



## DESK NOTE - KIDMAN RESOURCES STANDS OUT AMONGST LITHIUM PLAYS

Wentworth Multi Asset Class Portfolios\*

Conservative - [10.3% pa](#)

Balanced - [13.4% pa](#)

Growth - [15.8% pa](#)

High Growth - [17.7% pa](#)

[Performance Table](#)

To request further information or a login to view a portfolio and reporting platform, [click here](#)

*\* inception 01 Aug 2012 | to December 31 2016*

[Portfolio Fact Sheet](#)

Lithium demand, and the forecast increase coming our way, has us looking for value across battery related companies. Generally it is hard to find. The boom in demand has been matched by a boom in exploration names listing on the ASX. A lot will fizz out, and there will only be a limited number of long term winners.

Relative value, and value compared to peers, has compelled us to look closer at Kidman Resources (KDR.ASX). It is standing out, trading at a significant discount to peers, in part because a neighboring listed explorer (Marindi Metals MZN.ASX) has claimed that KDR agreed to sell its lithium assets in early 2016 for A\$275,000 in cash and shares. The resulting court case has contributed to the uncertainty being priced in presently.

If the court case proves fruitless, than KDR may resume trading where it left off, when the dispute was announced.

[\(ASX Presentation - Feb 2017](#) referred to in this note)

- KDR have proved up a JORC resource of **128 Million Tonnes at 1.44% Li<sub>2</sub>O For 4.54 Mill Tonnes** Carbonate Equivalent (LCE). In terms of contained Lithium Oxide, it sits just below the Pilbara Minerals Pilgangoora asset.
- The Mt Holland land package hosts other pegmatites that could see a further 75 – 100 Mill Tonnes proven up with further work.
- The resource is on a granted mining lease with existing infrastructure including power / haul roads / airstrip / water.
- There is an option in place to process through Poseidon Nickel's Lake Johnston plant to be in early production.

### Lithium Market - not everyone will be equal

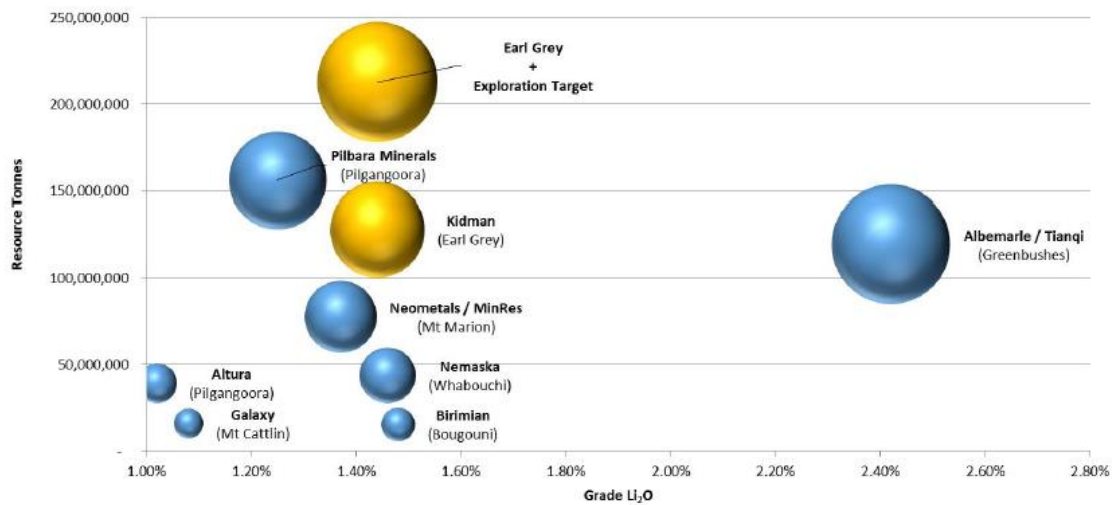
You can find slides on the large increase in future global demand for Lithium, in the decks of the Lithium companies. And most are aware of future needs of companies like Tesla, which are driving these numbers.

