



ACN 146 035 690

## **INTERIM FINANCIAL REPORT**

**For the six months ended 31 December 2015**

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## DIRECTORS' REPORT

The Directors present the financial report of Audalia Resources Limited (the **Company**) for the half-year ended 31 December 2015 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 resigned 30 September 2015*

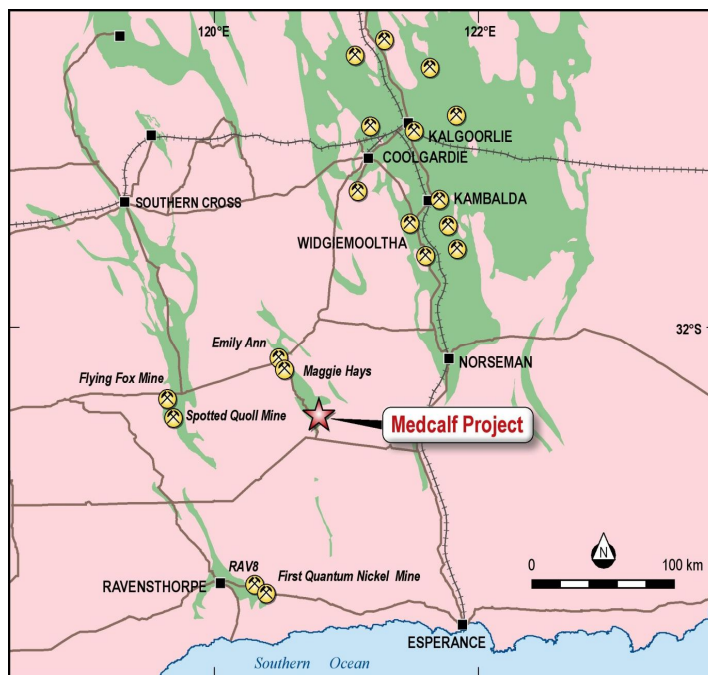
**Mr Raymond Browning**

*Non-Executive Director – Appointed: 3 September 2015*

### REVIEW OF OPERATIONS

#### Medcalf Project

The Medcalf Project is located 470km east of Perth. The Medcalf Project comprises two exploration licences, three prospecting licences and the recently granted mining lease with a total area of 25km<sup>2</sup> (Figure 1).



**Figure 1 – Medcalf Project location map**

The main focus during the period continued to be the advancement of the pre-feasibility study to assess development opportunities for the Project. The following key achievements were made during the last six months.

## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS (continued)

#### Heritage and native title

On 9 November 2015 the Company announced the signing of an agreement with the Ngadju People, the sole native title holders in the area encompassing the Medcalf Project, in relation to the grant of project tenure, development of the project and conduct of operations. The terms of the agreement ensure that the Ngadju People will share in the benefits of the project via a suite of economic, educational, vocational, recreational, environmental and cultural initiatives.

#### Mining lease

On 13 November 2015 the Company announced that the Department of Mines and Petroleum (**DMP**) had granted the mining lease application M63/656 for the Medcalf Project. The mining lease allows the Company to commence seeking regulatory approvals and permits required for the development of the Medcalf Project.

The underlying exploration licences covering the area of the mining lease, being E63/1068, E63/1405, E63/1406 and P63/1529 to P63/1533 subsequently expired upon the grant of M63/656. Exploration licence E63/1133 and prospecting licence P63/1528 partially expired.

#### Pre-feasibility study (PFS)

During the half year the Company continued to advance its PFS on its flagship Medcalf Project with work covering haul road access and logistics, power, hydrology, geology, mining, environment and the marketing and financing elements of the Project. These elements together with the metallurgical test work are assisting the Company to further refine the potential economic models for the Medcalf Project.

#### Metallurgical testwork programme

The Company commenced its PFS level metallurgical testwork programme during the period, which focussed on developing and refining the preliminary flow sheet to drive process development and design. In October 2015, the beneficiation circuit flowsheet was finalised to a PFS level and in turn progressed the test work to identify the optimal process conditions to be used in the hydrometallurgical circuit.

Test work continues to focus on the recoveries and grade of the ore as well as flowsheet optimisation. The Company scheduled additional test works toward the end of the period to further analyse and optimise the development and design of the Project.

