



Ardea
Resources Limited

ABN 30 614 289 342

**Financial Statements for the year ended
30 June 2018**

**Suite 2, 45 Ord Street, West Perth WA 6005
PO Box 1433, West Perth WA 6872
Telephone: (08) 6244 5136**

**Email: info@ardearesources.com.au
Website: www.ardearesources.com.au**

ARDEA RESOURCES LIMITED

ABN 30 614 289 342

CORPORATE DIRECTORY

DIRECTORS

Katina Law
Executive Chair

Ian Buchhorn
Executive Director

Wayne Bramwell
Non-Executive Director

COMPANY SECRETARY

Sam Middlemas

PRINCIPAL REGISTERED OFFICE

Suite 2, 45 Ord Street
West Perth
Western Australia 6005

PO Box 1433
West Perth
Western Australia 6872

Telephone: (08) 6244 5136
Email: info@ardearesources.com.au
Internet: www.ardearesources.com.au

AUDITOR

Butler Settineri (Audit) Pty Limited
Unit 16, 1st Floor
100 Railway Road
Subiaco
Western Australia 6008

SHARE REGISTRY

Security Transfer Australia Pty Limited
770 Canning Highway
Applecross
Western Australia 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233
Email: registrar@securitytransfer.com.au

STOCK EXCHANGE LISTING

The Consolidated Entity's shares are quoted on the Australian Stock Exchange. The Home Exchange is Perth.

ASX CODE

ARL - ordinary shares

ARDEA RESOURCES LIMITED
and its controlled entities

DIRECTORS' REPORT

The Directors present their report on Ardea Resources Limited and the entities it controlled at the end of and during the year ended 30 June 2018 ("financial period").

DIRECTORS & SENIOR MANAGEMENT

The names and details of the Directors and Senior Management of Ardea Resources Limited during the financial period and until the date of this report are:

Katina Law – *B.Com., CPA, MBA, GAICD*

Executive Chair

Appointed 7 November 2016

Katina Law has over 25 years experience in the mining industry covering corporate and site based roles across several continents. Over the past ten years she has worked with a number of ASX-listed resources companies in strategic, financial advisory and general management roles. She has worked on a number of development and evaluation projects which were later subject to corporate transactions including the Deflector gold and copper project and the King Vol polymetallic zinc project. Ms Law was Executive Director and CEO of East Africa Resources Limited from 2012 to 2015. Ms Law has also held senior positions at Newmont Mining Corporation's head office in Denver, USA and at LionOre International based in Perth. Ms Law has a Bachelor of Commerce degree from UWA, is a Certified Practising Accountant and has an MBA from London Business School.

She is currently a non-executive Director of headspace and Gumala Enterprises Pty Ltd. Ms Law has no other public company directorships.

Ian Buchhorn – *BSc (Hons), Dipl. Geosci (Min. Econ), MAusIMM*

Executive Director

Appointed 17 August 2016

Ian Buchhorn is a Mineral Economist and Geologist with over 30 years experience. He was the founding Managing Director of Heron Resources Limited for a period of 11 years until early 2007 and returned to that role in October 2012 after a period as Executive Director. Mr Buchhorn previously worked with a number of international mining companies and has worked on nickel, bauxite and industrial mineral mining and exploration, gold and base metal project generation and corporate evaluations. For the last 25 years Mr Buchhorn has acquired and developed mining projects throughout the Eastern Goldfields of Western Australian and has operated as a Registered Mine Manager.

During the three years prior to the end of this financial period, Mr Buchhorn has been a Director of Heron Resources Limited (17 February 1995 to 2 June 2017), RBR Group Limited (19 August 2005 to 19 April 2018) and Golden Cross Resources Limited (3 March 2014 to 13 July 2016).

Wayne Bramwell – *BSc, GradDipBus. MSc, GAICD*

Non-Executive Director

Appointed 29 January 2018

Wayne Bramwell is an experienced mining executive with over 26 years of international and Australian project evaluation and development expertise across the base metals, precious metals and bulk commodity sectors.

Mr Bramwell holds a Bachelor of Science (Mineral Science - Extractive Metallurgy), Graduate Diploma of Business, Master of Science (Mineral Economics) and is a Graduate of the Australian Institute of Company Directors (GAICD). He is currently Chairman of the Bentley Branch of the WA School of Mines Alumni (WASMA) and the Chief Executive Officer of ASX listed Artemis Resources Limited.

During the three years prior to the end of this financial period, Mr Bramwell has been a Director of Kasbah Resources Limited (31 October 2005 to 8 February 2017).

Matthew Painter – Managing Director (Appointed 7 November 2016, Resigned 3 April 2018)

Brett Clark – Managing Director (Appointed 3 April 2018, Resigned 30 June 2018).

DIRECTORS' REPORT

COMPANY SECRETARY

Robert (Sam) Middlemas – B.Com., PGradDipBus. CA

Mr Middlemas was appointed Company Secretary and Chief Financial Officer on 20 October 2016. He is a chartered accountant with more than 20 years experience in various financial, board and company secretarial roles with a number of listed public companies operating in the resources sector. He is the principal of a corporate advisory company which provides financial and secretarial services specialising in capital raisings and initial public offerings. Previously Mr Middlemas worked for an international accountancy firm. His fields of expertise include corporate secretarial practice, financial and management reporting in the mining industry, treasury and cash flow management and corporate governance.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial period consisted of mineral exploration and development in Western Australia and New South Wales.

There have been no significant changes in these activities during the financial period.

DIVIDENDS

No dividend has been paid and no dividend is recommended for the current financial period.

REVIEW OF OPERATIONS AND ACTIVITIES

The Consolidated Entity recorded an operating loss after income tax for the Financial Period ended 30 June 2018 of \$3,814,139 (2017 - \$534,396).

Ardea is a mineral exploration group, currently focussed on its cobalt, nickel and scandium project and gold exploration in Western Australia and zinc, silver, lead and gold at its Lewis Ponds project in NSW.

Ardea's strategy for ultimate growth is to combine the following elements:

- Ongoing commitment to the identification and review of projects/corporate opportunities that have the capacity to successfully develop into a profitable mine.
- Maximise the commercial value of the existing tenement portfolio through the ongoing establishment and maintenance of suitable joint ventures and other alternate funding arrangements where appropriate.

Ardea's major projects are as follows:

- Kalgoorlie Nickel Project and Cobalt Zone (WA)
- Lewis Ponds Project (NSW)

Western Australia

KNP and Goongarrie Nickel Cobalt Project

The key objective for Ardea is commissioning a nickel-cobalt mining operation at Goongarrie within the Kalgoorlie Nickel Project ("KNP").

The KNP is a major undeveloped nickel-cobalt laterite deposit of 773.0 Mt at 0.05 % cobalt and 0.70 % nickel which is located within 150 km of Kalgoorlie, WA. With total contained nickel metal tonnages of over 5.4Mt and total contained cobalt metal tonnages of over 400,000 t, the KNP is a globally significant battery metal resource. The resource category breakdown is as follows:

Table 1 – Updated resource for the KNP based on a 0.5 % nickel cut-off. Note that all values have been rounded appropriate to their deemed accuracy, so totalling values may not appear accurate. A full breakdown of the resources is presented in Table 2 below.

Resource Category	Quantity (Mt)	Nickel (%)	Cobalt (%)	Contained nickel (t)	Contained cobalt (t)
Measured	9.6	1.02	0.10	98,800	9,700
Indicated	232.9	0.75	0.06	1,759,700	141,200
Inferred	530.5	0.68	0.05	3,600,000	254,400
KNP Total Resources	773.0	0.70	0.05	5,458,400	405,400

Since listing in February 2017, Ardea immediately started fieldwork on our main project at the Goongarrie Nickel Cobalt Project. Drilling focused on expanding higher grade resources and defining mineralisation style and extent at Goongarrie South and Big Four to recover samples for Pre-Feasibility Study (PFS) metallurgy and bench- and pilot-scale testing.

