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ACN 146 035 690

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2022

CORPORATE DIRECTORY

DIRECTORS

Executive Director
Executive Director/ CEO
Non-Executive Director
Non-Executive Director

Mr Siew Swan Ong
Mr Brent Butler
Mr Xu (Geoffrey) Han
Mr Adam Buckler
(Appointed 1 August 2022)

COMPANY SECRETARY

Ms Karen Logan

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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SECURITIES EXCHANGE

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

ASX Code: ACP

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
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BANKER

National Australia Bank
Level 14
100 St George's Terrace
Perth WA 6000

AUDITOR

BDO Audit (WA) Pty Ltd
Level 9
Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
AUSTRALIA

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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 2022 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)
 Mr Adam Buckler (Non-Executive Director) – Appointed on 1 August 2022
 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 2022 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 of one granted exploration licence E63/1855, two miscellaneous licences L63/75 and L63/94 and two General Purpose licences G63/10 and G63/12 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.

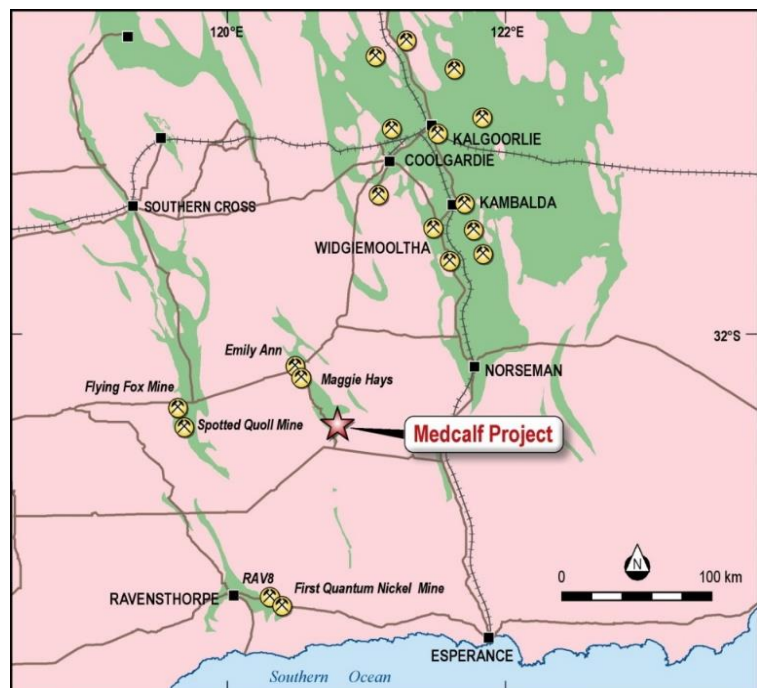


Figure 1: Medcalf Project - Location Map

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Activities conducted during the half year

Updated PFS study

During the period, an updated Pre-Feasibility Study (PFS) on its 100%-owned Medcalf Project, was completed by METS Engineering (METS). Refer to ASX announcement on 26 July 2022 for full details.

The PFS includes an economic valuation and supports the potential for high grade titanium lump ore (HTLO) product Western Australia-based mining and processing operation suitable for the blast furnace steel mills in Asia as a hearth liner for protection of the furnace walls.

The study has been completed to a PFS-level of accuracy and all costings, unless specified otherwise, have been undertaken at an accuracy level of $\pm 25\%$.

Key PFS highlights

- The Medcalf Project scope has been revised to significantly reduce the upfront capital cost, simplify and de-risk the project;
- The Project produces high TiO_2 lump ore (HTLO) for refractory lining protection in blast furnace applications;
- Highly favourable economics, NPV (8%) AUD\$178M, 146% IRR and a 0.7 year payback (using the projected long-term price from local market research); and
- A number of options have been identified to further improve the economic outcomes of the Project including extended the life-of-mine with inclusion of the inferred resource and possible value addition through sale of the fines product.