What should also be understood, is that the additional demand will come from a few very large players. And these large players will contract into the largest secure producers. The pricing mechanisms/ agreements will have levels of confidentiality. So, unlike deep bulk markets with spot pricing, using iron ore for example, with multiple suppliers and consumers, the bulk of this additional Lithium demand, will seek out the largest potential producers, with consistent grade/quality. This market is where Kidman will sit.

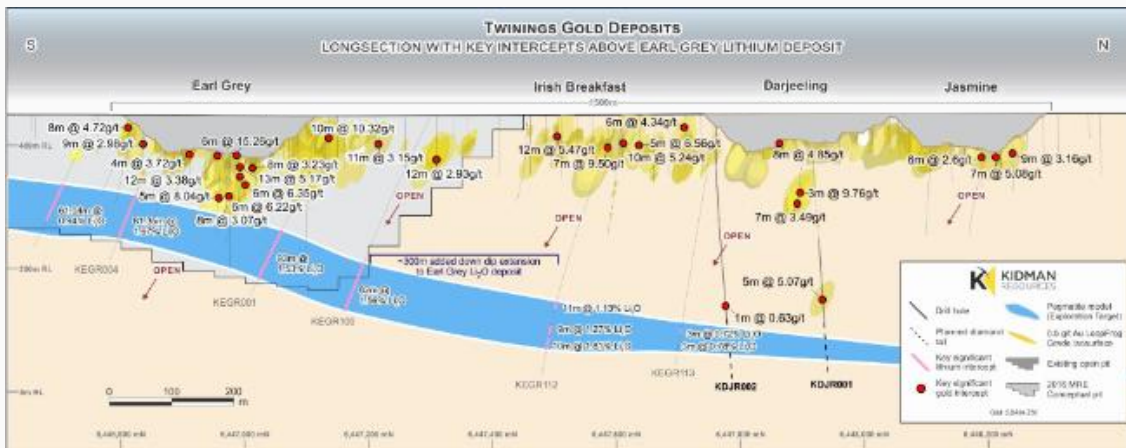
### How does it stack up - contained Lithium Oxide vs Market Cap

Company	Grade Li <sub>2</sub> O	Resource Tonnes	Contained Lithium Oxide	Market Cap \$ (approx 28/2/17)
<b>Kidman Resources / Earl Grey</b>	1.44%	128,000,000	1,843,200	\$ 153,000,000
<b>Altura Mining (AJM.ASX) Pilgangoora</b>	1.02%	39,200,000	312,000	\$ 262,000,000
<b>Pilbara Minerals (PLS.ASX) / Pilgangoora</b>	1.25%	156,300,000	1,952,000	\$ 582,000,000
<b>Birimian (BGS.ASX) / Bougouni</b>	1.48%	15,500,000	229,400	\$ 57,500,000
<b>Galaxy Metals (GXY)/ Mt Cattlin</b>	1.08%	16,000,000	172,800	\$ 985,000,000
<b>Neometals (NMT.ASX) / Mineral Resources - Mt Marion</b>	1.37%	77,800,000	1,065,860	\$ 205,000,000
<b>Albemarle (ALB.NYS)/Tianqi Greenbushes</b>	2.42%	119,400,000	2,889,480	\$ 10,300,000,000
<b>Nemaska Lithium (NMX.TSX) Whabouchi</b>	1.46%	43,808,000	639,597	\$ 405,000,000

## ASX Hard-rock Lithium Resources – Earl Grey is a Tier-1 Project



**The deposit is flat lying and averages 70 metres thick. It also lies beneath gold bearing overburden, that would be processed to get to the Lithium**



### **Significant Gold added to the project**

- KDR offers significant leverage to gold, with the Mt Holland package hosting the historic Bounty Mine (1.5m oz historic production) and the adjacent Blue Vein deposit along with multiple smaller deposits such as Twinings and Van Uden, which total a combined measured, indicated and inferred resource of 928,000 oz.
- KDR also has a suite of copper/ nickel / zinc projects in NSW and the NT.

