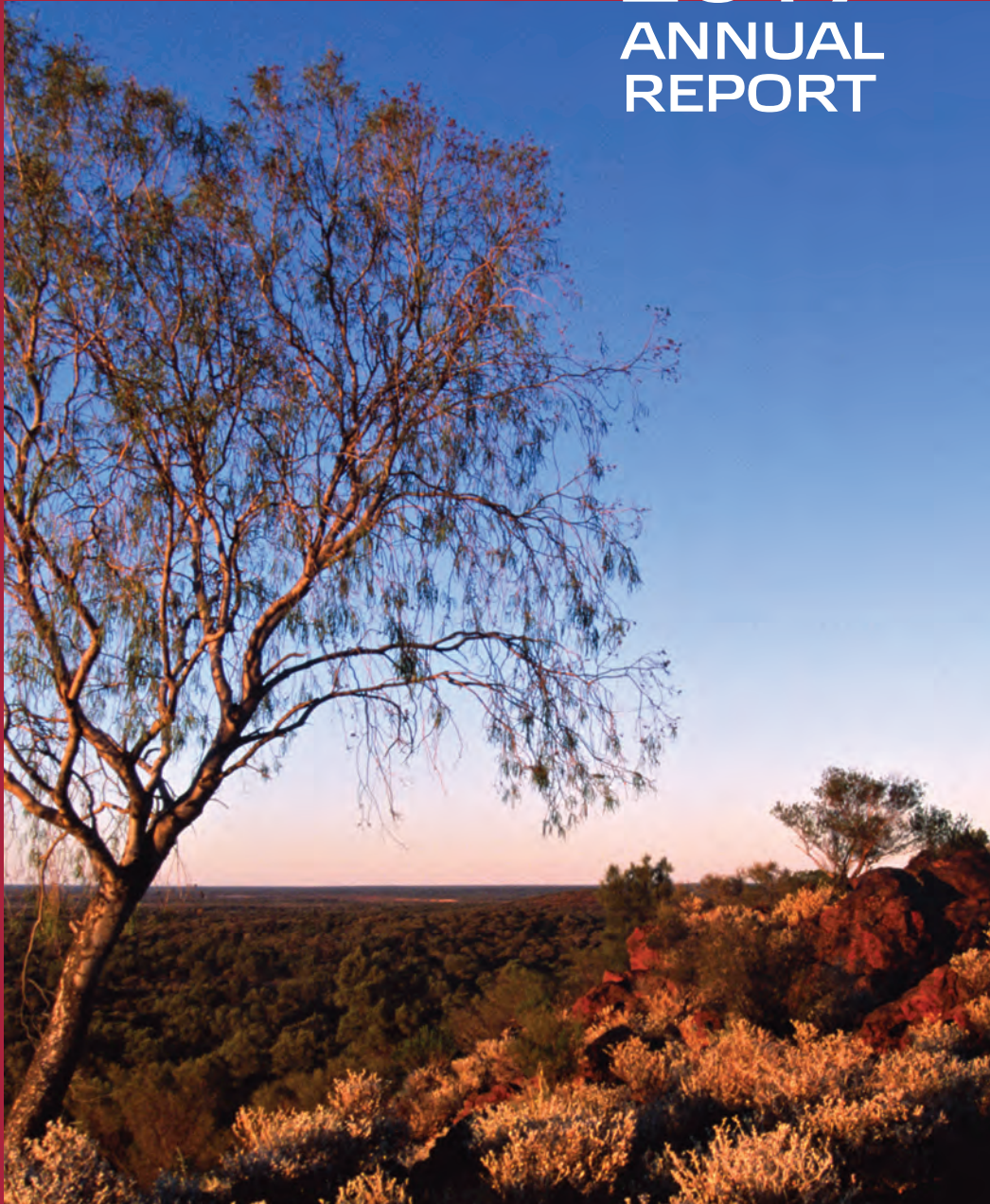


2017 ANNUAL REPORT



Ardea Resources Limited



Corporate Directory

Directors

Katina Law, (Non-executive Chair)
Matthew Painter, (Managing Director)
Ian Buchhorn, (Non-executive Director)*

Company Secretary

Sam Middlemas

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Stock Exchange Listing

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

ASX Code: ARL

* subsequent event, appointed
executive director 13 Oct 2017

Cover - Kalgoorlie Nickel Project region
photo by Graeme Hird, Scene by Hird

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Chairman's Letter to Shareholders 2017

Dear Shareholders,

2017 Financial Period in Review

On behalf of the Directors of Ardea Resources Limited ("Ardea") I am proud to report on the Company's achievements since our listing on the ASX on 9 February 2017.



We are pleased to have been able to realise significant value for our Shareholders who have seen a steadily increasing share price since our listing at 20 cents to the current market value in the range of 80 to 90 cents per share. This is after recently completing a very successful Share Purchase Plan plus Equity raising with sophisticated investors at 72.5 cents raising \$9.75M. These funds, in addition to the funds we have on hand give the Company a healthy treasury around \$12M today. With the potential for up to \$19.5M additional funds prior to 31 May 2018 from the exercise of the Loyalty Options, the Company can now confidently fast-track the Prefeasibility Study on the KNP Cobalt Zone and aim to make a smooth transition into a Definitive Feasibility Study in 2018. We are also able to fully fund the study being undertaken on the Lewis Ponds Project, complete initial work on our gold exploration portfolio and effectively divest non-core assets notably chrysoprase. Further details of these projects are in the Managing Director's Review of Operations following. This undoubted progress towards production casts Ardea as one of the year's best-performed mineral floats.

Ardea is now gearing up its in-house capabilities with additional staff to meet the challenges. We are aware that getting into production as early as possible is a priority, although we are conscious that we need to ensure that all the technical challenges have been fully quantified before committing investors' funds to develop any of the Projects. With the Kalgoorlie Nickel Project (KNP) Cobalt Zone, there is no doubt that we have been the beneficiary of a rapidly rising cobalt price, which has been driven in part by the growth and future potential of the Electrified Vehicle market and the need for batteries to power those vehicles. Cobalt has risen from around US\$22,000 per tonne when we listed to the current price of around US\$60,000 per tonne. This is still well below its historical high of US\$115,000 per tonne in 2007 so there is a significant potential future growth available to reach or exceed those historical highs. Ardea's KNP is one of the largest undeveloped cobalt deposits in the world and the largest outside the politically sensitive Democratic Republic of Congo.

The future for the Company is looking very bright. We have been blessed to be in the right position, with the right commodity in the right jurisdiction at the right time. The board is conscious that these conditions do not come along very often and we need to take the opportunities that have been presented in order to realise further value for our Shareholders. We must also ensure that the best practices are applied to maximise the potential of our projects.

I would like to thank our small team of dedicated staff and my fellow board members for their hard work and support over the past year. Our project consultant team led by Stimulus Engineers has been exceptional in fast tracking the KNP PFS test work.

I would also like to thank our Shareholders for their continued support of Ardea and assure you that we are focused on maximising shareholder value and returns as we move forward. I look forward to meeting as many as possible at the Annual General Meeting in West Perth, WA.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Katina Law', written over a light grey circular background.

Katina Law
Chair



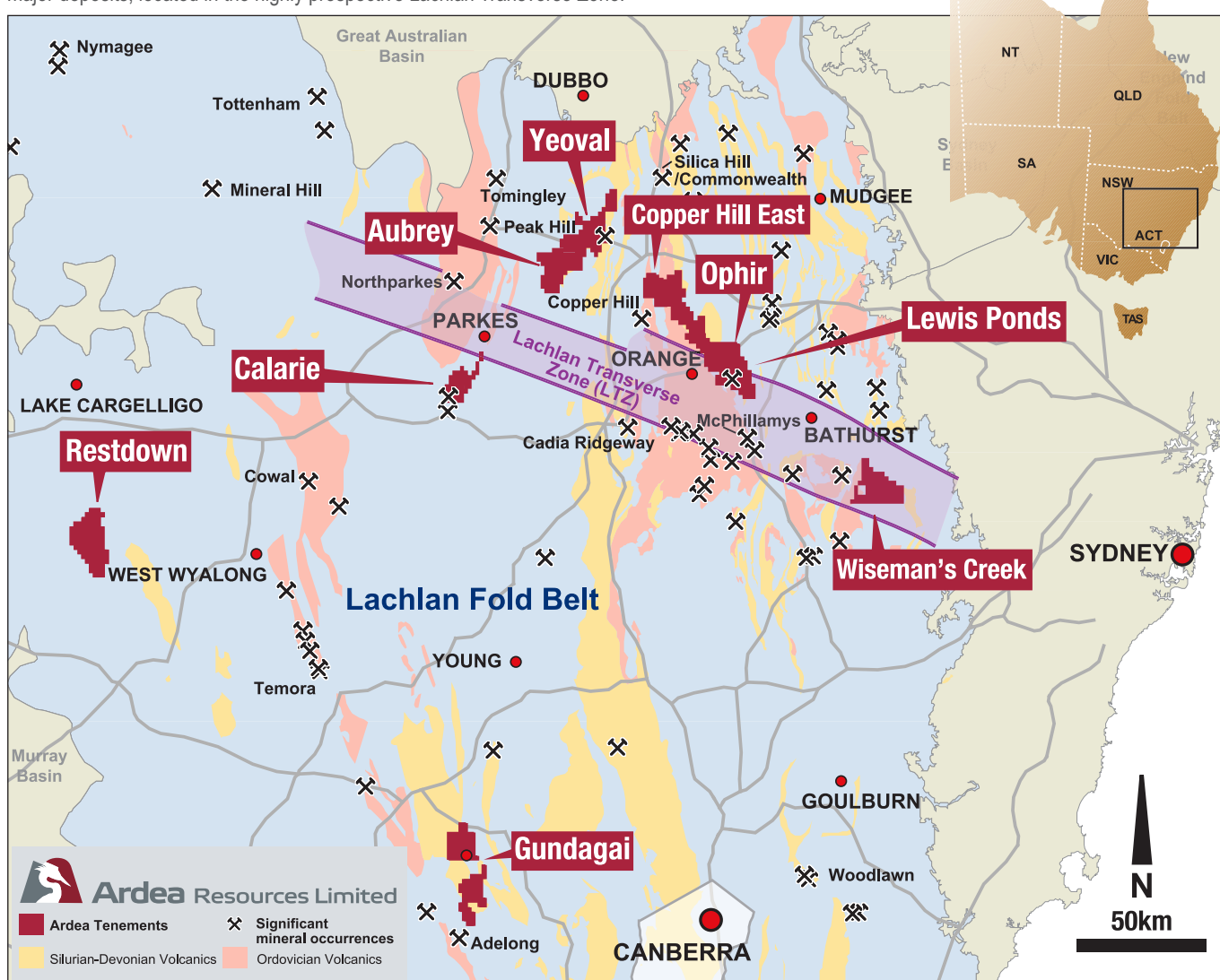
Figure 1 – Project Locations Western Australia



Highlights

- Ardea is focusing on the high-grade **Cobalt Zone: 64.4Mt at 0.13% Co & 0.77% Ni (81kt Co and 495kt Ni contained metal** see Table 1, p5), in particular the Goongarrie Line.
 - Our aim is to directly supply cobalt sulphate, nickel sulphate, and other materials directly to battery manufacturers
 - More than \$50M spent historically (Vale-Inco and Heron) with circa 400,000 metres of drilling and detailed metallurgical work
 - Excellent location within 150 km of Kalgoorlie, WA
 - Scandium, manganese, PGE, high-purity alumina and chromium by-product potential
 - On active granted mining leases, 100% owned by Ardea, unencumbered
- Exceptional exploration upside at Ardea's gold projects in Western Australia, and zinc-gold project at the Lewis Ponds and other Lachlan Fold Belt projects in New South Wales. With expedited drill programs with a view to accelerate gold mining cash flow, or possibly to spin-out non-core assets into separate listed entities, Ardea holds a balanced suite of assets.
- The Company is well funded, with recent raisings of \$10M plus potential exercise of options (\$19.5M, May 2018) should see funding through to completion of DFS.

Figure 2 – Map of Ardea's projects in the Lachlan Fold Belt of NSW. Lewis Ponds is, like many of the region's major deposits, located in the highly prospective Lachlan Transverse Zone.





Activities Report

Ardea views the KNP Cobalt Zone as a world class multi-commodity deposit in a stable and mature mining location that is well-placed to deliver materials of accepted provenance into a rapidly expanding battery and Electrified Vehicle sector.

Since listing in February this year, Ardea immediately started fieldwork on our main project at the KNP and the Cobalt Zone. Diamond drilling at Goongarrie South recovered samples for metallurgy and pilot-scale testing. Additional drilling focused on expanding high-grade resources and defining mineralisation style and extent at both Black Range and Kalpini.

Drilling has also been undertaken at Lewis Ponds base and precious metals project in NSW, along with extensive field work.

In exploration, field programs have also been commenced at the Taurus and Mt Zephyr gold projects in WA and the Wiseman's Creek precious metal project in NSW.

Any project needs to quantify recovery of the metals from the host rocks. With this in mind, metallurgical testwork was commenced promptly to define the ability and the mechanisms by which cobalt, nickel and scandium could be extracted from the KNP Cobalt Zone, and zinc, silver, gold, and lead from Lewis Ponds. The KNP Cobalt Zone test work is central to the Pre-Feasibility Study (PFS) that is progressing well and which will define the flow sheet to be used in the forthcoming Definitive Feasibility Study (DFS) that will commence next year.

Company objectives

Ardea's aim is to advance its key development projects, the KNP Cobalt Zone in WA and the Lewis Ponds zinc-gold-silver deposit in NSW, towards production for the benefit of shareholders. In addition, it will leverage its broad, high-quality exploration portfolio to drive value. This may mean exploration, development, spinning out or other divestment of projects as appropriate to the project's prospectivity and the Company's strategic requirements.

Ardea is seeking to become a significant producer of cobalt and nickel sulphate from the KNP Cobalt Project, and zinc, gold and silver in concentrates from Lewis Ponds, for global commodity markets.

With the Company's main focus on cobalt and nickel mineralisation in the KNP Cobalt Zone, increasingly positive sentiment towards the cobalt market is indicated by a cobalt spot price of around US\$60,000 per tonne. Sentiment in the battery sector, and in the automobile industry in particular, is increasingly positive with all car manufacturers defining current and future plans for electrification of their ranges (electric and hybrid vehicles). This is referred to as the Electrification Revolution in the automobile industry. In contrast, the political situation in the Democratic Republic of Congo (DRC), which supplies around two thirds of the world's cobalt, is worsening with several commentators concerned recently of a descent into civil war. These factors are providing an upward pressure on the cobalt spot price.

In addition to the cobalt, Ardea's discovery of scandium at several deposits opens the possibility of payable accessory metals. Scandium-aluminium alloys are used as low weight / high strength metals in the aerospace sector and are increasingly touted for use in electrified vehicles. This further aligns Ardea with the Automobile Electrification Revolution.

Ardea views the KNP Cobalt Zone as a world class multi-commodity deposit in a stable and mature mining location that is well-placed to deliver materials of accepted provenance into a rapidly expanding battery and electrified vehicle sector.

The KNP and KNP Cobalt Zone, WA

The Kalgoorlie Nickel Project (“KNP”) is a major undeveloped nickel-cobalt laterite deposit. Containing over 700Mt of defined cobalt and nickel mineralisation (e.g. announcement 7 Aug 2017), Ardea is focusing on the cobalt-rich subset of the KNP, known as the **KNP Cobalt Zone**, contains a significant cobalt and nickel resource in its own right.

The KNP Cobalt Zone contains **64.4 Mt at 0.13 % cobalt and 0.77 % nickel** (reported using 0.08 % cobalt lower cut-off generally, and a 0.5 % nickel cut-off at Black Range, see below for breakdown) for a total **contained cobalt metal of over 80,000 t**. Since listing, the Company has substantially increased upon this resource through remodelling of historic datasets using cobalt cut-offs (in lieu of the historically used nickel cut-offs).

These resources estimates are being defined based on a complete remodelling of historic data with emphasis on the revision directed towards better defining the cobalt distribution (as compared to predominantly the nickel distribution in previous resource estimates). This was done by stripping back to original drill holes and assays and constructing new interpreted wire-frame mineralisation triangulation model for both the cobalt and nickel distributions.

It should be noted the tenements of the KNP Cobalt Zone are not part of any joint venture arrangement. All tenements within the KNP Cobalt Zone are 100 % owned by Ardea, and the majority are active, granted mining leases with Native Title agreements in place.

Table 1 – KNP Cobalt Zone, Resource Statement from RMRC and HGMC consulting groups. All figures are appropriately rounded to reflect the degree of certainty.

Camp	Deposit	Resource category	Cut-off (% Co)	Size (Mt)	Co (%)	Ni (%)	Contained cobalt (t)	Contained nickel (t)	Remodel status
Goongarrie	Goongarrie South	Measured	0.08	4.6	0.16	1.12	7,200	51,600	
		Indicated	0.08	12.9	0.13	0.79	17,300	101,300	
		Inferred	0.08	7.8	0.14	0.72	10,500	56,100	
		Subtotal	0.08	25.3	0.14	0.83	35,000	209,000	Upgraded
	Big Four	Indicated	0.08	9.2	0.13	0.75	12,100	68,500	
		Inferred	0.08	2.2	0.13	0.57	2,800	12,500	
		Subtotal	0.08	11.4	0.13	0.71	14,900	81,000	Upgraded
	Scotia	Indicated	0.08	1.1	0.18	0.86	2,000	9,700	
		Inferred	0.08	1.4	0.17	0.79	2,300	10,900	
		Subtotal	0.08	2.5	0.17	0.82	4,300	20,500	Upgraded
	Goongarrie	subtotal		39.6	0.14	0.80	54,200	312,000	Upgraded
Siberia	Black Range	Indicated	0.50(Ni)	9.3	0.09	0.67	8,200	62,300	
		Inferred	0.50(Ni)	9.9	0.10	0.69	9,600	68,300	
	Siberia	subtotal	0.50(Ni)	19.2	0.09	0.68	17,800	130,600	Upgraded
Yerilla	Aubils	Inferred	0.08	6.0	0.15	0.90	9,000	54,000	Scheduled
KNP COBALT ZONE TOTAL				64.4	0.13	0.77	81,000	495,000	



Location and infrastructure

The KNP is located within a 150 km radius north and east of Kalgoorlie. It is divided into two main areas – KNP West and KNP East figure 1, 3. Mining infrastructure within the Kalgoorlie district is very good and includes rail, road, a gas pipeline and highly skilled population centre.

