



Ardea
Resources Limited

2018 Annual Report





Corporate Directory

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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 - ordinary shares

Table of Contents

Chairman's Letter	1
Activities Report.....	2
Directors' Report.....	22
Consolidated Statement of Comprehensive Income	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	35
Consolidated Statement of Cashflows	36
Notes to the Financial Statements	37
Directors' Declaration	53
Independent Auditor's Report.....	54
Shareholder Information	59
Tenement Schedule.....	61
Glossary	64

Cover - Ardea is well positioned to be a player in the renewable energy and electric vehicle sector, notably in nickel and cobalt for lithium-ion batteries, but also scandium, vanadium, manganese and High Purity Alumina. Back cover clockwise from left: cobalt sulphate solution; cobalt sulphate crystals; nickel sulphate solution; nickel sulphate crystals; all from Ardea laboratory testing. The aim is for Ardea to directly supply nickel and cobalt sulphate, along with other materials to international battery manufacturers. This page: (top L to R) nickel sulphate and (bottom L to R) cobalt sulphate; crystalizing from solution produced from pilot-scale leaching of Goongarrie ore, laboratory test work.

Chairman's Letter to Shareholders 2018

Dear Shareholders,

On behalf of the Directors of Ardea Resources Limited ("Ardea") I am pleased to report on the Company's activities over the past year.

Ardea has made significant progress in advancing the Goongarrie Nickel Cobalt Project towards development. In March 2018 the results of the Pre-Feasibility Study for both a 1.0Mtpa and a 1.5Mtpa option were released. In July 2018 we announced the results of an Expansion Study for 2.25Mtpa. All of these studies confirmed the strong potential returns for Shareholders from the development of the Goongarrie Nickel Cobalt Project.

The Company has also completed 29,747 metres of drilling at the Goongarrie project, which results are currently being used to update the resource estimate for the project. The drill core has also been used for metallurgical test work including Ardea's first pilot plant program to produce nickel and cobalt sulphate crystals.

To further enhance project value, Ardea plans to explore the upside potential of scandium, High Purity Alumina, manganese and vanadium at Goongarrie. These are potentially valuable by-products and warrant further evaluation to maximize the value Ardea can extract from this exceptional orebody.

The international interest in nickel and cobalt continues to rise, particularly with cobalt and its value in battery development for electric vehicles. As such in June 2018, Ardea announced that KPMG would conduct a Strategic Partner process to seek a well-financed, battery metal producer, end-user or mining company to assist in developing the Goongarrie Nickel Cobalt Project with us. Goongarrie is a multi-decade production platform in a first world location with significant infrastructure already in place. This Strategic Partner process is ongoing.

While the prime focus at Ardea is Goongarrie we have continued, in parallel to advance our gold and nickel projects in Western Australia (where drilling is planned in late 2018), and also the Lewis Ponds project in New South Wales (where a resource update is underway.)

The Company is well funded as Ardea raised \$27.5M in 2018, leaving our cash position at 30 June at \$19M. Issued capital remains tight at 105M Shares. After a stellar share price rise in 2017, the fall in the cobalt price over the last year has weighed on the Company's share price, however the long-term demand for nickel and cobalt remain strong due to the strong international uptake in electric vehicles.

I would like to thank our small but dedicated team of employees, directors and consultants for their work which has enabled us to achieve so much and look forward to the next exciting stage of the Company's development.

A development like the Goongarrie Nickel Cobalt Project works best when the local Community is in support. To this end, I would like to acknowledge the encouragement provided by the Menzies Shire and the City of Kalgoorlie Boulder where the Project is located. As Goongarrie advances, Ardea hopes to become the employer of choice in these Local Government districts, and elsewhere in our areas of operation.

I would also like to thank our Shareholders for their ongoing support.

Yours sincerely



Katina Law, Chair



Activities Report

Company corporate objectives

Ardea's aim is to advance development of its key project in Western Australia, the **Goongarrie Nickel Cobalt Project (GNCP)** towards production and become a significant producer of nickel and cobalt battery materials. Ardea is aiming to advance its **Lewis Ponds Zinc Gold Project** in New South Wales to maximize Shareholder returns.

The Company's main focus is on nickel and cobalt mineralization at Goongarrie, with continuing positive sentiment towards the cobalt market indicated by a cobalt spot price remaining around US\$60,000 per tonne, with nickel spot price around US\$12,000 per tonne. Sentiment in the battery materials sector, and particularly in the automobile industry, is increasingly positive with all significant car manufacturers defining current and future plans for electrification of their ranges (electric and hybrid vehicles that marks the beginning of the *Electrification Revolution* in the automobile industry).

The political situation in the Democratic Republic of Congo (DRC), a supplier of approximately two thirds of the world's cobalt, is unstable and prone to conflict. These factors are predicted to provide an upward demand pressure on nickel and cobalt spot prices and demand of nickel / cobalt commodities from non-conflict regions such as Western Australia.

Current mineral resource at Goongarrie is 215.6Mt at 0.71% nickel and 0.06% cobalt, equivalent to 1,522,700 tonnes contained nickel metal and 130,700 tonnes of contained cobalt metal. The Goongarrie resource is a subset of Ardea's larger Kalgoorlie Nickel Project (KNP) resource, being 773.0Mt at 0.70 % nickel and 0.05 % cobalt, equivalent to 5,458,400 tonnes contained nickel metal and 405,400 tonnes of contained cobalt metal. This is a world-scale resource asset.

With Ardea controlling one of the developed world's largest deposits of nickel and cobalt, the emerging opportunities for the Company are significant. The Ardea corporate strategy has been to focus on Goongarrie as its premium nickel-cobalt deposit with best infrastructure, with programs commenced in 2018 aiming to complete a Definitive Feasibility Study in 2019, ahead of a decision-to-mine.

In addition to nickel and cobalt, Ardea's discovery of scandium at Goongarrie opens the possibility of economic accessory metals. Scandium-aluminium alloys are used as low weight / high strength metals in the aerospace sector and increasingly are touted for use in electrified vehicles. Additionally, Ardea Research & Development programs have defined High Purity Alumina and vanadium potential at Goongarrie. This further aligns Ardea with the Electrification Revolution.

Ardea will leverage its broad, high-quality exploration portfolio to further drive value. By virtue of its nickel laterite portfolio and the crustal-scale structures that control the nickel mineralization, Ardea tenements also have excellent gold and nickel sulphide endowment.

In particular, project generation during 2018 at Mt Zephyr on the Celia Shear Zone and Goongarrie on the Bardoc Tectonic Zone (BTZ) has developed high priority drill targets.

The Ardea exploration strategy very much supports the current nickel laterite feasibility evaluations:

- Gold within the Bardoc Tectonic Zone at Goongarrie, which is being evaluated on the back of sterilization drill programs for mine infrastructure.
- Nickel sulphide at Mt Zephyr, Perrinvale and Bedonia, as potential nickel and sulphur autoclave feed at Goongarrie.
- Goongarrie borefield targets are closely related to major structures, which appear prospective for gold.

Ardea's Goongarrie Nickel Cobalt Project is a world class multi-commodity deposit in a stable and mature mining jurisdiction that is well-placed to deliver "ethical" materials of accepted provenance into a rapidly expanding battery and electrified vehicle sector. In order to maximize benefits to Shareholders, the Company worked hard during 2018 to advance this project towards development.



Developing the Goongarrie Nickel Cobalt Project

Ardea engaged corporate advisory firm KPMG in June 2018, with its well-established global commercial network, to assist to secure partnership investors for the consortium that will ultimately develop Goongarrie. Ardea acknowledges that the world-scale Goongarrie project will require a high-quality, well-resourced and experienced development team.

Since March 2018 the Board and senior management have travelled to meet with well-credentialed investors throughout east Asia and north America in order to crystallize a partnership. Prospective Investors have access to key project documents in Ardea's Virtual Data Room allowing comprehensive project evaluation.

The partner process is complex, with a requirement to merge together multiple technical objectives including saleable battery materials, funding and completion of current Ardea DFS programs, future offtake allocations, and critically, future project funding mechanisms.

Feasibility programs

Since listing in February 2017, Ardea has focussed on expediting future production from the Goongarrie Nickel Cobalt Project.

2018 has seen major advancements in Goongarrie feasibility activities to facilitate Ardea becoming a significant participant in the global battery materials sector:

- **Studies:**

- > PFS completed March 2018, using 1.0Mtpa and 1.5Mtpa base cases.
- > Expansion Study completed July 2018, expanding the 1.5Mtpa base case to a 2.25Mtpa scoping-level assessment, predicated on rheology test work that confirmed considerably improved pulp densities for feeding into the autoclave reaction vessel.

Table 1: Summary of Approximate Financial Outcomes for the Throughput Studies

Case	Pre-tax NPV ₈	Post-tax NPV ₈	IRR	Payback
1.0Mtpa PFS	A\$1.43 billion	A\$1.04 billion	25 %	5.3 years
1.5Mtpa PFS	A\$1.93 billion	A\$1.40 billion	25 %	5.6 years
2.25Mtpa ES	A\$3.15 billion	A\$2.29 billion	27 %	5.1 years

- **Resource estimation:**

- > RC drilling, 575 holes for 26,528 metres, for pit scheduling and design.
- > Diamond drilling, 41 holes for 2,111 metres, for metallurgical variability studies and materials characterization.
- > Sonic drilling, 19 holes for 1,108 metres, for piloting bulk samples and materials characterization.

- **Metallurgy:**

- > Bench-scale variability work on all ore feed variants, including comminution, leaching, filtration.
- > Scandium by-product refinery.
- > Neutralization using in-pit carbonate material with variable nickel, cobalt and scandium credit.
- > Rheology, test work using bulk site water.

- **Continuous Piloting:**

- > Leach extraction of nickel and cobalt exceeded 95% in the bulk sample, confirming December 2017 batch test work.
- > Refining of Mixed Sulphide Product (MSP) to nickel and cobalt sulphate crystals is current, Goongarrie solutions are at specifications.



(above left) beaker nickel sulphate crystals, (above right) beaker cobalt sulphate crystals – laboratory testing of Goongarrie pilot plant output.

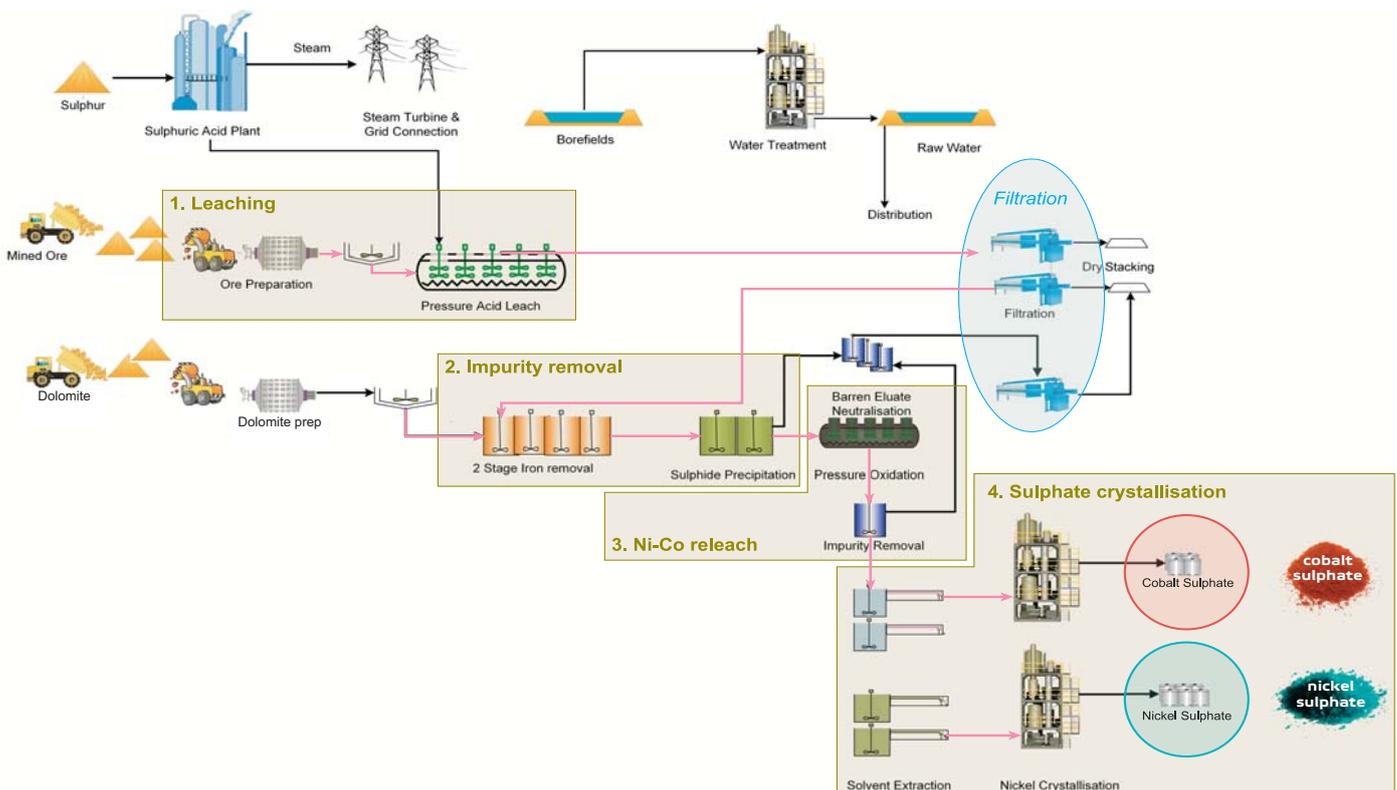


Senna and Hopbush, typical flora on the ore-hosting Walter Williams Formation nickel laterite; photo location Goongarrie Hill.

