AuKing Mining Limited

ABN 29 070 859 522

ANNUAL REPORT

For the year ended 31 December 2017

CORPORATE DIRECTORY
AuKing Mining Limited A.C.N 070 859 522

Board of Directors	Head Office
Dr Huaisheng Peng (Chairman) Mr Paul Williams (Managing Director) Mr Zewen (Robert) Yang (Executive Director) Mr Qinghai Wang (Non-Executive Director) **Company Secretary** Mr Paul Marshall **ASX Code: AKN**	Suite 11, Level 4 320 Adelaide Street Brisbane QLD 4000 Telephone: 07 3041 1306 Email: admin@aukingmining.com Website: www.aukingmining.com
Auditors	**Share Registry**
Ernst and Young Level 51 111 Eagle Street Brisbane QLD 4000 Telephone: 07 3011 3333 Fax: 07 3011 3100 Website: www.ey.com	Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000 Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au

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COMPANY OVERVIEW AND STRATEGY

The principal activities of the Company and its controlled entities during the year comprised:

- Acquisition of a 30% initial shareholding interest in Bonito Minerals, the holder of the La Dura gold/silver project in Mexico;
- Disposal of the Company's mineral exploration tenures in the Mount Isa region of north-western Queensland; and
- Ongoing Identification and assessment of copper and gold project opportunities for acquisition – both in Australia and overseas.

REVIEW OF OPERATIONS

Projects

La Dura, Mexico

In late April 2017 AKN announced that it had entered into an agreement to acquire an initial 30% shareholding interest in Bonito Minerals Pty Ltd (Bonito). Bonito is the holder of the "La Dura" project comprising five mining concessions in Durango State, Mexico. The La Dura concessions sit in the highly mineralised Sierra Madre Occidental – a region that has seen large scale gold and silver mining for 400 years.

The key terms of the agreement with Bonito were as follows:

- AKN was to conduct a due diligence review until 31 May 2017, including a site visit by technical advisors;
- AKN had a two-staged process to acquire an initial 30% shareholding in Bonito as follows:
  - Payment of A$350k and the issue of A$125k in AKN shares (on signing formal agreements) to acquire an initial 14.2% shareholding in Bonito; and
  - Payment of A$400k and the issue of A$125k in AKN shares by 31 October 2017 to acquire a further 15.8% shareholding in Bonito.
- AKN has an option to purchase a further 20% of the Bonito shares upon payment of a further A$1.5M on or before 31 October 2018 ($500k by 31 January 2018 and $1M by 31 October 2018);
- AKN had the immediate right to appoint a director to the Bonito Board and, if its future shareholding in Bonito exceeds 50% then additional Board members could be appointed by AKN;
- The number of AKN shares to be issued as part of the initial 30% acquisition were to be calculated by reference to a 15% discount to the 20 day VWAP prior to issue;
- AKN would have a pre-emptive right to participate in future issues of securities by Bonito (should there be any); and
- AKN and Bonito would also have an agreed process (by way of independent valuation) to enable AKN to acquire 100% ownership of the La Dura project at some future time.

AKN completed its initial due diligence review in May 2017 and elected to proceed to completion of the initial Bonito acquisition. AKN completed the initial 30% Bonito share acquisition in late October 2017.

Bonito's exploration team commenced preparations for an initial exploration drilling program to be carried out at La Dura later in the year. The drilling program commenced in late November and was finalized in mid-January 2018. Approximately 1700m of reverse circulation (RC) drilling was completed in this program.

AKN management continued to review and assess (in conjunction with JCHX Group management) various new copper and gold project opportunities for potential acquisition. No concluded agreement has yet been achieved and the review activities are ongoing.

Sale of Mount Isa Project Interests

During the course of 2017, AKN completed the sale to Hammer Metals Ltd (HMX) of all of its mining tenement interests in the Mount Isa region – these interests comprised AKN's 100% holdings in EPMs 12205, 14019 and 14022, together with a 51% joint venture interest in EPM 14467 (under the Mt Frosty Joint Venture with Mount Isa Mines Ltd – a Glencore Group company).

AKN received a total of 1,500,000 shares in HMX as consideration for the sale of the mining tenements. These shares were the subject of a voluntary restriction agreement that lapsed in November 2017.

Corporate Activities

The Company completed a name change to “AuKing Mining Limited” with approval from shareholders in May 2017.

AKN management continued to review and assess (in conjunction with JCHX Group management) various new copper and gold project opportunities for potential acquisition. These projects were situated both in Australia and overseas. No concluded agreement has yet been achieved and the review activities are ongoing.

DIRECTORS AND OFFICERS

The following persons were directors of AuKing Mining Limited (‘AKN’ or ‘the Company’) during the whole of the financial period and up to the date of this report, unless stated:

Dr Huaisheng Peng (Appointed 6/12/2016)

Non-Executive Chairman, BE (Mining), Executive MBA, PhD (Science)

Dr Peng is a Chinese citizen and professional senior mining engineer with over 25 years’ experience in the mining sector. He was born in 1964 and obtained a Mining Engineering Bachelor degree from the Northeast University in Shenyang, Liaoning, an EMBA degree from Tsinghua University, Beijing, and a PhD in Science from Central South University at Changsha, China. He is also a supervisor of PhD degree applicants.

From August 1984 to December 2007, Dr.Peng served in the China Nonferrous Engineering and Research Institute successively as Engineer, Senior Engineer, Vice Director, Vice President, and Deputy General Manager of China ENFI Engineering Corporation (China’s largest engineering firm).

Between 2008 and mid-2014 Dr Peng served in various roles with Aluminum Corp of China (“Chinalco”) including Executive Director and CEO of Hong Kong Stock Exchange-listed Chinalco Mining International Ltd (“CMI”). During this period Dr Peng oversaw construction and development of the large Toromocho copper mine in Peru as well as the stock market listing of CMI in Hong Kong.

Dr Peng is currently President of JCHX Group Co Ltd and a Director of Shanghai Stock Exchange-listed JCHX Mining Management Co Ltd.

Mr Paul Williams (Appointed 6/3/2013)

Managing Director, LLB, BA.

