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ACN 146 035 690

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2019

CORPORATE DIRECTORY

DIRECTORS

Executive Director Mr Siew Swan Ong
Executive Director/ CEO Mr Brent Butler
Non-Executive Director Mr Xu (Geoffrey) Han

COMPANY SECRETARY

Ms Karen Logan

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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CONTENTS

	PAGE
Directors' Report	3
Auditor's Independence Declaration	7
Interim Financial Report	
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Condensed Notes to the Financial Statements	12
Directors' Declaration	18
Independent Auditor's Review Report	19

DIRECTORS' REPORT

The Directors present the interim financial report of Audalia Resources Limited (the **Company or Audalia**) for the half-year ended 31 December 2019 and the auditor's review report thereon:

DIRECTORS AND COMPANY SECRETARY

The Directors and Company Secretary 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.

Mr Siew Swan Ong (Executive Director)
 Mr Brent Butler (Executive Director and CEO)
 Mr Xu (Geoffrey) Han (Non-Executive Director)
 Ms Karen Logan (Company Secretary)

PRINCIPAL ACTIVITIES

During the half year, the principal continuing activity of the Company was mineral exploration and evaluation.

REVIEW OF ACTIVITIES

Audalia Resources Limited (ASX: **ACP**) is pleased to present its interim financial report for the six months ended 31 December 2019 to shareholders and provide some insight into the advancement the Company has made in its activities to date.

OVERVIEW

MEDCALF PROJECT

The Medcalf Project is a vanadium-titanium-iron project located some 470 kilometres south east of Perth near Lake Johnston, Western Australia. The Medcalf Project comprises three granted exploration licences E63/1133, E63/1134 and E63/1855, one miscellaneous licence L63/75 as well as mining lease M63/656. Together these licences cover a total area of 38 km².

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.

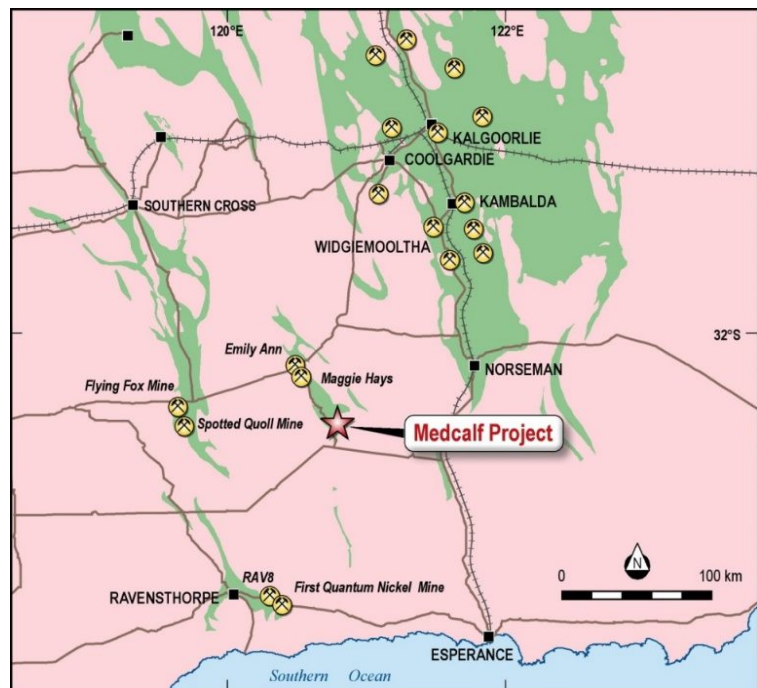


Figure 1: Medcalf Project - Location Map

Activities conducted during the half year

During the period, the Company completed a groundwater drilling programme designed to test structures for a water source required for the proposed mining project. Ongoing activities during the period included additional metallurgical testwork and environmental work required by the environmental scoping document.

Environmental Approval

During the half year, Audalia and its environmental consultants continued to progress the studies required to support the Environmental Review Document (**ERD**) for the Medcalf Project. The Company is planning to submit the ERD to the Environmental Protection Authority in the third quarter of the financial year ending 30 June 2020.

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Metallurgical Test Work

Guangzhou Research Institute of Non-ferrous Metals (**GZRINM**) undertook an interim metallurgical test work in 2017 and developed a viable metallurgical flowsheet to process the ore from the Medcalf Project (refer ASX announcement dated 26 October 2017). The flowsheet includes crushing, milling magnetic separation, magnetising roasting, magnetic separation and gravity separation. The flowsheet provides a feasible technical route for the comprehensive recovery of iron, vanadium and titanium from the Medcalf Project.