- **Approvals:**

- > Autumn flora and fauna surveys completed.
- > Spring flora and fauna surveys underway.
- > Subterranean fauna, hydrogeology and hydrology studies commenced.
- > Lake ecology study to commence post summer rainfall.
- > Soil and material characterization scoped and scheduled to commence in late 2018.

Figure 1: The proposed Goongarrie flowsheet uses proven “off-the-shelf” technology for the processing of nickel-cobalt laterites. The flowsheet comprises proven 5th generation PAL processes with Mixed Sulphide Product precipitation, resulting in highly efficient extraction of nickel and cobalt from Goongarrie ore to produce nickel sulphate and cobalt sulphate for the battery industry.



Studies

Pre-Feasibility Study (PFS)

The Goongarrie PFS examined various operational scenarios that evaluated capital outlay, autoclave throughput and outsourcing of various operational processes.

The 1.0Mtpa scenario base case is estimated to generate pre-tax real discounted cash flows totalling A\$1.43 billion based on a discount rate of 8% and post-tax real discounted cash flows totalling A\$1.04 billion. The pre-tax and post-tax, ungeared Internal Rate of Return (IRR) of the project is forecast to be 29% and 25% respectively. The 1.0Mtpa base case option for the project has an estimated payback period of a short 5.3 years.

Table 2: Summary of Approximate Outcomes for the 1.0, 1.5Mtpa Throughput Studies

Parameter		Units	Assumption	Assumption
Autoclave Throughput			1.0Mtpa	1.5Mtpa
Life Of Mine			25 years	25 years
Autoclave Feed Grade LOM	Nickel	%	1.00	0.89
	Cobalt	%	0.12	0.10
Production LOM average	Nickel sulphate	Tpa	41,500	55,300
	Cobalt sulphate	Tpa	5,500	6,900
	Contained nickel	Tpa	9,300	12,350
	Contained cobalt	Tpa	1,180	1,450
Recovery LOM average	Nickel	%	94.5	94.5
	Cobalt	%	95.5	95.5
Nickel sulphate price[#]		US\$/lb	8.84	8.84
Cobalt sulphate price[#]		US\$/lb	41.63	41.63
Exchange Rate		A\$:US\$	0.788	0.788
Initial Capital		A\$ M	599	746
C1 Cash Cost¹ (per pound contain Ni metal)	before Co credits	US\$/lb	5.59	5.32
	after Co credits	US\$/lb	0.42	0.45
AISC² (per pound contained nickel metal)	before Co credits	US\$/lb	6.17	5.86
	after Co credits	US\$/lb	1.00	0.99
Pre-Tax NPV @ 30 Jun 20, 8.0% (real)		A\$ billion	1.43	1.93
Pre-Tax IRR (real)		%	29 %	29 %
Post-Tax NPV @ 30 Jun 20, 8.0% (real)		A\$ billion	1.04	1.40
Post-Tax IRR (real)		%	25%	25%
Payback		Years	5.3 years	5.6 years

Nickel sulphate and cobalt sulphate prices are average recorded transaction prices for February 2018 in the People's Republic of China, the world's largest consumer of these products (Source: SMM, see 28 March 2018 PFS announcement Section 13). Note: production tonnages are rounded to reflect degree of certainty.

1 C1 Cash costs are defined as mining, processing, administration costs less by-product credits divided by pounds of contained nickel produced (within the nickel sulphate).

2 All in Sustaining costs (AISC) are defined as C1 plus royalties and sustaining capital expenditure divided by pounds of contained nickel produced (within the nickel sulphate).



Expansion Study (ES)

Table 3: Summary of Approximate Outcomes for the 2.25Mtpa Throughput Scoping Study

Parameter	Assumption/Outcome \$US****	Assumption/Outcome A\$
Autoclave Throughput*	2.25Mtpa	2.25Mtpa
Initial Life of Mine	25 years	25 years
Average Annual EBITDA	US\$ 354 million	A\$ 450 million
Pre-production Capital Estimate**	US\$ 918 million	A\$ 1.165 billion
Net Present Value (NPV) (post tax)***	US\$ 1.805 billion	A\$ 2.29 billion
Internal Rate of Return (IRR) (post tax)	27%	27%
Average C1 operating cash costs – inclusive of by-product credits	(US\$0.34)/lb Nickel	(A\$0.43)/lb Nickel
Average C1 operating cash costs – exclusive of by-product credits	US\$4.63/lb Nickel	A\$5.88/lb Nickel
Project payback (simple)	5.1 years	5.1 years

* Autoclave throughput rate following 24-month commissioning and ramp up period

** Includes A\$192 million contingency on capital costs

*** 8% discount, 100% equity, real terms

**** Exchange rate used AUD:US 0.788 as for March 2018 PFS

Nickel sulphate and cobalt sulphate prices are average recorded transaction prices for February 2018 in the People's Republic of China, the world's largest consumer of these products (Source: SMM, see 28 March 2018 PFS announcement Section 13). Note: production tonnages are rounded to reflect degree of certainty.

The purpose of the 2.25Mtpa Goongarrie Expansion Study (for full details refer ASX release of 24 July 2018) was to investigate the optimal throughput that could be achieved using a single autoclave processing train. The Expansion Study was a scoping level study with operating and financial parameters generated through up-scaling the previous PFS results. All financial assumptions were as per the March 2018 PFS, and used February 2018 price and exchange rate assumptions to allow comparative assessment.

The outstanding metallurgical characteristics and rheology of the Goongarrie orebody resulted in an extremely robust, unleveraged, pre-tax NPV of approximately A\$3.1 billion, with a pre-tax IRR of approximately 31% and a rapid payback period of 5.1 years for a 2.25Mtpa operation.

The positive financial results reflect the favourable metallurgical characteristics which enables extremely short residence time in the autoclave, with no significant loss in metal recovery.

The 2.25Mtpa start-up option can easily be expanded by adding modular processing trains to take advantage of the exceptional scale of Goongarrie's world-class resource base.

The Expansion Study highlights the upside potential of Goongarrie and its competitive economies of scale. The primary goal of the Company was to determine a cost-effective start-up scenario, whilst also providing an upside case more suited to a Financier or Strategic Partner seeking a long life, low cost, sustainable production base in a stable jurisdiction. The results show the benefits of scale, demonstrating Goongarrie as a unique battery materials project that can become a significant global producer over a long life.

Mine and processing life is artificially limited to 25 years for the purposes of financial modelling. With conversion of resources, mine life could be extended for many decades beyond these 25 years.





Metallurgy

Variability

Representative “run-of-mine” mineralization from Ardea diamond core holes AGSD0007, 0010 and 0012 was used in the study.

A further 60 core samples have been selected for final variability work as part of the current DFS programs.

Rheology

Rheology test work was completed using Sonic drill core from the Pamela Jean and Elsie Tynan pit areas, and RC drill chips from the Patricia Anne and Pamela Jean ore zones, being the early scheduled pits.

Initial rheology results are very good, with final report awaited.

By-product research

Initial research has commenced and scopes of works developed in respect of scandium and High Purity Alumina (HPA) as by-product recovery.

Scandium

Scandium is pervasive within the Goongarrie nickel-cobalt ore.

Within the upper ore zone, scandium is hosted by chrome-bearing mineralization (goethite-kaolin-chrome geo-metallurgy), and scandium averages 62g/t.

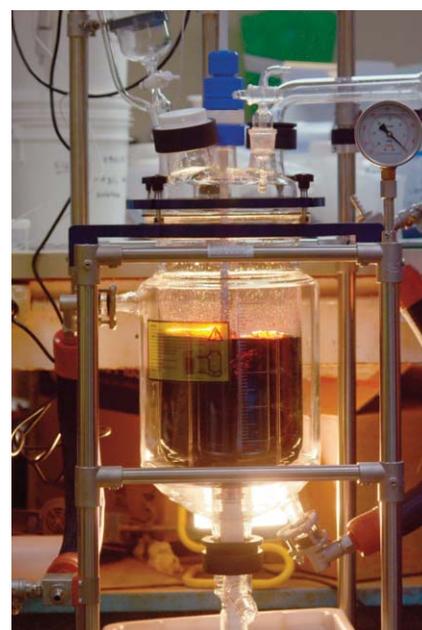
In lower ore zones, the scandium is hosted by asbolite-bearing mineralization (goethite-asbolite-chrome), and scandium averages 42g/t.

The concept is installing a small Ion Exchange/Solvent Extraction (IX/SX) unit at the PAL discharge. At current scandium oxide prices, the Scandium Refinery “add-on” is most attractive. Optionality in the flowsheet will be retained subject to scandium pricing stabilizing ahead of expected electric vehicle uptake.

High Purity Alumina

The upper ore zone goethite-kaolin-gibbsite mineralization averages 4.8-6.2% aluminium, but with 38-42% iron (which requires total removal for HPA).

Accordingly, a very distinctive Alluvial overburden unit consisting of almost pure kaolinite clay averaging 16.2% aluminium with less than 2.5% iron represents an encouraging feedstock for HPA manufacture. The kaolinite is devoid of nickel and cobalt, so would require a separate standalone hydrometallurgy circuit for HPA production, most likely using hydrochloric acid leach rather than the sulphuric acid of the nickel-cobalt circuit.