ARDEA RESOURCES LIMITED
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DIRECTORS' REPORT

Table 2 – Resource breakdown of the overall KNP resource, based on a nickel cut-off of 0.5 %. Note that all values have been rounded appropriate to their deemed accuracy, so totalling values may not appear accurate.

Region	Camp	Prospect	Resource category	Size (Mt)	Nickel (%)	Cobalt (%)	Contained nickel (t)	Contained cobalt (t)	Estimation method	Estimate source	Study period		
KNP West	Goongarrie	Goongarrie South	Measured	5.8	1.08	0.14	62,900	7,900	Krige	HGMC	2017 PFS		
			Indicated	51.4	0.78	0.08	403,800	42,800	Krige	HGMC	2017 PFS		
			Inferred	25.8	0.63	0.07	161,500	17,500	Krige	HGMC	2017 PFS		
		Highway	Indicated	52.9	0.66	0.04	349,100	22,200	Krige	Heron	Post 2010 PFS		
			Inferred	34.1	0.64	0.04	218,100	12,900	Krige	Heron	Post 2010 PFS		
		Ghost Rocks	Inferred	47.3	0.66	0.04	312,900	19,900	Krige	Heron	Post 2010 PFS		
		Goongarrie Hill	Inferred	53.6	0.60	0.04	323,700	19,800	Krige	Heron	Post 2010 PFS		
		Big Four	Indicated	34.2	0.71	0.08	241,700	28,700	Krige	HGMC	2017 PFS		
			Inferred	7.6	0.61	0.09	46,700	6,800	Krige	HGMC	2017 PFS		
		Scotia	Inferred	11.2	0.77	0.08	86,200	9,000	Krige	Snowden	Pre 2010 PFS		
		<i>Goongarrie subtotal</i>			<i>Measured</i>	<i>5.8</i>	<i>1.08</i>	<i>0.14</i>	<i>62,900</i>	<i>7,900</i>			
					<i>Indicated</i>	<i>138.5</i>	<i>0.72</i>	<i>0.07</i>	<i>994,600</i>	<i>93,700</i>			
					<i>Inferred</i>	<i>179.6</i>	<i>0.64</i>	<i>0.05</i>	<i>1,149,200</i>	<i>85,900</i>			
Siberia		Siberia South	Inferred	96.5	0.65	0.03	631,100	33,200	Krige	Snowden	Pre 2010 PFS		
		Siberia North	Indicated	10.0	0.64	0.05	64,000	5,100	Krige	Snowden	Post 2010 PFS		
		Siberia North	Inferred	53.3	0.65	0.04	349,000	23,100	Krige	Snowden	Post 2010 PFS		
		Black Range	Inferred	20.1	0.75	0.10	149,000	20,000	Krige	Snowden	Pre 2010 PFS		
		<i>Siberia subtotal</i>			<i>Indicated</i>	<i>10.0</i>	<i>0.64</i>	<i>0.05</i>	<i>64,000</i>	<i>5,100</i>			
			<i>Inferred</i>	<i>170.0</i>	<i>0.67</i>	<i>0.05</i>	<i>1,130,800</i>	<i>77,000</i>					
KNP West total			Measured	5.8	1.08	0.14	62,900	7,900					
			Indicated	148.5	0.71	0.07	1,058,600	98,800					
			Inferred	349.5	0.65	0.05	2,280,000	162,900					
KNP East	Bulong	Taurus	Inferred	14.2	0.84	0.05	119,000	7,300	Krige	Snowden	Pre 2010 PFS		
		Bulong East	Indicated	15.9	1.06	0.06	168,000	8,800	Krige	Snowden	Pre 2010 PFS		
			Inferred	24.0	0.79	0.05	189,100	12,700	Krige	Snowden	Pre 2010 PFS		
		<i>Bulong subtotal</i>			<i>Indicated</i>	<i>15.9</i>	<i>1.06</i>	<i>0.06</i>	<i>168,000</i>	<i>8,800</i>			
				<i>Inferred</i>	<i>38.2</i>	<i>0.81</i>	<i>0.05</i>	<i>308,100</i>	<i>20,000</i>				
	Hampton	Kalpini	Inferred	75.0	0.73	0.04	549,700	32,600	Krige	Snowden	Pre 2010 PFS		
		<i>Hampton subtotal</i>			<i>Inferred</i>	<i>75.0</i>	<i>0.73</i>	<i>0.04</i>	<i>549,700</i>	<i>32,600</i>			
KNP East total			Indicated	15.9	1.06	0.06	168,000	8,800					
			Inferred	113.2	0.76	0.05	857,800	52,700					
KNP Yerilla	Yerilla	Jump Up Dam	Measured	3.8	0.94	0.05	35,900	1,800	Krige	Snowden	2009 PFS		
			Indicated	41.6	0.78	0.04	326,700	18,000	Krige	Snowden	2009 PFS		
			Inferred	18.4	0.63	0.03	116,400	6,300	Krige	Snowden	2009 PFS		
		Boyce Creek	Indicated	26.8	0.77	0.06	206,400	15,500	Krige	Heron	2009 PFS		
		Aubils	Inferred	49.4	0.70	0.07	345,800	32,600	Krige	Heron	2009 PFS		
		KNP Yerilla total			Measured	3.8	0.94	0.05	35,900	1,800			
			Indicated	68.4	0.78	0.05	533,000	33,500					
			Inferred	67.8	0.68	0.06	462,200	38,900					
KNP Overall Resource			Measured	9.6	1.03	0.10	98,800	9,700					
			Indicated	232.9	0.76	0.06	1,759,700	141,200					
			Inferred	530.5	0.68	0.05	3,600,000	254,400					
GRAND TOTAL			Global	773.0	0.71	0.05	5,458,400	405,400					

Drilling

In-fill drilling to 80x40m pattern was completed in all scheduled pit areas. Drilling advance for the year was 26,528m RC, 2,111m Diamond Core and 1,108m Sonic Core.

The results of drilling performed at Goongarrie South and Big Four and with new interpretations at Scotia Dam is facilitating estimation of new resources and reserves for Goongarrie which are in preparation.

Metallurgy

Metallurgical test work, which is focused on diamond and sonic core, is ongoing and has, to date, been highly successful. Leach test work has shown metal extractions in excess of 93 % recorded for all payable metals, namely cobalt, nickel, and scandium. High Purity Alumina, manganese, vanadium and chromium extraction for KNP mineralisation will be evaluated.

Rheology and filtration test work has returned outstanding results, being the basis of the 2.25Mtpa Expansion Study.

Approvals

Referral to EPA is expected in October 2018, once current spring flora and fauna surveys are completed.

ARDEA RESOURCES LIMITED
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DIRECTORS' REPORT

Definitive Feasibility Study, Goongarrie

Several key milestones were met in advancing Goongarrie towards production:

- Pre-Feasibility Study, lodged 28 March 2018, based on a production rate up to 1.5Mtpa;

Case	Pre-tax NPV ₈	Post-tax NPV ₈	IRR	Payback
1.0Mtpa	A\$1.43 billion	A\$1.04 billion	25 %	5.3 years
1.5Mtpa	A\$1.93 billion	A\$1.40 billion	25 %	5.6 years

- Expansion Study, lodged 24 July 2018, based on a production rate up to 2.25Mtpa;

Case	Pre-tax NPV ₈	Post-tax NPV ₈	IRR	Payback
2.25Mtpa	A\$3.1 billion	A\$2.3 billion	27 %	5.1 years

- Initial Ore Reserve of 40.1Mt at 0.82% Ni and 0.09% Co was announced for Goongarrie, within a Goongarrie resource of 215.6Mt at 0.71% Ni and 0.06% Co.
- Pilot testing R&D commenced on a 7.5 tonne bulk drill core sample, returning metal extractions of up to 94% as predicted from 2017 batch tests. Nickel and cobalt sulphate crystal refining has commenced.

