ACN 146 035 690

2014 ANNUAL REPORT

For the year ended 30 June 2014

audalia resources limited

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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REGISTERED OFFICE

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WEST PERTH WA 6005
Telephone: (61 8) 9321 0715
Facsimile: (61 8) 9321 0721

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
NEDLANDS WA 6909
Telephone: (61 8) 9389 8033
Facsimile: (61 8) 9262 3723

STOCK EXCHANGE

ASX Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code: ACP

AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

BANKER

National Australia Bank
1/1238 Hay Street
WEST PERTH WA 6005

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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 2014 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

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 25km^2.

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 1).

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 vandiferous 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.

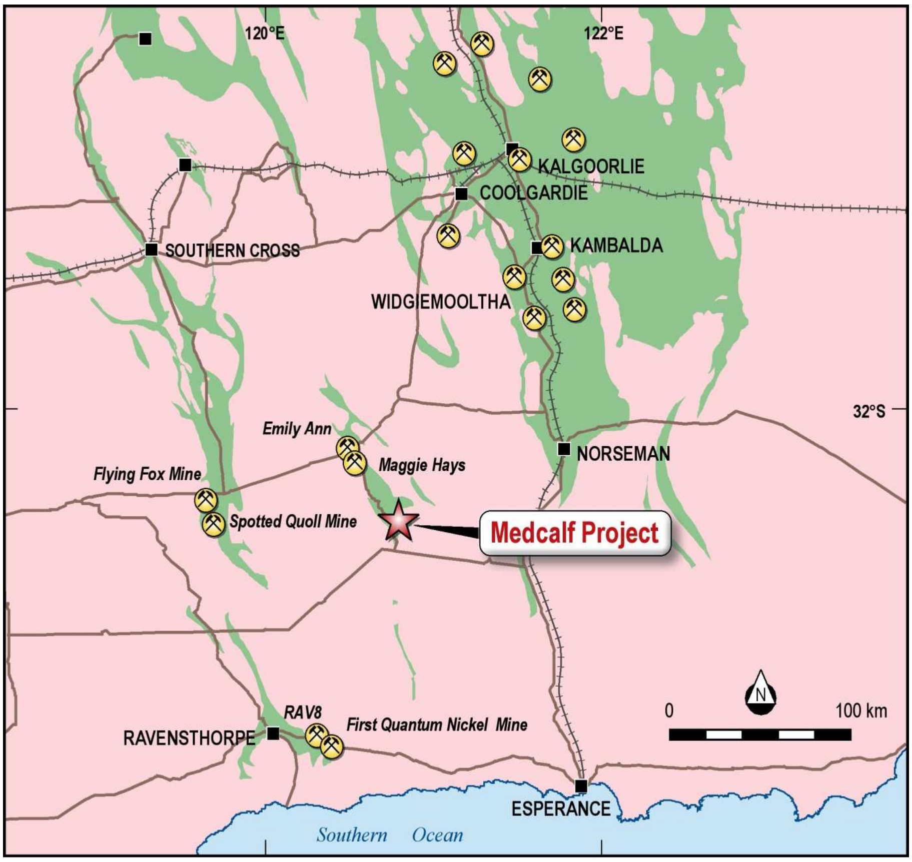

Figure 1 – Medcalf Project location map

Metallurgy

Audalia engaged Bureau Veritas Minerals Pty Ltd in the June quarter of 2013 to conduct a series of test works to determine the likely processing method and likely metallurgical recoveries for the project. The test works comprised four stages, characterisation, composite preparation, metallurgical and comminution. Stages One and Two were completed during the September 2013 quarter and results were released to ASX on 16 September 2013 and 25 October 2013 respectively. Details pertaining to test work performed in both Stages One and Two are detailed in the Company's recent Half Year Accounts lodged with ASX on 12 March 2014.

On the premise of results obtained from both Stage One and Two of the metallurgical test work, the Board concluded that alternate metallurgical consultants should be sought. 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.

An initial 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 were milled in order to concentrate the vanadium in several parcels for the test work. It was also necessary to change the scope of works to include further focus on magnetics and spirals. This extra scope of works commenced in February 2014. By the end of March 2014 quarter, the Mintek laboratory in Johannesburg had completed the Phase One scope works. Phase One was aimed at upgrading the vanadium by means of reducing the main gangue mineral, silica to 1.52 – 2% prior to leaching. Results of the test work completed during Phase One was released by the Company to ASX on 22 April 2014. These results led to a Phase Two test work programme being designed that will further concentrate the vanadium and reduce the silica content to optimise recoveries. Mintek has been able to obtain 80% of the Vanadium from the cleaned concentrate that had 2% silica. This indicates that if the concentrate can be produced then the Vanadium can be recovered. Roast leach test work have been also been conducted in parallel with Phase Two. These test works have resulted in positive results which could conclude a saving on the use of imported soda ash.

Rockchip sampling

During the June 2014 quarter, total of 57 samples of in situ weathered rock were collected around the margins of the Vesuvius Fuji deposit and analysed for vanadium and titanium to closely define the limits of mineralisation. Additional geological mapping and re-logging of some of the drill holes was also carried out to gain a better understanding of the geometry of the deposit. Full set of results are included in the Medcalf Project Exploration Update lodged with ASX on 25 July 2014.

Scoping Study

Audalia engaged Ravensgate to perform a Scoping Study in the March 2014 quarter. Using certain assumptions of processing costs and recoveries, the Scoping Study produced an optimum pit outline footprint to determine the area required for a mining lease application.

