



ACN 146 035 690

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2021

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

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

SECURITIES EXCHANGE

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

ASX Code: ACP

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
NEDLANDS WA 6909
Telephone: (61 8) 9389 8033
Facsimile: (61 8) 6370 4203

BANKER

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

AUDITOR

BDO
Level 9
Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000
AUSTRALIA

CONTENTS

	PAGE
Directors' Report	3
Auditor's Independence Declaration	8
Interim Financial Report	
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Condensed Notes to the Financial Statements	13
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 2021 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 2021 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, two miscellaneous licences L63/75 and L63/94 and one General Purpose licence G63/10 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 Forresteria-Southern Cross greenstone belts.

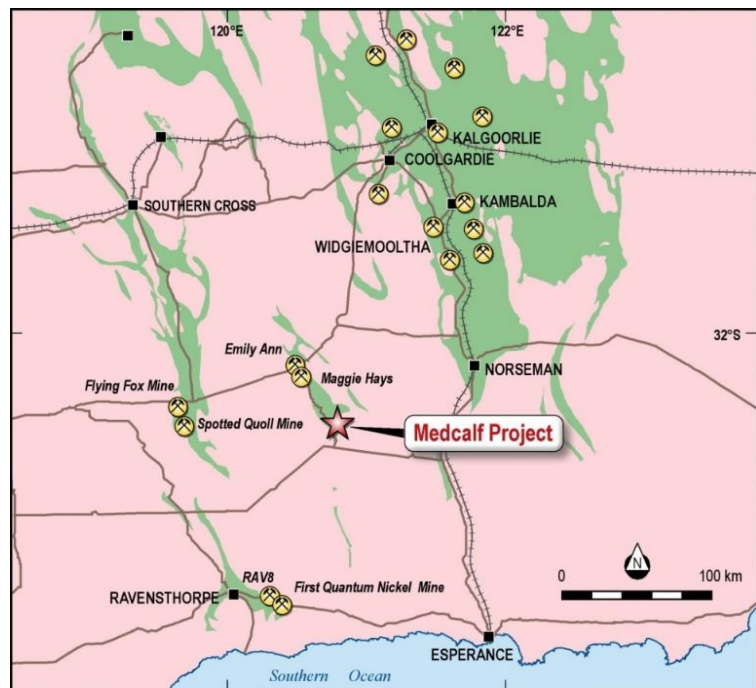


Figure 1: Medcalf Project - Location Map

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Activities conducted during the half year

During the period, the Company commenced an updated Prefeasibility Study and a lump ore metallurgical test work programme.

Updated PFS study

Audalia has since been investigating options from the 2016 pre-feasibility study (PFS) to improve the economic outcomes of the Medcalf Project and reduce the environmental impact of the Project.

Audalia has recently identified the possibility of producing a lump ore product to be used for blast furnace refractory liner protection. The proposed product is a direct shipping ore (DSO) type product only requiring crushing and screening to specified size range. Therefore, the Capex and Opex requirement for processing DSO will be less compared to the hydrometallurgical process identified in 2016 PFS.

The production of pig iron in the blast furnace is the most widely used method for iron making. Blast furnace is a large scale industrial reactor that converts iron oxide to usable pig iron using coke and coal as fuel. It is well recognised that one of the main limitations of the furnace life is the wear of the hearth refractories.

A proven approach to reduce the wear of the hearth refractory lining is the addition of titanium bearing materials in the furnace by means of forming scaffolds along the surface of the eroded hearth lining. This scaffold is rich in titanium, has a high melting point and act as protection agent to prevent the eroded hearth lining from further damage.

As a result, the Company has engaged METS Engineering who are a Perth based independent consulting group specialising in mineral processing, engineering studies, training and specialist services to undertake an updated PFS study on the DSO. Cube Consulting have been engaged to provide a JORC compliant Ore Reserve estimate utilising data from this PFS.