Strategic Partner Search

Ardea appointed leading advisory firm KPMG as a Strategic Corporate Advisor to the Company. KPMG Australia Corporate Finance's Metals and Mining team is running a competitive process to identify and attract one or more strategic financing partners to support the development of Goongarrie.

WA Gold-Nickel Exploration

Initial exploration has identified high priority gold and nickel sulphide drill targets at Mt Zephyr, Bedonia and Taurus. Statutory approval applications are current to allow drill-testing.

New South Wales

Ardea has established a NSW-resident management team for NSW, as the initial step in a possible divestment of the NSW assets.

Lewis Ponds

Lewis Ponds is a zinc-gold-silver deposit in the Lachlan Fold Belt of NSW. Mined historically for gold, silver, zinc, and pyrite, Lewis Ponds is located in one of Australia's oldest designated mining districts. Historically, the deposit has been classified as a Volcanogenic Massive Sulphide (VMS) deposit, but Ardea recognises that, though there may be VMS affinities, such a model does not fully define the breadth of mineralisation types and styles at the deposit.

Using a cut-off grade of 1.5% zinc equivalent (anticipated approximate open pit C1 cost break-even grade), mineralised intercepts have been defined for a broad stringer sulphide style (typical of the major bulk tonnage deposits of the Lachlan Fold Belt).

Previously, Lewis Ponds was explored as a high-grade underground deposit, with a historic resource of 6.6Mt at 1.5g/t Au, 69g/t Ag and 2.4% Zn estimated (refer Prospectus Table 3.2 for full description of resource status).

As a potential Massive Sulphide underground operation, the published Lewis Ponds resource was calculated at a 3% zinc equivalent cut-off. This is opposed to Ardea's 1.5% zinc equivalent cut-off for an envisaged open pit Stringer Sulphide mining operation. The Ardea concept is consistent with bulk tonnage operations in the central Lachlan Fold Belt which are all low grade, bulk excavation-based. Both Cadia and Northparkes produce sulphide concentrates with precious metal credits, whereas Cowal and the undeveloped McPhillamys deposit utilise (or propose to utilise) a carbon-in-leach (CIL) flowsheet. In terms of metal value (i.e. zinc and gold equivalent values), the mineralised zones intercepted Ardea's 2017 diamond drilling match or exceed those of the major Lachlan Fold Belt operations.

The study program at Lewis Ponds consists of:

- Initial variability samples to quantify preferred grind size and flotation reagents, which indicated a good zinc concentrate but further work required on the lead concentrate.
- Pre-concentration options for sub-grade stringer mineralisation including DMS which was extremely effective.

Exploration Tenure

At Copper Hill East, the NW extension of the Lewis Ponds mineralised structure has been identified and regional data compiled into a comprehensive data base which is being used for target generation.

At Wisemans Creek, Ardea's sampling of the Black Bullock prospect has identified "bonanza grade" epithermal gold-silver mineralisation.

At Mt Aubury-Yeoval, a large porphyry copper-epithermal gold system has been identified and exploration targets defined for follow up.

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DIRECTORS' REPORT

Corporate and Financial Position

As at 30 June 2018 the Consolidated Entity had cash reserves of \$19.2 million (2017 - \$3.1m).

Risk Management

The Board is responsible for the oversight of the Consolidated Entity's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Managing Director (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Consolidated Entity are highlighted in the Business Plan presented to the Board by the Managing Director (or equivalent) each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Consolidated Entity.

EARNINGS/LOSS PER SHARE

	2018	2017
	Cents	Cents
Basic loss per share	(4.49)	(1.68)
Diluted loss per share	(4.49)	(1.68)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors the following significant changes in the state of affairs of the Consolidated Entity that occurred during the financial period under review:

- During the year there were 22,755,628 Loyalty Options exercised at 77 cents and converted into fully paid ordinary shares which raised total funds of \$17.5 million.
- A share purchase plan was completed on 30 August 2017 which led to the issue of 6,091,188 shares at 72.5 cents per share to raise \$4.4 million.
- A placement to sophisticated investors was completed on 21 September 2017 which led to the issue of 7,647,850 shares at 72.5 cents per share to raise \$5.5 million.

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DIRECTORS' REPORT

OPTIONS/PERFORMANCE RIGHTS OVER UNISSUED CAPITAL

Unlisted Options

During the financial period and to the date of this report the following options have been issued to Investors and unrelated parties as follows:

<i>Number of Options on Issue</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
12,310,022	25 cents each	9 February 2020

The above options represent unissued ordinary shares of the Company under option as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

The names of all persons who currently hold options granted are entered in a register kept by the Company pursuant to Section 168(1) of the *Corporations Act 2001* and the register may be inspected free of charge. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During the year there were 22,755,628 Loyalty Options exercisable at 77 cents any time prior to 31 May 2018 converted into fully paid ordinary which raised total funds of \$17.5 million

Performance Rights issued during the current financial period

During the current financial year the Company issued 4,485,000 Performance Rights to Directors and Employees following shareholder approval at the 2017 Annual General Meeting held on 23rd November 2017 in three equal tranches. The Performance Rights convert into fully paid ordinary shares for \$Nil consideration upon the attainment of the following performance hurdles:

Class 'A' Performance Rights: upon completion of the Pre-Feasibility Study in relation to the cobalt zone of the Company's Kalgoorlie Nickel Project prior to 30 November 2018.

Class 'B' Performance Rights: upon the Company's Shares reaching a 30 day VWAP which is equal to or greater than \$2.37 per Share; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 1 February 2019, prior to 30 November 2019.

Class 'C' Performance Rights: upon: completion of the Definitive Feasibility Study in relation to the KNP Cobalt Zone; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 1 February 2020, prior to 30 November 2020.

The performance hurdle for the Class A Performance Rights was met on 28 March 2018 and the first tranche of 1,495,000 fully paid ordinary shares were issued for Nil consideration on that date. The remaining Performance Rights are outstanding as at the date of this report.

CORPORATE STRUCTURE

Ardea Resources Limited (ACN 614 289 342) is a Company limited by shares that was incorporated on 17 August 2016 and is domiciled in Australia.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial period any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Consolidated Entity to affect substantially the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Consolidated Entity are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as the Directors are aware there has been no known breach of the Consolidated Entity's licence conditions and all exploration activities comply with relevant environmental regulations.

**ARDEA RESOURCES LIMITED
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DIRECTORS' REPORT

INFORMATION ON DIRECTORS

As at the date of this report the Directors' interests in shares and unlisted performance rights of the Consolidated Entity are as follows:

Director	Title	Directors' Interests in Ordinary Shares *	Directors' Interests in Performance Rights
Katina Law	Executive Chair Appointed on 7 November 2016	1,008,046	600,000
Ian Buchhorn	Non-Executive Director Appointed on 17 August 2016	11,851,440	600,000
Wayne Bramwell	Non-Executive Director Appointed on 29 January 2018	-	-

DIRECTORS' MEETINGS

The number of meetings of the Consolidated Entity's Directors held in the period each Director held office during the financial period and the numbers of meetings attended by each Director were:

Director	Board of Directors' Meetings	
	Meetings Attended	Meetings held while a director
Katina Law	14	14
Ian Buchhorn	14	14
Wayne Bramwell (appointed 29 January 2018)	10	10
Matthew Painter (resigned 3 April 2018)	11	11
Brett Clark (appointed 3 April 2018, resigned 30 June 2018)	2	2

REMUNERATION REPORT

Recommendation 8.1 of the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition)* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly it was resolved that there would be no separate Board sub-committee for remuneration purposes.

This report details the amount and nature of remuneration of each Director of the Consolidated Entity and executive officers of the Consolidated Entity during the period.