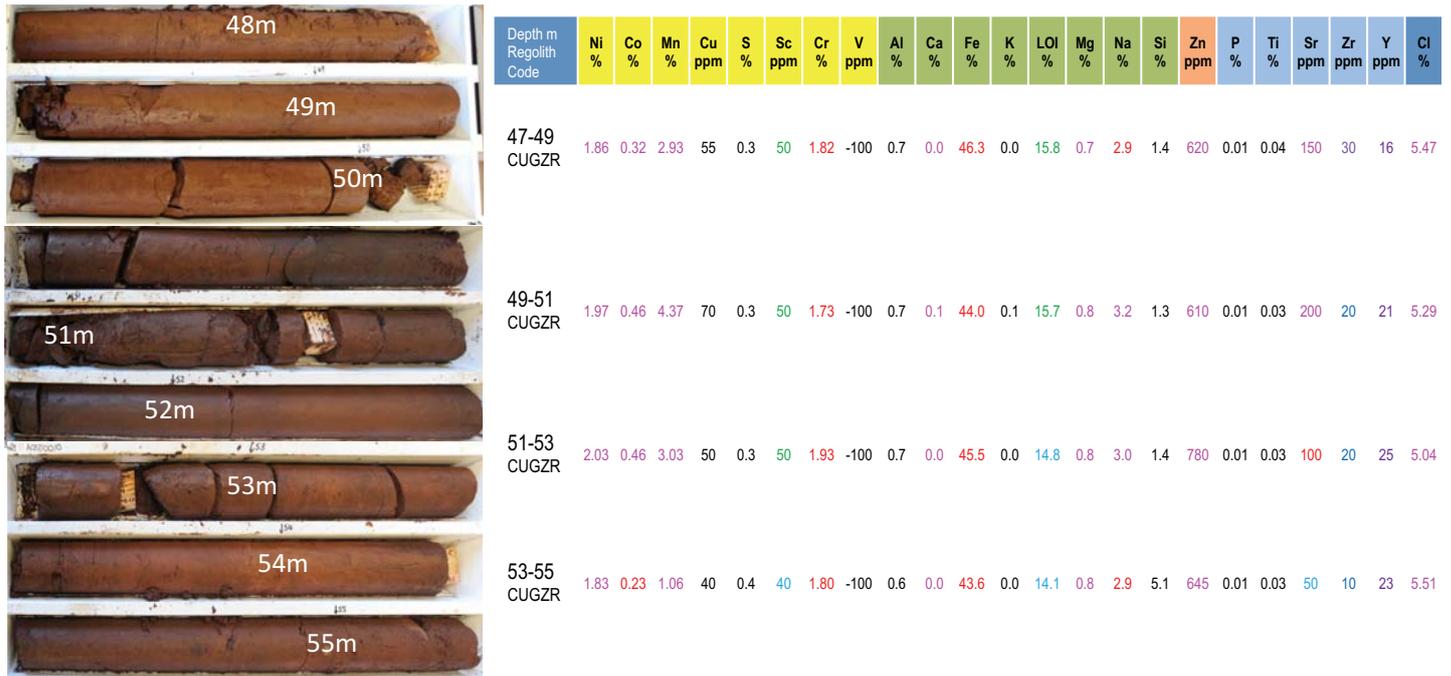
Crystal production, pink-red solution is cobalt sulphate, blue-green is nickel sulphate



Continuous Piloting

Based on the optimized pit schedule material, pilot feed was generated from specifically drilled sonic core at 200m intervals along the strike of Pamela Jean and Elsie Tynan pit areas, supplemented with bulk RC chips from the Patricia Anne pit area, to achieve an approximate feed grade of 1.1% Ni and 0.12% Co (7.5 tonne dry). The dominant ore style at Goongarrie is goethite-rich, with an accessory cobaltian wad termed asbolite. The ore has exceptional rheological with very consistent metallurgical performance.

Figure 2 Run-of-mine Goongarrie goethite ore. The Material Characterization is a uniform plant feed, being high in iron (which demands an autoclave-based hydrometallurgical flowsheet) and very low in acid-consuming aluminium and magnesium. The ore is entirely “free-dig”, obviating the need for blasting during ore mining.



The pilot plant leaching commenced late July, with the Mixed Sulphide Product (MSP) production phase completed late August. The refining to crystals commenced late-September as a batch process. The refining is expected to be completed in late October 2018.

Sarah Mitchell and Alvin Tong from the Ardea project team supervising crystal production



Resource Drilling

With the positive results for the 2.25Mtpa Expansion Study, additional areas of Goongarrie Inferred Mineral Resource required infill RC drilling to an 80x40m pattern, notably at the Scotia Dam high-cobalt zone.

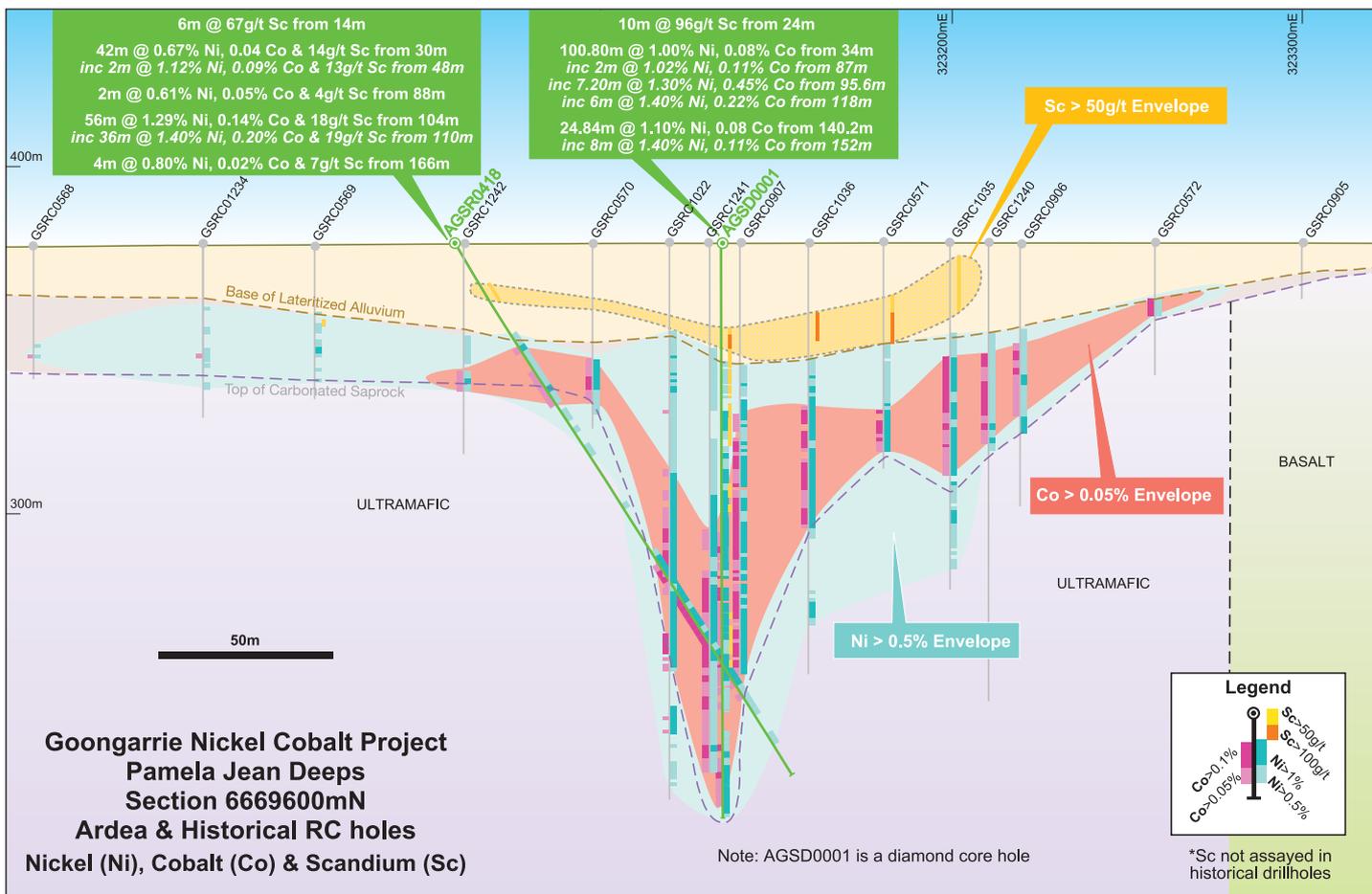
The 40m infill drilling has now covered the entire production pit areas from Goongarrie South, 15km south to Scotia Dam.

Diamond and sonic core drilling was completed at 200m intervals targeting the axis of production pits mined during pay-back.

Deep RC drilling for the Pamela Jean Deeps was completed as a precursor to geotechnical and material characterization core drilling. The Deeps drilling precisely confirmed mineralization intercepts from Heron Resources Limited 1999-2001 historic RC drilling. The historic drilling validation is most significant for confidence in historic resource estimates.

A new GNCP resource estimate had been planned for release in Q3 2018 and geometry interpretation (wireframing) completed ahead of resource publication. However, a consequence of the wireframing exercise was recognition of a very strong structural control within the main resource area, being the Pamela Jean zone, as was confirmed by recent drilling. A significant number of thick, deep high-grade ore positions which remain open were defined. This expansion of the program will delay publication of an updated GNCP resource until Q4 2018.

Figure 3 Typical Pamela Jean mineralization. The ore zones are very continuous at a 0.5% Ni cut-off grade, as confirmed by recent inclined drill-holes which precisely validated historical drilling. The mineralization “starts shallow and ends deep”, being a most unique nickel laterite system. Pamela Jean accounts for approximately half of the scheduled 25 year 2.25 Mtpa plant feed, being a most important project design benefit to have such as well-defined “centre-of-gravity” for mineralization.



Approvals

Stakeholder Engagement

Meetings have been held with several key Goongarrie stakeholders including the City of Kalgoorlie Boulder, Shire of Menzies, Environmental Protection Authority (EPA), Commonwealth Department of Environment and Energy (DoEE), Department of Biodiversity, Conservation and Attractions (DBCA), Department of Mining, Industry Regulation and Safety (DMIRS), Department of Water and Environmental Regulation (DWER), Esperance Port, Main Roads Western Australia and Arc Infrastructure, Native Title claimants and pastoralists.

Approvals / Baseline Studies

The key objective is to refer the GNCP to the EPA and DoEE for assessment under the Environmental Protection Act 1986 and Environment Protection Biodiversity Conservation Act 1999.

Scopes of work have been awarded and are underway for the subterranean fauna study, hydrogeological (water source and dewatering) study, surface water study, lake ecology study, terrestrial flora and vegetation study, terrestrial fauna study, and post rainfall short range endemic study. In addition, scopes of work for Material Characterization and Soil and Landform analysis have been developed.

A mass materials balance calculation was conducted to determine the footprint required for stockpiling of low-grade ore, neutralizing materials, waste and tailings. A water balance to determine the life of mine dewatering volume will be completed as a part of the hydrogeological study and will inform the area required for evaporation ponds. These calculations will inform the project disturbance footprint as required for referral of the project to the EPA and DoEE.

The water supply study will focus on aquifers associated with paleo channels on granted Ardea tenure.

Referral of the GNCP to the EPA and DoEE is scheduled for late 2018.

Tenure

Tenure for the GNCP was consolidated, with all requisite applications for borefields and infrastructure lodged during 2018.

Pamela Jean Zone, area of 40 x 20 metre historic drilling, showing complete rehabilitation of historic drill lines. When Ardea needs to do infill drilling, the historic lines are always used in preference, rather than disturb fresh bush.



Massive goethite-hematite-asbolite-ore, very uniform plant-feed.

KNP nickel - cobalt - scandium deposit, WA

The Goongarrie Nickel Cobalt Project is a sub-set of the Kalgoorlie Nickel Project (KNP) being a major undeveloped nickel-cobalt laterite deposit of 773.0Mt at 0.70 % nickel and 0.05 % cobalt. The resource category breakdown is as follows:

Table 4 – 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.

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

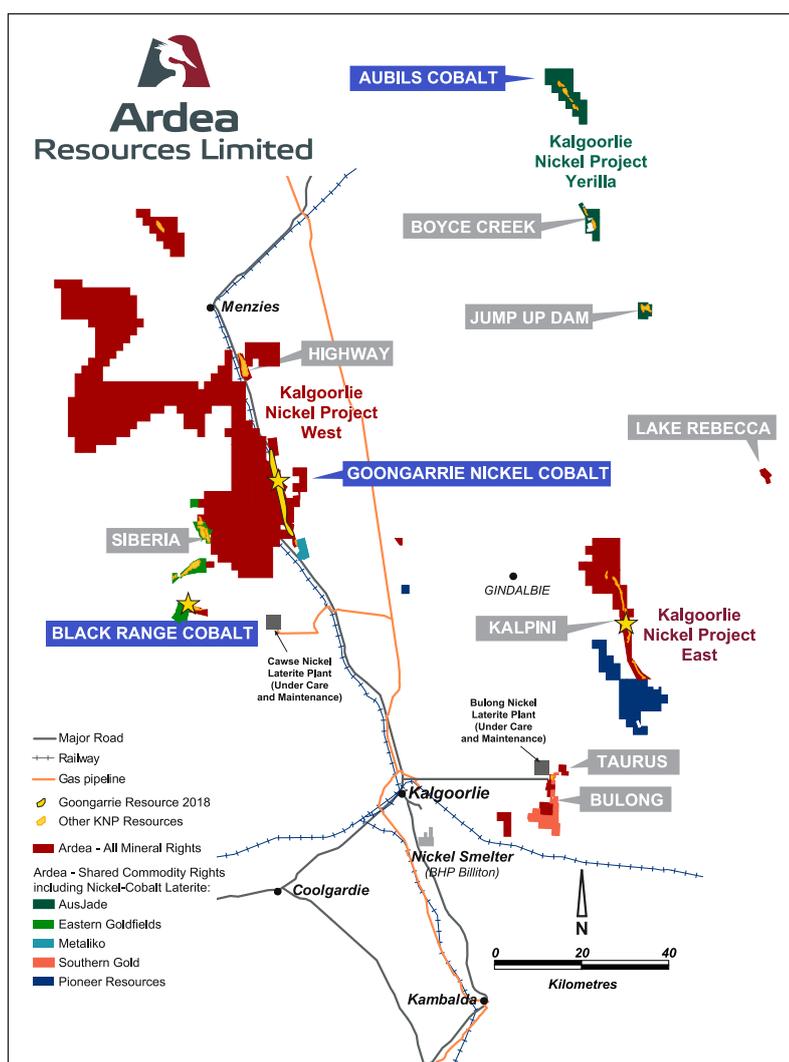


Figure 4 - Project location of the KNP

Location and infrastructure

The KNP is located within a 150km radius northwest and east of Kalgoorlie. It is divided into two main areas – KNP West and KNP East (Figure 4). Mining infrastructure within the Kalgoorlie district is good and includes rail, road and a gas pipeline.