During the June 2014 quarter, Cardno Surveys from Kalgoorlie were engaged to mark out the mining lease boundaries and proposed haul road from the Medcalf Project. Subsequently, Mining Lease (M63/656) and Miscellaneous Licence (L63/68) were submitted to the Department of Mines and Petroleum (**DMP**) in May 2014.

Flora Survey

Following the completion of the Level 1 Flora Survey in the 2013 financial year, Audalia engaged Botanica Consulting Pty Ltd to complete into a two stage Level 2 Flora and Fauna survey. Stage 1 was completed during September 2013 and Stage 2 of Level 2 Flora and Fauna survey was completed during the March 2014 quarter to cover Spring and Autumn seasons. The conclusion of these surveys met the survey requirements of the Department of Parks and Wildlife (**DPaw**).

Resource upgrade and drilling programme

In late July 2013, a Programme of Works (**POW**) in relation to the drill programme to complete the proposed upgrade from the current Inferred Resource category to Indicated was approved by the DMP. The drilling programme has been completed and subsequent to balance date the Company's consulting geologist, Ravensgate, was able to develop an independent inferred mineral resource estimate. The results of this estimate were released to ASX on 18 August 2014.

Other work completed

The Company submitted its annual technical reports to the DMP in February 2014.

A sterilisation auger drilling programme has been designed over the project area in order to determine areas within the project that infrastructure can be placed. A POW was submitted to the DMP for approval of drilling 206 holes to a depth of 5 m in the June 2014 quarter.

GASCOYNE PROJECT

The Gascoyne Project comprises 100% owned tenements covering 337km^2 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.

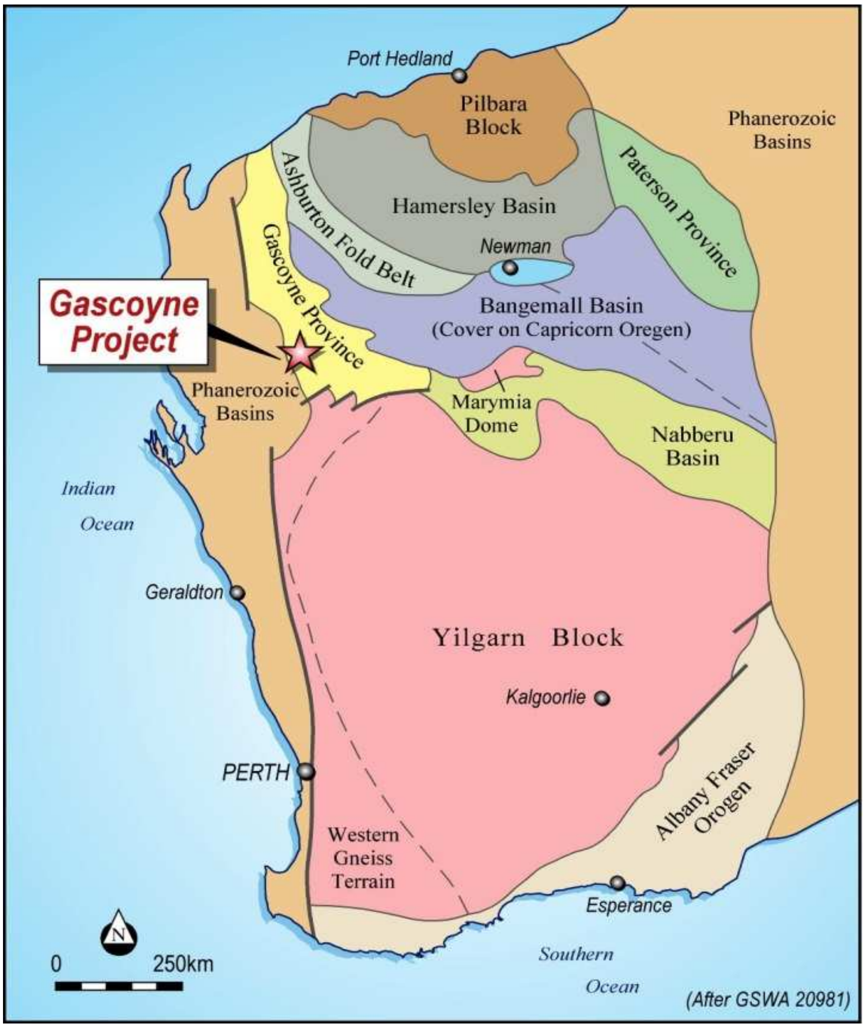

Figure 2 - Gascoyne Project - Location Map

Activities conducted during the year

A trap site stream sediment (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 from the programme identified anomalous results for base metals exploration.

In the June 2014 quarter, areas previously sampled that contained gold anomalies from five river catchments were followed up with more detailed sampling. A total of 25 TSSS samples were analysed for bulk cyanide leach gold. Two kilograms of minus 2mm material was collected from the base of loose gravel in dry watercourses. Up to 5.4ppb gold (average of 2 samples, 3.39ppb and 8.16ppb) was obtained in one catchment where the estimated background is 0.3ppb.Two small catchments with moderately anomalous lead values from last field programme were followed up with more detailed sampling. Twenty eight minus 80 mesh stream sediment samples were analysed for copper, lead and zinc.

The highest lead value occurred in sample CW903, which analysed 63ppm Cu, 275ppm Pb and 130ppm Zn. District-scale background is approximately 20ppm Cu, 20ppm Pb and 30ppm Zn. The sampling has indicated several base metal and gold anomalies that require further field work to follow-up for possible target drilling.

A reconnaissance rockchip sampling programme, carried out in June 2014 over all the tenements, involved fifty two rockchips samples being collected and analysed for gold plus a suite of 15 elements. A full listing of results were included in the Gascoyne Project Exploration Update lodged with ASX on 25 July 2014.

