



ACN 146 035 690

INTERIM FINANCIAL REPORT
31 December 2013

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DIRECTORS' REPORT

The directors present the financial report of Audalia Resources Limited (the **Company**) for the half-year ended 31 December 2013 and the auditor's review report thereon:

DIRECTORS

The directors of the Company at any time during or since the end of the interim period and until the date of this report are noted below.

Dato Soo Kok Lim

Executive Chairman – Appointed: 9 October 2010

Datuk Siew Swan Ong

Executive Director – Appointed: 9 October 2010

Mr Brent Butler

Non-Executive Director – Appointed: 16 February 2011

Mr Boo Lye (Andrew) Kwa

Non-Executive Director – Appointed: 11 October 2011

REVIEW OF OPERATIONS

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 (Figure 1).

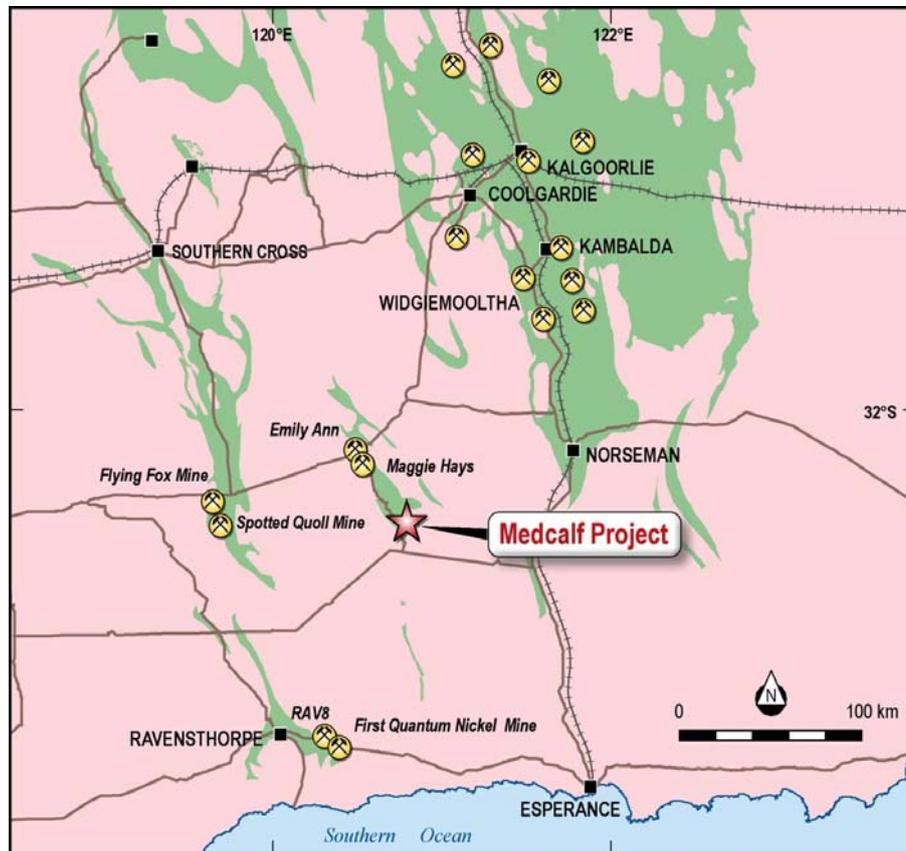


Figure 1 – Medcalf Project location map

The main focus during the period was metallurgical test work in order to determine likely processing method and recoveries of vanadium from a processing plant.

DIRECTORS' REPORT

Metallurgy

Bureau Veritas Minerals Pty Ltd located in Perth was the first laboratory engaged by Audalia to begin the test work programme during the June 2013 quarter. The test works comprised of four stages, characterisation, composite preparation, metallurgical and comminution.

Stages One and Two were completed during the September 2013 quarter.

Stage One test work included assaying, bulk densities, grain size distribution and determining the bond work index.

The core was cut and assayed for vanadium and titanium as well as aluminium, silica, iron, manganese, chromium and loss of ignition (water and carbonates). The results returned almost mirror the twinned RC drill results from the Inferred drilling thus demonstrating the grade has remarkable consistency within the deposit.

The core was weighed in each interval for its bulk densities to determine a specific gravity (**SG**). The average SG for the core is 2.3t/m³. This bulk density reflects the weathered nature of the deposit.

The core then underwent a series of test work to determine its size distribution.

The core underwent a series of grind tests to determine the bond ball mill work index. Results ranged from 9 – 11KW/t. This grind range is considered moderate and therefore the power costs to grind should be reasonable.