PFS Results

- The PFS results indicate the potential to create value through a direct shipping operation producing a high-titanium lump ore for use in blast furnace liner protection. The PFS is based on an updated Mineral Resource estimate using a 6% TiO_2 cut-off grade that was completed in March 2022. The Mineral Resource estimate was prepared by Competent Person as defined in the JORC Code, Patrick Adams of Cube.
- A summary of the economic assessment based only on the Indicated category of the Mineral Resource estimate is provided in Table 1. The project will initially comprise three open pits (Egmont, Vesuvius and Fuji), a processing plant, private haul road, road train transfer area and associated infrastructure such as laydown areas, gravel pits, groundwater bores, workshops and an accommodation village.
- The project is contractor dominant, with contractors operating the crushing plant, haulage, mining, the accommodation village and communications.
- A summary of the key financial results is presented in Table 1
- A summary of the primary assumptions is presented in Table 2
- The base case economic assessment results are presented below. The results indicate positive cashflow, generating payback in 0.71 years and a positive NPV (8%) of AUD\$177.9M with an IRR of 146.3%.

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Table 1: Economic Assessment Results

Variable	Units	Base Case
Saleable Products		Lump Ore
Capital Cost	AUD million	32.76
Operating Cost	AUD/t ROM	62.62
	AUD/t Product	96.34
	AUD million/annum	93.93
Lump Product Pricing	USD/t (CFR)	110
Revenue (LoM)	AUD million	785.87
Cumulative Cashflow (LoM)	AUD million	236.17
Simple Payback	Years	0.71
NPV (8%)	AUD million	177.91
IRR	%	146.29

NPV is presented as pre-tax and inclusive of royalties.

Inputs to the base case financial model are summarised below. They are based on the capital and operating costs which were developed during the PFS and benchmarked against equivalent projects where possible. The Base Case economic model incorporated the following key inputs:

Table 2: Key Study Assumptions

Input	Value
Throughput	1.5 Mtpa
Life of Mine (LoM)	6 years (ramping down in year 6)
Feed Grade	
TiO ₂	12.22%
Fe ₂ O ₃	63.52%
Overall recovery	65% wt. to lump product / 35% wt. to fines product
Total Capital Cost	AUD\$32,760,237
Total Operating Cost	AUD\$62.62/t ROM
Exchange Rate (LoM Average)	USD/AUD 0.75
Lump Ore Price	USD\$110/t (CFR)
Production	975,000 tpa of Lump Ore
State Royalty	5%
Native title royalty	Included (Confidential)
Discount rate	8%

Excludes tax, depreciation, corporate overhead or financing costs.

Note the lump / fines split is an assumption based on the projected hardness of the ore downhole.

DIRECTORS' REPORT

Environmental permitting update

The Environmental Protection Agency (EPA) advised the Company on 1 July 2022, that their Response to the Submission (RtS) had been accepted.

During the December quarter, the Company has been in a number of discussions with the EPA on finalising the conditions of their report to their Board.

The Project is currently compliant with environmental, legal and permitting requirements.

Schedule of Tenements as at 31 December 2022

Projects	Licence Number	Registered Holder / Applicant	Status	Audalia's Interest
Western Australia				
Medcalf	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	Granted	100%
	G63/10	Audalia Resources Limited	Granted	100%
	G63/12	Audalia Resources Limited	Granted	100%
	E63/1915	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 39 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 \$397,132 after income tax for the half-year (2021: \$396,001) which includes financing costs (interest expense) of \$211,105 (2021: \$215,964).

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's focus will be obtaining primary environmental approval for the Medcalf Project and will commence secondary approvals following a positive decision.

Planned exploration and activities

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

- Obtain primary and secondary approvals for mining;
- Develop the project for production and;
- Carry out a regional exploration programme.

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 year end, the Company has made additional drawdown of \$100,000 from its loan facility with Mr Siew Swan Ong.

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 9 and forms part of this directors' report for the half-year ended 31 December 2022.

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 15 day of March 2023.

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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 2022, 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 2023

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half year ended 31 December 2022

	Notes	December 2022 \$	December 2021 \$
Revenue from continuing operations			
Other income		32	12
Expenses			
Financing costs (interest expense)		(211,105)	(215,964)
Exploration expenditure written off		-	(240)
Corporate and administration expenses		(186,059)	(179,809)
Profit / (loss) before income tax expense		(397,132)	(396,001)
Income tax (expense) / benefit		-	-
Net profit / (loss) for the half year		(397,132)	(396,001)
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		(397,132)	(396,001)
Loss per share attributed to the owners of the Company			
Basic and diluted loss per share (cents per share)	7	(0.06)	(0.07)
Calculation of loss per share			
Loss for the half year		(397,132)	(396,001)
Number of shares at the beginning of the period	6	692,136,191	692,136,191