Geology

The deposits of the KNP are mostly located in KNP West, and 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 olivine adcumulate portion of the unit. The high grade and consistent mineralization observed at Goongarrie is due to intense shear structures associated with the Bardoc Tectonic Zone and enhanced ground-water leaching and depth of weathering beneath the various palaeo-lakes and palaeo-channels defined in drilling. Cobalt is significantly enriched at Goongarrie South, making it the priority for initial Ardea mining.

During 2018, resource studies commenced on the KNP East deposits. These deposits include nontronite-bearing ore types, which don't occur at Goongarrie. These deposits have potential for standalone operations at Kalpini or Yerilla, or alternatively, may supply high grade ore feed to a Goongarrie plant site.



Lewis Ponds zinc-gold-silver deposit, NSW

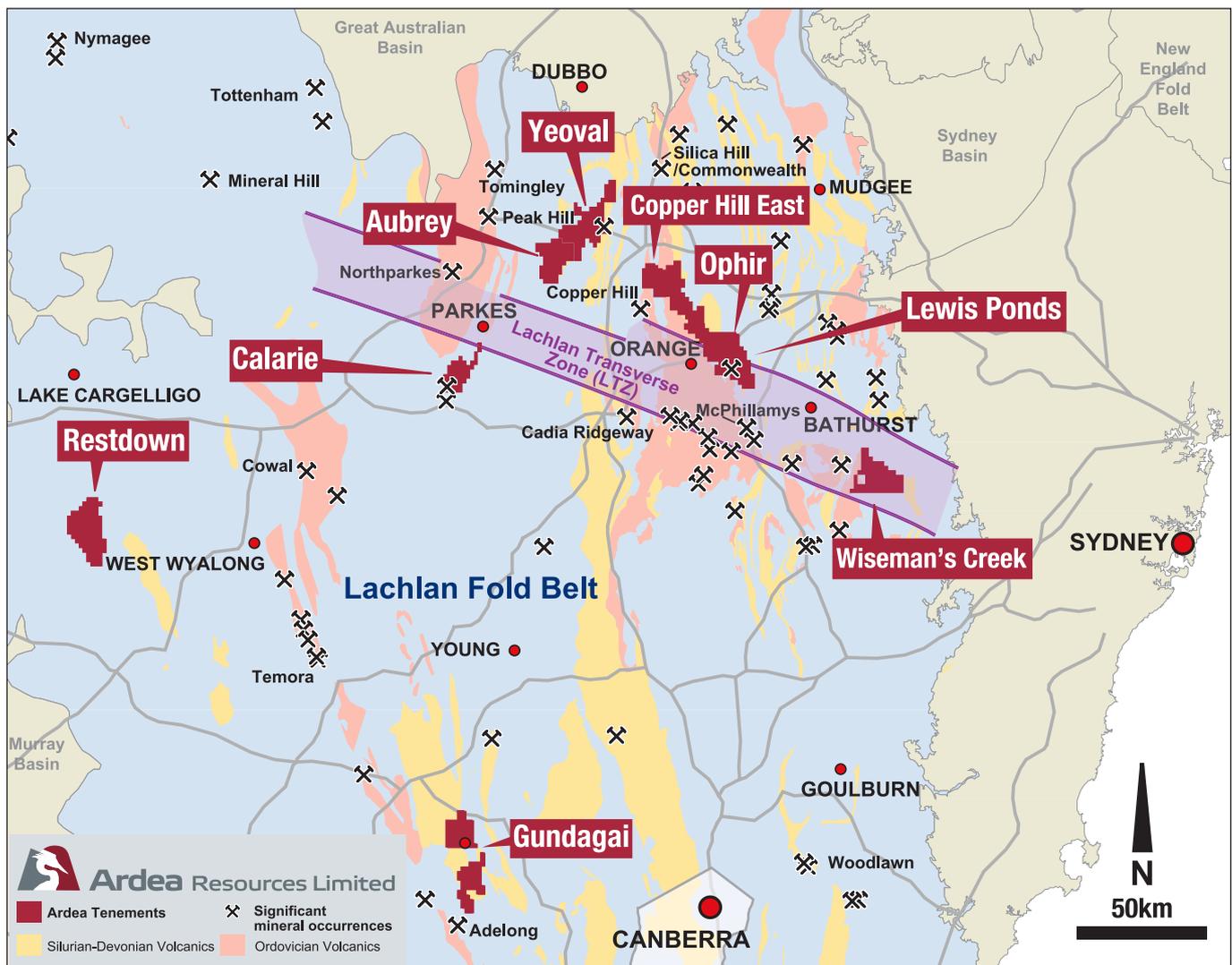
Lewis Ponds is a zinc-gold-silver deposit in the Lachlan Fold Belt of NSW (Figure 5). Mined historically for gold, silver, zinc, and pyrite, Lewis Ponds is located in one of Australia’s oldest designated mining districts. Historically, the deposit has been classified as a Volcanogenic Massive Sulphide (VMS), but Ardea recognises that, though there may be VMS affinities, there is a strong orogenic gold overprint of the style of the McPhillamys gold deposit located some 20km SE along the structural strike of Lewis Ponds.

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 (Figure 6), with lower grade stringer sulphides and multiple thin stacked units forming wide zones of mineralization that are amenable to open pit mining.

The Lachlan Fold Belt 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 mineralized centres. Several of Ardea’s projects, including notably Lewis Ponds, are located within the LTZ.

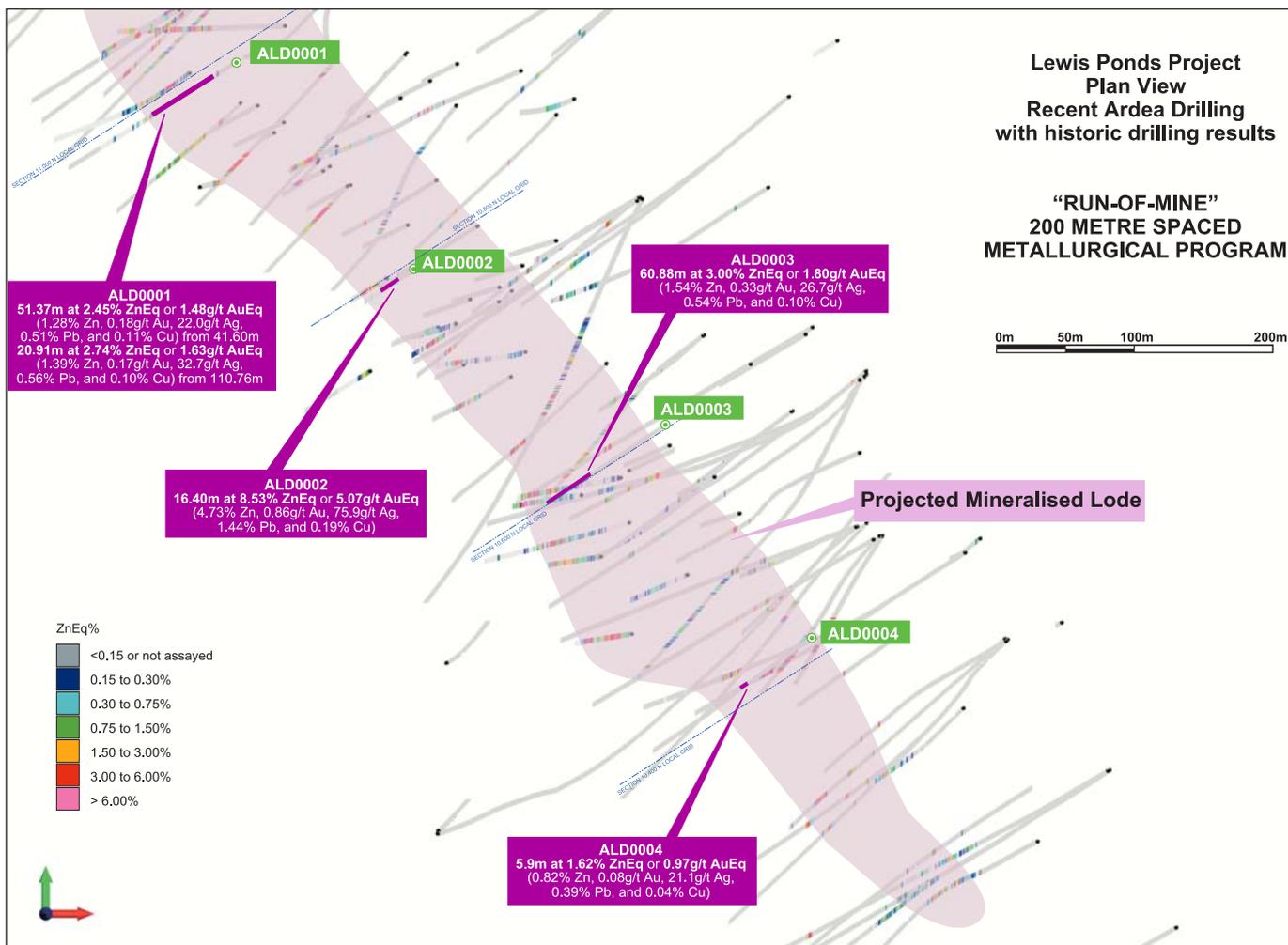
The Ardea development concept at Lewis Ponds is a bulk tonnage, low grade open-pit system comparable to McPhillamys, which is hosted by the same geological sequence as Lewis Ponds.

Figure 5 – Ardea 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.



Evaluation Programs

Figure 6 – Surface projection of all available Ardea and historic Lewis Ponds drilling. A well defined corridor of mineralization is present.



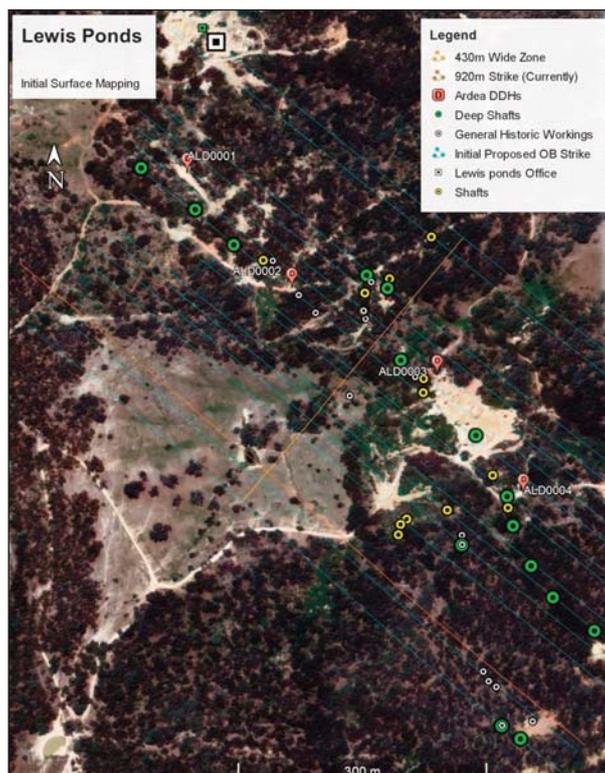
Ardea has commenced a resource update, predicated on its 2017 ALD0001-4 diamond drilling program.

