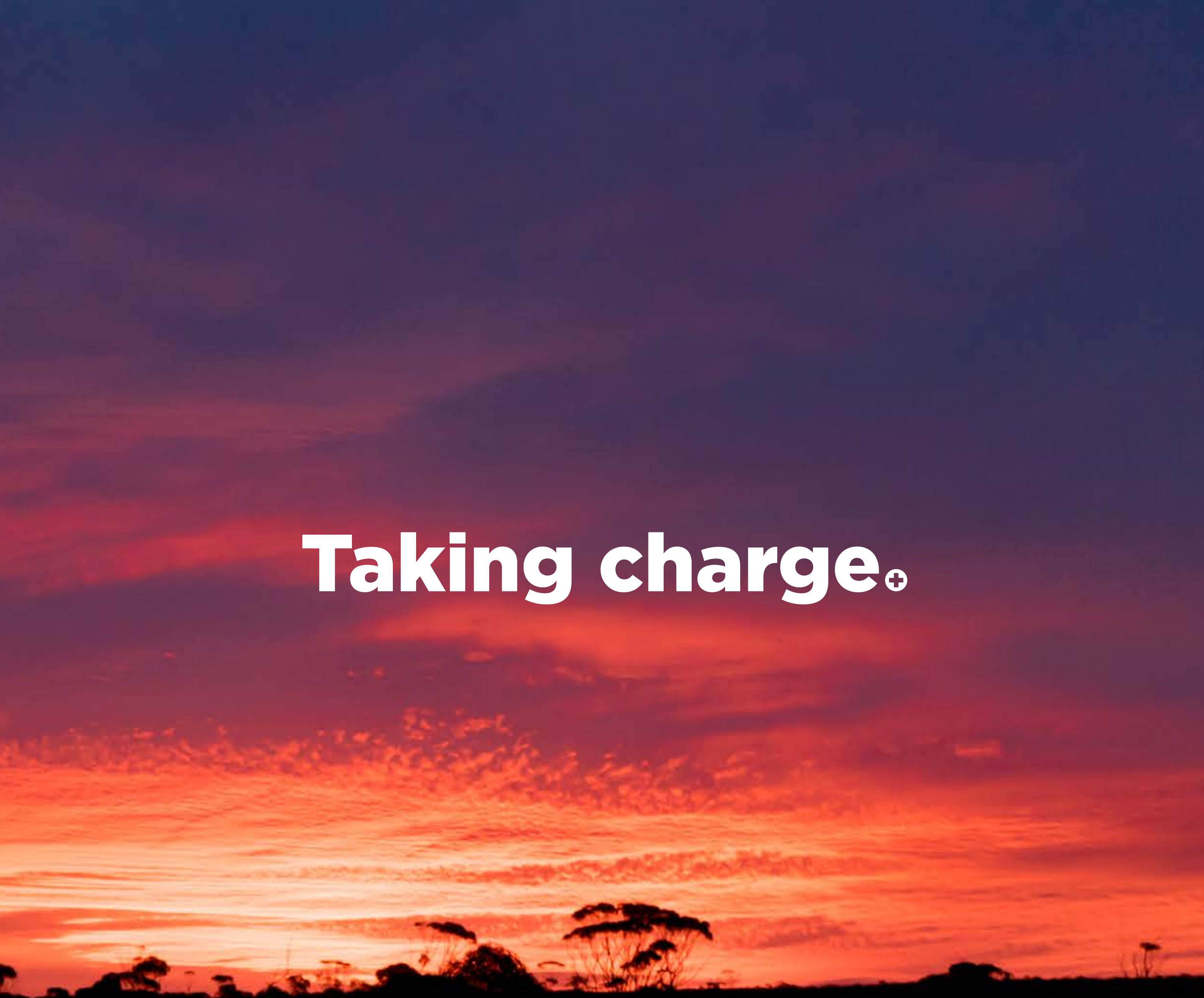


# Taking charge+

## Annual Report 2018

KIDMAN RESOURCES

# 7.03Mt

**of lithium carbonate equivalent**

**Kidman and its joint venture partner SQM hold the tier-1, globally significant Earl Grey Lithium Deposit.**

**Kidman, through its joint venture with SQM, is planning to develop an integrated mine-to-refinery project producing refined, battery grade lithium hydroxide in Western Australia.**

# Chairman's and CEO & Managing Director's report

**Dear Fellow Shareholders,**

The past six months have been a transitional period while we move from our previous financial year end of 30 June, to our new financial year end of 31 December. As a result, and consistent with our obligation to file an annual report at the conclusion of each financial period, we are writing to you to provide an update on your company and its progress during the second half of 2018.

We have made significant progress across all aspects of the Mt Holland Lithium Project in the last six months. Through the joint venture entity, Covalent Lithium, we advanced in a number of key areas including pre-feasibility studies and the declaration of a maiden Ore Reserve for the Earl Grey lithium deposit. We also strengthened Kidman's balance sheet and secured offtake arrangements with high quality, investment-grade counterparties.

The outlook for lithium remains positive, with demand supported by the growth in the electric vehicle market. Kidman's strategy to produce refined, battery grade lithium hydroxide is set to address this demand directly with a premium refined lithium product for global suppliers and manufacturers.

## Recent Progress

Our joint venture with SQM is now well established and SQM and Kidman continue to work well together to further progress the Mt Holland Lithium Project. In 2018 it was decided that the joint venture would be renamed "Covalent Lithium" so that it has an identity and brand suitable for the future marketing of battery-grade, refined lithium hydroxide.

An integrated pre-feasibility study for the Mt Holland Lithium Project was completed in December, confirming a compelling business case for Covalent Lithium to develop an integrated mine-to-refinery project producing refined, battery grade lithium hydroxide. Pleasingly, the study showed particularly attractive project economics, including an $NPV_{10\%}$ (nominal) of US$2.2 billion (100%) and IRR of 26.6%. The definitive feasibility study for the integrated Mt Holland Lithium Project is now underway.

In December, we announced a maiden Ore Reserve at Mt Holland's Earl Grey deposit of 94.2 million tonnes at 1.5% $Li_2O$. This has confirmed Earl Grey's status as a globally significant hard-rock lithium deposit and Kidman as a long term, low sovereign risk supplier of lithium hydroxide to world markets.

We were also pleased to wholly resolve the tenement forfeiture issue during the second half of the year following formal grant by the Minister of Mines and Petroleum (Western Australia) of certificates of exemption from minimum expenditure obligations and dismissal of forfeiture applications on the Mt Holland tenements. This concluded the matter in full.

The Company also made significant progress in relation to funding and offtake arrangements. This included offtake arrangements with Mitsui & Co., Ltd. and LG Chem and a US$100 million funding term sheet with our joint venture partner SQM. In parallel, we completed the first stage of our debt financing process, being the receipt of indicative terms from prospective debt financiers regarding a potential facility to fund Kidman's share of capital expenditure to construct the Mt Holland Lithium Project and associated owners' costs. The indicative terms we received confirm significant interest from multiple leading domestic and international lenders for conventional project finance and support Kidman's strategy to maximise debt financing for the project.

Kidman also strengthened its balance sheet through the receipt of the final two joint venture milestone payments from SQM, with US$25 million (A$34.8 million) paid directly to Kidman and US$60 million (A$83.6 million) paid to Covalent Lithium (Kidman share 50%).

## 2019 Priorities

Looking ahead, our priorities for the coming financial year are clear and Kidman will focus on:

— completing the definitive feasibility study for the integrated Mt Holland Lithium Project (scheduled for mid-year) and proceeding to a final investment decision;

— progressing to definitive, binding offtake agreements;

— commencing the next stage of the project financing process; and

— continuing to evaluate other marketing opportunities on our current near term uncontracted and longer-term production share from the project.

On the basis of successfully achieving a final investment decision, we expect to commence early stage construction in the second half of the year.

Work on each of the above is underway, and we look forward to updating shareholders further in due course.

## People and Governance

Two important new appointments were announced in August and we were delighted to welcome Frederick Kotzee as Chief Financial Officer and Tom Wilcox as General Counsel & Company Secretary. We were fortunate to attract individuals of the calibre of Frederick and Tom, in line with our strategy to continue the skills-based strengthening of the Company as it evolves.

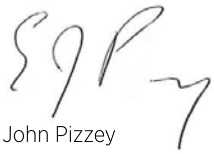
Full details of the qualifications and experience of all members of our Board and senior management team are set out on pages 16 to 18 of this Annual Report.

As we referenced above, the Company has recently changed its financial year end from 30 June to 31 December. The change was made to align Kidman's financial year with that of SQM and our joint venture entity, Covalent Lithium, and thus eliminate significant duplication and administration costs for Kidman and Covalent Lithium in particular.

## Closing remarks

We would like to close by thanking Kidman's and Covalent Lithium's employees, as well as our joint venture partner SQM and all our stakeholders for their contributions over the past financial year. Their efforts are critical as we continue to bring the Mt Holland Lithium Project to fruition and we are grateful for their dedication to the success of the project and your Company.

Yours sincerely,



John Pizzey
Chairman

Martin Donohue
CEO & Managing Director


**Demand for lithium is expected to be supported by increasing penetration of electric vehicles, with lithium hydroxide in particular being used in the fastest-growing battery types.**

# Operating and financial review

31 December 2018

## HIGHLIGHTS:

- **Announced the results of a pre-feasibility study on the proposed Kwinana Refinery and an updated scoping study on the proposed Mt Holland Mine & Concentrator (the Refinery and Mine & Concentrator together, the Mt Holland Lithium Project).**
- **Completed the pre-feasibility study on the integrated Mt Holland Lithium Project, with the results confirming the compelling business case for Covalent Lithium to develop an integrated mine-to-refinery project producing refined, battery grade lithium hydroxide, including a highly attractive NPV and IRR.**
- **Released the maiden Ore Reserve for the Earl Grey lithium deposit at Mt Holland of 94.2 million tonnes at 1.5% $Li_2O$.**
- **Commencement of definitive feasibility study for the integrated Mt Holland Lithium Project.**
- **Announcement of lithium hydroxide offtake arrangements with investment grade counterparties Mitsui & Co., Ltd. and LG Chem.**
- **Entered into a funding term sheet with Kidman's joint venture partner in the Mt Holland Lithium Project, SQM, to provide Kidman with a US$100 million capital expenditure debt facility to partially fund Kidman's share of construction of the Mt Holland Lithium Project.**
- **Receipt of joint venture milestone payments from SQM, being US$25 million paid directly to Kidman and US$60 million paid to Covalent Lithium (Kidman share 50%).**
- **Completion of the first stage of the Company's debt financing process to fund Kidman's share of capital expenditure to construct the Mt Holland Lithium Project.**
- **Formal grant by the Minister of Mines and Petroleum (Western Australia) of certificates of exemption from minimum expenditure obligations and dismissal of forfeiture applications on Mt Holland tenements.**

## OPERATIONS

### Mt Holland (Lithium) – Project Development

The period ended 31 December 2018 saw significant advances in the project development for the Mt Holland Lithium Project. The integrated Mt Holland Lithium Project has been defined by the joint venture partners to incorporate the Mine & Concentrator at Mt Holland producing spodumene (**$Li_2O$**) concentrate and transporting that by road and rail to the Refinery located in Kwinana. The Refinery is sized to produce 45,254 tonnes of lithium hydroxide (**LiOH**) per annum.

Covalent Lithium has been tasked with delivering the project in 2021. Covalent Lithium has engaged global engineering firm WSP to provide project management services to ensure that the project development is fast tracked and managed cost effectively. Covalent Lithium has also engaged Hatch as lead consultant to undertake all of the design, engineering and cost estimation associated with the project. During the year Covalent Lithium, supported by Hatch, produced a pre-feasibility study (**PFS**) for the Refinery and an updated Scoping Study for the Mine & Concentrator and then a further updated integrated pre-feasibility study (**IPFS**) for the entire Mt Holland Lithium Project.

### Project Studies

In October 2018, Kidman announced the results of the PFS completed by Covalent Lithium on the proposed Kwinana Refinery and an updated scoping study on the Mine & Concentrator. Having confirmed the compelling business case to build the Refinery, Kidman and SQM subsequently agreed to streamline the remaining studies into an IPFS and definitive feasibility study (**DFS**) for the entire Mt Holland Lithium Project, to better reflect the integrated nature of the project and its implementation and execution.

The results of the IPFS were announced in December 2018.[1] Headline outcomes included:

- Long-life, low-cost operation with projected annual average production of 45,254 tonnes of LiOH (Kidman share: 22,627 tonnes).
- 5.5% $Li_2O$ concentrate grade adopted, which is subject to optimisation during the DFS stage.
- Outstanding project economics in line with previous studies:
  - post-tax $NPV_{10\%}$ (nominal) of US$2.2 billion (100% basis);
  - robust margins;
  - rapid payback (3 years); and
  - a strong IRR of 26.6%.[2]
- Total integrated capital expenditure of US$737 million (Kidman share: US$368 million) including contingencies, in line with the previous estimate.[3]
- C1 cash operating cost (net of by-products) of US$4,507/t LiOH (excluding government royalties),[4] subject to further optimisation during the definitive feasibility study stage.

The next stage in the development of the Mt Holland Lithium Project is an integrated DFS which was commenced in December 2018 and is expected to be completed in mid-2019, after which a final investment decision will be made.

1 For additional details see the Company's ASX announcement dated 18 December 2018 titled "Integrated Pre-feasibility Study completed on schedule and maiden Ore Reserve declared for Mt Holland Lithium Project".

2 Based on Roskill price estimates.

3 Excludes owners' costs of US$76 million (Kidman share US$38 million) during construction.

4 Integrated cash operating cost excludes cash cost for government royalties and includes by-product credits from excess concentrate production not used for Refinery.

**Table 1: Summary outcomes of IPFS (100% basis) – Base Case ~45,254 LiOH[5]**

| Outcomes | Unit of Measure | Refinery PFS and updated scoping study (Oct-18) | IPFS (Dec 18) |
|---|---|---|---|
| Estimated project life | Years | 47 | 47 |
| Life of project revenue (real) | US$ billion | 33.5 | 33.3 |
| Life of project EBITDA (real) | US$ billion | 22.0 | 21.2 |
| Integrated Capital (excluding contingency) | US$ million | 601 | 609 |
| Integrated Capital (including contingency) | US$ million | 755 | 737 |
| Post-tax NPV10% nominal[(i)] | US$ billion | 2.3 | 2.2 |
| Internal rate of return (IRR) | % | 27.7 | 26.6 |
| C1 cash operating cost (net of intermediate products)[(ii)] | US$ / tonne LiOH | 4,164[(iv)] | 4,507[(v)] |
| Project payback | Years | 3 | 3 |
| Average LiOH price over first 10 years (real)[(iii)] | US$ per tonne | 14,074 | 14,074 |
| Life of project assumed LiOH price (real)[(iii)] | US$ per tonne | 15,115 | 15,115 |

(i) NPV discount factors are presented on a nominal basis.
(ii) Integrated cash operating cost excludes cash cost for government royalties and is net of revenue from excess concentrate production not used for Refinery (being US$578/t in the IPFS and US$644/t in Refinery PFS and updated scoping study.
(iii) Based on Roskill price estimates.
(iv) Inclusive of 15% contingency on Refinery operating costs.
(v) IPFS includes zero contingency on Refinery operating costs reflecting greater certainty on operating costs.

## Maiden Ore Reserve

As part of the IPFS the Company announced a maiden Ore Reserve for the Earl Grey deposit at Mt Holland of 94.2 million tonnes at 1.5% $Li_2O$.[6] The maiden Ore Reserve was a significant milestone for the Company in 2018. The significant size of the Ore Reserve will mean that any future investment decisions will be bolstered by a substantial mineral endowment.

**Table 2: Ore Reserves for the Earl Grey Deposit**

| Classification | Feed (Mt) | Grade $Li_2O$ (%) | Grade ($Fe_2O_3$) (%) | Grade ($Ta_2O_5$) (ppm) | Waste (Mt) | Total (Mt) |
|---|---|---|---|---|---|---|
| Proved | 54.4 | 1.5 | 1.3 | 45 | 199 | 253 |
| Probable | 39.8 | 1.5 | 1.4 | 54 | 222 | 261 |
| **Total** | **94.2** | **1.5** | **1.4** | **50** | **422** | **515** |

Note: All figures have been rounded to appropriate significant figures and rounding errors may occur.

For further details see the 2018 Statement of Reserves and Resources on page 13.

Additional details on the maiden Ore Reserve and Mineral Resource, including the JORC Table 1 Statement, are set out in the Company's ASX announcement dated 18 December 2018.

## Offtake arrangements

Kidman made significant progress in the 2018 financial year on its strategy to secure offtake arrangements with high quality counterparties for approximately 75% of its share of LiOH production (approximately 22.6kt per annum of LiOH) for the initial years of the Mt Holland Lithium Project.

In November 2018, Kidman announced that it had entered into a binding heads of agreement with Mitsui & Co., Ltd. to supply LiOH.

The heads of agreement is for an initial term of two years, plus two further two-year extension options. Agreed volumes to be supplied by Kidman will gradually increase and equate to less than 15% of Kidman's share of initial nameplate production from the Refinery. Pricing will be variable and based on the price Mitsui & Co., Ltd. achieves from its customers and prevailing international prices. There is a floor price for the duration of the initial term and any extension terms. The parties have agreed to enter into a definitive supply agreement by 30 June 2019.

5 All financial assumptions are presented for the integrated Mt Holland Lithium Project (comprising the Mine & Concentrator and Refinery), on a 100% basis.