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 2022

	Notes	December 2022 \$	June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	39,914	201,293
Trade and other receivables		26,492	32,537
Other assets		41,485	11,078
Total current assets		<u>107,891</u>	<u>244,908</u>
Non-Current Assets			
Plant and equipment		2,327	3,003
Exploration and evaluation expenditure	2	11,890,194	11,577,655
Investments		50,000	50,000
Total non-current assets		<u>11,942,521</u>	<u>11,630,658</u>
TOTAL ASSETS		<u>12,050,412</u>	<u>11,875,566</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	4	1,005,486	1,083,290
Employee benefits obligations		80,972	77,449
Borrowings	5	-	1,704,278
Total current liabilities		<u>1,086,458</u>	<u>2,865,017</u>
Non-Current Liabilities			
Other payables	4	2,356,480	2,092,073
Employee benefits obligations		15,400	14,700
Borrowings	5	5,085,430	3,000,000
Total non-current liabilities		<u>7,457,310</u>	<u>5,106,773</u>
TOTAL LIABILITIES		<u>8,543,768</u>	<u>7,971,790</u>
NET ASSETS		<u>3,506,644</u>	<u>3,903,776</u>
EQUITY			
Issued capital	6	11,828,277	11,828,277
Reserves		10,000	10,000
Accumulated losses	8	(8,331,633)	(7,934,501)
TOTAL EQUITY		<u>3,506,644</u>	<u>3,903,776</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 2022

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2022	11,828,277	(7,934,501)	10,000	3,903,776
Loss for the half year	-	(397,132)	-	(397,132)
<i>Total comprehensive income/(loss) for the half year</i>	11,828,277	(8,331,633)	10,000	3,506,644
<i>Transactions with Shareholders in their capacity as shareholders</i>				
Issue of shares	-	-	-	-
Transaction costs for shares issued	-	-	-	-
Balance at 31 December 2022	11,828,277	(8,331,633)	10,000	3,506,644

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2021	11,828,277	(7,098,123)	10,000	4,740,154
Loss for the half year	-	(396,001)	-	(396,001)
<i>Total comprehensive income/(loss) for the half year</i>	11,828,277	(7,494,124)	10,000	4,344,153
<i>Transactions with Shareholders in their capacity as shareholders</i>				
Issue of shares	-	-	-	-
Transaction costs for shares issued	-	-	-	-
Balance at 31 December 2021	11,828,277	(7,494,124)	10,000	4,344,153

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 2022

	Notes	December 2022 \$	December 2021 \$
Cash flows from operating activities			
Payments to suppliers and employees		(168,200)	(154,151)
Interest paid		-	-
Interest received		92	111
Net cash outflows from operating activities		<u>(168,108)</u>	<u>(154,040)</u>
Cash flows from investing activities			
Payments for exploration expenditure		(413,271)	(583,576)
Proceeds from R&D incentives for exploration and evaluation		-	349,392
Net cash outflows from investing activities		<u>(413,271)</u>	<u>(234,184)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds of borrowings		420,000	730,000
Net cash inflows from financing activities		<u>420,000</u>	<u>730,000</u>
Net movement in cash flows for the period		(161,379)	341,776
Cash and cash equivalents at the beginning of the period		201,293	70,751
Cash and cash equivalents at end of half year	3	<u>39,914</u>	<u>412,527</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 2022 were authorised for issue in accordance with a resolution of directors on 15 March 2023.

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 2022 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 \$397,132. Total net cash outflows for the half-year ended 31 December 2022 was \$161,379 which was a result of net cash outflows of \$581,379 from operating and investing activities and \$420,000 net cash inflows from financing activities. The Company has a working capital deficiency of \$978,567 at balance date.

