



ACN 146 035 690

2013 ANNUAL REPORT

For the year ended 30 June 2013

CORPORATE DIRECTORY

DIRECTORS

Executive Chairman	Dato Soo Kok Lim
Executive Director	Datuk Siew Swan Ong
Non-Executive Director	Mr Brent Butler
Non-Executive Director	Mr Andrew Kwa

COMPANY SECRETARY

Ms Karen Logan

PRINCIPAL PLACE OF BUSINESS

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SUBIACO WA 6008

BANKER

National Australia Bank
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OSBORNE PARK WA 6017

STOCK EXCHANGE

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ASX Code: ACP, ACPO

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REVIEW OF ACTIVITIES

Audalia Resources Limited (ASX: **ACP**) is pleased to present its annual report for the year ended 30 June 2013 to shareholders and provide some insight into the advancement the Company has made in its exploration activities to date and progress it expects to make going forward.

OVERVIEW

Gascoyne Project

Activities conducted at the Gascoyne Project during the year included completing:

- ❖ an IP survey programme;
- ❖ a geological mapping programme;
- ❖ a rock chip sampling programme;
- ❖ a trap stream sediment programme; and
- ❖ a soil geochemistry programme.

Future work proposed is to explore for gold by conduct a trap stream sediment programme over the entire tenement package.

Medcalf Project

Activities conducted at the Medcalf Project during the year included:

- ❖ Acquiring additional ground by purchasing ten tenements that surrounded Audalia's existing ground holdings;
- ❖ Applying for extension of term for the eight Norilsk prospecting licences scheduled to expire on 8 January 2013;
- ❖ Completing geological mapping at 1:10,000 scale over the recently acquired tenements;
- ❖ Completing a rock chip sampling programme;
- ❖ Completing an Ethnographic Heritage Survey;
- ❖ Completing an Archaeological Heritage Survey;
- ❖ Completing a Level 1 Flora Survey and Conservation Management Plan;
- ❖ Completing a 28 RC drillhole drilling programme;
- ❖ Completing a JORC Inferred Resource; and
- ❖ Starting metallurgical testwork.

Future work for Medcalf includes completing the metallurgical testwork and completing infill drilling on a 80m by 80m drill pattern to complete an Indicated Resource.

Corporate

- ❖ Change of share registry from Computershare Investor Services Pty Ltd to Advanced Share Registry Services Limited.

GASCOYNE PROJECT

The Gascoyne Project comprises 100% owned tenements covering 311km² that are highly prospective for Lead (Pb), Zinc (Zn) and Copper (Cu) deposits, located in the Gascoyne Region, Western Australia. It is located approximately 250km to the east of Carnarvon and 1,200km north from Perth.

The Gascoyne Project covers an area of mid-Proterozoic aged, metamorphosed sediments and volcanic rocks which have been subjected to several phases of tectonic deformation and intruded by granitoids. Exploration work and drilling to date has used the geological model of base metal mineralisation being associated with coincident soil geochem and "thumbprint" magnetic anomalies. Historical RC drill testing from one of these targets has returned significant intercepts of 2.3% Pb and 0.9% Cu. Lead sulphide (galena) and copper sulphides (chalcopyrite) were identified in the drill chips.

Audalia is targeting a Broken Hill Sedimentary Exhalative (SEDEX) massive sulphide Pb, Zn and Cu deposit.

REVIEW OF ACTIVITIES

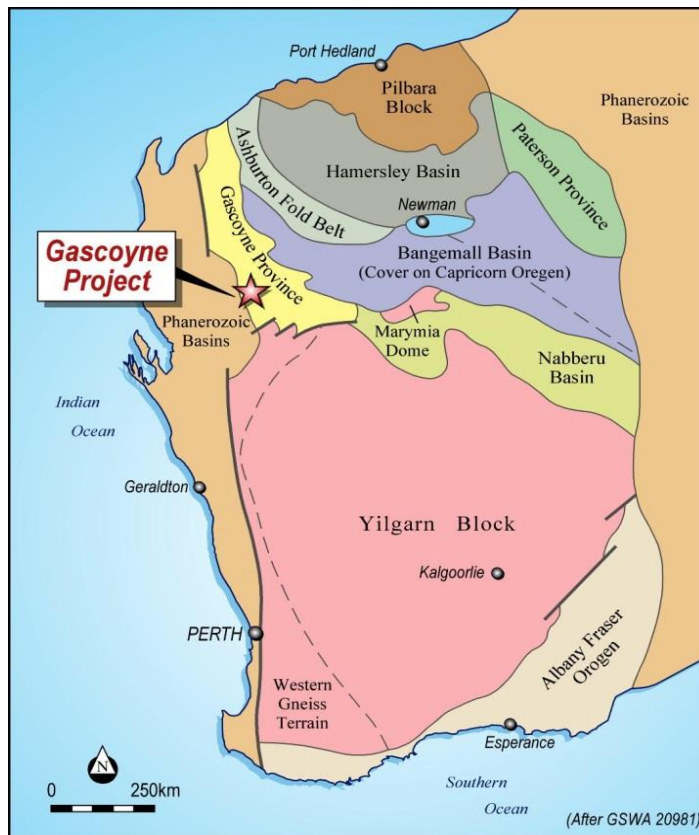


Figure 1 - Gascoyne Project - Location Map

IP Survey

During the September 2012 quarter, a 100m dipole-dipole induced polarisation (IP) survey was carried out at the Gascoyne Project in an area of previous drilling that had intersected anomalous copper and lead, to seek for any major body of polarisable material that may represent disseminated sulphide mineralisation. The IP survey, consisting of six north-south traverses spaced at 300m and covering an area of 1,500m east-west by 1,000m north-south was carried out.

A broad chargeability anomaly stretching across the central part of the IP survey area was outlined. The zone causing the central chargeability anomaly has an east-west trending component and also a northerly trending 'arm.' Comparison with aeromagnetic data suggests the east-west part may parallel stratigraphic features, while the north trending segment correlates with a north-south running magnetic feature that might represent a dyke or series of intrusions along a fault zone. The central IP zone lies near to and below the drillholes that intersected anomalous copper and lead at 55-70m. The depth to the main parts of the chargeable zone appears to be at least 200m and initial testing is suggested with a 350m hole targeted on the central, strongest, section of the zone.

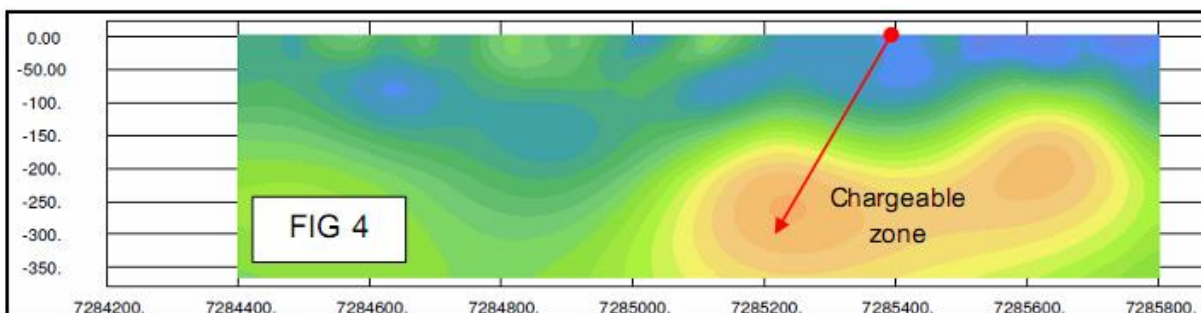


Figure 2 – IP Section illustrating chargeable anomaly

REVIEW OF ACTIVITIES

Geological mapping

A programme of detailed geological mapping at the Gascoyne Project was also completed during the September 2012 quarter at 1:2,500 scale. North-south traverses at 200m spacing were walked with the infill over the areas of interest.

The dominant rock type in the mapped areas is gneiss, with subordinate mica schist, thin quartzite beds and amphibolite. Irregular granitic intrusions were also mapped. Schistosity strikes vary from east-west to ease southeast. Dips range from moderately to steeply dipping north. Sparse outcrop-scale folds in the quartzite beds, in the schists and gneisses, and in the margins of the granites generally plunge west in the western part of the project area east southeast in the eastern half. A shear zone cutting through the middle of the central part of the project is most probably a thrust. Quartzite are mostly confined to the north of the shear, whereas amphibolites are restricted to the south.

Rock chip geochemistry programme

A rock chip sampling programme was undertaken on the Gascoyne Project during the December 2012 quarter. A total of 17 rock chip samples were collected and analysed for silver, barium, copper, manganese, molybdenum, lead and zinc. Anomalous values of 240ppm copper, 310ppm lead and 451ppm zinc (from different samples) have been returned from undifferentiated ironstones. Results are tabulated below:

Sample No	East	North	Ag (ppm)	Ba (ppm)	Cu(ppm)	Mn(ppm)	Mo(ppm)	Pb (ppm)	Zn (ppm)	Description
CW021	377,814	7,282,546	<0.5	152	132	228	<1	55	182	Ironstone, upper part of lateritic profile?
CW022	378,037	7,282,914	0.7	243	62	1082	<1	15	38	Mn-stained ferruginous gneiss
CW023	378,001	7,282,953	<0.5	78	23	379	<1	8	18	Saprolitic ferruginous schist with garnet
CW024	378,503	7,282,367	<0.5	802	240	>10000	6	169	155	3m wide Mn-stained ferruginous bed
CW025	378,468	7,282,388	<0.5	38	46	248	<1	76	68	3m wide Mn-stained ferruginous bed
CW026	378,424	7,282,413	<0.5	273	85	845	<1	166	192	3m wide Mn-stained ferruginous bed
CW027	378,396	7,282,465	<0.5	61	140	195	2	131	157	Ferruginous 1m band with minor quartz
CW028	378,401	7,282,447	<0.5	439	109	4231	1	48	143	Ironstone associated with vein quartz
CW029	378,901	7,282,128	<0.5	750	210	4758	1	51	451	40m by 10m area of ironstone float
CW030	384,045	7,284,947	<0.5	117	253	356	3	66	192	5m diameter ironstone subcrop
CW031	384,034	7,284,979	<0.5	270	247	428	2	109	224	3m by 1m ironstone
CW032	383,801	7,285,310	<0.5	322	198	992	3	161	181	Several 2m diameter ironstone patches
CW033	385,040	7,273,801	<0.5	375	116	434	2	107	123	30m by 20cm ferruginous band
CW034	385,162	7,273,800	<0.5	381	161	633	4	310	169	3m by 1m schistose ironstone
CW035	383,548	7,273,820	<0.5	262	110	1429	8	232	110	5m diameter ironstone subcrop
CW036	383,156	7,275,046	<0.5	165	31	114	<1	52	19	100m by 50m ?lateritic ironstone
CW037	383,268	7,275,127	<0.5	693	30	1204	3	63	19	20m diameter ?mottled ironstone