#### Drill core programme

In July 2015, the Company obtained approval for a drill core programme. The program sought to obtain additional samples to define the metallurgical characteristics of the Medcalf Project ore body and confirm the optimal process flow sheets. The programme commenced in November 2015 after the completion of the anthropological and archaeological surveys and confirmation of heritage clearance over the surveyed areas. The programme resulted in 17 holes drilled and a total of 723.1m of PQ core being obtained.

#### Geology

During the period, Cube Consulting was engaged to complete a revised geological model on the Medcalf Project with all historical and current geological information gathered from mapping, surface sampling, drilling and magnetic data in order to gain a more comprehensive understanding of the geological controls and to plan further drill programmes to enhance the Mineral Resource.

The Company has commenced design work on a drill programme to upgrade the existing Mineral Resource to the Ore Reserve category in respect of the Medcalf Project.

#### Environmental works

In July 2015, data from surveys conducted in previous seasons were included in Audalia's Conservation Management Plan and submitted to the Department of Parks and Wildlife. The Department of Parks and Wildlife subsequently confirmed the document's compliance with departmental standards.

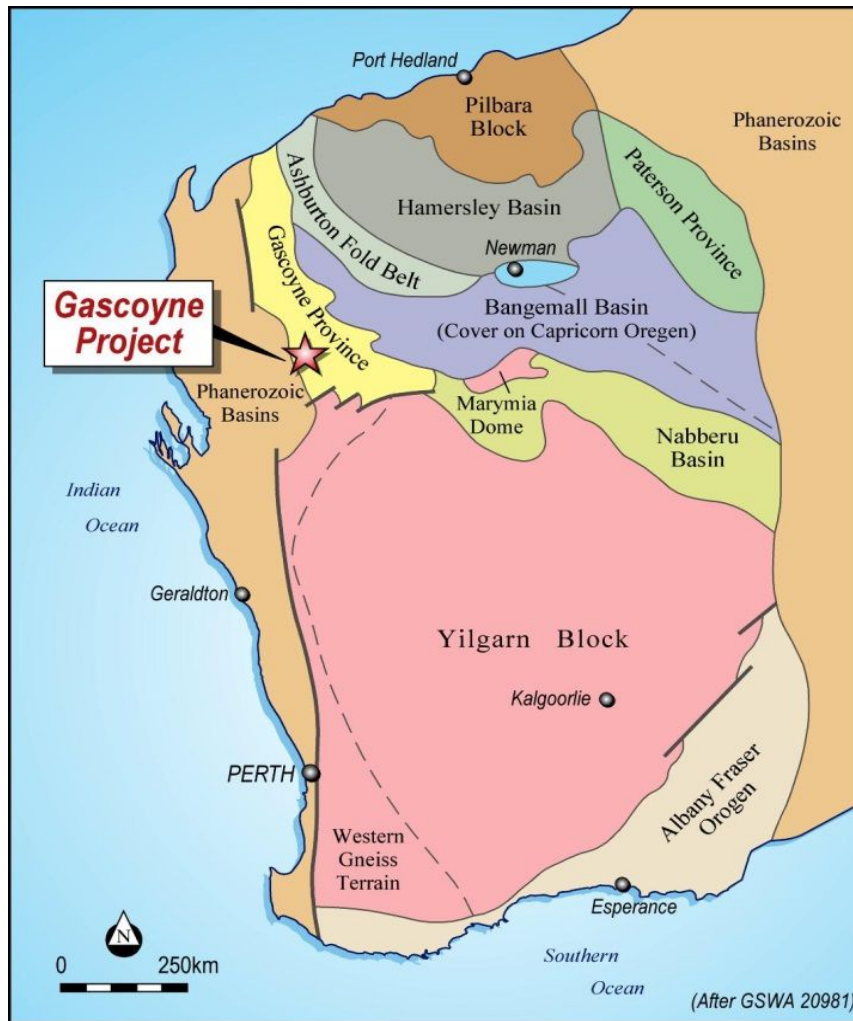
In September and November 2015, the Company carried out further environmental works with targeted searches of flora of conservation significance.

