



ACN 146 035 690

**INTERIM FINANCIAL REPORT**  
**31 December 2012**

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## DIRECTORS' REPORT

The directors present the financial report of Audalia Resources Limited (the **Company**) for the half-year ended 31 December 2012 and the auditor's review report thereon:

### DIRECTORS

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

#### Dato Soo Kok Lim

*Executive Chairman – Appointed: 9 October 2010*

#### Datuk Siew Swan Ong

*Executive Director – Appointed: 9 October 2010*

#### Mr Brent Butler

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

#### Mr Boo Lye (Andrew) Kwa

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

### REVIEW OF OPERATIONS

#### Medcalf Project

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

Previous work carried out by numerous holders of the tenements over the last 40 years includes exploration for nickel, titanium/vanadium, platinum group metals (PGM) and gold. The primary vaniferous titanomagnetite mineralisation occurs within the pyroxenite zone between the basal peridotite and upper gabbro zones of the sill. The lateritic weathering of this sill has removed much of the silica, calcium and magnesium in solution thus resulting in residual concentrations of iron, titanium and vanadium oxides. This secondary enrichment potentially hosts economic ore.

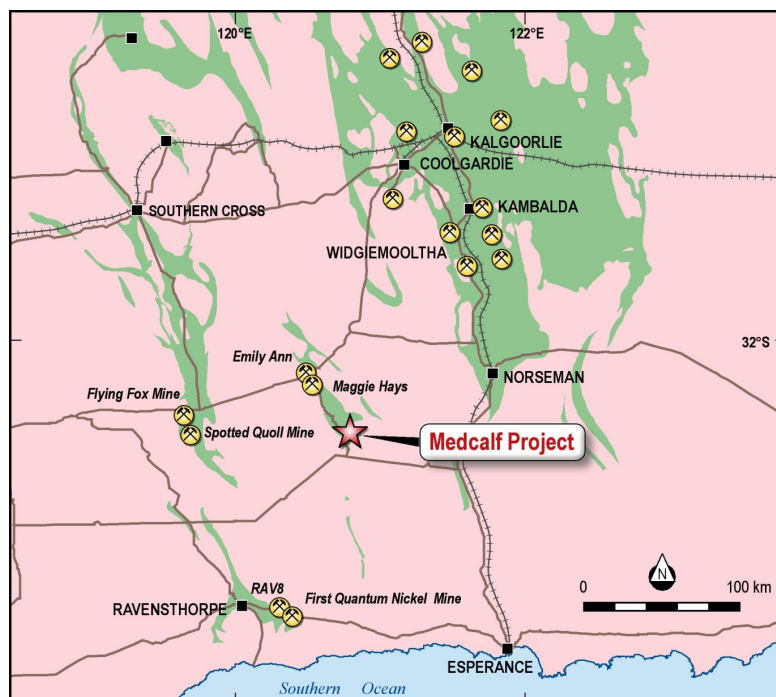


Figure 1: Medcalf Project - Location Map

## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS (continued)

#### Medcalf Project (continued)

Activities conducted at the Medcalf Project during the half-year to 31 December 2012 included:

- ❖ Acquiring additional ground by purchasing ten tenements that surrounded Audalia's ground holdings;
- ❖ Applying for extension of term for the eight Norilsk prospecting licences scheduled to expire on 8 January 2013;
- ❖ Completing geological mapping at 1:10,000 scale over the recently acquired tenements;
- ❖ Designing a 46 RC drillhole programme;
- ❖ Completing a Level 1 flora survey;
- ❖ Completing an Ethnographic Heritage Survey; and
- ❖ Completing a rock chip sampling programme.

#### *Tenement acquisition*

In September 2012, the Company completed the purchase of additional tenements that surround Audalia's Medcalf Project from Lake Johnston Pty Ltd. The additional tenements purchased comprised of eight prospecting licences P63/1528, P63/1529, P63/1530, P63/1531, P63/1532, P63/1533, P63/1560 and P63/1561, and two granted exploration licences E63/1133 and E63/1134. The purchase price for acquiring 100% of the additional tenements from Lake Johnston was \$55,000 (exclusive of GST), which was settled in cash.