Overview of Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide the Managing Director (or equivalent) and the executive team with a remuneration package consisting of a fixed and variable component that together reflects the person's responsibilities, duties and personal performance. An equity based remuneration arrangement for the Board and the executive team was put in place following the 2017 AGM approval. The remuneration policy is to provide a fixed remuneration component and short term incentive payments with a specific equity related component, with performance conditions. The Board believes that this remuneration policy is appropriate given the stage of development of the Consolidated Entity and the activities which it undertakes and is appropriate in aligning Director and executive objectives with shareholder and business objectives.

The remuneration policy in regard to setting the terms and conditions for the Managing Director (or equivalent) has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the government, which is currently 9.5% per annum and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part or all of their salary to increase payments towards superannuation.

All remuneration paid to Directors is valued at cost to the Consolidated Entity and expensed. Options and Performance Rights are valued using either the Black-Scholes methodology or the Binomial model. In accordance with current accounting policy the value of these options is expensed over the relevant vesting period.

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Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting and was approved at a maximum of \$500,000 at the 2017 AGM. Actual remuneration paid to the Consolidated Entity's Non-Executive Directors is disclosed below. Remuneration fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Consolidated Entity and it is intended all will receive options or performance rights.

Senior Executives and Management

The Consolidated Entity aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Consolidated Entity so as to:

- Reward executives for Consolidated Entity and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives in line with the strategic goals and performance of the Consolidated Entity; and
- Ensure that total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed remuneration;
- Issuance of unlisted options/performance rights; and
- Short term incentive payments.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including any employee benefits eg. motor vehicles) as well as employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Remuneration packages for the staff who report directly to the Managing Director (or equivalent) are based on the recommendation of the Managing Director (or equivalent), subject to the approval of the Board in the annual budget setting process.

Service Agreements

Dr Matthew Painter was appointed Managing Director on 7 November 2016, and resigned as a Director on 3 April 2018 and continues with the Company as General Manager – Gold. He continues to be employed under an executive services agreement on a salary of \$250,080 plus statutory superannuation and short and long term incentives. He was awarded 1,200,000 Performance Rights in 3 equal tranches that were approved by shareholders at the 2017 AGM. The first tranche of these converted into fully paid ordinary shares following achievement of the first performance hurdle. The agreement is subject to a mutual 3 month notice period.

Dr Brett Clark was appointed Managing Director on 3 April 2018, and resigned from the Company on 30 June 2018. During this period he was employed under an executive services agreement on a salary of \$380,000 plus statutory superannuation and short and long term incentives to be negotiated. The agreement was subject to a mutual 3 month notice period.

Mr Ian Buchhorn was appointed as an Executive Director - Technical on 8 September 2017 and is employed under an executive services agreement on a salary of \$247,000 plus statutory superannuation and short and long term incentives. He was awarded 900,000 Performance Rights in 3 equal tranches that were approved by shareholders at the 2017 AGM. The first tranche of these converted into fully paid ordinary shares following achievement of the first performance hurdle. The agreement is subject to a mutual 3 month notice period.

Ms Sarah Mitchell was appointed as General Manager - Technical Services on 1 November 2017 and is employed under an executive services agreement on a salary of \$320,000 plus statutory superannuation and short and long term incentives. She was awarded 450,000 Performance Rights in 3 equal tranches that were approved by shareholders at the 2017 AGM. The first tranche of these converted into fully paid ordinary shares following achievement of the first performance hurdle. The agreement is subject to a mutual 3 month notice period.

**ARDEA RESOURCES LIMITED
and its controlled entities**

DIRECTORS' REPORT

Details of the nature and amount of each element of the remuneration of each Director and Executive Officer of Ardea Resources Limited paid/accrued during the financial period are as follows:

	Primary		Post Employment	Equity Compensation	Total
	Base Salary/Fees \$	Motor Vehicle/Bonus \$	Superannuation Contributions \$	Options \$	
2017/2018					
Directors					
K Law – Executive Chair (i)	76,955	0	0	501,446	578,401
I Buchhorn – Executive (ii)	212,500	0	20,187	501,446	734,133
W Bramwell – Non-Executive (iii)	20,000	0	1,900	0	21,900
B Clark – fmer Managing Director (iv)	79,441	0	7,546	0	86,987
M Painter – fmer Managing Director (v)	250,080	0	23,757	668,595	942,432
Executives					
S Mitchell – Technical GM (vi)	213,333	0	20,266	250,723	484,322
S Middlemas - Company Secretary (vii)	133,710	0	0	250,723	384,433
2016/2017					
Directors					
K Law – Non-Executive Chair (i)	40,000	-	-	-	40,000
M Painter – Managing Director (v)	104,200	-	9,899	-	114,099
I Buchhorn – Non-Executive (ii)	26,667	-	2,533	-	29,200
Executives					
S Middlemas - Company Secretary (vi)	55,240	-	-	-	55,240

- (i) Ms Law was appointed Non-Executive Chair on 7 November 2016, and moved into an executive role in July 2018. All fees are paid to her Consulting Company Fitzroy Consulting Services. Ms Law was awarded 900,000 Performance Rights in 3 equal tranches, with the first tranche converting into fully paid ordinary shares following the achievement of the first hurdle.
- (ii) Mr Buchhorn was appointed as a Non-Executive Director on 17 August 2016 and moved to an Executive Director on 8 September 2017.
- (iii) Mr Bramwell was appointed as a Non-Executive Director on 29 January 2018.
- (iv) Mr Clarke was appointed Managing Director on 3 April 2018 and resigned on 30 June 2018.
- (v) Mr Painter was appointed Managing Director on 7 November 2016, and resigned from that position on 3 April 2018 – he continues with the Company as General Manager – Gold.
- (vi) Ms Mitchell was appointed General Manager Technical on 1 November 2017.
- (vii) Mr Middlemas was appointed Company Secretary on 20 October 2016. All fees for providing Company Secretarial services were paid to Sparkling Investments Pty Limited. He was awarded 450,000 Performance Rights in 3 equal tranches, with the first tranche converting into fully paid ordinary shares following the achievement of the first hurdle.

Other than the Directors and executive officers disclosed above there were no other executive officers who received emoluments during the financial period ended 30 June 2018.

INDEMNIFYING OFFICERS AND AUDITOR

During the year the Company paid an insurance premium to insure certain officers of the Consolidated Entity. The officers of the Consolidated Entity covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Consolidated Entity. The insurance policy does not contain details of the premium paid in respect of individual officers of the Consolidated Entity. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Consolidated Entity has not provided any insurance for an auditor of the Consolidated Entity.

AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the *Corporations Act 2001* requires the Consolidated Entity's auditors Butler Settineri (Audit) Pty Limited, to provide the Directors of the Consolidated Entity with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

NON-AUDIT SERVICES

The external auditors have not undertaken any non-audit work during the financial year.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings. The Consolidated Entity was not party to any such proceedings during the year.

**ARDEA RESOURCES LIMITED
and its controlled entities**

DIRECTORS' REPORT

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Consolidated Entity support and have adhered to the principles of corporate governance. The Consolidated Entity's corporate governance practices have been disclosed in Appendix 4G in accordance with ASX listing rule 4.7.3 at the same time as the annual report is lodged with the ASX. Further information about the Company's corporate governance practices is set out on the Company's web site at www.ardearesources.com.au/corporate-governance. In accordance with the recommendations of the ASX, information published on the web site includes codes of conduct and other policies and procedures relating to the Board and its responsibilities.