Recent surface mapping of the Lewis Ponds deposit has led to an updated interpretation of the geological model. Historically the deposit was modelled as thick massive sulphide units.

Historic surface workings (in the form of vertical shafts and many other workings along strike) indicate multiple thinner mineralized structures, with a significant increase in the number of mineralized units now recognized. These surface units now inform the drill intercept wireframe model, providing good continuity at low cut-off grades.

Ardea has mapped 15 deep vertical shafts and another 40 smaller shafts and workings in the project area (Figure 7). The units identified form a stacked system 430m wide with the surface mapping project still ongoing. Once the geological model is complete, the bulking potential for the multiple units will be assessed in conjunction with the bulk tonnage low grade approach to resource estimation.

Figure 7 – Aerial image highlighting the major historical surface workings as well as projected ore bodies.



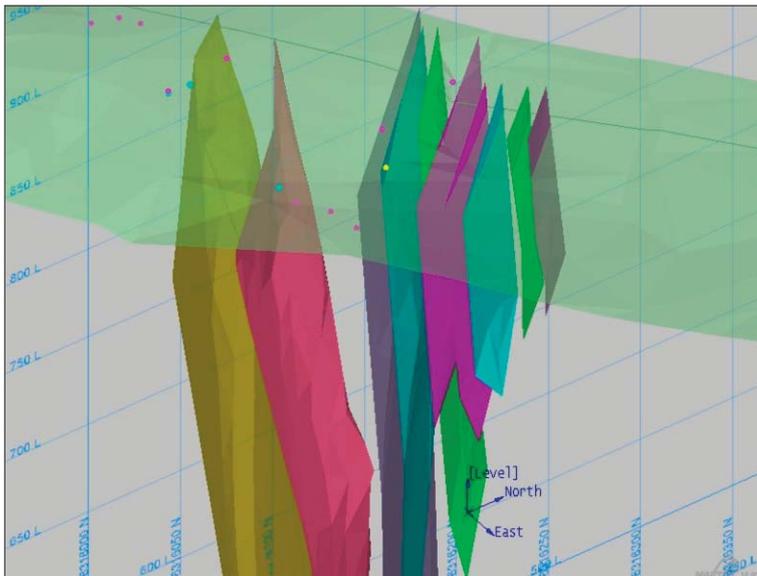


Figure 8 – 3D view of a section looking northwest from elevation through the proposed multi-unit mineralized package. Mapping of historic workings indicate the central portion of the package as the focus in previous interpretations, but workings in the hangingwall and footwall correspond with historic drill intercepts and support a potential bulk tonnage system. The interpretation of this new geological model is ongoing.

A bulk tonnage model for mineralization

Using a cut-off grade of 1.5% zinc equivalent (anticipated approximate open pit C1 cost break-even grade), mineralized intercepts have been defined for a broad stringer and shear-zone sulphide style (typical geometry 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% Zn³** estimated (refer Ardea 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 (Table 5). 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 mineralized zones intercepted in moderate grade ALD0003 and low grade ALD0004 match those of the major Lachlan Fold Belt operations (Table 5).

Table 5 – Examples of Lewis Ponds mineralization compared to some of the major mining operations (current & proposed) of the Lachlan Fold Belt.

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
				ALD0004 ²	0.82	0.08	21.15	0.39	0.04	1.62	0.97
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. ² ALD0004, 92.06-97.96 m

³ 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



Sampling old shafts at Lewis Ponds, with historic diamond drill core trays in the background. This shaft is one of a line that has mined a pyrite-quartz “sinter” that typically assays 9.9 - 12.1g/t gold and 272 - 539g/t silver. None of these shafts have been drill tested, despite the high grade mineralization.

The background core trays are stored on the old Lewis Ponds smelter slag-heap include a very large amount of unsampled material, though logging reveals significant stringer mineralization. Ardea has systematically cut and sampled this previously unprocessed material.

Study program

The study program at Lewis Ponds consists of:

- Surface mapping to define mineralization geometry and characteristics.
- Geological modelling of the deposit.
- Wireframing leading to resource estimation.
- Financial assumptions and cut-offs – leading to conceptual mine plan.
- Initiate process for “Development Consent” with Department of Planning and Environment NSW.





Matt Painter ground-truthing and sampling his Mt Zephyr gold targets

Exploration

Ardea has a high quality gold and nickel sulphide exploration portfolio, which the Company is systematically evaluating, through detailed Geographic Information System (GIS) analysis, followed by ground-truthing and sampling of the targets identified.

Goongarrie, WA

The Bardoc Tectonic Zone is a major crustal structure that hosts significant gold mining centres from south to north at Paddington, Broad Arrow, Bardoc, Goongarrie and Menzies. The Goongarrie gold mining centre was established in the 1890s prior to the discovery of Kalgoorlie.

In the course of Goongarrie nickel laterite drilling, anomalous gold is commonly intercepted, with occurrences commonly associated with porphyry dyke intrusives, as at Ardea's historic Big Four gold mine.

Most gold occurrences on Ardea's tenure at Goongarrie are located on the eastern side of the nickel laterite deposits. These are along strike from historic gold mines to the north near the Goongarrie ghost town and also incorporate Big Four gold further south. Anomalous gold has also been identified in drilling at Elsie North on the western side of the Goongarrie nickel laterite deposits.

Ardea has flown a low-level airborne magnetics survey to map laterite-controlling structures at Goongarrie, which is also expected to quantify the gold-controlling architecture. The survey will also assist infrastructure planning for the Goongarrie DFS.

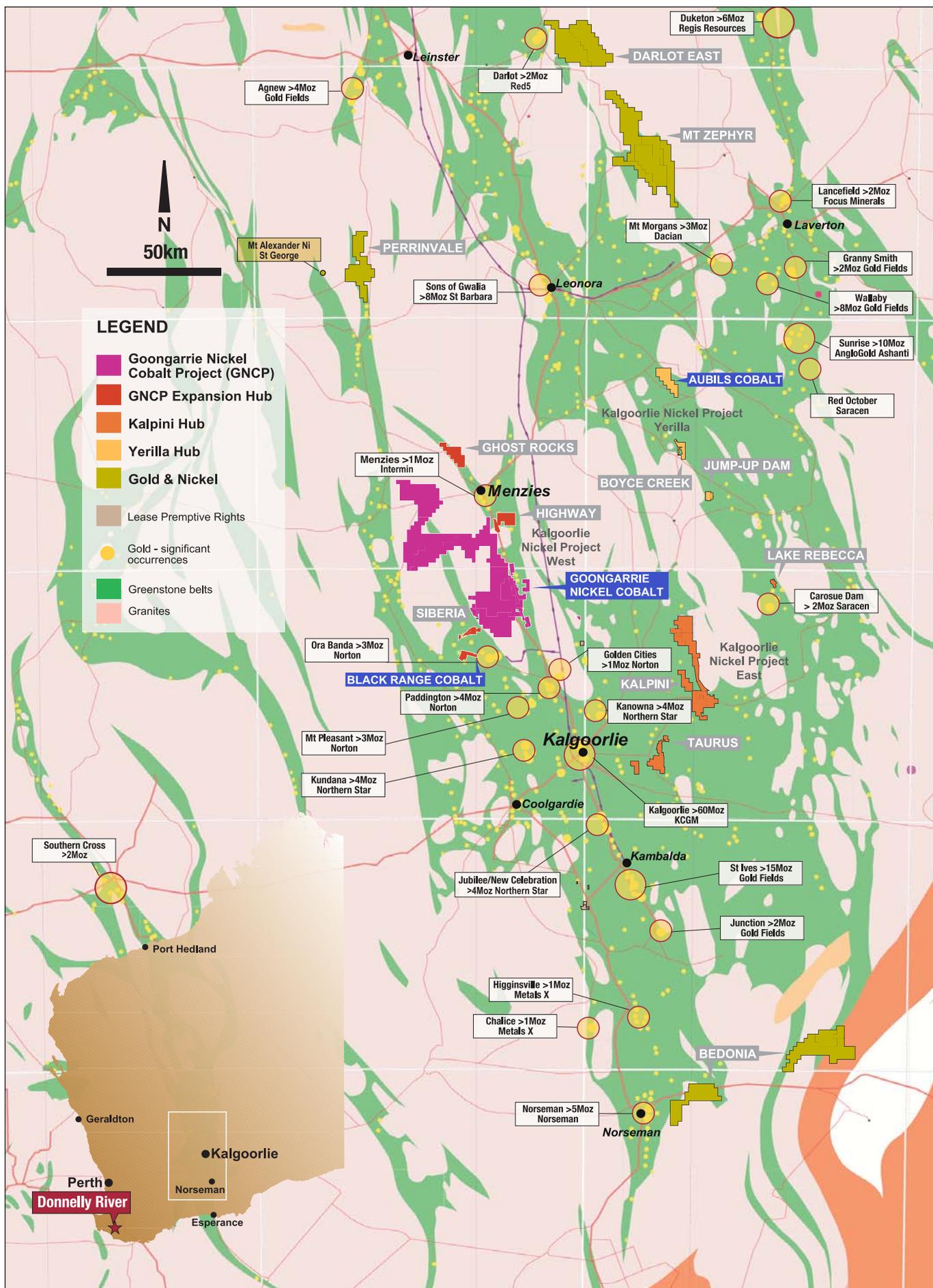


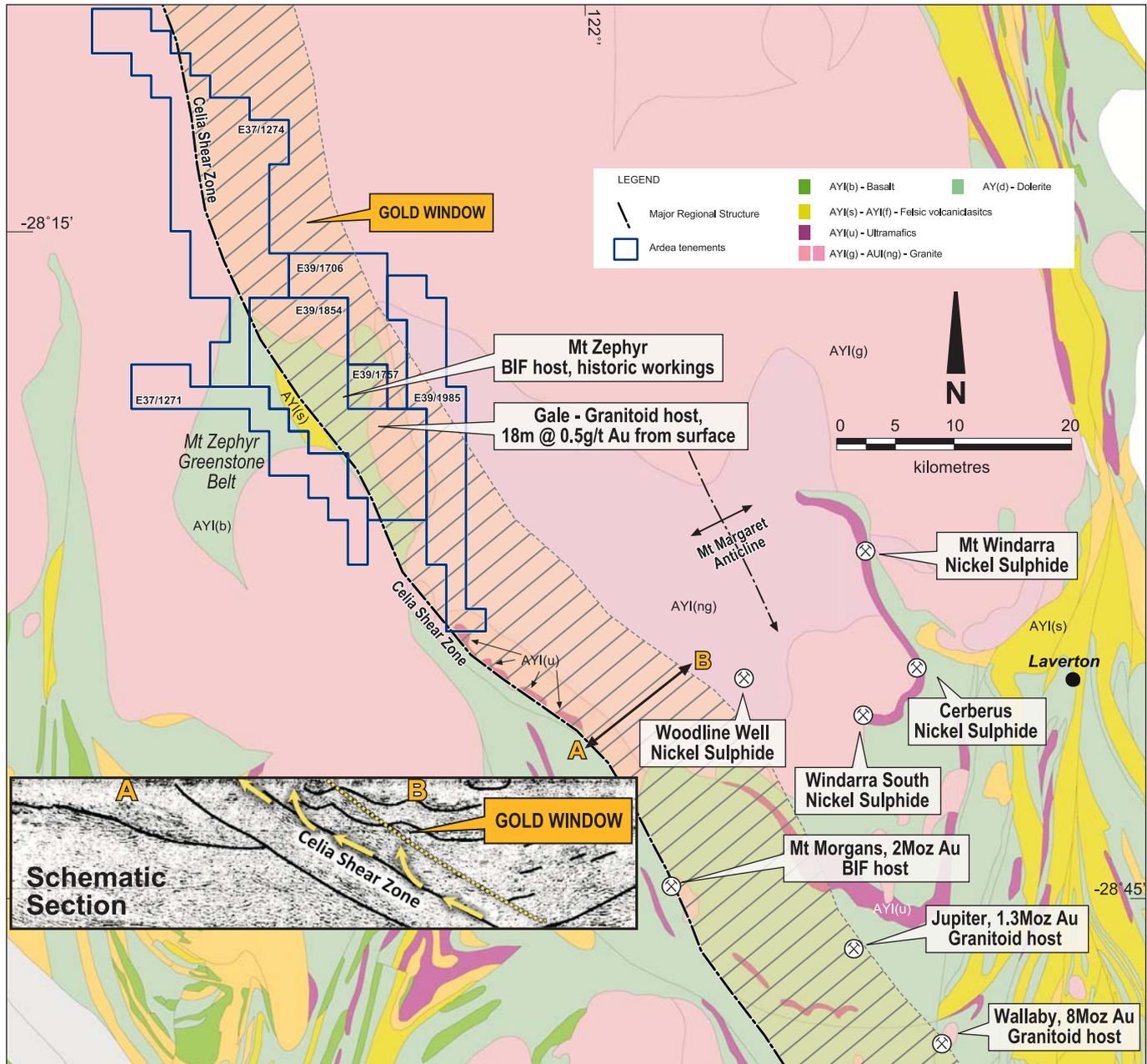
Figure 9 Ardea Eastern Goldfields tenure



Mt Zephyr gold and base metals, WA

Ardea's Mount Zephyr project represents a significant opportunity for the Company to discover, define, and develop gold and base metals deposits in a significantly underexplored area. The greenstone belts to the east have exceptional gold endowment, being Duketon and then Yamarna (Gruyere). Structural settings of the three belts are comparable.