### **Share Register and Cash position**

- KDR has a strong register, and has had little trouble raising capital to progress both the Lithium and the Gold project, to date.
- Kidman raised capital in May and August totalling \$26 mill to progress the Mt Holland Project and specifically the Lithium.
- The Dec 2016 Quarterly has them holding \$8.8m in cash ([Appendix 5B](#))

### Deal announced with Western Areas (WSA)

Kidman announced it was acquiring the ground immediately to the East of the Earl Grey Project from Western Areas as the lithium mineralisation extends into this area and the ground provides Kidman a better footprint for locating future plant.

Kidman and Western Areas are also in discussions regarding a JV for Lithium rights on Western Areas remaining Forresteria tenements.

(announcement [HERE](#))

### Dispute with Marindi Minerals (MZN.ASX)

Unfortunately, in November 2016 Kidman was notified that Marindi Metals believed they had an agreement (dating back to April 2016), to acquire the Lithium rights to the Mt Holland tenement package for \$275,000 in cash and shares.

The dispute relates to emails, which MZN considers to be a binding contractual agreement.

*From MZN - "On Friday, 11 November 2016 Marindi notified Kidman that Marindi considers that it has a binding contractual agreement with Kidman (which is to be formalised into a Heads of Agreement) for the sale of rights to pegmatite (Lithium Rights) to Marindi from the Kidman tenements located in the emerging Forresteria lithium belt. Marindi has requested that Kidman progress now to formalise the agreement (formed by exchanges of emails between the respective companies in April 2016) into a Heads of Agreement and then proceed to completion of the purchase by Marindi of the Lithium rights."*

KDR strongly refute that there was any binding agreement. Make of it what you will, however I have not experienced many deals being enforceable, when discussed on email only. However, I am also not a lawyer.

- MZN announcement [HERE](#)
- KDR response [HERE](#)

*"The Company confirms that it does not have, nor has it ever had, a binding agreement with Marindi to sell the lithium rights at Mt Holland, and will continue to work with its legal counsel on this matter."*

*'Kidman notes that prior to the last few days, Marindi had not previously alleged any agreement, and in light of developments since April 2016, the Company views Marindi's actions as being opportunistic.'*

While we await the outcome of the legal proceedings, I find it highly unusual that Marindi Metals made no mention of this "agreement" for 7 months until November 14 2016, as a Public Company. There is no mention in any of Marindi's quarterly reports or even a note to their September 2016 Annual Report of any agreement with Kidman, even to acknowledge one in dispute. One can speculate, but it would appear Marindi in hindsight, are having a crack at extracting a settlement from Kidman, after seeing the value of Kidman increase materially through the course of 2016. If Marindi were serious, you think they would have made this public immediately in April/May/June 2016. Further, it is hard to believe that Kidman would have spent so much cash drilling the lithium through 2016, on an asset they had supposedly entered into a process for disposal.

Any consideration of KDR, needs to take into account these proceedings. **The court hearing is set down for 29 May.**

## Summary

Looking beyond the short term market pre-occupation with the legal proceedings, there is no doubt the Earl Grey deposit is of size and grade to make it one of the worlds better hard rock Lithium deposits, and a project of significant national importance. Optionality exists for the company to fund development of a lithium conversion plant, either via off-take funding or potential joint ventures. The project location appears superior to local peers, and mine life would stretch out to 40+ years.

Of course, there are many risk factors to consider with resource companies, both small and large alike, and this trading note focuses on one that we feel is occupying the markets attention presently.



**Note** - this trading note contains general information only. The views are that of the author only. This general investment information does not take into account your objectives, financial situation or needs. Before acting on the information or advice, you should consider the appropriateness of the information or advice in relation to your objectives, financial situation or needs and always consult with your financial advisor. The company mentioned has not paid Wentworth Securities to produce, issue or distribute this note. The author does not own securities presently in Kidman Resources Limited. Directors, staff or clients of Wentworth Securities may hold securities in Kidman Resources Limited. Please read the full disclaimer below.