DATED at Perth this 25th day of September 2017
Signed in accordance with a resolution of the Directors



Katina Law
Executive Chair

Compliance Statement (JORC 2012)

A competent person's statement for the purposes of Listing Rule 5.22 has previously been announced by the Company for:

- 1. Kalgoorlie Nickel Project on 21 October 2013 and 31 June 2014, October 2016, 2016 Heron Resources Annual Report and 6 January 2017;*
- 2. KNP Cobalt Zone Study on 6 January 2017*

The Company confirms that it is not aware of any new information or data that materially affects information included in previous announcements, and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All projects will be subject to new work programs following the listing of Ardea, notably drilling, metallurgy and JORC Code 2012 resource estimation as applicable.

The information in this report that relates to the Black Range Exploration Results is based on information originally compiled by current full-time employees of Ardea Resources Limited. The Exploration Results and data collection processes have been reviewed, verified and re-interpreted by Mr Ian Buchhorn who is a Member of the Australasian Institute of Mining and Metallurgy and a director of Ardea Resources Limited. Mr Buchhorn has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the exploration activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Buchhorn consents to the inclusion in this report of the matters based on his information in the form and context that it appears.

The exploration and industry benchmarking summaries are based on information reviewed by Dr Matthew Painter, who is a Member of the Australian Institute of Geoscientists. Dr Painter is a full-time employee and a director of Ardea Resources Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Painter has reviewed this release and consents to the inclusion in this report of the information in the form and context in which it appears.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ardea Resources Limited for the year ended 30 June 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.

This declaration is in respect of Ardea Resources Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 25 September 2018

ARDEA RESOURCES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

	<u>NOTES</u>	<u>2018</u>	<u>Period</u> <u>17/8/16-</u> <u>30/6/17</u>
		\$	\$
Other income	2	<u>208,696</u>	11,632
Employee expenses		2,252,810	211,931
Non-Executive Directors' fees		90,287	69,200
Insurance expenses		50,228	23,541
Secretarial fees		133,710	55,240
Corporate expenses		215,644	123,650
Computer support services		89,563	20,827
Depreciation	3	41,375	106,454
Rent		153,006	38,277
Share Based Payments		2,495,476	-
Employee costs recharged to capitalised exploration		(2,244,057)	(147,528)
Other expenses		<u>744,793</u>	44,436
Loss before income tax		(3,814,139)	(534,396)
Income tax	5	<u>-</u>	-
Net loss attributable to members of the Consolidated Entity's	14	(3,814,139)	(534,396)
Other Comprehensive Loss net of tax		<u>-</u>	-
Total Comprehensive Loss		<u>(3,814,139)</u>	(534,396)
Basic earnings/(loss) per share (cents per share)	19	(4.49) cents	(1.68) cents
Diluted earnings/(loss) per share (cents per share)	19	(4.49) cents	(1.68) cents

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Consolidated Entity's accompanying notes.

ARDEA RESOURCES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		19,157,517	3,062,719
Other receivables	6	3,544,892	224,518
Other assets	7	10,555	2,713
TOTAL CURRENT ASSETS		22,712,964	3,289,950
NON-CURRENT ASSETS			
Plant and equipment and motor vehicles	8	652,603	357,446
Investments	9	10,000	10,000
Capitalised mineral exploration expenditure	10	16,238,635	9,331,853
TOTAL NON-CURRENT ASSETS		16,901,238	9,699,299
TOTAL ASSETS		39,614,202	12,989,249
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	964,511	353,105
Provisions	12	218,385	11,992
TOTAL CURRENT LIABILITIES		1,182,896	365,097
TOTAL LIABILITIES		1,182,896	365,097
NET ASSETS		38,431,306	12,624,152
EQUITY			
Contributed equity	13(a)	39,608,365	12,482,548
Share Option Reserve	15	3,171,476	676,000
Accumulated losses	14	(4,348,535)	(534,396)
TOTAL EQUITY		38,431,306	12,624,152

The above Consolidated Statement of Financial Position should be read in conjunction with the Consolidated Entity's accompanying notes.

ARDEA RESOURCES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from year ended 30 June 2018

	Notes	Contributed Equity \$	Share Option Reserve \$	Losses \$	Total \$
BALANCE AT 17 AUGUST 2016		-	-	-	-
Total Comprehensive Income		-	-	(534,396)	(534,396)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	13(b)	13,400,229	-	-	13,400,229
Less share issue costs		(917,681)	-	-	(917,681)
Options issued to promoters		-	676,000	-	676,000
BALANCE AT 30 JUNE 2017		<u>12,482,548</u>	<u>676,000</u>	<u>(534,396)</u>	<u>12,624,152</u>
 BALANCE AT 30 JUNE 2017		 12,482,548	 676,000	 (534,396)	 12,624,152
Total Comprehensive Income		-	-	(3,814,139)	(3,814,139)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	13(b)	27,482,636	-	-	27,482,636
Less share issue costs		(356,819)	-	-	(356,819)
Performance Rights issued to staff		-	2,495,476	-	2,495,476
BALANCE AT 30 JUNE 2018		<u>39,608,365</u>	<u>3,171,476</u>	<u>(4,348,535)</u>	<u>38,431,306</u>

The above Consolidated statement of changes in equity should be read in conjunction with the Consolidated Entity's accompanying notes.

ARDEA RESOURCES LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended 30 June 2018

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
		\$	\$
Cash flows from operating activities			
Interest received		158,323	11,632
Payments to suppliers and employees (inclusive of goods and services tax)		(1,501,531)	(489,249)
Net cash used in operating activities	20(a)	<u>(1,343,208)</u>	<u>(477,617)</u>
Cash flows from investing activities			
Payments for exploration and evaluation		(9,351,278)	(1,208,008)
Proceeds (Payments) for plant and equipment		(336,533)	(109,900)
Net cash used in investing activities		<u>(9,687,811)</u>	<u>(1,317,908)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		27,478,391	5,104,170
Costs of shares issued		(352,574)	(245,926)
Net cash provided by financing activities		<u>27,125,817</u>	<u>4,858,244</u>
Net increase (decrease) in cash held		16,094,798	3,062,719
Cash at the beginning of the financial period		<u>3,062,719</u>	-
Cash at the end of the financial period		<u>19,157,517</u>	<u>3,062,719</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the Consolidated Entity's accompanying notes.

ARDEA RESOURCES LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Ardea Resources Limited and its controlled entities ("Ardea" or "Consolidated Entity"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied as presented, unless otherwise indicated.

Ardea Resources Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange. The financial statements are presented in Australian dollars which is the Consolidated Entity's functional currency.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Ardea Resources Limited is a for-profit entity's for the purpose of preparing the financial statements.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue by the Directors.

(b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. None of the balances reported have been derived from estimates.

(c) Basis of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of Ardea Resources Limited and its subsidiaries as at 30 June.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. The subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity and ceases to be consolidated from the date on which control is transferred out of the consolidated entity.

The acquisition of the subsidiaries have been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of the subsidiaries for the period from their acquisition.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(g) Employee Entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, Plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment and Motor Vehicles

Property, Plant and equipment, and Motor Vehicles are stated at cost less accumulated depreciation and any impairment in value.

The carrying values of property, plant and equipment and Motor Vehicles are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation

Depreciable non-current assets are depreciated over their expected economic life using either the straight line or the diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant & equipment and Motor Vehicles 20 - 33%

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Exploration and Evaluation Expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then re-classified from intangible assets to mining property and development assets within property, plant and equipment.

(m) Earnings per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Share-based payment transactions

The Company provides benefits to employees (including Directors and consultants) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("Equity-settled transactions").

There is currently a plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors, consultants and senior executives.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by an external valuer using the either the Black -Scholes or Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ardea Resources Limited ("market conditions").

The cost of equity settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

Where the Consolidated Entity acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

(p) Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the Consolidated Entity. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Consolidated Entity has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. The Consolidated Entity has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods, and have not been adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is that they will have no material impact and will only effect disclosure provisions in future full year accounts.