Mr Williams holds both Bachelor of Arts and Law Degrees from the University of Queensland and practised as a corporate and commercial lawyer with Brisbane legal firm Hopgood Ganim for 17 years. He ultimately became an equity partner of that firm before joining Eastern Corporation as their Chief Executive Officer in August 2004. In mid-2006 Mr Williams joined Mitsui Coal Holdings in the role of General Counsel, participating in the supervision of the coal mining interests and business development activities within the multinational Mitsui & Co group.

Mr Williams is well known in the Brisbane investment community as well as in Sydney and Melbourne and brings to the AKN Board a broad range of commercial and legal expertise – especially in the context of mining and exploration activities. He also has a strong focus on corporate governance and the importance of clear and open communication of corporate activity to the investment markets.

Mr Williams is a founding member of Equine Learning for Futures Inc., a charitable organization based in SE Queensland which provides horse-based workshops and programs for disadvantaged children and youths.

Mr Zewen Yang (Appointed 31/7/2007)

Executive Director, BA, MComm, MAICD

Mr Yang has more than 20 years’ experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China Non-Ferrous Metals Import and Export Company and has been with the Chinalco Yunnan Copper Industry (Group) Co. Limited since March 2004.

He has a Bachelor of Arts degree majoring in Economics and specialising in International Business from Sichuan University, China and a Masters degree of Commerce majoring in International Business from University of New South Wales.

Mr Qinghai Wang (Appointed 6/12/2016)

Non-Executive Director, MMGT and Fin

Mr Wang is a Chinese citizen, 35 years of age and holds a Masters Degree in Management and Finance from the University of Bath in the United Kingdom.

Mr Wang is currently Vice President and Director of JCMM and also the sole Director of AKN's largest shareholder, Bienitial International Industrial Co Ltd.

Mr. Wang previously served at JCMM in the roles of Auditor, Vice Manager of Legal & Securities Department, General Manager of HR Management Centre, and Assistant President. In his current position Mr Wang supervises the Human Resources and Information Technology divisions within JCHX Mining Management Co Ltd.

Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of AuKing Mining Limited are shown in the table below:

Director	Ordinary Shares
Huaisheng Peng	-
Qinghai Wang *	349,018,230
Paul Williams	10,707,173
Zewen Yang	-

* Shares are held by Biential International Industrial Co Ltd. Mr Wang is a Director of Biential International Industrial Co Ltd.

COMPANY SECRETARY

Mr Paul Marshall was the Secretary of AuKing Mining Limited throughout the period and until the date of this report.

Paul Marshall

Company Secretary and Chief Financial Officer, LLB, ACA

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Law degree, and a post Graduate Diploma in Accounting and Finance. He has 30 years professional experience having worked for Ernst and Young for ten years, and subsequently twenty years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its controlled entities ('Consolidated Entity') during the period was mineral exploration. There were no significant changes in the nature of the Consolidated Entity's principal activity during the period.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the period (2016: $nil).

FINANCIAL RESULTS

Capital structure
At 31 December 2017 the Company had 932,584,461 ordinary shares on issue.

Financial position
The Consolidated Entity had net assets and working capital of $67,443 at 31 December 2017. The majority of the Consolidated Entity's assets was cash reserves of $370,334.

Treasury policy
The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

Liquidity and funding
At 31 December 2017 the Consolidated Entity had cash reserves of $370,334 and working capital of $67,443. $750,000 remains available from the JCHX loan facility.

Operating Results

Revenue
As an early stage exploration company, AuKing Mining Limited does not generate any recurring income other than interest on its cash holdings.

Expenses
The Consolidated Entity's main expenses, excluding its share of loss on the Bonito Minerals investment, are as follows:

	December 2017 $
Employment and consultancy expenses	783,058
Depreciation expense	19,483
Project generation and other exploration expenditure	81,500
Administration expenses	380,324
Finance costs	548
Total	1,264,913

Comparison with Prior Year
For the 12 months ended 31 December 2017, the loss for the Consolidated Entity after providing for income tax was $2,248,131 (2016: $5,059,394)

After excluding the impact of the following non-recurring items:

- Equity accounted share of loss on Bonito Minerals
- Impairment charges;
- Refund of previously incurred project generation costs;
- Forgiveness of director fees; and
- Gains on disposal of equipment and exploration expenditure

the loss for the year ended December 2017 was in line with the loss for the year ended December 2016:

	December 2017 $	December 2016 $
Loss after income tax	(2,248,131)	(5,059,394)
Adjustments for non-recurring items		
Equity accounted share of loss on Bonito Minerals	1,000,000	-
Impaired projects	-	4,340,000
Refund of previously incurred project generation costs	-	(234,086)
Forgiveness of director fees	-	(218,475)
Gains on disposal of equipment and exploration expenditure	(4,091)	(82,567)
Non-IFRS Adjusted Loss after Income Tax*	(1,252,222)	(1,254,522)

** Non- IFRS Adjusted Loss after Income Tax is a non-IFRS measure however the Directors believe that it is a readily calculated measure that is appropriate to the circumstances of the Group.*

All else being equal, the Company expects a similar level of operating costs in 2018 with additional expenditure on project generation activities.

OPTIONS

As at the date of this report there were no options on issue. During the period no shares were issued following the exercise of options.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of AKN's principal activities during the year.

AFTER BALANCE DATE EVENTS

There have been no events since 31 December 2017 that impact upon the financial report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The growth strategy of AKN is based on two key foundations:

- Exploration and development of early-stage (but prospective) prospects that are secured by way of joint venture and farm-in arrangements; and
- Acquisition of interests in projects that are either in production or close to production,

both of which are aimed at AKN having significant holdings in operating (and therefore cashflow-generating) projects within the next two years as well as a pipeline of projects capable of becoming mining operations over the medium term.

As a consequence, this growth strategy will be achieved by:

- Careful management of AKN treasury;
- Focus on high quality copper, gold and other mineral projects; and
- Maintenance of a strong exploration and evaluation team that has been carefully recruited. AKN is maintaining its technical resources in order to grow the business in the current environment of opportunity.

ENVIRONMENTAL ISSUES

The Company is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the Company.