Geology

The deposits of the KNP Cobalt Zone, which are mostly located in KNP West, are typically focused on the olivine adcumulate portion of komatiites within the Walter Williams Formation (WWF), a regionally significant ultramafic flow unit within the Ora Banda Domain.

The WWF displays good silica-goethite laterite development over the adcumulate portion of the unit and siliceous goethite mineralisation allows for beneficiation of mineralisation prior to leaching. The high grade and consistent mineralisation observed at Goongarrarie South is due to enhanced ground-water leaching and depth of weathering beneath the palaeo-lake and palaeo-channel defined in drilling. Cobalt is significantly enriched in the central zone at Goongarrarie South.

The Black Range deposit is focused on the Ora Banda Sill southwest of Ora Banda town site. The Ora Banda Sill is layered and differentiated with ultramafic units, which are the source of the high nickel, cobalt, scandium, platinum and palladium in the weathered profile.

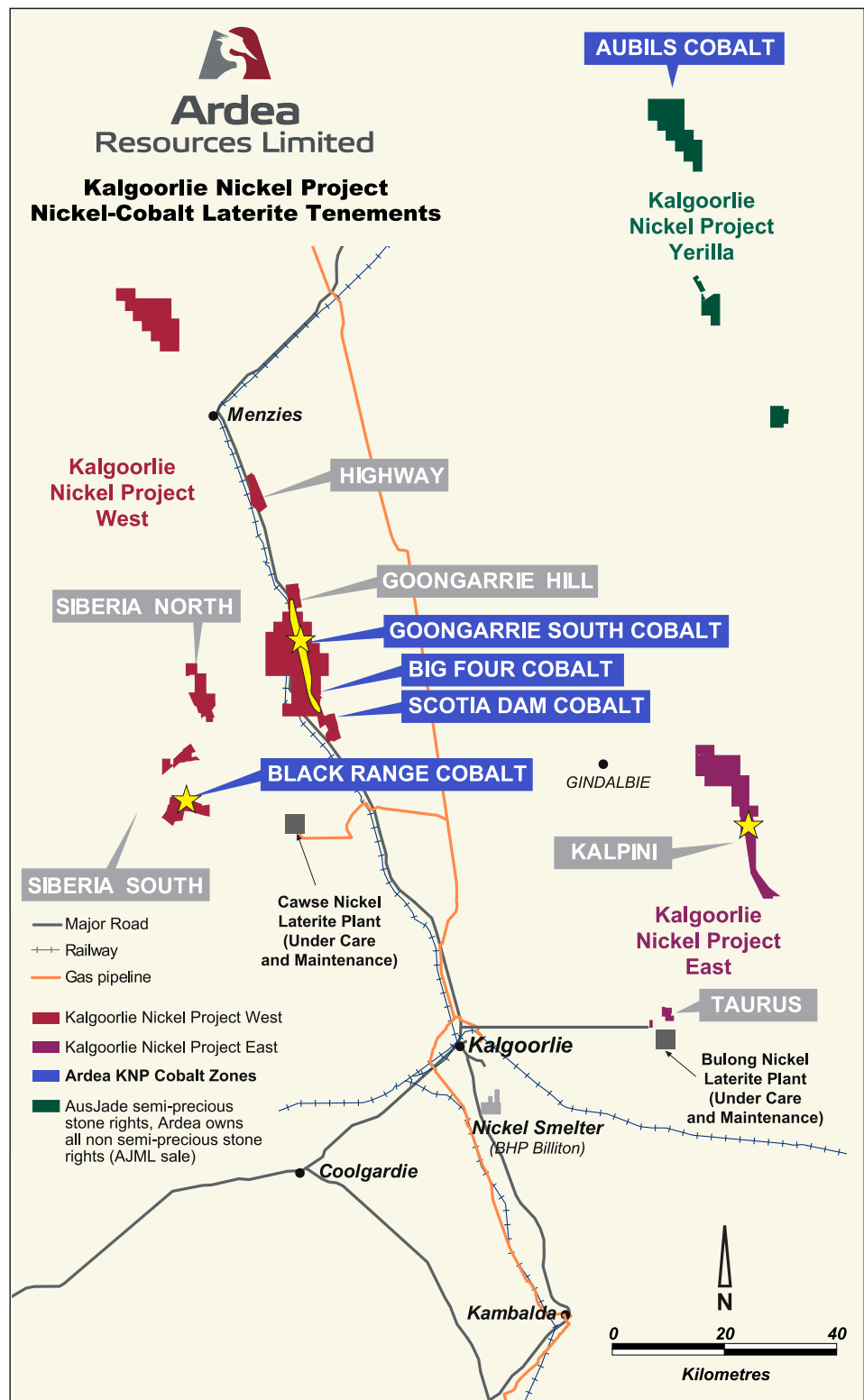


Figure 3 – Location of drill programs (yellow stars) and resource remodels (yellow polygons) throughout the KNP Cobalt Zone during the second quarter of 2017.



Resources review

Ardea is systematically reviewing the KNP resource base to focus on the cobalt-rich zones and to upgrade all constituent resources to JORC 2012* status. The focus for the KNP PFS is the Goongarrie line of lode and Black Range for the initial 20 million tonne mining inventory.

During the year, tenements were acquired at Lake Rebecca for which an historic pre-JORC 2012 resource is available. Based on the historic data, there is an Exploration Target of 13.0-16.2 Mt at 0.03-0.06% cobalt and 0.70-0.95% nickel. The resource is near to and complements the Kalpini project, but has not yet been reviewed for potential inclusion in the KNP.

A nickel(-cobalt) target has been generated at Ethel Lupton from historic drilling outside the usual host, the Walter Williams Formation, in the Siberia Formation east of the Pamela Jean Zone. In view of the atypical geological setting, infill drilling is required prior to a potential inclusion within the KNP.

Additionally, there are low priority historic resources which will likely be downgraded during the current JORC 2012 review on the basis of compromised tenure, uncertain geo-metallurgy or unavailability of historic quality control data.

As a result of this ongoing work, the total resource of the KNP is expected to fluctuate from time to time as areas and deposits are either upgraded or discounted.

The core KNP Cobalt Zone resource, which is the focus of the PFS, may increase as outlying areas and deposits worthy of inclusion are systematically added to the total resource. Additionally, planned infill drilling, which will commence shortly upon receipt of government approvals, will significantly increase the proportion of high-confidence 'Measured' resources within the KNP Cobalt Zone for accurate mine scheduling.

* JORC 2012, The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989, it has been incorporated in the Listing Rules of the Australian Securities Exchange, making compliance mandatory for listing public companies in Australia.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013. Several KNP historic resources pre-date this period, hence the requirement for Ardea's current review program.

Goongarrie South area, KNP Cobalt Zone

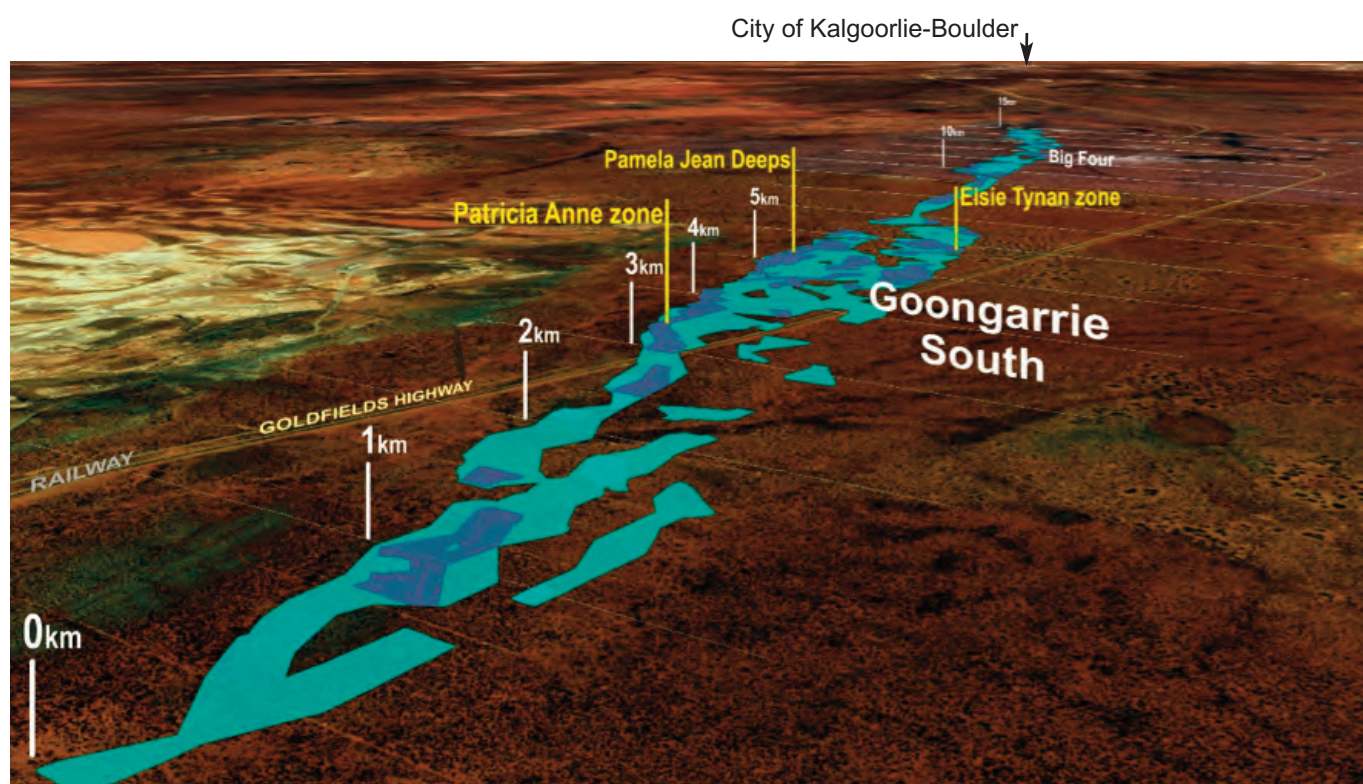
Cobalt mineralisation at Goongarrie South is nearly continuous over around 7 km of strike using a 0.05 % cobalt grade shell (Figure 4, 6). Combined, Goongarrie South and Big Four comprise a near-continuous strike of cobalt mineralisation totalling around 15 km. At Goongarrie South, the 0.10 % grade shell shows several areas of high grade mineralisation, including the 1.2 km long Pamela Jean Deeps zone in the southeast, a continuous zone of 1.3 km strike length known as Patricia Anne in the centre, and a series of prospects over a strike length of 2.4 km in the southwest termed the Elsie Tynan zone (Figure 4).

Four diamond drill holes were drilled in May 2017 at Goongarrie South, targeting and intercepting “run-of-mine” thick, high-grade mineralisation that has been used for the PFS metallurgical test work. The program totalled 399.7 m with 200 new drill assays recorded.

Results included the following intercepts:

AGSD0001	131.0 m at 0.10 % cobalt and 1.06 % nickel from 34.0 m ¹ , <i>including</i> 7.2 m at 0.92 % cobalt and 2.19 % nickel from 95.6 m,
AGSD0002	54.0 m at 0.11 % cobalt and 1.52 % nickel from 10.0 m, <i>including</i> 38.7 m at 0.13 % cobalt and 1.52 % nickel from 18.0 m
AGSD0003	49.3 m at 0.11 % cobalt and 1.31 % nickel from 16.6 m, <i>including</i> 21.0 m at 0.13 % cobalt and 1.49 % nickel from 24.0 m,
AGSD0004	39.0 m at 0.20 % cobalt and 1.35 % nickel from 18.7 m, <i>including</i> 28.0 m at 0.27 % cobalt and 1.57 % nickel from 22 m

Figure 4 – Oblique view over Goongarrie South and Big Four, looking southeast, showing the extent of the deposit (blue-green = Co > 0.05%, purple = Co > 0.10%), and proximity to infrastructure. Patricia Anne, Elsie Tynan, and Pamela Jean represent extensive higher-grade zones of cobalt mineralisation. Note the location of Kalgoorlie-Boulder around 70 km to the southeast.



1. Calculated using a 0.50 % nickel cut-off, 2 m minimum intercept, and 4 m maximum internal waste, zones of core loss are taken as an average of the assays above and below (where core loss thickness is less than the maximum internal waste).

The mineralisation intersected was remarkably consistent and lacks the problematic “sticky” nontronite clays that have resulted in sub-optimal processing at historic lateritic nickel and cobalt deposits.

Scandium is present in each of these drill holes at moderate levels. Generally, intercept values are around 50 g/t. Two intercepts exceed this:

AGSD0001 34.1 m at 64 g/t scandium from 24.3 m

AGSD0003 10.0 m at 64 g/t scandium from 4.0 m

As at other deposits of the KNP, scandium is present in near-surface concentrations. These new holes represent the first recorded scandium mineralisation at Goongarrie – there have been no previous assays for scandium throughout the Goongarrie area. As such, there is no way to determine the geometry of the scandium-bearing bodies, but it is likely that they are flat lying, near-surface blankets as they are elsewhere in the KNP.

Chromium intercepts are not quoted here, but the lateritic cobalt-nickel mineralisation at Pamela Jean Deep is associated with extensive chromium. There is a distinct positive correlation between cobalt, manganese and chromium grades, with chromium commonly ranging between 0.8 % and 4.7 % when associated with cobalt mineralisation.

As with the other accessory metals highlighted by this drill program, the nature of the chromium in the laterite profile at Goongarrie South is unknown and will be the subject of investigation. If the chromium occurs as residual grains of chromite from the underlying Walter Williams Formation komatiite as resistate minerals within the profile, then a simple separation method (e.g. gravity, magnetic) could be used to separate and monetise the chromium at Goongarrie South. Future testing will evaluate these concepts.

Figure 5 – High-grade cobalt and nickel mineralisation showing cobalt (pink lettering) and nickel (blue-green lettering) grades, with sample intervals (yellow). Note the zone of core loss in the highly mineralised zone and the similarity in the appearance of the drill core above and below. This is typical of other zones of core loss, so grade for these zones is defined throughout Goongarrie South as the weighted mean of the intervals above and below.

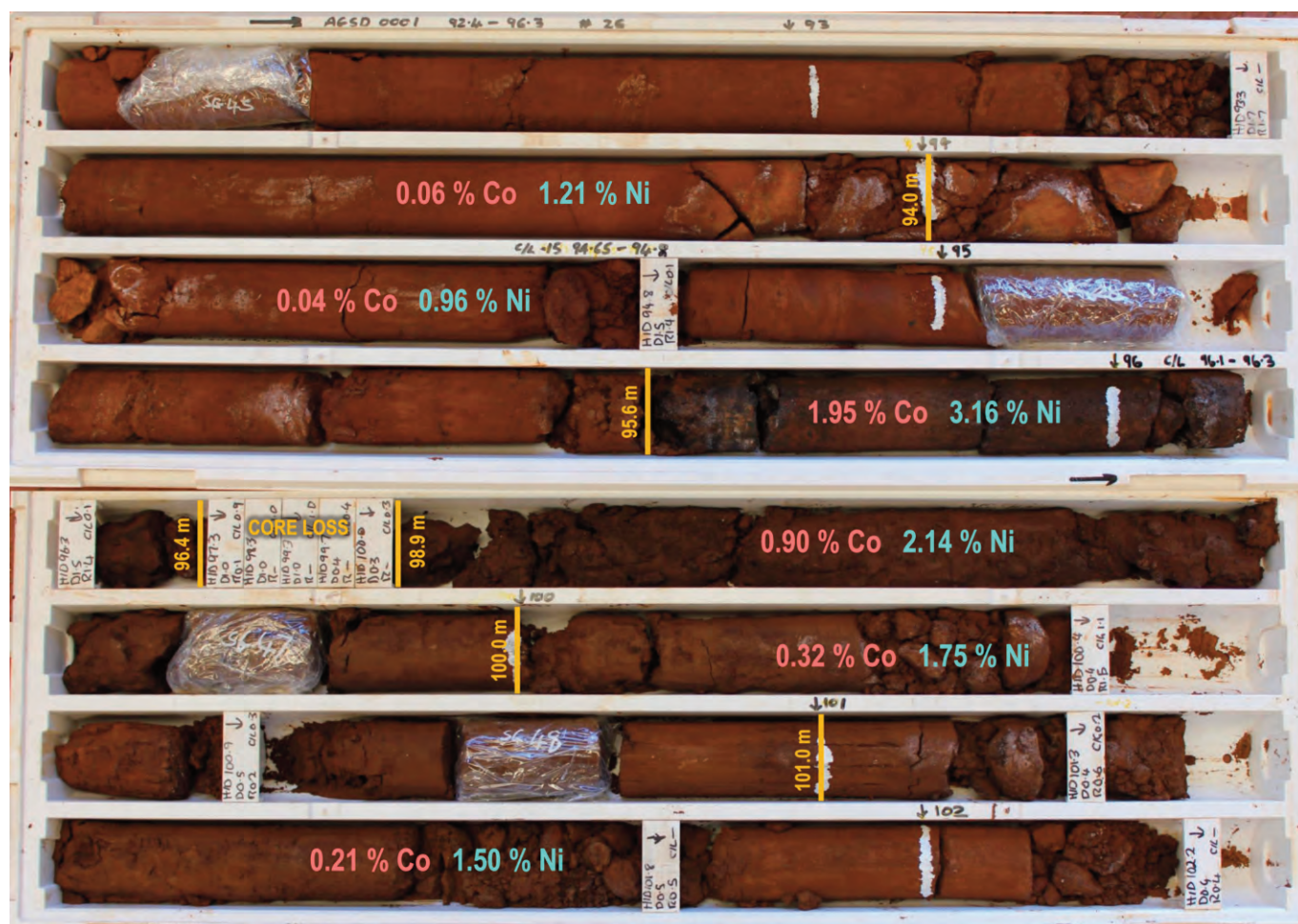


Figure 6 – Goongarrie South area, plan view, showing 0.05 % (blue-purple) and 0.10 % cobalt domains (pink-purple). Each black dot represents a drill hole collar position. This diagram covers an area measuring approximately 7 km by 4.5 km.

