



ACN 146 035 690

## **INTERIM FINANCIAL REPORT**

**For the six months ended 31 December 2014**

---

## CONTENTS

---

	<b>PAGE</b>
Directors' Report	2
Auditor's Independence Declaration	7
Interim Financial Report	
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Condensed Notes to the Financial Statements	12
Directors' Declaration	18
Independent Auditor's Review Report	19

## DIRECTORS' REPORT

The Directors present the financial report of Audalia Resources Limited (the **Company**) for the half-year ended 31 December 2014 and the auditor's review report thereon:

### DIRECTORS

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

**Dato Soo Kok Lim**

*Executive Chairman – Appointed: 9 October 2010*

**Datuk Siew Swan Ong**

*Executive Director – Appointed: 9 October 2010*

**Mr Brent Butler**

*Non-Executive Director – Appointed: 16 February 2011*

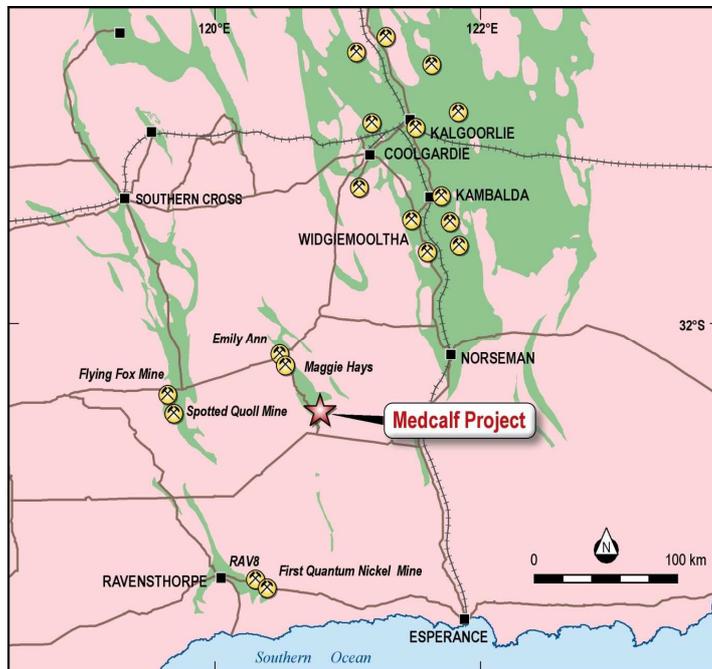
**Mr Boo Lye (Andrew) Kwa**

*Non-Executive Director – Appointed: 11 October 2011*

### REVIEW OF OPERATIONS

#### Medcalf Project

The Medcalf Project is located 470km east of Perth. The Medcalf Project comprises five exploration licences and eight prospecting licences, with a total area of 23.8km<sup>2</sup> (Figure 1).



**Figure 1 – Medcalf Project location map**

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

#### Metallurgical test work programme

The Company continued to progress the metallurgical testwork to improve the separation of the silica from the vanadiferous ore. During the period, Mintek continued to research and trial a variety of flowsheets to treat the Medcalf ore. The best results obtained from the work conducted yielded a metallurgical recovery of 62% which confirmed the potential for the Medcalf Project to support a viable mining operation.

## DIRECTORS' REPORT

---

### REVIEW OF OPERATIONS (continued)

#### Metallurgical test work programme (continued)

The Company subsequently sent 50kg of crushed core to a specialised laboratory in Germany to independently confirm Mintek's testwork. The outcome of this testwork has confirmed Mintek's results to date.

An experienced project manager was engaged in December 2014 to review all testwork completed to date and make recommendations on the Phase 3 testwork which commenced subsequent to balance date.

#### Resource Upgrade

In 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<sub>2</sub>O<sub>5</sub> for contained vanadium pentoxide contents of approximately 108,000 tonnes in the Indicated category and 35,000 tonnes in the Inferred category in accordance with the JORC 2012.

The resource upgrade was released to ASX on 18 August 2014. Pursuant to Listing Rule 5.23.2, Audalia confirms that it is not aware of any new information or data that materially affects the information in that announcement and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.

#### Flora and Fauna Surveys

Spring season flora and fauna surveys were completed during the period to undertake the following scopes of works:

- Level 1 flora and fauna survey over the proposed haul road, miscellaneous license application L63/68;
- Level 2 flora survey over the mining lease application, M63/656; and
- Targeted searches up to a 20km radius from Medcalf for flora of conservation significance outside the mining lease application.