#### *Tenement extension*

The expiry date of the prospecting licences was 8 January 2013. Audalia applied for an extension of term and the Company was granted extensions from Department of Mines and Petroleum (**DMP**) for a further period on each prospecting licence of four years to 8 January 2017.

#### *Geological mapping*

Geological mapping was completed at 1:10,000 scale over the additional tenements recently acquired from Lake Johnston.

#### *Geological synopsis*

Biotite feldspar +/- quartz schists up to several tens of metres thick occur in the Vesuvius deposit. These rocks are interpreted as a metamorphosed siltstone, shale or airfall tuff. This interpretation is based on mineralogy, lateral extent and position in a thick subaqueous mafic volcanic sequence far from land. Prior to metamorphism, this bed could have formed a zone of weakness along which the Medcalf Sill intruded.

Tholeiitic basalts form thick sequences above and below the Medcalf sill. They range from massive to schistose and generally subcrop as scattered fresh cobbles and boulders in red soil. Slightly coarser variants, up to about 1mm, are classified as dolerite, but they are not necessarily subvolcanic sills. The coarse grain size may result from metamorphism. Alternatively coarse grain size could have developed in the slowly cooling interior of thick lava flows.

The Medcalf mafic sill is divided into three units. From top down, they are:

Gabbro	at least 50m thick
Pyroxenite	36m
Peridotite	44m

The sill is traceable along strike for at least 4km and is roughly 130m thick. The zones thicken and thin along strike; in some places they are absent altogether.

The gabbro has a grain size of 2 to 5mm and is generally non-foliated. It commonly subcrops as unweathered cobbles and boulders in red soil.

The pyroxenite has been metamorphosed to a tremolite-rich rock with variable amounts of black opaques. The opaques can form more than 50% of the rock, but estimating percentage in chip samples is difficult. The +2mm opaques are retained, whereas; the associated saprolitic clays (mainly weathered tremolite) pass through the 2mm sieve aperture. In fresh rock, the opaques consist of magnetite and ilmenite. In the lower parts of the lateritic profile, they weather to haematite. Higher up the opaques have altered to limonite. Under a 10 power hand lens 2mm opaques are roughly equidimensional and frequently exhibit complex crystal faces.

## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS (continued)

#### Medcalf Project (continued)

On the western side of Vesuvius hill, banding in outcropping saprolitic pyroxenite is delineated by variations in the volume of black opaques. This is interpreted as primary layering, developed during cooling in a subhorizontal sill.

The ultramafic zone is variously represented by serpentinite, tremolite chlorite rock, talcose schist and pale orange jasper. Talc is stable through the weathering profile and can still be identified in iron-rich or clay-rich material otherwise lacking diagnostic features. Talc carbonate schists located during mapping are interpreted as shear zones within the ultramafic.

Foliated granite occupies the south central part of the tenement. Non-foliated pegmatite occurs along the margin of the granite and as dykes up to a few metres wide intruding the greenstones.

Quartz veins up 3m thick and 30m long were mapped in the basalts. Angular quartz rubble was observed near the crests of small hill. These could either be derived from quartz veins, or result from weathering of pegmatite dykes.

The Cainozoic regolith is divisible into residual, erosional and depositional regimes.

In the residual regime, the classic lateritic weathering profile is subdivided, starting from the top, into lateritic residuum, mottled zone, saprolite and saprock. Gold is typically concentrated in the lateritic residuum and at the base of weathering, in saprock. The variation of titanium and vanadium in the weathering profile is less well known.

Small areas of lateritic residuum, represented by massive haematite and "conglomerate ore" are present over the Vesuvius, Fuji and Egmont deposits. Logging of the Audalia drill chips and outcrop mapping suggests that the area of mottled zone corresponds with the Vesuvius deposit, but further field work is necessary to check this.

Soil and scree cover over 50% of the Medcalf Project area.

Structure is currently poorly understood. Polyphase deformation, upper greenschist facies metamorphism and sparse outcrop are all contributing factors.

Deposit-scale faulting is probably present in the mineralised areas. The ultramafic zone in the Medcalf sill forms a weak zone along which faulting could preferentially develop. Early thrusting could explain the apparently out of sequence zones in the Medcalf sill and their lenticularity.