ARDEA RESOURCES LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
2. OTHER INCOME		
Other Income		
Interest	<u>208,696</u>	<u>11,632</u>
3. EXPENSES		
Contributions to employees superannuation plans		
Depreciation - Plant and equipment	41,375	106,454
Provision for employee entitlements	<u>206,393</u>	<u>11,992</u>
4. AUDITORS' REMUNERATION		
Audit – Butler Settineri (Audit) Pty Limited		
Audit and review of the financial statements	<u>28,437</u>	<u>2,500</u>

ARDEA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

5. INCOME TAX

No income tax is payable by the Consolidated Entity as it has incurred losses for income tax purposes for the year, so current tax, deferred tax and tax expense is \$Nil.

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	<u>2018</u>	<u>2017</u>
	\$	\$
Loss from continuing operations	<u>(3,814,139)</u>	<u>(534,396)</u>
Tax at the tax rate of 27.5%	(1,048,888)	(146,959)
Tax effect of amounts which are deductible in calculating taxable income:		
Non-deductible expenses	654,258	(13,492)
Other allowable expenditure	-	-
Deferred tax asset not brought to account	<u>394,630</u>	<u>160,451</u>
Income tax expense	<u>-</u>	<u>-</u>

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	<u>5,630,308</u>	<u>1,956,501</u>
Potential tax benefit at 27.5%	<u>1,548,335</u>	<u>538,038</u>

(c) Unbooked Deferred Tax Assets and Liabilities

Unbooked deferred tax assets comprise:

Provisions/Accruals/Other	148,278	11,292
Tax losses available for offset against future taxable income	<u>5,630,308</u>	<u>1,956,501</u>
	<u>5,778,586</u>	<u>1,968,493</u>

Unbooked deferred tax liabilities comprise:

Capitalised mineral exploration and evaluation expenditure	<u>3,783,147</u>	<u>955,036</u>
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(d) Franking credits balance

The Consolidated Entity has no franking credits available as at 30 June 2018.

6. OTHER RECEIVABLES

Current

GST recoverable	331,509	108,239
Bonds and guarantees	90,000	116,279
R&D Receivable	3,035,642	-
Interest Receivable and Other	<u>87,741</u>	<u>-</u>
	<u>3,544,892</u>	<u>224,518</u>

7. OTHER ASSETS

Current

Prepayments	<u>10,555</u>	<u>2,713</u>
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ARDEA RESOURCES LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

		<u>2018</u>	<u>2017</u>
		\$	\$
8. PROPERTY, PLANT AND EQUIPMENT			
Plant and office equipment			
At cost	213,683	97,164	
Accumulated depreciation	<u>(117,980)</u>	<u>(93,719)</u>	
	95,703	3,445	
Motor Vehicles			
At cost	209,068	-	
Accumulated depreciation	<u>(17,114)</u>	<u>-</u>	
	191,954	-	
Property and buildings			
At cost	377,680	366,735	
Accumulated depreciation	<u>(12,734)</u>	<u>(12,734)</u>	
	364,946	354,001	
	652,603	357,446	

Reconciliation

Reconciliation of the carrying amounts for each class of plant and equipment and Properties and Buildings are set out below:

Plant and office equipment

Carrying amount at beginning of the period	3,445	-
Additions	116,519	97,164
Depreciation	<u>(24,261)</u>	<u>(93,719)</u>
Carrying amount at the end of the year	<u>95,703</u>	3,445

Motor Vehicles

Carrying amount at beginning of the year	-	-
Additions	209,068	-
Depreciation	<u>(17,114)</u>	<u>-</u>
Carrying amount at the end of the year	<u>191,954</u>	-

Property and buildings

Carrying amount at beginning of the year	354,001	-
Additions	10,945	366,735
Depreciation	<u>-</u>	<u>(12,734)</u>
Carrying amount at the end of the year	<u>364,946</u>	354,001

ARDEA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

9.	INVESTMENTS	\$	\$
	Non-Current		
	Investment in Newamu	<u>10,000</u>	<u>10,000</u>

Particulars in relation to the controlled entities
Ardea Resources Limited is the parent entity.

Name of Controlled entity	Class of Shares	Equity Holding	
		2018	2017
TriAusMin Pty Ltd ACN 062 002 475	Ordinary	100%	100%
Atriplex Pty Ltd ACN 113 719 207	Ordinary	100%	100%
Yerilla Nickel Pty Ltd ACN 123 249 810	Ordinary	100%	100%
Ardea Exploration Pty Ltd ACN 137 889 279	Ordinary	100%	100%
Kalgoorlie Nickel Pty Ltd ACN 137 889 199	Ordinary	100%	100%

All the above Australian entities were part of the transfer of Assets under the Demerger Implementation Agreement between Heron Resources Limited and Ardea Resources Limited and transferred into the Ardea Consolidated group on 17 November 2016.

		<u>2018</u>	<u>2017</u>
		\$	\$
10.	CAPITALISED MINERAL EXPLORATION EXPENDITURE		
	Non-Current		
	<i>In the exploration phase</i>		
	Cost brought forward	9,331,853	-
	Exploration Properties purchased	-	8,300,000
	Add: Expenditure incurred during the year (at cost)	9,942,424	1,031,853
	R&D Refund receivable	(3,035,642)	
	Exploration expenditure written off	-	-
		<u>16,238,635</u>	<u>9,331,853</u>

The recoupment of costs carried forward is dependent on the successful development and/or commercial exploitation or alternatively sale of the respective areas of interest.

11.	TRADE AND OTHER PAYABLES		
	Current (Unsecured)		
	Trade creditors	943,511	328,841
	Other creditors and accruals	<u>21,000</u>	<u>24,264</u>
		<u>964,511</u>	<u>353,105</u>

Included within trade and other creditors and accruals is an amount of \$778,686 (2017 - \$187,541) relating to exploration expenditure.

12.	PROVISIONS		
	Current		
	Employee entitlements	<u>218,385</u>	<u>11,992</u>

ARDEA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

13.	CONTRIBUTED EQUITY	2018	2017		
		\$	\$		
	(a) Ordinary Shares				
	104,990,413 (2017- 67,000,747) fully paid ordinary shares	39,608,365		12,482,548	
	(b) Share Movements during the Year				
		2018		2017	
		Number of Shares	\$	Number of Shares	\$
	Beginning of the financial period	67,000,747	12,482,548	-	-
	<i>New share issues during the period</i>				
	Share Purchase Plan a 72.5 cents/share	6,091,188	4,416,111	-	-
	Placement at 72.5 cents/share	7,647,850	5,544,691	-	-
	Loyalty Options exercised at 77c/share	22,755,628	17,521,834	-	-
	Performance rights issued to staff	1,495,000	-	-	-
	Shares issued at Incorporation	-	-	100	100
	Shares issued to Heron (in specie)	-	-	41,501,521	8,300,304
	IPO shares issued at 20 cents/share	-	-	25,499,126	5,099,825
	Less costs of issues	-	(356,819)	-	(917,681)
		104,990,413	39,608,365	67,000,747	12,482,548

(c) Unlisted Options

As at the date of this report the following options have been issued to Investors and unrelated parties – there were no options issued during the current financial year:

Number of Options on Issue	Exercise Price	Expiry Date
12,310,022	25 cents each	9 February 2020

The above options represent unissued ordinary shares of the Company under option as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company. During the year 22,755,628 Loyalty Options were exercised at 77 cents each, with the remaining 2,691,442 lapsing unexercised.

(d) Share Based Payments

During the current financial year there were a number of Share Based payments made to Directors and Employees (4,485,000 Performance Shares), of which 1,495,000 resulted in new fully paid shares being issued for \$Nil consideration following the achievement of the first Performance Hurdle, and in the previous financial period to Options were issued to Heron Resources Limited (10 million options) and the Lead Manager and Corporate Advisor to the float (2,310,022 options) refer above. Further details of these are included under Note 20.