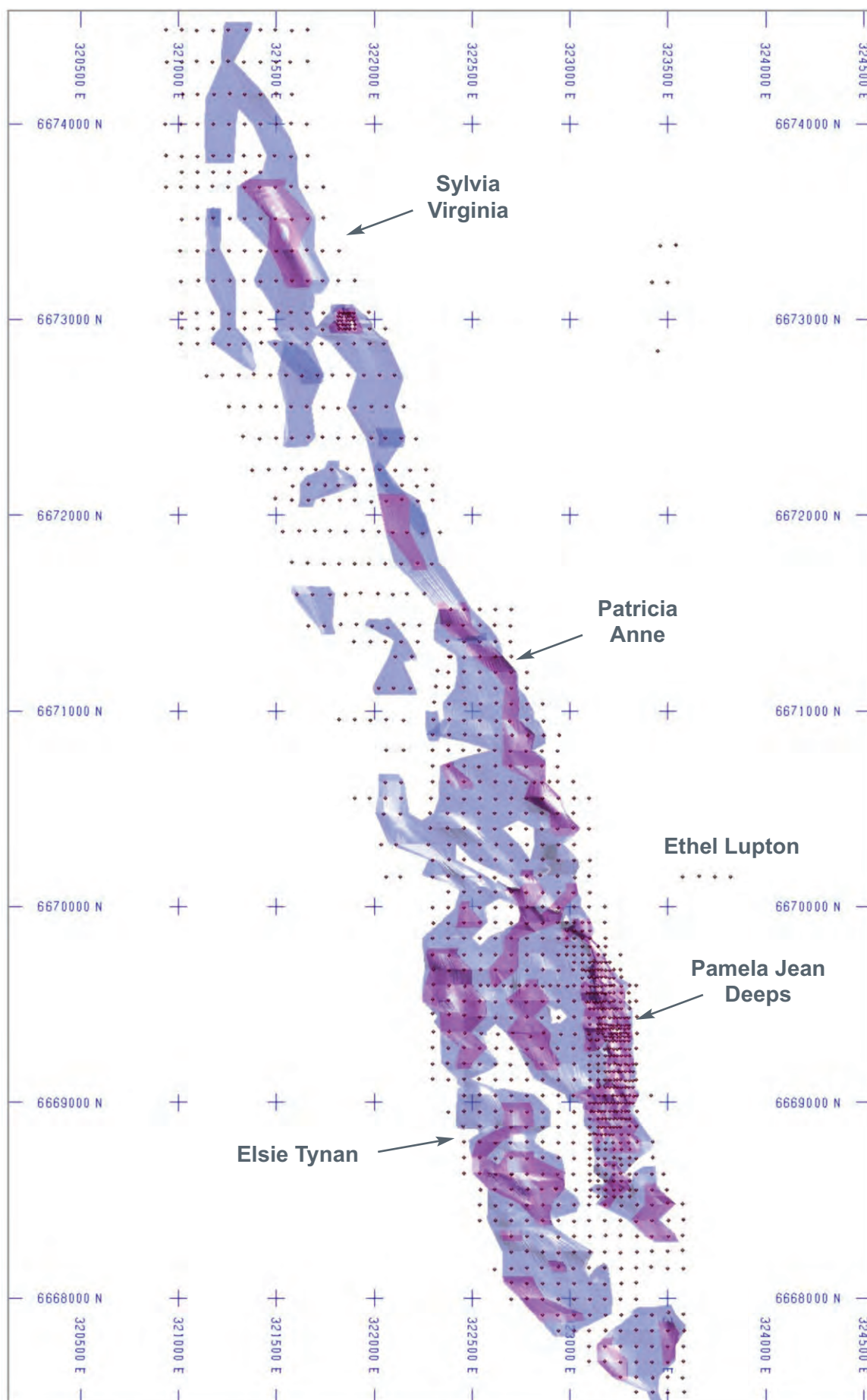


Figure 7 – Location for drilling at the Pamela Jean Deeps area of Goongarrie South. Note that the 0.05 % and 0.10 % cobalt grade shells depicted are those defined for the June 2017 resource upgrade and are consistent with those shown in section in figures 2 & 4.

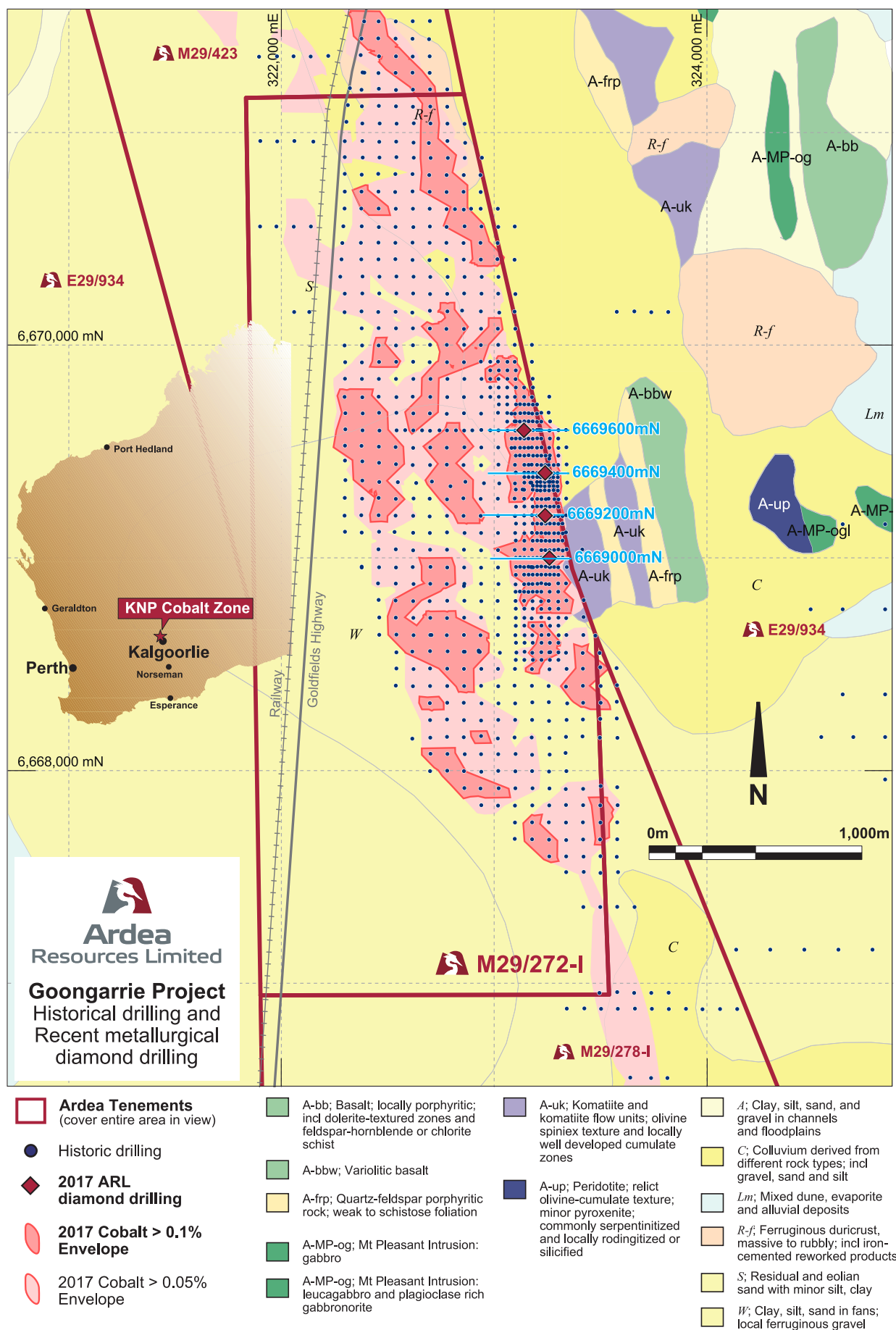
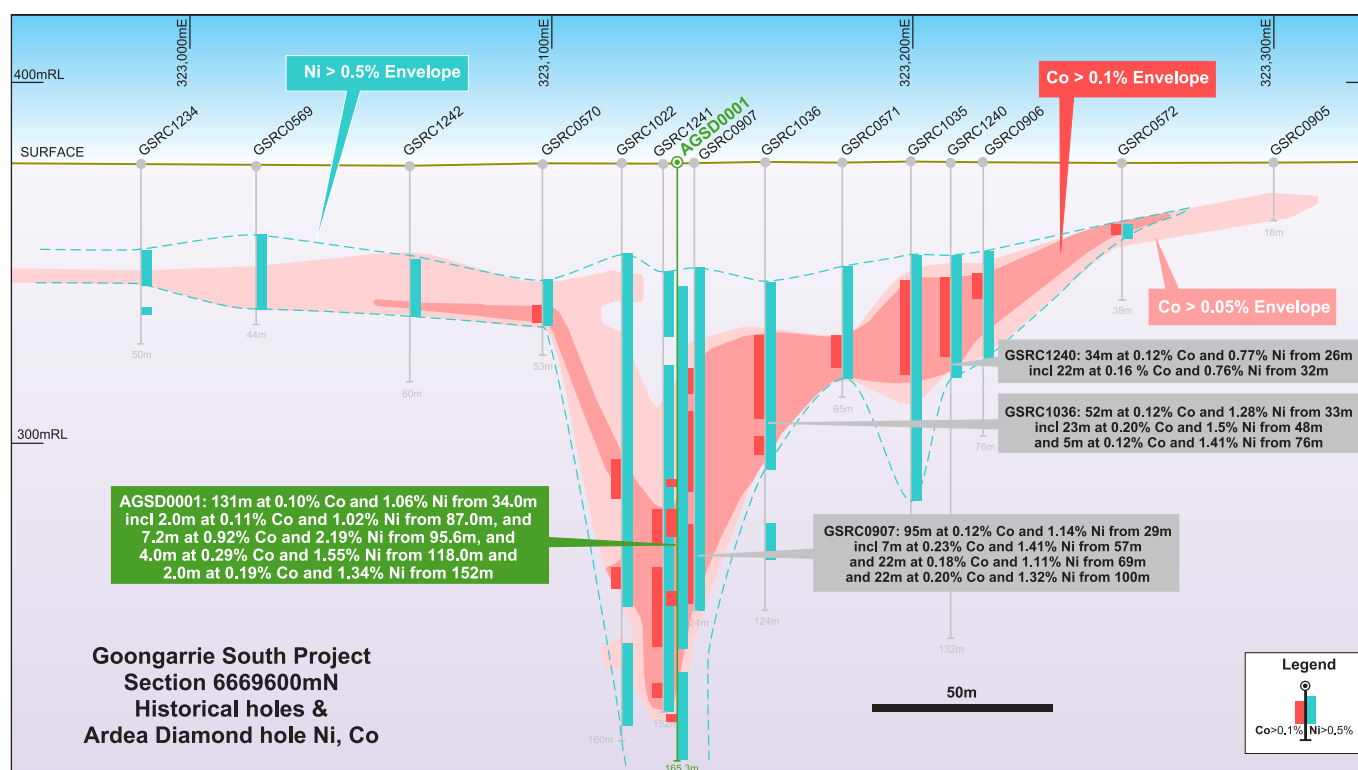


Figure 8 – The 6669600mN section, showing drill hole AGSD0001 with historic holes and mineralisation distributions. The 0.05 % and 0.10 % cobalt grade shells were generated for, and are consistent with, those shown in the June 2017 resource upgrade. Nickel-based intervals (at 0.5 % cut-off) define an envelope encasing cobalt mineralisation.



Updated resource estimation

Remodelling of the Goongarrie South resource using a cobalt cut-off has resulted in a significantly upgraded resource. The new Global Resource for Goongarrie South is now **25.3 Mt at 0.14 % cobalt and 0.83 % nickel** (utilising a 0.08 % cobalt cut-off). This comprises the following:

Table 2 – Summary of total mineral resources for Goongarrie South cobalt-nickel deposit, using 0.08 % cobalt reporting lower cut-off. All figures are appropriately rounded to reflect the degree of certainty.

Deposit	JORC Category	Cut-off (% Co)	Tonnage (Mt)	Cobalt (%)	Nickel (%)	Contained cobalt (t)	Contained nickel (t)
Goongarrie South	Measured	0.08	4.6	0.16	1.12	7,200	51,600
	Indicated	0.08	12.9	0.13	0.79	17,300	101,300
	Inferred	0.08	7.8	0.14	0.72	10,500	56,100
Goongarrie South	Total Resource	0.08	25.3	0.14	0.83	35,000	209,000

Modelling definitively shows that the Goongarrie South deposit remains coherent at various cut-off grades (e.g. Figure 6), which underscores the high quality of the deposit.

Pit optimisation and mining potential

The Goongarrie South 17.5 Mt of Measured and Indicated Mineral Resources is the basis of the current PFS. This new resource represents mineralisation that is mineable by open pit. A pit optimisation model, which uses various high-level parameters such as current and forecast economic data, proposed production rates, and forecast production costs, portrays several realistic economic models to define conceptual pit designs. The pit optimisation model used here is very much a preliminary one that will be fully optimised later in the PFS and will be published on completion of the study.



The resources presented above fall within these preliminary pit optimisation shells. Indeed, with the broad, flat, shallow style of mineralisation present at Goongarrie South, the amount of mineralisation that was not included in the preliminary pit shell was negligible.

High-grade zones at Goongarrie South are numerous, the best known of which is the 1.2 km long Pamela Jean Deeps (the focus of the recent metallurgical diamond drilling). There are also numerous open pitable high-grade zones defined by the 0.20 % cobalt block model grade shells at Elsie Tynan and Patricia Anne. Such shallow, easily mined, high-grade cobalt zones will be scheduled in early mining that could allow a quicker start-up for mining at Goongarrie South and future early project pay-back.

Big Four area, KNP Cobalt Zone

Cobalt mineralisation at Big Four, which occurs south along strike from and as the lateral extension of Goongarrie South, is continuous over more than 7 km of strike using a 0.05 % cobalt grade shell (Figure 9). Although the high-grade zones are not as extensive as at Goongarrie South, the 0.10 % cobalt grade shell shows several open pitable and larger high-grade cobalt zones that would be amenable to mining.

There has been no new drilling at Big Four.

Updated resource estimation

Remodelling of the Big Four resource using a cobalt cut-off has resulted in a significantly upgraded resource. The new Global Resource for Big Four is now **11.4 Mt at 0.13 % cobalt and 0.71 % nickel**. This comprises the following:

Table 3 – Summary of total mineral resources for Big Four cobalt-nickel deposit, using 0.08 % Co reporting lower cut-off. All figures are appropriately rounded to reflect the degree of certainty.

Deposit	JORC Category	Cut-off (% Co)	Tonnage (Mt)	Cobalt (%)	Nickel (%)	Contained cobalt (t)	Contained nickel (t)
Big Four	Measured	0.08	–	–	–	–	–
	Indicated	0.08	9.2	0.13	0.75	12,000	68,500
	Inferred	0.08	2.2	0.13	0.57	2,800	12,500
Big Four	Total Resource	0.08	11.4	0.13	0.71	14,900	81,000

As at Goongarrie South, modelling definitively shows that the Big Four cobalt deposit remains coherent at various cut-off grades (e.g. Figure 9), which again underscores the high quality of the deposit.