Schistosity in the greenstones strikes roughly northwest with dips ranging from vertical to moderately northeast. Foliation in the granite has a similar strike, but dips moderately to steeply to the southwest.

Biotite-bearing schists and the apparent absence of garnet indicate upper greenschist facies metamorphism.

#### *Drilling programme*

Amoco Minerals Australia Company during the 1980's drilled a series of drillholes over the Vesuvius and Fuji prospects and quoted a resource. An RC programme of 46 RC holes have been planned on a 160m by 160m grid pattern to confirm this estimate and update this to conform with the 2004 JORC Code for an Inferred Resource.

#### *Flora survey*

Audalia completed a level 1 flora survey over tenements E63/1405 and E63/1068 in order to drill the vanadium-titanium resource programme over the area.

#### *Ethnographic Heritage Survey*

An Ethnographic Heritage Survey was completed over the Medcalf Project in September 2012. The Ethnographic Heritage Survey was supportive of the proposed programme, with the exception of 4 proposed drill holes which have been relocated accordingly.

## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS (continued)

#### Medcalf Project (continued)

##### *Rock chip sampling*

Ten rock chip samples were collected over the Medcalf Project tenements in December 2012. Results are set out in Table 1 below:

**Table 1: Rock chip sampling results**

Sampno	East	North	Tio2 %	V2O5%	Comments
MD066	291,197	6,397,712	3.16	0.13	Rock chip: Limonitic mottled zone
MD067	291,161	6,397,734	13.81	0.63	Rock chip: 5mx2m conglomerate ore
MD068	294,027	6,399,535	13.89	0.51	Rock chip: 20mx3m conglomerate ore
MD069	294,874	6,398,281	0.56	0.07	Rock chip: 1m diameter massive V Ti ore
MD070	294,824	6,398,348	0.93	0.10	Rock chip: magnetite-rich scree
MD071	295,374	6,398,078	0.28	0.04	Rock chip: 5mx2m magnetic ironstone subcrop
MD072	290,683	6,396,437	1.36	0.08	Rock chip: reddish black ironstone subcrop
MD074	292,930	6,398,157	14.16	0.76	Rock chip: massive ore
MD075	293,550	6,398,288	18.30	0.37	Rock chip: conglomerate ore
MD076	294,070	6,398,361	11.61	0.61	Rock chip: saprolitic pyroxenite with >20% Fe Ti oxides

##### *Future exploration*

A Programme of Works together with the Flora and Archaeological Heritage survey reports were submitted to the DMP in October 2012 in relation to a proposed resource drilling programme and approval was received subsequent to balance date.

#### **Gascoyne Project**

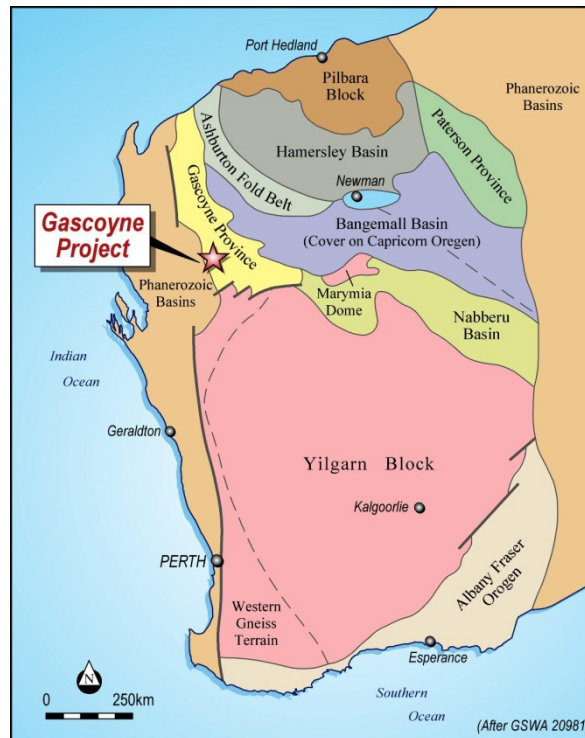
The Gascoyne Project comprises 100% owned tenements covering 311 km<sup>2</sup> that are highly prospective for lead (Pb), zinc (Zn) and copper (Cu) deposits, located in the Gascoyne Region, Western Australia. It is located approximately 250 km to the east of Carnarvon and 1200km north from Perth (see Figure 2).