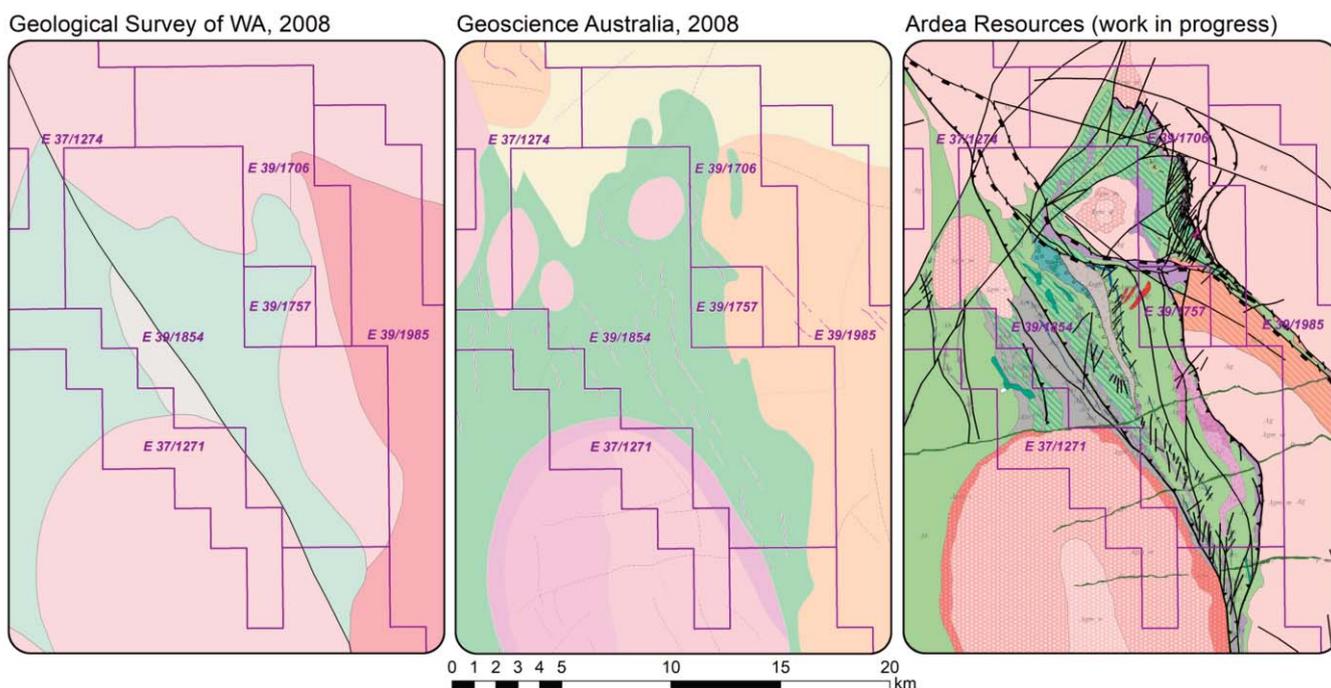
Figure 10 – Regional scale geology of the Mount Zephyr greenstone belt and surrounds. Most of Ardea's gold targets are located within 10km northeast of the Celia Shear Zone, which is modelled as a major fluid conduit. Along strike to the southeast, major granite-hosted (syenite) gold systems at Jupiter and Wallaby are also located around 10km east of the Celia Shear Zone. Additionally, the western limb of the nickel sulphide-endowed Mt Windarra ultramafic sequence is interpreted to occur within the Company's Mt Zephyr tenure at Jones Area A.



Mt Zephyr target generation

Ardea has taken a back-to-basics approach regarding targeting in the Mount Zephyr greenstone belt. Historic and newly acquired aeromagnetic data has been amalgamated, resampled and reprocessed to generate a comprehensive portfolio of data and imagery. In addition, new gravity data was also acquired over the entire greenstone belt within the Company's tenure. Geophysical interpretation combined with ground-truthing (including mapping and geochemical sampling) and open file data is defining a new, robust geological framework and structural architecture that requires systematic drill testing.

Figure 11 – Interpreted solid geology of the Mount Zephyr greenstone belt over time. From left to right, 1:500,000 scale interpretation from Geological Survey of Western Australia (1999), 1:500,000 scale interpretation from Geoscience Australia (2000), and Ardea's current work in progress. The additional detail is geologically constrained and is allowing definition of new gold and base metal targets throughout the tenement package. Purple outlines show Ardea's tenure covering most of the greenstone belt.



Historic workings are evident throughout the region covered by Ardea's tenure. Structural reinterpretation shows that structures which control the known gold occurrences propagate throughout the greenstone belt. Numerous new targets are being generated for ranking and subsequent testing. Ardea is laying the groundwork for field programs to assess the region systematically, aiming to locate bulk tonnage gold systems of the style characterizing the Celia Shear Zone (from north to south - Jupiter, Wallaby, Sunrise Dam gold mining operations).

Field work

Numerous visits to site have served to validate interpretations and mineralization occurrences to strengthen the current targeting exercise. On the back of this, several Programs of Works (PoWs – required to allow on-ground drilling and sampling activity) are in play. Approval has been granted over several prospects, with work in progress on several others where heritage clearances are sought. This is expected to provide the Company with a pipeline of at least five broad areas, each potentially containing numerous targets, on which drilling can proceed.

Work at Gale and Dunn's Line have confirmed gold mineralization that requires detailed exploration.

- At Gale, extensive low-grade gold mineralization is evident in a pyritic granitoid with historic intercepts of 18m at 0.5g/t Au from surface corresponding with alteration and oxidised pyrite mineralization. Ardea mapping shows that alteration and mineralization have a broader footprint than previously recognised. PoW lodged pending heritage surveys.
- On Dunn's Line, numerous workings are evident over more than 5 km, with historic grades recorded between 5 and 90g/t from the Mount Zephyr mine. Mineralization corresponds to NNE-trending cross faults along which there has been up to 50m of left-lateral (sinistral) apparent movement (comparable to the famed Mt Magnet "Boogardie Breaks").



- At Jones Area A, the basal stratigraphy shows strong similarities to that at the nearby Mount Windarra nickel sulphide mine, epicentre of the 1970s nickel boom, including nickel and copper bearing gossans noted by Ardea in outcrop. The sequence is also cross-cut by potentially gold-mineralizing structures. PoW recently granted.
 - At Pauls Find and Easter Well, historic gold anomalism is now known to correspond to NNE-trending structures cross-cutting the area. Very strong soil anomalism (up to 1,163ppb Au) coincides with high-grade historic rock chips. PoW recently granted.
 - At Zephyr North Syenite, historic drilling defined copper-bearing magnetite skarn beneath cover. PoW recently granted.
- The Company is presently finalising and field-truthing drill hole collar locations at Jones A and Pauls Find prior to execution of a first-pass drill program.

Darlot East gold and base metals, WA

The Darlot East gold project is located along strike of the Celia Shear Zone from the Mount Zephyr project area. Regional geophysical and geochemical programs undertaken at Mount Zephyr were also undertaken at Darlot East.

The Darlot East project lies between the Darlot gold mine (and its host greenstone belt) and the Celia Shear Zone. Findings to date show that:

- The Darlot greenstone belt extends eastwards onto the project area, with a possible layered intrusive complex obscured by cover.
- Extensive, multi-kilometre alteration zones are being modelled and will require verification.
- Demagnetised zones, possibly indicative of alteration associated with gold mineralization, show common associations with particular rock types.
- Numerous highly magnetic igneous plugs are identified and likely correspond to lamproites or kimberlites, potential diamond hosts. Some of the minimal historic work in the area confirmed such rock types within the tenure.

Darlot East is at an earlier stage than Mount Zephyr but will continue to be worked in order to develop and test targets.

Bedonia nickel and gold, WA

Work is progressing at the Bedonia group of four tenements to the east of Norseman in the southern Eastern Goldfields.

The poorly exposed Bedonia project covers forested country near the southeastern margin of the Eastern Goldfields. Archaean-aged granite and greenstones are cross-cut by Proterozoic mafic dykes, some of which are known to host magmatic Ni-Cu-PGM mineralization. The largest of these, the Jimberlana Dyke, contains several documented mineralized occurrences that will be the focus of Ardea's exploration.

Other mineralization known in the area includes orogenic gold mineralization, and potentially secondary lacustrine vanadate deposits (Heartbreak Lignite deposits). Recent field work confirmed known targets as well as identifying previously undocumented gold workings. Greenstone sequences are evident beneath cover on all tenure at Bedonia.

In order to assess these obscured rocks, Ardea has recently acquired high-quality aeromagnetic and radiometric data over the tenement areas. This data is being used to generate new target areas for current exploration programs.



Discovering and sampling previously undocumented deep shaft gold mines in the Bedonia project, assay results awaited.

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 July 2014, October 2016, 2016 Heron Resources Annual Report and 6 January 2017;
2. KNP Cobalt Zone Study on 7 August 2017
3. Goongarrie Nickel Cobalt Project, Supplementary Prospectuses 10 February 2017, Ardea Annual Report Nov 2017, ASX announcements 28 June 2017, 4 July 2017, 28 August 2017, 14 March 2018, 24 July 2018, 8 October 2018
4. Lewis Ponds 2016 Heron Resources Annual Report, Ardea Resources Prospectus November 2016, Ardea Supplementary Prospectuses 10 February 2017, ASX announcements 9 March 2017, 16 March 2017, 26 April 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 and Mineral Resources is based on information originally compiled by previous and current full time employees of Heron Resources Limited and current full time employees of Ardea Resources Limited. The Exploration Results, Mineral Resources 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 and mineral resource activities and 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.

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 year ended 30 June 2018 ("financial period").

DIRECTORS & SENIOR MANAGEMENT

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

Katina Law – *B.Com., CPA, MBA, GAICD*
Executive Chair
Appointed 7 November 2016

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

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

Ian Buchhorn – *BSc (Hons), Dipl. Geosci (Min. Econ), MAusIMM*
Executive Director
Appointed 17 August 2016

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

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

Wayne Bramwell – *BSc, GradDipBus. MSc, GAICD*
Non-Executive Director
Appointed 29 January 2018

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

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

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

Matthew Painter – Managing Director (Appointed 7 November 2016, Resigned 3 April 2018)
Brett Clark – Managing Director (Appointed 3 April 2018, Resigned 30 June 2018).



