



FINANCIAL REPORT

For the half-year ended 30 June 2018

CORPORATE DIRECTORY

Board of Directors 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	Head Office Suite 11, Level 4 Christie Centre 320 Adelaide Street Brisbane QLD 4000 Telephone: 07 3041 1306 Email: admin@aukingminig.com Website: www.aukingminig.com.au
Auditors Ernst and Young Level 51 111 Eagle Street Brisbane QLD 4000 Telephone: 07 3011 3333 Fax: 07 3011 3100 Website: www.ey.com	Share Registry Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au

DIRECTORS' REPORT

Your directors present their report on AuKing Mining Limited for the half-year ended 30 June 2018.

DIRECTORS

The following persons were directors of AuKing Mining Limited ('AKN' or the 'Company') during the whole of the half-year and up to the date of this report, unless stated:

Dr Huaisheng Peng	<i>(Chairman)</i>
Paul Williams	<i>(Managing Director)</i>
Zewen (Robert) Yang	<i>(Executive Director)</i>
Qinghai Wang	<i>(Non-Executive Director)</i>

REVIEW OF OPERATIONS

For the half-year ended 30 June 2018 the Company and its Controlled Entities ("Controlled Entity") made a loss of \$618,241.

AKN is continues to focus on transforming the Company into a substantial mid-tier mining group, with a primary focus on acquiring and developing near-term copper, gold and other base metal production activities (both locally and overseas).

Bonito Minerals - La Dura, Mexico

On 27 April 2017, the Company announced that it had entered into a binding term sheet with Bonito Minerals Pty Ltd ("Bonito"), the holder of an option to purchase five (5) mining concessions that comprise the La Dura project in Mexico.

The La Dura project is located approximately 275kms NW of the city of Durango, Durango State and locally about 2.3km E of the village of El Durazno. Average altitude of the project area is 2,200m above sea level. The project sits within the famous Sierra Madre Occidental – a belt that has historically produced approximately 40 million ounces of gold and 2 billion ounces of silver over the last 400 years. The significant resources and production activities from the Sierra Madre Occidental help Mexico to become the largest producer of silver in the world, with 189.5Moz of silver produced in 2015 (20% of world production).

Bonito's exploration team commenced preparations for an initial exploration drilling program that was carried out at La Dura in late November and was finalized in mid-January 2018. Approximately 1700m of reverse circulation (RC) drilling was completed in this program. Bonito conducted the initial RC drill program based on early sampling results and before full geological mapping or target definition was completed within the concession area. Drill sites were selected based on existing roads, minimal site disturbance, ease of access and quickest environmental approval rather than geological merit as the primary factor. This approach was at the request of AKN. Bonito attempted to select drill sites within the time and environmental constraints that may intersect mineralised zones similar to those exploited by the previous mining activity. Care had to be taken not to intersect existing workings since the survey accuracy of the workings had not been verified. This further affected the outcome of the drilling program, with drill holes being located at safe distances from the old mine workings, which may also have limited the goals of the program.

During the 2017/2018 drilling program 11 drill holes were drilled at 10 drill sites. Drill hole number LD-006 was lost because of encountering bad ground condition, including historic workings that were not anticipated. LD-007 was drilled on the same drill pad but at a small offset and at a steeper angle. Both gold and silver assays were less than anticipated. However, the zones of mineralization intersected could be in the upper levels of an epithermal system and should be further tested by core drilling deeper into the system. Gold assays were from below detection to a high of 7.83g/t and a corresponding silver assay of 187g/t (hole LD-007). Silver values ranged from below detection to a high of 297 g/t Ag and a corresponding gold grade of 6.86 g/t Au (hole LD-011).

The drilling program at La Dura exhausted the funds previously contributed by AKN to Bonito. To carry out further exploration activities, Bonito will need to raise additional funding. As AKN has advised the market on 2 February 2018, the Option Agreement between AKN and Bonito (whereby an additional \$1.5M may have been contributed by AKN) lapsed. There are no agreements in place at the present time for future funding of Bonito activities at La Dura. Discussions are continuing between AKN and Bonito as to how additional funding may be obtained.

Other Acquisition Opportunities

In addition to Bonito Minerals, the Company is continuing to pursue certain acquisition and project opportunities that are consistent with its objective of becoming a mid-tier mining group.