6 Proved and Probable Ore Reserves.

## Offtake arrangements (cont)

In December 2018 Kidman entered a non-binding memorandum of understanding with LG Chem in relation to the supply of LiOH. LG Chem is the world's number one automotive battery supplier and an investment grade counterparty for Kidman.

The MOU contains commercial terms in relation to the supply of 12,000 tonnes per annum of LiOH over a term of ten years. Pricing is on arm's length terms set by reference to prevailing market prices, on a basis that will support the Company's proposed debt funding, but is otherwise confidential. The parties have agreed to work towards execution of a binding Strategic Supply Agreement by 31 July 2019.

Together with the offtake agreement announced with Tesla in May 2018, the Company now has arrangements in place that, once finalised, will cover the offtake volumes targeted by its strategy (approximately 75% of production in the initial years of the project) on terms that the Company is confident will provide significant support for its proposed debt financing.

The Company has received, and continues to receive, significant interest from potential customers in relation to its share of LiOH production from the Mt Holland Lithium Project.

## Metallurgy and processing

### Mine & Concentrator

Metallurgical testwork has continued under the supervision and direction of Covalent Lithium. The variable grain size and fine-grained nature of the spodumene has meant that liberation is a key issue and accordingly considerable testwork has focussed on feed preparation within a narrow size range. A two-stage process flowsheet has been determined to be optimal with dense media separation followed by flotation.

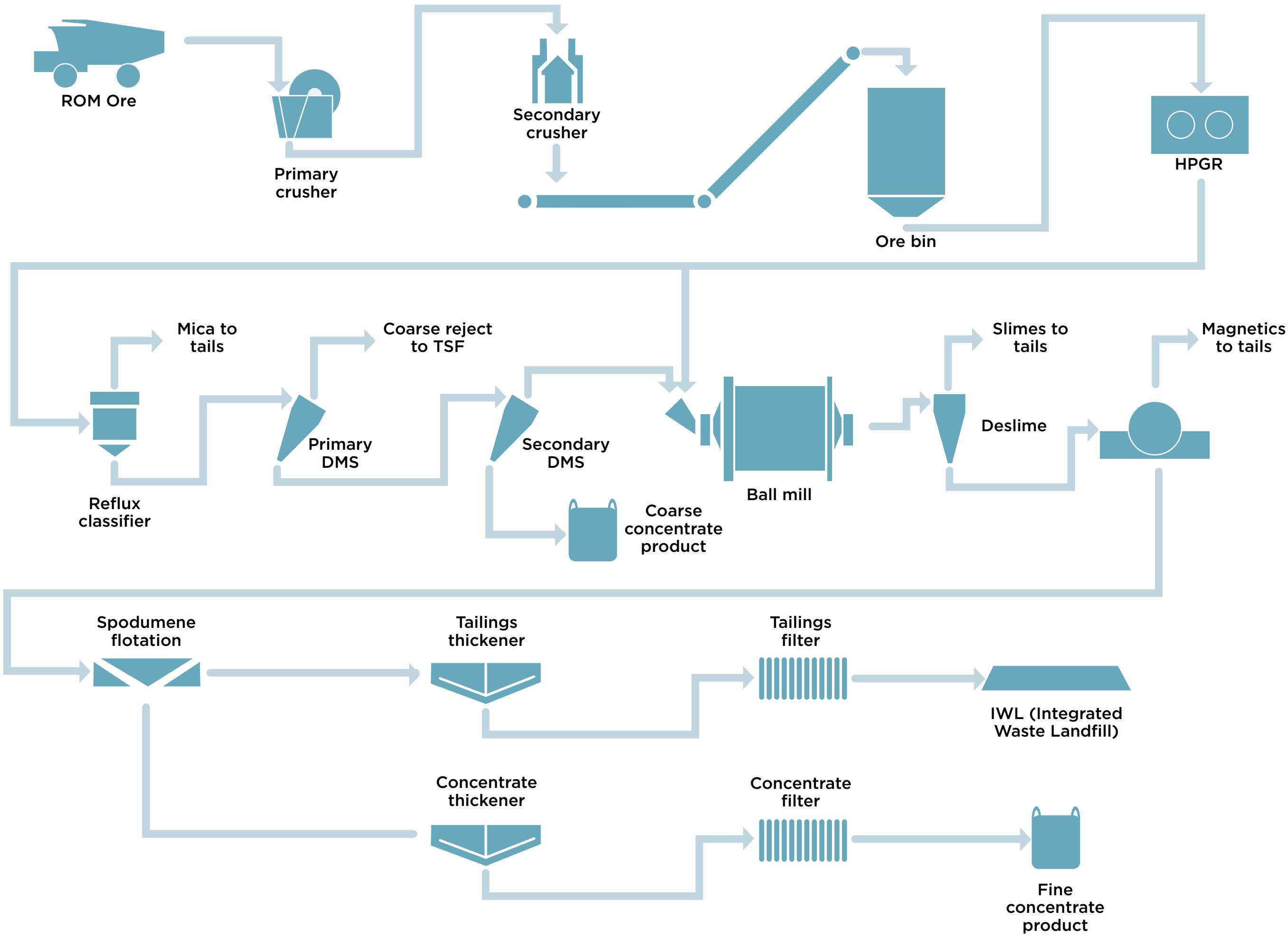
During the period bench scale testwork was followed by pilot plant work to optimise reagents, conditioning time and other variables that influence flotation performance. The flowsheet is shown in the following block diagram.

The flowsheet has been determined to achieve 75% overall recovery of $Li_2O$ at a grade of 5.5% (subject to optimisation) and expected low values of deleterious elements recovered in the concentrate. The pegmatite is hard and abrasive. Two stage crushing is followed by a high-pressure grinding roll machine (HPGR), reflux classifier to remove mica, two stages of dense media separation (DMS) using ferrosilicon with rejects from the first stage going to tails and underflow from the second stage to final concentrate and overflow going to flotation.

Flotation feed will be ground in a ball mill with subsequent de-sliming via cyclone cluster, then magnetic separation to remove iron and the feed will then go to a three-stage flotation circuit. All of the wet plant will use fresh water. Fresh water will be produced from the site raw water supply via a purpose-built water treatment plant using mechanical vapour compression. All waste streams will be combined, filtered and trucked from the plant to a dry stack tailings facility located to the south of the open pit. These dry stack tails will be co-mingled with open pit waste to form a safe, stable landform. Concentrate from the flotation plant will be filtered and combined with the gravity concentrate and stored in a concentrate storage shed for transportation to Kwinana. The following diagram shows a schematic layout of the plant.

The plant design and planning has incorporated the already disturbed footprint of the previous Bounty Gold processing plant. This has been done to minimise environmental impact on the Mt Holland site. During construction of the lithium concentrator old redundant infrastructure will be removed.

**Mine & Concentrator flowsheet**



## Refinery

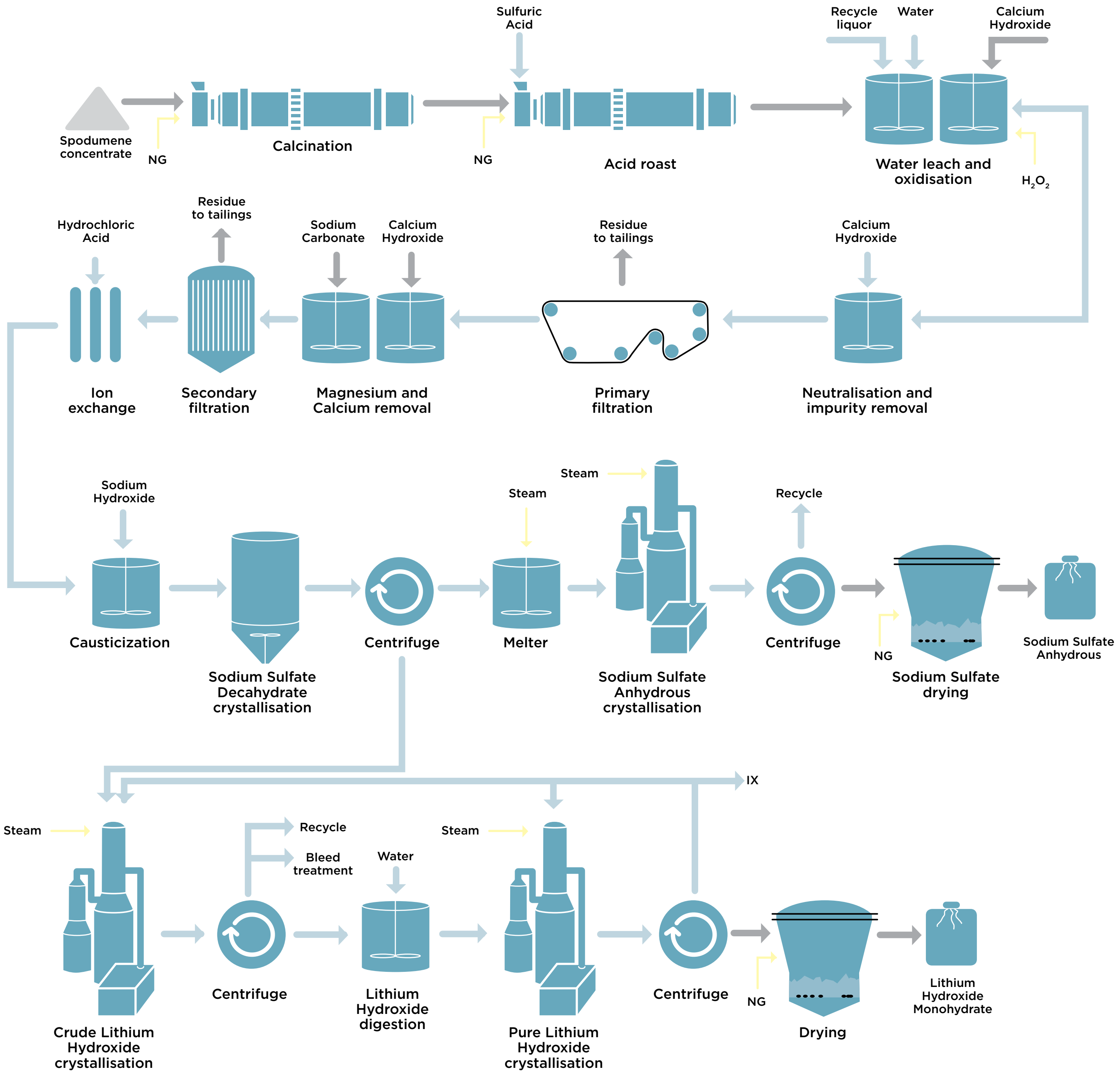
Testwork for the Refinery is continuing with emphasis on establishing the design criteria for the calcination and acid roast stages. Early engagement with vendors FLSchmidt and Thyssen-Krupp has been crucial to ensure confidence regarding the behaviour of Mt Holland concentrate when subjected to the conditions required for calcination to ensure maximum conversion from alpha to beta phase and hence optimum recovery of lithium into solution and final product.

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). 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 shown below.

The processing of spodumene concentrate into lithium hydroxide (LiOH) as the final product consists of calcination in a rotary kiln at ~ 1080°C to convert it from the alpha phase to the more reactive beta phase. The calcined product is then mixed with sulphuric acid and roasted in a rotary kiln before cooling and being sent to the leaching area where it leaches into the process liquor stream. This stream containing lithium in solution then goes through a process of neutralisation, filtration to remove solids and further removal of calcium and magnesium by additional precipitation and further filtering. Ion exchange then removes further trace impurities. Sodium hydroxide is then added to form lithium hydroxide which is then crystallised and further refined through various stages to form pure lithium hydroxide which is crystallised, dried and bagged. Sodium sulphate is removed as a by-product.

Refer to the Company's ASX announcement dated 9 November 2018 for a full process description of the Refinery flowsheet.

### Refinery flowsheet



### Environmental and permitting

The Mt Holland Lithium Project is subject to both Commonwealth and State legislation.

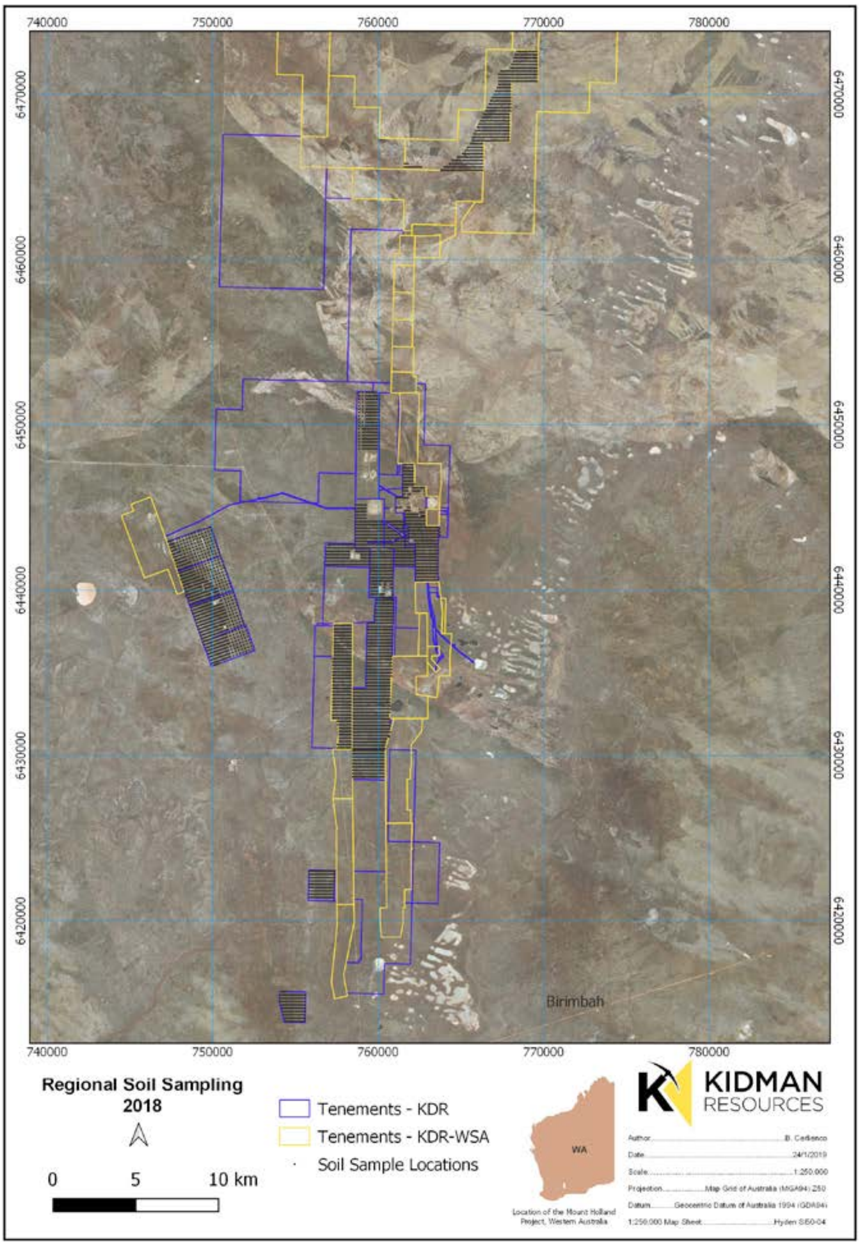
The development of the Mine & Concentrator and associated non-process infrastructure is currently being assessed by the Western Australia Environmental Protection Agency under Part IV of the *Environmental Protection Act 1986* (WA) and by the Commonwealth Department of Environment and Energy under the *Environment Protection and Biodiversity Conservation Act 1999* (**EPBC Act**). The level of assessment is a Public Environmental Review. The key environmental factors were determined to be Flora and Vegetation and Terrestrial Fauna. Specifically, the presence of Declared Rare Flora *Banksia Sphaerocarpa var. dolichostyla* and the IronCap Hills vegetation complexes Priority Ecological Community and the presence of *Chuditch* and *Malleefowl*. These species also triggered *Matters of National Environmental Significance* under the EPBC Act.

Mt Holland is a highly disturbed brownfields site which was an operating gold mine in the past (circa 1990-2002) and is largely un-rehabilitated. Covalent Lithium has planned to re-utilise as much of the currently disturbed area as possible when siting new infrastructure and disturbance associated with development of the Mt Holland Lithium Project in order to minimise new disturbance. The Environmental Review Document for the Mt Holland Lithium Project was submitted by Covalent Lithium to the Western Australia Environmental Protection Authority during 2018 and was published for public review in February 2019. It is expected that early works will commence in the first half of 2019 with full construction underway in the second half of 2019 after final approvals are obtained.

### Forrestania Regional Exploration Programme

A district-wide soil geochemical programme continued throughout 2018, with 4,995 samples collected from 15 tenements over this period. Sampling has focused primarily on rare-element pegmatite targets within the most prospective structural corridors in the greenstone belt, where evolved lithium-bearing pegmatites such as Earl Grey were emplaced. The results will be analysed in a district-scale context upon completion, and any geochemical anomalism deemed significant will be prioritised for drilling in 2019. The soil sampling programme can be seen in the diagram below.

Regional geochemical sampling




### Applications for exemption and forfeiture legal action

In September 2018 Kidman received notification that the Perth Mining Warden (**Warden**) had recommended to the Western Australian Minister for Mines and Petroleum (**Minister**) that applications for exemption from expenditure obligations relating to the period August 2015 to March 2016 affecting 13 mining tenements at Mt Holland be refused.

On 10 December 2018, Kidman announced that it had executed a deed of settlement with the objectors to the applications for expenditure exemptions on the Mt Holland tenements. As a result, all objections were withdrawn.

Shortly after the deed of settlement was executed, the Minister granted exemption certificates for all Mt Holland tenements that were subject to exemption applications and the Perth Mining Warden granted orders to dismiss all forfeiture applications relating to remaining Mt Holland tenements.