Metallurgical Test Work

The Company engaged Cube Consulting to undertake a series of optimisations on the 2018 resource block model, focussing on high grade TiO₂ ore that could be mined from the existing mineral resource. The results were encouraging which led to the excavation of a 12 tonnes of high grade TiO₂ from the Vesuvius deposit. This bulk sample as delivered to Nagrom for a series of sample characterisation and metallurgical test work will be undertaken to determine the viability of producing refractory protection lump ore from the Medcalf Project.

The test work results will confirm if the Medcalf ore can be processed by crushing and screening to produce the lump ore product and meeting the required specifications. The metallurgical test work program is a critical component in the proposed updated PFS study.

The lump ore sample produced from the metallurgical test work will be provided to potential offtake customer for consideration and if acceptable, facilitate the offtake negotiation.

DIRECTORS' REPORT

REVIEW OF ACTIVITIES (continued)

Environmental permitting update

The Company engaged the services of environmental consultants to address the comments received during the Public Environmental Review (PER) period. The environmental study reports have been submitted to the Environmental Protection Authority (EPA) form part of the Response to Submission (RtS) document submitted to the EPA on 8 October 2021. Comments on the RtS document were received from EPA on 22 December 2021. These comments have been addressed by the environmental consultants in an updated RtS document and this has been submitted to the EPA on 10 February 2022.

Schedule of Tenements as at 31 December 2021

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	Granted	100%
	E63/1915	Audalia Resources Limited	Application	0%
	G63/10	Audalia Resources Limited	Granted	100%
	G63/11	Audalia Resources Limited	Withdrawn	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 37 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 \$396,001 after income tax for the half-year (2020: \$289,488) which includes financing costs (interest expense) of \$215,964 (2020: \$119,003).

During the period, the Company received R&D tax incentive rebate of \$349,392 (2020: \$265,973). 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 is focussed on obtaining primary environmental approval for the Medcalf Project during 2022 and will commence secondary approvals following a positive decision.

Planned exploration and activities

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

- Complete and updated prefeasibility study on direct shipping ore (DSO) focussing on titanium as the primary mineral; and
- Complete an updated JORC (2012) compliant ore reserve.

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 10 March 2022, the Company has negotiated a further extension of the repayment date of the \$1 million and \$2 million loan facility from 20 November 2022 to 31 January 2024.

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 8 and forms part of this directors' report for the half-year ended 31 December 2021.

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 14th day of March 2022.

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 2021, 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.

A handwritten signature in black ink, appearing to read 'Neil Smith', with a stylized flourish at the end.

Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth, 14 March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half year ended 31 December 2021

	Notes	December 2021 \$	December 2020 \$
Revenue from continuing operations			
Other income		12	155
Expenses			
Financing costs (interest expense)		(215,964)	(119,003)
Exploration expenditure written off		(240)	-
Corporate and administration expenses		(179,809)	(170,640)
Profit / (loss) before income tax expense		(396,001)	(289,488)
Income tax (expense) / benefit		-	-
Net profit / (loss) for the half year		(396,001)	(289,488)
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		(396,001)	(289,488)
Loss per share attributed to the owners of the Company			
Basic and diluted loss per share (cents per share)	6	(0.07)	(0.04)
Calculation of loss per share			
Loss for the half year		(396,001)	(289,488)
Number of shares at the beginning of the period	5	692,136,191	692,136,191
Number of shares used to calculate the loss per share for the half year	6	571,764,680	675,614,452

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 2021

	Notes	December 2021 \$	June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents		412,527	70,751
Trade and other receivables		37,344	33,993
Other assets		41,112	5,346
Total current assets		490,983	110,090
Non-Current Assets			
Plant and equipment		3,722	4,655
Exploration and evaluation expenditure	2	11,120,601	10,837,235
Investments		50,000	50,000
Total non-current assets		11,174,323	10,891,890
TOTAL ASSETS		11,665,306	11,001,980
LIABILITIES			
Current Liabilities			
Trade and other payables	3	2,870,375	879,549
Employee benefits obligations		73,926	70,403
Borrowings	4	3,000,000	-
Total current liabilities		5,944,301	949,952
Non-Current Liabilities			
Other payables	3	-	1,672,583
Employee benefits obligations		14,100	13,400
Borrowings	4	1,362,752	3,625,891
Total non-current liabilities		1,376,852	5,311,874
TOTAL LIABILITIES		7,321,153	6,261,826
NET ASSETS		4,344,153	4,740,154
EQUITY			
Issued capital	5	11,828,277	11,828,277
Reserves		10,000	10,000
Accumulated losses	7	(7,494,124)	(7,098,123)
TOTAL EQUITY		4,344,153	4,740,154