Stage One results were released to ASX on 16 September 2013.

Stage Two test work included X-ray Diffraction (**XRD**), a method used to quantify the crystalline nature of materials, Quantitative Evaluation of Minerals by Scanning Microscope (**QEMScan**), a method to measure mineralogical variability and a first pass roast leach test to determine mineral extraction by heat/chemical process.

The XRD results show the main assemblage of iron minerals to be hematite and goethite that are associated with kaolinite (a clay derived from weathering).

The QEMScan results indicate that the vanadium appears to be present in solid solution in small grains of hematite/maghemite and aluminogothite, at varying but low concentrations (i.e. 0-2.5% V).

A first pass roast leach test was completed without any pre-preparation of floatation or magnetite separation to free the sample from any gangue minerals. This test work results showed no vanadium leached under this method and indicated that the silicates are required to be removed before performing roast leach test work.

Stage Two results were released to ASX on 25 October 2013.

The Board considered the Stage One and Two results of the metallurgical test work and concluded that alternate metallurgical consultants should be sought. To this end, Audalia engaged Environmental Process and Mining Consultants Pty Ltd (**EPMC**), a South African company known to have expertise in vanadium, given its principals have visited and been involved in a multitude of vanadium deposits throughout the world.

The nine-week test work programme commenced during the last week of September 2013 upon the arrival of core at the Mintek laboratory in Johannesburg.

The core samples have now been milled in order to concentrate the vanadium in several parcels for the test work. During the course of this test work, it was necessary to change the scope of works to include further focus on magnetics and spirals. This extra scope of works commenced in February 2014 and results are expected to be available in the June 2014 quarter.

Resource upgrade drilling programme

A Programme of Works in relation to the drill programme to complete the proposed upgrade from the current Inferred Resource category to Indicated was approved by the Department of Minerals and Petroleum in late July 2013. The drilling programme has been completed and all drillhole data has been sent to the Company's consulting geologist, Ravensgate Pty Ltd (**Ravensgate**).

The results demonstrate the robustness of the deposit where there is a consistency of vanadium in each drill hole. Ravensgate has now incorporated these additional results into the previous Inferred block model and have now re-wireframed the mineralisation in order to upgrade the Resource category. However, Ravensgate will be unable to complete a JORC estimate until such time as the metallurgical test work results are available to incorporate the recovery data.

DIRECTORS' REPORT

Level Two Flora and Fauna Survey

Audalia has completed the first stage of the two stage Level Two Flora and Fauna survey with Botanica Consulting in September 2013. The survey will dovetail into an Environmental Impact Assessment and form part of the supportive documentation for a mining proposal. Stage Two will be completed in Autumn 2014 in order to complete the survey during two field seasons

GASCOYNE PROJECT

The main focus during the period was to explore for gold. A comprehensive sampling programme was carried out during the December 2013 quarter.

Field programme

A trap site stream sediment program (TSSS) programme was completed during the December 2013 quarter over the entire tenement holdings exploring for gold. A total of 692 samples were collected including duplicate samples inserted every 20th sample. The programme was designed to collect one sample per two square kilometres. Samples were analysed for BLEG (bulk leach extractable gold) silver, arsenic, barium, copper, manganese, lead, tin, tantalum, tungsten and zinc. A total of 70 rock chips samples were also collected where outcrop occurred.

Full results from the programme were released to ASX on 24 January 2014. The results concluded that the area is not prospective for gold however the programme did identify anomalous results for base metals exploration.

CORPORATE

In August 2013, the Company secured a short-term loan of \$500,000 (**Loan**) for the purposes of supplementing working capital. In 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 propose to complete 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 issue of Shares under Tranche 1 occurred on 27 September 2013. In November 2013, the Company received shareholder approval for the issue of Tranche 2 and the issue of Shares occurred on 12 November 2013. Shareholders also ratified the issue of Tranche 1 shares under the placement, refreshing Audalia's 15% capacity.

The funds raised from the placement were used to repay the Loan. The placement funds are also being used to advance the metallurgical testwork at the Medcalf Project, to progress the Company's ongoing exploration activities at its Medcalf and Gascoyne Projects and for general working capital.

Audalia also continues to actively review and assess other projects in the resource sector, both in Australia and overseas, by way of acquisition or investment/ joint venture.

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 27 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 2012 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

RESULTS

The Company incurred a loss of \$180,755 after income tax for the half-year (2012: \$141,440).

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters described in Note 11 to these financial statements, there has not arisen in the interval between the end of the half-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.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001*.



Dato Soo Kok Lim
Executive Chairman

Dated at Perth, Western Australia this 12th day of March 2014.