This formally brought these matters to a conclusion, providing certainty for Kidman and SQM, through Covalent Lithium, to progress the development of the integrated Mt Holland Lithium Project unimpeded.

### Senior Management appointments

On 7 August 2018 Kidman announced the appointment of two new members of the Senior Management Team.

Frederick Kotzee joined Kidman on 13 August 2018 as Chief Financial Officer and Tom Wilcox joined as General Counsel & Company Secretary on 22 August 2018.

Details of the qualifications and experience of Frederick and Tom can be found on page 18 of this Annual Report.

### NSW and NT Activities

While Kidman continues to focus on joint venture activities, it will also continue the process of reviewing, and if necessary, divesting, non-core assets. During the reporting period Kidman continued to review its Northern Territory and New South Wales projects and no further field work was conducted on these projects.

## FINANCIAL PERFORMANCE

### Cash in bank

During the period, Kidman's cash balance was boosted by the payment of SQM's joint venture milestone payment and at 31 December 2018 stood at $30.9 million. At the same date the number of fully-paid ordinary shares on issue was 404,753,285.

### SQM milestone payments

In December 2018 the Company received the final joint venture milestone payments from SQM. SQM made a payment of US$25 million (A$34.8 million) directly to Kidman and a payment of US$60 million (A$83.6 million) to Covalent Lithium (Kidman share 50%).

This funding will be used to underpin the further advancement of the Mt Holland Lithium Project. It marks the completion of SQM's earn in for its 50% share of the Mt Holland Lithium Project announced in July 2017.

Following receipt of the US$25 million milestone payment the Company repaid the balance of its Cash Advance Financing Facility with Capri Trading Pty Ltd.

### Project funding

During the period, the Company completed the first stage of its debt financing process, being the receipt of indicative terms from prospective debt financiers in relation to a potential project financing facility to fund Kidman's share of capital expenditure to construct the Mt Holland Lithium Project and associated owners' costs.

The Company was pleased to receive multiple positive responses from prospective financiers. These responses support and validate the Company's strategy to seek a project finance facility that maximises debt financing and minimises any equity contribution for the project. In particular, responses from prospective debt financiers have highlighted that having established offtake arrangements with high quality counterparties on terms that are supportive of debt financing is particularly attractive to prospective lenders and differentiates the credit quality of the Mt Holland Lithium Project relative to other lithium projects that have previously been developed.

Kidman is continuing to progress its project financing process in parallel with the completion of the integrated DFS on the Mt Holland Lithium Project.

### Joint venture funding

On 25 October 2018, Kidman announced that it had entered into a funding term sheet with SQM, pursuant to which SQM agreed to provide Kidman with a US$100 million capital expenditure debt facility to partially fund Kidman's share of construction of the Mt Holland Lithium Project. Interest for the capital expenditure facility will be capitalised at 6-month USD LIBOR plus a margin of 2%. The parties also agreed to a facility up to US$10 million to fund Kidman's share of joint venture cash calls prior to the receipt of SQM's outstanding milestone payments. Now that the milestone payments have been received, the US$10 million facility has been cancelled in accordance with its terms and the initial drawdown of US$1.5 million repaid.

The parties have completed the definitive agreements for the US$100 million facility.

The SQM funding arrangements, combined with the milestone payments already received, provide flexibility for the Company to commence the funding of its share of capital expenditure for the project, ahead of completing the project finance process outlined above.

## BUSINESS STRATEGIES AND PROSPECTS

Kidman is a lithium explorer and, through its joint venture with SQM, is planning to develop the Tier-1, globally significant Earl Grey lithium deposit at Mt Holland in Western Australia.

The rising demand in the global market for lithium ion batteries presents a unique opportunity for Kidman and for Australia. Independent research has estimated that the lithium value chain will grow from US$120 billion in 2017 to US$1.3 trillion in 2025.[7] Kidman's strategy is to address this surge demand as an integrated, ASX-listed, low cost producer of refined, battery-grade lithium hydroxide.

Kidman is pursuing a fully integrated Mine & Concentrator and Refinery model to produce lithium hydroxide. As an integrated producer, Kidman expects to capture higher margins through the sale of lithium hydroxide than is available to producers of lithium concentrate.

In December 2018, Kidman declared a maiden Ore Reserve for the Earl Grey lithium deposit at Mt Holland of 94.2 million tonnes at 1.5% $Li_2O$. This confirmed the Earl Grey resource as one of the world's most significant hard rock lithium deposits and is expected to provide a strong foundation for operations at Mt Holland.

In addition, the Earl Grey deposit has significant growth potential which is yet to be fully-explored. Kidman will continue to target further discoveries and product-supply extension within the Mt Holland district of which Kidman and its joint venture partner SQM hold the most significant ground.

The Earl Grey deposit has several qualities that lend the Mt Holland Lithium Project to becoming a long-life, low-cost open pit mining operation in the near-term, including:

- flat lying geometry with increasing thickness at depth, maintaining a low life-of-mine strip ratio;
- high grade mineralisation, starting from the onset of mining within the fresh pegmatite and consistent grade, for the life of the project ensuring consistent feed to the concentrator;
- capacity to expand the mining front; and
- significant additions still to be tested around the Earl Grey pegmatite and throughout the district, with prospects such as Bounty and Texas still to be defined.

As part of its future sales and marketing model, Kidman has arrangements in place to cover the offtake volumes targeted by its strategy (approximately 75% of production in the initial years of the project) on terms that the Company is confident will provide significant support for its proposed debt financing.

Having established offtake arrangements with high quality counterparties on terms that are supportive of debt financing is particularly attractive to prospective lenders and differentiates the credit quality of the Mt Holland Lithium Project relative to other lithium projects that have previously been developed in Australia and around the world.

7 https://amec.org.au/Public/Advocacy/AMEC-Submissions/A_lithium_Industry_in_Australia.aspx

## RISK MANAGEMENT

Key risks which may materially impact the execution and achievement of the business strategies and financial prospects for Kidman are summarised below and are risks largely inherent in the resources industry. This should not be taken to be a complete or exhaustive list of risks nor are risks disclosed in any particular order. Many of the risks are outside the control of Kidman and its officers.

### Studies and development risk

Kidman, through Covalent Lithium, is undertaking studies on the integrated Mt Holland Lithium Project. The studies contain technical, financial, business and other analysis in order to determine Kidman's readiness to proceed with the project from an operational, commercial and economic perspective. Should a decision be made to proceed with the Mt Holland Lithium Project, the development of these assets may be exposed to cost overruns, technical difficulties, timing delays and other unforeseen events. If Kidman ultimately recovers commercial quantities of lithium, there is no guarantee that it will generate a commercial return.

The studies that are being prepared utilise the input of experts and contractors where appropriate and are subject to regular review by senior management and the Board, as well as Kidman's joint venture partner SQM.

### Market demand and price

Kidman's key growth driver, the Mt Holland Lithium Project, depends on the production and subsequent sale of lithium hydroxide to a variety of customers. Demand for, and pricing of, lithium hydroxide is sensitive to external economic and political factors, many of which are beyond Kidman's control. Global lithium market fluctuations may materially affect Kidman's financial performance in the future.

To mitigate against future price fluctuations, Kidman has entered into offtake arrangements with a limited number of strategic, investment grade counterparties, while leaving a minority portion of future supply uncontracted. The offtake arrangements have been structured in a manner that, once finalised, will mitigate the impact of downside price fluctuations for certain agreed terms.

### Capital and liquidity risks

The future liquidity and capital requirements of Kidman will depend on many factors, including lithium hydroxide prices, development costs, foreign exchange, resource size and scale and mining techniques. Kidman's business and, in particular the development of the Mt Holland Lithium Project, requires access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all. Any inability to obtain sufficient debt or equity funding would have a material impact on Kidman's business and financial performance.

Kidman's funding requirements are continuously reviewed through detailed internal cash flow models that are updated as required for external and internal factors. Kidman endeavours to ensure that the best source of funding to maximise shareholder benefits and having regard to prudent risk management is obtained and is supported by economic and commercial analysis of all business undertakings. Kidman has structured its offtake arrangements with a view to maximising its ability to obtain funding for the project.

### Material contracts

The ability of Kidman to achieve its stated objectives will depend on the performance of the counterparties under various agreements it has entered into. If any counterparties do not meet their obligations under the respective agreements, this may impact on Kidman's business and financial returns.

Kidman monitors performance across material contracts against contractual obligations to minimise counterparty risk and seeks to include terms in agreements which mitigate such risks. In relation to Kidman's offtake arrangements, the Company has selected high quality, investment grade counterparties.

### Regulators and stakeholders

A number of regulatory approvals will be required to commence mining and production from the proposed Mt Holland Mine & Concentrator and the Kwinana Refinery. If regulatory approvals are not obtained, take longer than expected or are obtained on unsatisfactory conditions, Kidman's ability to proceed with those developments may be impaired. Changes in Government, monetary, taxation and other laws in Australia or internationally may impact Kidman's financial performance.

Kidman and Covalent Lithium monitor legislative and regulatory developments and work to ensure that all stakeholder concerns are addressed fairly and managed.

### Environmental

Kidman's joint venture activities are subject to state, national and international environmental laws and regulations. Kidman's activities can be potentially environmentally hazardous giving rise to costs for environmental rehabilitation, damage control and losses.

Kidman takes its environmental responsibilities very seriously. Kidman, through Covalent Lithium, is developing a comprehensive approach to the management of risks associated with health, safety, environment and community which includes standards for asset reliability and integrity, as well as technical and operational competency and requirements.

### Estimates of Ore Reserves and Mineral Resources

Ore Reserve and Mineral Resource assessments involve areas of estimation and judgement. The preparation of these estimates involves application of significant judgment and no assurance of mineral recovery levels or the commercial viability of deposits can be provided. The Company reviews and publishes its Ore Reserves and Mineral Resources annually.

The Ore Reserve and Mineral Resource estimates have been carefully prepared by a Competent Person in compliance with the JORC Code guidelines and are reviewed by the Company, SQM and Covalent Lithium. The estimation of the Company's Ore Reserves and Mineral Resources involves analysis of drilling results, associated geological and geotechnical interpretations, operating cost and business assumptions, and a reliance on commodity price and exchange rate assumptions. The Company's production targets and forecast financial estimates are based on the published Ore Reserves and Mineral Resources.

# 2018 Statement of Reserves and Resources

31 December 2018

## MINERAL RESOURCES

On 19 March 2018 Kidman delivered a significant increase in the Earl Grey Mineral Resource, reinforcing Mt Holland as one of the world's leading lithium development projects.

The March 2018 Mineral Resource estimate represented a 54% increase in total Mineral Resource tonnage compared with the maiden Mineral Resource announced in December 2016 and comprised a total of 189 million tonnes grading 1.50% $Li_2O$, containing 2.84 million tonnes of $Li_2O$.

The updated Mineral Resource estimate for the Earl Grey project incorporated drilling data acquired through several exploration campaigns completed by Kidman from August 2016 to January 2018.

The estimation was carried out by independent consultant, Mining Plus Pty Ltd, resulting in the estimation of Measured, Indicated and Inferred Resources. The reporting of all domains (using a cut-off of 0.5% $Li_2O$) results in a Measured, Indicated and Inferred Mineral Resource estimate of 189 million tonnes of $Li_2O$ which is detailed in Table 3.

The March 2018 Mineral Resource estimate provides further evidence that the Earl Grey deposit has the grade, scale and quality to underpin a low-cost, long-life, integrated mining and refining operation to produce lithium hydroxide.

**Table 3: Earl Grey Mineral Resource estimate December 2016 and March 2018**

| | 2016 Mineral Resource Estimate | | | | 2018 Mineral Resource Estimate | | | |
|---|---|---|---|---|---|---|---|---|
| Classification | Tonnes (Mt) | Grade $Li_2O$ (%) | Grade ($Fe_2O_3$) (%) | $Li_2O$ Tonnes (Mt) | Tonnes (Mt) | Grade $Li_2O$ (%) | Grade ($Fe_2O_3$) (%) | $Li_2O$ Tonnes (Mt) |
| Measured | - | - | - | - | 66 | 1.58 | 1.18 | 1.04 |
| Indicated | 78.5 | 1.44 | 1.39 | 1.13 | 106 | 1.52 | 1.09 | 1.61 |
| Inferred | 49.5 | 1.43 | 1.54 | 0.71 | 17 | 1.11 | 1.20 | 0.19 |
| **Total** | **128.0** | **1.44** | **1.45** | **1.84** | **189** | **1.50** | **1.13** | **2.84** |

Note: All figures have been rounded to appropriate significant figures and rounding errors may occur.

## ORE RESERVES

On 18 December 2018 Kidman declared a maiden Ore Reserve for the Earl Grey deposit comprising 94.2 million tonnes at 1.5% $Li_2O$, 1.4% $Fe_2O_3$. The Ore Reserve is based on the Mineral Resource estimate announced in March 2018 of 189 million tonnes at 1.50% $Li_2O$, containing 2.84 million tonnes of $Li_2O$.

The December 2018 Ore Reserve was compiled by Mining Plus Pty Ltd and is shown below in Table 4. The life-of-mine strip ratio (tonnes of waste/tonnes of ore) is estimated to be 4.5.

The Ore Reserve is the economically mineable part of the Measured and Indicated Resource. It includes mining dilution and allowance for ore losses during mining. Appropriate assessments and studies have been carried out and include consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

As at the date of this Annual Report, there have been no changes to the December 2018 Ore Reserve as no mining activities at the Mt Holland project site have been undertaken.

**Table 4: Ore Reserves for the Earl Grey Deposit**

| Classification | Feed (Mt) | Grade $Li_2O$ (%) | Grade ($Fe_2O_3$) (%) | Grade ($Ta_2O_5$) (ppm) | Waste (Mt) | Total (Mt) |
|---|---|---|---|---|---|---|
| Proved | 54.4 | 1.5 | 1.3 | 45 | 199 | 253 |
| Probable | 39.8 | 1.5 | 1.4 | 54 | 222 | 261 |
| **Total** | **94.2** | **1.5** | **1.4** | **50** | **422** | **515** |

Note: All figures have been rounded to appropriate significant figures and rounding errors may occur.

**Governance**

Kidman ensures that the Mineral Resource and Ore Reserve estimates quoted are subject to governance arrangements and internal controls at both a project level and at the corporate level. Mineral Resources and Ore Reserves are estimated in accordance with the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (**JORC Code**), using industry standard best practice techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. The Mineral Resource and Ore Reserve statements included in this Annual Report were compiled and reviewed by suitably qualified Competent Persons prior to inclusion in this Annual Report.

**Ore Reserves and Mineral Resources Reporting Requirements**

As an Australian company with securities listed on the Australian Securities Exchange (**ASX**), Kidman is subject to Australian disclosure requirements and standards, including the requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules. It is a requirement of the ASX Listing Rules that the reporting of Ore Reserves and Mineral Resources in Australia comply with the JORC Code.

**Competent Person's Statement**

**Exploration:** The information in this Annual Report that relates to sampling techniques and data, exploration results, geological interpretation and exploration targets has been compiled by Mr Michael Green BSc (Hons), MAusIMM. Mr Green is an employee of the Company and is a shareholder. Mr Green is a member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience with the style of mineralisation and type of deposit under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the JORC Code. Mr Green consents to the inclusion in this report of the contained technical information in the form and context in which it appears.

**Mineral Resources:** The information in this Annual Report that relates to the Estimation and Reporting of Mineral Resources 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 under taken to qualify as a Competent Person as defined in the JORC Code. Mr Billington consents to the inclusion in this report of the contained technical information relating the Mineral Resource Estimation in the form and context in which it appears.

**Ore Reserves:** The information in this Annual Report that relates to the Estimation and Reporting of Ore Reserves 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 Ore Reserve 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 under taken to qualify as a Competent Person as defined in the JORC Code. Mr Billington consents to the inclusion in this report of the contained technical information relating the Ore Reserve Estimation in the form and context in which it appears.

**Production Targets:** The information in this Annual Report that relates to Production Targets is sourced from an announcement issued to ASX on 18 December 2018 titled "Integrated Pre-feasibility Study completed on schedule and maiden Ore Reserve declared for Mt Holland Lithium Project" which is available to view at https://www.asx.com.au/asxpdf/20181218/pdf/4419z7zpty14m0.pdf. The Company confirms that all the material assumptions underpinning the Production Targets and the forecast financial information derived from the Production Targets in the original announcement continue to apply and have not materially changed.

**The outlook for lithium hydroxide remains positive, with demand supported by the growth in the electric vehicle market. Kidman's strategy to produce refined, battery grade lithium hydroxide is set to address this demand directly with a premium product for global suppliers and manufacturers.**

# Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **consolidated entity** or the **Kidman Group**) consisting of Kidman Resources Limited (referred to hereafter as the **company** or **parent entity**) and the entities it controlled at the end of, or during, the six month period ended 31 December 2018.

## Directors

The following persons were directors of Kidman during the whole of the reporting period and up to the date of this report, unless otherwise stated:

Mr John Pizzey
(Independent Non-Executive Chairman)

Mr Martin Donohue
(Managing Director)

Mr Brad Evans
(Independent Non-Executive Director)

Mr David Southam
(Independent Non-Executive Director)

Mr Aaron Colleran
(Independent Non-Executive Director)

## Principal activities

During the year the principal continuing activities of the consolidated entity consisted of exploration and development of the Mt Holland Lithium Project located near Southern Cross in Western Australia.

## Dividends

There were no dividends paid, recommended or declared during the 6 month financial period ended 31 December 2018 or the previous financial year.