Autumn season surveys will also be conducted in March and April 2015. The data from these surveys will be incorporated into Audalia's Conservation Management Plan.

#### Other work

Audalia completed a sampling programme which sought to analyse the topsoil and waste rock for the purposes of rehabilitation of drill sites upon completion of exploration activities and in accordance with the Company's Conservation Management Plan. The results show that soils have good nutrient levels which are ideal for use in waste rock landform rehabilitation. The full set of results were included in the Medcalf Project Exploration Update lodged with ASX on 25 July 2014.

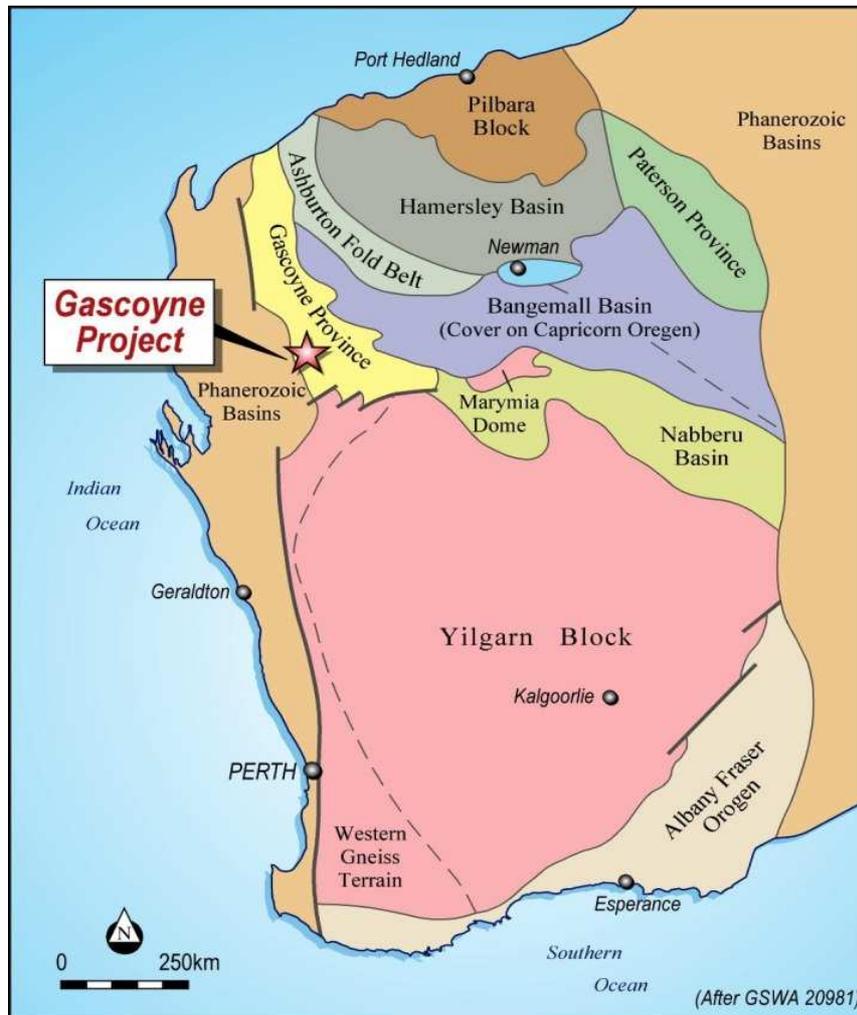
Consultants were also engaged during the period to complete desktop study reviews on water, power and road construction in relation to the Medcalf Project.

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS (continued)

#### Gascoyne Project

The Gascoyne Project comprises 100% owned tenements covering 324km<sup>2</sup> that are highly prospective for Lead (Pb), Zinc (Zn) and Copper (Cu) deposits, located in the Gascoyne Region, Western Australia (Figure 2). It is located approximately 250km to the east of Carnarvon and 1,200km north from Perth.



**Figure 2 - Gascoyne Project - Location Map**

The main focus during the period was field reconnaissance work in conjunction with magnetic and radiometric airborne geophysical surveys.