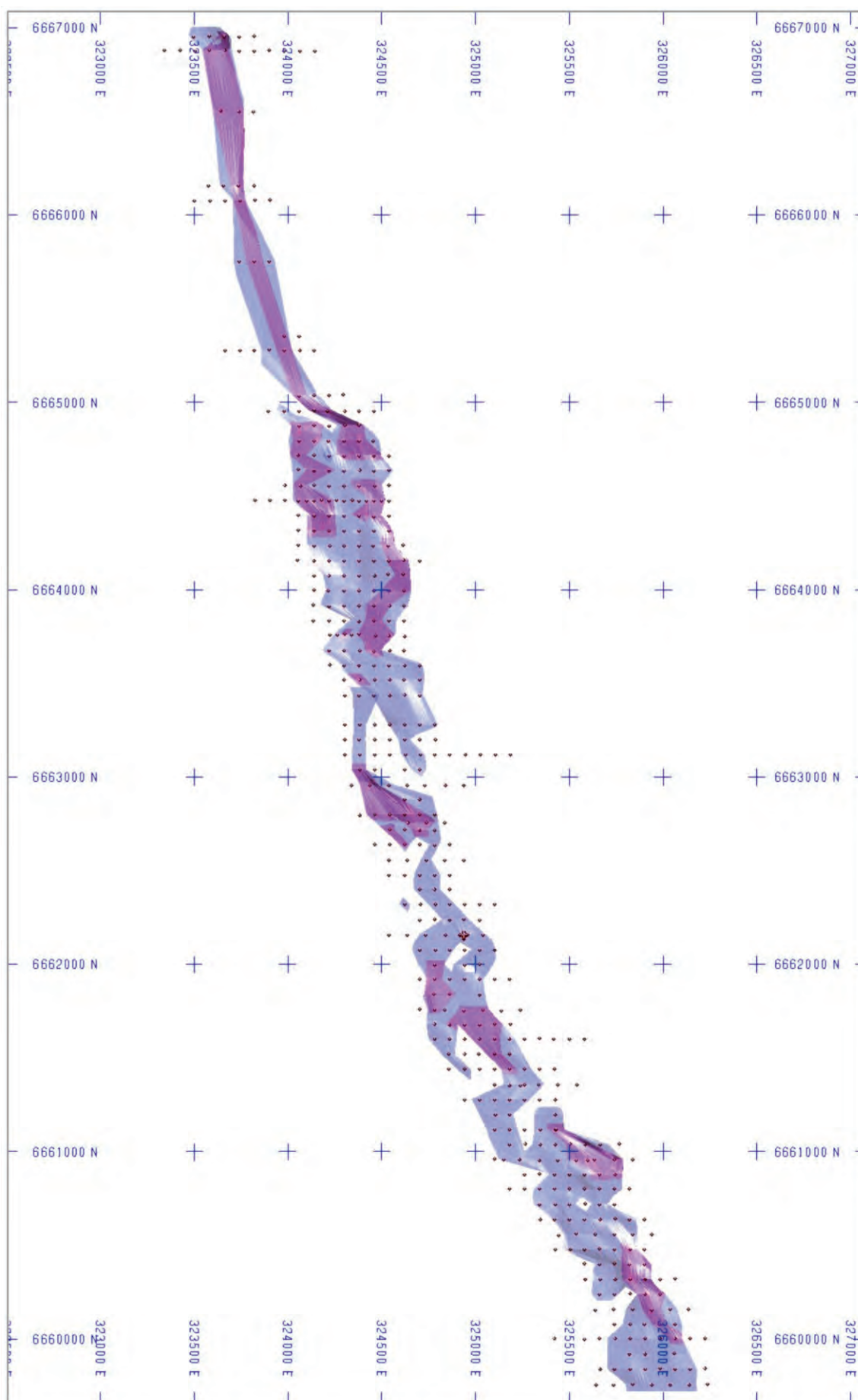
Pit optimisation and mining potential

The pit optimisation parameters and methodology used at Big Four were identical to those used at Goongarrie South. As at Goongarrie South, the amount of mineralisation that was not included in the model was negligible.

Modelling showed that mining would proceed at Goongarrie South for some time before the resources defined at Big Four come into play. Once commenced, Big Four will provide a significant contribution to any cobalt-nickel laterite mine in the KNP Cobalt Zone.



Figure 9 – Big Four area, plan view, showing 0.05 % cobalt (blue-purple) and 0.10 % cobalt domains (pink-purple). Each black dot represents a drill hole collar position. This diagram is at a slightly different scale to figure 6, covering an area measuring approximately 7.5 km by 5 km



Scotia Dam cobalt-nickel deposit

The Scotia Dam resource is a small, high-grade cobalt-nickel deposit at the southern end of the Goongarrie camp of deposits. Cobalt mineralisation at Scotia Dam is continuous over around 1,200 metres of strike using a 0.05 % cobalt grade shell.

Updated resource estimation

The remodelled resource for Scotia Dam is based entirely on historic data. No new drilling has been undertaken. The Total Resource is now **2.5 Mt at 0.17 % cobalt and 0.82% nickel** and comprises the following:

Table 4 – Summary of total mineral resource for the Scotia Dam cobalt-nickel deposit, using 0.08 % Co reporting lower cut-off. All figures are appropriately rounded to reflect the degree of certainty.

Deposit	JORC Category	Cut-off (% Co)	Tonnage (Mt)	Cobalt (%)	Nickel (%)	Contained cobalt (t)	Contained nickel (t)
Scotia Dam	Indicated	0.08	1.1	0.18	0.86	2,000	9,670
Scotia Dam	Inferred	0.08	1.4	0.17	0.79	2,350	10,880
Scotia Dam	Total Resource	0.08	2.5	0.17	0.82	4,350	20,550

Black Range deposit, KNP Cobalt Zone

At the Black Range deposit, Ardea's RC drilling intercepted significant, shallow cobalt, nickel and scandium mineralisation in the shallow lateritic environment. High-grade and extensive cobalt and nickel mineralisation is associated with newly discovered scandium mineralisation throughout the project area. Additionally, platinum and palladium as well as chromium show highly anomalous distributions.

A series of 27 RC drill holes was drilled in March and April 2017. The program totalled 1,996 m with 1007 new assays recorded. The drill program was a success.

- High-grade and extensive cobalt and nickel mineralisation was intercepted in numerous holes.
- Platinum and palladium are widely distributed as a coherent blanket of shallow mineralisation that is exposed at surface overlying the cobalt-nickel and would be mined in any event to access the cobalt-nickel mineralisation.
- Scandium mineralisation was discovered with similar though more extensive distributions than the platinoid metals. Much of the scandium mineralisation is exposed at surface in association with significant chromium.

An upgraded cobalt and nickel resource has since been calculated, and scandium and platinum-palladium resources are in progress.

Updated resource

Cobalt-nickel mineralisation is continuous over nearly 4 km of strike at Black Range. Remodelling of the resource has resulted in a new Total Mineral Resource of **19.2 Mt at 0.09 % cobalt and 0.68 % nickel** (utilising a 0.5 % nickel cut-off), which comprises the following:

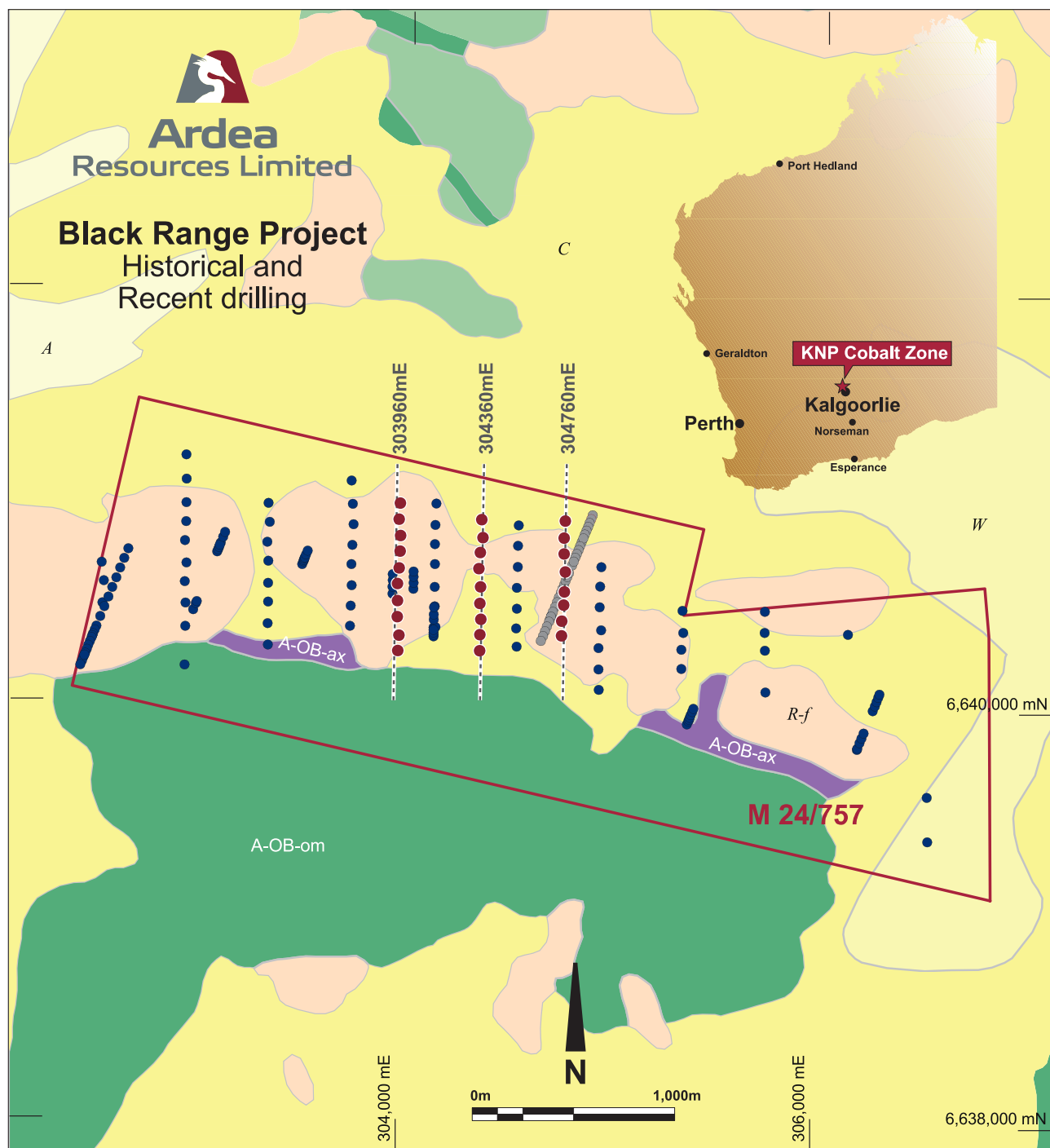
Table 5 – Summary of mineral resources for Black Range cobalt-nickel deposit, using 0.5 % nickel reporting lower cut-off. All figures are appropriately rounded to reflect the degree of certainty.

Deposit	JORC Category	Cut-off (% Ni)	Tonnage (Mt)	Cobalt (%)	Nickel (%)	Contained cobalt (t)	Contained nickel (t)
Black Range	Indicated	0.50	9.3	0.09	0.67	8,200	62,350
Black Range	Inferred	0.50	9.9	0.10	0.69	9,600	68,350
Black Range	Total Resource	0.50	19.2	0.09	0.68	17,800	130,700

For Black Range, the 0.50% nickel cut-off was retained as the reporting lower cut-off which is the same as was used in previous estimates for the deposit. This is different to the other constituent deposits of the KNP Cobalt Zone where a cobalt cut-off is used. The style of mineralisation at Black Range is different to elsewhere in the KNP Cobalt Zone, being more polymetallic. As such, a nickel cut-off was retained, as it best captures all potential paymetals.



Figure 10 – Map of the outcrop geology of the Black Range project. New drill collars are shown in red. Ultramafic rocks are shown in purple and largely underlie the laterite (R-f) where most drill holes are collared.



 Ardea non gold-silver right tenure (incl Ni, Co, Pt, Pd, Sc)

- Historic drilling
- Historic drilling, no Cobalt assays
- 2017 ARL drilling

A-bb; Basalt; locally porphyritic; incl dolerite-textured zones and feldspar-hornblende or chlorite schist; metamorphosed

A-OB-ax; Ora Banda Intrusion: ultramafic rocks incl bronzitite and norite; metamorphosed

A-OB-om; Ora Banda Intrusion: gabbro-norite; metamorphosed

A-od; Dolerite; minor basalt or gabbro components; metamorphosed

A; Clay, silt, sand, and gravel in channels and floodplains

C; Colluvium derived from different rock types; includes gravel, sand and silt

R-f; Ferruginous duricrust, massive to rubbly; includes iron-cemented reworked products

W; Clay, silt and sand in extensive fans; local ferruginous gravel

At Black Range, the substrate is a “bronzite” lithology at the ultramafic-mafic contact within the Ora Banda Layered Intrusive Complex. In the remainder of the KNP, the parental rocks are komatiite lava flows of the Walter Williams Formation. Extensive scandium, platinum group element and chromium mineralisation are documented in the upper regolith at Black Range, and these are best incorporated by using a nickel lower cut-off basis rather than a cobalt cut-off.

Scandium mineralisation at Black Range

Scandium is present throughout the project area as a near-surface sheet that is up to 32 m thick within the laterite. Values within this sub-horizontal blanket vary from 50 to 170 g/t scandium². In many cases, the scandium mineralisation is exposed at surface.

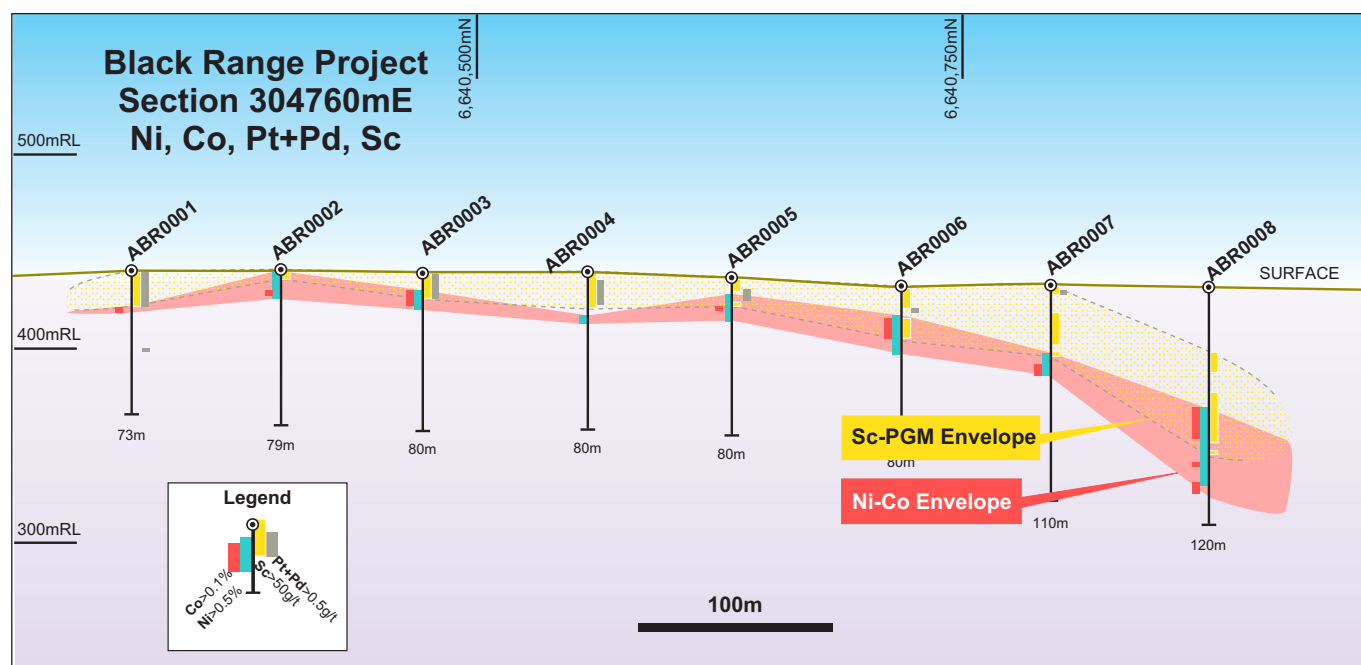
Scandium intercepts at Black Range include:

- **ABR0001**, 18 m at 97.8 g/t scandium from surface
- **ABR0004**, 18 m at 70.0 g/t scandium from surface
- **ABR0015**, 32 m at 83.1 g/t scandium from surface
- **ABR0021**, 20 m at 84.0 g/t scandium from 4.0 m
- **ABR0022**, 28 m at 64.3 g/t scandium from surface

This program marks the first recorded occurrence of scandium at Black Range. Historically, scandium was not assayed, so very little of the nature of the mineralisation is known. This will be the subject of further investigation.

The scandium Exploration Target at Black Range is thus defined as **10–20 Mt at 50–80 g/t scandium**. This target is not intended to be a stand-alone resource, but rather to be a subset and in parts separate from the cobalt-nickel resource. The aim is to recover scandium as a by-product of cobalt and nickel mining from material that would be mined in any case.

Figure 11 – The 304760mE section (the easternmost north-south section) at Black Range, showing nickel (Ni), cobalt (Co), platinum + palladium (Pt+Pd or PGM), and scandium (Sc) distributions. Envelopes for the nickel-cobalt and for the scandium-platinum group metal mineralisation show lateral continuity.



2. Scandium was assayed using the XRF technique. The concentrations present at Black Range are toward the lower limit of detectability of the technique for scandium. Whilst scandium passed all QAQC checks, it should be noted that results are likely to be less accurate than those of other metals.





Platinum and palladium mineralisation at Black Range

Platinum and palladium are closely associated at Black Range. Platinum-palladium mineralisation is typically associated with scandium but is not as continuous, and usually occurs in the lower half of the scandium-rich envelope.

Combined platinum and palladium values from the recent drill program are generally less than 1 g/t. Intercepts include:

- **ABR0001**, 18 m at 0.83 g/t platinum + palladium from surface
- **ABR0003**, 12 m at 0.67 g/t platinum + palladium from surface
- **ABR0004**, 12 m at 0.92 g/t platinum + palladium from 4.0 m
- **ABR0015**, 16 m at 0.64 g/t platinum + palladium from surface
- **ABR0021**, 20 m at 0.66 g/t platinum + palladium from 4.0 m

Platinum and palladium mineralisation has been recorded historically in both laterite and fresh rock at Black Range. The precise nature of the platinum and palladium mineralisation within the laterite profile is presently unknown, and will be the subject of investigation as the PFS progresses. Means to liberate these metals will be investigated during the course of the current PFS.

