100%* | 100% | - |
| **L77/0205** | WA, Australia | 100%* | 100% | - |
| **L77/0206** | WA, Australia | 100%* | 100% | - |
| **L77/0207** | WA, Australia | 100%* | 100% | - |
| **L77/0208** | WA, Australia | 100%* | 100% | - |
| **EPM18050** | WA, Australia | 100%* | 100% | - |
| **EPSX00410113** | WA, Australia | 100%* | 100% | - |
| **E77/2111 -Application** | WA, Australia | 100%* | 100% | - |
| **E77/2244 - Application** | WA, Australia | 100%* | 100% | - |
| **L77/0271 - Application** | WA, Australia | 100%* | 100% | - |

* During the quarter, Kidman Resources signed a binding heads of agreement to acquire MH Gold Pty Ltd and subsidiary Montague Resources

** Sale of interest complete subject to transfer with the WA Department of Mines and Petroleum

**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.

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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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