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

Remuneration Committee

The Board does not have a Remuneration and Nomination Committee. The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

Remuneration structure

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant employment market conditions for similar companies.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the Company's operational performance, specifically considering their success in:

- the identification of prospective tenements;
- subsequent design and execution of exploration programs;
- negotiating joint venture arrangements on terms favourable to the Company;
- investigating other potential acquisition opportunities and negotiating the completion of those acquisitions;
- expanding the level of mineral resources under the control of the company;
- carrying out exploration programs in a timely and cost effective manner; and
- liaising with stockbrokers, investment banks and market participants generally.

The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the Company and performance incentives which allow Executives to share the rewards of the success of the Company.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration and Executive Officers and Senior Management remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of AuKing Mining Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in the Annual General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for non-executive Directors' fees is for a total of $250,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Non-Executive Directors are entitled to be paid travel and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company.

Executive Directors and Senior Management remuneration

The Company aims to reward the Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. 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.

Fixed remuneration is reviewed annually by the Board, and the process consists of a review of both the Company's operational performance and individual performance, relevant comparative remuneration in the market and where appropriate, external advice provided by executive remuneration consultants.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Directors, Executives and employees.

The current employment agreement with the Managing Director has a six month notice period and in the case of the Executive Directors and with the CFO, there is a three month notice period.

All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses.

No retirement allowances for non-executive directors are paid.

<u>Managing Director</u>

The Managing Director, Mr Paul Williams is employed under an executive services contract entered into in March 2013. The contract had an initial three year period. The contract continued on the same terms and conditions for the year ended 31 December 2017 and remains current at the date of this report. Under the terms of the current contract Mr Williams' current remuneration package includes the following:

- Base salary of $300,000 per annum, inclusive of superannuation;

- Short term bonus of $50,000, payable upon the successful capital raising on the following terms:
    - Minimum of $5,000,000 raised;
    - Price no less than $0.20 per share;
    - Capital raising completed by 31 December 2013.

  These terms were not met and the bonus was not paid.

- 5,000,000 long term incentive performance shares, comprising 1,000,000 A, B and C Class shares and 2,000,000 D Class performance shares respectively.

  These performance shares are convertible into ordinary shares in the Company (on the basis of one ordinary share for each performance share) upon the occurrence of the following events:

- A Class shares – successful completion of a capital raising of at least $5M by the Company in 2013. These shares were issued on 6 December 2013 and subsequently lapsed on 31 December 2013 as the performance condition was not met;
- B Class shares – the 5 business day weighted average share price of the Company's shares on the ASX being at least 25c. These shares were issued on 6 December 2013 and subsequently lapsed on 6 December 2015 as the performance condition was not met;
- C Class shares - the 5 business day weighted average share price of the Company's shares on the ASX being at least 50c. These shares were issued on 6 December 2013 and subsequently lapsed on 6 December 2015 as the performance condition was not met; and
- D Class shares – the company achieving a positive EBITDA in respect of mining operations (either from current projects or a subsequently acquired project) for at least 3 consecutive months of operation. These shares were issued on 26 November 2014 and subsequently lapsed on 26 November 2017 as the performance condition was not met.

Executive Directors

An Executive Director, Mr Zewen Yang, is employed under an executive services contract entered into in July 2008. The contract had a service term of three years and continues to be extended pending a formal review is expected to be completed in the first half of 2018. Under the terms of the current contract Mr Yang's current remuneration package includes the following:

Base salary of $155,520.

Mr Yang is also able to earn a bonus as determined by the Board. The bonus will be determined by the Board of the Company at the end of each financial year. Payment of any or all of the Bonus will be at the sole discretion of the Company acting reasonably. In exercising its discretion and in determining whether, acting reasonably, all or part of the bonus is to be paid, the Board of the Company must consider matters including, but not limited to:-

Whether the Executive has met performance objectives to be agreed to by the Board of the Company and the Executive from time to time;

The performance of the Company's share price on ASX that may be attributed to the Executive's performance;

The Company's ability to secure relevant acquisitions to be made by the Company; and

The Company's financial performance for the preceding twelve (12) month period and specifically, whether the Company has successfully grown revenue.

Company Secretary and CFO

The Company Secretary and CFO, Mr Paul Marshall, is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on services provided. The contract provides for a three month notice period.

(a) Details of Directors and other Key Management Personnel

Directors

- Huaisheng Peng — Non-Executive Chairman
- Qinghai Wang — Non-Executive Director
- Paul Williams — Managing Director
- Zewen Yang — Executive Director

Key Management Personnel

- Paul Marshall — Company Secretary and CFO

(b) Remuneration of Directors and other Key Management Personnel

31 December 2017	Short Term			Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Other	Superan-nuation	Retirement benefits	Options and performance shares	Total	Performance Related %	% consisting of equity
Directors									
Huaisheng Peng	36,000	-	-	-	-	-	36,000	-	-
Qinghai Wang	30,000	-	-	-	-	-	30,000	-	-
Paul Williams	273,973	-	-	26,027	-	-	300,000	-	-
Zewen Yang	155,520	-	-	-	-	-	155,520	-	-
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	-	52,000	-	-
	547,493	-	-	26,027	-	-	573,520	-	-

31 December 2016	Short Term			Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Forgiveness of fees	Superan-nuation	Retirement benefits	Options and performance shares	Total	Performance Related %	% consisting of equity
Directors									
Huaisheng Peng [1]	2,564	-	-	-	-	-	2,564	-	-
Qinghai Wang [2]	2,137	-	-	-	-	-	2,137	-	-
Paul Williams	273,973	-	-	26,027	-	-	300,000	-	-
Zewen Yang	155,520	-	-	-	-	-	155,520	-	-
Xiancheng Wang [3]	21,250	-	-	-	-	-	21,250	-	-
Zhihua Yao [4]	33,000	-	(218,475)	-	-	-	(185,475)	-	-
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	-	52,000	-	-
	540,444	-	(218,475)	26,027	-	-	347,996	-	-

[1] Huaisheng Peng receives annual fees of $36,000 per annum. Dr Peng was appointed as Chairman on 6 December 2016.

[2] Qinghai Wang receives annual fees of $30,000 per annum. Mr Wang was appointed as Non-Executive director on 6 December 2016.