The Company's Exploration Target for PGEs at Black Range is defined as **10–20 Mt at 0.4–0.6 g/t platinum + palladium**. As per the scandium target, this PGE target is not intended to be a stand-alone resource, but rather to be a subset of the cobalt-nickel resource. The aim is to recover PGEs as a by-product of cobalt and nickel mining from material that would be mined in any case.

Pit optimisation and mining potential

As at Black Range and other deposits of the KNP Cobalt Zone, the flat orientation, shallow depth, and continuity of mineralisation mean that material that would not be captured by a pit model would be negligible.

Kalpini camp, KNP East

The Kalpini deposits are not presently part of the KNP Cobalt Zone. With known historic cobalt mineralisation, assessment was commenced to define higher-grade portions of Kalpini that could be incorporated. RC drilling completed at Kalpini by Ardea was more of an exploration style but nonetheless still successfully identified significant cobalt-nickel mineralisation and discovered previously unknown, near-surface scandium mineralisation.

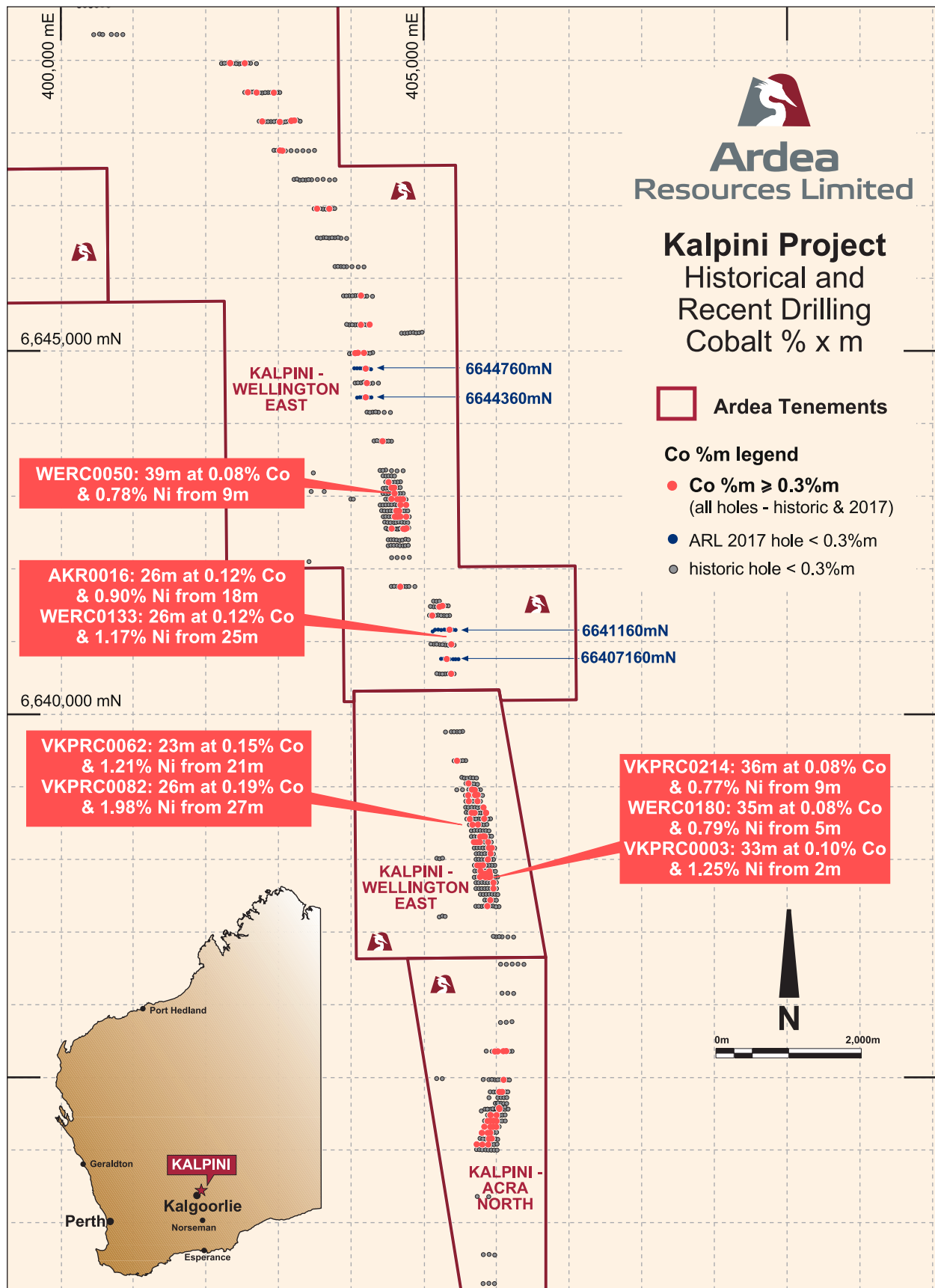
The drill program has shown the following:

- **High-grade and extensive nickel mineralisation** is punctuated by less extensive cobalt mineralisation in the drilled areas. This contrasts with extensive high-grade cobalt mineralisation in better drilled historic deposits at Kalpini.
- **Scandium mineralisation was discovered.** It is distributed in several bands and zones that reflect the variable geology at Kalpini. Some of the scandium mineralisation is exposed at surface.

Ongoing work aims to define high-grade cobalt-rich zones. With a historic Inferred Mineral Resource at Kalpini of **75.0 Mt at 0.044 % cobalt and 0.73 % nickel** and mineralisation identified over a 30 km strike length Kalpini is a nickel-dominated province with local high-grade cobalt mineralisation that may contribute to the KNP Cobalt Zone.

The current PFS concept is for Kalpini to be a standalone “hub” within the KNP, possibly with a flowsheet different to that envisaged for the KNP West.

Figure 12 – Historic drilling throughout the central and northern parts of Kalpini, showing the location of the current drill program outside of the more highly mineralised zones. Selected Intercepts are shown. Mineralisation (orange-red dots) is represented by cobalt percent-metre values in excess of 0.3. Such values are calculated by multiplying the thickness of an intercept at a 0.1% Co cut-off grade by the mineralisation grade over that intercept, and are a common method of displaying mineralisation distributions.



Cobalt, nickel, and scandium results from Kalpini

Ardea's recent drilling was purposefully targeted at gaps in the distribution of historic drilling. Results (Figure 12) show that higher cobalt and nickel values are consistent with historic results. Intercepts at a 0.5% nickel cut-off grade include the following:

- **AKR0005, 24 m at 0.05 % cobalt and 0.83 % nickel** from 16.0 m
- **AKR0010, 8 m at 0.14 % cobalt and 0.66 % nickel** from 0.0 m
- **AKR0016, 26 m at 0.12 % cobalt and 0.90 % nickel** from 18.0 m
including 8 m at 0.30 % cobalt and 1.65 % nickel from 28.0 m
- **AKR0022, 24 m at 0.04 % cobalt and 0.74 % nickel** from 20.0 m
- **AKR0027, 36 m at 0.05 % cobalt and 0.93 % nickel** from 20.0 m

Distributions of scandium, which has not been previously explored for at Kalpini, differ locally to the nickel and cobalt distributions (Figure 13). The discovery of thick scandium intercepts at Kalpini is significant because they could become a potentially meaningful by-product credit. Scandium intercepts include:

- **AKR0006, 6 m at 60 g/t scandium** from 12.0 m
- **AKR0015, 20 m at 102 g/t scandium** from 38.0 m
- **AKR0017, 6 m at 463 g/t scandium** from 28.0 m
- **AKR0018, 20 m at 105 g/t scandium** from 2.0 m
- **AKR0021, 10 m at 46 g/t scandium** from 18.0 m
- **AKR0028, 8 m at 57.5 g/t scandium** from surface

The drillholes of this recent program were specifically located in areas of minimal previous drilling and were aimed to supply additional geological and geo-metallurgical information. These are not indicative of all mineralisation at Kalpini as they were purposefully drilled outside the main defined high-grade zones.

Scandium mineralisation at Kalpini

The discovery of scandium at Kalpini is significant, but data is presently limited. Prior to Ardea's tenure, scandium had not been assayed, so its distributions relative to the higher-grade cobalt-nickel mineralisation at Kalpini are currently unknown.

As at Ardea's other scandium discoveries, Kalpini is host to significant scandium mineralisation within the laterite profile. If these occurrences were to be considered as stand-alone deposits, the levels of scandium could be problematic. However, the concentrations recorded could contribute as a supplementary payable commodity to the economics of any bulk-tonnage cobalt-nickel open pit operations at Kalpini.

Scandium is present throughout the recently drilled area as several bands or sheets that are up to 20 m thick, with significant intercepts such as **20 m at 102 g/t scandium** from 38.0 m in hole AKR0015 and **6 m at 463 g/t scandium** from 28.0 m in holes AKR0017. Scandium values within these bands vary between 50 and 480 g/t³.

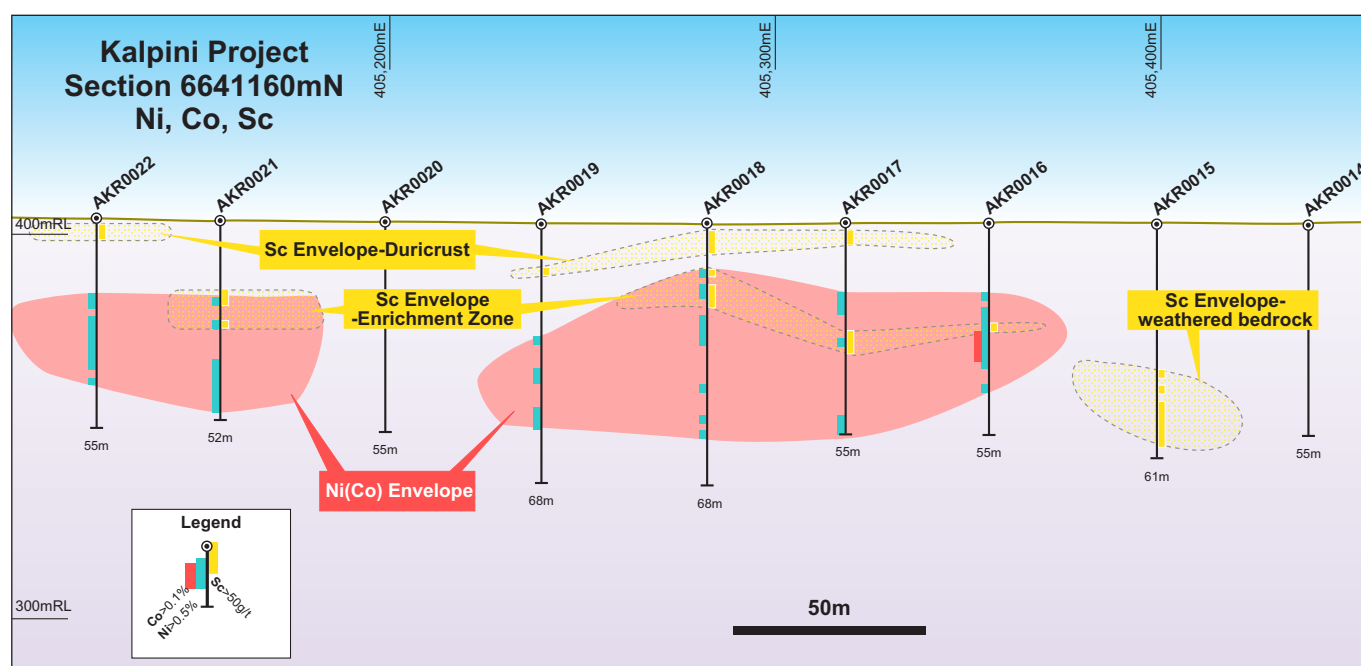
In the recent drillholes, scandium is usually situated above the cobalt-nickel mineralisation. Any cobalt and nickel focussed mining operation will require excavation of the scandium envelope in any event. As such, it makes sense to investigate any means to monetise scandium.

A 20 m thick zone of scandium mineralisation intercepted in hole AKR0015 is located to the east of the cobalt and nickel mineralisation (Figure 13). Examination of drill chips shows that this occurrence is different to others encountered at Kalpini. The host rock, which has yet to be definitively identified, is quite different to the ultramafic laterite profile that comprises the bulk of the Kalpini cobalt-nickel deposit.

This will be incorporated into future pre-feasibility studies of the deposit.

3. Scandium was assayed using the XRF technique. The concentrations present at Kalpini are toward the lower limit of detectability of the technique for scandium. Whilst scandium passed all QAQC checks, it should be noted that results are likely to be less accurate than those of other metals.

Figure 13 – The 6640760mN section at Kalpini, showing nickel (Ni), cobalt (Co), and scandium (Sc) distributions. Envelopes for the nickel-cobalt and for the scandium mineralisation show lateral continuity.



Further work at Kalpini

Historically, cobalt and nickel mineralisation at Kalpini has been identified over an approximate 30 km strike length. Thick intercepts of cobalt and nickel mineralisation are evident throughout several areas.

There are several deposits that will require reassessment at Kalpini. In order to upgrade these areas to the KNP Cobalt Zone, cobalt-nickel mineralisation has been assessed on the basis of grades, distributions, and a series of proven in-house geo-metallurgical discriminators. A detailed drilling proposal has been submitted to the Department of Mining and Petroleum and approval is awaited. In the meantime, independent resource estimation was commenced.

Further examination may also be required to define the extent of scandium mineralisation at Kalpini. Should modelling and current metallurgical programs suggest that scandium can contribute positively to the economics of any open cut cobalt-nickel mining operation, an assessment of scandium distributions will be required. To this end, re-assaying of Ardea's extensive library of historic drill sample pulps has commenced ahead of drilling in target zones.

Pre-Feasibility Study

The results of the drilling performed at Goongarrie South and Black Range, along with the reinterpretation at Big Four, Scotia Dam, are being used in the Pre-Feasibility Study of the KNP Cobalt Zone which comprises:

- May to September 2017, bench-scale metallurgical test-work and process technology evaluations for the flowsheet.
- September 2017 to January 2018, PFS engineering, cost estimation and reporting, using previous Vale Inco and Heron Resources data where appropriate. Ardea's focus will be on the process flow-sheet and project financials.

The aim of the KNP Cobalt Zone PFS is to define a mechanism to mine and recover cobalt, nickel, and other accessory metals ahead of the DFS decision and move the KNP Cobalt Zone towards production.

Metallurgical test work, which is focused on the core drilled at Goongarrie South, is ongoing. Leach test work has shown metal extractions in excess of 90 % recorded for all payable metals, namely cobalt, nickel, and scandium. High purity alumina, manganese and chromium extraction for KNP mineralisation will be evaluated.

Acid leach test work

Leach test work is focused on prioritising cobalt extraction. To liberate the metals from the goethitic clay that hosts the mineralisation, the material is dissolved in acid under either atmospheric pressure or high pressure within an autoclave.



There are three dissolution techniques being trialled by Ardea:

1. High pressure acid leach (HPAL) using sulphuric acid as the metal solvent;
2. Sulphuric acid leach at atmospheric pressure; and
3. Hydrochloric acid leach at atmospheric pressure.

Atmospheric leach testing at a 1:1 ratio of hydrochloric acid (HCl) to run-of-mine mineralisation, reacting for 24 hours at 70°C, the extraction of 98.7 % of the cobalt, 98.4 % of the nickel, and 92.4 % of the scandium was achieved (Table 6). Even with the reaction time reduced to only 2 hours (other conditions identical), 90.1 % of the cobalt was extracted.

Table 6 – Metal extraction for cobalt, iron, nickel, and scandium for run-of-mine material sampled from Goongarrie South using hydrochloric acid under atmospheric conditions.

Test No.	Acid	Dosage (kg/t)	Time (hrs)	Temp (°C)	Method	Metal Extracation			
						Co (%)	Fe (%)	Ni (%)	Sc (%)
131	HCl	400	24	70	Bottle roll	55.6	29.3	43.6	0.0
132	HCl	600	24	70	Bottle roll	79.2	48.3	63.9	10.5
133	HCl	800	24	70	Bottle roll	92.3	80.3	84.9	59.1
134	HCl	1000	24	70	Bottle roll	98.7	92.4	98.4	92.4

Tests for HPAL and atmospheric sulphuric acid leach have shown similarly excellent results. Assessment of the most appropriate metal extraction technique will be made shortly.

The PFS assumes the use of a patented acid recovery system developed by Simulus Engineers that results in optimised acid consumption. This has the twin effects of lower operating costs and low environmental risk of acid leaching from waste products.

