



HUDSON RESOURCES LIMITED
ACN 008 720 965

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Hudson Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE DIRECTORY

Hudson Resources Limited

ACN 008 720 965
ABN 71 008 720 965

Registered and Corporate Office

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.hudsonresources.com

Auditors

K.S. Black & Co
Level 5
350 Kent Street
Sydney NSW 2000
Telephone: +61 2 8839 3000

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9253 9999

Bankers

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

Australia & New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000
Telephone: +61 2 9227 1818

Directors

Vincent Tan
Richard Yap
Benjamin Amzalak
John W Farey

Company Secretary

Gananatha Minithantri

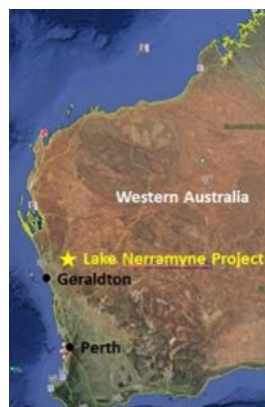
REVIEW OF OPERATIONS

INDUSTRIAL MINERALS

A total of 6,822.8 tonnes of Attapulgitic ore was sold during the half year.

Attapulgitic

- Hudson operates the Lake Nerramyne Attapulgitic Mine near Geraldton WA which commenced operations in 1978.
- The mine is based on Australia's largest known deposit of Attapulgitic with premium quality and superior absorption & adsorption capabilities.
- 4 mining leases host an attapulgitic clay resource encompassing an area of 2,700 hectares. Current Inferred Resource 23.4 million tonnes JORC was defined from an area of approximately 40% of the total area.
- Hudson attapulgitic mining campaign: the 2017 mining campaign started in late March and is expected to extract approx. 40,000 BCM attapulgitic ore.



Project Location



4 Mining Leases



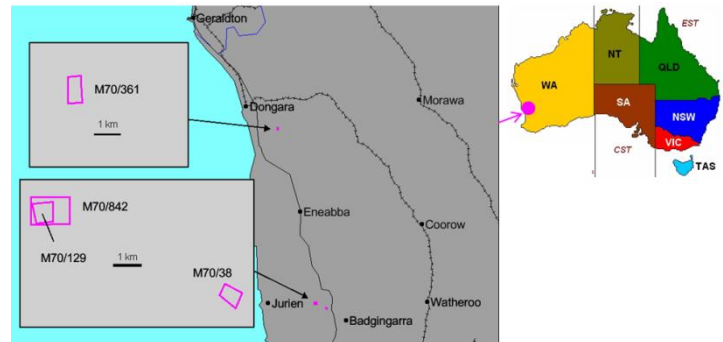
2017 mining campaign



Raw ore stockpiles from 2017 mining campaign

WA Diatomite

- Hudson holds 4 mining leases over diatomite deposits located between Perth & Geraldton WA.
- Current inferred resource 1.03Mt and increasing, including principal deposits are Badgingarra (Inferred resource 330,000t) and Dongara (inferred resource 500,000t).
- 20,000 tonnes above ground stockpile at Badgingarra, ready for shipment.
- Badgingarra Diatomite has been used in chemical free insecticides.
- Testing has demonstrated effective use as a slow release agent in fertilizer application.
- A research program is underway to test diatomite suitability in horticulture, agriculture, insecticide, stockfeed supplement and mine rehabilitation application.