Tenement application

During the June 2014 quarter, the Company submitted an application for Exploration Licence E09/2102 covering 70 graticular blocks that adjoin the existing Gascoyne Project tenements. Once the application is granted, Audalia will have contiguous tenements that cover 556 km^2 of prospective ground.

The Gascoyne Project remains prospective for targeting a Broken Hill Sedimentary Exhalative (SEDEX) massive sulphide, Pb, Zn and Cu deposit.

CORPORATE

The Company secured a short-term loan of $500,000 in August 2013 and in September 2013 entered into subscription agreements with sophisticated investors to raise $1.5 million before costs. Funds raised from the placement were used to repay the short-term loan and used to advance the metallurgical test work at the Medcalf Project, ongoing exploration activities at both Medcalf and Gascoyne Projects and for general working capital. Refer to the Directors Report for further details.

The Company also relocated its registered office and principal administrative office to West Perth during the financial year.

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 30 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

The Directors present their report together with the financial report of Audalia Resources Limited (the ***Company****) for the year ended 30 June 2014 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 45, 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 42, 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.

Mr Brent Butler
Non-Executive Director – Age 54, appointed: 16 February 2011

Mr Butler is a geologist with over 29 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.

Mr Kwa will be seeking re-election by shareholders at the 2014 Annual General Meeting.

COMPANY SECRETARY

Ms Karen Logan

Appointed: 27 August 2010

Ms Logan is a Chartered Secretary with over 10 years' experience in assisting small to medium capitalised ASX-listed and unlisted companies with compliance, governance, financial reporting, capital raising, merger and acquisition, and IPO matters. She 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. Ms Logan is presently the principal of a consulting firm and secretary of a number of ASX-listed companies, providing 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:

		Period of directorship	
Director	Company	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	16,140,000	-
Datuk Siew Swan Ong	16,900,000	-
Mr Brent Butler	530,000	-
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:

	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Dato Soo Kok Lim	8	8	2	2	N/A	N/A
Datuk Siew Swan Ong	8	8	N/A	N/A	2	2
Mr Brent Butler	8	8	2	2	2	2
Mr Andrew Kwa	8	8	2	2	2	2

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.

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

Information regarding operating 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 $402,942 after income tax for the financial year (2013: loss of $288,724). As at 30 June 2014, the Company had net assets of $2,921,293 (30 June 2013: $1,831,569), including cash and cash equivalents of $350,396 (30 June 2013: $499,057).

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 2014 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 $700,000 in August 2014 for the purpose of supplementing its existing working capital. The repayment date of the loan is 20 January 2015. Given the short term nature of the loan, the Company entered into subscription agreements with sophisticated investors in September 2014 to raise $1.5 million by way of placement (**Placement**). The Placement will be completed in two tranches, $750,000 in November 2014 and $750,000 in January 2015. Refer to Note 22 for further details of these subsequent events.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows.

Contributed equity increased by $1,500,000 (from $2,837,500 to $4,337,500) as a result of share placements in September 2013 and November 2013. Details of changes in contributed equity are disclosed in Note 14(a) to the financial statements.

The Company also received a research and development (R&D) incentive of $203,923 during the year.

Net cash received from the increase in contributed equity and the R&D incentive was used principally to repay the short-term working capital loan of $500,000 and fund ongoing exploration work at the Company's Medcalf and Gascoyne Projects.

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 2014 are 230,160,001.

RESULTS

The Company incurred a loss of $402,942 (2013: loss of $288,724) after income tax for the financial year.

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 and activities

The Company's near term objectives include:

Medcalf Project

- Complete further metallurgical testwork focussing on flotation, gravity leach and roast programmes;
- Undertake a further flora and fauna study covering a 50km radius around the project site;
- Complete an infill drilling programme to upgrade to a measured mineral resource;
- Complete an geotechnical programme;
- Complete additional metallurgical drilling;
- Complete a drill programme for water; and
- Commence a Prefeasibility Study (PFS).

Gascoyne Project

- o Complete fly airborne magnetics and radiometrics at 100m line spacing over the entire tenement package;
- o Interpret data and incorporate into the geological mapping;
- o Design and implement a drill programme.

MINERAL RESOURCES STATEMENT

The Company has a 100% equity interest in mineral resource estimate at its Medcalf Project, which is located 470km east of Perth.

At 30 June 2014, the Medcalf Project's mineral resource estimate stood at 28.5 Mt at 0.501% V_2O_5 for 142,862 tonnes contained vanadium pentoxide. This information was prepared in accordance with the 2004 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2004).

Lower Cut-off	Measured				Indicated				Inferred			
V_2O_5 (%)	Volume	Tonnes	V_2O_5 (%)	TiO_2(%)	Volume	Tonnes	V_2O_5 (%)	TiO_2 (%)	Volume	Tonnes	V_2O_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

As announced to the market on 18 August 2014, the Company reported a significant upgrade in the JORC 2012 resource classification for its Medcalf Project. This upgrade follows revision of the geological and mineralisation modelling in conjunction with updated and ongoing metallurgical extraction testwork. The Medcalf Project's mineral resource estimate now stands at 31.8 Mt at 0.45% V_20_5 for contained vanadium pentoxide contents of approximately 108,000 tonnes in the Indicated category and 35,000 tonnes in the Inferred category.

This mineral resource estimate was prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (JORC 2012). The 'Checklist of Assessment and Reporting Criteria' was also provided with the technical report in line with the guidelines of the JORC Code (2012). The mineral resource has been interpolated within geological wireframe the using a 0.20% V_20_5 lower cut and is tabulated below.