Lewis Ponds zinc-gold-silver deposit, NSW

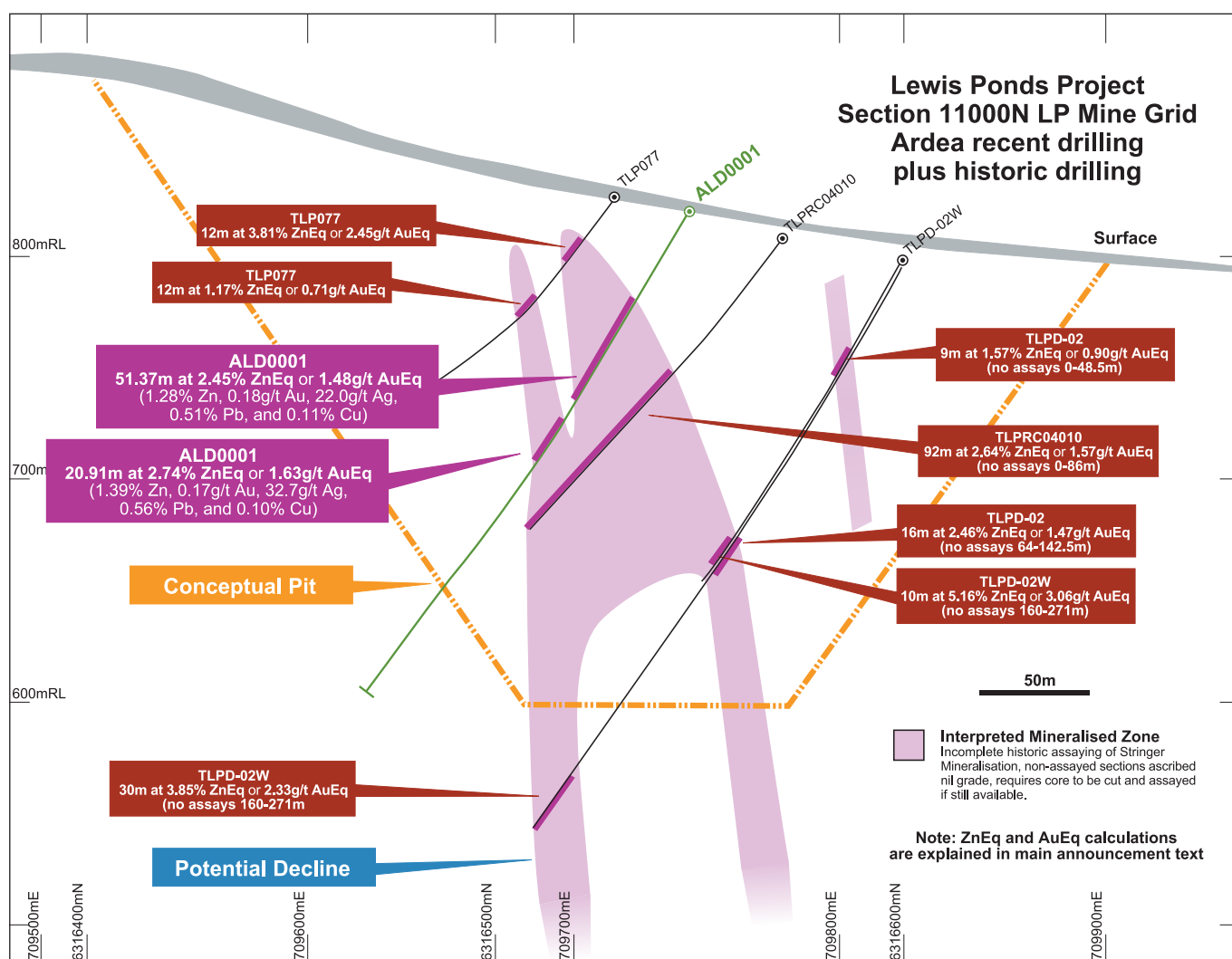


Lewis Ponds is a zinc-gold-silver deposit in the Lachlan Fold Belt of NSW. Mined historically for gold, silver, zinc, and pyrite, Lewis Ponds is located in one of Australia's oldest designated mining districts. Historically, the deposit has been classified as a Volcanogenic Massive Sulphide (VMS) deposit, 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.

Explorers at Lewis Ponds have, in recent decades, focused on defining a high-grade massive sulphide deposit. Ardea aims to define a bulk-tonnage operation, with lower grade stringer sulphides linking up the massive sulphides into wide continuous zones of mineralisation that are amenable to open pit mining, like the main mines of the region.

The Lachlan Fold Belt (Figure 2) is host to numerous major bulk tonnage gold and base metal mines. Of particular note is that the major deposits at Northparkes and Cadia are hosted within or adjacent to the Lachlan Transverse Zone (LTZ), a west-northwest trending lineament that is thought to represent a fundamental crustal weakness that corresponds to major mineralised centres. Several of Ardea's projects, including notably Lewis Ponds, are located within the LTZ.

Figure 14 – Lewis Ponds Project - Section 11000N LP Mine Grid showing Ardea recent drilling plus historical drilling



A bulk tonnage model for mineralisation

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% Zn⁴** 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 in contrast 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 (Table 7).

4 The breakdown for the full Lewis Ponds resource categories is as follows:

Resource Category	Quantity (Mt)	Zn (%)	Au (g/t)	Ag (g/t)	Pb (%)	Cu (%)
Indicated						
Main Zone	5.82	2.1	1.5	59	1.1	0.1
Tom's Zone	0.54	5.5	1.7	172	3.8	0.3
Total Indicated	6.35	2.4	1.5	68	1.4	0.2
Inferred						
Main Zone	0.17	1.7	0.9	47	0.8	0.1
Tom's Zone	0.10	5.0	1.4	174	3.6	0.2
Total Inferred	0.27	3.0	1.1	96	1.9	0.1
Total Mineral Resource	6.62	2.4	1.5	69	1.4	0.2



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 in moderate grade ALD0003 and low grade ALD0004 match or exceed those of the major Lachlan Fold Belt operations (Table 7).

Table 7 – Examples of Lewis Ponds mineralisation compared to some of the major mining operations

Operation	Mining	Processing	Mtpa	Example intercept	Zn (%)	Au (g/t)	Ag (g/t)	Pb (%)	Cu (%)	Zn Eq (g/t)	Au Eq (g/t)
Lewis Ponds	Open pit	Zinc con	?	ALD0003 ¹	1.54	0.33	26.7	0.54	0.10	3.00	1.80
Northparkes	Block cave	Copper con	6.0	–	–	0.24	–	–	0.85	1.80	1.21
Cadia	Block cave	Copper con	22.0	–	–	0.94	0.5	–	0.29	1.80	1.27
Cowal	Open pit	CIL	7.3	–	–	1.11	–	–	–	1.52	1.11
McPhillamys	Open pit	CIL	–	–	–	0.94	–	–	–	1.29	0.94

¹ ALD0003, 100.35-161.23 m.

These results justify Ardea's updated Exploration Target for the Lewis Ponds deposit, estimated at **15–25 Mt at 2.2–3.7 % ZnEq or 1.2–2.0 g/t AuEq⁵** (Heron Resources announcement, "Ardea Project Update" dated 6 January 2017).

Diamond drill results

Diamond drilling at Lewis Ponds has identified thick zones of moderate-grade zinc, gold and silver mineralisation in shallow positions that had not been adequately drilled in the past. The successful identification of this mineralisation confirmed the Company's development model that the Lewis Ponds deposit has affinities with the major deposits of the Lachlan Fold Belt region and therefore has bulk tonnage, open pit potential. In summary, results at Lewis Ponds were as follows:

- ALD0001** **51.37 m at 2.45 % Zn equiv.⁶ or 1.48 g/t Au equiv.⁷** from 41.60 m
(1.28 % Zn, 0.18 g/t Au, 22.0 g/t Ag, 0.51 % Pb, and 0.11 % Cu)
- and* **20.91 m at 2.74 % Zn equiv. or 1.63 g/t Au equiv.** from 110.76 m
(1.39 % Zn, 0.17 g/t Au, 32.7 g/t Ag, 0.56 % Pb, and 0.10 % Cu)
- ALD0002** **16.40 m at 8.53 % Zn equiv. or 5.07 g/t Au equiv.** from 43.60 m
(4.73 % Zn, 0.86 g/t Au, 75.9 g/t Ag, 1.44 % Pb, and 0.19 % Cu)
- ALD0003** **5.88 m at 2.84 % Zn equiv. or 1.88 g/t Au equiv.** from 46.62 m
(0.73 % Zn, 1.06 g/t Au, 17.8 g/t Ag, 0.45 % Pb, and 0.02 % Cu)
- and* **60.88 m at 3.00 % Zn equiv. or 1.80 g/t Au equiv.** from 110.35 m
(1.54 % Zn, 0.33 g/t Au, 26.7 g/t Ag, 0.54 % Pb, and 0.10 % Cu)

- 5 Details of the Exploration Target were described in full in the announcement by Heron Resources dated 6 January 2017. An Exploration Target is a term used within the JORC2012 Code for an estimate of the exploration potential of a mineral deposit. As used in this release the stated Exploration Target is based upon the parameters described in the text, however the potential quantity and grade is conceptual in nature and there is insufficient information to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource in this area of drilling. For this previously published Exploration Target, Zn equivalents were defined using the following values (21/12/2016 US\$ price, recovery): Zn (\$2617/t, 100%), Au (\$1133/oz, 90%), Ag (\$16.00, 80%), Pb (\$2259/t, 80%), Cu (\$5488.5/t, 80%). Zn equiv. = Zn(%) + 1.253Au(g/t) + 0.016Ag(g/t) + 0.665Pb(%) + 1.678Cu(%). Values used for zinc equivalent calculations throughout this announcement (except for the previously announced Exploration Target). Zinc equivalents used as zinc contributes most to the metal equivalent calculations. Au equivalents were defined using the following values (21/12/2016 US\$ price, recovery): Zn (\$2617/t, 80%), Au (\$1133/oz, 100%), Ag (\$16.00, 80%), Pb (\$2177/t, 80%), Cu (\$5488.5/t, 80%). Au equiv. = 0.575Zn(%) + Au(g/t) + 0.016Ag(g/t) + 0.478Pb(%) + 1.205Cu(%). Gold equivalents used for direct comparison to major deposits of the region. Scoping study level financial model for a 1.5Mtpa open-pit with base metal float circuit indicates 1.6% ZnEq is a suitable break-even cut-off grade.
- 6 Zn equivalents defined using the following values (11/4/2017 US\$ price, expected recovery proportion): Zn (\$2658/t, 100%), Au (\$1258/oz, 90%), Ag (\$17.92, 80%), Pb (\$2259/t, 80%), Cu (\$5730.5/t, 80%). Zn equiv. = Zn(%) + 1.369Au(g/t) + 0.017Ag(g/t) + 0.680Pb(%) + 1.725Cu(%). These values used for zinc equivalent calculations throughout this announcement (except for the previously announced Exploration Target). Zinc equivalents are used because zinc contributes most to the metal equivalent calculations.
- 7 Au equivalents defined using the following values (11/4/2017 US\$ price, recovery): Zn (\$2658/t, 80%), Au (\$1258/oz, 100%), Ag (\$17.92, 80%), Pb (\$2259/t, 80%), Cu (\$5730.5/t, 80%). Au equiv. = 0.526Zn(%) + Au(g/t) + 0.011Ag(g/t) + 0.447Pb(%) + 1.133Cu(%). These values used for gold equivalent calculations throughout this announcement (except for the previously announced Exploration Target). Gold equivalents are used because gold is a significant proportion of the deposit by value, and they allow for direct comparison to major deposits of the region.



Figure 15 – Mineralisation in ALD0003 (119.27-120.48m, 1.21m at 14.29% Zn equiv), typical intense chlorite-pyrite alteration associated with Stringer Zone mineralisation



The initial Ardea core holes at Lewis Ponds have validated the bulk tonnage development model, looking at a potential open pit to a depth of some 200 metres. Within this conceptual Lewis Ponds pit design, the Stringer Zone measures 25-50 m horizontal width, dipping 70-90° east. The western ore contact largely follows the western pit batter, which has a favourable impact on strip ratio. There is around 30 m vertical of surface depletion.

The successful identification of this gold, silver, zinc and lead mineralisation confirms the Company's development model that the Lewis Ponds deposit has affinities with the major deposits of the Lachlan Fold Belt region (in terms of its bulk excavation potential).

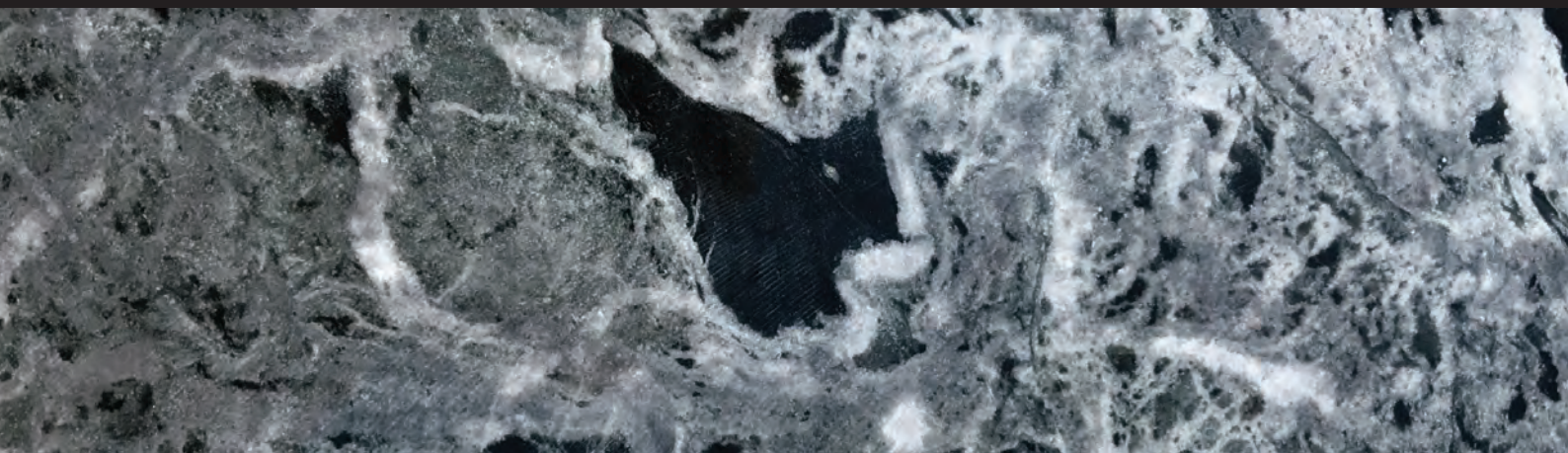
Study program

Lewis Ponds is presently the subject of flotation test work which is being undertaken in Perth. This is part of broader metallurgical test work that includes:

- Initial variability samples to quantify preferred grind size and flotation reagents.
- Quantification of preferred grind size and flotation reagents.
- Flow-sheet optimisation.
- Pre-concentration options including DMS for low-grade stringer mineralisation.

Open pit mining

In Ardea's drilling, mineralisation is bi-modal, with higher grade lenses suited to selective mining averaging 3.5 % Zn equiv. These are diluted by sub-grade internal waste grading 0.5-1.0 % Zn equiv., for a bulk grade of 2.8 % Zn equiv. The mineralisation style is entirely suited to selective open pit mining, with ore grades associated with dark pyrite-chlorite and internal waste variously light grey mudstone or white limestone.



Underground mining

There is clearly significant underground mining potential at Lewis Ponds. Wide and/or higher grade deeper mineralised zones defined by historical drilling include:

- 10400N TLPD-51A – **36.0 m at 12.2% Zn equiv, TLPD-51AW1 – 28 m at 7.1% Zn equiv**
- 10600N SLP-1 – **24.5 m at 3.6% Zn equiv**

These targets are invariably poorly drilled with incomplete assaying of mineralised intercepts. All current work will focus entirely on shallow open pit mineralisation. To this end, available historic drill holes are being re-logged, and where core is suitably preserved, the un-assayed intervals within holes are being submitted for assaying. Results are awaited.

Exploration

Taurus gold project, Western Australia

At the Taurus gold project 40 km east of Kalgoorlie, assay results from rock chip sampling show significant gold values from outcrop and drill spoil. Gold values consistently assayed **0.5 - 3.6 g/t Au**. These results are being used to target future drill programs.

Mt Zephyr gold and base metals project, Western Australia

At Mt Zephyr, the Company is awaiting grant of four exploration licences: E37/1271, E37/1274, E39/1706, and E39/1854. Targeting over the area has identified numerous gold and base metal targets that will require prompt attention. The Company intends commencing exploration at Mt Zephyr upon granting of the tenements.

Wiseman's Creek gold and silver project, New South Wales

Reconnaissance has identified historic workings and drill collar sites in thickly vegetated country at the Wiseman's Creek gold and silver project. Veining and alteration consistent with epithermal style mineralisation were observed. Mineralised rockchip samples consistently assayed **0.5 - 5.0g/t Au**.

Other NSW and WA projects

Project targeting is actively underway on the remaining project areas in Ardea's portfolio. It is expected that, with the recent appointment of the Senior Geologists in Kalgoorlie and Orange and establishment of regional offices, progress will accelerate on these projects.

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 7 August 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 KNP Exploration Results is based on information originally compiled by previous and current full time employees of Heron 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 currently a director of Ardea Resources Limited. Mr Buchhorn has sufficient experience that is relevant to the style of mineralisation 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 report and consents to the inclusion in this report of the information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Goongarrie South, Big Four, Scotia Dam and Black Range cobalt-nickel deposits contained within the KNP Cobalt Zone project area is based on information compiled by Mr Stephen Hyland who is a Fellow of the Australasian Institute of Mining and Metallurgy and who has provided expert guidance on resource modelling and resource estimation. Mr Hyland is a Principal Consultant Geologist at HGMC consultants and has sufficient experience 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. Mr Hyland consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This news release contains forward-looking statements and forward-looking information within the meaning of applicable Australian securities laws, which are based on expectations, estimates and projections as of the date of this news release.

This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and ability to complete the Ardea spin-out, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, the ability to complete the Ardea spin-out on the basis of the proposed terms and timing or at all, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information.

Although the forward-looking information contained in this news release is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

No stock exchange, regulation services provider, securities commission or other regulatory authority has approved or disapproved the information contained in this report.