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 2021

	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

	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2020	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

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 2021

	Notes	December 2021 \$	December 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(154,151)	(152,842)
Interest paid		-	-
Interest received		111	257
Net cash outflows from operating activities		<u>(154,040)</u>	<u>(152,585)</u>
Cash flows from investing activities			
Payments for exploration expenditure		(583,576)	(610,811)
Proceeds from R&D incentives for exploration and evaluation		349,392	265,973
Net cash outflows from investing activities		<u>(234,184)</u>	<u>(344,838)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	400,000
Payment of share issue costs		-	(6,395)
Proceeds of borrowings		730,000	530,000
Net cash inflows from financing activities		<u>730,000</u>	<u>923,605</u>
Net movement in cash flows for the period		341,776	426,182
Cash and cash equivalents at the beginning of the period		70,751	53,017
Cash and cash equivalents at end of half year		<u>412,527</u>	<u>479,199</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 2021 were authorised for issue in accordance with a resolution of directors on 14 March 2022.

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 2021 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 \$396,001. Total net cash inflows for the half-year ended 31 December 2021 was \$341,776 which was a result of net cash outflows of \$388,224 from operating and investing activities and \$730,000 net cash inflows from financing activities. The Company has a working capital deficiency of \$5,453,318 at balance date.

The Directors have prepared an estimated cash flow forecast for the period to June 2023 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 \$412,527 as at 31 December 2021 (30 June 2021: \$70,751).
- The Company has \$540,000 unused financing facilities available with Mr Siew Swan Ong as at 31 December 2021. The loan is unsecured, provided with 5% interest per annum and has a maturity date on 31 January 2023.
- The directors' fees are not required to be paid until at such time that sufficient funds are raised.
- 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 2021. 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 2021 \$	June 2021 \$
2. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>11,120,601</u>	<u>10,837,235</u>
Reconciliation – Medcalf		
Carrying amount at the beginning of the period	10,837,235	10,173,305
Additions to the exploration and evaluation asset	632,758	929,903
Less: R&D tax incentive received	<u>(349,392)</u>	<u>(265,973)</u>
Carrying amount at end of the period	<u>11,120,601</u>	<u>10,837,235</u>
3. TRADE AND OTHER PAYABLES		
Current liabilities (debts payable within 12 months)		
Trade creditors	273,300	261,917
Other payables and accruals ²	715,388	617,632
Interest payable ¹	<u>1,881,687</u>	<u>-</u>
	<u>2,870,375</u>	<u>879,549</u>
Non-Current liabilities (debts payable beyond 12 months)		
Interest payable ¹	<u>-</u>	<u>1,672,583</u>
	<u>-</u>	<u>1,672,583</u>

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.

2. Includes \$540,000 amount owed to director for salaries as at 31 December 2021.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

4.

BORROWINGS

	December 2021 \$	June 2021 \$
Current		
Borrowings – (payable within one year)	3,000,000	-
	3,000,000	-
Non-current		
Borrowings – (payable after one year)	1,362,752	3,625,891
	1,362,752	3,625,891

Terms of the borrowings:

Current - \$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 20 November 2022 (with accrued interest), are unsecured and not subject to any covenants. Subsequent to half-year end, the Company has negotiated a further extension of the repayment date of the \$1 million and \$2 million loan facility from 20 November 2022 to 31 January 2024.

Non-current - \$1,362,752

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. On 30 June 2021, the Company negotiated for the extension of the repayment dates of the loan facilities from 30 June 2022 to 31 January 2023. As at 31 December 2021, the Company has fully drawn down \$1,000,000 from 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 2021, the total fair value of both loans advanced by Mr Siew Swan Ong was \$902,752 (30 June 2021: \$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 2023.