Mineral Resources for the Medcalf Deposit - JORC 2012				
Resource Category	**Tonnes**	**V_2O_5 (%)**	**TiO_2 (%)**	**Cut-off V_2O_5 (%)**
Measured	-			
Indicated	23.0	0.47	8.5	0.2
Inferred	8.8	0.40	8.1	0.2
TOTAL	31.8	0.45	8.4	0.2

The Company's independent mineral resource estimates were developed by Ravensgate.

Governance arrangements and internal controls

Mineral resources are estimated by suitably qualified independent consultants to Audalia in accordance with the requirements of the JORC Code, using industry standards and consultants' internal guidelines for the estimation and reporting of mineral resources. The mineral resource estimates included in the Company's 2014 Annual Report are reviewed by a suitably qualified competent person.

Competent Person's Statement

The information in this report that relates to the Mineral Resource for the Medcalf Project is based on information compiled by Stephen Hyland, who is a director of Ravensgate. Mr Hyland is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hyland has had sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2012). Mr Hyland consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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 22 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.

(a) 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

(b) Remuneration governance

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.

(c) Use of remuneration consultants

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

(d) Remuneration policies and framework

(i) 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.

(ii) Remuneration structure

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

(e) 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:

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

(f) 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.

(i) 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. . As described in note 1 (h), as it is not possible to evaluate the Company's financial performance using generally accepted measures such as profitability or total shareholder returns, remuneration considerations will have regard to achievement of strategic objectives, service criteria and growth in share price. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management, if required.

(ii) Short-term incentive

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

(iii) 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.

(g) Voting and comments made at the Company's 2013 Annual General Meeting

The Remuneration Report for the 2013 financial year received positive shareholder support at the 2013 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.

(h) 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:

	2014[3]	**2013**	**2012**	**2011**[1]
Net loss for the year	$402,942	$288,724	$393,303	$97,706
Dividends paid	Nil	Nil	Nil	Nil
Change in share price	($0.125)	$0.04	$0.01	Nil
Share price at beginning of the period	$0.25	$0.21	$0.20	$0.20[2]
Share price at end of the period	$0.125	$0.25	$0.21	$0.20
Loss per share	0.23 cents	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.
3. The Company issued a total of 150,000,000 shares on 27 September 2013 (12,000,000) and 12 November 2013 (138,000,000).

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, 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.

(i) 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 17 for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services with directors.

(j) 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:

		SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		
		Salary & fees $	Superannuation benefits $	Annual Leave $	Options $	Total $	Performance related %
Directors							
Non-executive							
Mr B Butler	2014	20,000	-	-	-	20,000	-
	2013	20,000	-	-	-	20,000	-
Mr A Kwa	2014	18,307	1,693			20,000	-
	2013	18,349	1,651	-	-	20,000	-
Executive							
Dato S K Lim	2014	20,000	1,850	1,766	-	23,616	-
	2013	20,000	1,800	1,753	-	23,553	-
Datuk S S Ong	2014	20,000	1,850	1,766	-	23,616	-
	2013	20,000	1,800	1,753	-	23,553	-
Total	**2014**	**78,307**	**5,393**	**3,532**		**87,232**	**-**
	2013	78,349	5,251	3,506	-	87,106	-

(k) Equity instruments held by key management personnel

The number of ordinary fully paid shares in the Company held directly and indirectly by directors and other key management personnel, and any movements during the period are set out below:

	Balance at 1 July 2013	Received as remuneration	Options Exercised	Net Changes Other	Balance at 30 June 2014
Directors					
<u>*Non-executive*</u>					
Mr B Butler	530,000	-	-	-	530,000
Mr A Kwa	250,000	-	-	-	250,000
<u>*Executive*</u>					
Dato S K Lim	15,000,000	-	-	1,140,000	16,140,000
Datuk S S Ong	15,750,000	-	-	1,150,000	16,900,000

There were no shares granted as compensation to key management personnel during the year

None of the shares above are held nominally by key management personnel.

Net changes other relate to shares sold or acquired during the financial year.

(k) Share-based remuneration

There were no share-based remuneration transactions during the year. No options issued or exercised by directors or other key management personnel during the year.

(l) Loans to key management personnel

There were no loans to key management personnel during the year.

(m) Other transactions with key management personnel

There were no other transactions with key management personnel and related parties during the year other than reported below.

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:

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
Director/ Executive	**Transaction**	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Mr B Butler[1]	Consultancy fees	115,000	68,000	N/A	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, 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.

This concludes the Remuneration Report, which has been audited.

OPTIONS

Unissued shares under option

At the date of this report, there were no unissued ordinary shares of the Company under option.

No options have been granted since the end of the previous financial year. During the year, the following 6,830,004 options lapsed on 28 April 2014.

Date options granted	Expiry date	Issue price of shares	Class	Number of Options
29 June 2011	28 April 2014	$0.20	Listed Options (ACPO)	6,830,004

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

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contract.

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.

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

	2014 **$**	**2013** **$**
BDO Corporate Tax (WA) Pty Ltd		
Tax compliance services	37,715	6,120

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 48 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 30th day of September 2014.

Signed in accordance with a resolution of the directors:

Dato Soo Kok Lim
Executive Chairman

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 (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 in the Company respectively, 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.

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.

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	33%
Women in senior executive positions	20%
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 6 November 2013.

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.

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 are 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.