Table 1: Rock chip sampling results

Trap site Stream geochemistry programme

Six minus 2mm stream-sediment trap site samples draining anomalous base metal geochemistry in Areas 1 and 2 were collected for orientation purposes. Catchment areas ranged from 0.5 to 2 hectares. The highest values obtained were low order values of 34ppm copper, 101ppm lead and 83ppm zinc. As a result, splitting of sample into various size ranges to determine optimum sieve size was not carried out. Results are tabulated below.

Sample No	East	North	Ag (ppm)	Ba (ppm)	Cu(ppm)	Mn(ppm)	Mo(ppm)	Pb(ppm)	Zn (ppm)	Location
HM001	378,571	7,281,970	<0.5	182	35	2342	<1	42	52	Area 2
HM002	378,546	7,281,695	<0.5	126	21	1093	<1	101	83	Area 2
HM003	378,306	7,281,806	<0.5	119	21	1000	<1	32	36	Area 2
HM004	370,654	7,285,365	<0.5	117	20	1719	<1	17	37	Area 1
HM005	370,466	7,285,316	<0.5	113	26	1574	<1	26	41	Area 1
HM006	370,519	7,285,242	<0.5	159	34	2728	<1	24	44	Area 1

Table 2: Trap site stream sediment geochemistry results

Soil geochemistry programme

A total of 257 soil geochemistry samples were collected from the western part of the Gascoyne Project during the December 2012 quarter. Anomalous values of up to 163ppm lead and 141ppm Zinc were returned. Full results of this soil geochemistry sampling programme were released to ASX in an announcement on 12 March 2013.

REVIEW OF ACTIVITIES

MEDCALF PROJECT

The Medcalf Project is located 470km east of Perth. The Medcalf Project comprises five exploration licences and eight prospecting licences, with a total area of about 23.8km².

The Medcalf Project lies in the southern end of the Archaean Lake Johnston greenstone belt. This greenstone belt is a narrow, north-northwest trending belt approximately 110km in length. It is located near the south margin of the Yilgarn Craton, midway between the southern ends of the Norseman-Wiluna and the Forrestania-Southern Cross greenstone belts (see Figure 3).

Previous work carried out by numerous holders of the tenements over the last 40 years includes exploration for nickel, titanium/vanadium, platinum group metals (PGM) and gold. The primary vaniferous titanomagnetite mineralisation occurs within the pyroxenite zone between the basal peridotite and upper gabbro zones of the sill. The lateritic weathering of this sill has removed much of the silica, calcium and magnesium in solution thus resulting in residual concentrations of iron, titanium and vanadium oxides. This secondary enrichment potentially hosts economic ore.

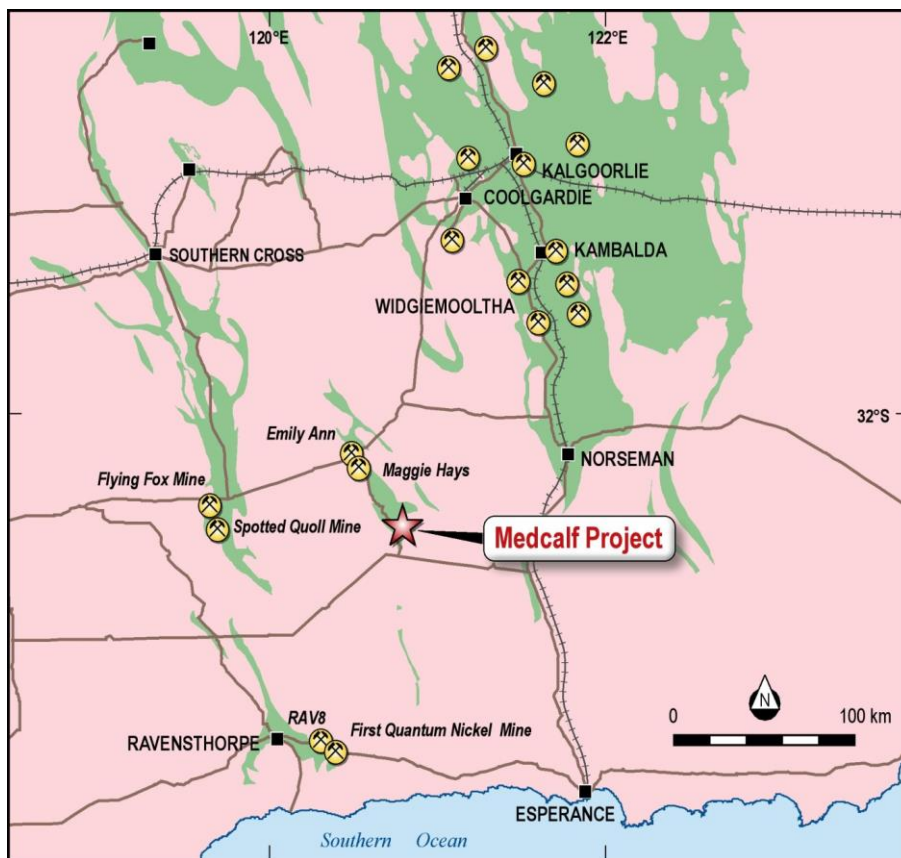


Figure 3 – Medcalf Project location map

Tenement acquisition

In September 2012, the Company completed the purchase of additional tenements that surround Audalia's existing Medcalf Project from Lake Johnston Pty Ltd. The additional tenements purchased comprised of eight prospecting licences P63/1528, P63/1529, P63/1530, P63/1531, P63/1532, P63/1533, P63/1560 and P63/1561, and two granted exploration licences E63/1133 and E63/1134. The purchase price for acquiring 100% of the additional tenements from Lake Johnston was \$55,000 (exclusive of GST), which was settled in cash.

During the December quarter, an extension of term was applied for all of the prospecting licences as their original four year term was expiring in January 2013. These extensions were granted by the Department of Mines and Petroleum during the March quarter.

REVIEW OF ACTIVITIES

Geological mapping

Geological mapping was completed at 1:10,000 scale over the additional tenements recently acquired from Lake Johnston.

Geological synopsis

Biotite feldspar +/- quartz schists up to several tens of metres thick occur in the Vesuvius deposit. These rocks are interpreted as a metamorphosed siltstone, shale or airfall tuff. This interpretation is based on mineralogy, lateral extent and position in a thick subaqueous mafic volcanic sequence far from land. Prior to metamorphism, this bed could have formed a zone of weakness along which the Medcalf Sill intruded.

Tholeiitic basalts form thick sequences above and below the Medcalf sill. They range from massive to schistose and generally subcrop as scattered fresh cobbles and boulders in red soil. Slightly coarser variants, up to about 1mm, are classified as dolerite, but they are not necessarily subvolcanic sills. The coarse grain size may result from metamorphism. Alternatively coarse grain size could have developed in the slowly cooling interior of thick lava flows.

The Medcalf mafic sill is divided into three units. From top down, they are:

Gabbro	at least 50m thick
Pyroxenite	36m
Peridotite	44m

The sill is traceable along strike for at least 4km and is roughly 130m thick. The zones thicken and thin along strike, in some places they are absent altogether.

The gabbro has a grain size of 2 to 5mm and is generally non-foliated. It commonly subcrops as unweathered cobbles and boulders in red soil.

The pyroxenite has been metamorphosed to a tremolite-rich rock with variable amounts of black opaques. The opaques can form more than 50% of the rock, but estimating percentage in chip samples is difficult. The +2mm opaques are retained, whereas; the associated saprolitic clays (mainly weathered tremolite) pass through the 2mm sieve aperture. In fresh rock, the opaques consist of magnetite and ilmenite. In the lower parts of the lateritic profile, they weather to haematite. Higher up the opaques have altered to limonite. Under a 10 power hand lens 2mm opaques are roughly equidimensional and frequently exhibit complex crystal faces.

On the western side of Vesuvius hill, banding in outcropping saprolitic pyroxenite is delineated by variations in the volume of black opaques. This is interpreted as primary layering, developed during cooling in a subhorizontal sill.

The ultramafic zone is variously represented by serpentinite, tremolite chlorite rock, talcose schist and pale orange jasper. Talc is stable through the weathering profile and can still be identified in iron-rich or clay-rich material otherwise lacking diagnostic features. Talc carbonate schists located during mapping are interpreted as shear zones within the ultramafic.

Foliated granite occupies the south central part of the tenement. Non-foliated pegmatite occurs along the margin of the granite and as dykes up to a few metres wide intruding the greenstones.

Quartz veins up 3m thick and 30m long were mapped in the basalts. Angular quartz rubble was observed near the crests of small hill. These could either be derived from quartz veins, or result from weathering of pegmatite dykes.

The Cainozoic regolith is divisible into residual, erosional and depositional regimes.