The Gascoyne Project covers an area of mid-Proterozoic aged, metamorphosed sediments and volcanic rocks which have been subjected to several phases of tectonic deformation and intruded by granitoids. Exploration work and drilling to date has used the geological model of base metal mineralisation being associated with coincident soil geochemistry and "thumbprint" magnetic anomalies. Historical RC drill testing from one of these targets has returned significant intercepts of 2.3% Pb and 0.9% Cu. Lead sulphide (galena) and copper sulphides (chalcopyrite) were identified in the drill chips.

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS (continued)

#### Gascoyne Project (continued)



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

Activities conducted at the Gascoyne Project during the half-year to 31 December 2012 included:

- ❖ Completing a geological mapping programme;
- ❖ Completing a rock chip sampling programme; and
- ❖ Completing a soil geochemistry programme.

#### *Geological mapping*

Two base metal prospects designated Area 1 and Area 2 were mapped at 1:2500 scale.

Inspection of old drill sample heaps in Area 1 suggests that base metal sulphides are associated with pyritic quartz veins in gneiss. The RC drill holes in Area 2 are collared in or close to a 100m wide ESE-trending shear zone. According to the Lockier 1:100 000 GSWA map, this shear extends 15km east and west of Area 2.

The dominant rock in the three mapped areas is gneiss, with subordinate mica schist, thin quartzite beds and amphibolite. Irregular granitic intrusions occupy about 20% of Area1 and 5% of Area 2.

Schistosity strikes east-west in Area 1 and ESE in Area 2. Dips range from moderately to steeply north. Sparse outcrop-scale folds in the quartzite beds, in the schists and gneisses, and in the margins of the granites generally plunge west in Area1 and ESE in Area2. If the mineralisation is stratigraphically controlled, these plunges will need to be considered during design of future drilling programs.

The shear zone cutting through the middle of Area 2 is probably a thrust one of many depicted on the GSWA Lockier 1:100 000 map. Quartzites are mostly confined to north of the shear, whereas amphibolites are restricted to the south.

Reconnaissance 1:10 000 scale mapping and rock chip sampling in the south eastern corner of the tenements was aimed at following up a 340ppm copper rockchip anomaly.

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS (continued)

#### Gascoyne Project (continued)

##### Rock chip geochemistry

A total of 17 rock chip samples were collected and analysed during the half-year for silver, barium, copper, manganese, molybdenum, lead and zinc. Anomalous values of 240ppm copper, 310ppm lead and 451ppm zinc (from different samples) have been returned from undifferentiated ironstones. Results are set out in Table 2 below:

**Table 2: Rock chip sampling results**

Sample No	East	North	Ag (ppm)	Ba (ppm)	Cu(ppm)	Mn(ppm)	Mo(ppm)	Pb (ppm)	Zn (ppm)	Description
CW021	377,814	7,282,546	<0.5	152	132	228	<1	55	182	Ironstone, upper part of lateritic profile?
CW022	378,037	7,282,914	0.7	243	62	1082	<1	15	38	Mn-stained ferruginous gneiss
CW023	378,001	7,282,953	<0.5	78	23	379	<1	8	18	Saprolitic ferruginous schist with garnet
CW024	378,503	7,282,367	<0.5	802	240	>10000	6	169	155	3m wide Mn-stained ferruginous bed
CW025	378,468	7,282,388	<0.5	38	46	248	<1	76	68	3m wide Mn-stained ferruginous bed
CW026	378,424	7,282,413	<0.5	273	85	845	<1	166	192	3m wide Mn-stained ferruginous bed
CW027	378,396	7,282,465	<0.5	61	140	195	2	131	157	Ferruginous 1m band with minor quartz
CW028	378,401	7,282,447	<0.5	439	109	4231	1	48	143	Ironstone associated with vein quartz
CW029	378,901	7,282,128	<0.5	750	210	4758	1	51	451	40m by 10m area of ironstone float
CW030	384,045	7,284,947	<0.5	117	253	356	3	66	192	5m diameter ironstone subcrop
CW031	384,034	7,284,979	<0.5	270	247	428	2	109	224	3m by 1m ironstone
CW032	383,801	7,285,310	<0.5	322	198	992	3	161	181	Several 2m diameter ironstone patches
CW033	385,040	7,273,801	<0.5	375	116	434	2	107	123	30m by 20cm ferruginous band
CW034	385,162	7,273,800	<0.5	381	161	633	4	310	169	3m by 1m schistose ironstone
CW035	383,548	7,273,820	<0.5	262	110	1429	8	232	110	5m diameter ironstone subcrop
CW036	383,156	7,275,046	<0.5	165	31	114	<1	52	19	100m by 50m ?lateritic ironstone
CW037	383,268	7,275,127	<0.5	693	30	1204	3	63	19	20m diameter ?mottled ironstone