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 17
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 17
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 17
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	No	Website & Page 17
Rec 2.2	The chair should be an independent director.	No	Website & Page 17
Rec 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 17
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 18
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 18
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 18
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: ▪ 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 18

	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 18
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 18
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 18
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 18
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	Yes	Website & Page 19
Rec 4.2	The audit committee should be structured so that it: ▪ 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 19
Rec 4.3	The audit committee should have a formal charter.	Yes	Website & Page 19
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 19
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 20
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 20
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 20
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 20
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 20
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 20

	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 20
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 20
Pr 8	**Remunerate fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 21
Rec 8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members.	Yes	Website & Page 21
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 21
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 21

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from Continuing Operations			
Other income	4	14,064	43,043
Corporate and administrative expenses	5	(417,006)	(331,767)
Loss before income tax		(402,942)	(288,724)
Income tax expense/(benefit)	6	-	-
Net loss for the year		(402,942)	(288,724)
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		(402,942)	(288,724)
Loss per share attributable to the owners of the Company			
Basic loss per share (cents)	18	(0.23)	(0.36)

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 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	7	350,396	499,057
Trade and other receivables	8	9,362	32,099
Other current assets	9	18,696	3,196
Total Current Assets		378,454	534,352
NON-CURRENT ASSETS			
Property, Plant & Equipment	10	15,081	-
Trade and other receivables	8	17,875	-
Exploration and evaluation assets	11	2,711,384	1,456,535
Total Non-Current Assets		2,744,340	1,456,535
TOTAL ASSETS		3,122,794	1,990,887
CURRENT LIABILITIES			
Trade and other payables	12	190,385	152,332
Provisions	13	4,114	3,493
Total Current Liabilities		194,499	155,825
NON-CURRENT LIABILITIES			
Provisions	13	7,002	3,493
Total Non-Current Liabilities		7,002	3,493
TOTAL LIABILITIES		201,501	159,318
NET ASSETS		**2,921,293**	**1,831,569**
EQUITY			
Contributed equity	14	4,093,968	2,601,302
Reserves	15	10,000	10,000
Accumulated losses	16	(1,182,675)	(779,733)
TOTAL EQUITY		**2,921,293**	**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 year ended 30 June 2014

	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 year	-	-	(288,724)	(288,724)
Total comprehensive loss for the year	-	-	(288,724)	(288,724)
Transactions with equity holders in their capacity as equity holders:				
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**
Balance as at 1 July 2013	**2,601,302**	**10,000**	**(779,733)**	**1,831,569**
Loss for the year	-	-	(402,942)	(402,942)
Total comprehensive loss for the year	-	-	(402,942)	(402,942)
Transactions with equity holders in their capacity as equity holders:				
Shares issued, net of costs	1,492,666	-	-	1,492,666
Share-based payment	-	-	-	-
Balance as at 30 June 2014	**4,093,968**	**10,000**	**(1,182,675)**	**2,921,293**

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 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(378,349)	(333,036)
Interest received		14,528	60,126
Interest paid		(9,644)	-
Net cash (outflows) from operating activities	21	(373,464)	(272,910)
Cash flows from investing activities			
Payments for acquisition of property plant and equipment		(15,904)	-
Proceeds from maturity of investments		-	750,000
Payments for exploration and evaluation assets – acquisition costs		-	(57,177)
Payments for exploration and evaluation assets – capitalised costs		(1,455,881)	(815,794)
Proceeds from R&D incentive for exploration and evaluation		203,923	-
Net cash (outflows) from investing activities		(1,267,862)	(122,971)
Cash flows from financing activities			
Proceeds from borrowings		500,000	-
Repayment of borrowings		(500,000)	-
Proceeds from issue of shares	14	1,500,000	-
Payment for share issue costs		(7,334)	-
Net cash inflows from financing activities		1,492,666	-
Net (decrease) in cash held		(148,661)	(395,881)
Cash and cash equivalents at 1 July 2013		499,057	894,938
Cash and cash equivalents at 30 June 2014	7	**350,396**	**499,057**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report Audalia Resources Limited (the **Company** or **Audalia**) for the financial year ended 30 June 2014 was authorised for issue in accordance with a resolution of directors on 30 September 2014.

The Company is a public company limited by shares incorporated and domiciled 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.

(a) Basis of preparation

The principle accounting policies adopted for the preparation of financial statements are set out below. These accounting policies have been applied consistently to all periods presented and have been consistently applied by the Company to all the years presented unless otherwise stated.

(i) 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 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**).

(ii) Basis of measurement

The financial statements are prepared on the accruals basis and the historical cost basis except for financial assets and liabilities measured at fair value. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

(iii) 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 2014, the Company had net assets of $2,921,293 (30 June 2013: $1,831,569), including $350,396 (30 June 2013: $499,057) in cash and cash equivalents. At 30 June 2014, the Company had incurred a net loss after tax of $402,942 (2013: $288,724) and net operating cash outflows of $373,464 (2013: $272,910) for the year ended 30 June 2014 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 $176,953, including a cash reserve of $350,396 as at 30 June 2014.
- 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 reporting date, the Company secured a short-term loan of $700,000 in August 2014 to supplement its working capital
- In September 2014, the Company entered into subscription agreements to raise $1.5 million by way of share placement to sophisticated investors, of which $750,000 to be completed on 15 November 2014 and $750,000 on 15 January 2015.

(iv) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) 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 with information available at the time of preparing this report. Information may come to light in subsequent periods which requires the asset to be impaired or written down for which the director has no control.

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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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. Where there are research and development costs recouped through government incentives in relation to exploration and evaluation, these are netted against the carrying value of capitalised expenditure incurred in respect of the identifiable project or area of interest where practicable. 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.

(g) 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.

(h) 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.

(i) 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.

(j) Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Amounts disclosed as revenue represent interest received. Interest income is recognised as it accrues.

(k) 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.