It is recommended that a pilot scale test work programme be carried out to evaluate the process in a continuous mode. The pilot scale test work results will provide technical parameters and basis required for engineering design and equipment selection. During the March 2019 quarter, Audalia delivered approximately three tonnes of ore samples to GZRINM for the purpose of pilot scale test work.

GZRINM developed a pilot scale test work programme to examine the reliability and stability of the process flowsheet under continuous operation. To date, GZRINM has completed the beneficiation and magnetising roasting pilot test work programme.

Ore samples underwent beneficiation circuit including crushing, milling, low intensity magnetic separation (LIMS), and wet high intensity magnetic separation (WHIMS). The primary concentrate produced by beneficiation pilot test work has subsequently undergone flash magnetising roasting pilot test work. The flash magnetising roasting system can heat up the pulverised concentrate from room temperature to 500°C within seconds and undergoes magnetisation reaction rapidly. It exhibits considerable advantages in comparison to conventional rotary kiln and shaft furnace, including high heat transfer efficiency, fast magnetising roasting rate, high roasting quality and high energy efficiency.

The process parameters determined by the bench scale test work were examined and optimised in the pilot scale test work. The critical process parameters determined in the pilot scale test work included solid ratio in milling circuit, particle size of mill product, LIMS magnetic strength WHIMS magnetic strength, roasting feed rate, roasting temperature, roasting time and reduction medium concentration.

During the half year, an interim report was received from GZRINM which confirmed that the pilot scale testwork results exhibited excellent consistency with the bench scale test work results demonstrating the stability and applicability of the developed process flowsheet.

The pilot scale test work is still ongoing with the separation circuit, including magnetic separation and gravity separation. The separation circuit will produce the final products of vanadium contained iron concentrate, and titanium concentrate. It is expected that the separation pilot test work will be completed in Q3 FY20.

Drilling

During the period, Groundwater Resource Management was contracted to identify drilling targets from recent geophysical surveys for a suitable water supply to be utilised for the water demand of the proposed Medcalf mining Project. The groundwater drilling has been completed and the results of the field investigations indicate that the project water demand can be met by a combination of two fractured rock bores and two palaeochannel bores.

Additional tenure

One tenement application for the Medcalf Project, miscellaneous licence L63/94, was submitted to the Department of Mines, Industry Regulation and Safety during the period.

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Schedule of Tenements as at 31 December 2019

Projects	Licence Number	Registered Holder / Applicant	Status	Audalia's Interest
<u>Western Australia</u>				
Medcalf	E63/1133	Audalia Resources Limited	Granted	100%
	E63/1134	Audalia Resources Limited	Granted	100%
	M63/656	Audalia Resources Limited	Granted	100%
	E63/1855	Audalia Resources Limited	Granted	100%
	L63/75	Audalia Resources Limited	Granted	100%
	L63/94	Audalia Resources Limited	Application	0%
	E63/1915	Audalia Resources Limited	Application	0%
	G63/10	Audalia Resources Limited	Application	0%
	G63/11	Audalia Resources Limited	Application	0%

Competent Person's Statement

The information in this report relates to the Exploration Results based on information compiled by Mr Brent Butler, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Butler has 36 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.

RESULTS

The Company incurred a loss of \$394,248 after income tax for the half-year (2018: \$350,018) which includes financing costs (interest expense) of \$173,882 (2018: \$159,441).

During the period, the Company received R&D tax incentive rebate of \$296,970 for the 2019 financial year. Audalia continues to assess all funding alternatives to ensure that the Company can continue exploration and evaluation activities and advance the next stage of approvals for the Medcalf Project.

The Board of Directors considers it appropriate to prepare the Company's interim financial report on a going concern basis as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. These include the Company's ability to modify expenditure outlays, if required. The Directors also continue to assess funding alternatives to supplement its existing working capital and fund its ongoing exploration and evaluation work. Further details are set out in Note 1(a)(iii) to the Financial Statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the interim period not otherwise disclosed in this report and the interim financial report.

LIKELY DEVELOPMENTS

The Company will continue to pursue its principal activity of mineral exploration and evaluation. Specifically, Audalia is seeking to continue the metallurgical testwork and obtain primary environmental approvals for the flagship Medcalf Project.

