



ACN 146 035 690

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

DIRECTORS

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

National Australia Bank
Level 14,
100 St Georges Terrace
PERTH, WA 6000

AUDITOR

BDO Audit (WA) Pty Ltd
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Audalia Resources Limited (ASX: **ACP**) is pleased to present its annual report for the year ended 30 June 2023 to shareholders and provide some insights into the advancements the Company has made in its activities to date and progress that it expects to make going forward.

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.

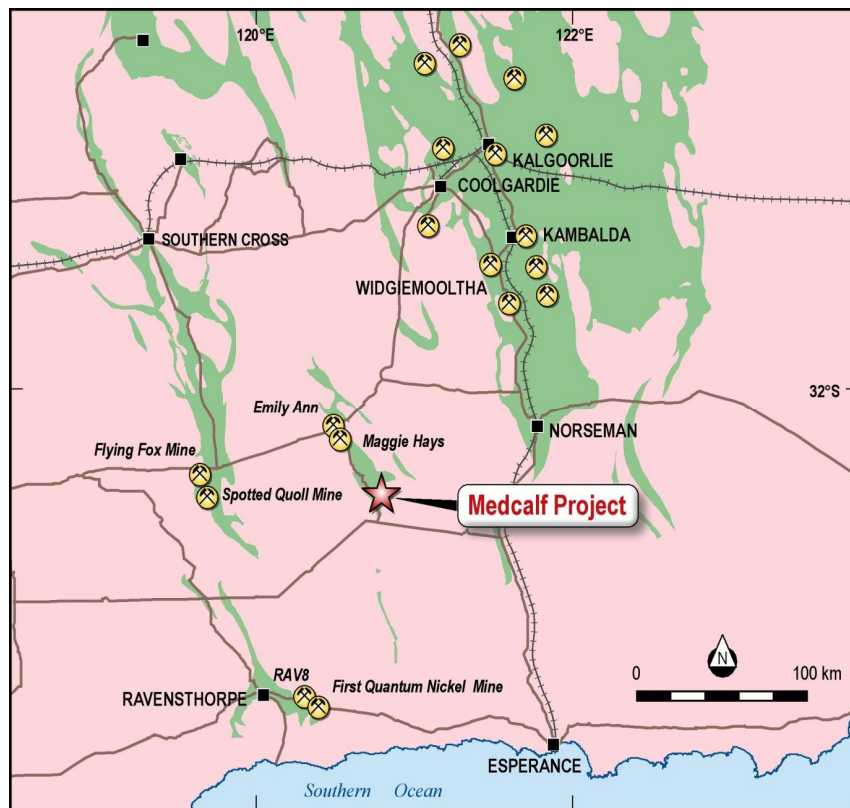


Figure 1: Medcalf Project location map

Activities conducted during the year

Updated Prefeasibility Study (PFS)

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.

Additional tenure

The Company applied for three exploration licences within a 30km radius of the Medcalf Project to extend its ground holding by additional 142 km² (Figure 2).

Once granted, the Company plans to commence exploration activities whilst the Medcalf Project obtains the necessary permits to allow developing the project into production.

