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ACN 146 035 690

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2020

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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SECURITIES EXCHANGE

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ASX Code: ACP

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Level 14
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AUDITOR

BDO Audit (WA) Pty Ltd
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DIRECTORS' REPORT

The Directors present the interim financial report of Audalia Resources Limited (the **Company or Audalia**) for the half-year ended 31 December 2020 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 2020 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.

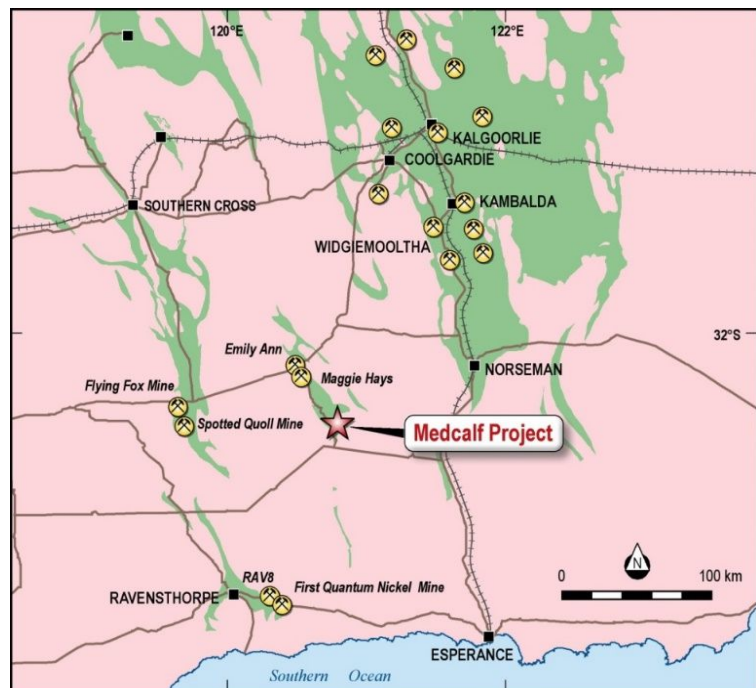


Figure 1: Medcalf Project - Location Map

Activities conducted during the half year

During the period, the Company's Environmental Review Document (ERD) was submitted to WA Environmental Protection Authority (EPA). The Company also completed rehabilitation work from its 2018 drilling programme.

Environmental Approval

During the September quarter, comments on draft Environmental Review Document (ERD) were received from WA Environmental Protection Authority (EPA) and other government agencies. Audalia has completed additional environmental studies to address the comments. Audalia submitted the revised ERD document during the December quarter and pending EPA's acceptance for public review.

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Metallurgical Test Work

The Guangzhou Research Institute of Non-ferrous Metals (GZRINM) has successfully completed the pilot scale testwork in June quarter. The testwork report was received during the September quarter. The detail of the report was published in ASX announcement dated 28 September 2020.

The pilot scale testwork undertaken increases the Company's capabilities in comprehensive recoveries of valuable metals from vanadium titano-magnetite (VTM) ore and builds confidence in delivering high metal recoveries when in production. The pilot scale testwork is considered a very important component of the Medcalf Project development by reducing the scalability risk of the process flowsheet, and will support ongoing discussions with potential offtake partners and financiers.

Rehabilitation work

During the September quarter, 89 drillhole collars from the 2018 drilling were cut, the holes plugged and buried. A number of these drillholes were used for several troglofauna surveys that were completed by Bennelongia as part requirement of the Environmental Scoping Document scope of works.

Schedule of Tenements as at 31 December 2020

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.

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

RESULTS

The Company incurred a loss of \$289,488 after income tax for the half-year (2019: \$394,428) which includes financing costs (interest expense) of \$119,003 (2019: \$173,882).

During the period, the Company received R&D tax incentive rebate of \$265,973 (2019: \$296,970). 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.

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

On 20 January 2021, the Company has negotiated a further extension of the repayment date of the \$1 million and \$2 million loan facility from 20 November 2021 to 20 November 2022 and 21 November 2022 respectively.

On 8 March 2021, the Company announced that the Environmental Review Document (ERD) for the Medcalf Project has been released for an eight-week public review period commencing on 8 March 2021.

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.

DIRECTORS' 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 2020.

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 15th day of March 2021.

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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 2020, 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.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half year ended 31 December 2020

	Notes	December 2020 \$	December 2019 \$
Revenue from continuing operations			
Other income		155	2,400
Expenses			
Financing costs (interest expense)		(119,003)	(173,882)
Exploration expenditure written off		-	(6,190)
Corporate and administration expenses		(170,640)	(216,576)
Profit / (loss) before income tax expense		(289,488)	(394,248)
Income tax (expense) / benefit		-	-
Net profit / (loss) for the half year		(289,488)	(394,248)
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		(289,488)	(394,248)
Loss per share attributed to the owners of the Company			
Basic and diluted loss per share (cents per share)		(0.04)	(0.06)
Calculation of loss per share			
Loss for the half year		(289,488)	(394,248)
Number of shares at the beginning of the period	5	692,136,191	592,136,191
Number of shares used to calculate the loss per share for the half year		675,614,452	642,136,191