The Directors present their report on Ardea Resources Limited and the entities it controlled at the end of and during the period from incorporation on 17 August 2016 to the period ended 30 June 2017 ("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, GAIDC*
Non-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.

Matthew Painter – *B.Sc.(Hons), PhD*
Managing Director
Appointed 7 November 2016

Matthew Painter is a Geologist with over 20 years professional experience including SRK Consulting, Sabre Resources, AngloGold Ashanti, Geological Survey of WA and MIM Exploration. His expertise is in ore deposit geology and structural geology, and his work has been instrumental in the successful discovery, exploration and development of greenfield and brownfields deposits globally. Dr Painter has extensive on-ground experience throughout Australia and overseas including east, west and southern Africa across a broad range of commodities including gold, copper, zinc-lead-silver, uranium, tin and manganese. Dr Painter has extensive managerial and ASX-listed company corporate experience. He has a Bachelor of Science with Honours degree from the University of Melbourne and has a Doctor of Philosophy (PhD) in Economic Geology from the University of Queensland. Dr Painter has no other public company directorships.

Ian Buchhorn – *BSc (Hons), Dipl. Geosci (Min. Econ), MAusIMM*
Non-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 to present) and Golden Cross Resources Limited (3 March 2014 to 13 July 2016).

Stephen Dennis – Non-Executive Director (Appointed 17 August 2016, Resigned 7 November 2016)

Simon Smith – Non-Executive Director and Company Secretary (Appointed 17 August 2016, Resigned 7 November 2016).

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 2017 of \$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)

KNP and KNP Cobalt Zone

The Kalgoorlie Nickel Project ("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 cobalt metal tonnages of over 400,000 t, the KNP is a globally significant cobalt 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)	Cobalt (%)	Nickel (%)	Contained cobalt (t)	Contained nickel (t)
Measured	9.6	0.10	1.02	9,700	98,800
Indicated	232.9	0.06	0.75	141,200	1,759,700
Inferred	530.5	0.05	0.68	254,400	3,600,000
KNP Total Resources	773.0	0.05	0.70	405,400	5,458,400

The cobalt-rich subset of the KNP, known as the KNP Cobalt Zone, contains a significant cobalt and nickel resource in its own right. The KNP Cobalt Zone contains 64.4 Mt at 0.13 % cobalt and 0.77 % nickel (reported using 0.08 % cobalt lower cut-off generally, and a 0.5 % nickel cut-off at Black Range) for a total contained cobalt metal of over 80,000 t. Since listing, the Company has substantially increased upon this resource through remodelling of historic datasets using cobalt cut-offs (in lieu of the historically used nickel cut-offs).

Since listing in February this year, Ardea immediately started fieldwork on our main project at the Kalgoorlie Nickel Project (KNP) and the Cobalt Zone. Drilling focused on expanding higher grade resources and defining mineralisation style and extent at both Black Range and Kalpini. Diamond drilling at Goongarrie South recovered samples for metallurgy and pilot-scale testing.

The results of drilling performed at Goongarrie South, Big Four, Scotia Dam, and Black Range along with reinterpretations at Big Four and Scotia Dam are being used in the KNP Cobalt Zone Pre-Feasibility Study (PFS), which comprises:

- May to September 2017, bench-scale metallurgical test-work and process technology evaluations for the flowsheet.
- September 2017 to January 2018, PFS engineering, cost estimation and reporting, using previous Vale Inco and Heron Resources data where appropriate. Ardea's focus will be on the process flow-sheet and project financials.



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	
	Goongarrie subtotal		Measured	5.8	1.08	0.14	62,900	7,900				
			Indicated	138.5	0.72	0.07	994,600	93,700				
			Inferred	179.6	0.64	0.05	1,149,200	85,900				
	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	
		Siberia subtotal		Indicated	10.0	0.64	0.05	64,000	5,100			
			Inferred	170.0	0.67	0.05	1,130,800	77,000				
	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	
		Bulong subtotal		Indicated	15.9	1.06	0.06	168,000	8,800			
			Inferred	38.2	0.81	0.05	308,100	20,000				
	Hampton	Kalpini	Inferred	75.0	0.73	0.04	549,700	32,600	Krige	Snowden	Pre 2010 PFS	
		Hampton subtotal		Inferred	75.0	0.73	0.04	549,700	32,600			
	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				

The aim of the KNP Cobalt Zone PFS is to define a mechanism to mine and recover cobalt, nickel, and other accessory metals in a manner useful to the lithium ion battery manufacturing industry. This is ahead of the DFS decision that is expected move the KNP Cobalt Zone towards production.

Metallurgical test work, which is focused on core recently drilled at Goongarrie South, is ongoing and has, to date, been highly successful. Leach test work has shown metal extractions in excess of 90 % recorded for all payable metals, namely cobalt, nickel, and scandium. High purity alumina and chromium extraction for KNP mineralisation will be evaluated.



Table 3 – KNP Cobalt Zone, Resource Statement from RMRC and HGMC consulting groups. All figures are appropriately rounded to reflect the degree of certainty.

Camp	Deposit	Resource category	Cut-off (% Co)	Size (Mt)	Co (%)	Ni (%)	Contained cobalt (t)	Contained nickel (t)	Remodel status
Goongarrie	Goongarrie South	Measured	0.08	4.6	0.16	1.12	7,200	51,600	
		Indicated	0.08	12.9	0.13	0.79	17,300	101,300	
		Inferred	0.08	7.8	0.14	0.72	10,500	56,100	
		Subtotal	0.08	25.3	0.14	0.83	35,000	209,000	Upgraded
	Big Four	Indicated	0.08	9.2	0.13	0.75	12,100	68,500	
		Inferred	0.08	2.2	0.13	0.57	2,800	12,500	
		Subtotal	0.08	11.4	0.13	0.71	14,900	81,000	Upgraded
	Scotia	Indicated	0.08	1.1	0.18	0.86	2,000	9,700	
		Inferred	0.08	1.4	0.17	0.79	2,300	10,900	
		Subtotal	0.08	2.5	0.17	0.82	4,300	20,500	Upgraded
Goongarrie subtotal				39.6	0.14	0.80	54,200	312,000	Upgraded
Siberia	Black Range	Indicated	0.50(Ni)	9.3	0.09	0.67	8,200	62,300	
		Inferred	0.50(Ni)	9.9	0.10	0.69	9,600	68,300	
	Siberia subtotal		0.50(Ni)	19.2	0.09	0.68	17,800	130,600	Upgraded
Yerilla	Aubils	Inferred	0.08	6.0	0.15	0.90	9,000	54,000	Scheduled
KNP COBALT ZONE TOTAL				64.4	0.13	0.77	81,000	495,000	

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.

Late 20th Century explorers at Lewis Ponds have focused on defining a high-grade massive deposit. In contrast, Ardea aims to define a bulk-tonnage operation, with lower grade stringer sulphides linking up the massive sulphides into wide continuous mineralisation amenable to open pit mining, similar to the main mines of the region. The extent of mineralisation at Lewis Ponds has been confirmed by recent diamond drilling and extensive field work.

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 recent 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.
- A bulk sample for flow-sheet optimisation.
- Pre-concentration options for sub-grade stringer mineralisation including DMS.

Lewis Ponds is presently the subject of flotation test work which is being undertaken in Perth. This is part of broader metallurgical test work that includes:

- Quantification of preferred grind size and flotation reagents.
- Flow-sheet optimisation
- Pre-concentration options including DMS for sub low-grade stringer mineralisation.



Corporate and Financial Position

As at 30 June 2017 the Consolidated Entity had cash reserves of \$3.06 million. Subsequent to year end an amount of \$9.95m has been raised to fast track feasibility study and development activities.

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

2017
Cents
(1.68)
(1.68)

Basic loss per share
Diluted loss per share

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:

- On 9 November 2016, the Company entered into a Demerger Implementation Agreement ("DIA") with its Parent Company, the ASX listed Heron Resources Limited to seek to Demerge and raise funds to progress a number of development and exploration projects in its own right
- On 9 November 2016, the Company issued an Initial Public Offering Prospectus ("IPO Prospectus") seeking to raise funds for a new Public Float on the ASX
- On 31 January 2017, after receiving the minimum funds required under the IPO Prospectus the board approved the issue of 41,501,611 Shares and 10,000,000 Unlisted options (with an exercise price of 25 cents any time 3 years from the date of Ardea's listing) to Heron Resources Limited (as required under the DIA, with those shares to be distributed in-specie to Heron's shareholders on a pro-rata basis), the issue of 25,499,126 Shares at the IPO share price of 20 cents to investors following the receipt of funds of \$5,099,825, and 2,310,022 Unlisted options with an exercise price of 25 cents any time 3 years from the date of Ardea's listing to the Lead Manager and Corporate Advisor.
- On 9 February 2017, the Company being admitted to the official list of the Australian Securities Exchange.
- On 31 May 2017, the Company issuing 22,079,704 Unlisted Loyalty bonus options for nil consideration to all shareholders on the register with the bonus options exercisable at 77 cents each any time prior to 31 May 2018.



OPTIONS 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
25,297,087	77 cents each	31 May 2018

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.

Subsequent to the year end there were 3,333,333 Loyalty options issued to Heron Resources on the same terms as the original loyalty options, exercisable at 77 cents each any time prior to 31 May 2018. An amount of 115,950 Loyalty Options were exercised after year end and converted into fully paid shares.

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 except for the following:

- 3,333,333 Loyalty options issued to Heron Resources on the same terms as the original loyalty options, exercisable at 77 cents each any time prior to 31 May 2018
- An amount of 115,950 Loyalty Options were exercised after year end and converted into fully paid shares
- 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 \$4,414,000
- 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 \$5,544,691.

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.



INFORMATION ON DIRECTORS

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

Director	Title	Directors' Interests in Ordinary Shares *	Directors' Interests in Unlisted Options *
Katina Law	Non-Executive Chair Appointed on 7 November 2016	541,380	166,666
Matthew Painter	Managing Director Appointed on 7 November 2016	150,690	43,333
Ian Buchhorn	Non-Executive Director Appointed on 17 August 2016	8,428,548	2,793,029

* All Ordinary Shares and Unlisted Options were acquired during the financial period either through in-specie distribution from Heron Resources, or subscribed for in the IPO or purchased on-market. Unlisted Loyalty Options were received via the 1 for 3 distribution made to all shareholders

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	5	5
Matthew Painter	5	5
Ian Buchhorn	5	5

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 is in the process of being put in place. 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 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.



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. There has been no maximum set as it is the first year of the Company and will be dealt with 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 Agreement

Dr Matthew Painter was appointed Managing Director on 7 November 2016 and is employed under an executive services agreement on a salary of \$250,080 plus statutory superannuation and short and long term incentives to be negotiated based on the Company's performance. The agreement is subject to a mutual 3 month notice period.

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	
2013/2014	Base Salary/Fees \$	Motor Vehicle/Bonus \$	Superannuation Contributions \$	Options \$	Total \$
Directors					
K Law – Non-Executive Chair (i)	40,000	-	-	-	40,000
M Painter – Managing Director (ii)	104,200	-	9,899	-	114,099
I Buchhorn – Non-Executive (iii)	26,667	-	2,533	-	29,200
Executives					
S Middlemas - Company Secretary (iv)	55,240	-	-	-	55,240

(i) Ms Law was appointed Non-Executive Chair on 7 November 2016. All fees are paid to her Consulting Company Fitzroy Consulting Services.

(ii) Dr Painter was appointed on 7 November 2016.

(iii) Mr Buchhorn was appointed on 17 August 2016

(iv) Mr Middlemas was appointed Company Secretary on 20 October 2016. All fees for providing Company Secretarial services were paid to Sparkling Investments Pty Limited.

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 2017.



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.

Share-based compensation

There was no share based compensation during the financial period, with no options or performance right issued.

AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the *Corporations Act 2001* requires the Consolidated Entity's auditors Butler Settinieri (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.

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 27th day of September 2017
Signed in accordance with a resolution of the Directors



Katina Law
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.





BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ardea Resources Limited for the period from registration on 17 August 2016 to 30 June 2017, 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 period.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth

Date: 27 September 2017

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Liability limited by a scheme approved under Professional Standards Legislation

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Consolidated Statement of Comprehensive Income

For the period from Incorporation on 17 August 2016 to 30 June 2017

	<u>NOTES</u>	<u>2017</u>
		\$
Other income	2	<u>11,632</u>
Employee expenses		211,931
Non-Executive Directors' fees		69,200
Insurance expenses		23,541
Secretarial fees		55,240
Corporate expenses		123,650
Depreciation	3	106,454
Rent		38,277
Employee costs recharged to capitalised exploration		(147,528)
Other expenses		<u>65,263</u>
Loss before income tax		(534,396)
Income tax	5	<u>-</u>
Net loss attributable to members of the Consolidated Entity's	14	(534,396)
Other Comprehensive Loss net of tax		<u>-</u>
Total Comprehensive Loss		<u>(534,396)</u>
Basic earnings/(loss) per share (cents per share)	19	(1.68) cents
Diluted earnings/(loss) per share (cents per share)	19	(1.68) cents

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



Consolidated Statement of Financial Position

As at 30 June 2017

	<u>NOTES</u>	<u>2017</u> \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		3,062,719
Other receivables	6	224,518
Other assets	7	2,713
TOTAL CURRENT ASSETS		3,289,950
NON-CURRENT ASSETS		
Plant and equipment and motor vehicles	8	357,446
Investments	9	10,000
Capitalised mineral exploration expenditure	10	9,331,853
TOTAL NON-CURRENT ASSETS		9,699,299
TOTAL ASSETS		12,989,249
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	11	353,105
Provisions	12	11,992
TOTAL CURRENT LIABILITIES		365,097
TOTAL LIABILITIES		365,097
NET ASSETS		12,624,152
EQUITY		
Contributed equity	13(a)	12,482,548
Share Option Reserve	15	676,000
Accumulated losses	14	(534,396)
TOTAL EQUITY		12,624,152

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



Consolidated Statement of Changes in Equity

For the period from Incorporation on 17 August 2016 to 30 June 2017

	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>

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



Consolidated Statement of Cashflows

For the period from Incorporation on 17 August 2016 to 30 June 2017

	<u>NOTES</u>	<u>2017</u>
		\$
Cash flows from operating activities		
Interest received		11,632
Payments to suppliers and employees (inclusive of goods and services tax)		(489,249)
Net cash used in operating activities	20(a)	<u>(477,617)</u>
Cash flows from investing activities		
Payments for exploration and evaluation		(1,208,008)
Proceeds (Payments) for plant and equipment		<u>(109,900)</u>
Net cash used in investing activities		<u>(1,317,908)</u>
Cash flows from financing activities		
Proceeds from the issue of shares		5,104,170
Costs of shares issued		<u>(245,926)</u>
Net cash provided by financing activities		<u>4,858,244</u>
Net increase (decrease) in cash held		3,062,719
Cash at the beginning of the financial period		<u>-</u>
Cash at the end of the financial period		<u><u>3,062,719</u></u>

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



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.



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.



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

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

The carrying values of property, plant and equipment 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 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.



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:

- 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.



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 2017 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.



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



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

(b) Tax losses

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

(c) Unbooked Deferred Tax Assets and Liabilities**Unbooked deferred tax assets comprise:**

Provisions/Accruals/Other	11,292
Tax losses available for offset against future taxable income	<u>1,956,501</u>
	<u>1,968,493</u>

Unbooked deferred tax liabilities comprise:

Capitalised mineral exploration and evaluation expenditure	<u>9,685,852</u>
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(d) Franking credits balance

The Consolidated Entity has no franking credits available as at 30 June 2017.

6. OTHER RECEIVABLES**Current**

GST recoverable	108,239
Bonds and guarantees	<u>116,279</u>
	<u>224,518</u>

7. OTHER ASSETS**Current**

Prepayments	<u>2,713</u>
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	<u>2017</u> \$
8. PROPERTY, PLANT AND EQUIPMENT	
Plant and office equipment	
At cost	97,164
Accumulated depreciation	<u>(93,719)</u>
	<u>3,445</u>
Property and buildings	
At cost	366,735
Accumulated depreciation	<u>(12,734)</u>
	<u>354,001</u>
	<u><u>357,446</u></u>

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	-
Additions	97,164
Depreciation	<u>(93,719)</u>
Carrying amount at the end of the year	<u><u>3,445</u></u>

Property and buildings

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

9. INVESTMENTS**Non-Current**

Investment in Newamu	<u><u>10,000</u></u>
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Particulars in relation to the controlled entities

Ardea Resources Limited is the parent entity.

Name of Controlled entity	Class of Shares	Equity Holding 2017
TriAusMin Pty Ltd ACN 062 002 475	Ordinary	100%
Atriplex Pty Ltd ACN 113 719 207	Ordinary	100%
Yerilla Nickel Pty Ltd ACN 123 249 810	Ordinary	100%
Ardea Exploration Pty Ltd ACN 137 889 279	Ordinary	100%
Kalgoorlie Nickel Pty Ltd ACN 137 889 199	Ordinary	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>2017</u>
	\$
10. CAPITALISED MINERAL EXPLORATION EXPENDITURE	
Non-Current	
<i>In the exploration phase</i>	
Cost brought forward	-
Exploration Properties purchased	8,300,000
Add: Expenditure incurred during the year (at cost)	1,031,853
Exploration expenditure written off	-
	<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	328,841
Other creditors and accruals	<u>24,264</u>
	<u>353,105</u>

Included within trade and other creditors and accruals is an amount of \$187,541 relating to exploration expenditure.