[3] Xiancheng Wang received annual fees of $30,000 per annum. Mr Wang was appointed as Non-Executive director on 16 March 2016 and resigned on 1 December 2016.

[4] Zhihua Yao received annual fees of $36,000 per annum. Mr Yao resigned from the Board on 1 December 2016. Upon resignation Mr Yao waived his right to unpaid director fees totalling $218,475.

(c) Shares issued on exercise of remuneration options or performance shares

There were no shares issued on the exercise of compensation options or performance shares during the period

(d) Director and Key Management Personnel Equity Holdings

Director/Key Management Personnel share holdings (number of shares)

December 2017	Opening Balance	Granted as remuneration	Purchased	Net change on appointment/ resignation	Closing Balance
Directors					
Huaisheng Peng	-	-	-	-	-
Qinghai Wang [1]	349,018,230	-	-	-	349,018,230
Paul Williams	10,707,173	-	-	-	10,707,173
Zewen Yang	-	-	-	-	-
Key Management Personnel					
Paul Marshall	5,000,000	-	-	-	5,000,000

[1] Shares are held by Bienitial International Industrial Co Ltd. Mr Wang is a Director of Bienitial International Industrial Co Ltd.

Performance shares

Paul Williams	D Class
Outstanding at beginning of period	2,000,000
Granted	-
Forfeited	-
Converted	-
Expired	(2,000,000)
Outstanding at period end	-

(e) Additional Information

The factors that are considered to affect shareholder return since over the last 5 financial periods are summarised below:

Measures	December 2017 $	December 2016 $	December 2015 $	June 2014 $	June 2013 $
Share price at end of financial period	0.006	0.008	0.026	0.025	0.045
Market capitalisation at end of financial period ($M)	5.60	7.10	12.30	6.96	11.16
Loss for the financial period	2,248,131	5,059,394	9,112,524	11,331,155	7,808,248
Cash investment in exploration programs	750,000	82,561	1,431,528	2,630,260	3,673,171
Director and Key Management Personnel remuneration	573,520	347,996	543,520	675,296	677,786

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for directors key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of directors and key management personnel with those of the Company's shareholders.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each Director and the Secretary of the Company has the right of access to all relevant information.

The Company has insured all of the Directors of AuKing Mining Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of directors) held during the period and the number of meetings attended by each Director was as follows:

	Directors' Meetings	
	A	B
Huaisheng Peng	4	4
Qinghai Wang	4	4
Paul Williams	4	4
Zewen Yang	4	4

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the period

NON-AUDIT SERVICES

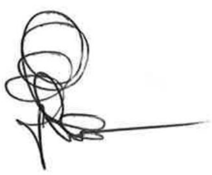
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

No non-audit services were provided by the auditor of the parent entity, Ernst & Young and its related practices.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the directors.



Paul Williams
Director
27 March 2018

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of AuKing Mining Limited

As lead auditor for the audit of AuKing Mining Limited for the financial year ended 31 December 2017, I declare 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 AuKing Mining Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Carrick
Partner
27 March 2018

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 22 March 2018.

(a) Distribution of equity securities – AKN Ordinary Fully Paid Shares

Range	Securities	No. of holders	%
100,001 and Over	909,375,220	274	20.42
10,001 to 50,000	20,204,235	504	37.56
5,001 to 10,000	2,284,790	279	20.79
1,001 to 5,000	505,674	156	11.62
1 to 1,000	34,542	129	9.61
Total	**932,404,461**	**1,342**	**100.00**
Unmarketable Parcels	20,029,241	1,038	77.35

(b) Twenty largest holders

Rank	Name	No. Shares	%
1	BIENITIAL INTERNATIONAL INDUSTRIAL CO LTD #	349,018,230	37.43
2	YUNNAN COPPER INDUSTRY (GROUP) CO LIMITED #	299,922,326	32.17
3	MR DUDLEY ROY LEITCH	15,204,108	1.63
4	TRIMIN PTY LTD	15,163,208	1.63
5	BILLY FLESHMAN	15,163,208	1.63
6	MR PAUL ROBERT WILLIAMS & MS JILL CAROLINE STRACHAN	10,357,173	1.11
7	MR PETER GERARD TIGHE & MRS PATRICIA JOAN TIGHE	10,033,333	1.08
8	MR BARRY EDWARD TANTON & MRS ELIZABETH MARY TANTON	7,500,000	0.80
9	ELLIOTT NOMINEES PTY LTD	7,150,000	0.77
10	MR NORMAN JOSEPH ZILLMAN	6,980,343	0.75
11	CITICORP NOMINEES PTY LIMITED	6,437,557	0.69
12	MR JONATHAN PAUL KERSHAW MARSHALL	5,000,000	0.54
13	MR IANAKI SEMERDZIEV	4,750,000	0.51
14	LEMUEL INVESTMENTS LIMITED	4,000,000	0.43
15	PREMAR CAPITAL NOMINEES PTY LIMITED	3,633,333	0.39
16	MR GREGORY JOHN BURTON & MRS CATHERINE BEATRICE BURTON	3,525,000	0.38
17	MR JEFFREY HOWARD LATIMER & MRS JUDITH ANN LATIMER	3,500,000	0.38
18	MR MARK ANDREW TKOCZ	3,240,940	0.35
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,106,016	0.33
20	MR LAWRENCE CHI-YUN LEE	3,069,988	0.33
	Total	**776,754,763**	**83.31**
	Balance of register	**155,649,698**	**16.69**
	Grand Total	**932,404,461**	**100.00**

Substantial Shareholder

(c) Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

(d) Interests in Exploration Tenements

AuKing Mining Limited held the following interests in mining and exploration tenements as at 31 December 2017:

Project/Location	Tenement Reference	AKN %Interest
Pentland - QLD	ML 1631	100 [1]

1 *During the course of 2017 AKN took steps to have this mining lease surrendered.*