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

As lead auditor for the review of Audalia Resources Limited for the half-year ended 31 December 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 review; and
- No contraventions of any applicable code of professional conduct in relation to the review.



Chris Burton
Director

Perth, 12 March 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 31 December 2013

	31 Dec 2013 \$	31 Dec 2012 \$
Revenue from continuing operations		
Finance income	5,671	29,116
Finance costs	(9,644)	-
Corporate and administrative expenses	(176,782)	(170,556)
Loss before income tax	(180,755)	(141,440)
Income tax	-	-
Net loss for the period	(180,755)	(141,440)
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 period, net of tax	-	-
Total comprehensive loss for the period attributable to the owners of Audalia Resources Limited	(180,755)	(141,440)
Basic loss per share (cents)	(0.15)	(0.18)

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 31 December 2013

	Note	31 Dec 2013 \$	30 Jun 2013 \$
CURRENT ASSETS			
Cash and cash equivalents		793,251	499,057
Trade and other receivables		11,711	32,099
Other current assets		22,812	3,196
Total Current Assets		827,774	534,352
NON-CURRENT ASSETS			
Exploration and evaluation assets	7	2,402,877	1,456,535
Total Non-Current Assets		2,402,877	1,456,535
TOTAL ASSETS		3,230,651	1,990,887
CURRENT LIABILITIES			
Trade and other payables		78,411	152,332
Provisions		8,760	6,986
Total Current Liabilities		87,171	159,318
TOTAL LIABILITIES		87,171	159,318
NET ASSETS		3,143,480	1,831,569
EQUITY			
Contributed equity	8	4,093,968	2,601,302
Reserves		10,000	10,000
Accumulated losses		(960,488)	(779,733)
TOTAL EQUITY		3,143,480	1,831,569

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

STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2013

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2012	2,601,302	10,000	(491,009)	2,120,293
Loss for the period	-	-	(141,440)	(141,440)
Total comprehensive loss for the period	-	-	(141,440)	(141,440)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	-	-	-	-
Transaction costs on share issues	-	-	-	-
Balance as at 31 December 2012	2,601,302	10,000	(632,449)	1,978,853
Balance as at 1 July 2013	2,601,302	10,000	(779,733)	1,831,569
Loss for the period	-	-	(180,755)	(180,755)
Total comprehensive loss for the period	-	-	(180,755)	(180,755)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	1,500,000	-	-	-
Transaction costs on share issues	(7,334)	-	-	-
Balance as at 31 December 2013	4,093,968	10,000	(960,488)	3,143,480

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

STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2013

	31 Dec 2013 \$	31 Dec 2012 \$
Cash flows from operating activities		
Payments to suppliers and employees	(206,673)	(181,682)
Interest received	5,398	44,409
Interest paid	(9,644)	-
Net cash (outflow) from operating activities	(210,919)	(137,273)
Cash flows from investing activities		
Payments for exploration and evaluation assets – acquisition costs	(570)	(57,178)
Payments for exploration and evaluation assets – capitalised costs	(986,983)	(289,723)
Proceeds from maturity of investments	-	750,000
Net cash inflow/(outflow) from investing activities	(987,553)	403,099
Cash flows from financing activities		
Proceeds from the issue of shares	1,500,000	-
Share issue costs	(7,334)	-
Proceeds from borrowings	500,000	-
Repayment of borrowings	(500,000)	-
Net cash inflow from financing activities	1,492,666	-
Net increase in cash held	294,194	265,826
Cash and cash equivalents at the beginning of the period	499,057	894,938
Cash and cash equivalents at the end of the period	793,251	1,160,764

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Audalia Resources Limited (the **Company**) is a company domiciled in Australia. Audalia Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The annual financial report of the Company as at and for the year ended 30 June 2013 is available upon request from the Company's registered office or may be viewed on the Company's website, www.audalia.com.au.

2. STATEMENT OF COMPLIANCE

This interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with accounting standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and considered together with any public announcements made by Audalia Resources Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the Standards and Interpretations described below.

Adoption of new or revised accounting standards and interpretations

The Company has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the **AASB**) that are relevant to its operations and effective for the current half-year.

New and revised standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Company include:

- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendment to Australian Accounting Standards arising from AASB 13*

Impact of the application of AASB 13

AASB 13 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 or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Due to their short-term nature, the carrying amounts of the Company's current receivables, current payables and current borrowings are assumed to approximate their fair value.