##### Trap Site Stream Sediment Geochemistry

Six minus 2mm stream-sediment trap site samples draining anomalous base metal geochemistry in Areas 1 and 2 were collected in October 2012 for orientation purposes. Catchment areas ranged from 0.5 to 2 hectares. The highest values obtained were low order values of 34ppm copper, 101ppm lead and 83ppm zinc. As a result, splitting of sample into various size ranges to determine optimum sieve size was not carried out. Results are set out in Table 3 below:

**Table 3: Trap site stream sediment geochemistry results**

Sample No	East	North	Ag (ppm)	Ba (ppm)	Cu(ppm)	Mn(ppm)	Mo(ppm)	Pb(ppm)	Zn (ppm)	Location
HM001	378,571	7,281,970	<0.5	182	35	2342	<1	42	52	Area 2
HM002	378,546	7,281,695	<0.5	126	21	1093	<1	101	83	Area 2
HM003	378,306	7,281,806	<0.5	119	21	1000	<1	32	36	Area 2
HM004	370,654	7,285,365	<0.5	117	20	1719	<1	17	37	Area 1
HM005	370,466	7,285,316	<0.5	113	26	1574	<1	26	41	Area 1
HM006	370,519	7,285,242	<0.5	159	34	2728	<1	24	44	Area 1

A 7kg sample of minus 2mm material was collected from each of the above trap sites and panned. No gold was detected.

##### Soil geochemistry

A total of 257 soil geochemistry samples were collected from the western part of the Gascoyne Project. Anomalous values of up to 163ppb lead and 141 Zinc were returned. Full results from the soil geochemistry sampling programme were included in the Exploration Update lodged with ASX on 12 March 2013.

#### Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Brent Butler, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Butler is a consultant geologist with 27 years' experience as a geologist. Mr Butler has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves' (JORC Code). Mr Butler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## DIRECTORS' REPORT

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### RESULTS

The Company incurred a loss of \$141,440 after income tax for the half-year (2011: \$290,498).

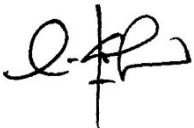
### EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters described in Note 12 to these financial statements, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half-year ended 31 December 2012.

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



Dato Soo Kok Lim  
*Executive Chairman*

Dated at Perth, Western Australia this 15<sup>th</sup> day of March 2013.

15 March 2013

The Board of Directors  
Audalia Resources Limited  
79 Broadway  
NEDLANDS WA 6009

Dear Sirs,

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

As lead auditor for the review of Audalia Resources Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the half-year ended 31 December 2012

	31 Dec 2012 \$	31 Dec 2011 \$
<b>Revenue from continuing operations</b>		
Income	29,116	50,422
Operational expenses	-	(200,000)
Corporate and administrative expenses	(170,556)	(140,920)
<b>Loss before income tax</b>	(141,440)	(290,498)
Income tax	-	-
<b>Net loss for the period</b>	(141,440)	(290,498)
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
<b>Other comprehensive income for the period, net of tax</b>	-	-
<b>Total comprehensive loss for the period attributable to the owners of Audalia Resources Limited</b>	(141,440)	(290,498)
Basic loss per share (cents)	(0.18)	(0.36)