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS (continued)

#### Gascoyne Project

The Gascoyne Project comprises 100% owned tenements covering 537 km<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**

During the period, the DMP granted Audalia's application for the contiguous exploration licence E09/2102 immediately following the signing of a heritage agreement with the Gnulli People on 14 July 2015. Subsequently, the Company focussed its work on the Gascoyne Project on the recently granted tenement (E09/2102) to evaluate its potential and bring the level of geological understanding in line with the rest of the tenement package. The Company has applied for exemption from the expenditure conditions for the 2014/15 period in relation to each of the tenements forming part of the Gascoyne Project to ensure the works on E09/2102, which represents 39% of the total area of the Project, can first be completed before planning future works on the Gascoyne Project.

This half year period also saw the mandatory reduction in the original tenement area of the E09/1569 by 40% upon the conclusion of the initial six year grant period for the exploration licence.

#### Corporate

In September 2015, the Company announced the appointment of Mr Raymond Browning as a non-executive director of the Company. Mr Browning is a qualified mechanical engineer with extensive operational and project experience and joins the Board to enhance the technical skills of the existing directors and help drive the next phase of the Company's development. Audalia also accepted the resignation of Mr Boo Lye Kwa as non-executive director of the Company on 30 September 2015.

## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS (continued)

#### Corporate (continued)

In September 2015, the Company also announced the successful negotiation of the extension of the repayment date on the A\$4 million loan facility from 20 March 2016 to 20 March 2017.

The Company issued the following shares during the period:

- Consultant shares: 2,500,000 Shares to a consultant for services rendered; and
- CEO shares: 2,000,000 Shares issued upon the successful grant of the mining lease M63/656.

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.

The Review 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". The Board of Directors considers it appropriate to prepare the Company's 2016 Interim Financial Report on a going concern basis as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable based on the outcomes disclosed in Note 2.

#### 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 \$396,796 after income tax for the half-year (2014: \$352,657).

### EVENTS SUBSEQUENT TO REPORTING DATE

The Company entered into a new commercial lease for its operations office for a 6 month period commencing from 25 January 2016. The operating lease commitment on this lease amounts to \$22,500 for the period.

On 17 February 2016 the Company received its 2015 R&D tax incentive. The total value of the rebate and associated interest was \$601,550.

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2015.

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*.

  
Brent Butler  
Director

Dated at Perth, Western Australia this 14<sup>th</sup> day of March 2016.

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AUDALIA RESOURCES LIMITED

As lead auditor for the review of Audalia Resources Limited for the half-year ended 31 December 2015, 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.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 14 March 2016

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the half-year ended 31 December 2015

	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>		
Finance income	24,954	6,363
Finance costs	(129,067)	(20,559)
Corporate and administrative expenses	(292,683)	(338,461)
<b>Loss before income tax</b>	<b>(396,796)</b>	<b>(352,657)</b>
Income tax expense / (benefit)	-	-
<b>Net loss for the period</b>	<b>(396,796)</b>	<b>(352,657)</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>(396,796)</b>	<b>(352,657)</b>
Basic loss per share (cents)	(0.17)	(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 2015

	Note	31 Dec 2015 \$	RESTATED 30 June 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,290,724	2,660,781
Trade and other receivables		237,241	51,054
Other current assets		20,226	21,110
<b>Total Current Assets</b>		<b>1,548,191</b>	<b>2,732,945</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	5	39,729	40,737
Exploration and evaluation assets	6	7,702,351	4,713,317
<b>Total Non-Current Assets</b>		<b>7,742,080</b>	<b>4,754,054</b>
<b>TOTAL ASSETS</b>		<b>9,290,271</b>	<b>7,486,999</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		950,917	495,539
Employee benefit obligations		63,301	14,092
Borrowings	7	-	3,000,000
<b>Total Current Liabilities</b>		<b>1,014,218</b>	<b>3,509,631</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligations		8,400	48,132
Borrowings	7	3,625,000	-
<b>Total Non-Current Liabilities</b>		<b>3,633,400</b>	<b>48,132</b>
<b>TOTAL LIABILITIES</b>		<b>4,647,618</b>	<b>3,557,763</b>
<b>NET ASSETS</b>		<b>4,642,653</b>	<b>3,929,236</b>
<b>EQUITY</b>			
Contributed equity	8	6,598,235	5,585,735
Reserves	10	377,030	279,317
Accumulated losses	9	(2,332,612)	(1,935,816)
<b>TOTAL EQUITY</b>		<b>4,642,653</b>	<b>3,929,236</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 2015