In the residual regime, the classic lateritic weathering profile is subdivided, starting from the top, into lateritic residuum, mottled zone, saprolite and saprock. Gold is typically concentrated in the lateritic residuum and at the base of weathering, in saprock. The variation of titanium and vanadium in the weathering profile is less well known.

Small areas of lateritic residuum, represented by massive haematite and "conglomerate ore" are present over the Vesuvius, Fuji and Egmont deposits. Logging of the Audalia drill chips and outcrop mapping suggests that the area of mottled zone corresponds with the Vesuvius deposit, but further field work is necessary to check this.

Soil and scree cover over 50% of the Medcalf Project area.

REVIEW OF ACTIVITIES

Structure is currently poorly understood. Polyphase deformation, upper greenschist facies metamorphism and sparse outcrop are all contributing factors.

Deposit-scale faulting is probably present in the mineralised areas. The ultramafic zone in the Medcalf sill forms a weak zone along which faulting could preferentially develop. Early thrusting could explain the apparently out of sequence zones in the Medcalf sill and their lenticularity.

Schistosity in the greenstones strikes roughly northwest with dips ranging from vertical to moderately northeast. Foliation in the granite has a similar strike, but dips moderately to steeply to the southwest.

Biotite-bearing schists and the apparent absence of garnet indicate upper greenschist facies metamorphism.

Rockchip sampling

Ten rock chip samples were collected over the Medcalf Project tenements. Results are tabulated below:

Sampno	East	North	Tio2 %	V205%	Comments
MD066	291,197	6,397,712	3.16	0.13	Rock chip: Limonitic mottled zone
MD067	291,161	6,397,734	13.81	0.63	Rock chip: 5mx2m conglomerate ore
MD068	294,027	6,399,535	13.89	0.51	Rock chip: 20mx3m conglomerate ore
MD069	294,874	6,398,281	0.56	0.07	Rock chip: 1m diameter massive V Ti ore
MD070	294,824	6,398,348	0.93	0.10	Rock chip: magnetite-rich scree
MD071	295,374	6,398,078	0.28	0.04	Rock chip: 5mx2m magnetic ironstone subcrop
MD072	290,683	6,396,437	1.36	0.08	Rock chip: reddish black ironstone subcrop
MD074	292,930	6,398,157	14.16	0.76	Rock chip: massive ore
MD075	293,550	6,398,288	18.30	0.37	Rock chip: conglomerate ore
MD076	294,070	6,398,361	11.61	0.61	Rock chip: saprolitic pyroxenite with >20% Fe Ti oxides

Table 4: Rock chip sampling results

Ethnographic Heritage Survey

An Ethnographic Heritage Survey was completed over the Medcalf Project in September 2012 by Outback Heritage Consulting with the Ngadju people.

Archaeological Heritage Survey

An Archaeological Heritage Survey was completed over the Medcalf Project in September 2012 by SJC Heritage Consulting Pty Ltd on behalf of the Ngadju people through the Goldfields Aboriginal Sea and Land Council.

Flora Survey

A Level one Flora Survey was completed by Dr Paul Armstrong over the tenements E63/1068 and E63/1405 during September and December quarters. This survey identified Declared Rare Flora (DRF) *Marianthus aquilonaris* and it was recommended to have a 60m exclusion zone around this location.

A Conservation Management Plan was compiled by Botanica Consulting Pty Ltd during the December quarter to comply with the Department of Conservation guidelines for the area.

Drill Programme

Notification was received from the Department of Mines and Petroleum (**DMP**) on 18 February 2013 that the proposed drill programme designed to test the vanadium-titanium mineralisation to quantify a resource was approved.

Topdrill from Kalgoorlie were contracted to commence the drill programme. A total of 28 Reverse Circulation (RC) drillholes were drilled for a total of 1,306 metres. Samples were taken every metre.

After a geological review, samples were selected based on their mineralogy for submittal for analysis to the laboratory. Blanks and standards were inserted every 20th sample for quality control and assurance (QAQC). Samples were sent to Intertek (formerly Genalysis Laboratory Services) to assay for vanadium and titanium. Full results of this RC drilling programme were released to ASX in an announcement on 21 March 2013.

REVIEW OF ACTIVITIES

Drilling focused on confirming an historic resource estimate that Amoco Minerals Company had calculated with their drill hole programme completed during 1982.

Audalia's programme was centred on a 160m by 160m grid pattern drilling vertically through the pyroxenite sill. Drill holes depths varied on location. Ore-grade vanadium (V_2O_5) and titanium (TiO_2) mineralisation are confined to the weathered zone where it has been enriched by loss of silicates. As a result, only a small proportion of the drill cuttings consisted of fresh rock.

The deepest drill hole was drilled to 90m. The average drill depth was 46m.

Distribution of the vanadium (V_2O_5) and titanium (TiO_2) mineralisation is controlled by several factors. One is depth of lateritic weathering, where weathering has increased grades to economic levels. A second is stratigraphic control, with mineralisation confined to an approximate depth of 50m thick pyroxenite zone within the Medcalf Sill.

Result highlights include:

Hole	From (m)	To (m)	Width (m)	TiO_2 (%)	V_2O_5 (%)
MRC007	3	29	26	11.59	0.69
MRC008	0	44	44	13.45	0.71
MRC009	0	37	37	14.16	0.81
MRC010	1	54	53	10.64	0.65
MRC011	0	50	50	14.71	0.83
MRC012	12	34	22	11.42	0.53
MRC013	34	38	4	12.34	0.63
MRC019	11	20	9	11.75	0.56

Table 5 – Significant assay results from the drilling

Resource Modelling

Ravensgate Mining Industry Consultants of West Perth were engaged to model to Medcalf vanadium-titanium mineralisation intersected from the recent drill programme.

Ravensgate completed an Ordinary Kriging block model over the main mineralised area that covers approximately 1,300m in length, 400m in width and up to 35m in thickness. Block size used was 20m by 20m by 2m depth. Summarised below is the JORC estimate for various grade cut-off ranges.

Lower Cut-off	Measured				Indicated				Inferred			
V ₂ O ₅ (%)	Volume	Tonnes	V ₂ O ₅ (%)	TiO ₂ (%)	Volume	Tonnes	V ₂ O ₅ (%)	TiO ₂ (%)	Volume	Tonnes	V ₂ O ₅ (%)	TiO ₂ (%)
0.20	-	-	-	-	-	-	-	-	12621627	28515387	0.5008	9.2704
0.30	-	-	-	-	-	-	-	-	10171343	22991785	0.5601	10.0492
0.40	-	-	-	-	-	-	-	-	7390179	16698823	0.6405	10.8876
0.50	-	-	-	-	-	-	-	-	5644264	12775558	0.6999	11.4583
0.60	-	-	-	-	-	-	-	-	4186404	9478696	0.7547	12.0640
0.80	-	-	-	-	-	-	-	-	1020024	2313374	0.9016	13.5197
1.00	-	-	-	-	-	-	-	-	147960	335869	1.0849	15.2576

Table 6 – Inferred Resource grade cut-off ranges

From the above table, Audalia has identified a significant vanadium-titanium resource and within line of the industry best practice standards and the JORC (2004) Resource reporting guidelines, the total Inferred Resource for the Medcalf Project is 28,515,387 tonnes at 0.501% V_2O_5 that equates to 142,862 tonnes of vanadium pentoxide.

Audalia engaged Ravensgate to design a drill programme that will upgrade the Inferred Resource to an Indicated Resource. A Programme of Works (POW) was submitted to the DMP on 15 June 2013 for the drill programme of 130 holes to a maximum depth of 50m on an 80m by 80m drill pattern.

Metallurgy

In the June 2013 quarter, Audalia engaged Bureau Veritas Minerals Pty Ltd (formerly Amdel) to conduct a series of test works to determine the likely processing method and likely metallurgical recoveries for the project.

REVIEW OF ACTIVITIES

CORPORATE

On 1 February 2013, the Company transferred its share register to Advanced Share Registry Services Limited.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Brent Butler, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Butler is a consultant geologist with 28 years' experience as a geologist. Mr Butler has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves' (JORC Code). Mr Butler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

*The Directors present their report together with the financial report of Audalia Resources Limited (the **Company**) for the year ended 30 June 2013 and the auditor's report thereon.*

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Dato Soo Kok Lim

Executive Chairman – Age 44, appointed: 9 October 2010

Dato Lim is a graduate in Law with Honours from The University of Kent in Canterbury, England in 1989. In 1990, he obtained the degree of Utter Barrister Gray's Inn, England. He was called to the Bar in Malaysia in 1991. After a brief career in a local law firm in Kuala Lumpur, he established his own practice in 1993 and operated it until 1999. He was appointed a Commissioner for Oaths by the Chief Justice of Malaysia in 1999. Dato Lim is also a Notary Public appointed by the Attorney General of Malaysia.

He is also currently a director of a number of companies listed on Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange). Dato Lim is actively involved with the management of significant family investments in property development, hotel management and other commercial interests. He has substantial business and legal experience in investments in Malaysia, Australia, China and other South East Asian countries.

Datuk Siew Swan Ong

Executive Director – Age 41, appointed: 9 October 2010

Datuk Ong is an advocate & solicitor with more than 15 years of experience including managing his legal practice in Malaysia. He is a graduate in law from Bond University, Australia. He provides legal advice to a wide range of clients including clients in the mining industry in Malaysia and Indonesia.

He has extensive knowledge of the mining industry in Malaysia having been involved as legal counsel in joint ventures and acquisition of mining transactions and dispute resolution between clients and State Governments.

He has served as a director and company secretary on several companies in Malaysia and Hong Kong.

Datuk Ong will be seeking re-election by shareholders at the 2013 Annual General Meeting.