#### Field work and aerial magnetic surveys

In August 2014, a reconnaissance rockchip and trap-site stream sediment sampling program was carried out over the entire Gascoyne Project to more closely define the source of the lead and gold anomalies generated from last field programme during June 2014. Best results obtained were 171ppm lead and 4.63ppb gold. A full listing of results were included in the Gascoyne Project Exploration Update lodged with ASX on 16 September 2014.

Subsequently, a further reconnaissance rockchip sampling programme was carried over the Gascoyne Project. Two rock types, the Banded Iron Formation (BIF) and the iron-stained quartz veins were targeted on this programme. Several elevated manganese levels were identified from this sampling, being an important pathfinder at Broken Hill silver, lead, zinc mine in New South Wales where they form haloes around the orebody. The BIF is described as a metamorphosed strongly magnetic BIF averaging 30% magnetite with elevated levels of manganese. Significant and full results from this programme were released to ASX on 28 January 2015.

## DIRECTORS' REPORT

---

### REVIEW OF OPERATIONS (continued)

#### Gascoyne Project (continued)

An aeromagnetic/radiometric survey was also flown by GPX Surveys during the period. The interpreted images of DTM (digital terrain model), TMI (total magnetic intensity), and 1VD (first vertical derivative), 2VD (second vertical derivative) and the radiometric images were released to ASX on 28 January 2015.

The results have indicated further work is warranted on the BIF particularly around rockchip CW978 that has elevated copper, lead, zinc and manganese values. Future work planned should include diamond drilling at the CW978 location in order to understand the stratigraphy and mineralisation at depth.

### CORPORATE

In August 2014, the Company secured a short-term loan of \$700,000 (**Loan**) for the purposes of supplementing 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. The short-term Loan repayment date has been renegotiated and extended from 20 January 2015 to 20 March 2015.

In September 2014, the Company entered into subscription agreements with a sophisticated investor to raise \$1.5 million before costs by way of placement of 4,000,000 fully paid ordinary shares (**Shares**) at an issue price of \$0.375 per Share (**Subscription Agreements**). The Subscription Agreements proposed to complete the placement in two tranches, as follows:

- Tranche 1: Placement of 2,000,000 Shares to raise \$750,000; and
- Tranche 2: Placement of 2,000,000 Shares to raise \$750,000.

The issue of Shares under Tranche 1 occurred on 14 November 2014. The issue of Shares under Tranche 2 was completed on 26 February 2015.

The funds raised pursuant to the Subscription Agreements were to be used to repay the Loan, advance the metallurgical testwork at the Medcalf Project, continue development and exploration activities at the Medcalf and Gascoyne Projects and for general working capital.

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

#### Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Brent Butler, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Butler is a consultant geologist with 28 years' experience as a geologist. Mr Butler has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 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.

The information in this report that relates to the Mineral Resource for the Medcalf Project was prepared and first disclosed under the JORC Code 2012 on 18 August 2014 in the Company's ASX announcement titled 'Achieves upgrade to Indicated Resource at Medcalf Project'. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

### RESULTS

The Company incurred a loss of \$352,657 after income tax for the half-year (2013: \$180,755).

## DIRECTORS' REPORT

---

### EVENTS SUBSEQUENT TO REPORTING DATE

The Company entered into a commercial lease for its operations office for a 6 month period commencing from 1 March 2015. The operating lease commitment on this lease amounts to \$ 24,235 as at the date of this report.

The Company completed Tranche 2 of the placement on 26 February 2015. Audalia issued 2,000,000 shares under Tranche 2 and raised \$750,000.

The funds raised from the overall \$1.5 million placement announced on 30 September 2014 were to be used to repay the short-term loan, advance the metallurgical testwork at the Medcalf Project, continue development and exploration activities at the Medcalf and Gascoyne Projects and for general working capital. Repayment date of the loan was renegotiated and extended from 20 January 2015 to 20 March 2015.

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2014.

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



Dato Soo Kok Lim  
*Executive Chairman*

Dated at Perth, Western Australia this 13<sup>th</sup> day of March 2015.