(l) 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) Goods and services tax ("GST")

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.

(n) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Property, plant and equipment

Property plant and equipment are measured on the cost basis less accumulated depreciation. Costs may include expenditure directly attributable to acquisition of the items. Subsequent costs are included in the assets' carrying value or recognised as separate assets, as appropriate only when probable future economic benefits associated with the item will flow to the Company and costs can be reliably measured. The carrying amount of property, plant and equipment is reviewed annually to ensure they are not stated in excess of recoverable amounts.

Depreciation rates used for each class of asset is as follows:

Class of fixed asset	*rate*
Furniture and fittings	10% straight line
Office equipment	25% straight line
Leasehold improvements	33% straight line

Assets residual values and useful lives are reviewed, adjusted if appropriate at the end of each reporting period. Gains and losses are determined by comparing proceeds with carrying amount. These gains and losses are included in profit and loss.

(p) Provisions

Provisions for legal claims are recognised when the Company has a present legal obligation as a result of past events. It is probable that an outflow of resource will be required to settle the obligation and the amount can be reliably measured. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenses required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the liability. The increase in provision due to the passage of time is recognised as interest expense.

(q) New, revised or amending Accounting Standards and Interpretations adopted

None of the following new standards and amendments to standards applicable to the Company and are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used. The standard does not have any significant impact on the Company's financial statements.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The standard does not have any material impact on the Company's financial statements as it only as a minimal number of employees.

(q) New, revised or amending Accounting Standards and Interpretations adopted (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The Company has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

(r) 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 Company in the period of initial application. They have not been applied in preparing the financial report.

Title and Reference	Nature of Change	Application date for entity
Financial Instruments AASB 9 (issued December 2009 and amended December 2010)	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The entity has not yet made an assessment of the impact of these amendments.	1 July 2017
Revenue from contracts with customers IFRS 15 (issued June 2014)	An entity will recognise revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.	I July 2017
AASB 2014-1 Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2015]	Non-urgent but necessary changes to standards arising from Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively or are disclosure impacts only	1 July 2014
Levies Interpretation 21 (issued June 2013)	Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The entity is not liable to pay any government levies. There will therefore be no impact on the financial statements when this interpretation is first adopted	1 July 2014
AASB2014-2 Annual Improvements 2011-2013 Cycle (AASB13 & AASB140	Non-urgent but necessary changes to standards • AASB13 – Clarifies portfolio exception in relation to contracts under AASB139 • AASB140 – Clarifies interrelationship between AASB 3 & AASB140 when classifying the acquisition of property as investment or owner occupied • There will be no impact on the financial statements when these amendments are first adopted	1 July 2014

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:

	2014 $	2013 $
Financial assets		
Cash and cash equivalents	350,396	499,057
Trade and other receivables	403	7,180
	350,799	506,237
Financial liabilities		
Trade and other payables	190,385	148,852
	190,385	148,852

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	75,396	90,583
Fixed rate instruments		
Bank term deposits	275,000	408,474
	350,396	499,057

2. FINANCIAL RISK MANAGEMENT (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates would have increased or decreased the Company's loss by $188 (2013: $679 at 75 basis points). The Board assessed a 25 basis point movement as being reasonably possible based on recent RBA and press reports, whereby a movement of this magnitude is possible over the next 12 months. 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:

	2014 $	2013 $
Cash at bank and short-term bank deposits		
A-1+[1]	350,396	499,057
Trade and other receivables		
A-1+[2]	402	868
No external rating[2]	17,875	6,312
	18,277	7,180

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.

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 2014	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Trade and other payables	190,385	(190,385)	(190,385)	-	-

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)	-	-

Fair value of financial instruments

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

None of the Company's assets and liabilities are measured and recognised at fair value at 30 June 2014 and 30 June 2013.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values due to their short term maturity.

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.

3. AUDITOR'S REMUNERATION

	2014 $	2013 $
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		
BDO Audit (WA) Pty Ltd		
- audit of financial report	30,036	27,602
Other Services		
BDO Corporate Tax (WA) Pty Ltd		
- Tax compliance	6,120	6,120
- Tax compliance - R&D incentive	31,595	-
	67,751	**33,722**

4. REVENUE

Revenue from continuing operations

	2014 $	2013 $
Interest income	**14,064**	**43,043**

5. EXPENSES

Corporate and administrative expenses

	2014 $	2013 $
Personnel expenses		
Director fees and employees expenses	85,125	78,354
Superannuation and leave	10,149	8,758
	95,274	87,112
Depreciation	823	-
Other expenses		
Accounting, tax and secretarial fees	90,120	84,120
Audit expenses	30,036	27,602
Consultancy	31,595	1,538
Operating lease expense	35,359	30,477
Legal expense	1,445	2,500
Listing fees and compliance costs (ASX / ASIC)	66,844	24,015
Interest expense	9,644	-
Other expenses	55,866	74,402
	320,909	244,654
Total Expenses	**417,006**	**331,767**

	2014 $	2013 $
6. INCOME TAX		
(a) Income tax expense	-	-
(b) Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(402,942)	(288,724)
Income tax benefit calculated at rates noted in (d) below	(120,883)	(86,617)
Effect of non-deductible item – entertainment/other	-	-
Increase in deferred tax balances not brought to account	120,883	86,617
Income tax expense	-	-
(c) Deferred tax assets not brought to account		
- Carry forward tax losses	1,124,498	676,618
- Capital raising costs	17,569	29,981
- Provisions and accruals	18,193	14,876
Potential at 30%	**1,160,260**	**721,475**

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.

