



ACN 146 035 690

## ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

---

## CORPORATE DIRECTORY

---

### DIRECTORS

Executive Director  
Chief Executive Officer/Executive Director  
Non-Executive Director

Mr Siew Swan Ong  
Mr Brent Butler  
Mr Xu (Geoffrey) Han

### COMPANY SECRETARY

Ms Karen Logan

### PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 1, Office F  
1139 Hay Street  
WEST PERTH WA 6005  
Telephone: (61 8) 9321 0715  
Facsimile: (61 8) 9321 0721  
Email: [admin@audalia.com.au](mailto:admin@audalia.com.au)  
Website: [www.audalia.com.au](http://www.audalia.com.au)

### SECURITIES EXCHANGE

ASX Limited  
Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

ASX Code: ACP

### 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

### BANKER

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

### AUDITOR

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

## CONTENTS

---

Corporate Directory	1
Review of Activities	3
Directors' Report	7
Auditor's Independence Declaration	20
Financial Report	21
Directors' Declaration	48
Independent Auditor's Report	49
Shareholder Information	53
Summary of Tenements	55

## REVIEW OF ACTIVITIES

Audalia Resources Limited (ASX: **ACP**) is pleased to present its annual report for the year ended 30 June 2018 to shareholders and provide some insights into the advancements the Company has made in its activities to date and progress that it expects to make going forward.

### OVERVIEW

#### MEDCALF PROJECT

The Medcalf Project is a vanadium-titanium-iron project located some 470 kilometres southeast of Perth near Lake Johnston, Western Australia. The Medcalf Project comprises three granted Exploration Licences E63/1133, E63/1134 and E63/1855 as well as mining lease M63/656 and miscellaneous licence L63/75. Together, these licences cover a total area of 38 km<sup>2</sup>.

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 110 km 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.

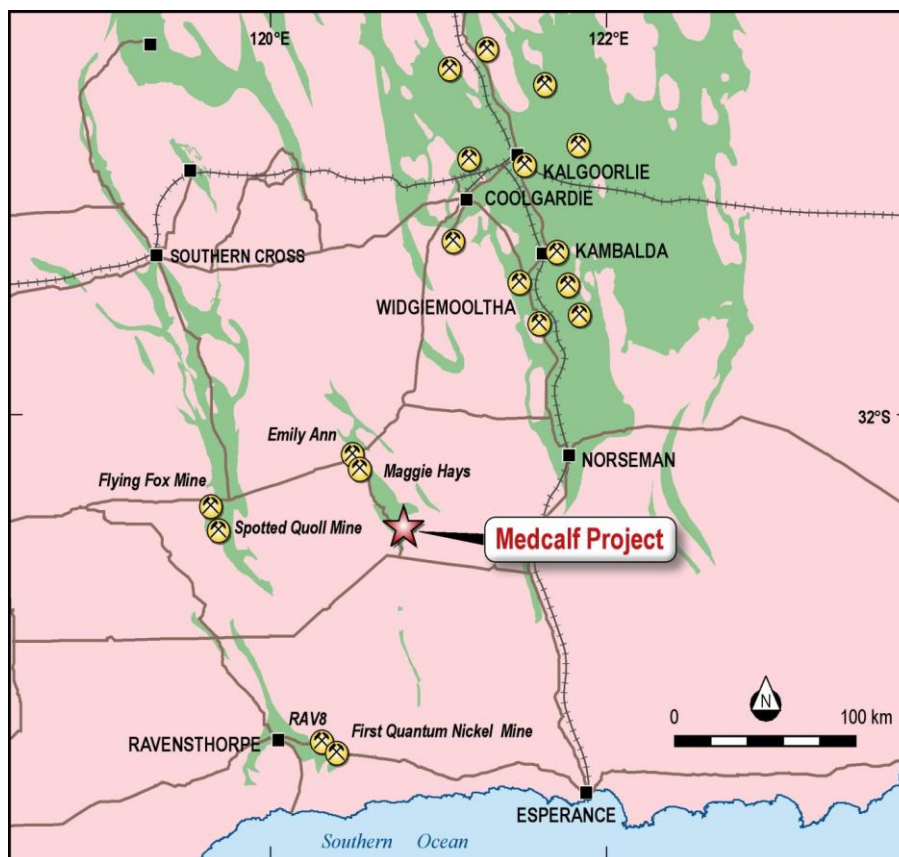


Figure 1: Medcalf Project location map

#### Activities conducted during the year

##### Interim Metallurgical Testwork Programme

The report from the interim metallurgical testwork programme completed by Guangzhou Research Institute of Non-ferrous Metals (**GZRINM**) was received and the results were released to the market on 26 October 2017. The interim metallurgical testwork programme has delivered excellent results which have either met or exceeded expectations in all areas.

The major objectives of the interim metallurgical test work were to provide an in-depth understanding on the characteristics of Medcalf mineralisation, overhaul the beneficiation circuit and identify a cost-effective process flowsheet for the recovery of all three valuable metals, vanadium, titanium and iron.

## REVIEW OF ACTIVITIES

### Activities conducted during the year (cont'd)

#### Interim Metallurgical Testwork Programme (cont'd)

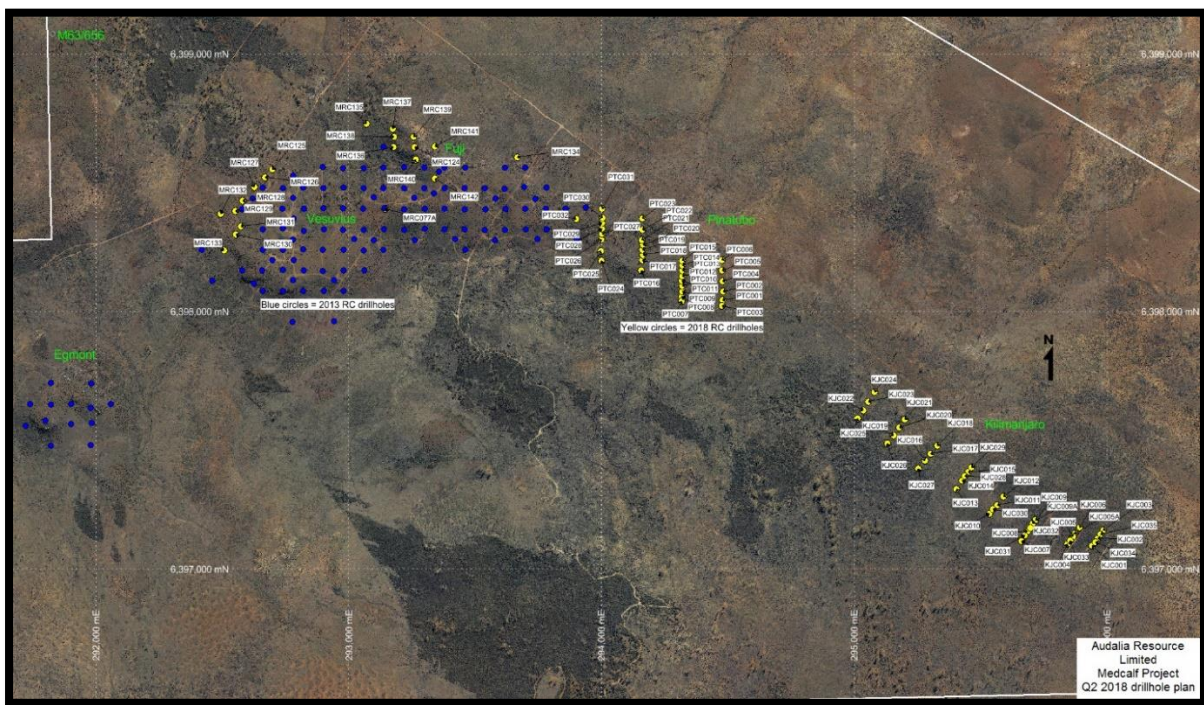
GZRINM has been commissioned to investigate a process of producing marketable product(s) from the Medcalf mineralisation. GZRINM has confirmed the ability to recover all three valuable metals, vanadium, titanium and iron, from the Medcalf mineralisation with two market products:

1. Vanadium bearing iron concentrate, containing 60% TFe and 1%  $V_2O_5$ ; and
2. Titanium concentrate, containing >50%  $TiO_2$ .

In addition, 100 kg of run-of-mine (ROM) materials and 100kg of beneficiated concentrate samples were delivered to a steel mill in China for testing and positive outcome returned.

#### Exploration Drilling Programmes Completed

During the June 2018 quarter, the Company completed a 89-hole RC drill programme for 3,794m (Figure 2) drilled on Mining Lease M63/656. The regional exploration drilling programme was designed to delineate additional mineralisation with the aim of increasing the current mineral resource base through drilling in adjacent areas (Pinatubo and Kilimanjaro Prospects) previously not drilled and tested. Concurrently, the Company completed drilling to the west of the Vesuvius Prospect. This part of the drill programme was conducted in an environmentally sensitive area (ESA) using permits granted by the Department of Biodiversity, Conservation and Attractions of Western Australian (DBCA). The Company also completed drilling on the northern side of the Fuji Prospect to support the current Resource for upgrading the Inferred category and test for additional mineralisation.