Planned exploration and activities

The Company's near-term objectives for the Medcalf Project include:

- Continue to progress the definitive feasibility study, including the pilot scale test work programme; and
- Continue to secure the necessary licences and approvals for mining.

DIRECTORS' 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.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to period end, the Company entered into a subscription agreement for the issue of 30,000,000 fully paid ordinary shares at an issue price of \$0.012 per share and completed the placement to raise \$360,000 before costs.

Other than the matter described above, there have been no significant events after the end of the reporting period to the date of this report.

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 Auditor's Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2019.

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



Brent Butler
CEO and Executive Director

Dated at Perth, Western Australia this 13th day of March 2020.

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF AUDALIA RESOURCES LIMITED

As lead auditor for the review of Audalia Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Audalia Resources Limited and the entities it controlled during the period.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half year ended 31 December 2019

	Notes	December 2019 \$	December 2018 \$
Revenue from continuing operations			
Revenue		2,400	6,136
Expenses			
Financing costs (interest expense)		(173,882)	(159,441)
Exploration expenditure written off		(6,190)	-
Corporate and administration expenses		(216,576)	(196,713)
Profit / (loss) before income tax expense		(394,248)	(350,018)
Income tax (expense) / benefit		-	-
Net profit / (loss) for the half year		(394,248)	(350,018)
Other comprehensive income			
Items that may be realised through profit and loss		-	-
Items that may not be realised through profit and loss		-	-
Other comprehensive income for the half year net of tax		-	-
Total comprehensive income for the half year, net of tax			
Owners of Audalia Resources Limited		(394,248)	(350,018)
Loss per share attributed to the owners of the Company			
Basic and diluted loss per share (cents per share)		(0.06)	(0.06)
Calculation of loss per share			
Loss for the half year		(394,248)	(350,018)
Number of shares at the beginning of the period	6	592,136,191	592,136,191
Number of shares used to calculate the loss per share for the half year		642,136,191	592,136,191

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	December 2019 \$	June 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents		342,182	550,895
Trade and other receivables		39,962	46,558
Other assets		44,023	11,290
Total current assets		<u>426,167</u>	<u>608,743</u>
Non-Current Assets			
Plant and equipment		8,724	10,045
Exploration and evaluation expenditure	2	9,511,760	8,805,843
Investments		50,000	50,000
Total non-current assets		<u>9,570,484</u>	<u>8,865,888</u>
TOTAL ASSETS		<u>9,996,651</u>	<u>9,474,631</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	3	866,841	1,657,262
Employee benefits obligations		63,239	59,673
Borrowings	4	-	3,000,000
Total current liabilities		<u>930,080</u>	<u>4,716,935</u>
Non-Current Liabilities			
Other payables	3	1,108,372	-
Employee benefits obligations		11,400	10,700
Borrowings	4	3,000,000	-
Total non-current liabilities		<u>4,119,772</u>	<u>10,700</u>
TOTAL LIABILITIES		<u>5,049,852</u>	<u>4,727,635</u>
NET ASSETS		<u>4,946,799</u>	<u>4,746,996</u>
EQUITY			
Issued capital	5	11,077,775	10,483,724
Reserves		10,000	10,000
Accumulated losses	6	(6,140,976)	(5,746,728)
TOTAL EQUITY		<u>4,946,799</u>	<u>4,746,996</u>

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

STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 December 2019

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2019	10,483,724	(5,746,728)	10,000	4,746,996
Loss for the half year	-	(394,248)	-	(394,248)
<i>Total comprehensive income/(loss) for the half year</i>	10,483,724	(6,140,976)	10,000	4,352,748
<i>Transactions with Shareholders in their capacity as shareholders</i>				
Issue of shares	600,000	-	-	600,000
Transaction costs for shares issued	(5,949)	-	-	(5,949)
Balance at 31 December 2019	11,077,775	(6,140,976)	10,000	4,946,799

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2018	10,483,724	(4,949,070)	10,000	5,544,654
Loss for the half year	-	(350,018)	-	(350,018)
<i>Total comprehensive income/(loss) for the half year</i>	10,483,724	(5,299,088)	10,000	5,194,636
<i>Transactions with Shareholders in their capacity as shareholders</i>				
	-	-	-	-
Balance at 31 December 2018	10,483,724	(5,299,088)	10,000	5,194,636