## Financial Position

The loss for the consolidated entity after providing for income tax amounted to $3,569,167 during the 6 month financial period ended 31 December 2018 (12 month period to 30 June 2018 loss: $9,681,568).

The loss was made up of the following significant amounts:

- Corporate expenses of $6,293,518 (12 months period to 30 June 2018: $4,036,883) as a result of additional overheads being incurred during the six month financial period as Kidman continued to prepare for its joint venture activities;
- Employee benefits expense of $2,185,187 (12 months period to 30 June 2018: $2,906,602) as Kidman appointed key management personnel during the six month financial period to manage the company's requirements; and
- A share based payments expense of $580,645 (12 months period to 30 June 2018: $936,793) as a result of performance rights issued to key management personnel during the six month financial period.

The net assets of Kidman Group increased by $4,130,019 to $20,284,255 during the six month period ended 31 December 2018 (12 months to 30 June 2018: $16,154,237).

The Kidman Group's working capital surplus, being current assets less current liabilities is $17,182,447 as at 31 December 2018 (30 June 2018: deficiency $8,481,926). During the period the Kidman Group had a negative cash flow from operating activities of $7,180,716 and $188,594 from exploration and evaluation activities (30 June 2018: $5,620,693 from operating activities and $3,017,691 from exploration and evaluation activities).

Refer to the Operating and Financial Review section for further information on the consolidated entity's activities.

In the opinion of the Directors, other than the matters reported in the Chairman's and CEO and Managing Director's Report and the Directors' Report, there were no other significant changes in the state of affairs of the consolidated entity during the reporting period.

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Likely developments and expected results of operations

The main focus of the consolidated entity will be to advance the development of the Mt Holland Lithium Project (including the Mine & Concentrator and Refinery) with Kidman's joint venture partner, SQM.

## Environmental regulation

The consolidated entity holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agency during the 6 month period ended 31 December 2018.

## Information on directors

**Mr John Pizzey**
**Independent Non-Executive Director and Chairman (appointed on 1 January 2018)**

**Qualifications:**
BE (Melb), Fell. Dip Mngt (RMIT), FTSE, FAICD

**Experience and expertise:**
John Pizzey has been involved in the resources industry for more than 40 years. He was previously the Non-Executive Chairman of Alumina Limited, a position he stepped down from in March 2018. He is also a Non-Executive Director of Orora Limited. The majority of Mr Pizzey's executive experience was with Alcoa Inc. and Alcoa of Australia. Mr Pizzey is a Life Member and former Chairman of the International Aluminium Institute and he is a former Chairman of the London Metal Exchange.

**Other current directorships:**
Orora Limited (ASX: ORA)

**Former directorships (last 3 years):**
Alumina Limited (ASX: AWC) (resigned 31 March 2018)

**Special responsibilities:**
Chairman of the Board of Directors; member of Audit and Risk Management Committee; member of Nomination and Remuneration Committee.

**Interests in shares:**
90,744 fully paid ordinary shares

**Interests in options:**
None

**Interests in rights:**
60,753 share rights

**Mr Martin Donohue**
**CEO and Managing Director**

**Qualifications:**
BA Econ

**Experience and expertise:**
Martin Donohue is the founder of Kidman Resources Limited. He has extensive experience in equity capital markets and the natural resources sector where he has been directly involved in evaluating mineral projects at various stages of development and raising capital. Mr Donohue is a director of several private companies and is also the principal of Penstock Advisory, a private consulting and investment company based in Melbourne that specialises in identifying, managing and developing mineral projects in Australia and overseas. Mr Donohue has been instrumental in the discovery of the Earl Grey deposit and subsequent implementation of the Mt Holland joint venture.

**Other current directorships:**
None

**Former directorships (last 3 years):**
None

**Special responsibilities:**
None

**Interests in shares:**
3,915,000 fully paid ordinary shares

**Interests in rights:**
972,954 performance rights

**Mr Brad Evans**
**Independent Non-Executive Director (appointed 28 October 2014)**

**Qualifications:**
Bachelor of Engineering (Mining), AusIMMCP (Mining)

**Experience and expertise:**
Brad Evans is a Principal Mining Engineer with over 20 years' experience in the mining industry and is currently the General Manager of Mining Plus Pty Ltd. Since completion of a Bachelor of Engineering (Mining) at the University of Ballarat, Mr Evans has gained a broad range of practical mining experience through seeking out a diverse range of roles. His experience includes production, planning and management on mine sites and as a service provider in the consulting industry. Mr Evans has an intimate knowledge of the mining industry, organisational leadership, business strategy, operations, mine planning and software which is applied in combination to extract the greatest value from projects and people.

**Other current directorships:**
None

**Former directorships (last 3 years):**
None

**Special responsibilities:**
Chair of Nomination and Remuneration Committee; member of Audit and Risk Management Committee.

**Interests in shares:**
121,366 fully paid ordinary shares

**Interests in options:**
None

**Interests in rights:**
None

**Mr David Southam**
**Independent Non-Executive Director (appointed 24 July 2017)**

**Qualifications:**
B.Comm CPA MAICD

**Experience and expertise:**
David Southam brings extensive industry experience including significant capital markets expertise, familiarity with the set-up and operation of joint ventures, negotiation of substantial international commodity offtake agreements and has a background covering base and precious metals, bulk materials, contracting and industrial logistics. Mr Southam is a Certified Practicing Accountant with more than 20 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam is currently the Managing Director of Mincor Resources Ltd, a nickel producer. Prior to that Mr Southam was an Executive Director at Western Areas Limited from 2010 to 2018. Mr Southam is currently a member of the Audit and Compliance Committee of Curtin University Council, and a member of the WA Advisory Board of Starlight Children's Foundation.

**Other current directorships:**
Ramelius Resources Limited (ASX: RMS)

**Former directorships (last 3 years):**
Western Areas Limited (ASX: WSA) (resigned 26 November 2018), Troy Resources Ltd (ASX: TRY) (resigned 30 December 2016) and Sundance Resources Ltd (ASX: SDL) (resigned 27 January 2016)

**Special responsibilities:**
Chair of Audit and Risk Management Committee; member of Nomination and Remuneration Committee.

**Interests in shares:**
During the period Mr Southam had an interest in 17,429,155 fully paid ordinary shares through his position as Executive Director and employee of Western Areas Limited.

**Interests in options:**
None

**Interests in rights:**
None

**Mr Aaron Colleran**
**(appointed on 1 January 2018)**
**Independent Non-Executive Director**

**Qualifications:**
B Comm (UWA) B Eng (WASM)

**Experience and expertise:**
Mr Colleran was a founding member of the highly-successful Evolution Mining Leadership Team, having managed their business development program from inception through to 2018. Originally an exploration geologist with commercial tertiary qualifications, Mr Colleran has had a distinguished career in the resources-related finance industry. He has over 20 years' experience in mining finance and corporate advice, and has led a range of successful corporate transactions.

**Other current directorships:**
AIC Resources Limited (ASX:A1C), Riversgold Limited (ASX:RGL)

**Former directorships (last 3 years):**
None

**Special responsibilities:**
Member of Audit and Risk Management Committee; member of Nomination and Remuneration Committee.

**Interests in shares:**
None

**Interests in options:**
None

**Interests in rights:**
None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Interests in shares and options stated above are as at the date of this financial report.

## Company Secretary

**Thomas Wilcox**
**(appointed 22 August 2018)**
Mr Wilcox joined Kidman from CSG Limited where he was General Counsel & Company Secretary. Prior to that he spent eight years with Rio Tinto where he held several legal and commercial roles in London, Melbourne and Darwin. Before joining Rio Tinto he was employed in private legal practice in Melbourne and London from 2003. Tom brings significant legal, corporate and operational experience to Kidman, including joint ventures, M&A, capital raisings, financing transactions, regulatory investigations, sales and marketing and corporate governance. He holds a Master of laws, Bachelor of Laws and Bachelor of Commerce from the University of Melbourne.

## Chief Financial Officer

**Frederick Kotzee**
**(appointed 13 August 2018)**
Mr Kotzee joined Kidman on 13 August 2018 as Chief Financial Officer. Frederick is an experienced Chief Financial Officer of listed companies. He served as Chief Financial Officer of Kumba Iron Ore Limited (Kumba), a leading supplier of high quality iron ore to the global steel industry. Kumba is listed on the Johannesburg Stock Exchange and is a member of the Anglo American Plc Group. Prior to his position at Kumba, Frederick was the Group Financial Director of African Oxygen Limited, a member of the Linde AG group. He has extensive experience in investment banking, corporate finance and business development. He has developed in-depth management, commercial and strategic skills across a range of industries and commodities, including mining, industrial gasses and financial services. Frederick is a Chartered Accountant, and also holds a Bachelor of Laws from the University of South Africa.

## Meetings of Directors

The number of meetings of the company's Board of Directors (**Board**) and of each Board committee held during the 6 month period ended 31 December 2018, and the number of meetings attended by each director were:

| | Board | | Audit and Risk Management Committee | | Nomination and Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Attended | Held* | Attended | Held* | Attended | Held* |
| Mr Martin Donohue | 11 | 11 | - | - | - | - |
| Mr Brad Evans | 11 | 11 | 2 | 3 | 1 | 1 |
| Mr David Southam | 10 | 11 | 3 | 3 | 1 | 1 |
| Mr John Pizzey | 11 | 11 | 3 | 3 | 1 | 1 |
| Mr Aaron Colleran | 10 | 11 | 3 | 3 | 1 | 1 |

*'Held': represents the number of meetings held during the time the director held office or was a member of the relevant committee.

## REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the *Corporations Act 2001* (Cth) and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. Directors and other key management personnel of Kidman are as follows:

| Names | Position |
|---|---|
| **Directors of Kidman** | |
| Mr John Pizzey | Non-Executive Chairman |
| Mr Martin Donohue | CEO and Managing Director |
| Mr Brad Evans | Non-Executive Director |
| Mr Aaron Colleran | Non-Executive Director |
| Mr David Southam | Non-Executive Director |
| **Senior executives** | |
| Mr Frederick Kotzee | Chief Financial Officer |
| Mr Thomas Wilcox | General Counsel & Company Secretary |

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board of Directors ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for directors and senior executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

The Board has engaged, and will continue to engage as the Company's structure matures, with the Company's key shareholders in setting the executive reward framework.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

The ASX listing rules require that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 10 November 2017, where shareholders approved an aggregate remuneration of $500,000.

#### Executive remuneration

The Kidman Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:

- fixed remuneration; and
- short-term performance incentives (**STI**); and
- long-term incentives (**LTI**).

The combination of these comprises the executive's total remuneration.

#### Fixed Remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board based on individual performance, the overall performance of the consolidated entity and comparable market remuneration.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Kidman Group and adds value to the executive.

The Board is of the opinion that the clear advancement of the Kidman Group can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

### Short Term Incentive

The company's STI plan is in the form of cash bonuses for senior executives and is set at a target of 50% of fixed annual remuneration, with an opportunity to achieve a maximum of 75% of fixed annual remuneration. The Board considers these settings are appropriate to drive performance without encouraging undue risk-taking. Each year, the Board sets the key performance indicators (**KPIs**) for each senior executive. The KPIs generally include a mixture of business development, operational performance, individual performance and investor specific performance indicators as appropriate. The STI plan seeks to align the interests of the executive with those of shareholders.

### Long Term Incentive

The LTI plan consists of a grant of performance rights to senior executives and key employees. Grants of performance rights are made by way of issue at nil cost at the time of grant and no exercise price on vesting. Vesting is contingent on the performance of the Kidman's share price in relation to specific hurdle prices and is subject to the continued employment for periods of two, three and four years. The LTI plan seeks to align the interests of senior executives with those of shareholders by basing rewards on an increasing share price. Where that occurs it provides a financial incentive to the senior executives directly linked to the share price.

The Board considers that the above performance-linked compensation structure will generate the desired outcome in respect of attracting and retaining high calibre employees.

### Additional information

The earnings of the consolidated entity for the five years to 31 December 2018 are summarised below:

| | December 2018 | June 2018 | June 2017 | June 2016 | June 2015 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue | 11,970,621 | 521,091 | 92,636 | 7,644,799 | 44,375 |
| Net profit (loss) before tax from continuing operations | 1,907,618 | (9,314,075) | (17,528,188) | (3,735,748) | (8,537,727) |
| Net loss after tax from continuing operations | (3,569,167) | (9,661,620) | (17,528,188) | (1,773,946) | (8,537,727) |

Total shareholder returns (**TSR**) for the company for the five years to 31 December 2018 are summarised below:

| | 1 year TSR | 3 year TSR average | 5 year TSR average |
|---|---|---|---|
| Kidman | -42% | 133.9% | 43.4% |
| S&P/ASX All Ordinaries Index (inc reinvested dividends) | -2.2% | 8.1% | 7.2% |

The factors that are considered to affect TSR are summarised below:

| | December 2018 | June 2018 | June 2017 | June 2016 | June 2015 |
|---|---|---|---|---|---|
| Share price at end of the period ($) | 1.09 | 1.86 | 0.61 | 0.16 | 0.09 |
| Basic earnings per share (cents per share) from continuing operations | (0.89) | (2.73) | (5.71) | (1.11) | (7.23) |

**Voting and comments made at the company's 15 November 2018 Annual General Meeting**

The company received 94.31% votes in favour of its remuneration report at 30 June 2018. The company did not receive any specific feedback from shareholders at the 2018 Annual General Meeting regarding its remuneration practices.

## Details of remuneration

### Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables:

| | Short-term benefits | | Post-employment benefits | Share-based payments | |
|---|---|---|---|---|---|
| | Cash salary and fees | STI cash bonus | Super-annuation | Equity settled (Rights) | Total |
| **6 months to 31 December 2018** | **$** | **$** | **$** | **$** | **$** |
| **Non-Executive Directors:** | | | | | |
| Mr Brad Evans | 40,000 | - | - | - | 40,000 |
| Mr John Pizzey | 34,247 | - | 3,253 | 41,471 | 78,971 |
| Mr Aaron Colleran | 36,530 | - | 3,470 | - | 40,000 |
| Mr David Southam | 48,800 | - | - | - | 48,800 |
| **Executive Directors:** | | | | | |
| Mr Martin Donohue | 262,500 | 125,500 | 12,500 | 361,380 | 761,880 |
| **Other Key Management Personnel:** | | | | | |
| Mr Frederick Kotzee | 150,501 | 151,605 | 7,161 | 246,232 | 555,499 |
| Mr Tom Wilcox | 105,304 | 106,224 | 6,844 | 46,493 | 264,865 |
| | 677,882 | 383,329 | 33,228 | 695,576 | 1,790,015 |

| | Short-term benefits | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|
| | Cash salary and fees | Bonus | Super-annuation | Termination Payments | Equity settled (Rights) | Total |
| **12 months to 30 June 2018** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Non-Executive Directors:** | | | | | | |
| Mr Peter Lester | 27,740 | - | 2,635 | - | - | 30,375 |
| Mr Brad Evans | 67,500 | - | - | - | - | 67,500 |
| Mr John Pizzey | 37,500 | - | - | - | 41,471 | 78,971 |
| Mr Aaron Colleran | 36,530 | - | 3,470 | - | - | 40,000 |
| Mr David Southam | 78,912 | - | - | - | - | 78,912 |
| **Executive Directors:** | | | | | | |
| Mr Martin Donohue | 421,590 | 337,325 | 7,825 | - | 185,110 | 951,850 |
| **Other Key Management Personnel:** | | | | | | |
| Mr Charles McGill | 113,693 | - | 10,021 | 120,427 | 492,626* | 736,767 |
| Mr Chris Williams | 242,489 | 104,982 | 23,036 | - | 94,222 | 464,729 |
| | 1,025,954 | 442,307 | 46,987 | 120,427 | 813,429 | 2,449,104 |

*At the Annual General Meeting held on 15 November 2018, shareholders did not approve the resolution seeking approval of termination benefits for Mr Charles McGill, resulting in the forfeiture of 259,277 performance rights held at the date of his resignation from the company.

The proportion of remuneration of executives linked to performance and the fixed proportion are as follows:

| | Fixed remuneration | | At risk – STI | | At risk – LTI | |
|---|---|---|---|---|---|---|
| Name | 6 months to 31 December 2018 | 12 months to 30 June 2018 | 6 months to 31 December 2018 | 12 months to 30 June 2018 | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| **Executive Directors:** | | | | | | |
| Mr Martin Donohue | 36% | 45% | 17% | 35% | 47% | 20% |
| **Other Key Management Personnel:** | | | | | | |
| Mr Charles McGill * | - | 20% | - | - | - | 80% |
| Mr Frederick Kotzee | 28% | - | 27% | - | 45% | - |
| Mr Tom Wilcox | 42% | - | 40% | - | 18% | - |

* Percentages exclude termination payment of $120,427.

## Service agreements

Remuneration and other terms of employment for senior executives are formalised in service agreements. Details of these agreements are as follows:

**Mr Martin Donohue**
**CEO and Managing Director**

**Agreement commenced:**
1 January 2018

**Term of agreement:**
Ongoing

**Details:**
The terms of the agreement for the position of CEO and Managing Director includes a termination period of six (6) months by either party and a severance payment amounting to 6 months of the fixed annual remuneration. The fixed annual remuneration amounts to $550,000 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a short term incentive (STI) target of 50% of the fixed annual remuneration, with an opportunity to achieve a maximum of 75% of fixed annual remuneration, based on meeting certain KPIs.

**Frederick Kotzee**
**Chief Financial Officer (appointed 13 August 2018)**

**Agreement commenced:**
13 August 2018

**Term of agreement:**
Ongoing

**Details:**
The terms of the agreement for the position of Chief Financial Officer includes a termination period of six (6) months by either party and a severance payment amounting to 12 months of the fixed annual remuneration. The fixed annual remuneration amounts to $462,000 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a STI target of 50% of the fixed annual remuneration, with an opportunity to achieve a maximum of 75% of fixed annual remuneration, based on meeting certain KPIs.