COMPANY SECRETARY

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

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

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

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

REVIEW OF OPERATIONS AND ACTIVITIES

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

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

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

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

Ardea's major projects are as follows:

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

Western Australia

KNP and Goongarrie Nickel Cobalt Project

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

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

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

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

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



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

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

Drilling

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

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

Metallurgy

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

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

Approvals

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



Definitive Feasibility Study, Goongarrie

Several key milestones were met in advancing Goongarrie towards production:

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

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

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

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

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

Strategic Partner Search

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

WA Gold-Nickel Exploration

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

New South Wales

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

Lewis Ponds

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

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

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

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

The study program at Lewis Ponds consists of:

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

Exploration Tenure

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

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

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



Corporate and Financial Position

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

Risk Management

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

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

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

EARNINGS/LOSS PER SHARE	2018 Cents	2017 Cents
Basic loss per share	(4.49)	(1.68)
Diluted loss per share	(4.49)	(1.68)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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



OPTIONS/PERFORMANCE RIGHTS OVER UNISSUED CAPITAL

Unlisted Options

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

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

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

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

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

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

Performance Rights issued during the current financial period

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

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

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

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

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

CORPORATE STRUCTURE

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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



INFORMATION ON DIRECTORS

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

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

DIRECTORS' MEETINGS

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

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

REMUNERATION REPORT

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

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

Overview of Remuneration Policy

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

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

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

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



Non-Executive Directors

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

Senior Executives and Management

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

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

Structure

Remuneration consists of the following key elements:

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

Fixed Remuneration

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

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

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

Service Agreements

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

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

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

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



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:

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

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

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

INDEMNIFYING OFFICERS AND AUDITOR

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

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

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

AUDITORS' INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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



CORPORATE GOVERNANCE

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

DATED at Perth this 25th day of September 2018
Signed in accordance with a resolution of the Directors



Katina Law
Executive Chair

Compliance Statement (JORC 2012)

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

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

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

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

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





AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Ardea Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

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

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 25 September 2018

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

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

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



Consolidated Statement of Financial Position

As at 30 June 2018

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

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 year ended 30 June 2018

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

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 year ended 30 June 2018

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



For the year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of Preparation

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

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

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

The financial report was authorised for issue by the Directors.

(b) Use of Estimates and Judgements

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

(c) Basis of Consolidation

Controlled Entities

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

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

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

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



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 and Motor Vehicles

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

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

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

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

Depreciation

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

- Plant & equipment and Motor Vehicles 20 - 33%

(i) Goods and Services Tax (GST)

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

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

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

(j) Payables

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

(k) Contributed Equity

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Exploration and Evaluation Expenditure

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

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

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

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if:

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

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

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

(m) Earnings per Share

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

(n) Leases

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

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



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 either the Black-Scholes or Binomial model.

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

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

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

(p) Financial risk management

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

(q) New accounting standards and interpretations

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



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

5. INCOME TAX

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

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

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

(b) Tax losses

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

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

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

Unbooked deferred tax liabilities comprise:

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

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

6. OTHER RECEIVABLES**Current**

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

7. OTHER ASSETS**Current**

Prepayments	<u>10,555</u>	2,713
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	<u>2018</u> \$	<u>2017</u> \$
8. PROPERTY, PLANT AND EQUIPMENT		
Plant and office equipment		
At cost	213,683	97,164
Accumulated depreciation	<u>(117,980)</u>	<u>(93,719)</u>
	<u>95,703</u>	3,445
Motor Vehicles		
At cost	209,068	-
Accumulated depreciation	<u>(17,114)</u>	-
	<u>191,954</u>	-
Property and buildings		
At cost	377,680	366,735
Accumulated depreciation	<u>(12,734)</u>	<u>(12,734)</u>
	<u>364,946</u>	354,001
	<u>652,603</u>	357,446

Reconciliation

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

Plant and office equipment

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

Motor Vehicles

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

Property and buildings

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



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

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

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

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

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

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

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

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

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



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

(c) Unlisted Options

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

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

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

(d) Share Based Payments

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

(e) Terms and Conditions of Contributed Equity**Ordinary Shares**

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

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

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

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

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



13. CONTRIBUTED EQUITY (Continued)**(f) Capital Risk Management**

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

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

14. ACCUMULATED LOSSES

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

15. RESERVES**Share Option/Performance Rights Reserve**

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

Share Option reserve

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

16. RELATED PARTIES

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

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

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



Director and KMP Movement in Shares

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

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

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

17. EXPENDITURE COMMITMENTS

(a) Exploration

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

	<u>2017</u> \$	<u>2017</u> \$
(b) Operating Lease Commitments		
Total operating lease expenditure contracted for at balance date but not provided for in the financial statements, payable:		
Not later than one year	89,577	89,577
Between one and five years	125,576	218,153
	<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 for a period of 3 years.

(c) Capital Commitments

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



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

*Non-dilutive securities

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

20. NOTES TO THE STATEMENT OF CASH FLOWS

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



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

(b) Non Cash Financing and Investing Activities

Performance Rights issued during the current financial period

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

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

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

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

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

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

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

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

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

Options issued during financial period ended 30 June 2017

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

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



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

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

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

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

21. FINANCIAL INSTRUMENTS

The Consolidated Entity's activities expose it to a variety of financial risks and market risks. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

(c) Commodity Price Risk and Liquidity Risk

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

(d) Net Fair Values

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

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



22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS**Employee Entitlements**

The aggregate employee entitlement liability is disclosed in Note 12.

Superannuation Commitments

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

Accordingly no actuarial assessments of the plans are required.

23. CONTINGENT LIABILITIES

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

Native Title and Aboriginal Heritage

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

24. EVENTS SUBSEQUENT TO BALANCE DATE

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

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Assets		
Total current assets	22,712,964	3,289,950
Total non-current assets	16,901,238	9,699,299
Total Assets	<u>39,614,202</u>	<u>12,989,249</u>
Liabilities		
Total current liabilities	1,182,896	365,097
Total Liabilities	<u>1,182,896</u>	<u>365,097</u>
Net Assets	<u>38,431,306</u>	<u>12,624,152</u>
Equity		
Issued capital	39,608,365	12,482,548
Reserves	3,171,476	676,000
Accumulated losses	(4,348,535)	(534,396)
Total Equity	<u>38,431,306</u>	<u>12,624,152</u>
Total comprehensive loss for the year	<u>3,814,139</u>	<u>534,396</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 2018 and no capital commitments at 30 June 2018.



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 33 to 52, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2018 and of its performance, as represented by the results of its operations, for the financial year to 30 June 2018.
- (b) there are reasonable grounds to believe that Ardea Resources Limited will be able to pay its debts as and when they become due and payable.

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

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

Signed at Perth this 25th day of September 2018.



Katina Law
Executive Chair





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

Report on the financial report

Opinion

We have audited the financial report of Ardea Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

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

Basis for opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter**Capitalised mineral exploration expenditure**
(refer note 10)

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

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

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

Equity and Capital Structure

(refer note 13)

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

Share based payments – performance rights

(refer notes 13 and 20)

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

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

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

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

How our audit addressed the key audit matter

Our audit procedures included:

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

Our audit procedures included;

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

Our audit procedures included;

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



Key Audit Matter**How our audit addressed the key audit matter****Research and Development Tax Incentive***(refer notes 6 and 10)*

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

Our audit procedures included:

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

Deferred Taxation*(refer note 5)*

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

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

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

Other information

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

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most 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 reasonably be expected to outweigh public interest benefits of such communication.



Report on the remuneration report

Opinion

We have audited the remuneration report included on pages 28 to 30 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Ardea Resources Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 25 September 2018



Shareholder Information

The following additional information was applicable at 9 October 2018

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

Size of Holding	Number of Holders	Shares Held	%
1 - 1,000	1,755	778,205	0.74
1,001 - 5,000	1,351	3,485,512	3.32
5,001 - 10,000	465	3,602,746	3.43
10,001 - 100,000	688	20,057,550	19.10
100,001 -	110	77,066,400	73.40
	<u>4,369</u>	<u>104,990,413</u>	<u>100.00</u>

- There were 1,422 shareholders who held less than a marketable parcel.
- 5,050,551 Fully Paid Ordinary Shares have been classified by ASX as restricted until 9 February 2017.
- The twenty largest shareholders hold 55.44% 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	11,851,440	11.29
B O'Shannassy and Associates	8,926,335	8.50

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 Citicorp Nom PL	9,104,183	8.67%
2 Josco PL <O'Shannassy F/T>	6,833,921	6.51%
3 Hazurn PL <Buchhorn S/F A/C>	6,785,020	6.46%
4 BNP Paribas Nom PL <IB Au Noms Retailc>	5,627,574	5.36%
5 J P Morgan Nom Aust Ltd	4,400,595	4.19%
6 Kurana PL <Buchhorn Unit Acco>	3,197,564	3.05%
7 BNP Paribas Noms PL <DRP>	2,747,486	2.62%
8 HSBC Custody Nom Aust Ltd	2,384,061	2.27%
9 Jones Iwan + Joyce C <I & J Jones S/F A/C>	2,300,000	2.19%
10 Spadaro Martin + K <Spadaro Fam A/C>	2,288,000	2.18%
11 Merrill Lynch Aust Nom PL	2,257,096	2.15%
12 B & J O'Shannassy Mgnt PL <Josco PL S/F No1 A>	2,092,414	1.99%
13 Dupuy Olivier + Julie <Enerjee S/F A/C>	1,880,000	1.79%
14 Buchhorn Pamela Jean	1,248,244	1.19%
15 Ecapital Nom PL <Accumulation A/C>	1,200,123	1.14%
16 Harris Michael Andrew	855,000	0.81%
17 HSBC Custody Nom Aust Ltd	826,363	0.79%
18 Patterson A L + E E <Paterson Fam A/C>	775,270	0.74%
19 Morgan Stanley Aust Sec N <No 1 Account>	721,668	0.69%
20 Fremont Cat PL <Allwood Williams S>	685,243	0.65%
TOTAL	<u>58,209,825</u>	<u>55.44%</u>



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

- 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 2018

Tenement	Location	Ardea Interest (%)	Status	Note	Tenement	Location	Ardea Interest (%)	Status	Note
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Ardea Western Australia Projects

Goongarrie Nickel Cobalt Project

E24/0211	Goongarrie Nickel Cobalt	100%	Pending		M24/0541	Goongarrie Nickel Cobalt	100%	Live	
E29/0934	Goongarrie Nickel Cobalt	100%	Live		M24/0731	Goongarrie Nickel Cobalt	100%	Live	3.7
E29/1028	Goongarrie Nickel Cobalt	100%	Pending		M24/0732	Goongarrie Nickel Cobalt	100%	Live	3.7
E29/1038	Goongarrie Nickel Cobalt	100%	Pending		M24/0744	Goongarrie Nickel Cobalt	100%	Live	7
E29/1039	Goongarrie Nickel Cobalt	100%	Pending		M24/0778	Goongarrie Nickel Cobalt	100%	Live	3
E30/0500	Goongarrie Nickel Cobalt	100%	Pending		M29/0167	Goongarrie Nickel Cobalt	100%	Live	
E30/0501	Goongarrie Nickel Cobalt	100%	Pending		M29/0202	Goongarrie Nickel Cobalt	100%	Live	
E30/0502	Goongarrie Nickel Cobalt	100%	Pending		M29/0272	Goongarrie Nickel Cobalt	100%	Live	
G29/0024	Goongarrie Nickel Cobalt	100%	Pending		M29/0278	Goongarrie Nickel Cobalt	100%	Live	
L24/0239	Goongarrie Nickel Cobalt	100%	Pending		M29/0423	Goongarrie Nickel Cobalt	100%	Live	
L29/0134	Goongarrie Nickel Cobalt	100%	Pending		M29/0424	Goongarrie Nickel Cobalt	100%	Pending	
L29/0135	Goongarrie Nickel Cobalt	100%	Pending		M29/0426	Goongarrie Nickel Cobalt	100%	Pending	
L30/0067	Goongarrie Nickel Cobalt	100%	Pending		P29/2265	Goongarrie Nickel Cobalt	100%	Live	
L30/0068	Goongarrie Nickel Cobalt	100%	Pending		P24/5260	Goongarrie Nickel Cobalt	100%	Pending	
					P24/5265	Goongarrie Nickel Cobalt	100%	Pending	