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

STATEMENT OF CASH FLOWS
for the half year ended 31 December 2019

	Notes	December 2019 \$	December 2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(239,911)	(231,590)
Interest paid		-	-
Interest received		2,619	4,404
Net cash outflows from operating activities		<u>(237,292)</u>	<u>(227,186)</u>
Cash flows from investing activities			
Payments for exploration expenditure		(862,442)	(680,171)
Proceeds from R&D incentives for exploration and evaluation		296,970	-
Net cash outflows from investing activities		<u>(565,472)</u>	<u>(680,171)</u>
Cash flows from financing activities			
Proceeds from issue of shares		600,000	-
Payment of share issue costs		(5,949)	(26,646)
Repayment of borrowings		-	(100,000)
Net cash outflows from financing activities		<u>594,051</u>	<u>(126,646)</u>
Net movement in cash flows for the period		(208,713)	(1,034,003)
Cash and cash equivalents at the beginning of the period		550,895	1,878,961
Cash and cash equivalents at end of half year		<u>342,182</u>	<u>844,958</u>

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Audalia Resources Limited (the **Company**) is a company domiciled in Australia. Audalia Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The interim financial report for six months ended 31 December 2019 were authorised for issue in accordance with a resolution of directors on 13 March 2020.

The nature of the operations and principal activities of the Company are described in the Director's Report above.

(a) Basis of preparation

The principle accounting policies adopted for the preparation of interim financial report are set out below. These accounting policies have been applied consistently to all periods presented unless otherwise stated.

(i) Statement of compliance

This interim financial report for the half-year reporting period ended 31 December 2019 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 any public announcements made by Audalia Resources Limited up to the date of this report in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

(ii) Basis of measurement and reporting convention

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

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

(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 interim financial report without the need to raise money from issuing shares or increasing the current level of its borrowings. The interim financial report has been prepared on a going concern basis.

The Company incurred a loss after tax of \$394,248. Total net cash outflows for the half-year ended 31 December 2019 was \$208,713 which was a result of net cash outflows of \$802,764 from operating and investing activities and \$594,051 net cash inflows from financing activities. The Company has a working capital deficiency of \$503,913 at balance date.

The Directors have prepared an estimated cash flow forecast for the period to June 2021 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 on 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 \$342,182 as at 31 December 2019 (30 June 2019: \$550,895).
- As at balance date, the Company's unsecured loans, not subject to any covenants are not due and payable until November 2021.
- Subsequent to balance date, the Company completed a placement and issued 30,000,000 shares at an issue price of \$0.012 per share, raising \$360,000 before costs (Note 10).
- 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 interim 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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of new and revised accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of new or amended standards which became applicable for the current reporting period.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019. The Company has adopted AASB 16 Leases as at 1 July 2019. There is no material impact as a result of adoption of AASB 16. 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.

Leases accounting policy (applied from 1 July 2019)

When a contract is entered into, the Company assesses whether the contract contains a lease. A lease arises when the Company has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

The Company separates the lease and non-lease components of the contract and accounts for these separately. The Company allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Leases as a lessee

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and impairment losses, assessed in accordance with the Group's impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the profit or loss and other comprehensive income statement.

Short-term leases and lease of low value assets

Short-term leases (lease term of 12 months or less) are recognised as incurred as an expense in the profit or loss and other comprehensive income statement.

(c) New accounting standards and interpretations that are not yet mandatory

The Directors have also reviewed all Standards and Interpretations issued and not yet adopted for the interim period ended 31 December 2019. As a result of this review, the Directors have determined that there is no material impact of the standards and Interpretations on issue not yet adopted by the Company.

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They have not been applied in preparing the interim financial report.

(d) Segment reporting

The Company's segments have remained consistent during the reporting periods (refer Note 7).

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

	December 2019 \$	June 2019 \$
2. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	9,511,760	8,805,843
Reconciliation – Medcalf		
Carrying amount at the beginning of the period	8,805,843	7,997,865
Additions to the exploration and evaluation asset	1,002,887	1,387,480
Less: R&D tax incentive received	(296,970)	(579,502)
Carrying amount at end of the period	9,511,760	8,805,843

3. TRADE AND OTHER PAYABLES		
Current liabilities (debts payable within 12 months)		
Trade creditors	313,640	145,860
Other payables and accruals	553,201	576,912
Interest payable ¹	-	934,490
	866,841	1,657,262
Non-Current liabilities (debts payable beyond 12 months)		
Interest payable ¹	1,108,372	-
	1,108,372	-

1. The amount relates to the unpaid interest on borrowings as at period end. Refer to Note 4 for details of the repayment period for borrowings.