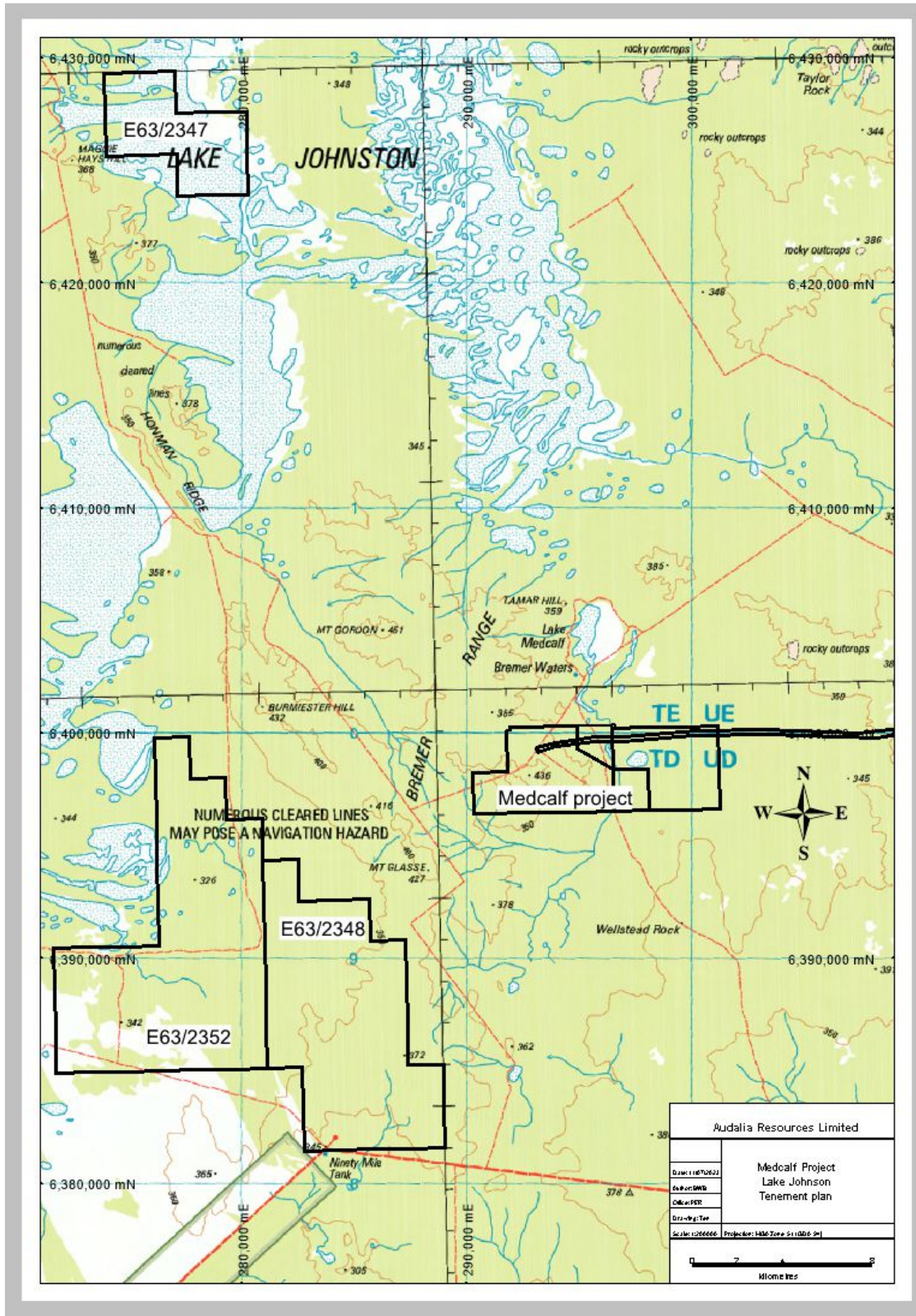


Figure 2: Medcalf Project – Tenement map

Project status

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

Completion of the primary environmental approval process remains the immediate priority of the Company. The Environmental Protection Agency (EPA) are in their final discussions with other regulators for their input before making their recommendation.

Secondary environmental approvals including those for; environmental, onsite power generation, any mine dewatering and water supply will be required during the detailed design stage.

The Company continues to explore a number of options that have been identified through the Prefeasibility Study to further improve the economic outcomes of the Project including extending the life-of-mine with inclusion of the inferred resource and possible value addition through sale of the fines product.

Audalia have begun negotiations with potential offtake partners with the view of using any offtake arrangement to secure company or project level financing. Completion of the primary environmental approval process remains the immediate priority of the Company.

CORPORATE

During the year ended 30 June 2023, the Company received an Australian Government R&D tax incentive rebate of \$463,723 (2022: \$349,392) for eligible expenditure incurred in the 2022 financial year.

Competent Persons Statement

The information in this report that relates to the Exploration Results is 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.