Goongarrie Nickel Cobalt Project Expansion Case

M24/0919	GNCP Expansion Siberia	100% Ni lat	Live	10	M24/0797	GNCP Expansion Siberia	100% Ni lat	Live	5
M24/0959	GNCP Expansion Siberia	100% Ni lat	Live	10	M24/0915	GNCP Expansion Siberia	100% Ni lat	Live	5
E29/1045	GNCP Expansion Siberia	100%	Pending		M24/0916	GNCP Expansion Siberia	100% Ni lat	Live	5
E29/1048	GNCP Expansion Siberia	100%	Pending		P24/5235	GNCP Expansion	100%	Pending	
M29/0214	GNCP Expansion Highway	100%	Live		P24/5236	GNCP Expansion	100%	Pending	
E24/0203	GNCP Expansion Siberia	100% Ni lat	Live	5	P29/2484	GNCP Expansion	100%	Pending	
E29/0889	GNCP Expansion Siberia	100% Ni lat	Live	5	P29/2485	GNCP Expansion	100%	Pending	
M24/0634	GNCP Expansion Siberia	100% Ni lat	Live	1,5	M24/0757	GNCP Expans Black Range	100% Ni lat	Live	5
M24/0660	GNCP Expansion Siberia	100% Ni lat	Live	5	M24/0973	GNCP Expans Black Range	100% Ni lat	Pending	5
M24/0663	GNCP Expansion Siberia	100% Ni lat	Live	5	P24/4395	GNCP Expans Black Range	100% Ni lat	Live	5
M24/0664	GNCP Expansion Siberia	100% Ni lat	Live	5	P24/4396	GNCP Expans Black Range	100% Ni lat	Live	5
M24/0665	GNCP Expansion Siberia	100% Ni lat	Live	2,5	P24/4400	GNCP Expans Black Range	100% Ni lat	Live	5
M24/0683	GNCP Expansion Siberia	100% Ni lat	Live	5	P24/4401	GNCP Expans Black Range	100% Ni lat	Live	5
M24/0686	GNCP Expansion Siberia	100% Ni lat	Live	5	P24/4402	GNCP Expans Black Range	100% Ni lat	Live	5
M24/0772	GNCP Expansion Siberia	100% Ni lat	Live	5	P24/4403	GNCP Expans Black Range	100% Ni lat	Live	5
E29/0941	GNCP Expans Ghost Rock	100%	Live						



Tenement	Location	Ardea Interest (%)	Status	Note	Tenement	Location	Ardea Interest (%)	Status	Note
<i>Kalpini Hub GNCP Expansion Case</i>									
E27/0524	Kalpini	100%	Live		M25/0161	Kalpini Bulong	100% Ni lat	Live	8
E27/0606	Kalpini	100%	Pending		M25/0171	Kalpini Bulong	100% Ni lat	Live	8
E27/0607	Kalpini	100%	Pending		M25/0187	Kalpini Boulder Block	100%	Live	
E28/1224	Kalpini	100%	Live		M25/0209	Kalpini Bulong	100% Ni lat	Live	8
E28/2807	Kalpini	100%	Pending		P25/2454	Kalpini Bulong	100%	Pending	
M27/0395	Kalpini	100%	Live		P25/2455	Kalpini Bulong	100%	Pending	
M27/0506	Kalpini	100%	Pending		P25/2456	Kalpini Bulong	100%	Pending	
M28/0199	Kalpini	100%	Live		P25/2457	Kalpini Bulong	100%	Pending	
M28/0201	Kalpini	100%	Live		P25/2458	Kalpini Bulong	100%	Pending	
M28/0205	Kalpini	100%	Live		P25/2459	Kalpini Bulong	100%	Pending	
E27/0278	Kalpini Pioneer	100% Ni lat	Live	9	P25/2460	Kalpini Bulong	100%	Pending	
E28/1746	Kalpini Pioneer	100% Ni lat	Live	9	P25/2461	Kalpini Bulong	100%	Pending	
E28/2483	Kalpini Pioneer	100% Ni lat	Live	9	P25/2482	Kalpini Bulong	100%	Pending	
M31/0488	Kalpini Lake Rebecca	100%	Pending		P25/2483	Kalpini Bulong	100%	Pending	
P31/2038	Kalpini Lake Rebecca	100%	Live		P25/2484	Kalpini Bulong	100%	Pending	
P31/2039	Kalpini Lake Rebecca	100%	Live		P25/2559	Kalpini Bulong	100%	Pending	
P31/2040	Kalpini Lake Rebecca	100%	Live		P25/2560	Kalpini Bulong	100%	Pending	
E25/0578	Kalpini Bulong	100%	Pending		P25/2561	Kalpini Bulong	100%	Pending	
M25/0059	Kalpini Bulong	100% Ni lat	Live	8	P28/1337	Kalpini Bulong	100%	Pending	
M25/0134	Kalpini Bulong	100% Ni lat	Live	8					
M25/0145	Kalpini Bulong	100% Ni lat	Live	8					
M25/0151	Kalpini Taurus	100%	Live						

Yerilla Hub GNCP Expansion Case

E39/1954	Yerilla Aubils	100%	Live	7	M31/0475	Yerilla Jump-up Dam	100%	Live	6
E31/1092	Yerilla Boyce Creek	100%	Live	6	M31/0477	Yerilla Jump-up Dam	100%	Live	6
E31/1169	Yerilla Boyce Creek	100%	Pending		M31/0479	Yerilla Jump-up Dam	100%	Live	6
M31/0483	Yerilla Boyce Creek	100%	Live	6					

Mt Zephyr Gold-Nickel

E37/1271	Mt Zephyr	100%	Live		E39/1706	Mt Zephyr	100%	Live	
E37/1272	Mt Zephyr	100%	Live		E39/1757	Mt Zephyr	100%	Live	
E37/1273	Mt Zephyr	100%	Live		E39/1854	Darlot East	100%	Live	
E37/1274	Mt Zephyr	100%	Live		E39/1985	Darlot East	100%	Live	

Perrinvale Nickel-Gold

E29/1006	Perrinvale	100	Pending						
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Tenement	Location	Ardea Interest (%)	Status	Note	Tenement	Location	Ardea Interest (%)	Status	Note
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Bedonia Nickel-Copper-PGM

E63/1827	Bedonia Ni-Cu-PGM	100%	Live		E63/1856	Jimberlana Ni-Cu-PGM	100%	Live	
E63/1828	Bedonia Ni-Cu-PGM	100%	Live		E63/1857	Jimberlana Ni-Cu-PGM	100%	Live	

Donnelly River Graphite

E70/4804	Donnelly River	100	Pending						
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WA Regional, Mineral Rights

M15/1101	WA Regional	Preemption Ni Lat	Live	11	M15/1323	WA Regional	Preemption Ni Lat	Live	11
M15/1263	WA Regional	Preemption Ni Lat	Live	11	M15/1338	WA Regional	Preemption Ni Lat	Live	11
M15/1264	WA Regional	Preemption Ni Lat	Live	11	E27/0300	WA Regional	100% Ni lat	Live	12

Ardea New South Wales Projects

EL5583	Lewis Ponds 15km E Orange	100%	Live	4	EL8555	Calarie 5km N Forbes	100%	Live	
EL8323	Lewis Ponds 10km NE Orange	100%	Live		EL8580	Calarie 10km N Forbes	100%	Live	
EL8556	Copper Hill East NE Orange	100%	Live		ML0739	Calarie 10km N Forbes	100%	Live	
EL8554	Wiseman Ck 27km SE Bathurst	100%	Live		EL8061	Gundagai 5km S Gundagai	100%	Live	
EL8538	Yeoval 22km SW Wellington	100%	Live		EL8586	Gundagai 5km N Gundagai	100%	Live	
EL8532	Mt Aubery 30km NE Parkes	100%	Live		EL8557	Restdown 62km W of Wyalong	100%	Live	

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 assignee (Norton Goldfields) retains certain gold claw-back rights.
4. Finder's fee to David Timm's on EL5583 sale transaction or production commencement (\$2M cap).
5. Eastern Goldfields owns gold-silver rights, Ardea owns all non-Au-Ag, in particular Ni-Co-PGM.
6. Ausjade right to tenement ownership and semi-precious minerals, Ardea owns all non- semi-precious mineral rights, in particular Ni-Co-PGM-Au.
7. Ausjade right to semi-precious minerals, Ardea owns all non- semi-precious mineral rights, in particular Ni-Co-PGM-Au, Ardea registered holder.
8. Southern Gold owns gold rights and responsible for tenement management, Ardea 100% Ni-Co laterite rights.
9. Pioneer-Northern Star owns gold-nickel sulphide rights and responsible for tenement management, Ardea owns 100% Ni-Co laterite rights.
10. Intermin subsidiary Metaliko as owns gold rights and responsible for tenement management, Ardea owns 100% Ni-Co laterite rights.
11. Ramelius assignee owns all mineral rights, Ardea pre-emptive right to Ni-Co laterite.
12. Pioneer assignee owns all mineral rights, Ardea owns Ni-Co laterite



ASIC means Australian Securities and Investments Commission

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate

Australian Registry means Security Transfer Registrars Pty Ltd of 770 Canning Highway, Applecross WA

Ardea or ARL means Ardea Resources Limited (ABN: 30 614 289 342) ARL : ASX is the Ardea code on ASX

Ag means Silver

Au means Gold

Anomaly means a value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance

Archaean means a period of geological time spanning 3.8 to 2.5 billion years before present

Co means Cobalt

Cu means Copper

Feasibility Study means a study with three progressively more detailed stages:

Scoping Study means a first pass estimate of engineering requirements and costs of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the follow-up Pre-feasibility Study. Operating and capital cost estimates are to an order of magnitude accuracy of $\pm 30\%$.

Pre-feasibility Study (PFS) means an engineering and cost study of a mining operation, processing plant and plant infrastructure. Included in the cost estimates will be infrastructure, tailings disposal, power supply, and owner's costs. The plant design may change as a result of test-work analysis, optimisation studies and engineering improvements performed during execution of the Pre-feasibility Study. Operating and capital cost estimates are to an accuracy of $\pm 25\%$.

Definitive Feasibility Study (DFS) means a feasibility study undertaken to a high degree of accuracy which may be used as a basis for raising finance for the construction of a project. Typically operating and capital cost estimates are to an accuracy of $\pm 15-20\%$. A DFS is the standard of report required by primary debt funders to demonstrate the technical and commercial viability of a project.

GNCP means Goongarie Nickel Cobalt Project, part of the KNP

KNP means Kalgoorlie Nickel Project, a nickel laterite project located through an arc 30 to 150km north-north west to east of Kalgoorlie

m means metre and km means kilometres

Mt means Million tonnes

Mineralization means in economic geology, the introduction of valuable elements into a rock body

Ni means Nickel

Nickel Laterite means Nickel occurring as an oxidised hydrated iron oxide, ferruginous clay, smectite clay, chlorite and serpentine assemblage overlying weathered ultramafic rock

Nickel Sulphide means nickel and copper occurring as an un-oxidised sulphide assemblage associated with fresh ultramafic rock

Project means a grouping of prospects within a specific geographic location, often with a common geological setting

Prospect means a target upon which exploration programs are planned or have commenced

Province means a grouping of projects within a geological district defined by a major mineralised crustal structure

RAB means Rotary Air Blast drilling technique in which a sample is returned to surface outside the rod string by compressed air. Sample quality is poor.

RC means Reverse Circulation drilling method employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air. Sample quality is very good, particularly if the drill hole is dry.

Sc means Scandium

V means Vanadium

Reserves or Ore Reserves or Mineral Reserves as defined by JORC Code.

Proven or Proved Ore Reserve means the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include Feasibility Studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. The term "economic" implies that extraction of the Ore Reserve has been established or analytically demonstrated to be viable and justifiable under reasonable investment assumptions.

Probable Ore Reserve is the economically mineable part of an Indicated Mineral Resource.

Resource or Mineral Resource means a Mineral Resource as defined by JORC Cod and is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are further sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

Measured Resource means a 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

Indicated Resource means an 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

Inferred Resource means an 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continue exploration.

JORC (2012 edition) means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and 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 provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.





Ardea Resources Limited