**Figure 2: Medcalf Prospect Location Map with June quarter holes drilled (yellow).**

Significant results were returned from this drilling and these were announced to the ASX on 27 June 2018. The major highlights from this drilling were:

- The widest mineralised intercepts ever drilled through the Medcalf sill. These include:
  - ❖ MRC13078m @ 8.47%  $TiO_2$ , 0.42%  $V_2O_5$  and 44.42%  $Fe_2O_3$
  - ❖ MRC13174m @ 9.63%  $TiO_2$ , 0.49%  $V_2O_5$  and 55.45%  $Fe_2O_3$
- Two additional prospects, Pinatubo and Kilimanjaro, defined with significant intercepts.
- Fuji northwest limb defined and still open with MRC135 intersecting 30m @ 6.41%  $TiO_2$ , 0.29%  $V_2O_5$  and 34.26%  $Fe_2O_3$ .

## REVIEW OF ACTIVITIES

---

### Activities conducted during the year (cont'd)

#### Resource Modelling Commenced

The Company last reported an update to the mineral resource estimate in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (**JORC 2012**) on 18 August 2014.

Since then, the Company has drilled seventeen PQ core holes during 2015, completed detailed mapping and now completed an 89 RC drillholes of which 67 holes have been drilled into two additional areas Pinatubo and Kilimanjaro that lie outside the 2014 resource footprint. The database was updated and contains:

- ❖ 19 PQ core holes for 839.2m
- ❖ 212 RC drillholes for 7,340m

Total database is 231 drillholes for 8,179.2m.

Cube Consulting commenced work in June 2018 on building a new geological interpretation and block model. The updated Mineral Resource estimate was reported to ASX on 31 August 2018. The updated Mineral Resource estimate confirms the potential for a viable mining operation at the Medcalf Project and the Company continues to progress the environmental approval process.

#### Environmental approval

The Company submitted a referral on the Medcalf Project to the Department of the Environment and Energy (**DotEE**) in November 2017 for consideration under the *Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)*. The DotEE's decision was received subsequent to the end of the quarter and confirmed that the proposed action to clear native vegetation to develop the Medcalf Project is not a controlled action. This means the proposed action does not require further assessment and approval under the EPBC Act before it can proceed.

The Company also submitted a Section 38 Referral to WA Environmental Protection Authority (**EPA**) in December 2017 under the Part IV of the *Environmental Protection Act 1986*. In March 2018, the Company received notification from EPA for the referral on the Medcalf Project. The EPA had advised that the level of assessment is a "Public Environmental Review, with a proponent prepared Environmental Scoping Document (ESD)".

The draft Environmental Scoping Document (**ESD**) was submitted to EPA for assessment in June 2018.

### GASCOYNE PROJECT

#### Sale of Gascoyne Project

On 7 August 2017, Audalia sold the Gascoyne Project to Serena Minerals Pty Ltd (**Serena Minerals**). The Company received 2,500,000 fully paid ordinary shares in the capital of Serena Minerals in consideration for the sale.

### CORPORATE

On 15 February 2018, the Company announced that it had successfully negotiated early repayment and settlement of \$1.625 million of existing loan facilities and accrued interest owing on this balance for \$1 million over a 10-month period. The Company also negotiated a short-term interest-free and fee-free loan of \$0.5 million from a director, Siew Swan Ong, to meet its current capital requirements, which was also repaid during the March 2018 quarter.

In March 2018, the Company secured a new loan facility of \$1 million to complete regional exploration and evaluation activities at the Medcalf Project. Details of the new loan facility were announced to ASX on 16 March 2018. During the March 2018 quarter, Audalia Resources also negotiated the extension of the repayment date of the existing \$2 million loan facility from 20 November 2018 to 20 November 2019.

The share capital of the Company changed during the year as Audalia completed an entitlement issue to shareholders on 22 June 2018 that resulted in the issue of 208,178,757 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$ 2,081,788 before costs.

## REVIEW OF ACTIVITIES

---

### **CORPORATE (continued)**

The Company also received an Australian Government R&D tax incentive rebate of \$415,478 (2017: \$1,121,206) for the year ended 30 June 2018.

### **Competent Persons Statement**

The information in this report relates to the Exploration Results is based on information compiled by Mr Brent Butler, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Butler has 34 years' experience as a geologist and is CEO and Executive Director of Audalia. 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 has provided his consent 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 statements of Audalia Resources Limited (the **Company**) for the year ended 30 June 2018.

### DIRECTORS

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

#### **Mr Brent Butler**

*Chief Executive Officer and Executive Director – Age 58, appointed: 16 February 2011*

Mr Butler is a geologist with over 30 years' experience in the resource industry. He has a geology degree from Otago University and is a Fellow member of the Australasian Institute of Mining and Metallurgy. Mr Butler is also a Fellow member of the Society of Geology (USA), Fellow member of the Geological Society of London (UK) and a member of Prospectors Development of Canada. He is currently the CEO and Director of Power Metals Corp (TSX), President and CEO of Superior Mining International Corporation (TSX), and past Director of Millennial Lithium Corp (TSX) (formerly Redhill Resources Corp). 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 Siew Swan Ong**

*Executive Director – Age 46, appointed: 9 October 2010*

Mr Ong holds a Bachelor of Law degree from Bond University, Australia. He is an advocate & Solicitor for more than 20 years, including managing his own legal practice in the areas of Banking Law, Commercial Law, Land & Mining Law. He was appointed as Legal Adviser and Justice of Peace by the XIV King of Malaysia, Tuanku Halim Mu'adzam Shah.

Mr Ong is also involved in the business of property investments & developments, security products, services & solutions, solid waste management & solution for State Government of Malaysia.

#### **Mr Xu (Geoffrey) Han**

*Non-Executive Director – Age 45, appointed: 30 June 2016*

Mr Han holds a Masters in Chemical Engineering from Curtin University and has held senior engineering positions with a number of WA resource companies over the last 10 years. Mr Han specialises in mining project development of all stages from scoping study through to construction and has managed a number of mining projects during his career.

### COMPANY SECRETARY

#### **Ms Karen Logan**

*Appointed: 27 August 2010*

Ms Logan is a Chartered Secretary with over 12 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 a Fellow 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.

## DIRECTORS' REPORT

### DIRECTORSHIPS IN OTHER LISTED ENTITIES

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

Director	Company	Period of directorship	
		From	To
Mr Siew Swan Ong	Not Applicable	-	-
Mr Brent Butler	Millennial Lithium Corp.	2006	2017
	Superior Mining International Corporation	2011	Present
	Power Metals Corp.	2017	Present
Mr Xu (Geoffrey) Han	Not Applicable	-	-

### 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
Mr Siew Swan Ong	100,590,000	-
Mr Brent Butler	9,000,000	-
Mr Xu (Geoffrey) Han	-	-

### DIRECTORS' MEETINGS

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

Director	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr Siew Swan Ong	13	13	N/A	N/A	-	-
Mr Brent Butler	13	13	2	2	-	-
Mr Xu (Geoffrey) Han	13	13	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 Xu Han	Mr Xu Han

## DIRECTORS' REPORT

---

### 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 Financial Report.

#### *Financial review*

The Company incurred a profit of \$204,007 after income tax for the financial year (2017: loss of \$2,378,752).

As at 30 June 2018, the Company had net assets of \$5,544,654 (30 June 2017: \$3,299,380), including cash and cash equivalents of \$1,878,961 (30 June 2017: \$1,485,702).

During the year, the Company secured a new loan facility of \$1 million and negotiated a short-term interest-free and fee-free loan of \$0.5 million from a director, Siew Swan Ong. The Company received an additional \$415,478.50 for its Research and Development Tax Incentive expenditure incurred in the 2018 financial year.

The Board of Directors considers it appropriate to prepare the Company's 2018 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. These include the Company's ability to modify expenditure outlays, if required. The directors also continue to consider opportunities to source further funding to supplement its existing working capital and fund its ongoing exploration work. Further details are set out in Note 1 (a) iii to the Financial Statements.

### 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 \$ 2,081,788 as a result of entitlement issue completed on 22 June 2018 (refer Note 3.2 in the financial statements).

Net cash position of the Company increased by \$ 393,259 principally due to the capital raising and the receipt of the Research and Development Tax Incentive. On 15 February 2018, the Company announced that it had successfully negotiated early repayment and settlement of \$1.625 million of existing loan facilities for \$1 million over a 10-month period. The Company also negotiated a short-term interest-free and fee-free loan of \$0.5 million from a director, Siew Swan Ong, to meet its current capital requirements, which was repaid during the March 2018 quarter.

In March 2018, the Company secured a new loan facility of \$1 million to complete regional exploration and evaluation activities at the Medcalf Project. Details of the new loan facility were announced to ASX on 16 March 2018. During the March 2018 quarter, Audalia Resources also negotiated the extension of the repayment date of the existing \$2 million loan facility from 20 November 2018 to 20 November 2019.

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

Total number of shares on issue at 30 June 2018 was 592,136,191.

### RESULTS

The Company incurred a profit of \$204,007 (2017: loss of \$2,378,752) after income tax for the financial year after incurring \$32,071 for loss on sale of tenement and \$1,004,289 forgiveness of financial liability.

### 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. Specifically, Audalia is seeking to advance the interim metallurgical testwork with a view to commencing a DFS at the flagship Medcalf Project in 2018.