The Directors present their report together with the financial statements of Audalia Resources Limited (**Audalia or Company**) for the year ended 30 June 2023.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr Brent Butler

Chief Executive Officer and Executive Director – Age 63, appointed: 16 February 2011

Mr Butler is a geologist with over 30 years' experience in the resource industry. He has a geology degree from Otago University and is a Fellow member of the Australasian Institute of Mining and Metallurgy. Mr Butler is also a Fellow member of the Society of Geology (USA), Fellow member of the Geological Society of London (UK) and a member of Prospectors Development of Canada. He is currently a Director of Power Metals Corp (TSXV), President and CEO of Superior Mining International Corporation (TSXV). He has significant international exploration and mining experience in the gold industry, having worked in the United States, Brazil, Chile, Argentina, Africa and Australia.

Mr Siew Swan Ong

Executive Director – Age 51, appointed: 9 October 2010

Mr Ong holds a Bachelor of Law degree from Bond University, Australia. He is an advocate & Solicitor for more than 20 years, including managing his own legal practice in the areas of Banking Law, Commercial Law, Land & Mining Law. He was appointed as Legal Adviser and Justice of Peace by the XIV King of Malaysia, Tuanku Halim Mu'adzam Shah.

Mr Ong is also involved in the business of property investments & developments, security products, services & solutions, solid waste management & solutions.

Mr Xu (Geoffrey) Han

Non-Executive Director – Age 50, appointed: 30 June 2016

Mr Han holds a Masters in Chemical Engineering from Curtin University and has held senior engineering positions with a number of WA resource companies over the last 10 years. Mr Han specialises in mining project development of all stages from scoping study through to construction and has managed a number of mining projects during his career.

Mr Adam Buckler

Non-Executive Director – Age 44, appointed: 1 August 2022

Mr Buckler has over 20 years of experience as an accounting and finance professional. He previously held APC regional chief financial officer, finance director and chief financial officer at Worley, Orica and DRA Global Limited (ASX: DRA) respectively. Mr Buckler holds a Bachelor of Engineering (Mining Engineering) and a Master of Commerce (Professional Accounting) from the University of New South Wales. He is a member of the Institute of Chartered Accountants.

COMPANY SECRETARY

Ms Karen Logan

Appointed: 27 August 2010

Ms Logan is a Chartered Secretary with over 18 years' experience in assisting small to medium capitalised ASX-listed and unlisted companies with compliance, governance, financial reporting, capital raising, merger and acquisition, and IPO matters. She is a Fellow of The Chartered Governance Institute and a Graduate Member of the Australian Institute of Company Directors. Ms Logan is presently the principal of a consulting firm and secretary of a number of ASX-listed companies, providing corporate and accounting services to those clients.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

| Director | Company | Period of Directorship | |
|----------------------|---|------------------------|--------------------|
| | | From | To |
| Mr Siew Swan Ong | Not Applicable | - | - |
| Mr Brent Butler | Superior Mining International Corporation Power Metals Corp. | 2011 2017 | Present Present |
| Mr Xu (Geoffrey) Han | Not Applicable | - | - |
| Mr Adam Buckler | Not Applicable | - | - |

DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

| Director | Shares | Options |
|-------------------------------|-------------|---------|
| Mr Siew Swan Ong ¹ | 100,590,000 | - |
| Mr Brent Butler ² | 9,000,000 | - |
| Mr Xu (Geoffrey) Han | - | - |
| Mr Adam Buckler ³ | - | - |

Notes:

- 4,390,000 Shares are held indirectly through Ms Beng Hong Tan.
- 9,000,000 Shares are held indirectly through Megan Holdings Pty Ltd <The Butler Investment A/C>.
- Appointed on 1 August 2022.

DIRECTORS' MEETINGS

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Nomination and Remuneration Committee Meetings | |
|----------------------|----------------|----------|-----------------------------------|----------|--|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| Mr Siew Swan Ong | 7 | 7 | N/A | N/A | N/A | N/A |
| Mr Brent Butler | 7 | 7 | 1 | 1 | - | - |
| Mr Xu (Geoffrey) Han | 7 | 3 | 1 | 1 | - | - |
| Mr Adam Buckler | 4 | 4 | N/A | N/A | N/A | N/A |

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors.

Members acting on the committees of the Board during the financial year were:

| Nomination and Remuneration Committee | Audit and Risk Committee |
|---|---|
| Mr Xu Han (Chairman) Mr Brent Butler | Mr Brent Butler (Chairman) Mr Xu Han |

PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was mineral exploration and evaluation.