**Mr Thomas Wilcox**
**General Counsel & Company Secretary**

**Agreement commenced:**
22 August 2018

**Term of agreement:**
Ongoing

**Details:**
The terms of the agreement for the position of General Counsel & Company Secretary include a termination period of six (6) months by either party and a severance payment amounting to 12 months of the fixed annual remuneration. The fixed annual remuneration amounts to $350,400 (inclusive of base remuneration and statutory superannuation). The agreement also stipulates a STI target of 50% of the fixed annual remuneration, with an opportunity to achieve a maximum of 75% of fixed annual remuneration, based on meeting certain KPIs.

### STI cash bonus

All senior executives are eligible for a STI in the form of a cash bonus. The STI plan for senior executives sets a target value of 50% of their fixed annual remuneration for the reporting period with the opportunity to achieve a maximum of 75% of fixed annual remuneration. The STI entitlements for senior executives are based on the degree of achievement of a number of metrics related to company performance. Metrics for each senior executive are set out below. For the reporting period to 31 December 2018, STI payments for senior executives were determined by assessing individual performance against the following KPI's:

| | Weighting | Outcome |
|---|---|---|
| **Mr Martin Donohue** | | |
| **Summary of KPI objective** | | |
| Secure site tenure, including resolution of forfeiture proceedings and maintenance of tenement package in good standing | 25% | 200% |
| Human resources – recruitment and retention of key staff | 10% | 100% |
| Funding and offtake agreement package | 20% | 81.25% |
| Feasibility studies complete and released | 20% | 0% |
| Operational safety and environmental performance | 20% | 50% |
| Board discretion | 5% | 100% |
| **TOTAL** | 100% | 91.25% |
| **Mr Frederick Kotzee** | | |
| **Summary of KPI objective** | | |
| Secure site tenure, including resolution of forfeiture proceedings and maintenance of tenement package in good standing | 10% | 150% |
| Human resources – retention of key staff | 10% | 100% |
| Debt funding package | 40% | 115% |
| Offtake agreement package | 25% | 150% |
| Leadership of finance function | 15% | 150% |
| **TOTAL** | 100% | 131.25% |
| **Mr Tom Wilcox** | | |
| **Summary of KPI objective** | | |
| Secure site tenure, including resolution of forfeiture proceedings and maintenance of tenement package in good standing | 20% | 150% |
| Legal and corporate oversight of Mt Holland project development | 10% | 100% |
| Funding and offtake agreement package | 20% | 150% |
| Management of key legal matters, oversight and implementation of effective compliance and governance processes | 30% | 100% |
| Leadership of the legal and company secretarial function | 15% | 100% |
| Operational safety and environmental performance | 5% | 125% |
| **TOTAL** | 100% | 121.25% |

**STI Metrics**

| 2018 | 6 Month Opportunity | | | Awarded | Forfeited |
|---|---|---|---|---|---|
| | Target (50%) | Maximum (75%) | Actual STI $ | (as a % of maximum opportunity) | (as a % of maximum opportunity) |
| Mr Martin Donohue | 137,500 | 206,250 | 125,500 | 60.8% | 39.2% |
| Mr Frederick Kotzee | 115,500 | 173,250 | 151,605 | 87.5% | 12.5% |
| Mr Tom Wilcox | 87,600 | 131,400 | 106,224 | 80.8% | 19.2% |

## Share-based compensation

**Options**

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2018.

### Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of rights granted | Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting | Fair value per right at grant date |
|---|---|---|---|---|---|---|
| Mr John Pizzey | 44,118 | 9 January 2018 | 1 January 2019 | 1 January 2019 | $0.00 | $1.88 |
| Mr Martin Donohue | 324,318 | 16 March 2018 | 15 March 2020 | 15 March 2020 | $2.25 | $2.02 |
| Mr Martin Donohue | 324,318 | 16 March 2018 | 15 March 2021 | 15 March 2021 | $2.75 | $1.93 |
| Mr Martin Donohue | 324,318 | 16 March 2018 | 15 March 2022 | 15 March 2022 | $3.25 | $1.87 |
| Mr Frederick Kotzee | 330,000 | 06 August 2018 | 05 August 2020 | 06 August 2020 | $0.00 | $1.38 |
| Mr Frederick Kotzee | 274,299 | 06 August 2018 | 13 August 2020 | 13 August 2020 | $1.80 | $1.30 |
| Mr Frederick Kotzee | 274,299 | 06 August 2018 | 13 August 2021 | 13 August 2021 | $2.05 | $1.30 |
| Mr Frederick Kotzee | 274,298 | 06 August 2018 | 13 August 2022 | 13 August 2022 | $2.30 | $1.31 |
| Mr Tom Wilcox | 121,066 | 22 August 2018 | 21 August 2020 | 21 August 2020 | $2.25 | $0.97 |
| Mr Tom Wilcox | 121,066 | 22 August 2018 | 21 August 2021 | 21 August 2021 | $2.75 | $0.99 |
| Mr Tom Wilcox | 121,066 | 22 August 2018 | 21 August 2022 | 21 August 2022 | $3.25 | $1.02 |

The performance rights with a share price hurdle (if applicable) will vest if the person remains employed throughout the period and the share price hurdle is achieved by the expiry date. The share price hurdle will be achieved when the volume weighted average price (over a period specified in the relevant executive's employment agreement) of Kidman shares is equal to or greater than the share price hurdle.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted, vested and forfeited for directors and other key management personnel as part of compensation during the reporting period ending 31 December 2018 are set out below:

| | Number of rights granted during the year | Number of rights granted during the year | Number of rights vested during the year | Number of rights vested during the year |
|---|---|---|---|---|
| Name | 6 months to 31 December 2018 | 12 months to 30 June 2018 | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| Mr John Pizzey | - | 44,118 | - | - |
| Mr Martin Donohue | 71,316 | 901,638 | - | - |
| Mr Frederick Kotzee | 1,152,896 | - | - | - |
| Mr Tom Wilcox | 363,198 | - | - | - |
| Mr Charles McGill | - | 777,831 | - | - |

## Additional disclosures relating to key management personnel

### Shareholding

The number of shares in the Company held during the reporting period by the key management personnel of the consolidated entity, including their related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Vesting of performance rights | Other | Balance at the end of the year |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| Mr John Pizzey* | 46,626 | - | - | - | 46,626 |
| Mr Martin Donohue | 3,915,000 | - | - | - | 3,915,000 |
| Mr Brad Evans | 121,366 | - | - | - | 121,366 |
| Mr David Southam** | 17,429,155 | - | - | (17,429,155) | - |
| | 21,512,147 | - | - | (17,429,155) | 4,082,992 |

* Performance rights held at 31 December 2018 vested on 2 January 2019.

** These shares are held by Western Areas Limited. David Southam resigned as a director of Western Areas Limited on 26 November 2018.

### Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by the key management personnel of the consolidated entity, including their related parties, is set out below:

| | Balance at the start of the year | Granted as remuneration | Vested | Forfeited | Balance at the end of the year |
|---|---|---|---|---|---|
| **Performance rights over ordinary shares** | | | | | |
| Mr John Pizzey* | 44,118 | - | - | - | 44,118 |
| Mr Martin Donohue ** | 972,954 | - | - | - | 972,954 |
| Mr Frederick Kotzee | - | 1,152,896 | - | - | 1,152,896 |
| Mr Tom Wilcox | - | 363,198 | - | - | 363,198 |
| Mr Charles McGill *** | 259,277 | - | - | (259,277) | - |
| | 1,276,349 | 1,516,094 | - | (259,277) | 2,533,166 |

* Performance rights held at 31 December 2018 vested on 2 January 2019. On this date a further 60,753 performance rights were issued to Mr John Pizzey pursuant to his employment agreement.

** Closing balance per 30 June 2018 annual report was 901,633. On a recalculation of performance rights due to Mr Martin Donohue, shareholders approved a total of 972,954 rights at the Annual General Meeting held on 15 November 2018.

*** At the Annual General Meeting held on 15 November 2018, shareholders did not approve the resolution seeking approval of termination benefits for Mr Charles McGill, resulting in the forfeiture of all performance rights held at the date of his resignation from the company.

**This concludes the remuneration report, which has been audited.**

## Shares under option

There were no unissued ordinary shares of Kidman Resources Limited under option outstanding at the date of this report

## Shares under performance rights

| Grant date | Expiry date | Hurdle price | Number under rights |
|---|---|---|---|
| 9 January 2018 | 1 January 2019 | $0.00 | 44,118 |
| 16 March 2018 | 15 March 2020 | $2.25 | 477,297 |
| 16 March 2018 | 15 March 2020 | $2.50 | 204,144 |
| 16 March 2018 | 15 March 2020 | $2.75 | 477,297 |
| 16 March 2018 | 15 March 2021 | $3.00 | 204,144 |
| 16 March 2018 | 15 March 2022 | $3.25 | 477,297 |
| 16 March 2018 | 15 March 2022 | $3.50 | 204,144 |
| 06 August 2018 | 05 August 2020 | $0.00 | 330,000 |
| 06 August 2018 | 13 August 2020 | $1.80 | 274,299 |
| 06 August 2018 | 13 August 2021 | $2.05 | 274,299 |
| 06 August 2018 | 13 August 2022 | $2.30 | 274,298 |
| 22 August 2018 | 21 August 2020 | $2.25 | 121,066 |
| 22 August 2018 | 21 August 2021 | $2.75 | 121,066 |
| 22 August 2018 | 21 August 2022 | $3.25 | 121,066 |
| | | | **3,604,535** |

## Shares issued on the exercise of options

There were no ordinary shares of Kidman Resources Limited issued on the exercise of options during the period ended 31 December 2018 and up to the date of this report.

## Shares issued on the exercise of performance rights

There were no ordinary shares of Kidman Resources Limited issued on the exercise of performance rights during the period ended 31 December 2018. On 2 January 2019, 44,118 performance rights held by John Pizzey vested.

## Indemnity and insurance of officers

The company has indemnified all directors and executives for costs incurred in their capacity as a director or executive of the company, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001* (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the reporting period by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the reporting period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

— all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

— none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### Officers of the company who are former partners of Grant Thornton
There are no officers of the company who are former partners of Grant Thornton.

### Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out immediately after this directors' report.

### Auditor
Grant Thornton continues in office in accordance with section 327 of the *Corporations Act 2001* (Cth).

### Rounding of amounts
The company is a type of company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001* (Cth).

On behalf of the directors

Mr George John Pizzey
Non-Executive Chairman

27 March 2019
Melbourne

Collins Square, Tower 5
727 Collins Street
Docklands VIC 3008

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# Auditor's Independence Declaration

## To the Directors of Kidman Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Kidman Resources Limited for the period ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 27 March 2019

# Consolidated statement of profit or loss and other comprehensive income

For the period ended 31 December 2018

| | | Consolidated | |
|---|---|---|---|
| | | **6 months to 31 December 2018** | **12 months to 30 June 2018** |
| | **Note** | **$** | **$** |
| **Revenue from continuing operations** | 5 | 90,262 | 67,843 |
| Other income | 6 | 11,880,359 | 453,248 |
| **Expenses** | | | |
| Employee benefits expense | 7 | (2,185,187) | (2,906,602) |
| Depreciation and amortisation expense | 7 | (41,619) | (60,640) |
| Impairment of assets | 15 | (44,806) | (46,221) |
| Administration expenses | | (673,633) | (1,445,397) |
| Corporate expenses | 7 | (6,293,518) | (4,036,883) |
| Share based payments | 35 | (580,645) | (936,793) |
| Finance costs | 7 | (430,685) | (107,487) |
| Loss on disposal of fixed asset | | (49,223) | - |
| Profit/(Loss) on foreign currency translation | | 236,313 | (256,594) |
| Loss on extinguishment of liability | 7 | - | (38,549) |
| **Profit/(loss) before income tax expense from continuing operations** | | 1,907,618 | (9,314,075) |
| Income tax expense | 8 | (5,476,785) | (347,545) |
| Loss after income tax expense from continuing operations | | (3,569,167) | (9,661,620) |
| Loss after income tax expense from discontinued operations | 9 | - | (19,948) |
| **Loss after income tax expense for the year attributable to the owners of Kidman Resources Limited** | | (3,569,167) | (9,681,568) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of Kidman Resources Limited** | | (3,569,167) | (9,681,568) |
| Total comprehensive income for the year is attributable to: | | | |
| Continuing operations | | (3,569,167) | (9,661,620) |
| Discontinued operations | | - | (19,948) |
| | | (3,569,167) | (9,681,568) |
| | | **Cents** | **Cents** |
| **Earnings per share for profit/(loss) from continuing operations attributable to the owners of Kidman Resources Limited** | | | |
| Basic earnings per share | 34 | (0.89) | (2.73) |
| Diluted earnings per share | 34 | (0.89) | (2.73) |
| **Earnings per share for loss from discontinued operations attributable to the owners of Kidman Resources Limited** | | | |
| Basic earnings per share | 34 | - | (0.01) |
| Diluted earnings per share | 34 | - | (0.01) |
| **Earnings per share for profit/(loss) attributable to the owners of Kidman Resources Limited** | | | |
| Basic earnings per share | 34 | (0.89) | (2.74) |
| Diluted earnings per share | 34 | (0.89) | (2.73) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# Consolidated statement of financial position

As at 31 December 2018

| | | | Consolidated |
|---|---|---|---|
| | | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | Note | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 30,865,242 | 10,025,863 |
| Trade and other receivables | 11 | 387,538 | 719,820 |
| Prepayments | | 113,729 | 67,431 |
| Total current assets | | 31,366,509 | 10,813,114 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 12 | 74,788 | 82,248 |
| Property, plant and equipment | 13 | 215,324 | 284,941 |
| Intangibles | 14 | 12,887 | 17,487 |
| Exploration and evaluation | 15 | - | 15,897,408 |
| Deferred tax | 8 | 3,333,155 | 12,135,985 |
| Other non-current assets | 16 | - | 65,902 |
| Total non-current assets | | 3,636,154 | 28,483,971 |
| **Total assets** | | **35,002,663** | **39,297,085** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 5,273,305 | 3,720,041 |
| Borrowings | 18 | - | 6,400,000 |
| Income tax | 8 | 8,666,252 | 8,920,394 |
| Employee benefits | | 244,505 | 254,605 |
| Total current liabilities | | 14,184,062 | 19,295,040 |
| **Non-current liabilities** | | | |
| Deferred tax | 8 | 237,091 | 3,563,136 |
| Employee benefits | | 125,091 | 112,509 |
| Provisions | 19 | 172,163 | 172,163 |
| Total non-current liabilities | | 534,345 | 3,847,808 |
| **Total liabilities** | | **14,718,407** | **23,142,848** |
| **Net assets** | | **20,284,256** | **16,154,237** |
| **Equity** | | | |
| Issued capital | 20 | 78,865,354 | 71,746,813 |
| Reserves | 21 | 1,517,438 | 936,793 |
| Accumulated losses | | (60,098,536) | (56,529,369) |
| **Total equity** | | **20,284,256** | **16,154,237** |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# Consolidated statement of changes in equity

For the period ended 31 December 2018

| | Contributed equity | Other contributed equity | Accumulated losses | Reserves | Total equity |
|---|---|---|---|---|---|
| **Consolidated** | **$** | **$** | **$** | **$** | **$** |
| Balance at 1 July 2017 | 58,013,355 | 4,473,102 | (46,847,801) | 455,081 | 16,093,737 |
| Loss after income tax expense for the year | - | - | (9,681,568) | - | (9,681,568) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | (9,681,568) | - | (9,681,568) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs (note 20) | 8,805,275 | - | - | - | 8,805,275 |
| Share-based payments (note 35) | - | - | - | 936,793 | 936,793 |
| Transfer from share based payments reserve upon the exercise of options | 455,081 | - | - | (455,081) | - |
| Deferred consideration paid upon completion of Mt Holland acquisition | 4,473,102 | (4,473,102) | - | - | - |
| Balance at 30 June 2018 | 71,746,813 | - | (56,529,369) | 936,793 | 16,154,237 |

| | Contributed equity | Other contributed equity | Accumulated losses | Reserves | Total equity |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| Balance at 1 July 2018 | 71,746,813 | - | (56,529,369) | 936,793 | 16,154,237 |
| Loss after income tax expense for the year | - | - | (3,569,167) | - | (3,569,167) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | (3,569,167) | - | (3,569,167) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs (note 20) | 7,118,541 | - | - | - | 7,118,541 |
| Share-based payments (note 35) | - | - | - | 580,645 | 580,645 |
| Balance at 31 December 2018 | 78,865,354 | - | (60,098,536) | 1,517,438 | 20,284,256 |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# Consolidated statement of cash flows

For the period ended 31 December 2018

| | | | Consolidated |
|---|---|---|---|
| | | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | Note | $ | $ |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees (inclusive of GST) | | (7,228,433) | (5,623,587) |
| Interest received | | 47,717 | 51,379 |
| Interest paid | | - | (48,485) |
| Net cash from/(used in) operating activities | 33 | (7,180,716) | (5,620,693) |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | (188,594) | (3,017,691) |
| Proceeds from disposal of subsidiary | | - | 396,000 |
| Proceeds from disposal of exploration asset | | - | 6,529,120 |
| SQM Milestone Payment | | 34,822,295 | - |
| Proceeds from release of bank guarantees | | 70,803 | 37,699 |
| Proceeds from research and development tax incentive grant | | - | 853,545 |
| Net cash from investing activities | | 34,704,504 | 4,798,673 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 20 | - | 8,822,903 |
| Costs from issue of shares | | - | (14,071) |
| Proceeds from borrowings | | - | 5,743,243 |
| Repayment of borrowings | | (6,820,000) | (6,258,633) |
| Net cash from/(used in) financing activities | | (6,820,000) | 8,293,442 |
| Net increase in cash and cash equivalents | | 20,703,788 | 7,471,422 |
| Cash and cash equivalents at the beginning of the financial period | | 10,025,863 | 2,554,441 |
| Effects of exchange rate changes on cash and cash equivalents | | 135,591 | - |
| Cash and cash equivalents at the end of the financial period | 10 | 30,865,242 | 10,025,863 |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# Notes to the consolidated financial statements

31 December 2018

## Note 1. General information

The financial statements cover Kidman Resources Limited as a consolidated entity consisting of Kidman Resources Limited and the entities it controlled at the end of, or during, the six month period. The financial statements are presented in Australian dollars, which is Kidman Resources Limited's functional and presentation currency.