4 Diatomite Mining Leases

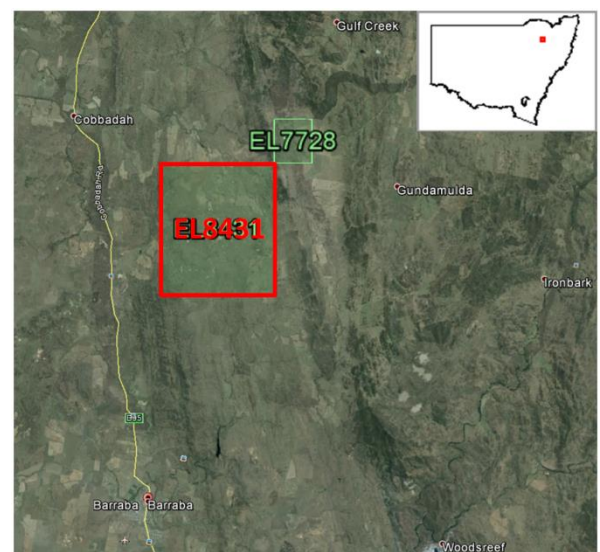


Badgingarra Stockpile

Raw Ore

Barraba Diatomite

- Exploration Licence granted for a term of 3 years.
- Mining Lease Application will be submitted in due course.
- In-ground Diatomite $\sim 660,000\text{m}^3$.
- Geological setting confirms high potential exists to discover new commercial deposits of both diatomite and ball clay.



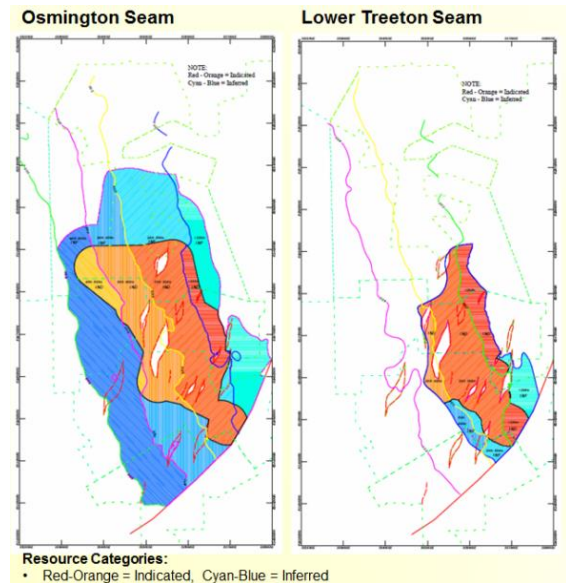
Vasse Coal Project



Vasse Coal Project Location

Core Shed

- The Vasse Coal Project constitutes 6 coal mining leases, covering the majority of the Vasse Shelf coalfield in the southwest of WA.
- Superior quality premium coal, suitable for higher value Corex product. The only high energy black coal resource in this region.
- Feasibility Assessment with Mine Plan for up to 1.6 Mtpa ROM over 19 year mine life.
- 117 Mt JORC resource, indicated resource of 52.7Mt.



Vasse Coal seams

OTHER INVESTMENTS

Land & Building Complexes

Hudson holds land and building complexes at Narngulu Geraldton WA comprising 14.5 hectares in area (**Geraldton Property**). The rental income derived from Geraldton Property is \$0.43 million p.a. The Geraldton Property comprises industrial complexes consisting of industrial and packaging sheds, warehouses and office facilities valued at \$3.91 million at the reporting date.

Plant & Equipment

In the 1990's, Hudson purchased new plant and equipment for a diatomite processing and filtration plant. The key item is an unused rotary kiln (25,000 tpa processing capacity).

Commercial Property Holdings - Carpark

Hudson currently holds 3,806,345 units in the Hudson Property Trust. The Hudson Property Trust owns the carpark located at Hudson House 131 Macquarie Street Sydney NSW.

Other Revenue

Hudson has identified that there is scope to explore development of oil & gas opportunities within its existing mining lease areas.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Hudson Resources Limited (**Company**) and the entities it controlled at the end of or during the period ended 30 June 2017 and the Auditors' Review Report thereon.

| | |
|-------------------------------|---|
| Principal activities | <p>The principal activities of the Group during the reporting period were as follows:</p> <ul style="list-style-type: none">• The mining and sale of attapulgitite• Exploration and development of attapulgitite mining leases• Investment and development of commercial property in Geraldton• Investment of carpark in Sydney CBD area <p>There was no change to the nature of these activities during the reporting period.</p> |
| Review of operations | <p>Information on the operations and financial position of the consolidated entity and its business strategies and prospects are set out in the Review of Operations on pages 2 to 4 of this report.</p> |
| Financial performances | <p>The net consolidated profit of the Group for the six months ended 30 June 2017 was \$0.92 million (2016: Profit \$0.39 million).</p> |
| Dividends | <p>The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.</p> |