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

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

**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2012

	Note	31 Dec 2012 \$	30 Jun 2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,160,764	894,938
Trade and other receivables		23,032	21,514
Held-to-maturity investments	8	-	750,000
Other current assets		2,770	2,715
<b>Total Current Assets</b>		<b>1,186,566</b>	<b>1,669,167</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables		6,312	6,312
Exploration and evaluation assets	9	1,050,960	521,858
<b>Total Non-Current Assets</b>		<b>1,057,272</b>	<b>528,170</b>
<b>TOTAL ASSETS</b>		<b>2,243,838</b>	<b>2,197,337</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		259,752	73,565
Provisions		5,233	3,479
<b>Total Current Liabilities</b>		<b>264,985</b>	<b>77,044</b>
<b>TOTAL LIABILITIES</b>		<b>264,985</b>	<b>77,044</b>
<b>NET ASSETS</b>		<b>1,978,853</b>	<b>2,120,293</b>
<b>EQUITY</b>			
Contributed equity		2,601,302	2,601,302
Reserves		10,000	10,000
Accumulated losses		(632,449)	(491,009)
<b>TOTAL EQUITY</b>		<b>1,978,853</b>	<b>2,120,293</b>

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

**STATEMENT OF CHANGES IN EQUITY**  
for the half-year ended 31 December 2012

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance as at 1 July 2011</b>	2,618,588	10,000	(97,706)	2,530,882
Loss for the period	-	-	(290,498)	(290,498)
Total comprehensive loss for the period	-	-	(290,498)	(290,498)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	-	-	-	-
Transaction costs on share issues	(17,286)	-	-	(17,286)
<b>Balance as at 31 December 2011</b>	<b>2,601,302</b>	<b>10,000</b>	<b>(388,204)</b>	<b>2,223,098</b>
<b>Balance as at 1 July 2012</b>	2,601,302	10,000	(491,009)	2,120,293
Loss for the period	-	-	(141,440)	(141,440)
Total comprehensive loss for the period	-	-	(141,440)	(141,440)
<i>Transactions with equity holders in their capacity as equity holders:</i>				
Shares issued	-	-	-	-
Transaction costs on share issues	-	-	-	-
<b>Balance as at 31 December 2012</b>	<b>2,601,302</b>	<b>10,000</b>	<b>(632,449)</b>	<b>1,978,853</b>

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

**STATEMENT OF CASH FLOWS**  
for the half-year ended 31 December 2012

	31 Dec 2012 \$	31 Dec 2011 \$
<b>Cash flows used in operating activities</b>		
Payments to suppliers and employees	(181,682)	(225,579)
Interest received	44,409	23,430
<b>Net cash used in operating activities</b>	<u>(137,273)</u>	<u>(202,149)</u>
<b>Cash flows used in investing activities</b>		
Payments for exploration and evaluation assets – acquisition costs	(57,178)	(159,202)
Payments for exploration and evaluation assets – capitalised costs	(289,723)	(41,106)
Proceeds from maturity of investments	750,000	-
Payments for held to maturity investments	-	(1,764,695)
<b>Net cash provided by/ (used in) investing activities</b>	<u>403,099</u>	<u>(1,965,003)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from the issue of shares	-	(84,669)
<b>Net cash used in financing activities</b>	<u>-</u>	<u>(84,669)</u>
<b>Net increase/(decrease) in cash held</b>	265,826	(2,251,821)
<b>Cash and cash equivalents at the beginning of the period</b>	894,938	2,361,588
<b>Cash and cash equivalents at the end of the period</b>	<u><u>1,160,764</u></u>	<u><u>109,767</u></u>

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

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

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### 1. REPORTING ENTITY

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

The annual financial report of the Company as at and for the year ended 30 June 2012 is available upon request from the Company's registered office or may be viewed on the Company's website, [www.audalia.com.au](http://www.audalia.com.au).