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 2020

	Notes	December 2020 \$	June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		479,199	53,017
Trade and other receivables		42,917	30,291
Other assets		13,398	5,824
Total current assets		<u>535,514</u>	<u>89,132</u>
Non-Current Assets			
Plant and equipment		6,083	7,404
Exploration and evaluation expenditure	2	10,452,155	10,173,305
Investments		50,000	50,000
Total non-current assets		<u>10,508,238</u>	<u>10,230,709</u>
TOTAL ASSETS		<u>11,043,752</u>	<u>10,319,841</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	3	2,355,074	913,621
Employee benefits obligations		66,880	63,357
Borrowings	4	3,000,000	-
Total current liabilities		<u>5,421,954</u>	<u>976,978</u>
Non-Current Liabilities			
Other payables	3	-	1,288,010
Employee benefits obligations		12,700	12,000
Borrowings	4	541,965	3,082,654
Total non-current liabilities		<u>554,665</u>	<u>4,382,664</u>
TOTAL LIABILITIES		<u>5,976,619</u>	<u>5,359,642</u>
NET ASSETS		<u>5,067,133</u>	<u>4,960,199</u>
EQUITY			
Issued capital	5	11,828,274	11,431,852
Reserves		10,000	10,000
Accumulated losses	6	(6,771,141)	(6,481,653)
TOTAL EQUITY		<u>5,067,133</u>	<u>4,960,199</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 2020

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2019	11,431,852	(6,481,653)	10,000	4,960,199
Loss for the half year	-	(289,488)	-	(289,488)
<i>Total comprehensive income/(loss) for the half year</i>	11,431,852	(6,771,141)	10,000	4,670,711
<i>Transactions with Shareholders in their capacity as shareholders</i>				
Issue of shares	400,000	-	-	400,000
Transaction costs for shares issued	(3,578)	-	-	(3,578)
Balance at 31 December 2020	11,828,274	(6,771,141)	10,000	5,067,133

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2018	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

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 2020

	Notes	December 2020 \$	December 2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(152,842)	(239,911)
Interest paid		-	-
Interest received		257	2,619
Net cash outflows from operating activities		<u>(152,585)</u>	<u>(237,292)</u>
Cash flows from investing activities			
Payments for exploration expenditure		(610,811)	(862,442)
Proceeds from R&D incentives for exploration and evaluation		265,973	296,970
Net cash outflows from investing activities		<u>(344,838)</u>	<u>(565,472)</u>
Cash flows from financing activities			
Proceeds from issue of shares		400,000	600,000
Payment of share issue costs		(6,395)	(5,949)
Proceeds of borrowings		530,000	-
Net cash inflows/(outflows) from financing activities		<u>923,605</u>	<u>(594,051)</u>
Net movement in cash flows for the period		426,182	(208,713)
Cash and cash equivalents at the beginning of the period		53,017	550,895
Cash and cash equivalents at end of half year		<u>479,199</u>	<u>342,182</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 2020 were authorised for issue in accordance with a resolution of directors on 15 March 2021.

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 2020 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 \$289,488. Total net cash inflows for the half-year ended 31 December 2020 was \$426,182 which was a result of net cash outflows of \$497,423 from operating and investing activities and \$923,605 net cash inflows from financing activities. The Company has a working capital deficiency of \$3,408,737 at balance date.

The Directors have prepared an estimated cash flow forecast for the period to June 2022 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 had access to cash reserves of \$479,199 as at 31 December 2020 (30 June 2020: \$53,017).
- The Company's unsecured loans, not subject to any covenants are not due and payable until November 2022. Subsequent to year end, the Company negotiated an extension of the repayment date of the \$1 million and \$2 million loan facility from 20 November 2021 to 20 November 2022 and 21 November 2022 respectively.
- The Company has \$370,000 unused financing facilities available with Mr Siew Swan Ong as at 31 December 2020. The loan is unsecured, interest free and has a maturity date on 30 June 2022.
- The Company has the ability to adjust its exploration expenditure subject to results of its exploration activities.
- The Directors are of the view that the Company will require an additional capital raise and has the ability to raise further capital or secure additional funding to enable the Company to meet its funding requirements for the above period.
- The Directors anticipate continuous support of the Company's major shareholders and lenders to continue with the advancement of the Medcalf Project.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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. The Company has not early adopted any standards in this report.

(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 2020. 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.

(d) Segment reporting

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

	December 2020 \$	June 2020 \$
2. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	10,452,155	10,173,305
Reconciliation – Medcalf		
Carrying amount at the beginning of the period	10,173,305	8,805,843
Additions to the exploration and evaluation asset	544,823	1,664,432
Less: R&D tax incentive received	(265,973)	(296,970)
Carrying amount at end of the period	10,452,155	10,173,305
3. TRADE AND OTHER PAYABLES		
Current liabilities (debts payable within 12 months)		
Trade creditors	293,875	359,622
Other payables and accruals	583,496	553,999
Interest payable ¹	1,477,703	-
	2,355,074	913,621
Non-Current liabilities (debts payable beyond 12 months)		
Interest payable ¹	-	1,288,010
	-	1,288,010

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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

	December 2020 \$	June 2020 \$
4. BORROWINGS		
Current		
Borrowings – (payable within one year)	3,000,000	-
	3,000,000	-
Non-current		
Borrowings – (payable after one year)	541,965	3,082,654
	541,965	3,082,654

Terms of the borrowings

The \$2 million loan is at interest rate of 8% and \$1 million loan is at interest rate of 10%, both compounded daily and interest payable at the end of the loan term.