Directors

The following persons held office as Directors of Hudson Resources Limited since the start of the financial year, to the date of this report, unless otherwise stated.

| | | |
|------------------|------------------------|------------------------|
| Vincent Tan | Executive Director | |
| Richard Yap | Non-Executive Director | |
| Benjamin Amzalak | Non-Executive Director | |
| John W Farey | Non-Executive Director | Appointed 11 July 2017 |

Rounding

The amounts contained in the half-year financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Events Subsequent To Balance Date

There are no other matters or circumstances which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- the operations, in the financial half year subsequent to 30 June 2017, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in the financial half year subsequent to 30 June 2017, of the consolidated entity.

Tenement List

| Licence No | Project | Status | Date Applied | Date Granted | Expiry Date | Area Sq kms |
|---|----------------|---------|--------------|--------------|--------------|--------------|
| HRS - Attapulgitte | | | | | | |
| M70/128 | Lake Nerramyne | Granted | 5-Dec-83 | 21-Jun-85 | 20-Jun-27 | 1.20 |
| M70/389 | Lake Nerramyne | Granted | 5-Feb-88 | 28-Jul-89 | 27-Jul-31 | 7.20 |
| M70/483 | Lake Nerramyne | Granted | 6-Jan-89 | 31-Jul-90 | 30-Jul-32 | 9.51 |
| M70/606 | Lake Nerramyne | Granted | 2-Feb-90 | 30-Jul-90 | 29-Jul-32 | 8.91 |
| | | | | | total | 26.82 |
| HRS - Diatomite | | | | | | |
| M70/129 | Badgingarra | Granted | 9-Dec-83 | 18-Jul-85 | 17-Jul-27 | 0.46 |
| M70/842 | Badgingarra | Granted | 23-Feb-94 | 17-Nov-94 | 16-Nov-36 | 0.84 |
| M70/38 | Drak | Granted | 2-May-83 | 24-Feb-84 | 23-Feb-26 | 0.36 |
| M70/361 | Dongara | Granted | 3-Nov-87 | 19-Nov-90 | 18-Nov-32 | 0.50 |
| | | | | | total | 2.16 |
| Ashford Coking Coal Pty Ltd (wholly owned subsidiary of HRS) | | | | | | |
| EL 8431 | Barraba | Granted | 17-Sep-14 | 26-Feb-16 | 26-Feb-19 | 27 |
| | | | | | total | 27 |
| | | | | | Total | 55.98 |

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, K. S. Black & Co which appears on page 7 of this report.

Signed in accordance with a resolution of the Directors:



Vincent Tan
Chief Executive Officer/Director



Benjamin Amzalak
Director

Sydney
18 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 550

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF HUDSON RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2017 there has been:


- a. no contraventions of the auditor independence requirements as set out in 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.

The entities are in respect of Hudson Resources Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants

Scott Bennison
Partner

Dated in Sydney on this *18th* day of *August* 2017



Scott Bennison
Partner

Phone 02 8899 3000
Fax 02 8899 3056



INDEPENDENT AUDITOR'S REVIEW REPORT

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Hudson Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Hudson Resources Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the consolidated statement in changed in equity and the statement of cash flows for the half-year ended on that date, noted comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company at the half-year's end or from time to time during the half-year.

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 Hudson Resources Limited does not present fairly, in all material respects, the financial position of Hudson Resources Limited as at 30 June 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with Australian Auditing and Assurance Standards applicable to review engagements.

Directors' responsibility for the 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 gives a true and fair view and 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 Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporation Act 2001 Including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date;

Phone 02 8839 3000
Fax 02 8839 3056



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under Professional
Standards Legislation



INDEPENDENT AUDITOR'S REVIEW REPORT continued

Level 6
350 Kent Street
SYDNEY NSW 2000

K.S. Black & Co.