## Wentworth Securities

### Thomas Schoenmaker

Director

d: +61 2 9119 6036

e: [tom@wentworthgcp.com](mailto:tom@wentworthgcp.com)

### Malcolm Nutt

Director

d: +61 2 9119 6035

e: [mnutt@wentworthgcp.com](mailto:mnutt@wentworthgcp.com)

### Simon Tritton

Senior Advisor

d: +61 2 8279 6302

e: [simon@wentworthgcp.com](mailto:simon@wentworthgcp.com)

### Mark Rothlin

Senior Advisor

d: +61 2 8014 8412

e: [mrothlin@wentworthgcp.com](mailto:mrothlin@wentworthgcp.com)

### Catriona Crookes

Executive Assistant

d: +61 2 9119 6033

e: [catriona@wentworthgcp.com](mailto:catriona@wentworthgcp.com)

## Wentworth Corporate Finance

### Scott Griffin

Director

d: +61 2 9119 6037

e: [scott.griffin@wentworthgcp.com](mailto:scott.griffin@wentworthgcp.com)

### Ian Gebbie

Director

d: +61 2 9119 6034

e: [ian@wentworthgcp.com](mailto:ian@wentworthgcp.com)

### Gavan Carroll

Consulting Advisor

d: +61 2 8279 6300

e: [gavan@wentworthgcp.com](mailto:gavan@wentworthgcp.com)

**Wentworth Securities** is a Sharesight Pro Partner. Sharesight Pro is a professional online portfolio management system which makes tracking your share performance easy. Contact us today to find out how you can automate your share portfolio.



[Click here for more information](#)

To view a working portfolio - [request login here](#)



---

## General Disclaimer - Please read in full

\* Past performance does not guarantee future performance.

This communication has been issued by Wentworth Global Securities Pty Ltd ("WGS") (ABN: 96 155 409 653) (AFSL: 422 477). WGS is a wholly owned by Wentworth Global Capital Partners Pty Ltd ACN 155 398 333("WGCP").

**Not research:** This communication has been prepared by the at Sales and Trading team within the "Securities Division" of Wentworth Global Capital Partners (WGCP). It is not a research report and is not intended as such. This publication is intended solely for information purposes of WGCP's Wholesale, Sophisticated and Professional Investors as defined by the Corporations Act 2001 (Cth) or the equivalent in each respective Jurisdiction.

Because this document has been prepared without consideration of any specific clients investment objectives, financial situation or needs, your financial advisor should be consulted before any investment decision is made.

Wentworth Securities does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect any of the information contained in this document.

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Wentworth Securities.

This communication is not intended for US recipients and you should not forward this material into the United States or to any U.S. Persons. If you are a U.S. Person you are required to notify us immediately.

Although we believe that the information which this document contains is accurate and reliable as at the date of publishing, Wentworth Global Securities Pty Limited have not independently verified information contained in this document which is derived from publicly available sources.

**Sophisticated investors only:** This communication is made to and intended for Wholesale, Sophisticated and Professional Investors only, as defined by the Corporations Act 2001 (Cth) or the equivalent in each respective Jurisdiction.

**Disclosure of interest.** WGS and its employees may hold an interest in financial products described in this communication and may benefit from an increase in the price or value of them.

---

**Our Contact Details are:**

**Postal:**

GPO Box 4476, Sydney, NSW 2001

**Sydney Office:**

+61 2 9119 6030 (tel)

+61 2 9119 6038 (fax)

[info@wentworthgcp.com](mailto:info@wentworthgcp.com)

*Copyright © 2017 Wentworth Global Capital  
Partners, All rights reserved.*

Want to change how you receive these emails?  
You can [update your preferences](#) or [unsubscribe](#)  
from this list

The MailChimp logo is displayed in a white, cursive font within a dark grey rounded rectangular button.