12. PROVISIONS

Current

Employee entitlements	<u>11,992</u>
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13. CONTRIBUTED EQUITY

(a) Ordinary Shares

67,000,747 fully paid ordinary shares	<u>12,482,548</u>
---------------------------------------	-------------------

(b) Share Movements during the Year

	2017	
	Number of	\$
	Shares	
Beginning of the financial period	-	-
<i>New share issues during the period</i>		
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	-	(917,681)
	<u>67,000,747</u>	<u>12,482,548</u>



13. CONTRIBUTED EQUITY (Continued)**(c) 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
25,297,087	77 cents each	31 May 2018

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.

(d) Share Based Payments

During the financial period there were a number of Share Based payments to Heron Resources (10 million options) and the Lead Manager and Corporate Advisor (2,310,022 options) refer above. Further details of these are included under Note 20 (b).

(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.



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 2017 are as follows:

	<u>2017</u>
	\$
Cash and cash equivalents	3,062,719
Trade and other receivables	224,518
Other assets	2,713
Trade and other payables	(353,105)
Provisions	<u>(11,992)</u>
Working capital position	<u>2,924,853</u>

14. ACCUMULATED LOSSES

Accumulated losses at the beginning of the period	-
Net loss attributable to members	<u>534,396</u>
Accumulated losses at the end of the year	<u>534,396</u>

15. RESERVES**Share Option Reserve**

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

Share Option reserve

The share option reserve comprises any equity settled share based payment transactions. The reserve will be reversed against share capital when the underlying share options are exercised.

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 period there were no other transactions with Directors or Executives.

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:

2017	Ordinary Shares				Loyalty Options ⁽¹⁾
	Opening	Purchases/(in specie distribution)	Disposals	30 June 2017	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 R Middlemas	-	260,000	-	260,000	86,666

(1) The Company issued 1 free Loyalty Options for every 3 shares held to all shareholders holding shares 3 months after the float. The Loyalty Options are exercisable any time prior to 31 May 2018 at an exercise price of 77 cents per option.



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 \$1,929,580. These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

2017
\$

(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
Between one and five years	<u>218,153</u>
	<u>307,730</u>

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

(c) Capital Commitments

The Consolidated Entity had no capital commitments at 30 June 2017.

18. SEGMENT INFORMATION

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

19. EARNINGS/ (LOSS) PER SHARE

2017
\$

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>(534,396)</u>
	Number of Shares
	<u>2017</u>
Weighted average number of ordinary shares used in calculating basic earnings/ (loss) per share:	31,814,873
<i>Effect of dilutive securities</i>	
Share options*	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/ (loss) per share	<u>31,814,873</u>
Basic and Diluted loss per share (cents per share)	1.68 cents

*Non-dilutive securities

As at balance date, 34,389,726 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>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	(534,396)
<i>Non-cash items:</i>	
Depreciation	106,454
<i>Change in operating assets and liabilities:</i>	
Decrease (Increase) in prepayments	(2,714)
Decrease (Increase) in receivables	(224,518)
Increase in trade creditors and accruals	165,565
Increase in employee entitlements	11,992
Net cash outflows used in operating activities	<u>(477,617)</u>

(b) Non Cash Financing and Investing Activities

During the 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 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 table lists the inputs 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.



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 2017 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 or has been reached 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 except for as follows:

- 3,333,333 Loyalty options issued to Heron Resources on the same terms as the original loyalty options, exercisable at 77 cents each any time prior to 31 May 2018
- An amount of 115,950 Loyalty Options were exercised after year end and converted into fully paid shares
- 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 \$4,414,000
- 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 \$5,544,691.

**25. PARENT COMPANY
(a) Financial Position**

	<u>2017</u> \$
Assets	
Total current assets	3,289,950
Total non-current assets	9,699,299
Total Assets	<u>12,989,249</u>
Liabilities	
Total current liabilities	365,097
Total Liabilities	<u>365,097</u>
Net Assets	<u>12,624,152</u>
Equity	
Issued capital	12,482,548
Reserves	676,000
Accumulated losses	(534,396)
Total Equity	<u>12,624,152</u>
Total comprehensive loss for the year	<u><u>534,396</u></u>

Ardea Resources Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries, had no contingent liabilities at 30 June 2017 and no capital commitments at 30 June 2017.



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 38 to 56, 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 2017 and of its performance, as represented by the results of its operations, for the financial period from the date of incorporation on 17 August 2016 to 30 June 2017.
- (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 financial period from the date of Incorporation on 17 August 2016 to 30 June 2017.

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

Signed at Perth this 27th day of September 2017.



Katina Law
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 2017 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from registration on 17 August 2016 to 30 June 2017 ("the period"), 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 2017 and of its financial performance for the period 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.

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Key Audit Matter**How our audit addressed the 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 \$9,331,853 as at 30 June 2017.

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.

Our audit procedures included the following:

- 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.

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 2017, 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 and 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 significant 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 reasonable 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 34 and 35 of the directors' report for the period ended 30 June 2017.

In our opinion, the remuneration report of Ardea Resources Limited, for the period ended 30 June 2017, 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.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 27 September 2017



Shareholder Information

The following additional information was applicable at 4 October 2017

1. Distribution of Fully Paid Ordinary Shareholders is as follows:

Size of Holding	Number of Holders	Shares Held
1 - 1,000	1,476	602,892
1,001 - 5,000	905	2,295,607
5,001 - 10,000	314	2,424,217
10,001 - 100,000	521	15,657,717
100,001 -	92	59,669,436
	3,308	80,649,869

- a) There were 1,043 shareholders who held less than a marketable parcel.
- b) 5,050,551 Fully Paid Ordinary Shares have been classified by ASX as restricted until 9 February 2017.
- c) The twenty largest shareholders hold 57.17% of the issued fully paid capital of the Company.

2. Substantial Shareholders of Fully Paid Ordinary Shareholders are as follows:

Holder	Number of Shares	%
Ian Buchhorn and Associates	8,379,098	10.39
B O'Shannassy and Associates	6,758,025	8.38
Greenstone Management (Delaware)	5,413,166	6.71

3. Voting Rights

In accordance with the Company's constitution, voting rights are on the basis of a show of hands, one vote for every registered holder and on a poll, one vote for each share held by registered holders.

4. Top 20 Shareholders of Fully Paid Ordinary Shares

	Number of Shares	%
1 MERRILL LYNCH AUST NOM PL	7,259,426	9.00%
2 GREENSTONE MGNT DELAWARE	5,413,166	6.71%
3 HAZURN PL <BUCHHORN S/F A/C>	5,093,938	6.32%
4 JOSCO PL <O'SHANNASSY F/T>	5,020,690	6.23%
5 CITICORP NOM PL	4,323,652	5.36%
6 KURANA PL <BUCHHORN UNIT ACCO >	2,178,346	2.70%
7 SPADARO MARTIN + K <SPADARO FAM A/C>	2,157,475	2.68%
8 JONES IWAN + JOYCE C <I & J JONES S/F A/ >	1,979,588	2.45%
9 B & J O'SHANNASSY MGNT PL <JOSCO PL S/F NO1 A >	1,737,335	2.15%
10 HSBC CUSTODY NOM AUST LTD	1,495,582	1.85%
11 BNP PARIBAS NOMS PL <DRP>	1,494,059	1.85%
12 RED PUMA PL	1,106,070	1.37%
13 BNP PARIBAS NOM PL <IB AU NOMS RETAILC>	993,153	1.23%
14 NATIONAL NOM LTD <DB A/C>	968,184	1.20%
15 DUPUY OLIVIER + JULIE <ENERJEE S/F A/C>	924,000	1.15%
16 J P MORGAN NOM AUST LTD	916,017	1.14%
17 HSBC CUSTODY NOM AUST LIM	847,064	1.05%
18 HARRIS MICHAEL ANDREW	777,656	0.96%
19 BUCHHORN PAMELA JEAN	734,459	0.91%
20 DING MARCUS STEVEN	689,671	0.86%
TOTAL	46,109,531	57.17%



5. Unlisted Options

Number of Options on Issue	Exercise Price	Expiry Date	No. of Holders
12,310,022 ^{a)}	25 cents each	9 February 2020	3
25,227,423	77 cents each	31 May 2018	3,198

- a) The Unlisted Options are subject to ASX restrictions until 9 February 2019. The largest holder is Heron Resources Limited with 10,000,000 options held.

6. Share Buy-Backs

There is no current on-market buy-back scheme.

7. Business Objectives

Ardea Resources Limited has used cash and cash equivalents held at the time of listing in a way consistent with its stated business objectives.

8. Stock Exchanges

The Securities of the Company are not quoted on any other stock exchanges.



Tenement Schedule as at 30 September 2017

Tenement	Location	Ardea Interest (%)	Status	Note	Tenement	Location	Ardea Interest (%)	Status	Note
Ardea New South Wales Projects									
EL5583	15km E of Orange	100	Live	5	EL8555	5km N of Forbes	100	Live	
EL8061	Gundagai	100	Live		EL8556	19km NE of Orange	100	Live	
EL8323	10km NE of Orange	100	Live		EL8557	62km W of West Wyalong	100	Live	
EL8532	30km NE of Parkes	100	Live		EL8580	10km N of Forbes	100	Live	
EL8538	22km SW of Wellington	100	Live		EL8586	5km N of Gundagai	100	Live	
EL8554	27km SE of Bathurst	100	Live		ML0739	10km N of Forbes	100	Live	
Ardea Western Australia Projects									
E24/00203	78km NW of Kalgoorlie	100% non gold rights	Pending	6	M25/00151	38km E of Kalgoorlie	100	Live	
E27/00524	67km NE of Kalgoorlie	100	Live		M25/00187	40km E of Kalgoorlie	100	Live	
E28/01224	63km NE of Kalgoorlie	100	Live		M27/00395	68km NE of Kalgoorlie	100	Live	
E29/00889	78km NW of Kalgoorlie	100% non gold rights	Live	6	M28/00199	65km NE of Kalgoorlie	100	Live	
E29/00934	67km NNW of Kalgoorlie	100	Pending		M28/00201	65km NE of Kalgoorlie	100	Live	
E29/00941	140km NNW of Kalgoorlie	100	Live		M28/00205	66km NE of Kalgoorlie	100	Live	
E29/01006	83 km E of Leonora	100	Pending		M29/00167	87km NNW of Kalgoorlie	100	Live	
E31/01092	140km NNE of Kalgoorlie	100% non gem rights	Pending	7	M29/00202	86km NNW of Kalgoorlie	100	Live	
E37/01271	60km NW of Laverton	100	Pending		M29/00214	100km NNW of Kalgoorlie	100	Live	
E37/01272	100km N of Leonora	100	Live		M29/00272	77km NNW of Kalgoorlie	100	Live	
E37/01273	100km N of Leonora	100	Live		M29/00278	74km NNW of Kalgoorlie	100	Live	
E37/01274	75km NW of Laverton	100	Pending		M29/00423	76km NNW of Kalgoorlie	100	Live	
E39/01706	70km NW of Leonora	100	Live		M31/00475	129km NE of Kalgoorlie	100% non gem rights	Live	4,7
E39/01757	70km NW of Leonora	100	Live		M31/00477	129km NE of Kalgoorlie	100% non gem rights	Live	4,7
E39/01854	70km NW of Leonora	100	Pending		M31/00479	129km NE of Kalgoorlie	100% non gem rights	Live	4,7
E39/01954	170km NE of Kalgoorlie	100% non gem rights	Pending	8	M31/00483	146km NNE of Kalgoorlie	100% non gem rights	Live	4,7
E39/01985	60km NW of Laverton	100	Pending		P24/04395	70km NW of Kalgoorlie	100% non gold rights	Live	6
E63/01827	10km W of Norseman	100	Pending		P24/04396	70km NW of Kalgoorlie	100% non gold rights	Live	6
E63/01828	60km ENE of Norseman	100	Pending		P24/04400	70km NW of Kalgoorlie	100% non gold rights	Live	6
E63/01856	87km NE of Norseman	100	Pending		P24/04401	70km NW of Kalgoorlie	100% non gold rights	Live	6
E63/01857	80km NE of Norseman	100	Pending		P24/04402	70km NW of Kalgoorlie	100% non gold rights	Live	6
E70/04804	18km W of Manjimup	100	Pending		P24/04403	70km NW of Kalgoorlie	100% non gold rights	Live	6
M24/00541	67km NNW of Kalgoorlie	100	Live		P24/05235	70km NW of Kalgoorlie	100	Live	
M24/00634	78km NW of Kalgoorlie	100% non gold rights	Live	1,6	P24/05236	70km NW of Kalgoorlie	100	Live	
M24/00660	75km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02454	32km E of Kalgoorlie	100	Pending	
M24/00663	75km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02455	33km E of Kalgoorlie	100	Pending	
M24/00664	75km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02456	34km E of Kalgoorlie	100	Pending	
M24/00665	75km NW of Kalgoorlie	100% non gold rights	Live	2,6	P25/02457	35km E of Kalgoorlie	100	Pending	
M24/00683	78km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02458	32km E of Kalgoorlie	100	Pending	
M24/00686	75km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02459	33km E of Kalgoorlie	100	Pending	
M24/00731	70km NNW of Kalgoorlie	100	Live	3	P25/02460	34km E of Kalgoorlie	100	Pending	
M24/00732	70km NNW of Kalgoorlie	100	Live	3	P25/02461	35km E of Kalgoorlie	100	Pending	
M24/00744	75km NNW of Kalgoorlie	100	Live		P25/02482	33km E of Kalgoorlie	100	Pending	
M24/00757	63km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02483	33km E of Kalgoorlie	100	Pending	
M24/00772	71km NW of Kalgoorlie	100% non gold rights	Live	6	P25/02484	34km E of Kalgoorlie	100	Pending	
M24/00778	70km NNW of Kalgoorlie	100	Live	3	P29/02265	90km NNW of Kalgoorlie	100	Pending	
M24/00797	78km NW of Kalgoorlie	100% non gold rights	Live	6	P31/02038	113km NE of Kalgoorlie	100	Live	
M24/00915	78km NW of Kalgoorlie	100% non gold rights	Live	6	P31/02039	113km NE of Kalgoorlie	100	Live	
M24/00916	78km NW of Kalgoorlie	100% non gold rights	Live	6	P31/02040	113km NE of Kalgoorlie	100	Live	
M24/00973	66km NW of Kalgoorlie	100% non gold rights	Pending	6					

*Non-gold rights defined as non gold or silver.

Notes:

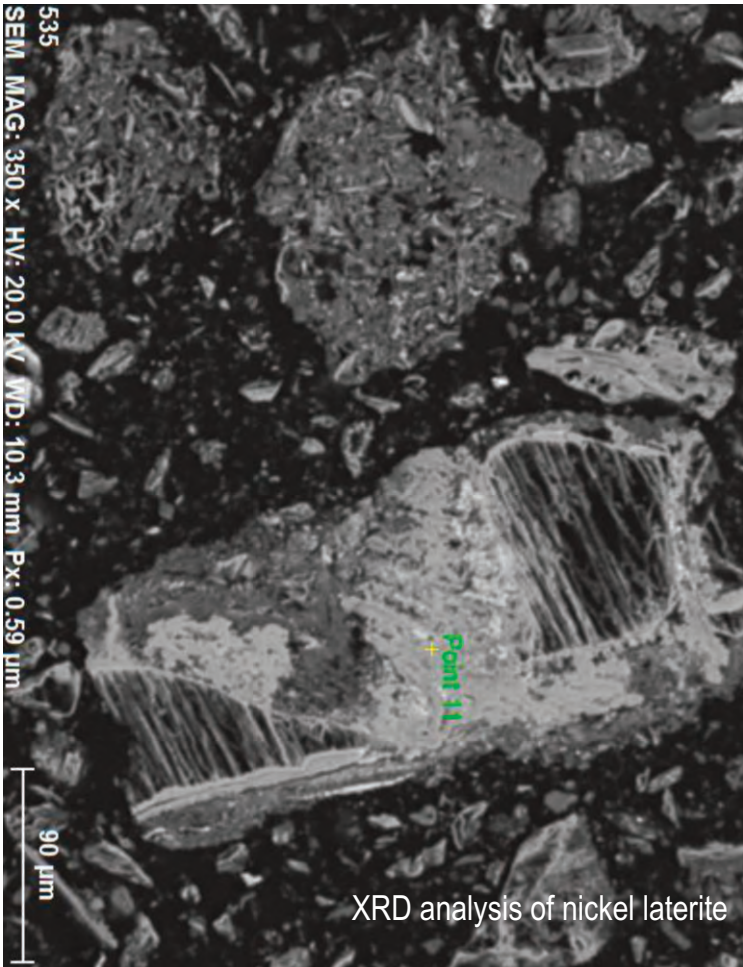
1. Britannia Gold Ltd retained precious metal rights.
2. Impress Ventures Ltd has a 10% equity free-carried interest to a decision to mine.
3. Placer Dome Australia Limited (Norton Goldfields) retains certain gold rights.
4. Heron previously entered a binding framework agreement with Ningbo Shanshan Co Ltd, Shanshan had the right to earn a 70% interest in the Yerilla Nickel-Cobalt Project. The JV ended in May 2011.

5. Finder's fee to David Timm's on EL5583 sale transaction or production commencement (\$2M cap).
6. Eastern Goldfields retains gold-silver rights with Heron 10% royalty, Ardea retains all Ni-Co and non-precious metal rights including PGEs.
7. Ausjade retains tenement ownership and gem mineral rights, Ardea retains Ni-Co and all non-gem mineral rights.
8. Ausjade retains gem mineral rights, Ardea retains Ni-Co, all non-gem mineral rights and tenement ownership.





Vicky and Matt logging core



XRD analysis of nickel laterite



Intense shearing Lewis Ponds mineralised zone



 **Ardea** Resources Limited

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