Mr Brent Butler

Non-Executive Director – Age 53, appointed: 16 February 2011

Mr Butler is a geologist with over 28 years' experience in the resource industry. He has a geology degree from Otago University and is a member of the Australasian Institute of Mining and Metallurgy. Mr Butler is also a Fellow of the Society of Geology (USA) and a member of Prospectors Development of Canada. He is currently the President and CEO of Superior Mining International Corporation, Director of Redhill Resources Corp and Managing Director of its Australian subsidiary. He has significant international exploration and mining experience in the gold industry, having worked in the United States, Brazil, Chile, Argentina, Africa and Australia.

Mr Andrew Kwa

Non-Executive Director – Age 62, appointed: 11 October 2011

Mr Kwa has a bachelor of Computer Science degree from Teesside University in the UK. He worked as a Systems Analyst and IT Consultant for several years both in Malaysia and in Australia. Mr Kwa has extensive financial and project management experience. He is currently a consultant in a substantial property development in Western Australia.

DIRECTORS' REPORT

COMPANY SECRETARY

Ms Karen Logan

Appointed: 27 August 2010

Ms Logan graduated with a Bachelor of Commerce majoring in Accounting and Business Law from Curtin University in Western Australia. After completing a Graduate Diploma in Applied Corporate Governance, she qualified as a Chartered Secretary in 2009. Ms Logan is an Associate of the Institute of Chartered Secretaries and Administrators, a Fellow of the Financial Services Institute of Australasia and a Graduate Member of the Australian Institute of Company Directors.

She has been a partner of a public practice since 2006 and has significant experience in mergers and acquisitions, capital raising projects and ASX listings. She is currently the secretary of a number of ASX-listed companies and provides corporate and accounting services to those clients.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship	
		From	To
Dato Soo Kok Lim	Not Applicable	-	-
Datuk Siew Swan Ong	Not Applicable	-	-
Mr Brent Butler	Redhill Resources Corp.	2006	Present
	Superior Mining International Corporation	2011	Present
	Siburan Resources Limited	2009	21 August 2012
Mr Andrew Kwa	Global Gold Holdings Ltd	2008	Present

DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

Director	Shares	Options
Dato Soo Kok Lim	15,000,000	-
Datuk Siew Swan Ong	15,750,000	-
Mr Brent Butler	530,000	15,000
Mr Andrew Kwa	250,000	-

DIRECTORS' MEETINGS

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Dato Soo Kok Lim	4	4	1	1	N/A	N/A
Datuk Siew Swan Ong	4	4	N/A	N/A	1	1
Mr Brent Butler	4	4	1	1	1	1
Mr Andrew Kwa	4	4	1	1	1	1

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors.

DIRECTORS' REPORT

DIRECTORS' MEETINGS (continued)

Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr Brent Butler (Chairman)	Mr Brent Butler (Chairman)
Mr Andrew Kwa	Mr Andrew Kwa
Datuk Siew Swan Ong	Dato Soo Kok Lim

PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was mineral exploration.

OPERATING AND FINANCIAL REVIEW

Operating review

During the year, the Company acquired ten additional tenements that surround Audalia's existing Medcalf Project from Lake Johnston Pty Ltd for cash consideration of \$55,000 (exclusive of GST) following which a maiden JORC Inferred Resource was achieved.

During the year, a soil and rock chip sampling programme was undertaken on the Gascoyne Project focussed on exploring for a base metal target following which the Company's field geologist recommended Audalia assess the project for its gold potential.

Further information regarding activities undertaken by the Company during the year is contained in the section entitled Review of Activities in this Annual Report.

Financial review

The Company incurred a loss of \$288,724 after income tax for the financial year (2012: loss of \$393,303). As at 30 June 2013, the Company had net assets of \$1,831,569 (30 June 2012: \$2,120,293), including cash and cash equivalents of \$499,057 (30 June 2012: \$894,938).

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Audit Report issued by the Company's auditor, contains an "Emphasis of Matter" paragraph in relation to the Company's ability to continue as a "going concern".

As outlined in Note 1 to the Financial Statements, based upon the Company's existing cash resources and the ability to modify expenditure outlays if required, the directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation to be appropriate for the preparation of the Company's 2013 annual report.

Given this, the directors have been considering opportunities to source further funding and to this end, the Company secured a short-term loan of \$500,000 in August 2013 for the purpose of supplementing its existing working capital. The loan is repayable on 20 November 2013. Given the short-term nature of the loan, the Company entered into subscription agreements with sophisticated investors in September 2013 to raise \$1.5 million by way of placement (**Placement**), of which \$1.38 million is subject to and conditional upon shareholder approval at the 2013 Annual General Meeting. Refer to Note 21 for further details of these subsequent events.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company's net assets decreased by \$288,724 to \$1,831,569 during the financial year. The decrease in net assets comprises the net loss of \$288,724 incurred for the year.

There were no other significant changes in the state of affairs of the Company during the financial year.

Total shares on issue at 30 June 2013 are 80,160,001.

RESULTS

The Company incurred a loss of \$288,724 (2012: loss of \$393,303) after income tax for the financial year.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS

The Company will continue to pursue its principal activity of mineral exploration and continue to review and assess other acquisition and joint venture opportunities in the resource sector.

Planned exploration

The Company is conducting testwork at the Medcalf Project to test the vanadium-titanium mineralisation to quantify an Indicated Resource, upgrading from the current Inferred Resource and to determine the likely processing method and likely metallurgical recoveries for the project. Stage 1 results of the metallurgical testwork programme were announced to the market on 16 September 2013. Stage 2 of the programme is underway. The Company's consulting geologist will complete the JORC estimate once the four stage metallurgical testwork programme has been completed.

A programme has been designed for gold exploration at the Gascoyne Project. The Company will complete the work in the 2014 financial year and subsequently assess the data to determine if follow-up work is warranted.

Further information regarding the exploration programmes for the Company's projects is contained in the section entitled Review of Activities in this Annual Report.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

ENVIRONMENTAL REGULATION

The Company's exploration and mining activities are governed by a range of environmental legislation and regulations including the *National Greenhouse and Energy Report Act 2007* and *Mining Act 1978*. As the Company is still in the development phase of its interests in exploration projects, Audalia is not yet subject to the public reporting requirements of environmental legislation and regulations. To the best of the directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of the applicable environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters described in Note 21 to these financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

REMUNERATION REPORT (AUDITED)

The Remuneration Report, which has been audited, outlines the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

In this report, the term "executive" refers to the executive directors of the Company.

Key management personnel

The following were key management personnel of the Company at any time during the year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Dato Soo Kok Lim	Executive Chairman
Datuk Siew Swan Ong	Executive Director
Mr Brent Butler	Non-Executive Director
Mr Andrew Kwa	Non-Executive Director

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Remuneration committee

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership is set out in the section entitled Corporate Governance Statement in this Annual Report.

Principles of remuneration

The remuneration structures explained below are competitively set to attract, motivate and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Company's performance including:
 - the growth in share price; and
 - the amount of incentives within each key management person's compensation.

Given the evaluation and developmental nature of the Company's principal activity, the overall level of compensation does not have regard to the earnings of the Company.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration for all non-executive directors, last voted upon by shareholders at the 2011 General Meeting, is not to exceed \$300,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-executive directors do not receive any retirement benefits, other than statutory superannuation, nor do they receive any performance related compensation. Level of non-executive directors' fees as at the reporting date is as follows:

Name	Non-executive directors' fees (per annum)	
	Current	From 4 July 2014
Mr Andrew Kwa	\$20,000	\$25,000
Mr Brent Butler	\$20,000	\$30,000

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of the employment agreements with the Executive Chairman and Executive Director are provided below.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

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

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the Company. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management, if required.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Short-term incentive

The Company has not set any short-term incentives (**STI**) for key management personnel.

Long-term incentive

Long-term incentives (**LTI**) may be provided to key management personnel in the form of options over ordinary shares of the Company. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to directors subject to approval by shareholders in general meeting.

There were no options issued as LTI during the year.

The Company has introduced a policy that prohibits employees and directors of the Company from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and directors to confirm compliance.

Use of remuneration consultants

The Nomination and Remuneration Committee did not engage the services of a remuneration consultant during the year.

Voting and comments made at the Company's 2012 Annual General Meeting

The Remuneration Report for the 2012 financial year received positive shareholder support at the 2012 AGM with a vote of 100% in favour. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Directors have regard to the following indices in respect of the current financial period:

	2013	2012	2011 ¹
Net loss for the year	\$288,724	\$393,303	\$97,706
Dividends paid	Nil	Nil	Nil
Change in share price	\$0.04	\$0.01	Nil
Share price at beginning of the period	\$0.21	\$0.20	\$0.20 ²
Share price at end of the period	\$0.25	\$0.21	\$0.20
Loss per share	0.36 cents	0.49 cents	0.16 cents

1. These figures cover the period from incorporation on 27 August 2010 to 30 June 2011.

2. The Company was incorporated on 27 August 2010 with an issued capital of 1 share of \$0.20.

Due to the Company currently being in an exploration and evaluation phase, the Company's earnings are not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration takes into account the achievement of strategic objectives, service criteria and growth in share price.

The overall level of key management personnel remuneration takes into account the performance of the Company since the Company's incorporation on 27 August 2010. As a result, remuneration was not paid to directors or executives until the Company was admitted to the Official List of ASX in July 2011. Since then, the level of remuneration has remained unchanged, other than the increase or decrease in remuneration levels due to the appointment or resignation of key management personnel. However, given the Company's increasing level of activities, the achievement of milestones since incorporation in 2010 and given periodic remuneration reviews have not been conducted to date, levels of both non-executive and executive remuneration will increase with effect from 4 July 2014, as disclosed in this Remuneration Report. The aggregate remuneration for all non-executive directors has remained unchanged since voted upon by shareholders in January 2011.

There were no performance related remuneration transactions during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Employment agreements

The Company has entered into employment agreements with its Executive Chairman and Executive Director. The employment agreements outline the components of remuneration paid to the executives and are reviewed on an annual basis.