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
<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>
<b>Balance as at 1 July 2015</b>	5,585,735	279,317	(2,205,133)	3,659,919
Prior period adjustment (Note 2(vi))			269,317	269,317
Loss for the period	-	-	(396,796)	(396,796)
Total comprehensive loss for the period	-	-	(396,796)	(396,796)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	1,012,500	(150,652)	-	861,848
Share based payment	-	248,365	-	248,365
<b>Balance as at 31 December 2015</b>	<b>6,598,235</b>	<b>377,030</b>	<b>(2,332,612)</b>	<b>4,642,653</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 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(451,900)	(256,508)
Interest received		23,629	4,678
Interest paid		(135)	-
<b>Net cash (outflow) from operating activities</b>		<b>(428,406)</b>	<b>(251,830)</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of property, plant and equipment		-	(4,000)
Payments for exploration and evaluation assets – capitalised costs		(1,961,910)	(869,375)
Proceeds from R&D incentive for exploration and evaluation		395,259	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,566,651)</b>	<b>(873,375)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		-	750,000
Share issue costs		-	(4,117)
Proceeds from borrowings		625,000	700,000
<b>Net cash inflow from financing activities</b>		<b>625,000</b>	<b>1,445,883</b>
<b>Net increase in cash held</b>		<b>(1,370,057)</b>	<b>320,678</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,660,781</b>	<b>350,396</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>1,290,724</b>	<b>671,074</b>

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

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

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### 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 2015 were authorised for issue in accordance with a resolution of directors on 14 March 2016.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (i) Statement of Compliance

This interim financial report for the half-year reporting period ended 31 December 2015 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 2015 and considered together with any public announcements made by Audalia Resources Limited during the half-year ended 31 December 2015 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 2015 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 2015.

#### (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 2015, the Company had net assets of \$4,642,653 (30 June 2015: \$3,929,236). The Company incurred a net loss after tax of \$396,796 (2014: \$352,657) and net operating and investing cash outflows of \$1,995,057 (2014: 1,125,205) and continues to incur expenditure on its exploration and mining tenements drawing on its cash balances. As at 31 December 2015, the Company had \$1,290,724 (30 June 2015: \$2,660,781) in cash and cash equivalents.

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's ability to adjust its exploration expenditure subject to results of its exploration and PFS activities;
- The Company received an amount of \$600,094 for its 2015 R&D tax incentive in February 2016;
- The Company has access to a further \$375,000 under its loan facilities as at the date of this report; and
- The Directors anticipate the support of the Company's major shareholders and lenders to continue with the advancement of the Medcalf Project.

While Audalia has achieved significant milestones in the last six months, the Company will be required to raise additional funds through either debt or equity during the next 12 month period to continue to develop and explore its tenements as planned.

Should the Company be unable to raise sufficient capital when required, there is a material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments relating to the recoverability and re-classification of asset carrying amounts or the amounts of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### (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 2015 with the exception of the vesting period of the share based payment remuneration for the CEO's right to shares where the directors has re-assessed the time period to conclude the second hurdle.

### (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.

### (vi) Prior period adjustment – share based payments

The Company's accounting policy for share based payments for the year ended 30 June 2015 included the requirement to expense the recognised cost of the transactions in the statement of profit or loss and other comprehensive income. The Company has since reassessed this policy given the nature of the underlying transactions relate directly to the development of the exploration and evaluation expenditure, namely the grant of a mining lease and the completion of a pre-feasibility study. The share based payment expense for the year ended 30 June 2015 that related to the CEO's right to shares upon achieving these milestones has been retrospectively transferred to the carrying value of the exploration asset in accordance with the Company's accounting policies. The impact of this adjustment has been disclosed in notes 6 and note 9.