ABN 48 117 620 558

20 Grosvenor Street
North Parramatta NSW 2151

75 Lyons Road
DRUMMOYNE NSW 2047

PO Box 2210
North Parramatta NSW 1750

and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Hudson Resources Limited, ASRE 2410 required 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, primary of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is subsequently less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurances 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hudson Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hudson Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the entity's financial position as at 30 June 2017 and of its performance for the financial half-year ended on that date; and
- b) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting and Corporations Regulations 2001*

KS Black & Co
Chartered Accountants




Scott Bennison
Partner

Dated: 18/8/17

Phone 02 8889 3000
Fax 02 8889 3055

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CHARTERED ACCOUNTANTS
AUSTRALIA & NEW ZEALAND

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 11 to 19 , are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion 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 the Directors:



Vincent Tan
Chief Executive Officer/Director



Benjamin Amzalak
Director

Sydney
18 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2017

| | | Consolidated | |
|---|-------|--|--|
| | Notes | Half-year ended 30 Jun 17 \$'000 | Half-year ended 30 Jun 16 \$'000 |
| Revenue | 2 | 688 | 352 |
| Other income and expenses | 2 | 1,036 | 1,050 |
| Cost of sales and administration | | (726) | (876) |
| Finance expenses | 2 | (71) | (131) |
| | | 927 | 395 |
| PROFIT/(LOSS) BEFORE INCOME TAX | | 927 | 395 |
| Income tax (expense)/credit | | - | - |
| PROFIT/(LOSS) AFTER TAX | | 927 | 395 |
| Other comprehensive Income | | | |
| Other comprehensive income before income tax | | - | - |
| Income tax expenses | | - | - |
| Other comprehensive income for the period | | - | - |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | 927 | 395 |
| Comprehensive income attributable to non-controlling interest | | - | - |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY | | 927 | 395 |
| EARNINGS/(LOSS) PER SHARE | | Cents | Cents |
| Basic earnings/(loss) per share | | 0.79 | 0.33 |
| Diluted earnings/(loss) per share | | 0.79 | 0.33 |

This Statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | Notes | Consolidated | |
|--------------------------------|-------|----------------------|---------------|
| | | 2017 | 2016 |
| | | \$'000 | \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | (73) | 153 |
| Trade and other receivables | | 722 | 1,069 |
| Financial assets | | 98 | 100 |
| Inventories | | 317 | 90 |
| Other current assets | | 21 | 13 |
| Total current assets | | <u>1,085</u> | <u>1,425</u> |
| Non-current assets | | | |
| Trade and other receivables | | 1,912 | 828 |
| Financial Assets | 4 | 6,916 | 6,735 |
| Plant and equipment | | 1 | 1 |
| Investment property | 5 | 3,912 | 3,900 |
| Land and property | | 1 | 1 |
| | | <u>12,742</u> | <u>11,465</u> |
| Total Assets | | <u>13,827</u> | <u>12,890</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 6 | 113 | 107 |
| Financial liabilities | | - | - |
| Employee benefits provision | | 10 | 7 |
| Total current liabilities | | <u>123</u> | <u>114</u> |
| Non-current liabilities | | | |
| Trade and other payables | | - | - |
| Financial liabilities | 7 | 2,700 | 2,700 |
| Provisions | | 265 | 264 |
| Total non-current liabilities | | <u>2,965</u> | <u>2,964</u> |
| Total Liabilities | | <u>3,088</u> | <u>3,078</u> |
| Net Assets | | <u>10,739</u> | <u>9,812</u> |
| EQUITY | | | |
| Issued capital | 8 | 26,880 | 26,880 |
| Reserves | | 12,649 | 12,649 |
| Accumulated losses | | (28,790) | (29,717) |
| Total Equity | | <u>10,739</u> | <u>9,812</u> |

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2017

| Consolidated | Notes | Issued Capital \$'000 | Reserve \$'000 | Accumulated Losses \$'000 | Total Equity \$'000 |
|------------------------------------|-------|--------------------------------------|---------------------------|--|--------------------------------|
| Balance at 31 December 2015 | | 26,925 | 12,649 | (33,722) | 5,852 |
| Profit/(Loss) for the period | | - | - | 395 | 395 |
| Movement during the period | | - | - | - | - |
| Balance at 30 June 2016 | | 26,925 | 12,649 | (33,327) | 6,247 |
| Balance at 30 June 2016 | | 26,925 | 12,649 | (33,327) | 6,247 |
| Profit/(Loss) for the period | | - | - | 3,610 | 3,610 |
| Share Buy Back | | (45) | - | - | (45) |
| Movement during the period | | - | - | - | - |
| Balance at 31 December 2016 | 8 | 26,880 | 12,649 | (29,717) | 9,812 |
| Balance at 31 December 2016 | 8 | 26,880 | 12,649 | (29,717) | 9,812 |
| Profit/(Loss) for the period | | - | - | 927 | 927 |
| Movement during the period | | - | - | - | - |
| Balance at 30 June 2017 | 8 | 26,880 | 12,649 | (28,790) | 10,739 |

This Statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF-YEAR ENDED 30 JUNE 2017

| | Notes | Consolidated | |
|---|-------|-----------------|-----------------|
| | | Half-year ended | Half-year ended |
| | | 30 Jun 17 | 30 Jun 16 |
| | | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 692 | 374 |
| Interest received | | 1 | 2 |
| Payments to suppliers, employees and exploration expenses | | (871) | (720) |
| Interest paid | | (69) | (77) |
| Net cash (used in)/provided by from operating activities | | (247) | (421) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of investments | | 959 | 65 |
| Acquisition of investment | | - | (44) |
| Payment for property improvement | | (12) | - |
| Payment for mining campaign | | (260) | - |
| Repayment from other parties | | 400 | 1,000 |
| Advance to other parties | | (1,066) | (737) |
| Net cash provided by/(used in) from investing activities | | 21 | 284 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | - | (7) |
| Net cash (used in)/provided by from financing activities | | - | (7) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (226) | (144) |
| Cash and cash equivalents at the beginning of the reporting | | 153 | 310 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE | 3 | (73) | 166 |
| REPORTING PERIOD | | | |

This Statement is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2017

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Hudson Resources 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 2017 comprises the Company and its controlled entities (together referred to as the "**consolidated entity**").

The consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2016 is available upon request from the Company's registered office.

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 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, 2016.

This consolidated interim financial report was approved by the Board of Directors.

The consolidated entity is of a kind referred to in ASIC Class order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgement made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2016.

Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going Concern

This financial report has been prepared on a going concern basis

The investment property is fully leased and generates positive cash flow to the group.

The directors believe the company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

2. REVENUE AND EXPENSES**Specific items**

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

| | Consolidated | |
|---|---|---|
| | Half-year ended 30 Jun 17 \$'000 | Half-year ended 30 Jun 16 \$'000 |
| (i) Revenue | | |
| Sale of mineral product | 137 | 140 |
| Property rental income | 214 | 212 |
| Services income | 236 | - |
| Fee income | 101 | - |
| | 688 | 352 |
| (ii) Other Income and expenses | | |
| Gain / (loss) on disposal of Investment | (124) | 40 |
| Interest Income | 19 | 10 |
| Landowner compensation received | 25 | - |
| Change in fair value of investment | 1,116 | - |
| Provision for doubtful debt recovery | - | 1,000 |
| | 1,036 | 1,050 |
| (iii) Financial and Other Expenses | | |
| Depreciation and amortisation | (1) | (6) |
| Interest paid | (70) | (124) |
| Other | - | (1) |
| | (71) | (131) |

3. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--|-----------------------------|-----------------------------|
| | 30 Jun 17 \$'000 | 31 Dec 16 \$'000 |
| Cash at bank | (73) | (36) |
| Cash held in trust security deposits/bank guarantees | - | 189 |
| | (73) | 153 |

4. FINANCIAL ASSETS

| | Consolidated | |
|-----------------------------------|-----------------------------|-----------------------------|
| | 30-Jun-17 \$'000 | 31-Dec-16 \$'000 |
| Non-Current | | |
| Investment in related entity | 4,565 | 5,500 |
| Investment in related entity | 3,000 | 3,000 |
| Provision for diminution in value | (649) | (1,765) |
| | 6,916 | 6,735 |

5. INVESTMENT PROPERTY

| | Consolidated | |
|--------------------------------------|---------------------|--------------------|
| | 30 Jun 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| At fair value | | |
| Carrying amount at beginning of year | 3,900 | 3,900 |
| Capital Works – property improvement | 12 | - |
| Carrying amount at end of the period | <u>3,912</u> | <u>3,900</u> |

Valuation Basis

The basis of the valuation of Geraldton investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The valuations were based on independent assessments made by member of the Australian Property Institute during the reporting period.