(e) Terms and Conditions of Contributed Equity

Ordinary Shares

The Company is a public Company limited by shares. The Company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

13. CONTRIBUTED EQUITY (Continued)

(f) Capital Risk Management

Due to the nature of the Consolidated Entity's activities, being mineral development and exploration, the Consolidated Entity does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Consolidated Entity's capital risk management is the current working capital position against the requirements to meet exploration programmes and corporate overheads. The Consolidated Entity's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Consolidated Entity at 30 June 201 are as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash and cash equivalents	19,157,517	3,062,719
Trade and other receivables	3,544,892	224,518
Other assets	10,555	2,713
Trade and other payables	(964,511)	(353,105)
Provisions	<u>(218,385)</u>	<u>(11,992)</u>
Working capital position	<u>21,530,068</u>	<u>2,924,853</u>

14. ACCUMULATED LOSSES

Accumulated losses at the beginning of the period	534,396	-
Net loss attributable to members	<u>3,814,139</u>	<u>534,396</u>
Accumulated losses at the end of the year	<u>4,348,535</u>	<u>534,396</u>

15. RESERVES

Share Option/Performance Rights Reserve

Balance at the beginning of the period	676,000	-
Add: Amounts expensed in current period	<u>2,495,476</u>	<u>676,000</u>
Balance at the end of the period	<u>3,171,476</u>	<u>676,000</u>

Share Option reserve

The share option reserve comprises any equity settled share based payment transactions.

16. RELATED PARTIES

Full remuneration details for Directors and Executives are included in the Directors report where the information has been audited as indicated. During the current financial year there were no other transactions with Directors or Executives except as follows:

The Company rents office and storage facilities in Kalgoorlie from an entity associated with Executive Director Ian Buchhorn on normal arms length commercial terms. Total rent paid for the financial year was \$74,997, (2017 - \$Nil).

The Company uses Indigenous Professional Services Pty Ltd (an entity associated with Executive Chair Katina Law) to provide HR consulting work on normal arms length commercial terms. Total paid during the financial year was \$121,550 (2017 - \$Nil).

ARDEA RESOURCES LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

Director and KMP Movement in Shares

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Directors and Executive Officers of the Consolidated Entity or their personally-related entities are as follows:

2018	Ordinary Shares				Performance Rights ⁽¹⁾ 30 June 2018
	Opening	Purchases/ (in specie distribution)	Disposals	Closing	
Ms K Law	500,000	508,046	-	1,008,046	600,000
Mr I Buchhorn	8,379,098	3,472,342	-	11,851,440	600,000
Mr W Bramwell	-	-	-	-	-
Mr B Clark	-	-	-	-	-
Mr M Painter	130,000	464,023	-	594,023	800,000
Ms S Mitchell	-	186,711	-	186,711	300,000
Mr S Middlemas	260,000	278,046	-	538,046	300,000
2017					Loyalty Options ⁽²⁾ 30 June 2017
Ms K Law	-	500,000	-	500,000	166,666
Mr M Painter	-	130,000	-	130,000	43,333
Mr I Buchhorn	-	8,379,098	-	8,379,098	2,793,029
Mr S Middlemas	-	260,000	-	260,000	86,666

- (1) Directors and Staff were issued Performance Rights during the year in three equal tranches subject to a number of performance hurdles, the first performance hurdle was met on 28 March 2018 and the first tranche of fully paid ordinary shares were issued – the balance of the Performance Rights are subject to additional performance hurdles (refer Note 20).
- (2) The Company issued 1 free Loyalty Option for every 3 shares held to all shareholders holding shares 3 months after the float. The Loyalty Options were exercisable any time prior to 31 May 2018 at an exercise price of 77 cents per option. Directors and KMP's holding Loyalty Options all exercised them during the current financial year.

17. EXPENDITURE COMMITMENTS

(a) Exploration

The Consolidated Entity has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Consolidated Entity's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Consolidated Entity have not been provided for in the financial statements and those which cover the following twelve month period amount to \$2,202,480 (2017 - \$1,929,580). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

	<u>2017</u> \$	<u>2017</u> \$
(b) Operating Lease Commitments		
Total operating lease expenditure contracted for at balance date but not provided for in the financial statements, payable:		
Not later than one year	89,577	89,577
Between one and five years	125,576	218,153
	218,153	307,730

The operating lease relates to the Consolidated Entity's registered office premises in West Perth, which was entered into on 20 April 2017 for a period of 3 years.

(c) Capital Commitments

The Consolidated Entity had no capital commitments at 30 June 2018.

ARDEA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

18. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in one segment involved in the mineral exploration and development industry in Australia.

	<u>2018</u>	<u>2017</u>
	\$	\$
19. EARNINGS/ (LOSS) PER SHARE		
The following reflects the loss and share Data used in the calculations of basic and diluted earnings/ (loss) per share:		
Earnings/ (loss) used in calculating basic and diluted earnings/ (loss) per share	<u>(3,814,139)</u>	<u>(534,396)</u>
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings/ (loss) per share:	84,985,876	31,814,873
<i>Effect of dilutive securities</i>		
Share options*	<u>-</u>	<u>-</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/ (loss) per share	<u>84,985,876</u>	<u>31,814,873</u>
Basic and Diluted loss per share (cents per share)	4.49 cents	1.68 cents

*Non-dilutive securities

As at balance date, 12,310,022 unlisted options which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

20. NOTES TO THE STATEMENT OF CASH FLOWS

	<u>2018</u>	<u>2017</u>
	\$	\$
(a) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities		
Loss from ordinary activities after income tax	(3,814,139)	(534,396)
<i>Non-cash items:</i>		
Depreciation	41,375	106,454
Accrued Interest	(50,373)	-
Performance Rights	2,495,476	-
<i>Change in operating assets and liabilities:</i>		
Decrease (Increase) in prepayments	(7,842)	(2,714)
Decrease (Increase) in receivables	(234,359)	(224,518)
Increase in trade creditors and accruals	139,288	165,565
Increase in employee entitlements	<u>87,366</u>	<u>11,992</u>
Net cash outflows used in operating activities	<u>(1,343,208)</u>	<u>(477,617)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

20. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Non Cash Financing and Investing Activities

Performance Rights issued during the current financial period

During the current financial year the Company issued 4,485,000 Performance Rights to Directors and Employees following shareholder approval at the 2017 Annual General Meeting held on 23rd November 2017 in three equal tranches. The Performance Rights convert into fully paid ordinary shares for \$Nil consideration upon the attainment of the following performance hurdles:

Class 'A' Performance Rights: upon completion of the Pre-Feasibility Study in relation to the cobalt zone of the Company's Kalgoorlie Nickel Project prior to 30 November 2018.

Class 'B' Performance Rights: upon the Company's Shares reaching a 30 day VWAP which is equal to or greater than \$2.37 per Share; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 1 February 2019, prior to 30 November 2019.

Class 'C' Performance Rights: upon: completion of the Definitive Feasibility Study in relation to the KNP Cobalt Zone; and continuous service of the Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Performance Rights to 1 February 2020, prior to 30 November 2020.

The performance hurdle for the Class A Performance Rights was met on 28 March 2018 and the first tranche of 1,495,000 fully paid ordinary shares were issued for Nil consideration on that date. The remaining Performance Rights are outstanding as at the date of this report.

The Performance Rights were valued using a hybrid employee share option pricing model that simulates the Company's share price at the expiry date.

The variables used to value the Performance Rights are as follows:

Item	Class A	Class B	Class C
Underlying Security Spot Price	\$1.54	\$1.54	\$1.54
Exercise Price	Nil	Nil	Nil
Share Price Barrier	Nil	\$2.37	Nil
Grant Date	30 Nov 2017	30 Nov 2017	30 Nov 2017
Expiration Date	30 Nov 2018	30 Nov 2019	30 Nov 2020
Life of Rights (years)	1	2	3
Volatility	100%	100%	100%
Risk free rate	1.85%	1.85%	1.85%

The likelihood of achieving each of the Performance hurdles was then considered leading to a value for the Class A Performance Rights of \$1.54 each (total - \$2,171,400), value for Class B Performance Rights of 45.52 cents (total - \$641,832) and value of Class C Performance Rights of \$Nil. These values will be expensed over the life of the Performance rights, and will be reassessed at each audit period to ensure the underlying assumptions remain, with adjustments to be made with the changing conditions.