Kidman Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

NE Suite, Level 30
140 William Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 March 2019. The directors do not have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

During the current financial period, Kidman Resources Limited changed its financial year end from 30 June to 31 December, in order to align the Company's financial year with that of its Mt Holland Lithium Project joint venture (JV) partner Sociedad Quimica y Minera de Chile S.A. (SQM) and the JV entity Covalent Lithium Pty Ltd (Covalent Lithium). The Mt Holland Lithium Project is the Company's major asset and having the same year end date as SQM and Covalent Lithium will eliminate significant duplication and reduce administration costs for Kidman and Covalent Lithium management.

As a result of these changes:

- the current financial period reported in these financial statements is the six month period ended 31 December 2018, chosen to align with its new financial year end;
- the previous financial year, for which comparative information is disclosed, is the year ended 30 June 2018.
  - The amounts presented in these financial statements are not entirely comparable, as:
  - the current period closing balances disclosed in the statement of financial position, statement of changes in equity and supporting information are as at 31 December 2018, whereas the comparative information is as at 30 June 2018; and
  - the current period amounts disclosed in the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flow and supporting information are for the six month period ended 31 December 2018, whereas the comparative information is for the year ended 30 June 2018.

### New or amended Accounting Standards and Interpretations adopted

The Kidman Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 shall only been applied to contracts that are incomplete as at 1 July 2018.

While this represents significant new guidance, the implementation of this new guidance did not have any impact on the timing or amount of revenue recognised by the Group during the period.

On the date of initial application of AASB 15, 1 July 2018, the impact to retained earnings of the Group was nil.

#### AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods.

Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018. The adoption of AASB 9 has impacted the following areas:

#### Classification and measurement of the Group's financial assets

Based on the Company's assessment, the adoption of the Standard has impacted held to maturity financial assets under AASB 139. Term deposits of $16,500,879 were reclassified at amortised cost under AASB 9. The Company intends to hold these to maturity to collect the contractual cash flows and these cash flows are solely payments of principal and interest.

#### Impairment of trade receivables

For trade receivables and contract assets under AASB 15, the Company applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

On the date of initial application of AASB 9, 1 July 2018, the impact to retained earnings of the Group was nil.

### Going concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the financial period ended 31 December 2018 the Kidman Group experienced an operating loss after tax of $3,569,167 (year ended 30 June 2018: Loss of $9,681,568). Of the total loss after tax at 31 December 2018, 100% was from continuing operations (loss year ended 30 June 2018: $9,661,620 from continuing operations and $19,948 from discontinued operations).

At 31 December 2018 the Kidman Group had cash and cash equivalents of $30,865,242 (year ended 30 June 2018: $10,025,863). Working capital surplus at 31 December 2018, being current assets less current liabilities, was $17,182,447 (year ended 30 June 2018: deficit $8,481,926). Cash outflows from operating activities during the period were $7,180,716 (year ended 30 June 2018: $5,620,693).

The Directors have assessed that preparing the accounts on a the going concern basis continues to be appropriate for the Company.

The consolidated entity continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities. The directors consider that the consolidated entity remains a going concern and these financial statements have been prepared on this basis.

## Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kidman Resources Limited ('company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the period then ended. Kidman Resources Limited and its subsidiaries together are referred to in these financial statements as the Kidman Group.

Subsidiaries are all those entities over which the Kidman Group has control. The Kidman Group controls an entity when the Kidman Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Kidman Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Kidman Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Kidman Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Kidman Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Kidman Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Kidman Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Kidman Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## Associates

Associates are entities over which the Kidman Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Kidman Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Kidman Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Kidman Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The Kidman Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Based on Kidman's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 31 December 2019 will have a material impact on the transactions and balances recognised in the financial statement, in particular:

- Lease assets and financial liabilities on the balance sheet will both increase by $1.02m (based on the facts at the date of assessment)
- There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- Operating cash outflows will be lower and financing cashflows will be higher in the statement of cashflows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Share-based payment transactions

The Kidman Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Kidman Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Kidman Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

### Impairment of exploration and evaluation costs

The Kidman Group assesses impairment of exploration and evaluation costs at each reporting date by evaluating conditions specific to the Kidman Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

## Note 4. Operating segments

### Identification of reportable operating segments

The Kidman Group does not have any reportable operating segments as it solely operates in the exploration for gold and lithium within Australia. Reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources) are prepared on the Kidman Group as a whole.

### Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

# Note 5. Revenue

| | Consolidated | |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| **From continuing operations** | | |
| Interest | 48,638 | 50,821 |
| Other revenue | 41,624 | 17,022 |
| Revenue from continuing operations | 90,262 | 67,843 |

### Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

**Revenue from contracts with customers**

Revenue is recognised when it is probable the economic benefit will flow to the Kidman Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

**Interest**

Interest revenue from investments is recognised on an accrual basis.

**Other revenue**

Other revenue is recognised when it is received or when the right to receive payment is established.

# Note 6. Other income

| | Consolidated | |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| Gain on sale of Lithium rights | 11,887,824 | - |
| Profit on disposal of subsidiaries and/or tenements | - | 371,000 |
| Share of gain from associates | - | 82,248 |
| Decrease in value of subsidiary | (7,465) | - |
| Other income | 11,880,359 | 453,248 |

## Note 7. Expenses

| | Consolidated | |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| Profit/(loss) before income tax from continuing operations includes the following specific expenses: | | |
| **Depreciation** | | |
| Leasehold improvements | 17,216 | 8,608 |
| Motor vehicles | 5,760 | 10,449 |
| Office equipment | 3,071 | 15,646 |
| Computer equipment | 7,427 | 8,279 |
| Mining equipment | 3,545 | 7,679 |
| Total depreciation | 37,019 | 50,661 |
| **Amortisation** | | |
| Software | 4,600 | 9,979 |
| Total depreciation and amortisation | 41,619 | 60,640 |
| **Employee benefits expense** | | |
| Wages and salaries | 1,912,464 | 2,272,515 |
| Defined contribution superannuation | 94,056 | 80,010 |
| Employee entitlements | 2,482 | 214,324 |
| Payroll tax | 169,547 | 201,328 |
| Other employment benefits | 6,638 | 138,425 |
| Total employee benefits expense | 2,185,187 | 2,906,602 |
| **Corporate expenses** | | |
| Legal expenses | 456,030 | 632,668 |
| Consulting and advisory expenses | 5,451,261 | 2,852,315 |
| Media/Public relations | 108,845 | 219,386 |
| Other corporate costs | 277,382 | 332,514 |
| Total corporate expenses | 6,293,518 | 4,036,883 |
| **Finance costs** | | |
| Interest and finance charges paid/payable | 430,685 | 107,487 |
| Loss on extinguishment of liability | - | 38,549 |

# Note 8. Income tax

| | | Consolidated |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| **Numerical reconciliation of income tax expense and tax at the statutory rate** | | |
| Profit/(loss) before income tax expense from continuing operations | 1,907,618 | (9,314,075) |
| Loss before income tax expense from discontinued operations | - | (19,948) |
| | 1,907,618 | (9,334,023) |
| Tax at the statutory tax rate of 30% | 572,285 | (2,800,207) |
| Current period tax losses not recognised | 3,064,689 | (10,956,499) |
| Current period temporary differences not recognised | - | 295,259 |
| Permanent differences | 174,194 | 161,509 |
| Assessable balancing adjustment on transfer of Mount Holland tenements to JV | (880,755) | 12,850,848 |
| Tax value of Mount Holland JV assets | | (483,790) |
| Sale of Coolgardie Mining Company Pty Ltd – derecognition of deferred tax assets | - | 1,524,924 |
| Assessable Income in relation to forfeiture claim | 2,100,000 | |
| Unincorporated JV capitalised costs treated as immediately deductible | (1,937,708) | |
| Shares issued in relation to forfeiture claim | 2,141,903 | |
| Other items | 242,177 | |
| R&D tax credit | - | (244,499) |
| Income tax expense | 5,476,785 | 347,545 |
| **Tax losses not recognised** | | |
| Unused tax losses for which no deferred tax asset has been recognised | 17,855,656 | 7,640,026 |
| Potential tax benefit @ 30% | 5,356,697 | 2,292,008 |
| Unused capital tax losses for which no deferred tax asset has been recognised | 6,066,001 | 6,066,001 |
| Potential tax benefit at statutory tax rates | 1,819,800 | 1,819,800 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and

iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

| | | Consolidated |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Provision for income tax | | |
| Provision for income tax | 8,666,252 | 8,920,394 |

### Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

— When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

— When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

## Note 9. Discontinued operations

### Description

In the year to 30th June 2018, the consolidated entity announced that it had completed the sale of 100% of the share capital in Coolgardie Mining Company Pty Ltd which holds the Burbanks gold mine. The consideration consisted of $121,000 upfront and a royalty of $20 per Oz for the first 55,000 Oz's sold from the Burbanks mine.

### Financial performance information

| | | Consolidated |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| Cost of sales | - | (168,299) |
| Other income | - | 92,598 |
| Depreciation and amortisation expenses | - | (647) |
| Profit/(loss) on disposal of fixed assets | - | 56,400 |
| Total expenses | - | 55,753 |
| Loss before income tax expense | - | (19,948) |
| Income tax expense | - | - |
| Loss after income tax expense from discontinued operations | - | (19,948) |

### Cash flow information

| | | |
|---|---|---|
| Net cash from/(used in) operating activities | - | (263,502) |
| Net cash from investing activities | - | 55,000 |
| Net decrease in cash and cash equivalents from discontinued operations | - | (208,502) |

### Accounting policy for discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

## Note 10. Current assets – cash and cash equivalents

| | | Consolidated |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Cash at bank | 14,364,363 | 9,573,951 |
| Cash on deposit | 16,500,879 | 451,912 |
| | 30,865,242 | 10,025,863 |

The consolidated entity's exposure to interest rate and foreign currency risk is discussed in Note 23.

### Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Note 11. Current assets – trade and other receivables

| | | Consolidated |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Other receivables | 74,973 | 672,008 |
| GST receivable | 312,565 | 47,812 |
| | 387,538 | 719,820 |

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The Kidman Group has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

### Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority

# Note 12. Non-current assets – investments accounted for using the equity method

Covalent Lithium Pty Ltd (''Covalent') is the management company for the Joint Venture with SQM. It is 50% owned by MH Gold Pty Ltd (fully owned subsidiary of the consolidated entity) and 50% owned by SQM Australia Pty Ltd (fully owned subsidiary of SQM Chile). Neither entity has overall control of Covalent so the equity accounting principles outlined in AASB 128 have been adopted.

| | Consolidated | |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Investment in Covalent Lithium Pty Ltd | 74,788 | 82,248 |

## Details of material associates

Details of each of the consolidated entity's material associates at the end of the reporting period are as follows:

| | | | Proportion of ownership interest held by the Kidman Group | |
|---|---|---|---|---|
| | | | 31 December 2018 | 30 June 2018 |
| Name | Principal activity | Place of incorporation and operation | % | % |
| Covalent Lithium Pty Ltd | Lithium Exploration | Australia | 50% | 50% |

## Accounting policy for investments in associates and joints ventures

An associate is an entity over which the Kidman Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Kidman Group of financial position at cost and adjusted thereafter to recognise the Kidman Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the consolidated entity's share of losses of an associate or a joint venture exceeds the Kidman Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Kidman Group's net investment in the associate or joint venture), the Kidman Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Kidman Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Kidman Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Kidman Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Kidman Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Kidman Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the consolidated entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Kidman Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Kidman Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Kidman Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate.

There is no re-measurement to fair value upon such changes in ownership interests.

When the Kidman Group reduces its ownership interest in an associate or a joint venture but the Kidman Group continues to use the equity method, the Kidman Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a consolidated entity transacts with an associate or a joint venture of the Kidman Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Kidman Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Kidman Group.

## Note 13. Non-current assets – property, plant and equipment

| | | **Consolidated** |
|---|---|---|
| | **31 December 2018** | **30 June 2018** |
| | **$** | **$** |
| Motor vehicles – at cost | 34,278 | 34,278 |
| Less: Accumulated depreciation | (19,333) | (13,573) |
| | 14,945 | 20,705 |
| Computer equipment – at cost | 71,895 | 56,802 |
| Less: Accumulated depreciation | (37,807) | (30,380) |
| | 34,088 | 26,422 |
| Office equipment – at cost | 49,696 | 115,883 |
| Less: Accumulated depreciation | (39,367) | (54,792) |
| | 10,329 | 61,091 |
| Mining Equipment at cost | 81,760 | 81,760 |
| Less: Accumulated depreciation | (72,137) | (68,592) |
| | 9,623 | 13,168 |
| Leasehold improvements | 172,163 | 172,163 |
| Less: Accumulated depreciation | (25,824) | (8,608) |
| | 146,339 | 163,555 |
| | 215,324 | 284,941 |

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current period and previous financial year are set out below:

| | Motor vehicles | Computer Equipment | Office Equipment | Mining Equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| **Consolidated** | **$** | **$** | **$** | **$** | **$** | **$** |
| Balance at 1 July 2017 | 31,800 | 18,538 | 66,162 | 20,847 | - | 137,347 |
| Additions | - | 16,163 | 10,575 | - | 172,163 | 198,901 |
| Depreciation expense included in discontinued operations | (646) | - | - | - | - | (646) |
| Depreciation expense | (10,449) | (8,279) | (15,646) | (7,679) | (8,608) | (50,661) |
| Balance at 30 June 2018 | 20,705 | 26,422 | 61,091 | 13,168 | 163,555 | 284,941 |
| Additions | - | 15,093 | 1,532 | - | - | 16,625 |
| Disposals | - | - | (49,223) | - | - | (49,223) |
| Depreciation expense | (5,760) | (7,427) | (3,071) | (3,545) | (17,216) | (37,019) |
| Balance at 31 December 2018 | 14,945 | 34,088 | 10,329 | 9,623 | 146,339 | 215,324 |

### Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Plant and equipment | 3-7 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Kidman Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

## Note 14. Non-current assets – intangibles

| | Consolidated | |
|---|---|---|
| | **31 December 2018** | **30 June 2018** |
| | **$** | **$** |
| Software – at cost | 45,617 | 120,239 |
| Less: Accumulated amortisation | (32,730) | (102,752) |
| | 12,887 | 17,487 |

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Software |
|---|---|
| **Consolidated** | **$** |
| Balance at 1 July 2017 | 27,466 |
| Amortisation expense | (9,979) |
| Balance at 30 June 2018 | 17,487 |
| Amortisation expense | (4,600) |
| Balance at 31 December 2018 | 12,887 |

### Accounting policy for intangible assets

**Software**

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

# Note 15. Non-current assets – exploration and evaluation

| | | Consolidated |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Exploration and evaluation assets | - | 15,897,408 |

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Exploration |
|---|---|
| **Consolidated** | **$** |
| Balance at 1 July 2017 | 22,139,941 |
| Expenditure during the year | 1,186,353 |
| Impairment of assets | (46,221) |
| Research and development tax incentive applied against exploration and evaluation expenditure | (853,545) |
| Sale of interest in Lithium rights – Mt Holland | (6,529,120) |
| Balance at 30 June 2018 | 15,897,408 |
| Exploration expenditure | 106,293 |
| Impairment of assets | (44,806) |
| Sale of interest in Lithium rights | (15,704,753) |
| R&D offset | (254,142) |
| Balance at 31 December 2018 | - |

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

### Treatment of Joint Venture

Per AASB 11, the Joint Venture (JV) with SQM is accounted for as a joint operation. The JV was initially capitalised with a USD$20m contribution from SQM and the consolidated entity is yet to directly contribute any funds. As part of the asset sale agreement, SQM committed to contribute a further USD$60m into the JV upon resolution of the forfeiture matters. This was received by the JV in December 2018. To maintain the 50/50 nature of the JV, both JV participants need to contribute funds equally once the initial USD$80m has been spent. Once a decision to mine has been reached and the JV moves into a development stage, the consolidated entity will recognise its proportion of the JV development asset into its accounts.

### Farm-outs – exploration and evaluation phase

The consolidated entity does not record any expenditure made by the farm-in party on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farm-in party is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the asset holder as a gain on disposal.

### Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or its sale. Alternatively, exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

# Note 16. Non-current assets – Other non-current assets

| | | Consolidated |
|---|---|---|
| | **31 December 2018** | **30 June 2018** |
| | **$** | **$** |
| Security deposits | - | 21,228 |
| Exploration security bonds | - | 44,674 |
| | - | 65,902 |

# Note 17. Current liabilities – trade and other payables

| | | Consolidated |
|---|---|---|
| | **31 December 2018** | **30 June 2018** |
| | **$** | **$** |
| Trade and other payables | 5,273,305 | 3,720,041 |

Refer to note 23 for further information on financial instruments.