As at reporting date, loans are from private investors, the \$2 million and \$1 million loans are due to be repaid on 20 November 2021 (with accrued interest), are unsecured and not subject to any covenants. Subsequent to year end, the Company has negotiated a further extension of the repayment date of the loan facility from 20 November 2021 to 20 November 2022.

On 16 June 2020, the Company negotiated access to a loan facility of up to \$500,000 from a director, Mr Siew Swan Ong. As at 31 December 2020, the Company has fully drawn down the loan facility.

On 28 September 2020, the Company has further negotiated an access to an additional loan facility of up to \$500,000 from Mr Siew Swan Ong. The repayment date for both loan facilities is 30 June 2022, which may be extended on the same terms by mutual agreement with no interest payable. As at 31 December 2020, the Company has drawn down \$130,000 from the loan facility. Both loans are unsecured and no fees are payable for the establishment of the loan facility.

AASB 9 requires loans that carry no interest to be measured at fair value using prevailing market rate of interest for a similar instrument. As at 31 December 2020, the total fair value of both loans advanced by Mr Siew Swan Ong was \$541,695 (30 June 2020: \$82,654). The notional interest will be unwound over the loan period, resulting to an ending balance of \$630,00 at loan maturity date of 30 June 2022.

	December 2020 Number	December 2020 \$	June 2020 Number	June 2020 \$
5. EQUITY				
Ordinary shares				
Balance at the beginning of the period	672,136,191	11,431,852	592,136,191	10,483,724
Entitlement issue at \$0.01 (18 July 2019)	-	-	50,000,000	600,000
Entitlement issue at \$0.01 (6 March 2020)	-	-	30,000,000	360,000
Placement (30 November 2020)	20,000,000	400,000	-	-
Share issue costs	-	(3,578)	-	(11,872)
Balance as at end of the period	692,136,191	11,828,274	672,136,191	11,431,852

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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

	December 2020 \$	June 2020 \$
6. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	(6,481,653)	(5,746,728)
Net profit / (loss) for the period	(289,488)	(734,925)
Accumulated losses at the end of the period	(6,771,141)	(6,481,653)

7. SEGMENT REPORTING

	Mineral Exploration \$	Corporate Admin \$	Company \$
Half Year ended 31 December 2020			
Segment Revenue	-	155	155
Significant expenses within the loss			
Interest expenses	-	119,003	119,003
Depreciation and amortisation	-	1,023	1,023
Exploration expenditure written off	-	-	-
Segment net operating profit/(loss) after tax	-	(289,488)	(289,488)
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
Loss on sale of assets	6,190	-	6,190
Segment net operating profit/(loss) after tax	(6,190)	(388,058)	(394,248)
Segment assets			
At 31 December 2020	10,502,155	541,597	11,043,752
At 30 June 2020	10,226,245	93,596	10,319,841
Segment liabilities			
At 31 December 2020	(421,344)	(5,555,275)	(5,976,619)
At 30 June 2020	(390,959)	(4,968,683)	(5,359,642)

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

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 2020 to 31 December 2020 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 2020	December 2019	December 2020	December 2019
		\$	\$	\$	\$
Mr B Butler ¹	Consulting Services	60,000	60,000	25,000	14,150
Mr X Han ²	Consulting Services	80,750	95,950	39,098	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 2020 which remain unpaid are \$460,000 (which forms part of the other creditors and accrued balance) (30 June 2020: \$420,000).

During the year, the Company has negotiated access to loan facility of up to \$500,000 from a director, Siew Swan Ong, to meet its working capital requirements. On 28 September 2020, the Company has negotiated an access to an additional loan facility of up to \$500,000 from Mr Siew Swan Ong. As at 31 December 2020, the Company has drawn down \$630,000 from the loan facility.

9. EVENTS SUBSEQUENT TO BALANCE DATE

On 20 January 2021, the Company has negotiated a further extension of the repayment date of the \$1 million and \$2 million loan facility from 20 November 2021 to 20 November 2022 and 21 November 2022 respectively.

On 8 March 2021, the Company announced that the Environmental Review Document (ERD) for the Medcalf Project has been released for an eight-week public review period commencing on 8 March 2021.

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.

DIRECTORS' DECLARATION

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 8 to 16 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 2020 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 15th day of March 2021.

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 2020, 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, a summary 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 accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2020 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 the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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* (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

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.

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Responsibility of the directors for the 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 gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith', is written over a small, stylized BDO logo.

Neil Smith

Director

Perth, 15 March 2021

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