## 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 2015.

## 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.

	31 Dec 2015	30 June 2015
	\$	\$
Cash at bank and in hand	275,245	1,645,781
Term deposit	1,015,479	1,015,000
	<b>1,290,724</b>	<b>2,660,781</b>

## 5. 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 2015.

The following table shows the movements for the six months ended 31 December 2015:

	Furniture and Fittings	Office Equipment	Leasehold Improvement	Onsite Assets	Total
	\$	\$	\$	\$	\$
Opening net book value at 1 July 2015	7,467	32,918	352	-	40,737
Additions during the year	-	-	-	5,000	5,000
Disposals during the year	-	-	-	-	-
Depreciation expense	(426)	(5,351)	(106)	(125)	(6,008)
Closing net book value at 31 Dec 2015	<b>7,041</b>	<b>27,567</b>	<b>246</b>	<b>4,875</b>	<b>39,729</b>

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

6. EXPLORATION AND EVALUATION ASSETS	31 Dec 2015 \$	30 June 2015 \$
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>7,702,351</u>	<u>4,713,317</u>
<b>Reconciliation</b>		
Carrying amount at beginning of period	4,713,317	2,711,384
Exploration and evaluation expenditure	3,384,293	1,733,975
Exploration write – off	-	(1,359)
Prior period adjustment	-	269,317
R&D incentive rebate (Medcalf Project)	<u>(395,259)</u>	<u>-</u>
Carrying amount at end of period	<u><b>7,702,351</b></u>	<u><b>4,713,317</b></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.

The Company issued a total of 4,500,000 shares during the period which resulted in a non-cash movement of \$1,012,500 in the carrying value of the asset.

7. BORROWINGS	31 Dec 2015 \$	30 June 2015 \$
Borrowings – current	<u>-</u>	<u>3,000,000</u>
Borrowings – non-current	<u>3,625,000</u>	<u>-</u>
<b>Reconciliation</b>		
Opening balance	3,000,000	-
Amounts drawn down	625,000	3,000,000
Amounts repaid	<u>-</u>	<u>-</u>
Closing balance at end of period	<u><b>3,625,000</b></u>	<u><b>3,000,000</b></u>

During the period the Company successfully renegotiated the repayment date of the loans. The loans are now due and payable in March 2017.

8. CONTRIBUTED EQUITY	31 Dec 2015 \$	30 June 2015 \$
238,660,001 fully paid ordinary shares	<u><b>6,598,235</b></u>	<u><b>5,585,735</b></u>

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

	31 Dec 2015 Number	30 Jun 2015 Number	31 Dec 2015 \$	30 Jun 2015 \$
Balance at 1 July	234,160,001	230,160,001	5,585,735	4,093,968
Placement of shares at \$0.375 per share	-	2,000,000	-	750,000
Placement of shares at \$0.375 per share	-	2,000,000	-	750,000
Issue of shares consultants – 23 Nov 15 (note 10)	2,500,000	-	562,500	-
Issue of shares CEO – 24 Dec 15 (note 14)	2,000,000	-	450,000	-
Share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,233)</u>
Balance at 31 December	<u><b>238,660,001</b></u>	<u><b>234,160,001</b></u>	<u><b>6,598,235</b></u>	<u><b>5,585,735</b></u>

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

9. ACCUMULATED LOSSES	31 Dec 2015 \$	30 June 2015 \$
Accumulated losses	<u>2,332,612</u>	<u>1,935,816</u>
<b>Reconciliation</b>		
Opening balance	1,935,816	1,182,675
Loss for the period	396,796	1,022,458
Prior period adjustment *	-	(269,317)
Closing balance at end of period	<u>2,332,612</u>	<u>1,935,816</u>

\* Refer to note 2 (vi) for commentary on the prior period adjustment.

10. RESERVE	31 Dec 2015 \$	30 June 2015 \$
Share based payments reserve	367,030	269,317
Options premium reserve	10,000	10,000
	<u>377,030</u>	<u>279,317</u>
<b>Reconciliation of the share based payment reserve</b>		
Opening balance	269,317	-
Amount reclassified to share capital	(150,652)	-
Additional amounts recognised	248,365	269,317
Closing balance at end of period	<u>367,030</u>	<u>269,317</u>

During the period the Company received shareholder approval for the issue of shares to its Chief Executive Officer at its AGM held on 27 November 2015. The valuation of share based payments was undertaken using the following inputs (considered to be level 1):

Initial Measurement date	Actual or Expected expiry date	Fair Value (\$)	Balance at start of the period (Number)	Cancelled (Number)	Converted during the period (Number)	Balance to be converted at end of the period (Number)	Value at Measurement Date (\$)
14 April 2015	13 Nov 2015	0.225	2,000,000	-	2,000,000	-	450,000
14 April 2015 (a)	28 Feb 2016	0.225	2,000,000	-	-	2,000,000	450,000
<b>Total</b>			<b>4,000,000</b>	<b>-</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>900,000</b>

(a) Based on management's assessment of the likelihood of milestone being achieved, at reporting date.