## DIRECTORS' REPORT

### Planned exploration and activities

The Company's near-term objectives include:

#### *Medcalf Project*

- Continue to progress the Definitive Feasibility Study; and
- Continue securing the necessary licences and approvals for the Project.

### MATERIAL BUSINESS RISKS

The proposed future activities of the Company are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Directors and management of the Company and cannot be mitigated. An investment in the Company is not risk free and should be considered speculative.

This section provides a non-exhaustive list of the risks faced by the Company or by investors in the Company. The risks should be considered in connection with forward looking statements in this Annual Report. Actual events may be materially different to those described and may therefore affect the Company in a different way.

Investors should be aware that the performance of the Company may be affected by these risk factors and the value of its Shares may rise or fall over any given period. None of the Directors or any person associated with the Company guarantee the Company's performance.

Business risks	Mitigating actions
<b>Exploration and evaluation</b> <ul style="list-style-type: none"> <li>- <u>Geological, exploration and development</u>: The exploration, development and mining of mineral resources is a high risk, high cost exercise with no guarantee of success. These activities take place over an extended period of time and are often subject to increases, often material, in the costs and timing associated with these activities. Factors beyond the control of the Company may result in the Company's failure to find and/ or to be able to economically develop any mineral projects and therefore there is no guarantee as to the financial success of any such activities.</li> <li>- <u>Mineral Resource Estimate</u>: A Mineral Resource estimate for the Medcalf Project has been reported in accordance with the JORC Code (refer to section entitled Mineral Resource Statement in this Directors' Report).</li> <li>- <u>Metallurgy</u>: Mineral recoveries are dependent upon metallurgical processes which contain certain inherent risk such as identifying a metallurgical process through test work to produce a saleable mineral and/or concentrate, developing an economic process to produce a viable mineral and/or concentrate product and changes in mineralogy in an ore deposit which may result in inconsistent recovery affecting the potential economic viability of a project.</li> <li>- <u>Results of studies</u>: There is a risk that any future feasibility studies undertaken for the Medcalf Project will not reflect the results of the pre-feasibility study completed in March 2016. This may adversely affect the prospects and economics of the Medcalf Project. There is no guarantee that the Company will achieve commercial viability through successful development of the Medcalf Project.</li> </ul>	<p>The Company continues to undertake systematic and staged exploration and evaluation programs on the Medcalf Project, utilising specialist consultants, as required. As further information becomes available through additional field work and analysis, the mineral resource estimate may change. This may result in alterations to the exploration and evaluation programs. Subject to the results of these exploration and evaluation programs, the Company intends to continue to progressively undertake studies in respect to its Project. These studies will be completed within parameters designed to determine the economic feasibility of the Project within certain limits.</p>

## DIRECTORS' REPORT

### MATERIAL BUSINESS RISKS (continued)

Business risks	Mitigating actions
<b>Statutory approvals</b> The Company's Project and operations are subject to Commonwealth and State laws, regulations and specific conditions regarding approvals to explore, construct and operate. There is a risk that such laws, regulations and specific conditions may impact the profitability of the Project and the ability of the project to be satisfactorily permitted. Key approvals from the Environmental Protection Authority, Department of Mines, Industry Regulation and Safety, Department of Water and other agencies may take longer to be obtained or may not be obtainable at all.	The Company utilises specialist consultants, as required, to assist with the statutory approvals process and works closely with the regulators in the preparation of submissions.
<b>Finance</b> Until the Company is able to develop the Medcalf Project and generate cash flow, it is dependent upon being able to obtain future equity or debt funding to support its continuing operations. Neither the Company nor any of the Directors can provide any guarantee or assurance that if and when further funding is required, such funding can be raised on terms favourable to the Company (or at all).  Should the Company fail to raise capital, if and when needed, it could adversely affect the Company's current strategy and intentions for the Company's assets. The inability to access further capital could have a material adverse effect on the Company's activities and its ability to repay existing long-term borrowings.	The Board regularly assesses the financial position of the Company and continues to assess all funding alternatives to ensure that Audalia can continue exploration and evaluation activities and progressively undertake exploration and evaluation work in relation to the Medcalf Project.  The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means.

### MINERAL RESOURCE 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 2018, the Medcalf Project's mineral resource estimate stood at 31.8 Mt at 0.45% V<sub>2</sub>O<sub>5</sub> for contained vanadium pentoxide content 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 Company announced a significant upgrade in the JORC 2012 resource classification for its Medcalf Project to the market on 18 August 2014. This upgrade followed revision of the geological and mineralisation modelling in conjunction with updated and ongoing metallurgical extraction testwork. This compares to the maiden Inferred Resource of 28.5 Mt at 0.50% V<sub>2</sub>O<sub>5</sub> for 142,862 tonnes contained vanadium pentoxide as announced in 2013 and included in the 2014 Annual Report.

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 a geological wireframe the using a 0.20% V<sub>2</sub>O<sub>5</sub> lower cut and is tabulated below.

<b>Mineral Resources for the Medcalf Deposit - JORC 2012</b>				
Resource Category	Tonnes	V <sub>2</sub> O <sub>5</sub> (%)	TiO <sub>2</sub> (%)	Cut-off V <sub>2</sub> O <sub>5</sub> (%)
Measured	-			
Indicated	23.0	0.47	8.5	0.2
Inferred	8.8	0.40	8.1	0.2
<b>TOTAL</b>	<b>31.8</b>	<b>0.45</b>	<b>8.4</b>	<b>0.2</b>

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

## DIRECTORS' REPORT

### MINERAL RESOURCE STATEMENT (continued)

#### 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 best practice standards and consultants' internal guidelines for the estimation and reporting of mineral resources. The mineral resource estimates included in the Company's 2018 Annual Report are peer 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 was based on information compiled by Stephen Hyland, in the capacity of Principal Consultant 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 has consented 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 assessment 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

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 KMP for the entire year:

Name	Position held
Mr Siew Swan Ong	Executive Director
Mr Brent Butler	Chief Executive Officer and Executive Director
Mr Xu (Geoffrey) Han	Non-Executive Director

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (continued)

#### (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 Company's corporate governance statement which can be found on the Company's website, in a section titled 'Corporate Governance': [www.audalia.com.au/corporate/corporate-governance/](http://www.audalia.com.au/corporate/corporate-governance/).

#### Use of remuneration consultants

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

#### (c) 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; and
- 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.

#### (d) 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 is as follows:

Name	Annual Fees
Mr Xu Han	\$25,000
Mr Brent Butler <sup>1</sup>	\$30,000

1. Mr Brent Butler was appointed Chief Executive Officer on 14 April 2015. His remuneration as an executive director is disclosed in section (k) of this Remuneration Report. Mr Butler continues to receive this director's fee in addition to his remuneration as the Company's CEO.

#### (e) Executive remuneration

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

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

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (continued)

#### (f) Executive remuneration (cont'd)

##### (i) Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost) as well as employer contributions to superannuation funds. Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee. As described in section (j), 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 share price.

As noted above, the Nomination and Remuneration Committee has access to external advice independent of management, if required, but did not use any experts in the current year.

##### (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, ordinary shares or other equity-settled remuneration. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. LTI may generally only be issued to director subject to approval by shareholders in a general meeting.

In 2016, the CEO participated in LTI in the form of equity-settled remuneration which has been granted pursuant to the completion of certain performance conditions and after the Company obtained the necessary approval from shareholders. Further details are set out in (k) of this Remuneration Report.

The Company has 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.

#### (f) Use of remuneration consultants

The Board did not engage the services of a remuneration consultant during the year.

#### (g) Voting and comments made at the Company's 2017 Annual General Meeting

The Remuneration Report for the 2017 financial year received positive shareholder support at the 2017 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:

	2018 <sup>4</sup>	2017 <sup>3</sup>	2016 <sup>2</sup>	2015 <sup>1</sup>
Net profit/(loss) for the year	204,007	(\$2,378,752)	(\$838,509)	(\$753,141)
Change in share price	nil	(\$0.05)	(\$0.16)	\$0.10
Share price at beginning of the period	\$0.02	\$0.07	\$0.23	\$0.13
Share price at end of the period	\$0.02	\$0.02	\$0.07	\$0.23
Profit/(loss) per share	0.05 cents	(0.68 cents)	(0.35 cents)	(0.32 cents)

1. The Company issued a total of 4,000,000 shares during the 2015 financial year, on 14 November 2014 (2,000,000) and 26 February 2015 (2,000,000). The net loss for the 30 June 2015 year has been restated to exclude the share based payment expense of \$269,317.
2. The Company issued a total of 6,500,000 shares during the 2016 financial year, on 23 November 2015 (2,500,000), on 24 December 2015 (2,000,000) and on 30 March 2016 (2,000,000).
3. The Company issued a total of 143,297,433 shares during the 2017 financial year, on 26 September 2016.
4. The Company issued a total of 208,178,757 shares during the 2018 financial year, on 22 June 2018

## DIRECTORS' REPORT

---

### REMUNERATION REPORT (AUDITED) (continued)

#### (h) Consequences of performance on shareholder wealth (continued)

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 share price.

Given the Company's increasing level of activities in the last three years, the achievement of milestones since incorporation in 2010, levels of both non-executive and executive remuneration increased with effect from 4 July 2014, as disclosed in this Remuneration Report. The aggregate remuneration for non-executive directors has remained unchanged since voted upon by shareholders in January 2011.