The average credit period on purchases is 30 days. Due to the short term nature of the payables their carrying value is assumed to approximate their fair value. No interest is charged on the payables. The Kidman Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

# Note 18. Current liabilities – borrowings

| | | Consolidated |
|---|---|---|
| | **31 December 2018** | **30 June 2018** |
| | $ | $ |
| Loan from private financier | - | 6,400,000 |

Refer to note 23 for further information on financial instruments.

### Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

# Note 19. Non-current liabilities – provisions

| | Consolidated | |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Lease make good | 172,163 | 172,163 |

### Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

# Note 20. Equity – issued capital

| | | | | Consolidated |
|---|---|---|---|---|
| | 31 December 2018 | 30 June 2018 | 31 December 2018 | 30 June 2018 |
| | Shares | Shares | $ | $ |
| Ordinary shares – fully paid | 404,753,285 | 399,560,792 | 78,865,354 | 71,746,813 |

### Movements in ordinary share capital

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2017 | 333,331,373 | | 58,013,355 |
| Issue of shares to Capri Trading as consideration for deferred element of MH gold Purchase | 19 September 2017 | 14,810,063 | $0.30 | 4,473,102 |
| Options exercise | 5 October 2017 | 1,000,000 | $0.43 | 427,500 |
| Options exercise | 24 October 2017 | 1,000,000 | $0.43 | 427,500 |
| Options exercise | 20 March 2018 | 1,000,000 | $0.43 | 427,500 |
| Options exercise | 3 May 2018 | 47,419,356 | $0.15 | 7,112,903 |
| Options exercise | 17 May 2018 | 1,000,000 | $0.43 | 427,500 |
| Transfer from share based payments reserve upon of exercise of options | | - | $0.00 | 455,082 |
| Share issue costs | | - | $0.00 | (17,629) |
| Balance | 30 June 2018 | 399,560,792 | | 71,746,813 |
| Issue of shares to in connection with the settlement of legal proceedings | 17 December 2018 | 5,192,493 | $1.37 | 7,139,678 |
| Share issue costs | | - | $0.00 | (21,137) |
| Balance | 31 December 2018 | 404,753,285 | | 78,865,354 |

### Movements in listed options over ordinary shares

| Details | Date | Options (KDRO) | | $ |
|---|---|---|---|---|
| Balance | 1 July 2017 | 47,453,487 | | - |
| Lapse of options | 30 April 2018 | (34,131) | $0.00 | - |
| Exercise of options | 3 May 2018 | (47,419,356) | $0.15 | - |
| Balance | 30 June 2018 | - | | - |
| Balance | 31 December 2018 | - | | - |

### Movements in unlisted options over ordinary shares

| Details | Date | Unlisted options | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2017 | 4,000,000 | | - |
| Option exercise | 5 October 2017 | (1,000,000) | $0.43 | - |
| Option exercise | 24 October 2017 | (1,000,000) | $0.43 | - |
| Option exercise | 20 March 2018 | (1,000,000) | $0.43 | - |
| Option exercise | 17 May 2018 | (1,000,000) | $0.43 | - |
| Balance | 30 June 2018 | - | | - |
| Balance | 31 December 2018 | - | | - |

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of Kidman in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and Kidman does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Capital risk management

The Kidman Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Kidman Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

### Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 21. Equity – reserves

| | | Consolidated |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| Share-based payments reserve | 1,517,438 | 936,793 |

### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| | Share based payments |
|---|---|
| Consolidated | $ |
| Balance at 1 July 2017 | 455,081 |
| Share based payments | 936,793 |
| Transfer from share based payments reserve upon the exercise of options | (455,081) |
| Balance at 30 June 2018 | 936,793 |
| Share based payments | 580,645 |
| Balance at 31 December 2018 | 1,517,438 |

# Note 22. Equity – dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

# Note 23. Financial instruments

### Financial risk management objectives

The Kidman Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Kidman Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Kidman Group. The Kidman Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Kidman Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

### Market risk

**Foreign currency risk**

The Kidman Group operates within Australia and is exposed to foreign exchange risk arising from fluctuations in commodity prices, primarily in relation to commodity prices.

**Price risk**

Market risk is the risk that changes in market prices, such as commodity prices and interest rates will affect the consolidated entity's income. The Kidman Group has a policy of maintaining full exposure to changes in key market variables being gold price and interest rates. The Kidman Group does not undertake gold forward selling and hence is exposed to commodity price risk. The Kidman Group is exposed to interest rate risk arising from its cash at bank. The Kidman Group regularly reassesses market conditions and market risks so as to optimise return on capital.

**Interest rate risk**

The Kidman Group's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

As at the reporting date, the Kidman Group had the following variable rate borrowings and interest rate swap contracts outstanding:

| | 31 December 2018 | | 30 June 2018 | |
|---|---|---|---|---|
| | Weighted average interest rate | Balance | Weighted average interest rate | Balance |
| **Consolidated** | **%** | **$** | **%** | **$** |
| Cash at bank | 1.50% | 14,364,363 | 1.40% | 9,573,951 |
| Cash on deposit | 2.55% | 16,500,879 | 1.80% | 451,912 |
| Net exposure to cash flow interest rate risk | | 30,865,242 | | 10,025,863 |

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank and 100 basis points on cash on deposit for the period ended 31 December 2018 and the year ended 30 June 2018. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| **Consolidated – 31 December 2018** | | | | | | |
| Cash at bank | 50 | 71,822 | 71,822 | (50) | (71,822) | (71,822) |
| Cash on deposit | 100 | 165,009 | 165,009 | (100) | (165,009) | (165,009) |
| | | 236,831 | 236,831 | | (236,831) | (236,831) |
| **Consolidated – 30 June 2018** | | | | | | |
| Cash at bank | 50 | 47,870 | 47,870 | (50) | (47,870) | (47,870) |
| Cash on deposit | 100 | 4,519 | 4,519 | (100) | (4,519) | (4,519) |
| | | 52,389 | 52,389 | | (52,389) | (52,389) |

## Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Kidman Group. The Kidman Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Kidman Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Kidman Group does not hold any collateral.

The Kidman Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Kidman Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

## Liquidity risk

Vigilant liquidity risk management requires the Kidman Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Kidman Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### Remaining contractual maturities

The following tables detail the Kidman Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual maturities |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Consolidated – 31 December 2018** | | | | | |
| **Non-derivatives** | | | | | |
| ***Non-interest bearing*** | | | | | |
| Trade and other payables | 5,273,305 | - | - | - | 5,273,305 |
| Total non-derivatives | 5,273,305 | - | - | - | 5,273,305 |
| **Consolidated – 30 June 2018** | | | | | |
| **Non-derivatives** | | | | | |
| ***Non-interest bearing*** | | | | | |
| Trade and other payables | 3,720,041 | - | - | - | 3,720,041 |
| ***Interest-bearing – fixed rate*** | | | | | |
| Loan from private financier | 6,400,000 | - | - | - | 6,400,000 |
| Total non-derivatives | 10,120,041 | - | - | - | 10,120,041 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

# Note 24. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | | Consolidated |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| Short-term employee benefits | 1,061,211 | 1,468,261 |
| Post-employment benefits | 33,228 | 46,987 |
| Termination benefits | - | 120,427 |
| Share-based payments | 659,576 | 813,429 |
| | 1,790,015 | 2,449,104 |

# Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton , the auditor of the company:

| | | Consolidated |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| **Audit services – Grant Thornton** | | |
| Audit or review of the financial statements | 83,777 | 62,975 |
| **Other services – Grant Thornton** | | |
| Taxation related services | 67,805 | 84,786 |
| | 151,582 | 147,761 |

# Note 26. Contingent liabilities

There were no contingent liabilities at 31 December 2018 and 30 June 2018.

# Note 27. Commitments

| | | Consolidated |
|---|---|---|
| | 31 December 2018 | 30 June 2018 |
| | $ | $ |
| **Lease Commitments – operating** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 267,660 | 267,660 |
| One to five years | 869,895 | 1,003,725 |
| | 1,137,555 | 1,271,385 |
| **Exploration and evaluation** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 709,836 | 225,684 |
| One to five years | 2,055,295 | 751,596 |
| | 2,765,131 | 977,280 |
| **Bank guarantees in relation to rental premises and exploration permits** | | |
| Maximum amount bank may call | 333,338 | 398,921 |

### Exploration and evaluation

In order to maintain current rights to tenure to exploration and mining tenements, the Kidman Group has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable.

Within the mineral industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. During prior years Kidman concluded a number of farm-out agreements which resulted in Kidman only being responsible for a share of the work programs. The farm-in partners also expended funds on the permits during the year which resulted in work programs for certain years being met.

# Note 28. Related party transactions

## Parent entity

Kidman Resources Limited is the parent entity.

## Subsidiaries

Interests in subsidiaries are set out in note 30.

## Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

## Transactions with related parties

The following transactions occurred with related parties:

| | | Consolidated |
|---|---|---|
| | **6 months to 31 December 2018** | **12 months to 30 June 2018** |
| | **$** | **$** |
| Payment for goods and services: | | |
| Payments to Mining Plus Pty Ltd (a director related entity associated with Mr Brad Evans)* | 16,728 | 9,820 |
| Mineral Resource Estimation – Van Uden | 9,765 | - |
| Other | 1,474 | - |

* It is noted that Mr Evans is an employee of Mining Plus Pty Ltd and does not directly receive a benefit from the amounts paid to the associated entity. The work undertaken by Mining Plus Pty Ltd relates to the Company's gold operations, which were not the primary focus of the Company's activities during the reporting period.

The Kidman Group makes payments to Western Areas Limited (ASX: WSA) an entity associated with Mr David Southam. The amounts paid relate to directors fees for the Kidman Group. All amounts paid to WSA have been set out in the remuneration report within the directors report.

The Kidman Group makes payments to CLM Resources Pty Ltd (CLM) an entity associated with Mr Brad Evans. The amounts paid relate to directors fees for the Kidman Group. All amounts paid to CLM have been set out in the remuneration report within the directors report.

## Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | | Consolidated |
|---|---|---|
| | **31 December 2018** | **30 June 2018** |
| | **$** | **$** |
| Current payables: | | |
| Trade payables to Mining Plus Pty Ltd (relationship noted above) | - | 9,820 |

## Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

## Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

# Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

| | Parent | |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| Loss after income tax | (3,406,631) | (9,103,550) |
| Total comprehensive income | (3,406,631) | (9,103,550) |
| **Statement of financial position** | | |
| Total current assets | 32,654,696 | 26,408,548 |
| Total assets | 36,190,480 | 28,284,565 |
| Total current liabilities | 13,880,155 | 10,168,926 |
| Total liabilities | 14,414,500 | 10,453,598 |
| Equity | | |
| Issued capital | 78,865,354 | 71,746,813 |
| Share-based payments reserve | 1,517,437 | 936,793 |
| Accumulated losses | (58,606,811) | (54,852,639) |
| Total equity | 21,775,980 | 17,830,967 |

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 or 31 December 2018.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 or 31 December 2018

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

# Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| | | Ownership interest | |
|---|---|---|---|
| | **Principal place of business / Country of incorporation** | **31 December 2018** | **30 June 2018** |
| **Name** | | **%** | **%** |
| Crowl Creek Exploration Limited | Australia | 100% | 100% |
| Casey Exploration Pty Ltd | Australia | 100% | 100% |
| Kidman Barrow Creek Pty Ltd | Australia | 100% | 100% |
| Kidman Mining Pty Ltd | Australia | 100% | 100% |
| MH Gold Pty Ltd | Australia | 100% | 100% |
| Montague Resources Australia Pty Ltd | Australia | 100% | 100% |
| Forrestania Lithium Pty Ltd | Australia | 100% | 100% |
| Kidman Gold Pty Ltd | Australia | 100% | 100% |

# Note 31. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Kidman Resources Limited
Crowl Creek Exploration Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Kidman Resources Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

| | **6 months to 31 December 2018** | **12 months to 30 June 2018** |
|---|---|---|
| **Statement of profit or loss and other comprehensive income** | **$** | **$** |
| Revenue | 11,977,768 | 438,050 |
| Depreciation and amortisation expense | (32,504) | (43,537) |
| Impairment of assets | (46,424) | (14,840) |
| Administration expenses | (662,753) | (1,186,240) |
| Corporate expenses | (6,156,506) | (4,036,845) |
| Employment expenses | (2,185,187) | (2,906,602) |
| Share based payments | (580,645) | (936,792) |
| Finance costs | (430,685) | (107,487) |
| Loss on Disposal of Fixed Asset | (49,223) | - |
| Profit/(Loss) on foreign currency translation | 236,313 | (256,594) |
| Loss on extinguishment of liability | - | (67,502) |
| **Profit/(loss) before income tax expense** | 2,070,154 | (9,118,389) |
| Income tax expense | (5,476,785) | - |
| **Loss after income tax expense** | (3,406,631) | (9,118,389) |
| Other comprehensive income for the period, net of tax | - | - |
| **Total comprehensive income for the period** | (3,406,631) | (9,118,389) |

| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
|---|---|---|
| **Equity – accumulated losses** | $ | $ |
| Accumulated losses at the beginning of the financial period | (55,200,180) | (45,734,247) |
| Loss after income tax expense | (3,406,631) | (9,118,389) |
| Accumulated losses at the end of the financial period | (58,606,811) | (54,852,636) |

| | 31 December 2018 | 30 June 2018 |
|---|---|---|
| **Statement of financial position** | **$** | **$** |
| **Current assets** | | |
| Cash and cash equivalents | 30,354,311 | 9,375,790 |
| Trade and other receivables | 369,509 | 719,127 |
| Prepayments | 113,728 | 67,431 |
| | 30,837,548 | 10,162,348 |
| **Non-current assets** | | |
| Other financial assets | 1,817,137 | 17,788,584 |
| Property, plant and equipment | 189,754 | 250,245 |
| Intangibles | 12,887 | 17,486 |
| Deferred tax | 3,333,155 | - |
| Other non-current assets | - | 65,903 |
| | 5,352,933 | 18,122,218 |
| **Total assets** | **36,190,481** | **28,284,566** |
| **Current liabilities** | | |
| Trade and other payables | 4,969,398 | 3,514,320 |
| Borrowings | - | 6,400,000 |
| Income tax | 8,666,252 | - |
| Employee benefits | 244,505 | 254,605 |
| | 13,880,155 | 10,168,925 |
| **Non-current liabilities** | | |
| Deferred tax | 237,091 | - |
| Employee benefits | 125,091 | 112,509 |
| Provisions | 172,163 | 172,163 |
| | 534,345 | 284,672 |
| **Total liabilities** | 14,414,500 | 10,453,597 |
| **Net assets** | 21,775,981 | 17,830,969 |
| **Equity** | | |
| Issued capital | 78,865,355 | 71,746,813 |
| Reserves | 1,517,437 | 936,792 |
| Accumulated losses | (58,606,811) | (54,852,636) |
| **Total equity** | 21,775,981 | 17,830,969 |

On 28 February 2012, Kidman Resources Limited provided a Deed of Cross Guarantee under Class Order 98/1418 made by ASIC to Crowl Creek Exploration Limited as per the signed agreement between the two entities.

## Note 32. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 33. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

| | | Consolidated |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| Loss after income tax expense for the period | (3,569,167) | (9,681,568) |
| Adjustments for: | | |
| Depreciation and amortisation | 41,619 | 60,640 |
| Share based payments | 580,645 | 936,793 |
| Exploration costs written off | 44,806 | 46,221 |
| Interest accrued | 430,685 | 59,002 |
| Realised loss on loan settlement | - | 38,549 |
| Gain on sale of Lithium Rights | (11,887,824) | - |
| Income tax expense | 5,476,785 | 347,545 |
| Loss on disposal of fixed assets | 49,223 | (372,810) |
| Decrease in value of subsidiary | 7,465 | - |
| Unrealised gain on currency translation | (196,683) | - |
| Change in operating assets and liabilities: | | |
| Decrease in trade and other receivables | 332,282 | 1,088,771 |
| Increase in prepayments | (46,298) | (26,856) |
| Increase in trade and other payables | 1,553,264 | 1,681,060 |
| Increase in employee benefits | 2,482 | 201,960 |
| Net cash from/(used in) operating activities | (7,180,716) | (5,620,693) |

# Note 34. Earnings per share

| | Consolidated | |
|---|---|---|
| | 6 months to 31 December 2018 | 12 months to 30 June 2018 |
| | $ | $ |
| **Earnings per share for profit/(loss) from continuing operations** | | |
| Loss after income tax attributable to the owners of Kidman Resources Limited | (3,569,167) | (9,661,620) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 399,955,873 | 354,239,265 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 399,955,873 | 354,239,265 |
| | **Cents** | **Cents** |
| Basic earnings per share | (0.89) | (2.73) |
| Diluted earnings per share | (0.89) | (2.73) |
| **Earnings per share for loss from discontinued operations** | | |
| Loss after income tax attributable to the owners of Kidman Resources Limited | - | (19,948) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 399,955,873 | 354,239,265 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 399,955,873 | 354,239,265 |
| | **Cents** | **Cents** |
| Basic earnings per share | - | (0.01) |
| Diluted earnings per share | - | (0.01) |
| **Earnings per share for profit/(loss)** | | |
| Loss after income tax attributable to the owners of Kidman Resources Limited | (3,569,167) | (9,681,568) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 399,955,873 | 354,239,265 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 399,955,873 | 354,239,265 |
| | **Cents** | **Cents** |
| Basic earnings per share | (0.89) | (2.73) |
| Diluted earnings per share | (0.89) | (2.73) |

### Diluted Earnings per Share

The rights to options or performance rights held by equity holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights to options or performance rights are non-dilutive as the consolidated entity has generated a loss for the year. As at 31 December 2018 there were no options on issue however there were a total of 3,604,536 rights on issue with 8 employees participating.