FUNDING ARRANGEMENTS

The Company is reliant on future successful capital raisings to pursue and develop its project opportunities. As at 30 June 2018, \$500,000 had been drawn down by the Company under its shareholder loan facility with JCHX Group. A further \$250,000 was advanced to the Company in early August 2018. It remains the Board's intention to complete a project acquisition in the near term and to effect a further capital raising as part of that acquisition. Based on the success of prior capital raisings and the progress with current project opportunities, the Directors are confident of securing funds if and when necessary to meet the Company's obligations as and when they fall due.

EVENTS AFTER BALANCE SHEET DATE

A further \$250,000 was advanced to the Company in early August 2018, taking the total moneys drawn down under the JCHX Group loan facility to \$750,000.

There have been no other events since 30 June 2018 that impact upon the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Director's report for the half-year ended 30 June 2018.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'Paul Williams', with a long horizontal line extending to the right.

Paul Williams
Director
4 September 2018

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

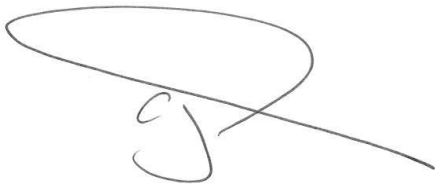
As lead auditor for the review of AuKing Mining Limited for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of AuKing Mining Limited and the entities it controlled during the financial period.



Ernst & Young



Andrew Carrick
Partner
4 September 2018

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	Note	6 months ended June 2018 \$	6 months ended June 2017 \$
Finance income		566	5,200
Gain on disposal of plant and equipment		-	4,091
Gain on disposal of exploration expenditure		-	13,750
Employment and consultancy expenses		(383,484)	(405,549)
Depreciation expense		(3,114)	(10,056)
Project generation and other exploration costs expensed		(49,886)	(63,764)
Administration expenses		(124,865)	(216,099)
Finance costs		(13,459)	-
Fair value movement on available for sale financial assets		(44,000)	(30,750)
Loss before income tax		(618,241)	(703,177)
Income tax expense		-	-
Loss for the period – continuing operations		(618,241)	(703,177)
Other comprehensive income/(loss)			
<u>Items that subsequently may be reclassified to profit or loss</u>			
Foreign currency translation differences for foreign operations		-	-
Gains on available for sale financial assets		-	10,000
Income tax		-	-
Other comprehensive income/(loss) for the period, net of tax		-	10,000
Total comprehensive loss		(618,241)	(693,177)
		Cents	Cents
Earnings per share			
Basic and diluted loss per share - continuing operations		(0.07)	(0.08)
Basic and diluted loss per share		(0.07)	(0.08)

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

**Consolidated Balance Sheet
As at 30 June 2018**

	Note	June 2018 \$	December 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		115,779	370,334
Trade and other receivables		9,958	9,594
Other current assets		6,420	29,595
TOTAL CURRENT ASSETS		132,157	409,523
NON-CURRENT ASSETS			
Other receivables		12,987	12,987
Available for sale financial assets	7	50,000	94,000
Plant and equipment		6,059	6,049
TOTAL NON-CURRENT ASSETS		69,046	113,036
TOTAL ASSETS		201,203	522,559
CURRENT LIABILITIES			
Trade and other payables		63,767	46,405
Borrowings		514,007	250,548
Employee benefit provisions		61,201	45,137
TOTAL CURRENT LIABILITIES		638,975	342,090
TOTAL LIABILITIES		638,975	342,090
NET ASSETS/(LIABILITIES)		(437,772)	180,469
EQUITY			
Share capital	5	42,630,609	42,630,609
Reserves		389,457	389,457
Accumulated losses		(43,457,838)	(42,839,597)
TOTAL EQUITY		(437,772)	180,469

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 six months ended 30 June 2018**

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 January 2017	39,492,960	389,457	(35,532,072)	4,350,345
Transactions with owners in their capacity as owners				
Issue of share capital	1,182,490	-	-	1,182,490
Share issue costs	(5,415)	-	-	(5,415)
Comprehensive income				
Loss after income tax	-	-	(347,345)	(347,345)
Other comprehensive income	-	5,000	-	5,000
Balance at 30 June 2017	40,670,035	394,457	(35,879,417)	5,185,075
Balance at 1 January 2018	42,630,609	389,457	(42,839,597)	180,469
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
Comprehensive income				
Loss after income tax	-	-	(618,241)	(618,241)
Other comprehensive income	-	-	-	-
Balance at 30 June 2018	42,630,609	389,457	(43,457,838)	(437,772)