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	2017 $	2016 $
Finance income		8,691	7,610
Gain on disposal of plant and equipment		4,091	52,567
Gain on disposal of exploration expenditure		15,500	30,000
Refund on previously incurred project generation costs		-	234,086
Fair value movement on available-for-sale financial assets	4	(11,500)	22,018
Employment and consultancy expenses		(783,058)	(571,226)
Depreciation expense		(19,483)	(24,430)
Impairment of exploration expenditure	5	-	(4,340,000)
Project generation and other exploration costs expensed		(81,500)	(82,561)
Administration expenses		(380,324)	(387,458)
Finance costs	8	(548)	-
Share of equity accounted associate loss	3	(1,000,000)	-
Loss before income tax		(2,248,131)	(5,059,394)
Income tax expense	13	-	-
Loss for the period		(2,248,131)	(5,059,394)
Loss after income tax		(2,248,131)	(5,059,394)
Other comprehensive income/(loss)			
Items that subsequently may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		-	-
Loss on available for sale financial assets		10,000	(10,000)
Income tax		-	-
Other comprehensive income/(loss) for the period, net of tax		10,000	(10,000)
Total comprehensive loss		(2,238,131)	(5,069,394)

		Cents	Cents
Earnings per share			
Basic and diluted loss per share	12	(0.25)	(0.80)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet
As at 31 December 2017

		2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	2	370,334	2,092,169
Trade and other receivables		9,594	15,433
Other current assets		29,595	28,192
Non-current assets held for sale	3	-	60,000
TOTAL CURRENT ASSETS		409,523	2,195,794
NON-CURRENT ASSETS			
Other receivables		12,987	20,257
Available for sale financial assets	4	94,000	20,000
Equity accounted investment	3	-	-
Plant and equipment		6,049	25,527
TOTAL NON-CURRENT ASSETS		113,036	65,784
TOTAL ASSETS		522,559	2,261,578
CURRENT LIABILITIES			
Trade and other payables	6	46,405	67,132
Borrowings	8	250,548	-
Employee benefit provisions	7	45,137	25,846
TOTAL CURRENT LIABILITIES		342,090	92,978
TOTAL LIABILITIES		342,090	92,978
NET ASSETS		**180,469**	**2,168,600**
EQUITY			
Share capital	9	42,630,609	42,380,609
Reserves	10	389,457	379,457
Accumulated losses		(42,839,597)	(40,591,466)
TOTAL EQUITY		**180,469**	**2,168,600**

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

Consolidated Entity	Share Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 January 2016	39,492,960	389,457	(35,532,072)	4,350,345
Transactions with owners in their capacity as owners				
Issue of share capital	2,956,320	-	-	2,956,320
Share issue costs	(68,671)	-	-	(68,671)
Comprehensive income				
Loss after income tax	-	-	(5,059,394)	(5,059,394)
Other comprehensive income	-	(10,000)	-	(10,000)
Balance at 31 December 2016	42,380,609	379,457	(40,591,466)	2,168,600
Balance at 1 January 2017	42,380,609	379,457	(40,591,466)	2,168,600
Transactions with owners in their capacity as owners				
Issue of share capital	250,000	-	-	250,000
Share issue costs	-	-	-	-
Comprehensive income				
Loss after income tax	-	-	(2,248,131)	(2,248,131)
Other comprehensive income	-	10,000	-	10,000
Balance at 31 December 2017	42,630,609	389,457	(42,839,597)	180,469

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Refund on previously incurred project generation costs		-	234,086
Payments to suppliers and employees		(1,238,687)	(1,285,258)
Interest received		8,691	7,610
Other income received		-	22,018
Net cash used in operating activities	2	(1,229,996)	(1,021,544)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit refunds/(payments)		4,070	-
Proceeds from the disposal of plant & equipment		4,091	69,182
Payments for equity accounted investment		(750,000)	-
Net cash provided by/(used in) investing activities		(741,839)	69,182
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	2,956,320
Capital raising costs paid		-	(68,671)
Proceeds from borrowings - shareholder loan	2	250,000	-
Net cash provided by financing activities		250,000	2,887,649
Net increase/(decrease) in cash and cash equivalents		(1,721,835)	1,935,287
Cash and cash equivalents at the beginning of the period		2,092,169	156,882
Cash and cash equivalents at the end of the period	2	370,334	2,092,169

The Consolidated Cash Flow Statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of AuKing Mining Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). AuKing Mining Limited is a listed public company, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

Operations and principal activities
The principal activity of the Consolidated Entity is mineral exploration.

Currency
The financial report is presented in Australian dollars, which is the functional currency of the Company, and is rounded to the nearest one dollar.

Authorisation of financial report
The financial report was authorised for issue on 27 March 2018.

Comparative figures
When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Key estimates – impairment
The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Going Concern

As at 31 December 2017, the Consolidated Entity had cash and cash equivalent of $370,334 and committed, undrawn loan facilities with a shareholder of $749,452. The cumulative amount of this funding is regarded as sufficient to meet the Consolidated Entity's corporate and administrative activities for the financial year ending 31 December 2018. However, the available cash and loan facility amounts are not sufficient to fund for the Consolidated Entity's due diligence, analysis and investment in known and emerging investment opportunities. Moreover, the maturity date of the Consolidated Entity's shareholder loan is 31 December 2018 at which time the Consolidated Entity is required to repay the loan and accrued interest amounts in full.

The Consolidated Entity does not generate revenue to fund operations and ongoing investment in exploration activities. The ability of the Consolidated Entity to continue as a going concern is dependent on its ability to raise additional equity.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern (continued)

If a project is acquired, the Consolidated Entity will need to conduct further capital raising activities, with both existing shareholders (by way of an entitlement offer) and to new investors, to fund the acquisition and evaluation of the project. Depending on the nature of the acquisition and project, debt financing may also be secured. As at the date of this report, no firm funding facilities are in place. If there are delays in sourcing equity funding for planned activities when the need arises, the Company has plans in place to scale back its activities and budgeted expenditure until adequate funding is obtained.

Based on the success of previous capital raisings, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

The Directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due.

No adjustment has been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New accounting standards and interpretations

The Consolidated Entity has adopted the new Accounting Standard and Interpretations which commenced during the period. The adoption of these standards did not have an impact on the Group's financial position, financial performance or disclosures.