### Accounting policy for earnings per share

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the owners of Kidman Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

# Note 35. Share-based payments

There were no options granted under the plan during the 31 December 2018 financial period.

Set out below are summaries of performance rights granted under the plan:

**31 December 2018**

| Grant date | Expiry date | Hurdle price | Balance at the start of the year | Granted | Other* | Forfeited | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 09/01/2018 | 01/01/2019 | $0.00 | 44,118 | - | - | - | 44,118 |
| 16/03/2018 | 15/03/2020 | $2.25 | 453,525 | - | 23,772 | - | 477,297 |
| 16/03/2018 | 15/03/2021 | $2.75 | 453,525 | - | 23,772 | - | 477,297 |
| 16/03/2018 | 15/03/2022 | $3.25 | 453,525 | - | 23,772 | - | 477,297 |
| 16/03/2018 | 15/03/2020 | $2.25 | 204,144 | - | - | - | 204,144 |
| 16/03/2018 | 15/03/2021 | $2.75 | 204,144 | - | - | - | 204,144 |
| 16/03/2018 | 15/03/2022 | $3.25 | 204,144 | - | - | - | 204,144 |
| 06/08/2018 | 05/08/2020 | $0.00 | - | 330,000 | - | - | 330,000 |
| 06/08/2018 | 13/08/2020 | $1.80 | - | 274,299 | - | - | 274,299 |
| 06/08/2018 | 13/08/2021 | $2.05 | - | 274,299 | - | - | 274,299 |
| 06/08/2018 | 13/08/2022 | $2.30 | - | 274,299 | - | - | 274,298 |
| 22/08/2018 | 21/08/2020 | $2.25 | - | 121,066 | - | - | 121,066 |
| 22/08/2018 | 21/08/2021 | $2.75 | - | 121,066 | - | - | 121,066 |
| 22/08/2018 | 21/08/2022 | $3.25 | - | 121,066 | - | - | 121,066 |
| | | | 2,017,125 | 1,516,095 | 71,316 | - | 3,604,535 |

*The balance for Mr Martin Donohue's rights at 30th June 2018 was incorrectly stated. The resolution passed at the November 2018 AGM confirmed a granting of 972,954 rights, not 901,638, in March 2018.

**30 June 2018**

| Grant date | Expiry date | Hurdle price | Balance at the start of the year | Granted | Vested | Forfeited | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 09/01/2018 | 01/01/2019 | $0.00 | - | 44,118 | - | - | 44,118 |
| 16/03/2018 | 15/03/2020 | $2.00 | - | 259,277 | (259,277) | - | - |
| 16/03/2018 | 15/03/2020 | $2.25 | - | 453,525 | - | - | 453,525 |
| 16/03/2018 | 15/03/2021 | $2.50 | - | 259,277 | - | (259,277) | - |
| 16/03/2018 | 15/03/2021 | $2.75 | - | 453,525 | - | - | 453,525 |
| 16/03/2018 | 15/03/2022 | $3.00 | - | 259,277 | - | (259,277) | - |
| 16/03/2018 | 15/03/2022 | $3.25 | - | 453,525 | - | - | 453,525 |
| 16/03/2018 | 15/03/2020 | $2.50 | - | 204,144 | - | - | 204,144 |
| 16/03/2018 | 15/03/2021 | $3.00 | - | 204,144 | - | - | 204,144 |
| 16/03/2018 | 15/03/2022 | $3.50 | - | 204,144 | - | - | 204,144 |
| | | | - | 2,794,956 | (259,277) | (518,554) | 2,017,125 |

*The rights granted to Mr John Pizzey do not have a hurdle price. They vested on 2nd January 2019.

None of the performance rights granted through the period are exercisable at the end of the financial period.

For the performance rights granted during the current 6 month period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Hurdle price | Expected volatility | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|
| 06/08/2018 | 05/08/2020 | $1.38 | $0.00 | 100.00% | - | $1.38 |
| 06/08/2018 | 13/08/2020 | $1.38 | $1.80 | 100.00% | 2.03% | $1.30 |
| 06/08/2018 | 13/08/2021 | $1.38 | $2.05 | 100.00% | 2.03% | $1.30 |
| 06/08/2018 | 13/08/2022 | $1.38 | $2.30 | 100.00% | 2.03% | $1.31 |
| 22/08/2018 | 21/08/2020 | $1.16 | $2.25 | 100.00% | 1.98% | $0.97 |
| 22/08/2018 | 21/08/2021 | $1.16 | $2.75 | 100.00% | 1.98% | $0.99 |
| 22/08/2018 | 21/08/2022 | $1.16 | $3.25 | 100.00% | 1.98% | $1.02 |

### Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the barrier pricing model (June 2018: barrier pricing model) that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the barrier pricing model (June 2018: barrier pricing model), taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

— during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and

— from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

# Directors' declaration

31 December 2018

In the directors' opinion:

— the attached financial statements and notes comply with the *Corporations Act 2001* (Cth), the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

— the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

— the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial period ended on that date;

— there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

— at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31 to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001* (Cth).

On behalf of the directors

Mr George John Pizzey
Non-Executive Chairman

27 March 2019
Melbourne

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# Independent Auditor's Report

## To the Members of Kidman Resources Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Kidman Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

GrantThornton

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Joint venture accounting – Note 12** | |
| Kidman Resources Limited (KDR) entered into a Joint Venture arrangement on 21 December 2017 in relation to the Mt Holland lithium project. This Joint Venture has been accounted for as a joint operation under the requirements of AASB 11 Joint Arrangements.<br><br>As the joint venture arrangement contains certain obligations in respect to contributions to be made to the joint venture to fund ongoing activities this gives rise to a number of accounting considerations under both AASB 11 *Joint Arrangements* and AASB 6 *Exploration for and Evaluation of Mineral Resources*.<br><br>This area is a key audit matter due to the complex nature of the joint operation's activities and corresponding accounting treatment under both AASB 11 and AASB 6. | Our procedures included, amongst others:<br>• Verifying Kidman's interest in the Mt Holland arrangement to underlying records and agreements;<br>• Assessing the accounting treatment of the activities undertaken in the joint venture during the financial period;<br>• Obtaining access to relevant accounting records for the Mt Holland joint operation, and performing a review of the audit working papers in relation to the audit for the period ending 31 December 2018.<br>• Assessing whether any assets and liabilities held by the Mt Holland arrangement, in addition to revenue and expenses incurred have been accounted for appropriately in the financial statements in accordance with the requirements of AASB 11 and AASB 6;<br>• Reviewing the adequacy of the related financial statement disclosures. |
| **Equity transactions: Issue of employee share rights – Note 20** | |
| The consolidated entity issued approximately 1,186,100 unlisted employee share rights in August 2018. The fair value of these employee share rights at 31 December 2018 is $1,434,337.<br><br>The accounting for and valuation of the employee share rights is complex due to the existence of market conditions which require judgements in respect to the underlying assumptions and ensuring appropriate classification in line with AASB 2 *Share Based Payments*.<br><br>Employee share rights give rise to risks around measurement and classification.<br><br>We have determined this is a key audit matter due to the inherent subjectivity that is involved in determining the valuation of share based payments at grant date. | Our procedures included, amongst others:<br>• Agreeing the issue of employee performance rights to underlying agreements;<br>• Agreeing certain key inputs to the relevant terms within the agreements;<br>• Reviewing the assumptions applied by management and the valuation specialist for reasonableness and historical accuracy;<br>• Assessing the qualifications and objectivity of management's valuation specialist;<br>• Utilising the expertise of Grant Thornton Corporate Finance to assess the appropriateness and reasonableness of the valuation attributed to the share rights; and<br>• Reviewing the adequacy of the related financial statement disclosures. |

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for Income Tax – Note 8** | |
| The consolidated entity had a deferred tax asset of \$3,333,155 and income tax liabilities of \$8,666,252 at 31 December 2018. These balances predominantly arose from a sale transaction that occurred during the year ended 30 June 2018 and a deed of settlement and release entered into during the period.<br><br>The income tax calculations are required to comply with the Income Tax Regulations which can require interpretation in respect to the application of these regulations.<br><br>The deferred tax asset and income tax liabilities are key audit matters due to the existence of judgements and assumptions in relation to the calculation of these balances. | Our procedures included, amongst others:<br>• Agreeing the inputs into the calculation of the income tax liabilities and deferred tax assets to supporting information;<br>• Assessing the assumptions applied by management in the calculation of the income tax liabilities and deferred tax assets;<br>• Utilising the expertise of Grant Thornton income tax specialists to assist with the audit assessment of the tax treatments during the period;<br>• Assessing the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income; and<br>• Reviewing the adequacy of the related financial statement disclosures. |

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Grant Thornton

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 19 to 25 of the Directors' report for the period ended 31 December 2018.

In our opinion, the Remuneration Report of Kidman Resources Limited, for the period ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 27 March 2019

# Shareholder information

31 December 2018

The shareholder information set out below was applicable as at 31 December 2018.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of unlisted rights |
|---|---|---|
| 1 to 1,000 | 2,404 | - |
| 1,001 to 5,000 | 3,552 | - |
| 5,001 to 10,000 | 1,608 | - |
| 10,001 to 100,000 | 2,371 | 2 |
| 100,001 and over | 385 | 6 |
| | 10,320 | 8 |
| Holding less than a marketable parcel | 972 | - |

## Equity security holders

**Twenty largest quoted equity security holders**

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| EDM NOMINEES PTY LTD | 32,500,000 | 8.03 |
| WESTERN AREAS LIMITED | 17,429,155 | 4.31 |
| CAPRI TRADING PTY LTD (THE CAPRI FAMILY A/C) | 13,319,029 | 3.29 |
| NATIONAL NOMINEES LIMITED | 8,795,575 | 2.17 |
| COMMODITY HOUSE PTY LTD | 7,626,461 | 1.88 |
| CITICORP NOMINEES PTY LIMITED | 6,989,895 | 1.73 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2 | 6,541,296 | 1.62 |
| DWNK PTY LTD (THE DEREK SMITH FAMILY A/C) | 5,823,732 | 1.44 |
| PHOENIX RISE PTY LTD | 5,192,493 | 1.28 |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 4,394,130 | 1.09 |
| CROSBIE CONSULTING PTY LTD | 3,055,000 | 0.75 |
| PEARCE FINANCIAL SERVICES PTY LTD (TOM PEARCE SUPERFUND A/C) | 2,850,000 | 0.70 |
| KALE CAPITAL CORPORATION LTD | 2,820,949 | 0.70 |
| WELCH NO 1 SUPER PTY LTD (WELCH NO 1 SUPERFUND A/C) | 2,600,910 | 0.64 |
| KAVEL PTY LTD (KLEEMANN FAMILY A/C) | 2,561,467 | 0.63 |
| CAPRI TRADING PTY LIMITED (THE CAPRI FAMILY A/C) | 2,500,000 | 0.62 |
| MR SIMON WILLIAM TRITTON (INVESTMENT A/C) | 2,420,000 | 0.60 |
| PENSTOCK ADVISORY PTY LTD | 2,250,000 | 0.56 |
| MR JAMES HENDERSON ALLEN | 2,200,000 | 0.54 |
| HSBC CUSTODY NOMINEES | 2,164,798 | 0.53 |
| | 134,034,890 | 33.11 |

**Unquoted equity securities**

| | Number on issue | Number of holders |
|---|---|---|
| Rights over ordinary shares issued | 3,604,535 | 8 |

**Substantial holders**

Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| EDM NOMINEES PTY LTD | 32,500,000 | 8.03 |

## Voting rights

The voting rights attached to ordinary shares are set out below:

**Ordinary shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## Tenements

Below is a listing of mining tenements held by the consolidated entity as at the date of this report:

| Mining Tenement | Location | Beneficial Percentage held | Interest acquired/ farm-in during the reporting period | Interest disposed/ farm-out during the reporting period |
|---|---|---|---|---|
| M77/0477 – Van Uden North | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| M77/0478 – Van Uden South | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| M77/0522 – Van Uden North | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| M77/0523 – Van Uden South | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| E77/1361 – Deserts | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| E77/1535 – Cities | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| E77/1582 – Aircraft | WA, Australia | 80% – JV owns 100% lithium rights | - | - |
| M77/1065 – Cheeses | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| M77/1066 – Bounty | WA, Australia | 50%* – KDR owns 100% gold rights | - | - |
| M77/1067 – Razorback | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| M77/1068 – BushPig | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| M77/1080 – Twinings | WA, Australia | 50%*- KDR owns 100% gold rights | - | - |
| E77/1400 – Cakes | WA, Australia | 50%*- KDR owns 100% gold rights | - | - |
| E77/1773 – Southern Cross | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/1775 – Sea | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2011 – Coffee | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2080 – Battles | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2097 – Generals | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2099 – Biscuits | WA, Australia | 50%*- KDR owns 100% gold rights | - | - |
| E77/2137 – Planets | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2162 – Moons | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2167 – Golf | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2188 – Hamlet | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2244 – Texas | WA, Australia | 100% – JV owns 100% lithium rights | - | - |
| E77/2305 – Michael | WA, Australia | 100% | - | - |
| E77/2530 – Mythology | WA, Australia | 100% | 100% | - |
| P77/4115 – Snow | WA, Australia | 100% – JV owns 100% lithium rights | - | - |

| Mining Tenement | Location | Beneficial Percentage held | Interest acquired/ farm-in during the reporting period | Interest disposed/ farm-out during the reporting period |
|---|---|---|---|---|
| G77/0037 | WA, Australia | 50%* | - | - |
| G77/0038 | WA, Australia | 50%* | - | - |
| G77/0109 | WA, Australia | 100% | - | - |
| G77/129 | WA, Australia | 50%* | - | - |
| G77/130 | WA, Australia | 50%* | - | - |
| G77/131 | WA, Australia | 50%* | 100% | - |
| G77/132 – Application | WA, Australia | 50%** | - | - |
| G77/133 – Application | WA, Australia | 50%** | - | - |
| G77/134 – Application | WA, Australia | 50%** | - | - |
| G77/136 – Application | WA, Australia | 50%** | | |
| L77/0059 | WA, Australia | 50%* | - | 100% |
| L77/0085 | WA, Australia | 50%* | - | - |
| L77/0096 | WA, Australia | 50%* | - | - |
| L77/0107 | WA, Australia | 50%* | - | - |
| L77/0176 | WA, Australia | 50%* | - | - |
| L77/0193 | WA, Australia | 50%* | - | - |
| L77/0194 | WA, Australia | 50%* | - | - |
| L77/0198 | WA, Australia | 50%* | - | - |
| L77/0199 | WA, Australia | 50%* | - | - |
| L77/0200 | WA, Australia | 50%* | - | - |
| L77/0205 | WA, Australia | 50%* | - | - |
| L77/0206 | WA, Australia | 50%* | - | - |
| L77/0207 | WA, Australia | 50%* | - | - |
| L77/0208 | WA, Australia | 50%* | - | - |
| L77/0271 | WA, Australia | 50%* | - | - |
| L77/295 | WA, Australia | 50%* | 100% | - |
| L77/296 | WA, Australia | 50%* | 100% | - |
| L77/298 – Application | WA, Australia | 50%** | - | - |
| P77/4485 – Application | WA, Australia | 100% | - | - |
| M77/0215 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0216 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0284 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0285 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0286 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0324 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0389 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0458 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0542 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| M77/0550 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/1436 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/1581 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/1734 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4067 | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/2127- Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/2228 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/2235 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| E77/2236 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |

| Mining Tenement | Location | Beneficial Percentage held | Interest acquired/ farm-in during the reporting period | Interest disposed/ farm-out during the reporting period |
|---|---|---|---|---|
| E77/2261 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4473 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4474 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4475 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4476 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4477 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4478 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| P77/4479 – Application | WA, Australia | Right to acquire 70% Lithium Rights | - | - |
| EL 23186 – Home of Bullion | NT, Australia | 100% | - | - |
| EL 6321 – Browns Reef | NSW, Australia | 100% | - | - |

*Pending transfer as part of the joint venture agreement with SQM Australia Pty Ltd.

** Upon grant will be transferred into the joint venture with SQM Australia Pty Ltd as 50% holder.

# Corporate directory

**Directors**
Mr John Pizzey
(Independent Non-Executive Director and Chairman)

Mr Martin Donohue
(CEO and Managing Director)

Mr Brad Evans
(Independent Non-Executive Director)

Mr David Southam
(Independent Non-Executive Director)

Mr Aaron Colleran
(Independent Non-Executive Director)

**Chief Financial Officer**
Mr Frederick Kotzee

**Company secretary**
Mr Thomas Wilcox

**Registered office**
NE Suite, Level 30
140 William Street
Melbourne VIC 3000
Ph: (03) 9671 3801

**Principal place of business**
NE Suite, Level 30
140 William Street
Melbourne VIC 3000
Ph: (03) 9671 3801

**Share register**
Boardroom Pty Ltd
Level 12, 225 George Street
Sydney NSW 2000
Ph: (02) 9290 9600

**Auditor**
Grant Thornton Audit Pty Ltd
Tower 5, Collins Square
727 Collins Street
Melbourne, 3008 VIC

**Stock exchange listing**
Kidman Resources Limited shares are listed on the Australian Securities Exchange (ASX code: KDR). Kidman also has a Level 1 American Depositary Receipt program listed in the US (OTC:KDRYY).

**Website**
www.kidmanresources.com.au

**Corporate Governance Statement**
The Company's 2019 Corporate Governance Statement has been released to ASX on 27 March 2019 and is available on the Company's website.

kidmanresources.com.au