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

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



Chris Burton  
Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2015

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the half-year ended 31 December 2014

	31 Dec 2014 \$	31 Dec 2013 \$
<b>Revenue from continuing operations</b>		
Finance income	6,363	5,671
Finance costs	(20,559)	(9,644)
Corporate and administrative expenses	(338,461)	(176,782)
<b>Loss before income tax</b>	<b>(352,657)</b>	<b>(180,755)</b>
Income tax expense / (benefit)	-	-
<b>Net loss for the period</b>	<b>(352,657)</b>	<b>(180,755)</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period attributable to the owners of the Company</b>	<b>(352,657)</b>	<b>(180,755)</b>
Basic loss per share (cents)	(0.15)	(0.15)

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

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

**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2014

	Note	31 Dec 2014 \$	30 June 2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	671,074	350,396
Trade and other receivables	5	14,027	9,362
Other current assets		30,255	18,696
<b>Total Current Assets</b>		<b>715,356</b>	<b>378,454</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	17,875	17,875
Property, Plant and Equipment	6	17,859	15,081
Exploration and evaluation assets	7	3,521,460	2,711,384
<b>Total Non-Current Assets</b>		<b>3,557,194</b>	<b>2,744,340</b>
<b>TOTAL ASSETS</b>		<b>4,272,550</b>	<b>3,122,794</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		207,740	190,385
Provisions		15,175	4,114
Borrowings	5	700,000	-
<b>Total Current Liabilities</b>		<b>922,915</b>	<b>194,499</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		35,116	7,002
<b>Total Non-Current Liabilities</b>		<b>35,116</b>	<b>7,002</b>
<b>TOTAL LIABILITIES</b>		<b>958,031</b>	<b>201,501</b>
<b>NET ASSETS</b>		<b>3,314,519</b>	<b>2,921,293</b>
<b>EQUITY</b>			
Contributed equity	8	4,839,851	4,093,968
Reserves		10,000	10,000
Accumulated losses		(1,535,332)	(1,182,675)
<b>TOTAL EQUITY</b>		<b>3,314,519</b>	<b>2,921,293</b>

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

**STATEMENT OF CHANGES IN EQUITY**  
for the half-year ended 31 December 2014

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance as at 1 July 2013</b>	2,601,302	10,000	(779,733)	1,831,569
Loss for the period	-	-	(180,755)	(180,755)
Total comprehensive loss for the period	-	-	(180,755)	(180,755)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	1,500,000	-	-	-
Transaction costs on share issues	(7,334)	-	-	-
<b>Balance as at 31 December 2013</b>	<b>4,093,968</b>	<b>10,000</b>	<b>(960,488)</b>	<b>3,143,480</b>
<b>Balance as at 1 July 2014</b>	4,093,968	10,000	(1,182,675)	2,921,293
Loss for the period	-	-	(352,657)	(352,657)
Total comprehensive loss for the period	-	-	(352,657)	(352,657)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	750,000	-	-	750,000
Transaction costs on share issues	(4,117)	-	-	(4,117)
<b>Balance as at 31 December 2014</b>	<b>4,839,851</b>	<b>10,000</b>	<b>(1,535,332)</b>	<b>3,314,519</b>

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

**STATEMENT OF CASH FLOWS**  
for the half-year ended 31 December 2014

	Note	31 Dec 2014 \$	31 Dec 2013 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(256,508)	(206,673)
Interest received		4,678	5,398
Interest paid		-	(9,644)
<b>Net cash (outflow) from operating activities</b>		<b>(251,830)</b>	<b>(210,919)</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of property, plant and equipment		(4,000)	
Payments for exploration and evaluation assets – acquisition costs		-	(570)
Payments for exploration and evaluation assets – capitalised costs		(869,375)	(986,983)
Proceeds from maturity of investments		-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(873,375)</b>	<b>(987,553)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		750,000	1,500,000
Share issue costs		(4,117)	(7,334)
Proceeds from borrowings		700,000	500,000
Repayment of borrowings		-	(500,000)
<b>Net cash inflow from financing activities</b>		<b>1,445,883</b>	<b>1,492,666</b>
<b>Net increase in cash held</b>		<b>320,678</b>	<b>294,194</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>350,396</b>	<b>499,057</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>671,074</b>	<b>793,251</b>

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

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

---

### 1. CORPORATE INFORMATION

Audalia Resources Limited (the **Company**) is a company domiciled in Australia. Audalia Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The interim report for six months ended 31 December 2014 were authorised for issue in accordance with a resolution of directors on 13 March 2015.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (i) Statement of Compliance

This interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with accounting standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and considered together with any public announcements made by Audalia Resources Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules. The annual financial report of the Company as at and for the year ended 30 June 2014 is available upon request from the Company's registered office or may be viewed on the Company's website, [www.audalia.com.au](http://www.audalia.com.au).