(b) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. ***Classification and measurement*** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. ***Financial assets*** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. ***Financial liabilities*** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

Reference	Title	Summary
		Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after **1 January 2015**.
AASB 15	*Revenue from Contracts with Customers*	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.
IFRS 16	Leases	The key features of IFRS 16 are as follows: **Lessee accounting**

Reference	Title	Summary
		• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • IFRS 16 contains disclosure requirements for lessees. **Lessor accounting** • IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes: (a) IAS 17 Leases; (b) IFRIC 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]	This standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled
Annual Improvements to IFRS Standards 2014–2016 Cycle	Annual Improvements to IFRS Standards 2014–2016 Cycle	This amending standard addresses the following: • IFRS 12 Disclosure of Interests in Other Entities Clarification of the scope of the Standard (effective date 1 January 2017) • IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective date 1 January 2018)

Reference	Title	Summary
		• IAS 28 Investments in Associates and Joint Ventures - Measuring an associate or joint venture at fair value. (effective date 1 January 2018)

The Group has not yet finalised its assessment of the effect to the adoption of IFRS 9. The Group does not expect the adoption of this Standard will have a material impact on the Group's financial assets or financial position but it may affect the Group's financial performance and disclosures depending on the transition approach adopted by the Group..

The adoption of the remaining Standards is not expected to have a material impact on the Group's financial assets or financial position, financial performance or disclosures.

In particular, as the group does not presently generate revenues, outside of interest on bank deposits, we do not expect the impact of AASB 15 to be material on the Group

NOTE 2 CASH AND CASH FLOW INFORMATION

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

	December 2017 $	December 2016 $
Reconciliation of cash flows used in operations with loss after income tax		
Loss after income tax	(2,248,131)	(5,059,394)
Non-cash items in loss after income tax		
Depreciation	19,483	24,430
Interest expense	548	-
Impairment of exploration expenditure	-	4,340,000
Gain on equity interest	11,500	-
Gain on disposal of plant and equipment	(4,091)	(52,567)
Gain on disposal of exploration expenditure	-	(30,000)
Share of equity accounted associate loss	1,000,000	-
Gain on HMX shares	(15,500)	-
Movements in assets and liabilities		
Other receivables	5,839	5,831
Other assets	(1,403)	11,931
Trade payables and accruals	(17,532)	(242,593)
Provisions	19,291	(19,182)
Cash flow from operations	(1,229,996)	(1,021,544)

Reconciliation of cash

Cash at the end of the financial period as shown in the statements of cash flows is reconciled to items in the balance sheet as follows:

Cash on hand and at bank	327,446	2,051,140
Cash on deposit	42,888	41,029
	370,334	2,092,169

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Reconciliation of cash and non-cash movements in borrowings for the year

Opening balance at 1 January	-	-
Cash movements in borrowings		
Drawdowns	250,000	-
Non-cash movements in borrowings		
Accrued interest	548	-
Closing balance	250,548	-

NOTE 3 EQUITY ACCOUNTED INVESTMENTS

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Consolidated Entity's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Consolidated Entity's share of the results of operations of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Consolidated Entity. When necessary, adjustments are made to bring the accounting policies in line with those of the Consolidated Entity.

Bonito Minerals

During the year, the Consolidated Entity entered into an agreement to acquire a 30% interest in Bonito Minerals Pty Ltd ("Bonito"). Bonito is a private company registered in Australia. Through its wholly owned Mexican subsidiary, Bonito holds an option to purchase the "La Dura" gold/silver project area across five mining concessions located in Durango State, Mexico. The primary focus of Bonito is drilling and other exploration activities over the mining concessions.

AKN invested a total of $1,000,000 to acquire 30% of Bonito through a two-staged process:

- Payment of $350,000 cash and the issue of $125,000 AKN shares to acquire an initial 14.2% shareholding in Bonito (completed in July 2017); and
- Payment of $400,000 cash and the issue of $125,000 AKN shares in AKN to acquire a further 15.8% interest in Bonito – (completed in October 2017).

In applying the Consolidated Entity's accounting policy for exploration costs to Bonito's underlying financial information (to ensure uniformity with the Consolidated Entity's own accounting policy), it was assessed the exploration costs incurred by Bonito were not sufficiently probable of recovery through the successful development or sale of the Bonito project to satisfy the Consolidated Entity's exploration asset recognition criteria.

AKN had an option to acquire additional Bonito shares with the payment of $500,000 to Bonito by 31 January 2018 in return for a further 6.66% shareholding in Bonito.

Due to the delays experienced with the drilling program and assay results, AKN sought an extension of time until 28 February 2018 to exercise the option. This extension was sought on the assumption that detailed technical information about the whole program would be made available to AKN and AKN could make a full assessment about the La Dura project armed with all the latest La Dura exploration results. Bonito elected not to grant such an extension to AKN.

The Board of AKN has decided not to proceed with the further $500,000 option, and as such this option (and the later $1,000,000 option that was due for exercise by 31 October 2018) has lapsed.

Consistent with the Board's decision to not proceed with the above option, the Consolidated Entity elected to reduce the remaining carrying amount of the equity account investment to $nil at 31 December 2017.

Summarised financial information – Bonito Minerals at 100%

Summarised Income Statement	December 2017 $
Exploration expenditure incurred	(631,599)
Administration expenses	(51,272)
Loss before income tax	(682,871)
Income tax expense	-
Loss after income tax	(682,871)
Other comprehensive income/(loss)	-
Total comprehensive loss	(682,871)

NOTE 3 EQUITY ACCOUNTED INVESTMENTS (continued)

Summarised Balance Sheet	December 2017 $
CURRENT ASSETS	
Cash and cash equivalents	512,369
Trade and other receivables	3,329
TOTAL CURRENT ASSETS	515,698
NON-CURRENT ASSETS	
Plant and equipment	1,635
TOTAL NON-CURRENT ASSETS	1,635
TOTAL ASSETS	517,333
CURRENT LIABILITIES	
Trade and other payables	517,333
TOTAL CURRENT LIABILITIES	517,333
TOTAL LIABILITIES	517,333
NET ASSETS	**-**

Reconciliation to carrying amount	December 2017 $
Opening balance	-
Investments in Bonito	
Investment in Bonito - cash	750,000
Investment in Bonito – AKN shares	250,000
Total investment	**1,000,000**
Share of loss	
Share of loss (30%)	(204,861)
Impairment of residual carrying amount	(795,139)
Total share of loss	**(1,000,000)**
Carrying value of equity accounted investment	**-**

	December 2017 $	December 2016 $
NOTE 4 AVAILABLE FOR SALE FINANCIAL ASSETS		
Shares in Hammer Metals Limited ("HMX")	94,000	20,000

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Level 1 Investments: Quoted prices (unadjusted) in active markets for identical assets

For the year ended 31 December 2017 the value of the listed shares was based on the closing price of Hammer Metals Limited securities as quoted on the ASX on 31 December 2017. Total unrealized gains/(losses) for the year included in profit and loss that relate to available-for-sale financial assets was ($11,500) (2016: $22,018).