Dato Soo Kok Lim, Executive Chairman, has an employment agreement effective from 4 July 2011 with the Company (**EC Employment Agreement**). The EC Employment Agreement specifies the duties and obligations to be fulfilled by the Executive Chairman. The initial term of the EC Employment Agreement was 2 years but it has been renewed for a further term of 3 years. The Company must pay to Dato Lim \$20,000 per annum (exclusive of statutory superannuation) for Dato Lim's services. From 4 July 2014, the Company must pay to Dato Lim \$80,000 per annum (exclusive of statutory superannuation) under the EC Employment Agreement.

Either Dato Lim or Audalia may terminate the agreement at any time by giving three month's written notice to the other. Dato Lim has no entitlement to termination payment should he terminate the agreement by written notice. Audalia may, by giving written notice to Dato Lim, immediately terminate the agreement should a number of specified occurrences happen, including a serious breach of the agreement or serious misconduct. Dato Lim has no entitlement to termination payment in the event of removal for misconduct.

Datuk Siew Swan Ong, Executive Director, has an employment agreement effective from 4 July 2011 with the Company (**ED Employment Agreement**). The ED Employment Agreement specifies the duties and obligations to be fulfilled by the Executive Director. The initial term of the ED Employment Agreement was 2 years but it has been renewed for a further term of 3 years. The Company must pay to Datuk Ong \$20,000 per annum (exclusive of statutory superannuation) for Datuk Ong's services. From 4 July 2014, the Company must pay to Datuk Ong \$80,000 per annum (exclusive of statutory superannuation) under the ED Employment Agreement.

Either Datuk Ong or Audalia may terminate the agreement at any time by giving three month's written notice to the other. Datuk Ong has no entitlement to termination payment should he terminate the agreement by written notice. Audalia may, by giving written notice to Datuk Ong, immediately terminate the agreement should a number of specified occurrences happen, including a serious breach of the agreement or serious misconduct. Datuk Ong has no entitlement to termination payment in the event of removal for misconduct.

Refer to Note 16 for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services with directors.

Remuneration of key management personnel

Details of the nature and amount of each major element of the remuneration of each key management person of the Company are:

		PRIMARY	POST- EMPLOYMENT	OTHER BENEFITS	SHARE-BASED PAYMENTS		
		Salary & fees \$	Superannuation benefits \$	Annual Leave \$	Options \$	Total \$	Performance related %
Directors							
<i>Non-executive</i>							
Mr B Butler	2013	20,000	-	-	-	20,000	-
	2012	19,839	-	-	-	19,839	-
Mr A Kwa ¹	2013	18,349	1,651	-	-	20,000	-
	2012	13,268	1,194	-	-	14,462	-
Mr A Ho ²	2012	2,419	-	-	-	2,419	-
<i>Executive</i>							
Dato S K Lim	2013	20,000	1,800	1,753	-	23,553	-
	2012	19,839	1,785	1,740	-	23,364	-
Datuk S S Ong	2013	20,000	1,800	1,753	-	23,553	-
	2012	19,839	1,785	1,740	-	23,364	-
Total, all directors	2013	78,349	5,251	3,506	-	87,106	-
	2012	75,204	4,765	3,480	-	83,449	-

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Notes in relation to the table of remuneration:

1. Appointed 11 October 2011.
2. Resigned 17 August 2011.

Non-executive directors' fees commenced from the date of the Company's admission to the Official List of ASX on 4 July 2011. Dato Lim and Datuk Ong's employment agreements were also effective from that date.

Share-based remuneration

There were no share-based remuneration transactions during the year.

This concludes the Remuneration Report, which has been audited.

OPTIONS

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Class	Expiry date	Exercise Price	Date Granted	Number of Options
Listed Options (ACPO)	28 April 2014	\$0.20	29 June 2011	6,830,004

None of these options were exercised during the financial year and all remained outstanding at 30 June 2013. These options do not entitle the holder to participate in any share issue of the Company or any other entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

As at the date of this report no insurance policies in respect of indemnification of officers have been entered into.

INDEMNIFICATION AND INSURANCE OF AUDITORS

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

NON-AUDIT SERVICES

The following non-audit services were provided by BDO Corporate Tax (WA) Pty Ltd, a company associated with the Company's auditor, BDO Audit (WA) Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

DIRECTORS' REPORT

NON-AUDIT SERVICES (continued)

BDO Corporate Tax (WA) Pty Ltd received or is due to receive the following amounts for the provision of non-audit services:

	2013 \$	2012 \$
BDO Corporate Tax (WA) Pty Ltd Tax compliance services	6,120	5,100

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO AUDIT (WA) PTY LTD

There are no officers of the Company who are former audit partners of BDO Audit (WA) Pty Ltd.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 51 and forms part of the Director's Report.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Dated at Perth, Western Australia this 27th day of September 2013.

Signed in accordance with a resolution of the directors:



Dato Soo Kok Lim
Executive Chairman

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations with 2010 Amendments* (2nd Edition) (the **Recommendations**). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Audalia's corporate governance policies are available on the Company's website: www.audalia.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives will take place subsequent to the end of the reporting period and will be carried out in accordance with the process disclosed.

The Board Charter and Performance Evaluation Process are available on the Company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board consists of the Executive Chairman, Executive Director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The roles of Chairman and the Executive Director are not exercised by the same individual. The Board Charter summarises the roles and responsibilities of the Chairman, Dato Lim, and the Executive Director, Datuk Ong.

Independence of non-executive directors

The Board has assessed the independence of the non-executive directors using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

Although Mr Butler and Mr Kwa hold 530,000 and 250,000 fully paid ordinary shares respectively and Mr Butler holds 15,000 options in the Company, the Board considers this immaterial. Messrs Butler and Kwa are regarded as independent as they are not substantial shareholders as defined by the *Corporations Act*.

The Company is at variance with Recommendations 2.1 and 2.2 in that the majority of directors are not independent and the Chairman is not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.1 and 2.2, all directors bring an independent judgement to bear on Board decisions.

CORPORATE GOVERNANCE STATEMENT

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members and is chaired by Mr Butler, who is an independent non-executive director.

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee member, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors will take place subsequent to the end of the reporting period and will be carried out in accordance with the Performance Evaluation Process.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out Audalia's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Diversity Policy

The Board has adopted a Diversity Policy which sets out the Company's aims and practices in relation to recognising and respecting diversity in employment. The Policy reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.

The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

CORPORATE GOVERNANCE STATEMENT

Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportions of women within the whole organisation as at the date of this report are as follows:

	%
Women employees in the whole organisation	0%
Women in senior executive positions	0%
Women on the Board of Directors	0%

The Board acknowledges the absence of female participation in senior executive positions and on the Board of Directors. However, as noted above, the Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company is at variance with Recommendation 3.3 in that it has not set or disclosed measurable objectives for achieving gender diversity in accordance with its Diversity Policy. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Code of Conduct and Diversity Policy are available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The Audit and Risk Committee consists of three members and is chaired by an independent non-executive director, Mr Butler.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.2 in that one of the members of the Audit and Risk Committee is an executive director. The Board considers that this composition is appropriate given the current size of the Company.

External auditor

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is BDO Audit (WA) Pty Ltd. The appointment of BDO Audit (WA) Pty Ltd was ratified by members at the inaugural Annual General Meeting held on 25 November 2011.

The Audit and Risk Committee Charter is available on the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE (continued)

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Audalia recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Risk oversight

Audalia's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguarding integrity in financial reporting.

Reporting and assurance

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Executive Chairman and Executive Director, that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the executive Chairman and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

The Risk Management Policy is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2011 General Meeting, is not to exceed \$300,000 per annum. Non-executive directors do not receive performance related compensation. Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

As noted previously, the Executive Chairman and Executive Director are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	Lay solid foundations for management and oversight		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 20
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 20
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 20
Pr 2	Structure the board to add value		
Rec 2.1	A majority of the board should be independent directors.	No	Website & Page 20
Rec 2.2	The chair should be an independent director.	No	Website & Page 20
Rec 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 20
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 21
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 21
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 20 & 21
Pr 3	Promote ethical and responsible decision making		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Website & Page 21

CORPORATE GOVERNANCE STATEMENT

	Requirement	Comply Yes/ No	Reference/ Explanation
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	Website & Page 21
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	Website & Page 22
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Website & Page 22
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 21 & 22
Pr 4	Safeguard integrity in financial reporting		
Rec 4.1	The board should establish an audit committee.	Yes	Website & Page 22
Rec 4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not the chair of the board; and has at least three members. 	No	Website & Page 22
Rec 4.3	The audit committee should have a formal charter.	Yes	Website & Page 22
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 22
Pr 5	Make timely and balanced disclosure		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 22 & 23
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 22 & 23
Pr 6	Respect the rights of shareholders		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 23
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 23
Pr 7	Recognise and manage risk		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 23
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 23

CORPORATE GOVERNANCE STATEMENT

	Requirement	Comply Yes/ No	Reference/ Explanation
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 23
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 23
Pr 8	Remunerate fairly and responsibly		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 24
Rec 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> consists of a majority of independent directors; is chaired by an independent chair; and has at least three members. 	Yes	Website & Page 21 & 24
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 24
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 21 & 24

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue from Continuing Operations			
Other income		43,043	98,347
Operational expenses		-	(200,000)
Corporate and administrative expenses		(331,767)	(291,650)
Loss before income tax		(288,724)	(393,303)
Income tax expense/(benefit)	5	-	-
Net loss for the year		(288,724)	(393,303)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of the Company		(288,724)	(393,303)
Loss per share attributable to the owners of the Company			
Basic loss per share (cents)	17	(0.36)	(0.49)

Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	6	499,057	894,938
Trade and other receivables	7	32,099	21,514
Held-to-maturity investment	8	-	750,000
Other current assets	9	3,196	2,715
Total Current Assets		534,352	1,669,167
NON-CURRENT ASSETS			
Trade and other receivables	7	-	6,312
Exploration and evaluation assets	10	1,456,535	521,858
Total Non-Current Assets		1,456,535	528,170
TOTAL ASSETS		1,990,887	2,197,337
CURRENT LIABILITIES			
Trade and other payables	11	152,332	73,565
Provisions	12	6,986	3,479
Total Current Liabilities		159,318	77,044
TOTAL LIABILITIES		159,318	77,044
NET ASSETS		1,831,569	2,120,293
EQUITY			
Contributed equity	13	2,601,302	2,601,302
Reserves	14	10,000	10,000
Accumulated losses	15	(779,733)	(491,009)
TOTAL EQUITY		1,831,569	2,120,293

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2011	2,618,588	10,000	(97,706)	2,530,882
Loss for the year	-	-	(393,303)	(393,303)
Total comprehensive loss for the year	-	-	(393,303)	(393,303)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	-	-	-	-
Transaction costs on share issues	(17,286)	-	-	(17,286)
Share-based payment	-	-	-	-
Balance as at 30 June 2012	2,601,302	10,000	(491,009)	2,120,293
Balance as at 1 July 2012	2,601,302	10,000	(491,009)	2,120,293
Loss for the year	-	-	(288,724)	(288,724)
Total comprehensive loss for the year	-	-	(288,724)	(288,724)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	-	-	-	-
Transaction costs on share issues	-	-	-	-
Share-based payment	-	-	-	-
Balance as at 30 June 2013	2,601,302	10,000	(779,733)	1,831,569

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Payments to suppliers and employees		(333,036)	(276,199)
Payments for exploration and evaluation expenses		-	(200,000)
Interest received		60,126	80,397
Net cash (outflow) from operating activities	20	<u>(272,910)</u>	<u>(395,802)</u>
Cash flows from investing activities			
Payments for held-to-maturity investment		-	(750,000)
Proceeds from maturity of investments		750,000	-
Payments for exploration and evaluation assets – acquisition costs		(57,177)	(163,192)
Payments for exploration and evaluation assets – capitalised costs		<u>(815,794)</u>	<u>(72,987)</u>
Net cash (outflow) from investing activities		<u>(122,971)</u>	<u>(986,179)</u>
Cash flows from financing activities			
Net (payments) / proceeds from the issues of shares, net of share issue costs	13	<u>-</u>	<u>(84,669)</u>
Net cash (outflow) from financing activities		<u>-</u>	<u>(84,669)</u>
Net (decrease) in cash held		(395,881)	(1,466,650)
Cash and cash equivalents at 1 July 2012		894,938	2,361,588
Cash and cash equivalents at 30 June 2013	6	<u><u>499,057</u></u>	<u><u>894,938</u></u>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The financial report of Audalia Resources Limited (the **Company** or **Audalia**) for the financial year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 September 2013.

Audalia is a public company limited by shares incorporated in Australia whose shares are traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Audalia Resources Limited is a for profit entity for the purpose of preparing the financial statements.

The financial statements of the Company also comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

Basis of measurement

The financial statements are prepared on the accruals basis and the historical cost basis. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. At 30 June 2013, the Company had net assets of \$1,831,569 (30 June 2012: \$2,120,293), including \$499,057 (30 June 2012: \$894,938) in cash and cash equivalents. At 30 June 2013, the Company had incurred a net loss after tax of \$288,724 (2012: \$393,303) and net operating cash outflows of \$272,910 (2012: \$395,802) for the year ended 30 June 2013 and the Company continues to incur expenditure on its exploration tenements drawing on its cash balances.

The Directors consider there are reasonable grounds to believe that the Company will be able to continue as a going concern after consideration of the following factors:

- The Company has net working capital of \$375,035, including a cash reserve of \$499,057 as at 30 June 2013.
- The Company has the ability to adjust its exploration expenditure subject to results of its exploration activities and the Company's funding position.
- Subsequent to balance date, the Company secured a short-term loan of \$500,000 to supplement its working capital (refer to Note 21 for further details).
- Subsequent to balance date, the Company entered into subscription agreements to raise \$1.5 million by way of share placement to sophisticated investors, of which \$1.38 million is subject to and conditional upon shareholder approval at the 2013 Annual General Meeting (refer to Note 21 for further details).

Should the entity not be able to obtain shareholder approval on the above subscription, there is material uncertainty as to whether the entity will be able to actively continue to explore and meet its commitments in the next 12 months. As such the ability of the entity to continue as a going concern and actively explore its tenements is dependent upon the shareholder approval disclosed above and/or successful future capital raisings.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

Exploration and evaluation expenditure

The write-off and carrying forward of exploration acquisition costs is based on an assessment of an area of interest's viability and/or the existence of economically recoverable reserves.

Deferred taxation

Deferred tax assets in respect of tax losses have not been brought to account as it is not considered probable that future taxable profits will be available against which they could be utilised.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less any impairment losses recognised. Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Events may occur or information may come to hand after the issue of this report which may materially alter the carrying value of this asset. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits.

Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Revenue represents interest received and reimbursements of exploration expenditures and is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Interest income is recognised as it accrues.

Leases

Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences:

- (a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- (a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

The Company has unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to members of the Company for the reporting period by the weighted average number of ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the Statement of Profit or Loss and Other Comprehensive Income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

New accounting standards and interpretations that are not yet mandatory

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They have not been applied in preparing this financial report:

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard is not expected to impact on the Company's accounting for financial assets as it does not have any available for sale assets. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The Company has decided not to early adopt AASB 9.

- (ii) *AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective from 1 January 2013)*

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures are required under the standard for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. This standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will not have a material impact on the Company's financial statements. The Company has decided not to early adopt this amendment.

- (iii) *Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 11 (effective from 1 July 2013)*

This standard is not applicable until 1 July 2013 but is available for early adoption. When adopted, the standard is not expected to have a material impact on the Company's financial statements as it only has a minimum level of employees. The Company has decided not to early adopt this amendment.

- (iv) *AASB 2011-4 Amendments to Australian Accounting Standard to Remove Individual Key Management Personnel Disclosure Requirements (effective from 1 July 2013)*

This standard makes amendments to AASB 124 Related Party Disclosures to remove the individual key management personnel disclosures requirements with an effective date of 1 July 2013. Early adoption of this standard is not permitted.

- (v) *AASB 2012-5 Annual Improvements to Australian Accounting Standards 2009-2011 Cycle (effective from 1 January 2013)*

This standard makes some necessary changes to IFRSs (IAS1, IAS 16 & IAS 32) and is not applicable until 1 January 2013. When this standard is first adopted for the year ended 30 June 2014, there will be no material impact.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

2. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from their use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Audalia's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

The Company holds the following financial instruments as at 30 June:

	2013 \$	2012 \$
Financial assets		
Cash and cash equivalents	499,057	894,938
Trade and other receivables	7,180	24,263
Held-to-maturity investments	-	750,000
	506,237	1,669,201
Financial liabilities		
Trade and other payables	148,852	73,565
	148,852	73,565

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. There were no changes in the Company's market risk management policies from previous years.

Interest rate risk

The Company's exposure to interest rates primarily relates to the Company's cash and cash equivalents. The Company manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Variable rate instruments

Cash at bank	90,583	209,768
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Fixed rate instruments

Bank term deposits	408,474	1,435,170
	499,057	1,644,938

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

2. FINANCIAL RISK MANAGEMENT (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 75 basis points in interest rates would have increased or decreased the Company's loss by \$679 (2012: \$1,573). The Board assessed a 75 basis point movement as being reasonably possible based on short term historical movements. This analysis assumes that all other variables remain constant.

Other market price risk

The Company is involved in the exploration and development of mining tenements for minerals. Should the Company successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices.

The Company operates within Australia and all transactions during the financial year are denominated in Australian dollars. The Company is not exposed to foreign currency risk at the end of the reporting period.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents. There were no changes in the Company's credit risk management policies from previous years.

The Company does not hold any credit derivatives to offset its credit exposure.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (Standard & Poor's) if available or to historical information about counterparty default rates:

	2013 \$	2012 \$
Cash at bank and short-term bank deposits		
A-1+ ¹	499,057	894,938
Held to maturity investments		
AA- ¹	-	750,000
Trade and other receivables		
A-1+ ¹	868	17,951
No external rating ²	6,312	6,312
	7,180	24,263

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.
2. Trade and other receivables consist of interest receivable and security bonds and deposits.

Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities. There were no changes in the Company's liquidity risk management policies from previous years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

2. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments: Cash flows for liabilities without fixed amount or timing are based on conditions existing at year end.

30 June 2013	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	148,852	(148,852)	(148,852)	-	-
30 June 2012	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	73,565	(73,565)	(73,565)	-	-

Fair value of financial instruments

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) 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
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

None of the Company's assets and liabilities are measured and recognised at fair value at 30 June 2013 and 30 June 2012.

The fair value of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels.

The Company has no formal financing and gearing policy or criteria during the year having regard to the early status of its development and low level of activity.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

	2013 \$	2012 \$
3. AUDITOR'S REMUNERATION		
During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices:		
Audit Services		
<i>BDO Audit (WA) Pty Ltd</i>		
- audit of financial report	27,602	23,981
Other Services		
<i>BDO Corporate Tax (WA) Pty Ltd</i>		
- preparation of income tax returns	6,120	5,100
	33,722	29,081
4. EXPENSES		
Loss before income tax from continuing operations includes the following specific expenses:		
(a) Employee benefits expense		
Wages and salaries	78,349	75,204
Superannuation expense	5,251	4,765
Employment entitlements	3,507	3,479
	87,107	83,448
(b) Minimum lease payments – operating lease	30,477	26,554
(c) Consultancy fees	1,538	203,155
5. INCOME TAX		
(a) Income tax expense	-	-
(b) Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(288,724)	(393,303)
Income tax benefit calculated at rates noted in (d) below	(86,617)	(117,991)
Effect of non-deductible item – entertainment/other	-	1,590
Increase in deferred tax balances not brought to account	86,617	116,401
Income tax expense	-	-
(c) Deferred tax assets not brought to account		
- Carry forward tax losses	676,618	325,263
- Capital raising costs	29,981	44,101
- Provisions and accruals	14,876	6,979
Potential at 30%	721,475	376,343

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

5. INCOME TAX (continued)

The tax benefits of the above deferred tax assets will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in income tax legislation adversely affects the Company in utilising the benefits.