The Directors have prepared an estimated cash flow forecast for the period to June 2024 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 \$39,914 as at 31 December 2022 (30 June 2022: \$201,293).
- The Company has \$320,000 unused financing facilities available with Mr Siew Swan Ong as at 31 December 2022. The loan is unsecured, provided with 5% interest per annum and has a maturity date on 31 January 2024. Subsequent to 31 December 2022, the Company utilised another \$100,000 from its loan facility with Mr Siew Swan Ong.
- The directors' fees, salary and superannuation are not required to be paid until at such time that sufficient funds are raised and such repayment will not adversely affect the ability of the Company to meet its liability as and when they fall due. The Company will continue to accrue the directors' fees, salary and superannuation.
- The maturity date of the borrowings has been renegotiated to be 12 months after the reporting date and will not be requested until the funds of the Company permit repayment.
- 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 2022. 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 2022 \$	June 2022 \$
2. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>11,890,194</u>	<u>11,577,655</u>
Reconciliation – Medcalf		
Carrying amount at the beginning of the period	11,577,655	10,837,235
Additions to the exploration and evaluation asset	312,539	1,089,812
Less: R&D tax incentive received	-	(349,392)
Carrying amount at end of the period	<u>11,890,194</u>	<u>11,577,655</u>
3. CASH AND CASH EQUIVALENTS		
(a) Cash and cash equivalents		
Cash at bank and in hand	22,603	184,025
Term deposits	<u>17,311</u>	<u>17,268</u>
Total cash and cash equivalents	<u>39,914</u>	<u>201,293</u>
(b) Cash at bank and on hand		
Cash on hand is non-interest bearing. Cash at bank and term deposits bear interest rates between 0.01% and 0.25% (30 June 2022: 0.00% and 0.50%).		
4. TRADE AND OTHER PAYABLES		
Current liabilities (debts payable within 12 months)		
Trade creditors	231,124	351,491
Other payables and accruals ²	774,362	717,346
Interest payable ¹	-	14,453
	<u>1,005,486</u>	<u>1,083,290</u>
Non-Current liabilities (debts payable beyond 12 months)		
Interest payable ¹	<u>2,356,480</u>	<u>2,092,073</u>
	<u>2,356,480</u>	<u>2,092,073</u>

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

4. TRADE AND OTHER PAYABLES (CONTINUED)

1. The amount relates to the unpaid interest on borrowings as at period end. Refer to Note 5 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.

2. Includes \$620,000 and \$25,000 amount accrued on directors' salaries and fees respectively as at 31 December 2022.

5. BORROWINGS

	December 2022 \$	June 2022 \$
Current	-	-
Borrowings – (payable within one year)	-	1,704,278
	-	1,704,278
Non-current	5,085,430	3,000,000
Borrowings – (payable after one year)	5,085,430	3,000,000
Facilities		
Amount used	5,180,000	4,760,000
Amount unused	320,000	240,000
Total facilities	5,500,000	5,000,000

Terms of the borrowings:

Loan from private investors - \$3,000,000

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 31 January 2024 (with accrued interest), are unsecured and not subject to any covenants.

Loan from Mr Siew Swan Ong - \$2,085,340

i. Interest-free loan facility \$1 million - \$905,340

On 16 June 2020, the Company negotiated access to an interest-free loan facility of up to \$500,000 from a director, Mr Siew Swan Ong. On 28 September 2020, the Company has further negotiated an access to an additional interest-free loan facility of up to \$500,000 from Mr Siew Swan Ong. As at 31 December 2022, the Company has fully drawn down \$1,000,000 (30 June 2022: \$1,000,000) from the loan facility. On 26 October 2022, the Company re-negotiated the extension of the repayment dates of the loan facilities from 31 January 2023 to 31 January 2024.

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 2022, the total fair value of both loans advanced by Mr Siew Swan Ong was \$905,340 (30 June 2022: \$625,891). The notional interest will be unwound over the loan period, resulting to an ending balance of \$1,000,000 at loan maturity date of 31 January 2024.

ii. Interest payable loan facility \$1.5 million - \$1,180,000

The Company negotiated access to an additional loan facility of up to \$1,000,000 and \$500,000 from Mr Siew Swan Ong on 29 October 2021 and 26 October 2022 respectively. These additional loan facilities are unsecured, provided on 5% interest per annum, accruing on daily basis and payable on the repayment date of 31 January 2024, which may be extended on the same terms by mutual agreement. As at 31 December 2022, the Company has drawn down \$1,180,000 (30 June 2022: \$760,000) from the loan facility.

6. EQUITY

	December 2022 Number	December 2022 \$	June 2022 Number	June 2022 \$
Ordinary shares				
Balance at the beginning of the period	692,136,191	11,828,277	692,136,191	11,828,277
Share issue costs	-	-	-	-
Balance as at end of the period	692,136,191	11,828,277	692,136,191	11,828,277

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

6. EQUITY (CONTINUED)

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.