3. BASIS OF PREPARATION

This interim financial report has been prepared on the accruals basis and the historical cost basis modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (continued)

Going concern

The interim financial report has been prepared on a going concern basis which assumes realising its assets and extinguishing its liabilities in the normal course of business. At 31 December 2013, the Company had net assets of \$3,143,480 (30 June 2013: \$1,831,569) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2013, the Company had \$793,251 (30 June 2013: \$499,057) in cash and cash equivalents.

Based upon the Company's existing cash resources, the ability to modify expenditure outlays if required, and the directors' confidence of sourcing additional funds, 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 interim financial report.

4. ESTIMATES

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

In preparing the interim financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2013.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2013.

6. SEGMENT INFORMATION

The Board has determined that the Company has two reportable segments, being mineral exploration and corporate & administrative.

	Mineral Exploration \$	Corporate and administrative \$	Company \$
Half-year ended 31 December 2013			
Segment revenue	-	5,671	5,671
Segment result	-	(180,755)	(180,755)
As at 31 December 2013			
Segment assets	2,402,877	827,774	3,230,651
Segment liabilities	(54,757)	(32,414)	(87,171)
Half-year ended 31 December 2012			
Segment revenue	-	29,116	29,116
Segment result	-	(141,440)	(141,440)
As at 30 June 2013			
Segment assets	1,456,535	534,352	1,990,887
Segment liabilities	(95,968)	(63,350)	(159,318)

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

7. EXPLORATION AND EVALUATION ASSETS	31 Dec 2013 \$	30 June 2013 \$
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>2,402,877</u>	<u>1,456,535</u>
Reconciliation		
Carrying amount at beginning of period	1,456,535	521,858
Exploration and evaluation expenditure	945,772	877,500
Acquisition of Medcalf tenements	570	57,177
Carrying amount at end of period	<u>2,402,877</u>	<u>1,456,535</u>

In September 2012, the Company acquired 10 additional tenements that surround Audalia's Medcalf Project from Lake Johnson Pty Ltd.

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.

8. CONTRIBUTED EQUITY	31 Dec 2013 \$	30 June 2013 \$
230,160,001 fully paid ordinary shares	<u>4,093,968</u>	<u>2,601,302</u>

The following movements in issued capital occurred during the six months ended 31 December:

	2013 Number	2012 Number	2013 \$	2012 \$
Balance at 1 July	80,160,001	80,160,001	2,601,302	2,601,302
Placement of shares at \$0.01 per share	12,000,000	-	120,000	-
Placement of shares at \$0.01 per share	138,000,000	-	1,380,000	-
Share issue costs	-	-	(7,334)	-
Balance at 31 December	<u>230,160,001</u>	<u>80,160,001</u>	<u>4,093,968</u>	<u>2,601,302</u>

9. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned, all other commitments and contingencies remain consistent with those disclosed in the 2013 annual report.

Operating lease commitments

The Company has entered into a commercial lease on its office in West Perth, Western Australia. The lease is for a 36-month period commencing on 3 February 2014.

The commercial lease on its previous office in East Perth, Western Australia concluded on 31 January 2014.

Future minimum rentals payable under the non-cancellable operating leases as at balance date are as follows:

	31 Dec 2013 \$	30 Jun 2013 \$
Within one year	48,750	8,828
After one year but not more than five years	139,343	-
	<u>188,093</u>	<u>8,828</u>

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES (continued)

Exploration commitments

The Company has certain obligations to perform minimum exploration work on mineral leases 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 balance date, total exploration expenditure commitments of the Company which have not been provided for in the financial statements amount up to \$298,200 per annum.

Contingencies

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

10. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the 2013 annual report.

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.

One of those entities transacted with the Company during the half-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 period relating to key management personnel and their related parties were as follows:

Director/ Executive	Transaction	Transactions value for the period ended		Balance outstanding as at	
		31 December 2013 \$	31 December 2012 \$	31 December 2013 \$	30 June 2013 \$
Mr B Butler	Geological Consulting fees ¹	49,000	34,000	-	13,200

Notes in relation to the table of related party transactions

1. A company associated with Mr Butler, World Technical Services Group Pty Ltd, provides geological consulting 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.

There are no other related party transactions to be disclosed other than the transactions noted above.

11. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to balance date that would have a material financial effect on the financial statements for the half-year ended 31 December 2013.

DIRECTORS' DECLARATION

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 7 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 12th day of March 2014.

Signed in accordance with a resolution of the directors.



Dato Soo Kok Lim
Executive Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Audalia Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Audalia Resources Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Audalia Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 3 in the half-year financial report, which indicates that the ability of the company to continue as a going concern is dependent upon sourcing additional funding and the modification of expenditure outlays. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that 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 interim financial report.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, 12 March 2014