In addition to the Chief Executive Office shares, the Company also issued shares to consultants for services rendered. The Valuation of this share based payment was as follows (considered to be level 1):

Grant date	Number of shares issued	Fair value of shares \$	Value at measurement date \$
9 November 2015	2,500,000	0.225	562,500

The fair value of the share for both transactions was the market price of the share at the close of the market on the respective grant / measurement dates.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### 11. 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 remain consistent with those disclosed in the 2015 annual report.

#### Operating lease commitments

The Company has a commercial lease on its office in West Perth, Western Australia.

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

	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
	\$	\$
Within one year	67,520	78,220
After one year but not more than five years	8,440	40,719
	<b>75,960</b>	<b>118,939</b>

#### Exploration commitments

The minimum commitments for the exploration and evaluation expenditure as at 31 December 2015 are as follows:

Within one year	583,340	252,194
After one year but no more than five years	820,000	1,376,400
After five years	2,775,000	-
	<b>4,178,340</b>	<b>1,628,594</b>

The remunerations commitments are consistent with those reported in the 30 June 2015 financial statements.

### 12. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 December 2015.

### 13. SEGMENT INFORMATION

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

	<b>Mineral Exploration</b>	<b>Corporate and administrative</b>	<b>Company</b>
	\$	\$	\$
<b>Half-year ended 31 December 2015</b>			
Segment revenue	-	24,954	24,954
Segment result	-	(396,796)	(396,796)
<b>As at 31 December 2015</b>			
Segment assets	7,702,351	1,587,920	9,290,271
Segment liabilities	(440,188)	(4,207,429)	(4,647,618)
<b>Half-year ended 31 December 2014</b>			
Segment revenue	-	6,363	6,363
Segment result	-	(352,657)	(352,657)
<b>As at 30 June 2015</b>			
Segment assets	4,713,317	2,773,682	7,486,999
Segment liabilities	(181,658)	(3,376,105)	(3,557,763)



## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### 14. RELATED PARTY TRANSACTIONS

Remuneration arrangements of key management personnel are disclosed in the 2015 annual report.

The shares granted to the CEO of the Company has been disclosed in note 10 above. The total number of shares issued was 2,000,000 which has a fair value of \$450,000 which has been recognised as part of the cost of the exploration asset.

#### 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.

Two 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 2015	31 December 2014	31 December 2015	31 December 2014
		\$	\$	\$	\$
Mr B Butler	Geological consulting fees <sup>1</sup>	60,000	127,000	-	-
Mr R Browning	Engineering consulting fees <sup>2</sup>	75,600	-	-	-

#### 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.
2. Mr Browning was appointed as a director on 3 September 2015. A company associated with Mr Browning, Trams Services Pty Ltd, provides engineering consulting services in connection with the operations of the Company. The fees disclosed are for the period since Mr Browning commenced as a director 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 (other than directors fees and directors salaries) to be disclosed in the half yearly report. The total amount owed to the directors for salaries as at 31 December 2015 which remain unpaid are \$240,000 (30 June 2015: \$160,000).

### 15. EVENTS SUBSEQUENT TO REPORTING DATE

The Company entered into a commercial lease for its operations office for a 6 month period commencing from 25 January 2016. The operating lease commitment on this lease amounts to \$22,500 for the period.

On 17 February 2016 the Company received its 2015 R&D tax incentive. The total value of the rebate and associated interest was \$601,550.

## DIRECTORS' DECLARATION

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In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 7 to 16 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 2015 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 14<sup>th</sup> day of March 2016.

Signed in accordance with a resolution of the directors.



Brent Butler  
*Director*

## 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 2015, 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 2015 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 2015 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 raising additional funds through either debt or equity to continue to develop and explore its tenements as planned. 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

A handwritten signature in blue ink, consisting of the letters 'BDO' above the name 'J Prue'.

Jarrad Prue

Director

Perth, 14 March 2016