NOTE 5 EXPLORATION EXPENDITURE

Exploration expenditure movements		
Opening balance	-	4,400,000
Net current period expenditure	-	-
Impairment of exploration expenditure	-	(4,340,000)
Transfer to non-current asset held for sale	-	(60,000)
	-	-

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest.

Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

Impairment of exploration expenditure

During the prior year, the Consolidated Entity entered into an agreement with Hammer Metals Ltd (HMX) to sell all of AKN's existing mining tenement holdings in the Mount Isa region.

Under the sale, AKN received 1,500,000 ordinary shares in HMX which will be capable of being traded on the ASX, save for a voluntary escrow commitment by AKN until October 2017. The value of the HMX shares at 31 December 2016 was $60,000.

Consequently, the Consolidated Entity has impaired the value of the exploration expenditure by $4,340,000 down to a recoverable value of $60,000 and the remaining balance reclassified as a non-current asset held for sale as at 31 December 2016.

During the current financial year, the Consolidated Entity completed the sale of the mining tenements to HMX and received the 1,500,000 HMX shares as consideration. The Consolidated Entity continues to hold the HMX shares at 31 December 2017 (refer Note 4).

	December 2017 $	December 2016 $
NOTE 6 TRADE & OTHER PAYABLES		
Trade payables	26,071	38,123
Other payables and accrued expenses	20,334	24,308
Payable to directors	-	4,701
	46,405	67,132

A liability is recorded for goods and services received prior to balance date, whether invoiced to the Consolidated Entity or not. Trade payables are normally settled within 30 days.

NOTE 7 EMPLOYEE BENEFITS PROVISIONS

Employee benefits	45,137	25,527

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

NOTE 8 BORROWINGS

Shareholder loan	250,548	-

Shareholder loan

Shareholders loans are measured at amortised cost. Amortised cost is the amount at which the financial liability is measured at initial recognition less principal repayments and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial liability.

The shareholder loan is unsecured. The facility has a fixed interest rate of 8% per annum. The shareholder loan expires 31 December 2018. The fair value of the shareholder loan approximates its carrying amount at 31 December 2017.

Financing Facilities

The Consolidated Entity has access to the following lines of credit:

	December 2017 $	December 2016 $
Total shareholder loan facility available	1,000,000	-
Shareholder loan facility used at balance date	(250,548)	-
Unused shareholder loan facility at balance date	749,452	-

Restrictions as to use or withdrawal

The shareholder loan is not subject to any covenants or restrictions.

Terms and conditions

The shareholder loan may be drawn at any time and have a remaining maturity of 1 year. The shareholder loan is principal and interest which amortise equally over the loan period.

NOTE 9 SHARE CAPITAL

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	December 2017 $	December 2016 $
Fully paid ordinary shares	42,630,609	42,380,609

Ordinary Shares

	December 2017 $	December 2016 $	December 2017 Number	December 2016 Number
At the beginning of the period	42,380,609	39,492,960	886,914,837	473,027,475
Shares issue for Bonito Stage 1 at $0.053 per share	125,000	-	23,809,443	-
Shares issue for Bonito Stage 2 at $0.057 per share	125,000	-	21,860,181	-
Share placement at $0.010 per share	-	1,182,490	-	118,249,000
Rights issue at $0.006 per share	-	1,773,830	-	295,638,362
Share issue expenses	-	(68,671)	-	-
At reporting date	42,630,609	42,380,609	932,584,461	886,914,837

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	December 2017 $	December 2016 $
NOTE 10 RESERVES		
Share based payment reserve	559,903	559,903
Foreign currency translation reserve	(170,446)	(170,446)
Available for sale financial asset reserve	-	(10,000)
	389,457	379,457

Share based payment reserve
The share based payments reserve is used to record the value of share based payments provided to directors and employees as part of their remuneration.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Available for sale financial asset reserve
The available for sale financial asset reserve is used to record changes in the market value of the Consolidated Entity's HMX shares. At 31 December 2017, the decline in market value of the Consolidated Entity's HMX shares has been recorded in profit and loss as an impairment.

NOTE 11 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the period. There are no franking credits available to the shareholders of the Company.

NOTE 12 EARNINGS PER SHARE

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	December 2017 $	December 2016 $
Total losses used to calculate basic and dilutive EPS	(2,248,131)	(5,059,395)
	2017 **Number**	**2016** **Number**
Weighted average number of ordinary shares outstanding during the period	901,913,097	632,473,198
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in calculating EPS and dilutive EPS	901,913,097	632,473198
Basic and diluted loss per share - cents	**(0.25)**	**(0.80)**

	December 2017 $	December 2016 $

NOTE 13 INCOME TAX

Income tax expense

The income tax expense for the period comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income.

A reconciliation of income tax expense/(benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the periods ended 31 December 2017 and 31 December 2016 is as follows:

Accounting loss before income tax	(2,248,131)	(5,059,395)
Tax at the Australian tax rate of 30%	(674,439)	(1,517,819)
Non-deductible/(assessable) items	2,031	(65,870)
Deductions arising from capital raising expenses	-	(18,669)
Deferred tax assets not bought to account	672,408	1,602,358
Income tax expense	-	-

Current tax liabilities

Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority. The Consolidated Entity did not have any current tax liabilities at 31 December 2017 (2016: Nil).

