

COMPANY Kidman Resources Ltd | KDR | \$0.16/share

Date: 20 June 2016

RECOMMENDATION Restricted | Valuation Range \$0.17-\$0.58/sh

EVENT: Blue Vein Shows Depth Potential

KEY POINTS

- Drilling at the 372koz Blue Vein gold deposit increases the depth extent, with the mineralisation extended by 60m and the geological structure that hosts the mineralisation intersected 220m below the previous deepest drilling.
- What the drilling results tell us that the mineralisation at Blue Vein extends at depth and that there is sufficient potential to increase the modelled mine life from the ~3.5 years that the previous tenement holder had defined.
- Extensive drilling program now planned. We see that with ~90 holes planned that an updated resource and possibly a reserve could be determined by the end of the year.
- Completion of the Gunga West sale process also announced, provides KDR with additional \$1.5m in immediate exploration/development funds, plus a future \$1.0m based on milestones.

FY17F METRICS PER 3.76x | EV/EBITDA 2.3x | Yield 0%

LINK TO INITIATION REPORT: [KDR Initiation May 2016](#)

Blue Vein Extension

- Kidman Resources (KDR) has completed three drill holes at their Blue Vein gold deposit. The holes were broadly spaced and designed to test the depth extend to the structure hosting the gold mineralisation.
- KDR has also undertaken a review of the previous drill data and has now a better understanding of the high grade gold zones within the host geological structure. This shows that whilst the main structure is a near vertical shear zone, the high grade shoots plunge to the south. This knowledge has been used in designing the resource drilling. Drilling is likely to commence as soon as the work program is approved by the WA Government.
- Summary of the results:

	Result reported	Interpretation
Hole 1	3.8m @ 5.47g/t, within a broader zone of 13m @ 2.28g/t gold. At a depth of 60m under the previous drilling	Shows the down dip continuity of the main gold bearing structure. Also provides a better understanding of the high grade gold zones.
Hole 2	Reported 1.25m @ 0.62g/t gold	Interpreted to have clipped the top of a newly interpreted fourth high grade gold zone.
Hole 3	Intersected the host structure but no gold was reported	Based on the revised modelling of the gold zones the gold mineralisation is now interpreted as plunging away from the drill hole.

INVESTMENT OVERVIEW

- Today's results show that the gold mineralisation at Blue Vein remains open in a number of directions and has not been closed off. The next step is now to fill in the gaps between this step out drilling and the current resource to increase the size and also improve the classification.
- Blue Vein remains one of a number of prospects within the Mount Holland project that KDR is currently working on. Several other near surface gold occurrences have been identified during the review of the existing datasets.
- The sale of the Gunga West deposit provides KDR with more cash that can be used at Mt Holland and Burbanks. The transaction is a good deal by KDR management, given that they are purchasing ~1.0Moz at Mt Holland for \$3.5m (~\$3.50/oz) and have sold 73koz for \$2.5m (~\$43.25/oz).
- We continue to see potential for the delineation of a number of ore sources at Mount Holland to support a potential gold operation. Our valuation range for KDR is based solely on the gold potential, existing cash and exploration projects. At this stage we have not ascribed any value to the lithium potential. We see the previously drilled pegmatites as offering KDR a low cost lithium exploration program.

Catalysts

- Resumption of production from Burbanks – the changeover in mining operators has temporarily halted production. Mining has resumed with development well underway
- Results of lithium sampling – following initial positive results the review process is continuing
- Shareholder vote to approve Mt Holland transaction – June 29 2016

Previous Research

Initiation Report [KDR Initiation May 2016](#)) for a full summary of the projects and risks

Update note: [KDR Drilling 10 May 2016](#)

Update note: [KDR 19 May 2016 PAC Partners](#)

Update Note: [KDR 23 May 2016 PAC Partners](#)

Should you have any queries, please do not hesitate to contact me on +61 3 8633 9862.

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Recommendation Criteria

Investment View

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

Buy	Hold	Sell
> 20%	20% - 5%	< 5%

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

Risk Rating

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

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