	2014 $	2013 $
Deferred tax liabilities at 30%		
- Prepayments	3,984	128
- Interest receivable	121	260
- Exploration and evaluation costs	813,415	436,960
	817,520	**437,348**

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%. (2013: 30%)

7. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank and in hand	75,396	90,583
Term deposit	275,000	408,474
	350,396	**499,057**

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

8. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
GST receivable	8,959	24,919
Interest receivable	403	868
Security deposit		6,312
Sundry debtors	-	-
	9,362	**32,099**
Non-Current		
Security deposit	**17,875**	**-**

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.

9. OTHER ASSETS

	2014 $	2013 $
Current		
Prepaid rent	5,417	2,770
Prepaid insurance	3,692	426
Prepayment on licences	9,587	-
	18,696	**3,196**

10. PROPERTY PLANT AND EQUIPMENT

	2014 $	2013 $
Non-Current		
Furniture and fittings - Cost	7,555	-
Accumulated Depreciation	(252)	-
Total Furniture and fittings	7,303	-
Office equipment - Cost	7,714	-
Accumulated Depreciation	(500)	-
Total Office Equipment	7,214	-
Leasehold Improvements	635	-
Accumulated Depreciation	(71)	-
Total Leasehold Improvements	564	-
Total Property Plant and Equipment	**15,081**	**-**

A reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and at the end of the current

	Furniture and Fittings $	Office Equipment $	Leasehold Improvements $	Total $
2014				
Opening net book value at 1 July 2013	-	-	-	-
Additions during the year	7,555	7,714	635	15,904
Disposals during the year	-	-	-	-
Depreciation expense	(252)	(500)	(71)	(823)
Closing net book value at 30 June 2014	**7,303**	**7,214**	**564**	**15,081**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

11. EXPLORATION AND EVALUATION ASSETS	**2014 $**	**2013 $**
Exploration, evaluation and development costs carried forward in respect of areas of interest	**2,711,384**	**1,456,535**
Reconciliation		
Carrying amount at beginning of the year	1,456,535	521,858
Exploration and evaluation	1,458,772	877,500
Acquisition of Gascoyne Tenements	-	-
Acquisition of Medcalf Tenements	-	57,177
R&D incentive rebate (Medcalf Project)	(203,923)	-
Carrying amount at end of the year	**2,711,384**	**1,456,535**

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.

12. TRADE AND OTHER PAYABLES

Trade creditors	137,384	106,251
Other creditors and accruals	53,002	46,081
	190,385	**152,332**

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.

13. PROVISIONS

Provision for annual leave - current	**4,114**	**3,493**
Reconciliation		
Balance brought forward	3,496	3,479
Movement during the Period	618	14
Balance carrying forward	4,1146	3,493
Provision for annual leave – non-current	**7,002**	**3,493**
Reconciliation		
Balance brought forward	3,493	-
Movement during the Period	3,509	3,493
Balance carrying forward	7,002	3,493

14. CONTRIBUTED EQUITY

230,160,001 fully paid ordinary shares (30 June 2013: 80,160,001)	**4,093,968**	**2,601,302**

14. CONTRIBUTED EQUITY (continued)

(a) Ordinary shares

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

	2014 Number	2013 Number	2014 $	2013 $
Balance at beginning of year	80,160,001	80,160,001	2,601,302	2,601,302
Share placement on 27 September 2013	12,000,000		120,000	
Share placement on 12 November 2013	138,000,000		1,380,000	
Share issue costs	-	-	(7,334)	-
Balance at the end of the year	230,160,001	80,160,001	4,093,968	2,601,302

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

At balance date, the Company does not have any options to acquire ordinary shares issued (2013: 6,830,004)

No options were granted during the year. Options issued in prior periods lapsed during the year, on 28 April 2014. None of these options were exercised before expiry date.

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.

15. RESERVES

	2014 $	2013 $
Option premium reserve	**10,000**	**10,000**

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.

16. ACCUMULATED LOSSES

	2014 $	2013 $
Accumulated losses at the beginning of the year	(779,733)	(491,009)
Net loss for the year	(402,942)	(288,724)
Accumulated losses at the end of the year	**(1,182,675)**	**(779,733)**

17. COMMITMENTS AND CONTINGENCIES

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 from 3 February 2014.

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

	2014 $	2013 $
Within one year	67,719	8,828
After one year but not more than five years	109,749	-
	177,468	**8,828**

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	175,200	43,700
After one year but not more than five years	175,200	349,600
	350,400	**393,300**

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 programme 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 follows.

Within one year	150,733	112,323
After one year but not more than five years	406,400	509,600
	557,133	**621,923**

Contingencies

The Directors are not aware of any contingent liabilities as at reporting date.

18. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic loss per share at 30 June 2014 was based on the following:

	2014 $	2013 $
Loss attributable to ordinary shareholders		
Net loss for the year	(402,942)	(288,724)

18. EARNINGS PER SHARE (continued)

Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as denominator in calculating loss per share	176,603,837	80,160,001
	176,603,837	80,160,001

Diluted loss 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.

19. SEGMENT REPORTING

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

30 June 2014	Mineral Exploration $	Corporate and administrative $	Company $
Segment revenue	-	14,064	14,063
Segment result	-	(402,942)	(402,942)
Segment assets	2,711,384	411,410	3,122,794
Segment liabilities	(98,859)	(102,642)	(201,501)

30 June 2013	Mineral Exploration $	Corporate and administrative $	Company $
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)

20. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	81,839	81,856
Post-employment benefits	5,393	5,251
Total compensation	**87,232**	**87,107**

Detailed remuneration disclosures are provided in the Remuneration report on pages 11 to 15.

(b) 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.