#### (i) Employment and Consultancy Agreements

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

Mr 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 was renewed for a further term of 3 years with effect from 4 July 2013. Mr Ong's contract was renewed for a further 2 years to 4 July 2018. Annual salary for Mr Ong for the initial period was \$20,000 per annum (exclusive of statutory superannuation) and from 4 July 2014, \$80,000 per annum (exclusive of statutory superannuation) under the ED Employment Agreement.

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

Mr Butler, CEO, has consultancy agreement effective from 14 April 2015 with the Company (**CEO Consultancy Agreement**). The CEO Consultancy Agreement specifies the duties and obligations to be fulfilled by the CEO. The initial term of the CEO Consultancy Agreement was 2 years with an option to further extend under mutually agreed terms between the Company and Mr Butler. The Company and Mr Butler agreed to extend the term after the initial contract expired for a further two years to April 2019. The annual fee for Mr Butler is \$120,000 per annum (exclusive of GST) under the CEO Consultancy Agreement.

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

Mr Han is engaged as a consultant with the Company on a month by month basis. The engagement is for a set number of days in one month at a day rate of \$950 per day. As the engagement is only monthly, there are no termination benefits, notice periods and Mr Han is subject to the Company's code of conduct with regard to termination of the engagement.

#### (j) Link between remuneration and performance

The Nomination and Remuneration Committee determines the Company's remuneration policy and structure to ensure it aligns with the Company's needs and meet remuneration principles set out in (c). Remuneration is not linked to performance using generally accepted measures such as profitability or total shareholder returns but linked to achievement of strategic objectives or service criteria aimed at advancing the goals set out to achieve project outcomes which the Board believes aligns with creation of positive shareholder value.

## DIRECTORS' REPORT

### (k) Remuneration expense 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:

		Fixed Remuneration			Variable Remuneration	
		SHORT-TERM EMPLOYEE BENEFITS	POST- EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	LONG-TERM BENEFITS	
		Salary & fees \$	Superannuation benefits \$	Annual and Long Service Leave \$	Share based payments \$	Total \$
<b>Directors</b>						
<b>Non-executive</b>						
Mr X Han <sup>1</sup>	2018	216,896	-	-	-	216,896
	2017	212,999	-	-	-	212,999
<b>Executive</b>						
Mr S K Lim <sup>3</sup>	2018	-	-	-	-	-
	2017	12,146	1,154	-	-	13,300
Mr S S Ong	2018	80,000	7,600	8,246	-	95,846
	2017	80,000	7,600	8,146	-	95,746
Mr B Butler <sup>2</sup>	2018	150,000	-	-	-	150,000
	2017	150,000	-	-	-	150,000
<b>Total</b>	<b>2018</b>	<b>446,896</b>	<b>7,600</b>	<b>8,246</b>	<b>-</b>	<b>462,742</b>
	<b>2017</b>	<b>455,145</b>	<b>8,754</b>	<b>8,146</b>	<b>-</b>	<b>472,045</b>

1. Mr Han was appointed on 30 June 2016, Mr Han's remuneration includes the consultant's fees listed in the other transactions with key management personnel in (n) below.
2. Mr Butler's remuneration includes the consultant's fees listed in the other transactions with key management personnel in (n) below.
3. Mr S.K. Lim resigned as director on 25 August 2016

#### Share-based remuneration

Mr Butler's remuneration agreement provided for the issue of 4,000,000 fully paid ordinary shares (Shares) in the Company upon the successful achievement of agreed milestones. These milestones were achieved in the 2016 financial year and Mr Butler received 2,000,000 fully paid ordinary shares (Shares) on 24 December 2015 and 2,000,000 Shares on 30 March 2016.

There were no share based payments granted in the 2018 financial year (2017:nil).

## DIRECTORS' REPORT

### (l) 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 2017	Received as remuneration	Options Exercised	Net Changes Other	Balance at 30 June 2018
<b>Directors</b>					
<i>Non-Executive</i>					
Mr X Han	-	-	-	-	-
<i>Executive</i>					
Mr S S Ong <sup>1</sup>	50,330,000	-	-	50,260,000	100,590,000
Mr B Butler	9,000,000	-	-	-	9,000,000

1. Mr Ong participated in the Entitlement Issue announced on 22 May 2018 and completed on 22 June 2018.

### (m) Loans to key management personnel

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

### (n) 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. These values are included in the remuneration tables above.

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

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

Director/ Executive	Transaction	Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2018 \$	2017 \$	2018 \$	2017 \$
Mr B Butler <sup>1</sup>	Consultancy fees	120,000	120,000	-	-
Mr X Han <sup>2</sup>	Consultancy fees	191,900	188,003	-	-

#### 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 in 2018. Terms for such services were based on market rates, and amounts were payable on a monthly basis.
2. A company associated with Mr Han, HQ Tech Pty Ltd, provides engineering consulting services in connection with the operations of the Company. The fees disclosed are for the year since Mr Han commenced as a director of the company. Terms for such services are based on market rates, and amounts are payable on a monthly basis.
3. The Company also negotiated a short-term interest-free and fee-free loan of \$0.5 million from a director, Siew Swan Ong, to meet its current capital requirements, which was repaid during the March 2018 quarter.

This concludes the Remuneration Report, which has been audited.

## DIRECTORS' REPORT

### 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.

### 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, the company secretary, and executive officers of the Company against any 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 director's 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 and BDO Corporate Finance (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 and BDO Corporate Finance (WA) Pty Ltd received or is due to receive the following amounts for the provision of non-audit services:

	2018 \$	2017 \$
BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd <i>Tax compliance and related services</i>	18,870	26,870

### 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 20 and forms part of the Directors' Report.

## DIRECTORS' 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 28<sup>th</sup> day of September 2018.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "B. Butler", written in a cursive style.

Brent Butler  
*CEO/ Executive Director*

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

As lead auditor of Audalia Resources Limited for the year ended 30 June 2018, 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.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 28 September 2018

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**(INCOME STATEMENT)**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	30 June 2018 \$	30 June 2017 \$
<b>Revenue from continuing operations</b>			
Revenue	4.1	4,867	6,282
Financing costs (interest expense)	3.3	(325,582)	(344,950)
Exploration expenditure write off		-	(1,466,814)
Loss on sale of tenement		(32,071)	-
Forgiveness of financial liability	3.3	1,004,289	-
Corporate and administration expenses	4.2	(447,496)	(573,270)
<b>Profit / (loss) before income tax expense</b>		<b>204,007</b>	<b>(2,378,752)</b>
Income tax (expense) / benefit	4.3	-	-
<b>Net profit /(loss) after income tax for the year</b>		<b>204,007</b>	<b>(2,378,752)</b>
<b>Other comprehensive income</b>			
Items that may be realised through profit or loss		-	-
Items that may not be realised through profit or loss		-	-
<b>Other comprehensive income for the year net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive profit /(loss) for the year, net of tax</b>			
Owners of Audalia Resources Limited		204,007	(2,378,752)
<b>Profit/(loss) per share attributed to the owners of the Company</b>			
Basic and diluted loss per share (cents per share)	4.4	0.05	(0.68)