Options issued during financial period ended 30 June 2017

During the previous financial period, the Company issued 41,501,521 fully paid ordinary shares to Heron Resources Limited, which Heron made and in-specie distribution to its shareholders on a 1 for 10 basis. The shares had a deemed value of 20 cents each (same as IPO price) and equated to \$8,300,304. The Ardea Group received the holdings in the subsidiary companies with the main assets being the interest in the Lewis Ponds deposit \$4,903,000, and the Kalgoorlie Nickel Project \$3,397,304.

In addition Ardea issued 10,000,000 options to Heron Resources Limited exercisable into fully paid ordinary shares with an exercise price of \$0.25 any time prior to 9 February 2020 (3 years from the date of listing on ASX) which were valued at \$560,000 in exchange for Heron paying all the costs of the IPO.

ARDEA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

20. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Ardea also issued 2,310,022 options exercisable into fully paid ordinary shares with an exercise price of \$0.25 any time prior to 9 February 2020 (3 years from the date of listing on ASX) which were valued at \$129,362 to the Lead Manager and Corporate Advisor to the float.

The Black Scholes valuation methodology has been used to value the options issued during the reporting period. The following inputs were used to value the options issued:

Number of options:	12,110,022
Method adopted	Black Scholes
Average volatility (%)	50
Average risk free interest rate (%)	2%
Average expected life of option (years)	3
Exercise price	\$0.25
Share price at grant date	\$0.20
Average value per option	\$0.056

21. FINANCIAL INSTRUMENTS

The Consolidated Entity's activities expose it to a variety of financial risks and market risks. The Consolidated Entity'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 Consolidated Entity.

(a) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is not significant. Cash and cash equivalents are the only assets effected and the average interest rate received is 2.5%.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(c) Commodity Price Risk and Liquidity Risk

At the present state of the Consolidated Entity's operations it has minimal commodity price risk and limited liquidity risk due to the level of payables and cash reserves held. The Consolidated Entity's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

(d) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Consolidated Entity has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

The aggregate employee entitlement liability is disclosed in Note 12.

Superannuation Commitments

The Consolidated Entity contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

Accordingly no actuarial assessments of the plans are required.

23. CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 30 June 2018 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Consolidated Entity has an interest. The Consolidated Entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Consolidated Entity or its projects. Agreement is being negotiated with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Consolidated Entity has an interest.

24. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Consolidated Entity to affect substantially the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

25. PARENT COMPANY
(a) Financial Position

	<u>2018</u>	<u>2017</u>
	\$	\$
Assets		
Total current assets	22,712,964	3,289,950
Total non-current assets	16,901,238	9,699,299
	39,614,202	12,989,249
Liabilities		
Total current liabilities	1,182,896	365,097
Total Liabilities	1,182,896	365,097
Net Assets	38,431,306	12,624,152
Equity		
Issued capital	39,608,365	12,482,548
Reserves	3,171,476	676,000
Accumulated losses	(4,348,535)	(534,396)
Total Equity	38,431,306	12,624,152
Total comprehensive loss for the year	3,814,139	534,396

Ardea Resources Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries, had no contingent liabilities at 30 June 2018 and no capital commitments at 30 June 2018.

**ARDEA RESOURCES LIMITED
and its controlled entities**

DIRECTORS' DECLARATION

In the opinion of the Directors of Ardea Resources Limited ("the Consolidated Entity"):

- (a) the financial statements and notes, set out on pages 14 to 33, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2018 and of its performance, as represented by the results of its operations, for the financial year to 30 June 2018.
- (b) there are reasonable grounds to believe that Ardea Resources Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the year to 30 June 2018.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 25th day of September 2018.

A handwritten signature in black ink, appearing to read 'Katina Law', with a stylized flourish at the end.

**Katina Law
Executive Chair**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARDEA RESOURCES LIMITED

Report on the financial report

Opinion

We have audited the financial report of Ardea Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

- i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We have 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 ethical requirements 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.

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

Capitalised mineral exploration expenditure

(refer note 10)

The Group operates as an exploration entity and as such its primary activities entail expenditure focussed on the exploration for and evaluation of economically viable mineral deposits. These activities currently include the Kalgoorlie Nickel Project in WA and the Lewis Ponds Project in NSW.

All exploration and evaluation expenditure incurred has been capitalised and recognised as an asset in the Statement of Financial Position. The closing value of this asset is \$16,238,635 as at 30 June 2018.

The carrying value of capitalised mineral exploration assets is subjective and is based on the Group's intention and ability, to continue to explore the asset. The carrying value may also be affected by the results of ongoing exploration activity indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the asset value included within the financial statements may not be recoverable.

Equity and Capital Structure

(refer note 13)

The Group has issued ordinary shares on the exercise of loyalty options previously issued to shareholders.

Share based payments – performance rights

(refer notes 13 and 20)

The Group awarded performance rights to key management personnel and employees. The rights vest subject to the achievement of specific performance milestones.

The Group used both the Black-Scholes and Binomial models in valuing the rights based on the milestones attaching to each tranche of rights awarded.

The share based payment expense for the year arising as a result of awarding these rights is \$2,495,476.

Some of these rights vested during the year and ordinary shares were issued.

How our audit addressed the key audit matter

Our audit procedures included:

- ensuring the Group's continued right to explore for minerals in the relevant exploration areas including assessing documentation such as exploration and mining licences;
- enquiring of management and the directors as to the Group's intentions and strategies for future exploration activity and reviewing budgets and cash flow forecasts;
- assessing the results of recent exploration activity to determine whether there are any indicators suggesting a potential impairment of the carrying value of the asset;
- assessing the Group's ability to finance the planned exploration and evaluation activity; and
- assessing the adequacy of the disclosures made by the Group in the financial report.

Our audit procedures included;

- examining each conversion to, and issue of, fully paid ordinary shares during the year as shown in note 13; and
- assessing the adequacy of the disclosures made by the Group in the financial report.

Our audit procedures included;

- assessing the assumptions used in the valuation of the performance rights;
- assessing the recognition of the value of the performance rights;
- assessing the accuracy of the share based payment expense for the year; and
- assessing the adequacy of the disclosures made by the Group in the financial report.

Key Audit Matter

How our audit addressed the key audit matter

Research and Development Tax Incentive

(refer notes 6 and 10)

Management has applied judgements, assumptions and estimates in determining the R&D Tax Incentive disclosed in notes 6 and 10.

Our audit procedures included:

- evaluating the assumptions, methodologies and conclusions used by the Group in preparing the R&D Tax Incentive estimate; and
- assessing the adequacy of the disclosures made by the Group in the financial report

Deferred Taxation

(refer note 5)

The Company relies on the use of an expert to prepare the taxation disclosures which are included in the financial statements.

In accordance with Australian Auditing Standards, we relied on the work of management's expert with respect to the assumptions used in the calculation of deferred taxes. Our audit procedures included:

- examining the qualifications, objectivity and experience of management's expert;
- evaluating the assumptions, methodologies and conclusions used by the Group in preparing their estimate of deferred taxes; and
- assessing the adequacy of the disclosures made by the Group in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the period ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

Directors' responsibilities 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 the 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 Company'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 Company 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.

Report on the remuneration report

Opinion

We have audited the remuneration report included on pages 9 to 11 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Ardea Resources Limited, for the year ended 30 June 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.

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LUCY P GARDNER
Director

Perth

Date: 25 September 2018