Deferred tax balances

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses. Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Future income tax benefits in relation to tax losses have not been brought to account at this stage as it is not probable the benefit will be utilised. The temporary differences and tax losses do not expire under current tax legislation.

	December 2017 $	December 2016 $
NOTE 13 INCOME TAX (continued)		
Unrecognised temporary differences and tax losses		
Tax losses	30,590,437	28,349,076
Recognised temporary differences and tax losses		
Deferred tax assets and liabilities are attributable to the following:		
Provisions	13,541	7,754
Other	(8,879)	(16,590)
Deferred tax assets attributed to temporary differences not recognised	(4,670)	-
Tax losses carried forward	-	8,836
Net deferred tax liability/(asset)	-	-

Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

NOTE 14 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

	December 2017 $	December 2016 $
Summary		
Short-term employee benefits	547,493	321,969
Post-employment benefits	26,027	26,027
Share-based payments	-	-
	573,520	347,996

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 13.

Amounts owed to Key Management Personnel

$Nil is owed to Directors for unpaid director fees (December 2016: $4,701). These amounts were at call and did not bear interest.

NOTE 15 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is foreign exchange risk.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 31 December 2017.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions.

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 the Consolidated Entity.

The credit quality of cash and cash equivalents is considered strong. The counterparty to these financial assets are large financial institutions with strong credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Consolidated Entity did not have any financing facilities available at balance date.

The Consolidated Entity does not have any material exposure to liquidity risk.

(c) Market Risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Consolidated Entity does not have any material exposure to market risk.

(d) Capital Risk Management

When managing capital, the director's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Consolidated Entity may seek to issue new shares.

Consistent with other exploration companies, the Consolidated Entity monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. The Consolidated Entity has no minimum capital requirements.

The Consolidated Entity has yet to establish a formal policy for raising capital through debt instruments. The directors will introduce such a policy when it becomes prudent for the Consolidated Entity to consider raising funds through debt.

NOTE 15 FINANCIAL RISK MANAGEMENT (continued)

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 16 SEGMENT REPORTING

Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

For the current period, management currently identifies the Consolidated Entity as having only one reportable segment during the period, being exploration for minerals in Mexico through its interest in Bonito Minerals.

NOTE 17 COMMITMENTS

	December 2017 $	December 2016 $
Operating leases		
Minimum lease payments:		
Payable within one year	-	5,500
Payable between one year and five years	-	-
Total contracted at balance date	-	5,500

The minimum future payments above relate to non-cancellable operating leases for offices and accommodation.

Future exploration

The Consolidated Entity currently does not have any obligations to expend minimum amounts on exploration in tenement areas.

NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2017 (31 December 2016: Nil).

	December 2017 $	December 2016 $
NOTE 19 AUDITORS' REMUNERATION		
Remuneration paid for:		
Auditing and reviewing the financial report		
- Ernst & Young	43,000	35,000

NOTE 20 EVENTS AFTER BALANCE SHEET DATE

There have been no other events since 31 December 2017 that impact upon the financial report.

NOTE 21 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is AuKing Mining Limited.

	December 2017	December 2016
	$	$
Parent Entity Financial Information		
Current assets	396,962	2,176,422
Non-current assets	113,036	65,784
Total assets	509,998	2,242,206
Current liabilities	339,591	90,478
Non-current liabilities	-	-
Total liabilities	339,591	90,478
Net assets	170,407	2,151,728
Share capital	42,630,609	42,380,609
Reserves	559,903	549,903
Accumulated losses	(43,020,105)	(40,778,784)
Total equity	170,407	2,151,728
Loss after income tax	(2,241,320)	(5,057,843)
Other comprehensive income	10,000	(10,000)
Total comprehensive loss	(2,231,320)	(5,067,843)

Controlled Entities of the Parent Entity

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

NOTE 21 PARENT ENTITY INFORMATION (continued)

	Percentage Owned		
	2017	2016	
	%	%	Country of Incorporation
China Yunnan Copper Australia Chile Limitada	100%	100%	Chile

China Yunnan Copper Australia Chile Limitada is currently in the process of being wound up.

Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date.

DIRECTORS' DECLARATION

In the Directors opinion:

(a) the attached consolidated financial statements and notes that are set out on pages 17 to 38 and the remuneration report set out on pages 9 to 13 in the Directors' Report are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including:

   (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the financial period ended on that date.

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1 to the consolidated financial statements; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.

Paul Williams
Director

27 March 2018

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent auditor's report

To the Shareholders of AuKing Mining Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of AuKing Mining Limited ("the Company"), including its subsidiary ("the Group"), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 consolidated financial position as at 31 December 2016and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Accounting for the Group's Equity Accounted Investment

Why significant	How our audit addressed the key audit matter
As detailed in Note 3 to the financial report, the Group acquired a 30% interest in Bonito Minerals Pty Ltd ("Bonito") during the financial year ended 31 December 2017. The matter is a key audit matter due to the judgement required in accounting for the investment under the equity method and its significance to the Group's financial performance for the year.	In obtaining sufficient audit evidence, we evaluated: • The Group's assessment it obtained significant influence over Bonito and its consequential decision to account for its investment using the equity method; and • The Group's application of the equity method when accounting for the investment. We also performed the following: • Read the Investment Agreement and Shareholder Deed executed between the Group, Bonito and Bonito's pre-existing shareholders to understand the rights and obligations of the various parties; • Tested the Group's cash and share contributions for the investment; • Considered the adjustments made by the Group to ensure uniformity of accounting policies • Considered the Group's accounting for its share of Bonito's loss for the period since acquisition and agreed amounts to underlying financial information and related supporting documents; • Assessed the Group's decision to recognise a further impairment loss as part of its share of Bonito's loss for the period ended 31 December 2017; and • Assessed the sufficiency of the note disclosure of this equity accounted investment.

Information Other than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 upon 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 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 Group'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 Group or 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 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 this financial report.

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

- Identify and assess the 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the 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 the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the Directors' Report for the year ended31 December 2017.

In our opinion, the Remuneration Report of AuKing Mining Limited for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Andrew Carrick
Partner
Brisbane
27 March 2018