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

**STATEMENT OF FINANCIAL POSITION**  
**(BALANCE SHEET)**  
**AS AT 30 JUNE 2018**

	Notes	30 June 2018 \$	30 June 2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3.1	1,878,961	1,485,702
Trade and other receivables	5.1	46,993	86,770
Other assets	5.2	10,904	11,116
<b>Total current assets</b>		<b>1,936,858</b>	<b>1,583,588</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	2.3	13,491	22,041
Available for sale investment	2.4	50,000	-
Exploration and evaluation expenditure	2.1	7,997,865	6,724,854
<b>Total non-current assets</b>		<b>8,061,356</b>	<b>6,746,895</b>
<b>TOTAL ASSETS</b>		<b>9,998,214</b>	<b>8,330,483</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5.4	682,981	655,452
Employee benefits obligations	5.5	51,318	78,463
Borrowings	3.3	100,000	-
<b>Total current liabilities</b>		<b>834,299</b>	<b>733,915</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits obligations	5.5	8,000	6,800
Other payables	5.4	611,261	665,388
Borrowings	3.3	3,000,000	3,625,000
<b>Total non-current liabilities</b>		<b>3,619,261</b>	<b>4,297,188</b>
<b>TOTAL LIABILITIES</b>		<b>4,453,560</b>	<b>5,031,103</b>
<b>NET ASSETS</b>		<b>5,544,654</b>	<b>3,299,380</b>
<b>EQUITY</b>			
Issued capital	3.2	10,483,724	8,442,457
Reserves	3.5	10,000	10,000
Accumulated losses	3.6	(4,949,070)	(5,153,077)
<b>TOTAL EQUITY</b>		<b>5,544,654</b>	<b>3,299,380</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(619,162)	(490,426)
Interest paid		(420)	-
Interest received		4,861	6,244
<b>Net cash outflows from operating activities</b>		<u>(614,721)</u>	<u>(484,182)</u>
<b>Cash flows from investing activities</b>			
Payments for acquisition of property plant equipment		-	(1,048)
Payments for exploration and evaluation assets - capitalised costs		(1,575,530)	(1,427,156)
Proceeds from R&D incentives for exploration and evaluation		415,479	1,121,206
<b>Net cash outflows from investing activities</b>		<u>(1,160,051)</u>	<u>(306,998)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,081,788	1,432,971
Payment of share issue costs		(13,757)	(38,749)
Proceeds from borrowings	3.3	1,500,000	-
Repayment of borrowings	3.3	(1,400,000)	-
<b>Net cash inflows from financing activities</b>		<u>2,168,031</u>	<u>1,394,222</u>
Net increase in cash held		393,259	603,042
Cash and cash equivalents at 1 July 2017		1,485,702	882,660
<b>Cash and cash equivalents as at 30 June 2018</b>	3.1	<u>1,878,961</u>	<u>1,485,702</u>
<i>Reconciliation of the loss for one year back to cash for corporate administration costs</i>			
<b>Loss for the year</b>		<u>204,007</u>	<u>(2,378,752)</u>
Add back – non-cash items			
Depreciation		3,720	4,289
Impairment of exploration assets		-	1,466,814
Loss on sale tenement		32,071	-
Forgiveness of financial liability		(625,000)	-
<i>Changes in the value of assets and liabilities used in the day to day operations of the business</i>			
Change in trade and other receivables received/(owed)		39,777	(44,772)
Change in other assets		212	219
Change in trade and other payables (paid)/owing – admin		(243,563)	462,861
Change in value (from opening to closing amounts) of employee entitlements (paid)/owing		(25,945)	5,159
Net cash paid for corporate administration costs during the year		<u>(614,721)</u>	<u>(484,182)</u>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Contributed Equity \$</b>	<b>Accumulated losses \$</b>	<b>Reserve \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2017</b>	8,442,457	(5,153,077)	10,000	3,299,380
Profit for the year	-	204,007	-	204,007
<i>Total comprehensive profit for the year</i>	-	204,007	-	204,007
<i>Transactions with Shareholders in their capacity as shareholders</i>				
Issue of shares	2,081,788	-	-	2,081,788
Transaction costs of issuing shares	(40,521)	-	-	(40,521)
<b>Balance at 30 June 2018</b>	<b>10,483,724</b>	<b>(4,949,070)</b>	<b>10,000</b>	<b>5,544,654</b>

	<b>Contributed Equity \$</b>	<b>Accumulated losses \$</b>	<b>Reserve \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2016</b>	<b>7,048,235</b>	<b>(2,774,325)</b>	<b>10,000</b>	<b>4,283,910</b>
Loss for the year	-	(2,378,752)	-	(2,378,752)
<i>Total comprehensive loss for the year</i>	-	(2,378,752)	-	(2,378,752)
<i>Transactions with Shareholders in their capacity as shareholders</i>				
Issue of shares net of costs	1,432,971	-	-	1,432,971
Transaction costs of issuing shares	(38,749)	-	-	(38,749)
<b>Balance at 30 June 2017</b>	<b>8,442,457</b>	<b>(5,153,077)</b>	<b>10,000</b>	<b>3,299,380</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**NOTES TO THE ANNUAL REPORT  
FOR THE YER ENDED 30 JUNE 2018**

**Table of Notes**

**1 Basis of preparation and compliance statement**

**2 Significant assets**

- 2.1 Exploration and evaluation assets
- 2.2 Exploration commitments
- 2.3 Operating fixed assets
- 2.4 Available for sale investment

**3 Financing – Capital, debt, risk management**

- 3.1 Cash
- 3.2 Equity
- 3.3 Borrowings (loans)
- 3.4 Risk management
- 3.5 Reserves
- 3.6 Accumulated losses

**4 Profit or loss items**

- 4.1 Revenue
- 4.2 Expenses
- 4.3 Taxation
- 4.4 Earnings per share

**5 Other assets and liabilities**

- 5.1 Trade and other receivables
- 5.2 Other assets
- 5.3 Plant and equipment (administration)
- 5.4 Trade and other payables (debts)
- 5.5 Employee benefits obligations

**6 Additional disclosures**

- 6.1 Subsequent events
- 6.2 Contingent liabilities
- 6.3 Operating commitments
- 6.4 Segment reporting
- 6.5 Related party transactions
- 6.6 Auditor's Remuneration

**7 Accounting Policy Note**

- 7.1 Significant accounting policies

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

### 1. BASIS OF PREPARATION AND COMPLIANCE STATEMENT

The financial report of Audalia Resources Limited (the **Company** or **Audalia**) for the financial year ended 30 June 2018 was authorised by the board of directors for release on 28 September 2018.

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 Review of Activities.

#### (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 going concern concept relates to the assessment of the Company's ability to continue its operations (and pay its debts when they fall due) for the next 12 months from the date when the directors sign the annual report without the need to raise money from issuing shares or increasing the current level of its borrowings. The annual financial report has been prepared on a going concern basis.

The Company incurred a profit after tax of \$204,007. Total net cash outflows for the year ended 30 June 2018 was \$393,259 which was a result of net cash outflows of \$1,774,772 from operating and investing activities and \$2,168,031 net cash inflows from financing activities. The Company also has working capital of \$1,102,559 at balance date.

The directors have prepared an estimated cash flow forecast for the period to December 2019 to determine if the Company may require additional funding during this period. The cash flow forecast includes a number of assumptions regarding exploration activity and funding requirements which have not yet been finalised. This results in a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

The directors have made an assessment whether it is reasonable to assume that the Company will be able to continue its normal operations based on the following factors and judgements:

- The Company has access to cash reserves of \$1,878,961 as at 30 June 2018 (30 June 2017: \$1,485,702).
- Existing loan facilities are not due and payable until 20 November 2019 and 31 March 2020, with potential renegotiation
- The Company has the ability to adjust its exploration expenditure subject to results of its exploration activities.
- The Directors anticipate the support of the Company's major shareholders and lenders to continue with the advancement of the Medcalf Project.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The annual financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**2 Significant assets**

	30 June 2018 \$	30 June 2017 \$
<b>2.1 Exploration and evaluation assets</b>		
Exploration, evaluation and development costs carried forward in respect of areas of interest	7,997,865	6,724,854
Reconciliation – Medcalf		
Carrying amount at the beginning of the year	6,674,854	6,799,954
Additions to the exploration and evaluation asset	1,738,490	996,106
Less: R&D tax incentive received (Medcalf Project)	(415,479)	(1,121,206)
Carrying amount at end of the year	7,997,865	6,674,854
Reconciliation – Gascoyne		
Carrying amount at the beginning of the year	50,000	1,107,832
Additions to the exploration and evaluation asset	-	408,982
Less: impairment of exploration assets	-	(1,466,814)
Less: Disposal of tenements	(50,000)	-
Carrying amount at end of the year	-	50,000

**Estimates and judgements**

Assumptions used to carry forward the exploration assets

The write-off or carrying forward of exploration expenditure is based on a periodic assessment of the viability of an area of interest and/or the existence of economically recoverable reserves. This assessment is based on pre-determined impairment indicators, taking into account the requirements of the accounting standard, and with the 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 directors are unable to predict the outcome.

	30 June 2018 \$	30 June 2017 \$
<b>2.2 Exploration Commitments</b>		
Within one year	240,200	225,200
After one year but not more than five years	791,759	780,800
Over five years	2,478,636	2,663,836
	3,510,595	3,669,836

The Company has certain obligations to perform minimum exploration work on 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 application or can reduce by entering into joint venture arrangements or alternatively by relinquishing the tenements. As at reporting date, total exploration expenditure commitments of the Company which have not been provided for in the interim financial report is listed above.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**2 Significant assets**

	30 June 2018 \$	30 June 2017 \$
<b>2.3 Operating assets – Plant and Equipment</b>		
Operating assets – Plant and Equipment	23,810	23,810
Accumulated depreciation	(22,910)	(18,580)
	900	5,230
Site equipment	5,000	5,000
Accumulated depreciation	(1,500)	(1,000)
	3,500	4,000
Total operating assets	4,400	9,230
Total administration assets (refer note 5.3)	9,091	12,811
Total plant and equipment balance	13,491	22,041

A reconciliation of the carrying amounts of each class of operating plant and equipment at the beginning and at the end of the current year is set out below:

	Site Equipment \$	Office Equipment \$	Total \$
Opening net book value at 1 July 2017	5,230	4,000	9,230
Additions during the year	-	-	-
Depreciation expense	(4,330)	(500)	(4,830)
Closing net book value at 30 June 2018	900	3,500	4,400

**2.4 Available For Sale Investment**

	30 June 2018 \$	30 June 2017 \$
Available For Sale Investment	50,000	-
	50,000	-
<u>Reconciliation of movements in the balance</u>		
Opening balance	-	-
Amounts received on sale of Gascoyne <sup>1</sup>	50,000	-
Movement in fair value <sup>2</sup>	-	-
Closing balance at end of period	50,000	-

1. The Company disposed of its interest in the Gascoyne project to Serena Minerals Pty Ltd in consideration for 2,500,000 shares in Serena Minerals Pty Ltd.
2. The fair value of the investment has been valued using a level 1 input (fair market price for shares). Serena recently raised capital to non-related parties and the carrying value of the investment has been marked to this market price per share.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**3 Financing – Capital, debt and risk management**

	30 June 2018 \$	30 June 2017 \$
<b>3.1 Cash</b>		
Cash at bank and in hand	1,862,786	1,469,906
Term deposit	16,175	15,796
Cash as per cash flow statement	1,878,961	1,485,702

Credit risk (1)

A-1+	1,878,761	1,485,502
------	-----------	-----------

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.