In October 2021, the Company negotiated access to an additional loan facility of up to \$1,000,000 from Mr Siew Swan Ong. The additional loan facility is unsecured, provided on 5% interest per annum, accruing on daily basis and payable on the repayment date of 31 January 2023, which may be extended on the same terms by mutual agreement. As at 31 December 2021, the Company has drawn down \$460,000 from the loan facility.

5.

EQUITY

	December 2021 Number	December 2021 \$	June 2021 Number	June 2021 \$
Ordinary shares				
Balance at the beginning of the period	692,136,191	11,828,277	672,136,191	11,431,852
Placement (30 November 2020)	-	-	20,000,000	400,000
Share issue costs	-	-	-	(3,575)
Balance as at end of the period	692,136,191	11,828,277	692,136,191	11,828,277

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

6. LOSS PER SHARE

The calculation of basic loss per share as at 31 December 2021 was based on the loss attributable to ordinary shareholders of \$396,001 (2020: loss of \$289,488) and a weighted average number of ordinary shares outstanding during the year of 571,764,680 (2020: 675,614,452) shares.

	December 2021 \$	December 2020 \$
Loss attributable to ordinary shareholders	(396,001)	(289,488)
	Numbers	Numbers
Weighted average number of ordinary shares	571,764,680	675,614,452
	Cents per share	Cents per share
Basic and diluted loss per share	(0.07)	(0.04)
	December 2021 \$	June 2021 \$

7. ACCUMULATED LOSSES

Accumulated losses at the beginning of the period	(7,098,123)	(6,481,653)
Net profit / (loss) for the period	(396,001)	(616,470)
Accumulated losses at the end of the period	<u>(7,494,124)</u>	<u>(7,098,123)</u>

8. SEGMENT REPORTING

	Mineral Exploration \$	Corporate Admin \$	Company \$
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 profit/(loss) after tax	-	(396,001)	(396,001)
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)
Segment assets			
At 31 December 2021	11,170,601	494,705	11,665,306
At 30 June 2021	10,889,579	112,401	11,001,980
Segment liabilities			
At 31 December 2021	(421,344)	(6,899,809)	(7,321,153)
At 30 June 2021	(390,959)	(5,870,867)	(6,261,826)

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 2021 to 31 December 2021 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	Transaction Value	Outstanding balance	Outstanding balance
		December 2021	December 2020	December 2021	June 2021
		\$	\$	\$	\$
Mr B Butler ¹	Consulting Services	60,000	60,000	20,000	20,000
Mr X Han ²	Consulting Services	66,500	80,750	22,800	28,500

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 fees and salaries as at 31 December 2021 which remain unpaid are \$82,494 and \$540,000 respectively (which forms part of the other creditors and accrued balance) (30 June 2021: \$500,000).

As at 31 December 2021, the Company has drawdown fully the first loan facility of up to \$1,000,000 from a director, Siew Swan Ong, to meet its working capital requirements.

On 29 October 2021, the Company negotiated access to an additional loan facility of up to \$1,000,000 from Mr Siew Swan Ong. The additional loan facility is unsecured, provided on 5% interest per annum, accruing on daily basis and payable on the repayment date of 31 January 2023, which may be extended on the same terms by mutual agreement. As at 31 December 2021, the Company has drawn down \$460,000 (with accrued interest owed of \$2,193) from the loan facility.

9. EVENTS SUBSEQUENT TO BALANCE DATE

On 10 March 2022, the Company has negotiated a further extension of the repayment date of the \$1 million and \$2 million loan facility from 20 November 2022 to 31 January 2024.

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 9 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 2021 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*.

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

Brent Butler
Executive Director and CEO

Dated at Perth, Western Australia this 14th day of March 2022.

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 2021, 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 2021 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.

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 2021 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 be 'Neil Smith', written over a small, faint BDO logo.

Neil Smith
Director

Perth, 14 March 2022