	2013 \$	2012 \$
Deferred tax liabilities at 30%		
- Prepayments	128	120
- Interest receivable	260	5,385
- Exploration and evaluation costs	436,960	156,557
	437,348	162,062

The above deferred tax liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the deferred tax asset has not been recognised.

(d) Tax Rates

The potential tax benefit in respect of tax losses not brought into account has been calculated at 30%.

6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	90,583	209,768
Term deposit	408,474	685,170
	499,057	894,938

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 2.

7. TRADE AND OTHER RECEIVABLES

Current

GST receivable	24,919	3,459
Interest receivable	868	17,951
Security deposit	6,312	-
Sundry debtors	-	104
	32,099	21,514

Non-Current

Security deposit	-	6,312
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There were no receivables past due but not impaired. The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 2.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	2013 \$	2012 \$
8. HELD TO MATURITY INVESTMENTS		
Current		
Held-to-maturity investment	-	750,000

The Company's exposure to credit risk related to held-to-maturity investments is disclosed in Note 2.

9. OTHER ASSETS

Current		
Prepaid rent	2,770	2,715
Prepaid insurance	426	-
	3,196	2,715

10. EXPLORATION AND EVALUATION ASSETS

Exploration, evaluation and development costs carried forward in respect of areas of interest	1,456,535	521,858
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Reconciliation

Carrying amount at beginning of the year	521,858	251,511
Exploration and evaluation	877,500	107,155
Acquisition of Gascoyne Tenements	-	9,202
Acquisition of Medcalf Tenements	57,177	153,990
Carrying amount at end of the year	1,456,535	521,858

The value of the exploration, evaluation and development costs carried forward is dependent upon the continuance of the Company's rights to tenure of the area of interest, the results of future exploration, and the recoupment of costs through successful development and exploitation of the areas of interest or alternatively by their sale.

11. TRADE AND OTHER PAYABLES

Trade creditors	106,251	50,033
Other creditors and accruals	46,081	23,532
	152,332	73,565

The carrying amount of trade and other payables approximates their fair value. The Company's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 2.

12. PROVISIONS

Provision for annual leave	6,986	3,479
Balance brought forward	3,479	-
Movement during the Period	3,507	3,479
Balance carrying forward	6,986	3,479

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

13. CONTRIBUTED EQUITY

	2013 \$	2012 \$
80,160,001 fully paid ordinary shares	<u>2,601,302</u>	<u>2,601,302</u>

(a) Ordinary shares

The following movements in ordinary share capital occurred during the year:

	2013 Number	2012 Number	2013 \$	2012 \$
Balance at beginning of year	80,160,001	80,160,001	2,601,302	2,618,588
Share issue costs	-	-	-	(17,286)
Balance at the end of the year	<u>80,160,001</u>	<u>80,160,001</u>	<u>2,601,302</u>	<u>2,601,302</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Options

Movement in options

No options were granted during the year.

Unissued shares under option

Class	Expiry date	Exercise Price	Number of Options
Listed Options (ACPO)	28 April 2014	\$0.20	6,830,004

None of these options were exercised or lapsed during the year and all remained outstanding at 30 June 2013.

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

(c) Capital management

The Company's objectives when managing capital are disclosed in Note 2.

14. RESERVES

	2013 \$	2012 \$
Option premium reserve	<u>10,000</u>	<u>10,000</u>

This reserve was used to record the value of 3,000,000 Listed Options issued in satisfaction of management fees payable pursuant to an agreement with C K Locke & Partners Pty Ltd, lead manager to the IPO Offer.

15. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(491,009)	(97,706)
Net loss for the year	<u>(288,724)</u>	<u>(393,303)</u>
Accumulated losses at the end of the year	<u>(779,733)</u>	<u>(491,009)</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

16. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has entered into a commercial lease on its office in East Perth, Western Australia. The lease is for a 24-month period from 15 October 2011.

Future minimum rentals payable under the non-cancellable operating lease as at 30 June are as follows:

	2013 \$	2012 \$
Within one year	8,828	29,906
After one year but not more than five years	-	8,812
	8,828	38,718

Service commitments

The Company has entered into a service agreement with Townshend York Pty Ltd (**Townshend York**), a company associated with Mr Ho, to provide company secretarial services in connection with the operations of the Company, under which Townshend York receives \$48,000 per annum for the first year of the agreement, \$54,000 for the second year and \$60,000 for the third year. As at reporting date, total commitments under the service agreement which have not been provided for in the financial statements are as follow:

Within one year	60,000	54,000
After one year but not more than five years	-	60,000
	60,000	114,000

The Company has also entered into a service agreement with Townshend York to provide accounting services in connection with the operations of the Company, under which Townshend York receives \$24,000 per annum. As at reporting date, total commitments under the service agreement which have not been provided for in the financial statements are as follow:

Within one year	24,000	24,000
After one year but not more than five years	-	24,000
	24,000	48,000

Refer to Note 19 for details of these key management personnel transactions during the year.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

Within one year	43,700	43,600
After one year but not more than five years	349,600	352
	393,300	43,952

Amounts disclosed as remuneration commitments include commitments arising from the employment agreements of directors and executives referred to in the Remuneration Report of the Directors' Report that are not recognised as liabilities and are not included in the compensation of key management personnel.

Exploration commitments

The Company has certain obligations to perform minimum exploration work on mining tenements held. These obligations may vary over time, depending on the Company's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at reporting date, total exploration expenditure commitments of the Company which have not been provided for in the financial statements are as follow.

Within one year	112,323	234,885
After one year but not more than five years	509,600	466,879
	621,923	701,764

Contingencies

The Company does not have any contingent liabilities at balance and reporting dates.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

17. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic loss per share at 30 June 2013 was based on the following:

	2013 \$	2012 \$
Loss attributable to ordinary shareholders		
Net loss for the year	(288,724)	(393,303)
Weighted average number of ordinary shares	Number	Number
Balance at beginning of the year	80,160,001	80,160,001
	80,160,001	80,160,001

Diluted earnings per share must be calculated where potential ordinary shares on issue are dilutive. As the potential ordinary shares on issue would decrease the loss per share in the current period, they are not considered dilutive, and not shown. The number of potential ordinary shares is set out in Note 13.

18. SEGMENT REPORTING

The Board has determined that the Company has two reportable segments, being Mineral Exploration and Corporate and Administrative.

	Mineral Exploration \$	Corporate and administrative \$	Company \$
30 June 2013			
Segment revenue	-	43,043	43,043
Segment result	-	(288,724)	(288,724)
Segment assets	1,456,535	534,352	1,990,887
Segment liabilities	(95,968)	(63,350)	(159,318)
	Mineral Exploration \$	Corporate and administrative \$	Company \$
30 June 2012			
Segment revenue	-	98,347	98,347
Segment result	(200,000)	(193,303)	(393,303)
Segment assets	521,858	1,675,479	2,197,337
Segment liabilities	(32,189)	(44,855)	(77,044)

19. KEY MANAGEMENT PERSONNEL

Key management personnel compensation

	2013 \$	2012 \$
Short-term employee benefits	81,856	78,683
Post-employment benefits	5,251	4,765
Total compensation	87,107	83,448

Detailed remuneration disclosures are provided in the Remuneration report on pages 14 to 18.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

19. KEY MANAGEMENT PERSONNEL (continued)

Equity holdings of key management personnel

Shares

The movement during the year in the number of ordinary shares in Audalia held, directly, indirectly or beneficially by each key management person, is as follows:

2013	Held at 1 July 2012	Held at date of appointment	Purchases	Granted as remuneration	Disposals	Held at date of resignation	Held at 30 June 2013
Directors							
Dato S K Lim	15,000,000	N/A	-	-	-	N/A	15,000,000
Datuk S S Ong	15,750,000	N/A	-	-	-	N/A	15,750,000
Mr B Butler	530,000	N/A	-	-	-	N/A	530,000
Mr A Kwa	250,000	N/A	-	-	-	N/A	250,000
2012	Held at 1 July 2011	Held at date of appointment	Purchases	Granted as remuneration	Disposals	Held at date of resignation	Held at 30 June 2012
Directors							
Dato S K Lim	15,750,000	N/A	-	-	(750,000)	N/A	15,000,000
Datuk S S Ong	15,750,000	N/A	-	-	-	N/A	15,750,000
Mr B Butler	530,000	N/A	-	-	-	N/A	530,000
Mr A Ho ¹	10,000	N/A	-	-	-	10,000	N/A
Mr A Kwa ²	N/A	250,000	-	-	-	N/A	250,000

Options and rights over equity instruments

The movement during the year in the number of options over ordinary shares in Audalia held, directly, indirectly or beneficially by each key management person, is as follows:

2013	Held at 1 July 2012	Held at date of appointment	Granted as remuneration	Lapsed	Held at date of resignation	Held at 30 June 2013	Vested during the year
Directors							
Dato S K Lim	-	N/A	-	-	N/A	-	-
Datuk S S Ong	-	N/A	-	-	N/A	-	-
Mr B Butler	15,000	N/A	-	-	N/A	15,000	-
Mr A Kwa	-	N/A	-	-	N/A	-	-
2012	Held at 1 July 2011	Held at date of appointment	Granted as remuneration	Lapsed	Held at date of resignation	Held at 30 June 2012	Vested during the year
Directors							
Dato S K Lim	-	N/A	-	-	N/A	-	-
Datuk S S Ong	-	N/A	-	-	N/A	-	-
Mr B Butler	15,000	N/A	-	-	N/A	15,000	-
Mr A Ho ¹	5,000	N/A	-	-	5,000	N/A	-
Mr A Kwa ²	N/A	-	-	-	N/A	-	-

Notes in relation to the tables of shares and options and rights over equity instruments

- Mr Ho resigned on 17 August 2011.
- Mr Kwa was appointed on 11 October 2011.