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 six months ended 30 June 2018**

	Note	6 months ended June 2018 \$	6 months ended June 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(501,997)	(633,949)
Interest received		566	5,200
Net cash used in operating activities		(501,431)	(628,749)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit refunds/(payments)		-	4,070
Proceeds from sale of property, plant & equipment		-	4,091
Payments for property, plant & equipment		(3,124)	-
Net cash used in investing activities		(3,124)	8,161
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings – shareholder loan		250,000	-
Net cash provided by financing activities		250,000	-
Net increase/(decrease) in cash and cash equivalents		(254,555)	(620,588)
Cash and cash equivalents at the beginning of the period		370,334	2,092,169
Cash and cash equivalents at the end of the period		115,779	1,471,581

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

a) Reporting Entity

AuKing Mining Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2018 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 December 2017.

This consolidated interim financial report was approved by the Board of Directors on 4 September 2018.

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect the recognition or measurement of the results or financial position of the Consolidated Entity.

c) Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 December 2017.

d) Going Concern

As at 30 June 2018, the Consolidated Entity had cash and cash equivalents of \$115,779, net current liabilities of \$506,818 and net liabilities of \$437,772. The Consolidated Entity's net current liability and net liability positions at 30 June 2018 are chiefly due to the classification of its \$500,000 loan with the JCHX Group (a shareholder of the Company) as a current liability (the balance of \$514,000 at 30 June 2018 includes accrued interest). The shareholder loan is provided under a committed facility of \$1.0 million and is repayable in full on 31 December 2018.

The Consolidated Entity's existing cash reserves and committed, undrawn loan facility of \$486,000 at 30 June 2018 are regarded as sufficient to meet the Consolidated Entity's corporate and administrative activities for the six month period ending 31 December 2018. However, the available cash and loan facility amounts are not sufficient to fund for the Consolidated Entity's activities beyond 31 December 2018 or repay its shareholder loan at that time.

The ability of the Consolidated Entity to continue as a going concern, including repaying its shareholder loan at maturity, is principally dependent upon the ability of the Company to raise additional equity prior to 31 December 2018. These conditions give rise to material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

Based on the success of previous capital raisings, combined with the ongoing support of its key shareholders, 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.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

	June 2018 \$	December 2017 \$
NOTE 4 SHARE CAPITAL		
Fully paid ordinary shares	42,630,609	42,630,609

Ordinary Shares

	June 2018 \$	December 2017 \$	June 2018 Number	December 2017 Number
At the beginning of the period	42,630,609	42,380,609	932,584,461	886,914,837
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 issue expenses	-	-	-	-
At reporting date	42,630,609	42,630,609	932,584,461	932,584,461

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.

NOTE 5 AVAILABLE FOR SALE FINANCIAL ASSETS

The Consolidated Entity holds 2,000,000 shares in Hammer Metals Limited (ASX: HMX) acquired through disposal of Australian tenement areas. These shares are held at fair value determined by a Level 1 methodology. There were no transfers between valuation levels during the period.

NOTE 6 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.

Management currently identifies the Consolidated Entity as having only one reportable segment, being exploration for minerals in Australia. The financial results from this segment are equivalent to the financial statements of the consolidated entity. All assets are located in Australia.

NOTE 7 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2018 (2017: Nil).

NOTE 8 EVENTS AFTER BALANCE SHEET DATE

A further \$250,000 was advanced to the Company in early August 2018, taking the total moneys drawn down under the JCHX Group loan facility to \$750,000.

There have been no other events since 30 June 2018 that impact upon the financial report.

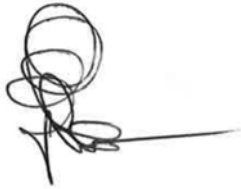
DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a horizontal line and some smaller loops.

Paul Williams
Director

4 September 2018

Independent Auditor's Review Report to the Members of AuKing Mining Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AuKing Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the half-year financial report which describes the principal conditions that raise doubt about the entity'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 conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

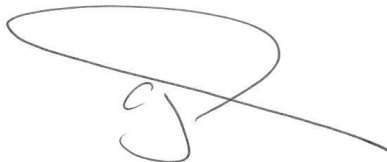
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Andrew Carrick
Partner
Brisbane
4 September 2018