### 2. STATEMENT OF COMPLIANCE

This interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with accounting standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and considered together with any public announcements made by Audalia Resources Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarify about the nature of items presented as other comprehensive income and the related tax presentation. Other than that, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### 3. BASIS OF PREPARATION

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

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

#### *Going concern*

The interim financial report has been prepared on a going concern basis which assumes realising its assets and extinguishing its liabilities in the normal course of business. At 31 December 2012, the Company had net assets of \$1,978,853 (30 June 2012: \$2,120,293) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2012, the Company had \$1,160,764 (30 June 2012: \$894,938) in cash and cash equivalents.

Based upon the Company's existing cash resources, the ability to modify expenditure outlays if required, and the directors' confidence of sourcing additional funds, the directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation to be appropriate for the preparation of the Company's interim financial report.

### 4. ESTIMATES

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

In preparing the interim financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2012.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

### 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2012.

	31 Dec 2012 \$	31 Dec 2011 \$
<b>6. EXPENSES</b>		
<b>Employee benefits expense included in statement of comprehensive income</b>		
Wages and salaries	38,974	35,830
Superannuation expense	2,626	2,139
	<b>41,600</b>	<b>37,969</b>

### 7. SEGMENT INFORMATION

The Board has determined that the Company has one reportable segment, being mineral exploration in Australia.

	Mineral Exploration \$	Corporate and administrative \$	Company \$
<b>Half-year ended 31 December 2012</b>			
Segment revenue	-	29,116	29,116
Segment result	-	(141,440)	(141,440)
<b>As at 31 December 2012</b>			
Segment assets	1,050,960	1,192,878	2,243,838
Segment liabilities	(216,463)	(48,522)	(264,985)
<b>Period ended 31 December 2011</b>			
Segment revenue	-	50,422	50,422
Segment result	(200,000)	(90,498)	(290,498)
<b>As at 31 December 2011</b>			
Segment assets	465,131	1,927,537	2,392,668
Segment liabilities	(18,467)	(151,103)	(169,570)
<b>8. HELD TO MATURITY INVESTMENTS</b>		<b>31 Dec 2012 \$</b>	<b>31 Dec 2011 \$</b>
Bank term deposits		-	750,000

Held to maturity investments consist of term deposits.



## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

	31 Dec 2012 \$	31 Dec 2011 \$
<b>9. EXPLORATION AND EVALUATION ASSETS</b>		
Exploration, evaluation and development costs carried forward in respect of areas of interest	<b>1,050,960</b>	<b>521,858</b>
<b>Reconciliation</b>		
Carrying amount at beginning of period	521,858	251,511
Exploration and evaluation expenditure	471,924	107,155
Acquisition of Gascoyne tenements	-	9,202
Acquisition of Medcalf tenements	-	153,990
Acquisition of Norilsk tenements	57,178	-
Carrying amount at end of period	<b>1,050,960</b>	<b>521,858</b>

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

The value of the exploration, evaluation and development costs carried forward is dependent upon the continuance of the Company's rights to tenure of the area of interest, the results of future exploration, and the recoupment of costs through successful development and exploitation of the areas of interest or alternatively by their sale.

### 10. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned, all other commitments and contingencies remain consistent with those disclosed in the 2012 annual report.

#### Exploration commitments

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at balance date, total exploration expenditure commitments of the Company which have not been provided for in the financial statements amount up to \$248,200 per annum.

#### Contingencies

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

### 11. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the 2012 annual report.

#### Other transactions with key management personnel

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

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

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS

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### 11. KEY MANAGEMENT PERSONNEL (cont'd)

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

Director/ Executive	Transaction	Transactions value for the period ended		Balance outstanding as at	
		31 December 2012 \$	31 December 2011 \$	31 December 2012 \$	30 June 2012 \$
Mr B Butler	Geological Consulting fees <sup>1</sup>	34,000	6,000	6,000	11,000

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

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

### 12. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to balance date that would have a material financial effect on the financial statements for the half-year ended 31 December 2012.

## DIRECTORS' DECLARATION

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In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 10 to 17 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 15<sup>th</sup> day of March 2013.

Signed in accordance with a resolution of the directors.



Dato Soo Kok Lim  
*Executive Chairman*

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUDALIA RESOURCES LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Audalia Resources Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Audalia Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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



## Conclusion

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

BDO  


**Chris Burton**  
Director

Perth, Western Australia  
Dated this 15<sup>th</sup> day of March 2013