No shares or options were granted to key management personnel during the year as compensation.

No options held by key management personnel were vested but not exercisable as at 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

19. KEY MANAGEMENT PERSONNEL (continued)

Other transactions with key management personnel

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Director/ Executive	Transaction	Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2013 \$	2012 \$	2013 \$	2012 \$
Mr A Ho	Secretarial & Accounting fees ¹	N/A	88,995	N/A	11,595
Mr B Butler	Consultancy fees ²	68,000	28,500	13,200	11,000
Mr A Kwa	Commission fees ³	-	6,000	-	-

Notes in relation to the table of related party transactions

1. A company associated with Mr Ho, Townshend York Pty Ltd, provides company secretarial and accounting services in connection with the operations of the Company. Terms for such services are based on market rates, and amounts are payable on a monthly basis.
2. A company associated with Mr Butler, World Technical Services Group Pty Ltd, provided consulting services in connection with the Company's exploration projects. Terms for such services were based on market rates, and amounts were payable on a monthly basis.
3. Mr A Kwa was paid a commission in connection with the Company's IPO. Terms of the commission was based on market rates and was due and payable under normal payment terms.

20. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2013 \$	2012 \$
(a) Cash flows from operating activities		
Loss for the year	(288,724)	(393,303)
Adjustments for:		
Depreciation	-	-
Operating loss before changes in working capital and provisions	(288,724)	(393,303)
Change in trade and other receivables	(4,272)	(14,136)
Change in other assets	(482)	(400)
Change in trade and other payables	17,062	8,558
Change in provisions	3,506	3,479
Net cash used in operating activities	(272,910)	(395,802)

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

21. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 July 2013, 61 million fully paid ordinary shares in the Company and 3 million options exercisable at \$0.20 each on or before 28 April 2014 (**Securities**) were released from escrow. The Securities had been in escrow for a period of 24 months from commencement of official quotation of the Company's securities on the Australian Securities Exchange (**ASX**). The Company applied to ASX for quotation of these Securities following the end of the restriction period.

On 20 August 2013, the Company secured a short-term loan of \$500,000 (**Loan**) for the purposes of supplementing existing working capital. The loan is unsecured and attracts an interest rate of 8% per annum which is payable on the repayment date of the Loan being 20 November 2013.

On 23 September 2013, the Company entered into subscription agreements with sophisticated investors for a total of 150,000,000 Shares at an issue price of \$0.01 per Share to raise \$1.5 million before costs (**Subscription Agreements**). The Subscription Agreements contemplate the completion the placement in two tranches, as follows:

- Tranche 1: Placement of 12,000,000 Shares to raise \$120,000; and
- Tranche 2: Placement of 138,000,000 Shares to raise \$1,380,000.

The allotment of Shares under Tranche 1 was within the Company's 15% capacity under Listing Rule 7.1 and occurred on 27 September 2013. The allotment of Shares under Tranche 2 is subject to and conditional upon shareholder approval.

Audalia will seek shareholder approval for the allotment of Share under Tranche 2 at the upcoming Annual General Meeting to be held on or around 6 November 2013.

DIRECTORS' DECLARATION

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 27 to 47, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; 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.

This declaration has been made after receiving the declarations from the Executive Chairman and Executive Director required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2013. In accordance with section 295A, the Executive Chairman and Executive Director declared that:

- (i) the financial records of the Company have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- (ii) the financial statements and notes comply with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* in all material respects;
- (iii) the financial statements and notes give a true and fair view, in all material respects, of the financial position and performance of the Company.

Dated at Perth, Western Australia this 27th day of September 2013.

Signed in accordance with a resolution of the directors.



Soo Kok Lim
Executive Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Audalia Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Audalia Resources Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Audalia Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- (a) the financial report of Audalia Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that Audalia Resources Limited incurred a net loss of \$288,724 and net operating cash outflows of \$272,910 during the year ended 30 June 2013. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Audalia Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton

Director

Perth, 27 September 2013

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF AUDALIA RESOURCES LIMITED

As lead auditor of Audalia Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

BDO


CHRIS BURTON

Director

BDO Audit (WA) Pty Ltd
Perth, 27 September 2013

SHAREHOLDER INFORMATION

Details of shares and options as at 27 September 2013:

Top holders

The 20 largest registered holders of each class of quoted security as 27 September 2013 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Siew Swan Ong	15,750,000	17.09
2.	Soo Kok Lim	15,000,000	16.28
3.	Yek Yek Ong	8,300,000	9.00
4.	Siew Hoong Low	6,700,000	7.27
5.	Ms Anna Moi Chin Chong	4,000,000	4.34
6.	Serng Yee Liew	4,000,000	4.34
7.	Chai Keong Loh	2,350,000	2.55
8.	Wai Heng Ho	1,710,000	1.85
9.	Chin Huen Loh	1,510,000	1.64
10.	Eu Tim Chan	1,500,000	1.63
11.	Li Yi Phang	1,500,000	1.63
12.	Poh Lian Tan	1,500,000	1.63
13.	Siu Khim Lee	1,500,000	1.63
14.	Yon Yong Tai	1,500,000	1.63
15.	Yoon Nghoh Loh	1,500,000	1.63
16.	Ming Hwai Tan	1,500,000	1.63
17.	CME Group Berhad	1,400,000	1.52
18.	Seow Pang Ng	1,333,332	1.45
19.	Silver Capital Pty Ltd <Noel & Sandra Ong family A/C>	1,250,000	1.35
20.	Mr Kah Hui Tan + Mrs Irene Soi Khim	1,250,000	1.35
		75,053,332	81.44

Options exercisable at \$0.20 on or before 28 April 2014

	Name	No. of Options	%
1.	C K Locke and Partners Pty Ltd	3,000,000	43.92
2.	Ring Diong Ding	250,000	3.66
3.	Kim Geok Cesarine Lim	250,000	3.66
4.	Ewe Sean Teoh	166,667	2.44
5.	Ms Emily Kok	125,000	1.83
6.	Cheng Seng Lim	83,334	1.22
7.	Mr Min Tuck Goh + Ms Lili Fawcett	83,334	1.22
8.	Kon Neng Chin	83,334	1.22
9.	Ms Cecilia Hua Khing Chiu	66,667	0.98
10.	Soo Ka Lim	41,667	0.61
11.	Jagdish Murli Chanrai	41,667	0.61
12.	Mr Kok Chee Chua	41,667	0.61
13.	Gregory J Wood & Associates Pty Ltd	25,000	0.37
14.	Mr Abdul Osman	25,000	0.37
15.	Mr Hanbin Ye	20,000	0.29
16.	Lai Wah Sim	16,667	0.24
17.	Mah (Australia) Pty Ltd	12,500	0.18
18.	Mrs Helen Terzopoulos	10,000	0.15
19.	Mr Ian John Moody	7,500	0.11
20.	Mr Arran McDiven	7,500	0.11
		4,357,504	63.80

SHAREHOLDER INFORMATION

Distribution schedules

A distribution schedule of each class of equity security as at 27 September 2013:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	2	2	0.00
1,001	-	5,000	5	23,270	0.03
5,001	-	10,000	436	4,353,969	4.72
10,001	-	100,000	9	362,210	0.39
100,001	-	Over	43	87,420,550	94.86
Total			495	92,160,001	100.00

Options exercisable at \$0.20 on or before 28 April 2014

Range			Holders	Units	%
1	-	1,000	0	0	0.00
1,001	-	5,000	493	2,465,000	36.09
5,001	-	10,000	4	32,500	0.48
10,001	-	100,000	12	540,837	7.92
100,001	-	Over	5	3,791,667	55.51
Total			514	6,830,004	100.00

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Siew Swan Ong	15,750,000
Soo Kok Lim	15,000,000
Yek Yek Ong	8,300,000
Siew Hoong Low	6,700,000

Restricted Securities

As at 27 September 2013, the Company had no restricted securities on issue.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 10,000 as at 27 September 2013):

Holders	Units
443	4,377,241

SHAREHOLDER INFORMATION

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

ASX Admission Statement

During the year, the Company has applied its cash in a way consistent with its business objectives.

SUMMARY OF TENEMENTS

Summary of tenements as 27 September 2013

Projects	Licence Number	Area (km²)	Registered Holder / Applicant	Status	Audalia Interest
Western Australia					
Gascoyne	E09/1568	18.00	Audalia Resources Limited	Granted	100%
	E09/1569	45.00	Audalia Resources Limited	Granted	100%
	E09/1570	27.00	Audalia Resources Limited	Granted	100%
	E09/1824	33.00	Audalia Resources Limited	Granted	100%
	E09/1825	201.00	Audalia Resources Limited	Granted	100%
Medcalf	E63/1068	9.00	Audalia Resources Limited	Granted	100%
	E63/1405	3.00	Audalia Resources Limited	Granted	100%
	E63/1406	3.00	Audalia Resources Limited	Granted	100%
	P63/1528	1.09	Audalia Resources Limited	Granted	100%
	P63/1529	1.95	Audalia Resources Limited	Granted	100%
	P63/1530	1.94	Audalia Resources Limited	Granted	100%
	P63/1531	1.27	Audalia Resources Limited	Granted	100%
	P63/1532	1.77	Audalia Resources Limited	Granted	100%
	P63/1533	0.82	Audalia Resources Limited	Granted	100%
	P63/1560	0.96	Audalia Resources Limited	Granted	100%
	P63/1561	0.19	Audalia Resources Limited	Granted	100%
	E63/1133	3.00	Audalia Resources Limited	Granted	100%
	E63/1134	3.00	Audalia Resources Limited	Granted	100%