#### (ii) Basis of measurement

This interim financial report has been prepared on the accruals basis and the historical cost basis except for financial assets and liabilities measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

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

The accounting policies adopted are consistent with the accounting policies adopted in the Company's last annual financial statements for year ended 30 June 2014

#### (iii) Going concern

The interim financial report has been prepared on a going concern basis which assumes realising its assets and extinguishing its liabilities in the normal course of business at amounts stated in the statement of financial position. At 31 December 2014, the Company had net assets of \$3,314,519 (30 June 2014: \$2,921,293). The Company incurred a net loss after tax of \$352,657 (2013: \$180,755) and net operating and investing cash outflows of \$1,125,205 (2013: 1,198,472) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2014, the Company had \$671,074 (30 June 2014: \$350,396) in cash and cash equivalents.

Based upon the Company's existing cash resources, the ability to modify expenditure outlays if required, and the directors' confidence of sourcing additional funds through equity, the directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation to be appropriate for the preparation of the Company's interim financial report. Accordingly no adjustments have been made to the interim financial report relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

In the event that the Company does not modify expenditure outlays and raise the additional funding referred to above, there is a material uncertainty whether the Company will continue as a going concern in the future and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the interim financial report.

#### (iv) Significant accounting judgements, estimates and assumptions

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

In preparing the interim financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2014.

(v) Adoption of new or revised accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of new or amended standards which became applicable for the current reporting period. However, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

### 3. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2014.

### 4. 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 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.

	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	106,074	75,396
Term deposit	565,000	275,000
	<b>671,074</b>	<b>350,396</b>

### 5. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are initially measured at cost on trade date including transaction costs when related contractual right exists. Recognition and subsequent recognition is as follows:

Financial assets, namely receivables and held-to maturity investments are non-derivative financial assets with fixed or determinable payments, not quoted in an active market, initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. At the end of each reporting period, the Company assesses whether there is objective evidence that financial assets are impaired, if so, will be recognised in profit and loss.

Financial liabilities, namely loans are recognised initially at fair value and subsequently at amortised cost, comprising debt less principal repayments. The loan is of short-term nature and is for the purposes of supplementing existing working capital. It is unsecured and attracts an interest rate of 8% per annum which is payable on the repayment date of the loan being 20 March 2015.

Set out below are financial assets and liabilities, other than cash and short term deposits, held by the Company as at period end and at comparative period:

	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Financial assets		
Term Deposits	565,000	-
Trade and other receivables	31,902	27,237
	<b>596,902</b>	<b>27,237</b>
Financial liabilities		
Interest bearing loan	(700,000)	-
Trade and other payables	(207,740)	(190,385)
	<b>(907,740)</b>	<b>(190,385)</b>

Due to the short-term nature, the carrying amounts of the Company's current financial assets and financial liabilities are assumed to approximate their fair value.

The Company does not have any financial assets and liabilities measured at fair value on a recurring basis. It also does not have financial assets and liabilities not measured at fair value in the statement of financial position.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### 6. PROPERTY PLANT AND EQUIPMENT

The Company's accounting policies for property, plant and equipment are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2014.

The Company commenced acquisition of items of property, plant and equipment during the second half of financial year ended 30 June 2014. The following table shows the movements for the six months ended 31 December 2014:

	Furniture and Fittings \$	Office Equipment \$	Leasehold Improvements \$	Total \$
Opening net book value at 1 July 2014	7,303	7,214	564	15,081
Additions during the year	-	4,000	-	4,000
Disposals during the year	-	-	-	-
Depreciation expense	(378)	(738)	(106)	(1,222)
Closing net book value at 31 December 2014	<u>6,925</u>	<u>10,476</u>	<u>458</u>	<u>17,859</u>

### 7. EXPLORATION AND EVALUATION ASSETS

	31 Dec 2014 \$	30 June 2014 \$
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>3,521,460</u>	<u>2,711,384</u>
<b>Reconciliation</b>		
Carrying amount at beginning of period	2,711,384	1,456,535
Exploration and evaluation expenditure	810,076	1,458,772
R&D incentive rebate (Medcalf Project)	-	(203,923)
Carrying amount at end of period	<u>3,521,460</u>	<u>2,711,384</u>

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.