Interest rate risk – (risk that interest rates change unfavourably for the Company)

The Company is currently not exposed to material interest rate movements given the low interest rate returns on offer in the market for funds on deposit and the Company's fixed rate borrowings (refer 3.3).

**3.2 Equity (number of shares on issue and the amount paid (or value attributed) for the shares)**

**(a) Ordinary shares**

	30 June 2018 Number	30 June 2017 Number	30 June 2018 \$	30 June 2017 \$
Balance at the beginning of the year	383,957,434	240,660,001	8,442,457	7,048,235
Entitlement issue at \$0.01 (28 Sep 2016)	-	143,297,433	-	1,432,971
Entitlement issue at \$0.01 (22 June 2018)	208,178,757	-	2,081,788	-
Share issue costs	-	-	(40,521)	(38,749)
Balance as at end of the year	592,136,191	383,957,434	10,483,724	8,442,457

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 reporting date, the Company does not have any options to acquire ordinary shares issued.

No options were granted during the year.

**(c) Capital management**

The Company's objectives when managing capital are disclosed in Note 3.4

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>3.3 Borrowings (loans)</b>		
Current	100,000	3,625,000
Borrowings – (payable within one year)	<u>100,000</u>	<u>3,625,000</u>
Non-current	3,000,000	-
Borrowings – (payable after one year)	<u>3,000,000</u>	<u>-</u>

Facility

- Amount used	3,000,000	3,625,000
- Amount unused	-	375,000
Total Facility	<u>3,000,000</u>	<u>4,000,000</u>

Terms of borrowings

- \$2,000,000 loan is at interest rate of 8% and \$1,000,000 loan is at interest rate of 10%, both compounded daily and payable at the end of the loan term;
- Loans are from private investors, due to be repaid on 20 November 2019 and 31 March 2020 respectively (together with the interest), are unsecured and not subject to any covenants.

Fair value estimation

The fair value of financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The directors consider that the carrying amount of financial liabilities recorded below in the financial statements approximates their fair values as the impact of any time value of money would be immaterial.

Reconciliation of movements in the balance

	2017	cash flows			Non-cash changes		2018
		Proceeds	Repayments	Interest paid	Forgiveness of financial liability	Interest expense	
Borrowings	3,625,000	1,500,000	(1,400,000)	-	(625,000)	-	3,100,000
Interest on borrowings(note5.4)	665,388	-	-	(420)	(379,289)	325,582	611,261
					(1,004,289)		

Repayment profile (in years) – (Liquidity)

	<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>Less than 1 year</b>	<b>Between 2 and 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2018</b>				
Interest <sup>1b</sup>	611,261	1,112,472	-	1,112,472
Borrowings <sup>1b</sup>	3,100,000	3,100,000	100,000	3,000,000
	3,711,261	4,212,472	100,000	4,112,472
<b>30 June 2017</b>				
Interest <sup>1a</sup>	665,388	1,274,232	-	1,274,232
Borrowings <sup>1a</sup>	3,625,000	3,625,000	-	3,625,000
	4,290,388	4,899,232	-	4,899,232

1a. The loan repayment date, originally due on 20 November 2016, was extended to 20 November 2018 on 8 August 2016 after agreement with the company's lenders

1b. Repayments terms in relation to \$2M loan was renegotiated and extended to 20 November 2019. \$1M loan facility drawn on 21 March 2018 is due on 31 March 2020. Balance of \$100,000 relate to principle repayments due in \$20,000 instalments monthly

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

### 3.4 Risk management

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 is 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 Company has exposure to the following risks from their use of financial assets:

- Market risk
- Credit risk
- Liquidity risk

#### Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the equity markets and seeks to minimise the potential adverse effects due to movements in financial liabilities or assets. The Company holds the following financial instruments as at 30 June:

	2018 \$	2017 \$
<b>Financial assets</b>		
Cash and cash equivalents	1,878,961	1,485,702
Trade and other receivables	30,187	30,182
	1,909,148	1,515,884
<b>Financial liabilities</b>		
Trade and other payables	(682,981)	(655,452)
Borrowings	(3,100,000)	(3,625,000)
	(3,782,981)	(4,280,452)

#### 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.

	2018 \$	2017 \$
<i>Variable rate instruments</i>		
Cash at bank	1,862,586	1,469,706
<i>Fixed rate instruments</i>		
Bank term deposits	16,175	15,796
	1,878,761	1,485,502

##### Cash flow sensitivity analysis for variable rate instruments

The Board notes that recent RBA and press reports suggest that there will likely not be a movement of significant magnitude within the next 12 months. Although not likely, this analysis assumes a change of 25-basis points in interest rates. Based on cash balances held at variable rates as at 30 June 2018, a change of 25 basis points in interest rates would have increased or decreased the Company's loss by \$4,697 (2017: \$961 at 25 basis points). This analysis assumes that all other variables remain constant.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**3.4 Risk management (continued)**

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.

Capital (company's ability to raise equity (issue shares) or obtain loans (borrowings) as and when needed)

The capital of the Company consists of issued capital (shares) and borrowings. The Directors aim to maintain a capital structure that ensures the lowest cost of capital available to the entity at the time when funds are obtained. The Directors will assess the options available to the Company to issue more shares while taking into account the effect on current shareholder ownership percentages (dilution) or alternatively assess the ability of the company to access debt (borrowings) where the cost associated of borrowing these funds (interest) is not considered excessive.

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 as the Company is not yet in production.

Liquidity (the ability of the company to pay its liabilities as and when the fall due)

Liquidity risk arises from the debts (financial liabilities being creditors and other payables) of the Company and the Company's subsequent ability to meet these obligations to repay its debts (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 administration of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves and monitoring actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and debts (liabilities). There were no changes in the Company's liquidity risk management policies from previous years.

<b>30 June 2018</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>2-5 years</b>	<b>&gt;5 years</b>
Trade and other payables	682,981	682,981	682,981	-	-
<b>Total</b>	<b>682,981</b>	<b>682,981</b>	<b>682,981</b>	<b>-</b>	<b>-</b>
<b>30 June 2017</b>					
Trade and other payables	655,452	655,452	655,452	-	-
	<b>655,452</b>	<b>655,452</b>	<b>655,452</b>	<b>-</b>	<b>-</b>

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**3 Financing – Capital, debt and risk management**

**3.4 Risk management (continued)**

**Fair value of financial instruments**

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amounts of current financial assets and financial liabilities recorded in the financial statements approximate their fair values due to their short-term maturity.

*Credit - (the ability of the Company to manage the risk that third parties which hold assets on behalf of the company will not return them at the value recorded in the financial statements)*

The major current asset of the Company is its cash at bank. The assessment of the credit risk based on a rating agency review of the financial institution has been included in 3.1 above.

	30 June 2018 \$	30 June 2017 \$
<b>3.5 Reserves</b>		
Options premium reserve (i)	10,000	10,000
Share based payments reserves (ii)	-	-
	10,000	10,000

*(i) Option premium reserve*

The option premium reserve was used to record the value of options issued in satisfaction of fees payable to a consultant.

*(ii) Share based payments reserves*

The share based payments reserve is used to recognise the value of shares issued to settle contractual obligations (equity-settled share based payments) provided to employees or consultants as part of their contracts.

	30 June 2018 \$	30 June 2017 \$
<b>3.6 Accumulated losses</b>		
Accumulated losses at the beginning of the year	5,153,077	2,774,326
Net (profit)/loss for the year	(204,007)	2,378,752
	4,949,070	5,153,077

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>4 Profit or loss items</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>4.1 Revenue</b>		
Interest income	4,867	6,282
	<u>4,867</u>	<u>6,282</u>
<b>4.2 Expenses</b>		
Personnel expenses		
- Director fees and employee expenses	123,000	123,998
- Superannuation and leave entitlements expense	11,685	11,780
	<u>134,685</u>	<u>135,778</u>
Depreciation and loss on sale expense	3,720	4,289
Administration expenses		
- Accounting, annual report, tax and secretarial fees	110,370	104,098
- Audit expenses	31,200	29,917
- Consultancy fees	31,240	21,250
- Insurance expenses	18,680	17,318
- Legal expenses	(6,060)	83,920
- Regulatory fees	26,400	32,461
- Operating lease expenses	65,000	65,000
- Other expenses	32,261	79,239
Total administration expenses	<u>309,091</u>	<u>433,203</u>
Total expenses	<u>447,496</u>	<u>573,270</u>
<b>4.3 Taxation</b>		
Profit/(loss) before income tax expense	204,007	(2,378,752)
Income tax benefit calculated at 27.5% (2017:27.5%)	56,102	(654,157)
Effect of non-deductible item – entertainment/other	-	-
Increase in deferred tax liability balance not previously recognised	-	-
Increase in deferred tax asset balances not previously recognised	-	-
Increase/(decrease) in deferred tax balance not brought to account	(56,102)	654,157
Income tax expense	<u>-</u>	<u>-</u>
Set-off deferred tax liabilities pursuant to off-set provisions		
Deferred tax liability on Exploration assets, prepayments & interest	2,202,534	1,852,505
less: Deferred tax asset on carry forward losses / timing difference	<u>(2,202,534)</u>	<u>(1,852,505)</u>
Net deferred tax liability for the year	<u>-</u>	<u>-</u>