6. TRADE AND OTHER PAYABLES

| | Consolidated | |
|----------------------------|---------------------|--------------------|
| | 30 Jun 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Current | | |
| Unsecured | | |
| Trade Payables | 79 | 72 |
| Other and accrued payables | 34 | 35 |
| | <u>113</u> | <u>107</u> |

7. FINANCIAL LIABILITIES

| | Consolidated | |
|--------------------|---------------------|--------------------|
| | 30 Jun 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Current | | |
| Secured | | |
| Leased liabilities | - | - |
| | <u>-</u> | <u>-</u> |
| Non-Current | | |
| Secured | | |
| Leased liabilities | - | - |
| Bank borrowings | 2,700 | 2,700 |
| | <u>2,700</u> | <u>2,700</u> |

Security for borrowings

Bank loan is secured by first mortgages over the Group's investment property at Geraldton and fixed and floating charges over assets of the Group as specified below. The loans are repayable in year 2020.

8. ISSUED CAPITAL

| | Consolidated Entity | | Consolidated Entity | |
|-----------------|---------------------|------------------|---------------------|-----------|
| | 30 Jun 17 | 31 Dec 16 | 30 Jun 17 | 31 Dec 16 |
| | Number of Shares | Number of Shares | \$'000 | \$'000 |
| Share capital | | | | |
| Ordinary shares | 117,269,679 | 117,269,679 | 26,880 | 26,880 |

(a) Movements in ordinary share capital:

| Details | Number of Shares | Number of Shares | \$'000 | \$'000 |
|----------------|--------------------|------------------|---------------|--------|
| Balance | 117,269,679 | 118,385,822 | 26,880 | 26,925 |
| Share Buy Back | - | (1,116,143) | - | (45) |
| Balance | 117,269,679 | 117,269,679 | 26,880 | 26,880 |

(b) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Parent Entity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of and amounts paid on the shares held.

(c) Options

There are no unissued ordinary shares of the Company under option at the date of this report.

9. SEGMENT REPORTING

The consolidated entity operates one business being the mining, sale of mineral products and related development projects in Australia.

10. CONTINGENT LIABILITIES AND ASSETS

There are no other material contingent liabilities as at the date of this report.

Guarantees

Hudson Resources Limited and its wholly owned controlled entities entered into a Deed of Cross Guarantee under which each company guarantees the debts of the others. No deficiency of assets exists in the consolidated entity as a whole. No material losses are anticipated in respect of any of the above contingent liabilities.

11. COMMITMENTS

| | Consolidated | |
|--|--------------|-----------|
| | 30 Jun 17 | 31 Dec 16 |
| | \$'000 | \$'000 |
| Exploration expenditure commitments | | |
| Tenement exploration expenditure | 4,470 | 10,347 |
| Tenement lease payment | 1,634 | 2,435 |
| | 6,104 | 12,782 |

The minimum exploration expenditure commitments and lease payments on the Group's exploration tenements totalling approximately \$6.1 million over the remaining term of the tenements.

COMMITMENTS continued**Remuneration commitments**

Salary and other remuneration commitments under long-term service contracts existing at reporting date are not recognised as liabilities

| | Consolidated | |
|--|---------------------|-----------|
| | 30 Jun 17 | 31 Dec 16 |
| | \$'000 | \$'000 |
| Within one year | 200 | 200 |
| Later than one year but not later than 5 years | 800 | 800 |
| Later than 5 years | - | - |
| | 1,000 | 1,000 |

During the period there was a service agreement in place formalising the terms of remuneration of Vincent Tan.

Service Agreement

The Company has entered into a Corporate Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its office management, registered office, administrative, accounting, compliance and secretarial services.

The term of the Corporate Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the Directions of the Board.

12. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- the operations, the financial half year subsequent to 30 June 2017, of the Group;
- the results of those operations; or
- the state of affairs, the financial half year subsequent to 30 June 2017, of the Group.