7. LOSS PER SHARE

The calculation of basic loss per share as at 31 December 2022 was based on the loss attributable to ordinary shareholders of \$397,132 (2021: loss of \$396,001) and a weighted average number of ordinary shares outstanding during the year of 692,136,191 (2021: 571,764,680) shares.

	December 2022 \$	December 2021 \$
Loss attributable to ordinary shareholders	(397,132)	(396,001)
	Numbers	Numbers
Weighted average number of ordinary shares	692,136,191	571,764,680
	Cents per share	Cents per share
Basic and diluted loss per share	(0.06)	(0.07)
	December 2022 \$	June 2022 \$

8. ACCUMULATED LOSSES

Accumulated losses at the beginning of the period	(7,934,501)	(7,098,123)
Net loss for the period	(397,132)	(836,378)
Accumulated losses at the end of the period	<u>(8,331,633)</u>	<u>(7,934,501)</u>

9. SEGMENT REPORTING

	Mineral Exploration \$	Corporate Admin \$	Company \$
Half Year ended 31 December 2022			
Segment Revenue	-	32	32
Significant expenses within the loss			
Interest expenses	-	211,105	211,105
Depreciation and amortisation	-	378	378
Exploration expenditure written off	-	-	-
Segment net operating profit/(loss) after tax	-	(397,132)	(397,132)
Half Year ended 31 December 2021			
Segment Revenue	-	12	12
Significant expenses within the loss			
Interest expenses	-	215,964	215,964
Depreciation and amortisation	-	635	635
Exploration expenditure written off	240	-	240
Segment net operating (loss) after tax	-	(396,001)	(396,001)

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

9. SEGMENT REPORTING (CONTINUED)

	Mineral Exploration \$	Corporate Admin \$	Company \$
Segment assets			
At 31 December 2022	11,940,194	110,218	12,050,412
At 30 June 2022	11,629,403	246,163	11,875,566
Segment liabilities			
At 31 December 2022	(421,344)	(8,122,424)	(8,543,768)
At 30 June 2022	(390,959)	(7,580,831)	(7,971,790)

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

10. 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 2022 to 31 December 2022 were:

Mr Brent Butler
 Mr Geoffrey Han
 Mr Siew Swan Ong
 Mr Adam Buckler – Appointed on 1 August 2022

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:

	Transaction	Transaction Value		Outstanding balance	
		December 2022 \$	December 2021 \$	December 2022 \$	June 2022 \$
Director / executive					
Mr B Butler ¹	Consulting Services	70,000	60,000	20,000	20,000
Mr X Han ²	Consulting Services	2,850	66,500	-	24,700

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 and superannuation as at 31 December 2022 which remain unpaid are \$620,000 and \$59,700 respectively (which forms part of the other creditors and accrued balance) (30 June 2022: \$580,000 and \$55,000).

As at 31 December 2022, the Company has fully drawdown interest free loan facility of \$1,000,000 from a director, Siew Swan Ong, to meet its working capital requirements.

The Company negotiated access to an additional loan facility of up to \$1,000,000 and \$500,000 from Mr Siew Swan Ong on 29 October 2021 and 26 October 2022 respectively. These additional loan facilities are unsecured, provided on 5% interest per annum, accruing on daily basis and payable on the repayment date of 31 January 2024, which may be extended on the same terms by mutual agreement. As at 31 December 2022, the Company has drawn down \$1,180,000 (30 June 2022: \$760,000) from the loan facility.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

	December 2022 \$	June 2022 \$
11. COMMITMENTS		
<u>Exploration commitments</u>		
Within one year	196,203	12,559
After one year but not more than five years	924,000	754,200
Over five years	1,455,616	1,664,719
	2,575,819	2,431,478

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 the reporting date, total exploration expenditure commitments of the Company which have not been provided for in the interim financial report is listed above. The table has been presented assuming the Company's full minimum expenditure commitments are payable over the specified period but adjusted for costs incurred to date in the within one year category.

Remuneration commitments

The term of the employment agreement and consultancy agreement with the executive Directors were not renewed. Accordingly, the Company no longer has remuneration commitments under long-term employment contracts at reporting date.

12. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the Company has made additional drawdown of \$100,000 from its loan facility with Mr Siew Swan Ong.

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' DECLARATION

In the opinion of the directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 10 to 19 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 2022 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 15 day of March 2023.

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 2022, 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 2022 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 2022 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



Neil Smith
Director

Perth

15 March 2023

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