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.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**4 Profit or loss items (continued)**

	30 June 2018 \$	30 June 2017 \$
<b>4.3 Taxation (continued)</b>		
Deferred tax assets not brought to account		
Carry forward tax losses	2,089,351	1,913,738
Capital raising costs	453	1,309
Provisions and accruals	334,869	330,828
	<u>2,424,673</u>	<u>2,245,875</u>
Deferred tax liabilities not brought to account		
Prepayments	3,057	3,117
Interest receivable	64	53
Exploration and evaluation costs	2,199,413	1,849,335
	<u>2,202,534</u>	<u>1,852,505</u>

**4.4 Earnings per Share**

**Basic earnings per share**

The calculation of basic profit/(loss) per share at 30 June 2018 was based on the following:

	2018 \$	2017 \$
<b>Profit/ (Loss) attributable to ordinary shareholders</b>	<u>204,007</u>	<u>(2,378,752)</u>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares used as denominator in calculating loss per share	<u>390,231,314</u>	<u>349,016,416</u>
	<u>390,231,314</u>	<u>349,016,416</u>

:

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**5 Other assets and liabilities**

	30 June 2018 \$	30 June 2017 \$
<b>5.1 Trade and other receivables</b>		
GST receivable	16,805	56,588
Interest receivable	238	232
Security deposit	29,950	29,950
	<u>46,993</u>	<u>86,770</u>

Estimates and judgement

Recoverability of the assets

The Directors have assessed the likelihood that the assets will be received in cash after the reporting date (assessment of the recovery of the assets and impairment (write-off)) and have determined that the assets are expected to be recovered after the year end.

Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value.

	30 June 2018 \$	30 June 2017 \$
Credit risk (excludes GST)		
A-1+ <sup>1</sup>	30,187	30,182
No credit rating available (received after year end)	-	-
	<u>30,187</u>	<u>30,182</u>

<sup>1</sup> 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.

	30 June 2018 \$	30 June 2017 \$
<b>5.2 Other assets</b>		
Prepaid rent	5,417	5,417
Prepaid insurance	5,487	5,699
	<u>10,904</u>	<u>11,116</u>

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**5 Other assets and liabilities (continued)**

	30 June 2018 \$	30 June 2017 \$
<b>5.3 Plant and Equipment (administration)</b>		
Office Equipment	16,592	16,592
Accumulated depreciation	(11,780)	(8,816)
	<u>4,812</u>	<u>7,776</u>
Furniture and fittings	7,555	7,555
Accumulated depreciation	(3,276)	(2,520)
	<u>4,279</u>	<u>5,035</u>
Leaseholder improvements	635	635
Accumulated depreciation	(635)	(635)
	<u>-</u>	<u>-</u>
Total administration assets	<u>9,091</u>	<u>12,811</u>

A reconciliation of the carrying amounts of each class of operating plant and equipment at the beginning and at the end of the current year is set out below:

	Office Equipment \$	Furniture & Fittings \$	Leasehold Improvements \$	Total \$
Opening net book value at 1 July 2017	7,776	5,035	-	12,811
Additions during the year	-	-	-	-
Disposals during the year	-	-	-	-
Depreciation expense	(2,964)	(756)	-	(3,720)
Closing net book value at 30 June 2018	<u>4,812</u>	<u>4,279</u>	<u>-</u>	<u>9,091</u>

	30 June 2018 \$	30 June 2017 \$
<b>5.4 Trade and other payables (debts)</b>		
<u>Current liabilities (debts payable within 12 months)</u>		
Trade creditors	108,501	101,064
Other creditors and accrual	574,480	554,388
	<u>682,981</u>	<u>655,452</u>
<u>Non-current liabilities (debts payable after 12 months)</u>		
Other creditors and accruals <sup>1</sup>	611,261	665,388
	<u>611,261</u>	<u>665,388</u>

1. Refer to note 3.3 for details of the repayment period for the non-current liabilities. This amount relates to the unpaid interest on the non-current borrowings as at 30 June.

Due to the short-term nature of current payables, the carrying amount of trade and other payables approximates their fair value. The fair value of the non-current payables has been assessed, taking into account the time value of money and the carrying value is not considered to be materially different to its fair value.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**5 Other assets and liabilities (cont'd)**

	30 June 2018 \$	30 June 2017 \$
<b>5.5 Employee benefits obligations</b>		
Annual leave – current	51,318	78,463
<i>Annual leave – current (due for payment within 12 months)</i>		
Reconciliation		
Balance brought forward	78,463	70,774
Movement during the year	(27,145)	7,689
Transfer from non-current liabilities	-	-
Balance carried forward	51,318	78,463
Long service leave – non-current	8,000	6,800
<i>Annual and Long service leave – non-current liabilities (debts payable after 12 months)</i>		
Reconciliation		
Balance brought forward	6,800	9,330
Movement during the year	1,200	(2,530)
Transfer from non-current liabilities	-	-
Balance carried forward	8,000	6,800

**6 Additional disclosures**

**6.1 Subsequent events**

Between the interval after the balance date and the date of this report, there has not arisen any transaction or event of a material and unusual nature which will affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company

**6.2 Contingent liabilities**

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

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**6 Additional disclosures**

**6.3 Operating Commitments**

Remunerations 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 (debts payable) are listed above.

	30 June 2018	30 June 2017
	\$	\$
Within one year	200,000	300,000
After one year but not more than five years	-	-
	200,000	300,000

As at the date of this report the company had formally extended the CEOs consulting agreement to April 2019. In addition, Mr Siew Swan Ong has his contract extended for a further two years on 4 July 2016. The extension agreements are on the same forms as the original agreement.

**6.4 Segment reporting**

	Mineral Exploration \$	Corporate Admin \$	Company \$
<b>30 June 2018</b>			
<b>Segment Revenue</b>	-	4,867	4,867
<b>Significant expenses within the loss</b>			
Interest expenses	-	(325,582)	(325,582)
Depreciation	-	(3,720)	(3,720)
Forgiveness of financial liability	-	1,004,289	1,004,289
Loss on sale of tenement	(32,071)	-	(32,071)
<b>Segment net operating profit/(loss) after tax</b>	<b>(32,071)</b>	<b>236,077</b>	<b>204,007</b>
<b>30 June 2017</b>			
<b>Segment Revenue</b>	-	6,282	6,282
<b>Significant expenses within the loss</b>			
Interest expenses	-	(344,950)	(344,950)
Depreciation	-	(4,289)	(4,289)
Impairment of assets	(1,466,814)	-	(1,466,814)
<b>Segment net operating profit/(loss) after tax</b>	<b>(1,466,814)</b>	<b>(911,938)</b>	<b>(2,378,752)</b>
<b>Segment assets</b>			
At 30 June 2018	8,052,264	1,945,949	9,998,213
At 30 June 2017	6,734,084	1,596,399	8,330,483
<b>Segment liabilities</b>			
At 30 June 2018	(276,347)	(4,177,213)	(4,453,560)
At 30 June 2017	(92,525)	(4,938,578)	(5,031,103)

The Company does not have additional assets, liabilities, revenue or expenses outside the segments reported above.

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

### 6 Additional disclosures

#### 6.5 Related party transactions

Transactions with key management personnel (those individuals that direct the company)

The Company's key management personnel for the period 1 July 2017 to 30 June 2018 were:

Mr Brent Butler  
Mr Siew Swan Ong  
Mr Geoffrey Han

The Company may enter into agreements for services rendered with these individuals (or an entity that is associated with the individuals).

Two entities associated with the directors have a consulting agreement in place which has resulted in transactions between the Company and those entities during the period. 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 has been set out in the table below:

	30 June 2018 \$	30 June 2017 \$
<b>(a) Key management personnel compensation</b>		
Short-term employee benefits	446,896	455,145
Post-employment benefits	7,600	8,754
Long term benefits	8,246	8,146
	462,742	472,045

#### **(b) Other transactions with key management personnel**

A key management personnel holds position in another entity that results in that personnel having control or significant influence over the financial or operating policies of that entity.

An entity 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 have been set out on the following page.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**6 Additional disclosures**

**6.5 Related party transactions (cont'd)**

Director / executive	Transaction	Transaction Value		Outstanding balance	
		June 2018	June 2017	June 2018	June 2017
		\$	\$	\$	\$
Mr B Butler <sup>1</sup>	Consulting Services	120,000	120,000	-	-
Mr X Han <sup>2</sup>	Consulting Services	191,900	188,003	-	-

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 A company associated with Mr Han, HQ Tech Pty Ltd, provides engineering 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.

3. The Company also negotiated a short-term interest-free and fee-free loan of \$0.5 million from a director, Siew Swan Ong, to meet its current capital requirements, which was also repaid during the March 2018 quarter.

There are no other related party transactions (other than directors' fees and director's salaries). The total amount owed to the directors for salaries as at 30 June 2018 which remain unpaid are \$ 260,000 (it forms part of the other creditors and accrued balance in note 5.4 above) (2017: \$412,146).

