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16 November, 2016

**ASX Release**

Kidman Resources Limited
ABN 88 143 526 096

***Corporate Details:***
ASX Code: KDR

***Issued capital:***
315.9M ordinary shares
47.45 listed options (KDRO)

***Substantial Shareholders:***
Capri Holdings (10.5%)
Acorn Capital (5.88%)

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

***Chief Financial Officer (CFO):***
Jason Eveleigh

***Company Secretaries:***
Justin Mouchacca
Melanie Leydin

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# Kidman secures option to process Earl Grey lithium ore at nearby Poseidon plant

## Deal offers rapid, low-cost route for project development

Kidman Resources Limited (ASX: KDR) is pleased to advise that it has secured an exclusive right to use Poseidon Nickel's (ASX: POS) nearby Lake Johnston processing plant to treat ore from its Earl Grey lithium deposit near Southern Cross in WA.

The agreement is part of Kidman's strategy to fast-track the development of Earl Grey, where it is set to deliver a maiden JORC Resource early next month.

High-grade lithium has been outlined at Earl Grey, which sits on an existing Mining Lease, over an area measuring 1.4km by 750m with an estimated true thickness of 70-80m. Recent drilling has extended the Earl Grey pegmatite by another 500m to 1.9km and it remains open in most directions.

Under Kidman's agreement with Poseidon, Kidman has an exclusive option to lease the Lake Johnston plant, located approximately 100km from Earl Grey, for three years. Kidman will pay Poseidon a non-refundable deposit of $500,000 for the option, which expires on August 31, 2017.

Kidman's preliminary studies indicate the required plant and tailings storage facility modifications and commissioning would cost in the order of A$8 million and the Lake Johnston plant is capable of production in the order of 200,000-300,000 tonnes a year of spodumene concentrate grading ~6 per cent $Li_20$.

While operating the Lake Johnston plant, Kidman envisages building its own plant at Mt Holland, benefiting from the knowledge and experience it gains from operating the Lake Johnston plant.

Should Kidman exercise the option, it will pay Poseidon the greater of an annual fee of $6 million or a processing fee equivalent to $10 per dry tonne

Kidman will manage and fund the refurbishment and commissioning of the plant and meet all costs associated with its operation.

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Metallurgical tests on the Earl Grey ore are already well advanced. The imminent results will form part of the engineering studies now underway in preparation for refurbishment of the plant.

The Lake Johnston plant is a modern concentrator using reputable brand equipment such as Metso, Outokompu, Larox and Warman components.

The flowsheet consists of three-stage crushing, a large grinding mill, classification, significant flotation capacity, thickening and filtration.

Kidman's initial studies suggest the flowsheet will suit production of a spodumene concentrate subject to the results of the metallurgical testwork, though some modifications may be required.

Kidman Managing Director Martin Donohue said the Lake Johnston plant offered the Company a highly attractive fast-track route to production and cashflow.

"This agreement paves the way for Kidman to become a fully-fledged lithium producer very quickly and for very little capital outlay," Mr Donohue said.

"With the option over the plant secured, we will now push ahead as fast as possible with the engineering studies and the completion of the maiden JORC Resource at Earl Grey."

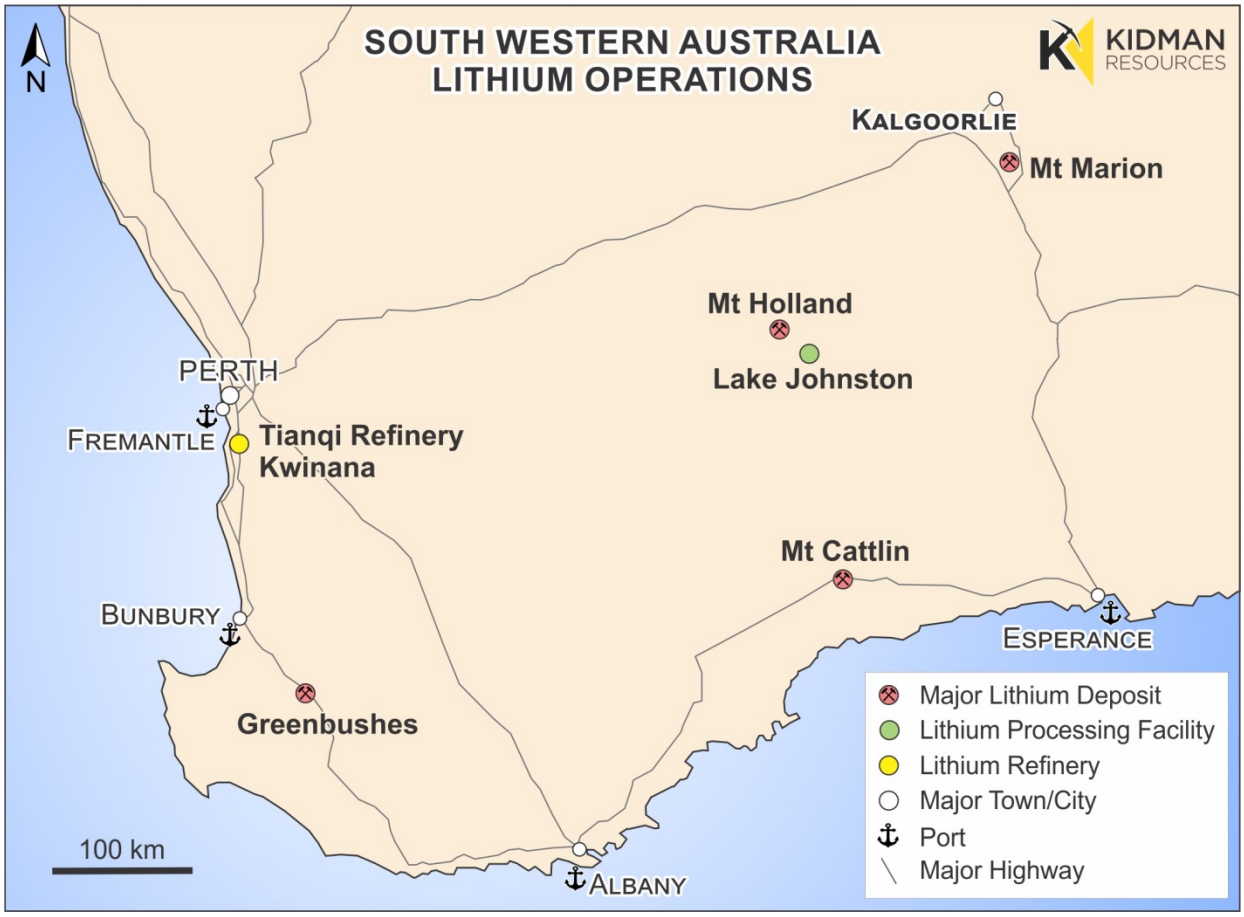


**Figure 1. Location of Mt Holland Lithium field (including Earl Grey) and Lake Johnston processing plant.**

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**Figure 2: Lake Johnston 1.5 Mtpa Process Plant**

**Kidman Background**

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

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

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

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

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

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

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*Cautionary Statement:*

*Readers should use caution when reviewing the exploration and historical information results presented and ensure that the Modifying Factors described in the 2012 edition of the JORC Code are considered before making an investment decision. Potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource.*

*Information in this report may also reflect past exploration results, and Kidman's assessment of exploration completed by past explorers, which has not been updated to comply with the JORC 2012 Code. The company confirms it is not aware of any new information or data which materially affects the information included in this announcement.*

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