(b) Other transactions with key management personnel (continued)

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 2014 $	Transactions value year ended 30 June 2013 $	Balance outstanding as at 30 June 2014 $	Balance outstanding as at 30 June 2013 $
Mr B Butler[1]	Consultancy fees[2]	115,000	68,000	N/A	13,200

Notes in relation to the table of related party transactions

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.

21. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2014 $	2013 $
(a) Cash flows from operating activities		
Loss for the year	(402,942)	(288,724)
Adjustments for:		
Depreciation	823	-
Operating loss before changes in working capital and provisions	(402,119)	(288,724)
Change in trade and other receivables	4,862	(4,272)
Change in other assets	(15,499)	(482)
Change in trade and other payables	35,161	17,062
Change in provisions	4,131	3,506
Net cash (outflow) from operating activities	(373,464)	(272,910)

(b) Non-cash investing and financing activities

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

22. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 August 2014, the Company secured a short-term loan of $700,000 (**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 January 2015.

On 30 September 2014, the Company entered into subscription agreements with sophisticated investors for a total of 4,000,000 Shares at an issue price of $0.375 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 2,000,000 Shares to raise $750,000 on 15 November 2014; and
- Tranche 2: Placement of 2,000,000 Shares to raise $750,000 on 15 January 2015.

The issue of Shares is within the Company's 15% capacity under Listing Rule 7.1.

DIRECTORS' DECLARATION

In the opinion of the directors of Audalia Resources Limited:

(a) the financial statements and notes set out on pages 24 to 44, 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 2014 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 2014. 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 30th day of September 2014.

Signed in accordance with a resolution of the directors.

Dato Soo Kok Lim
Executive Chairman

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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 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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(a), 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 2014 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(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, sourcing additional short term funding and the modification of expenditure outlays. These conditions, along with other matters as set out in Note 1(a), 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 annual financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

C Burton

Chris Burton

Director

Perth, 30 September 2014

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

As lead auditor for the audit of Audalia Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

C Burton

Chris Burton

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

Shareholder Information

Details of shares as at 24 September 2014:

Top holders

The 20 largest registered holders of each class of quoted security as 24 September 2014 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Li Yi Phang	22,750,000	9.88
2.	Chin Huen Loh	18,760,000	8.15
3.	Poo Lian Tan	18,750,000	8.15
4.	Siu Khim Lee	18,750,000	8.15
5.	Yon Yong Tai	18,750,000	8.15
6.	Yoon Ngoh Loh	18,750,000	8.15
7.	Ming Hwai Tan	18,750,000	8.15
8.	Siew Swan Ong	15,750,000	6.84
9.	Soo Kok Lim	15,000,000	6.51
10.	Eu Tim Chan	12,250,000	5.32
11.	Siew Hoong Low	11,126,666	4.83
12.	Yek Yek Ong	8,300,000	3.61
13.	CME Group Berhad	7,900,000	3.43
14.	Moi Moi Chua	2,916,669	1.27
15.	Chai Keong Loh	2,350,000	1.02
16.	Wai Heng Ho	1,710,000	0.74
17.	Seow Pang Ng	1,333,332	0.58
18.	Ms Emily Kok	1,250,000	0.54
19.	Ring Diong Ding	1,250,000	0.54
20.	Chee Thin Toh	1,250,000	0.54
		217,646,667	94.55

Distribution schedules

A distribution schedule of each class of equity security as at 24 September 2014:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	2	2	0.00
1,001	-	5,000	5	23,270	0.01
5,001	-	10,000	436	4,349,569	1.89
10,001	-	100,000	8	357,210	0.15
100,001	-	Over	40	225,429,950	97.95
Total			491	230,160,001	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
Li Yi Phang	18,750,000
Chin Huen Loh	18,760,000
Poo Lian Tan	18,750,000
Siu Khim Lee	18,760,000
Yon Yong Tai	18,750,000
Yoon Ngoh Loh	18,760,000
Ming Hwai Tan	18,750,000
Siew Swan Ong	15,750,000
Soo Kok Lim	15,000,000
Eu Tim Chan	12,250,000

Restricted Securities

As at 24 September 2014, the Company had no restricted securities on issue.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 3,125 as at 24 September 2014):

Holders	Units
2	2

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.

On-Market Buy Back

There is no current on-market buy-back.

Summary of Tenements

Summary of tenements as 24 September 2014

Projects	Licence Number	Area (km²)	Registered Holder / Applicant	Status	Audalia Interest
Western Australia					
Gascoyne	E09/1568	18.74	Audalia Resources Limited	Granted	100%
	E09/1569	46.84	Audalia Resources Limited	Granted	100%
	E09/1570	28.12	Audalia Resources Limited	Granted	100%
	E09/1824	34.36	Audalia Resources Limited	Granted	100%
	E09/1825	209.40	Audalia Resources Limited	Granted	100%
	E09/2102	218.50	Audalia Resources Limited	Pending	100%
Medcalf	E63/1068	4.05	Audalia Resources Limited	Granted	100%
	E63/1405	3.20	Audalia Resources Limited	Granted	100%
	E63/1406	1.72	Audalia Resources Limited	Granted	100%
	P63/1528	1.08	Audalia Resources Limited	Granted	100%
	P63/1529	1.93	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	1.76	Audalia Resources Limited	Granted	100%
	P63/1533	0.82	Audalia Resources Limited	Granted	100%
	P63/1560	0.95	Audalia Resources Limited	Granted	100%
	P63/1561	0.18	Audalia Resources Limited	Granted	100%
	E63/1133	2.90	Audalia Resources Limited	Granted	100%
	E63/1134	2.90	Audalia Resources Limited	Granted	100%