	30 June 2018	30 June 2017
	\$	\$
<b>6.6 Auditor's Remuneration</b>		
<b>Audit Services</b>		
<i>BDO Audit (WA) Pty Ltd - audit</i>	31,200	29,917
<b>Other Services</b>		
<i>BDO Corporate Tax (WA) Pty Ltd - Tax compliance</i>	6,630	6,630
<i>BDO Corporate Finance (WA) Pty Ltd - R&amp;D incentive</i>	12,240	20,240
	<u>50,070</u>	<u>56,787</u>

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

---

### 7.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) 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

#### (b) 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. Exploration and Evaluation Expenditure is assessed for impairment indicators under AASB 6 paragraph 20 and where there are indicators of impairment the Company will test for impairment. 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.

#### (c) 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.

#### (d) 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.

#### (e) 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. The Company undertakes an assessment of impairment indicators at each reporting date to determine if the assets recoverable amount exceeds its carrying amount. 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.

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

---

### 7.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Exploration and evaluation expenditure

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.

#### (f) 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.

#### (g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of borrowings using the effective interest method. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash asset transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

#### (h) Employee benefits

Liabilities for wages and salaries including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented as current employee benefit obligations in the statement of financial position. Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured as present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Re-measurements as a result of adjustments and changes are recognised in profit or loss. The obligations are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

### 7.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (i) Share based payments

Share based compensation benefits were provided to a key management personnel and a consultant in prior periods. Fair value of share based payments are recognised based on the nature of the underlying transaction to which the share based payment relates with a corresponding increase in equity. The fair value recognised is determined by reference to the market value of the securities at grant date and is recognised over the period from commencement of the service contract to the date the securities vest with the recipient.

#### (j) 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.

#### (k) 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.

#### (l) 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.

#### (m) 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.

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

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

### 7.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Income tax (cont'd)

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

#### (n) 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.

#### (o) Profit / (loss) per share

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

#### (p) 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:

<i>Class of fixed asset</i>	<i>rate</i>
Furniture and fittings	10% straight line
Office equipment	25% - 33 % straight line
Leasehold improvements	33% straight line

## NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

---

### 7.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **(p) Property, plant and equipment (cont'd)**

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.

Assets which are used for exploration and evaluation activities are depreciated over its useful life, reflecting the extent to which the assets have been consumed. The depreciation is added to the intangible exploration and evaluation asset balance and accumulated in respect of each identifiable area of interest, as described in accounting policy note (e).

#### **(q) 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.

#### **(r) Tax incentives**

The Company may be entitled to claim special tax deductions for investments in qualifying expenditure (e.g. Research and Development Tax Incentive Scheme in Australia). The group accounts for such allowances on the same basis as the relevant expenditure. If the expenditure is expensed in the income statement the tax incentive will be recorded in the profit or loss. If the expenditure is capitalised to an asset, the tax incentive will reduce the carrying value of the asset.

#### **(s) Available for sale investments**

The Company recognises and measures its financial assets at fair value plus transaction costs. Subsequent to initial recognition, available for sale investments are carried at fair value with gains taken to a reserve. Where there is objective evidence of impairment, the difference between the carrying value and the fair value is recognised in the profit and loss after all reserve values have been reduced to nil.

#### **(t) New accounting standards and interpretations that are not yet mandatory**

The Directors have reviewed all Standards and Interpretations, issued and not yet adopted for the year ended 30 June 2018. As a result of this review, the Directors have determined that the Standards and Interpretations issued, not yet adopted on the Group will have the following effect on Group accounting policies in future financial periods.

**NOTES TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**7.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(s) New accounting standards and interpretations that are not yet mandatory (cont'd)**

Title and Reference	Nature of Change	Application date for entity
AASB 9 <i>Financial Instruments</i>	<p>The new standard results in changes to accounting policies relating to classification and measurement of financial assets. The 'available-for-sale' and 'held-to-maturity' categories of financial assets in AASB 139 have been eliminated. AASB 9 states to consider assessment of expected credit losses to be undertaken at each reporting date to determine if, in the directors' opinion, an impairment should be recorded in the financial statements.</p> <p>Adoption of AASB 9 is mandatory for the year ending 30 June 2019. As at 30 June 2018 if the Company were to make this assessment using the future requirements, the Company would not record an impairment in the annual report. The Company expects AASB 9 will impact the classification and measurement of its financial assets and liabilities. However, is not able to make a full assessment at this stage as its impact will be dependent on the nature of its financial assets and liabilities held at the time when it first adopts the new standard.</p>	1 July 2018
AASB 15 <i>Revenue from contracts with customers</i>	<p>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 <i>Revenue</i>.</p> <p>At the current stage of the Company development and with no revenue streams, the Company does not expect to have a material impact of the financial statements during the transition to the new standard.</p>	1 July 2018
AASB 16 <i>Leases</i>	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. Adoption of AASB 16 is mandatory for the year ending 30 June 2019.</p> <p>As at the reporting date, the Company is on monthly tenancies for both of its commercial offices and has not entered into any non-cancellable operating leases. The Company does not expect that the impact of AASB 16 to be different than under the former AASB 17.</p> <p>This will however, also be dependent on lease arrangements in place when the Company first adopts the new standard.</p>	1 Jan 2019

## Directors' Declaration

---

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 21 to 47, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2018 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 Director and Chief Executive Officer required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2018. In accordance with section 295A, the Executive Director and Chief Executive Officer 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 28<sup>th</sup> September 2018.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Brent Butler".

Brent Butler

CEO/ Executive Director

## INDEPENDENT AUDITOR'S REPORT

To the members of Audalia Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Audalia Resources Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying 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 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2018 the carrying value of the capitalised exploration and evaluation asset was disclosed in Note 2.1.</p> <p>As the carrying value of the Exploration and Evaluation Asset represents a significant asset of the Company, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> <li>• Whether the conditions for capitalisation are satisfied;</li> <li>• Which elements of exploration and evaluation expenditures qualify for recognition; and</li> <li>• Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Company and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Company's exploration budgets, ASX announcements and director's minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 2.1 to the Financial Statements.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.



Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

#### Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf)

This description forms part of our auditor's report.

#### Report on the Remuneration Report

##### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2018.



In our opinion, the Remuneration Report of Audalia Resources Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The first part of the signature is 'BDO' in a stylized, blocky font. Below it, the name 'J Prue' is written in a cursive script.

Jarrad Prue

Director

Perth, 28 September 2018

## Shareholder Information

### Details of shares as at 24 September 2018

#### Top holders

The 20 largest registered holders of each class of quoted security as at 24 September 2018 were:

#### Fully paid ordinary shares

Name	Number of shares	%
1 SIEW SWAN ONG	96,200,000	16.25
2 TLM HOLDINGS (M) SDN BHD	96,000,000	16.21
3 MUHAMMAD IKMAL OPAT ABDULLAH	82,000,000	13.85
4 MING HWAI TAN	57,000,000	9.63
5 YEK YEK ONG	37,500,000	6.33
6 MR SWEE LIM CHONG	35,670,000	6.02
7 MS MOI MOI CHUA	29,333,348	4.95
8 POO LIAN TAN	24,500,000	4.14
9 SOO KOK LIM	23,470,333	3.96
10 MR SCOTT LIAN HING LIM	18,750,000	3.17
11 MR SEAN LIAN SIONG LIM	18,750,000	3.17
12 CME GROUP BERHAD	11,600,000	1.96
13 MR WEI HAN	10,000,000	1.69
14 MEGAN HOLDINGS PTY LTD <THE BUTLER INVESTMENT A/C>	9,000,000	1.52
15 MS NICOLA LIAN LI LIM	7,010,000	1.18
16 M & K KORKIDAS PTY LTD <M&K KORKIDAS P/L S/FUND A/C>	4,855,200	0.82
17 BENG HONG TAN	4,390,000	0.74
18 MR ZHANGJIN ZHU	4,000,000	0.68
19 CHAI KEONG LOH	2,350,000	0.40
20 SEOW PANG NG	1,333,332	0.23
	<b>573,712,213</b>	<b>96.90</b>

#### Distribution schedules

A distribution schedule of each class of equity security as at 24 September 2018 were:

#### Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	4	264	0.00
1,001 - 5,000	6	13,663	0.00
5,001 - 10,000	193	1,921,750	0.33
10,001 - 100,000	36	1,485,407	0.25
100,001 - 999,999	46	588,715,107	99.42
<b>Total</b>	<b>285</b>	<b>592,136,191</b>	<b>100.00</b>

#### 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 the most recent substantial shareholding notices given to the Company and lodged on ASX, are set out below:

Substantial shareholder	Number of Shares
SIEW SWAN ONG	100,590,000
MING HWAI TAN	57,000,000

## Shareholder Information

---

### Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 55,555 as at 24 September 2018):

Holders	Units
230	2,712,143

### Voting Rights

The voting rights attaching to ordinary shares are:

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

### On Market Buy Back

There is no current on-market buy-back.

## SUMMARY OF TENEMENTS

### Summary of tenements as 30 June 2018

Projects	Licence Number	Area (km <sup>2</sup> )	Registered Holder/ Applicant	Status	Audalia Interest
<b>Western Australia</b>					
Medcalf	E63/1133	2.15	Audalia Resources Limited	Granted	100%
	E63/1134	2.9	Audalia Resources Limited	Granted	100%
	M63/656	18.54	Audalia Resources Limited	Granted	100%
	E63/1855	14.48	Audalia Resources Limited	Granted	100%
	L63/75	16.57	Audalia Resources Limited	Granted	100%