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.

	December 2019 \$	June 2019 \$
4. BORROWINGS		
Current	-	3,000,000
Borrowings – (payable within one year)	-	3,000,000
Non-current	3,000,000	-
Borrowings – (payable after one year)	3,000,000	-

Terms of the borrowings

During the period, the Company renegotiated the extension of the repayment dates of each of the two unsecured loans, from 20 November 2019 and 31 March 2020 to 20 November 2021.

The key terms of the loans are listed below:

- \$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 2021 respectively (together with the interest), are unsecured and not subject to any covenants.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

5. EQUITY

	December 2019 Number	December 2019 \$	June 2019 Number	June 2019 \$
Ordinary shares				
Balance at the beginning of the period	592,136,191	10,483,724	592,136,191	10,483,724
Placement	50,000,000	600,000	-	-
Share issue costs	-	(5,949)	-	-
Balance as at end of the period	<u>642,136,191</u>	<u>11,077,775</u>	592,136,191	<u>10,483,724</u>

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.

6. ACCUMULATED LOSSES

	December 2019 \$	June 2019 \$
Accumulated losses at the beginning of the year	(5,746,728)	(4,949,070)
Net profit / (loss) for the period	(394,248)	(797,658)
Accumulated losses at the end of the period	<u>(6,140,976)</u>	<u>(5,746,728)</u>

7. SEGMENT REPORTING

	Mineral Exploration \$	Corporate Admin \$	Company \$
Half Year ended 31 December 2019			
Segment Revenue	-	2,400	2,400
Significant expenses within the loss			
Interest expenses	-	173,882	173,882
Depreciation and amortisation	-	1,023	1,023
Exploration expenditure written off	6,190	-	6,190
Segment net operating profit/(loss) after tax	(6,190)	(388,058)	(394,248)
Half Year ended 31 December 2018			
Segment Revenue	-	6,136	6,136
Significant expenses within the loss			
Interest expenses	-	159,441	159,441
Depreciation and amortisation	-	1,560	1,560
Loss on sale of assets	-	-	-
Segment net operating profit/(loss) after tax	-	(350,134)	(350,134)
Segment assets			
At 31 December 2019	9,566,160	430,491	9,996,651
At 30 June 2019	8,859,379	615,252	9,474,631
Segment liabilities			
At 31 December 2019	(421,344)	(4,628,508)	(5,049,852)
At 30 June 2019	(274,788)	(4,452,847)	(4,727,635)

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

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

8. 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 2019 to 31 December 2019 were:

Mr Brent Butler
Mr Geoffrey Han
Mr Siew Swan Ong

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 consulting agreements in place which have 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 below:

Director / executive	Transaction	Transaction Value		Outstanding balance	
		December 2019	December 2018	December 2019	December 2018
		\$	\$	\$	\$
Mr B Butler ¹	Consulting Services	60,000	60,000	14,150	-
Mr X Han ²	Consulting Services	95,950	91,200	15,876	-

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. The fees disclosed are for the period 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.

There are no other related party transactions (other than directors' fees and director's salaries) to be disclosed in the interim financial report. The total amount owed to the directors for salaries as at 31 December 2019 which remain unpaid are \$380,000 (which forms part of the other creditors and accrued balance) (30 June 2019: \$340,000).

	December 2019	June 2019
	\$	\$
9. COMMITMENTS AND CONTINGENCIES		
Exploration commitments		
Within one year	199,800	199,800
After one year but not more than five years	940,603	969,000
Over five years	2,010,016	2,219,119
	3,150,419	3,387,919

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.

The Company has no other no commitments or contingent liabilities as at 31 December 2019.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

10. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to period end, the Company entered into a subscription agreement for the issue of 30,000,000 fully paid ordinary shares at an issue price of \$0.012 per share and completed the placement to raise \$360,000 before costs.

Other than noted above, 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.

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DIRECTORS' DECLARATION

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001* (Cth), including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; 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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Brent Butler
Executive Director and CEO

Dated at Perth, Western Australia this 13th day of March 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Audalia Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Audalia Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Company is not 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 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 (a) (iii) 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2019 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 the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith'. The signature is written in a cursive style with a large, looped 'N' and a long horizontal stroke extending to the right.

Neil Smith

Director

Perth, 13 March 2020