	31 Dec 2014 \$	30 June 2014 \$
<b>8. CONTRIBUTED EQUITY</b>		
232,160,001 fully paid ordinary shares	<u>4,839,851</u>	<u>4,093,968</u>

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

	2014 Number	2013 Number	2014 \$	2013 \$
Balance at 1 July	230,160,001	80,160,001	4,093,968	2,601,302
Placement of shares at \$0.375 per share	2,000,000	12,000,000	750,000	120,000
Placement of shares at \$0.01 per share		138,000,000		1,380,000
Share issue costs	-	-	(4,117)	(7,334)
Balance at 31 December	<u>232,160,001</u>	<u>230,160,001</u>	<u>4,839,851</u>	<u>4,093,968</u>

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### 9. COMMITMENTS

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned, all other commitments and contingencies remain consistent with those disclosed in the 2014 annual report.

#### Operating lease commitments

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

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

	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
	\$	\$
Within one year	68,712	67,719
After one year but not more than five years	75,881	109,749
	<b>144,593</b>	<b>177,468</b>

#### 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	175,200
After one year but not more than five years	87,600	175,200
	<b>262,800</b>	<b>350,400</b>

Amounts disclosed as remuneration commitments include commitments arising from the employment agreements of directors and executives that are not recognised as liabilities in the statement of financial position.

#### Exploration commitments

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at reporting date, total exploration expenditure commitments on mineral leases held by the Company which have not been provided for in the financial statements amount up to \$137,195 per annum.

### 10. CONTINGENT LIABILITIES

The Company has agreed to issue 2,500,000 fully paid ordinary shares to a consultant of Audalia upon the achievement of certain hurdles and at balance date there is no certainty these conditions will be satisfied therefore the directors have disclosed the item as a contingent liability.

There have been no other changes in contingent liabilities since the last balance date.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### 11. SEGMENT INFORMATION

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

	Mineral Exploration \$	Corporate and administrative \$	Company \$
<b>Half-year ended 31 December 2014</b>			
Segment revenue	-	6,363	6,363
Segment result	-	(352,657)	(352,657)
<b>As at 31 December 2014</b>			
Segment assets	3,521,460	751,090	4,272,550
Segment liabilities	(39,560)	(918,472)	(958,032)
<b>Half-year ended 31 December 2013</b>			
Segment revenue	-	5,671	5,671
Segment result	-	(180,755)	(180,755)
<b>As at 30 June 2014</b>			
Segment assets	2,711,384	411,410	3,122,794
Segment liabilities	(98,859)	(102,642)	(201,501)

### 12. RELATED PARTY TRANSACTIONS

Remuneration arrangements of key management personnel are disclosed in the 2014 annual report.

There are no shares or options granted as compensation to key management personnel during the half year period.

#### Other transactions with key management personnel

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

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

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

Director/ Executive	Transaction	Transactions value for the period ended		Balance outstanding as at	
		31 December 2014 \$	31 December 2013 \$	31 December 2014 \$	31 December 2013 \$
Mr B Butler	Geological consulting fees <sup>1</sup>	127,000	49,000	-	-

#### Notes in relation to the table of related party transactions

1. A company associated with Mr Butler, World Technical Services Group Pty Ltd, provides geological consulting services in connection with the operations of the Company. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

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

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

---

### 13. EVENTS SUBSEQUENT TO REPORTING DATE

The Company entered into a commercial lease for its operations office for a 6 month period commencing from 1 March 2015. The operating lease commitment on this lease amounts to \$ 24,235 as at the date of this report.

The Company completed Tranche 2 of the placement on 26 February 2015. Audalia issued 2,000,000 shares under Tranche 2 and raised \$750,000.

The funds raised from the overall \$1.5 million placement announced on 30 September 2014 were to be used to repay the short-term loan, advance the metallurgical testwork at the Medcalf Project, continue development and exploration activities at the Medcalf and Gascoyne Projects and for general working capital. Repayment date of the loan was renegotiated and extended from 20 January 2015 to 20 March 2015.

## DIRECTORS' DECLARATION

---

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 13<sup>th</sup> day of March 2015.

Signed in accordance with a resolution of the directors.



Dato Soo Kok Lim  
*Executive Chairman*

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Audalia Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Audalia Resources Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Audalia Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Audalia Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the half-year 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 and the modification of expenditure outlays. These conditions, along with other matters as set out in Note 2, 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 half-year financial report.

BDO Audit (WA) Pty Ltd

BDO  


Chris Burton  
Director

Perth, 13 March 2015