OPERATING AND FINANCIAL REVIEW***Operating review***

Information regarding operating activities undertaken by the Company during the year is contained in the 'Review of Activities' section of this Annual Report.

Financial review

The Company incurred a loss of \$901,790 after income tax for the financial year (2022: loss of \$836,378).

As at 30 June 2023, the Company had net assets of \$3,001,986 (30 June 2022: \$3,903,776), including cash and cash equivalents of \$410,820 (30 June 2022: \$184,025).

During the year, the Company received a Research and Development tax incentive rebate of \$463,723 (2022: \$349,392) for the 2023 financial year.

The Board of Directors considers it appropriate to prepare the Company's 2023 Annual 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 opportunities to supplement its existing working capital and fund its ongoing exploration and evaluation work. Further details are set out in Note 1(iii) to the Financial Statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Company during the financial year.

Total number of Shares on issue at 30 June 2023 was 692,136,191 (2022: 692,136,191).

RESULTS

The Company incurred a loss of \$901,790 (2022: loss of \$836,378) after income tax for the financial year.

LIKELY DEVELOPMENTS

The Company will continue to pursue its principal activity of mineral exploration and evaluation. Specifically, Audalia is seeking to continue to obtain primary environmental approvals at the flagship Medcalf Project in 2023.

Planned exploration and activities

The Company's near-term objectives include:

Medcalf Project

- Obtain primary environmental approval during 2023; and
- Undertake detailed pit design and scheduling, geotechnical investigation of mine pits, waterbore drilling and engineering design of processing plant for the secondary approval.

MATERIAL BUSINESS RISKS

The proposed future activities of the Company are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Directors and management of the Company and cannot be mitigated. An investment in the Company is not risk free and should be considered speculative.

This section provides a non-exhaustive list of the risks faced by the Company or by investors in the Company. The risks should be considered in connection with forward looking statements in this Annual Report. Actual events may be materially different to those described and may therefore affect the Company in a different way.

Investors should be aware that the performance of the Company may be affected by these risk factors and the value of its Shares may rise or fall over any given period. None of the Directors or any person associated with the Company guarantee the Company's performance.

| Business risks | Mitigating actions |
|--|---|
| <p>Exploration and evaluation</p> <ul style="list-style-type: none"> - <u>Geological, exploration and development:</u> The exploration, development and mining of mineral resources is a high risk, high cost exercise with no guarantee of success. These activities take place over an extended period of time and are often subject to increases, often material, in the costs and timing associated with these activities. Factors beyond the control of the Company may result in the Company's failure to find and/ or to be able to economically develop any mineral projects and therefore there is no guarantee as to the financial success of any such activities. - <u>Mineral Resource Estimate:</u> A Mineral Resource estimate for the Medcalf Project has been reported in accordance with the JORC (2012) Code (refer to section entitled Mineral Resource Statement in this Directors' Report). - <u>Metallurgy:</u> Mineral recoveries are dependent upon metallurgical processes which contain certain inherent risk such as identifying a metallurgical process through test work to produce a saleable mineral and/or concentrate, developing an economic process to produce a viable mineral and/or concentrate product and changes in mineralogy in an ore deposit which may result in inconsistent recovery affecting the potential economic viability of a project. - <u>Results of studies:</u> There is a risk that any future feasibility studies undertaken for the Medcalf Project will not reflect the results of the pre-feasibility study completed in March 2016. This may adversely affect the prospects and economics of the Medcalf Project. There is no guarantee that the Company will achieve commercial viability through successful development of the Medcalf Project. | <p>The Company continues to undertake systematic and staged exploration and evaluation programmes on the Medcalf Project, utilising specialist consultants, as required. As further information becomes available through additional field work and analysis, the mineral resource estimate may change. This may result in alterations to the exploration and evaluation programs.</p> <p>The Company continues to update mineral estimates. An updated mineral resource using a TiO₂ 6% lower cut-off grade has been completed during 2022 and a mining study undertaken to determine the economic feasibility of the Project within certain limits. Detailed design work will be undertaken during the secondary approval process,</p> <p>The Company continues to further enhance the metallurgical understanding of the project. Further metallurgical testwork was completed by Nagrom during 2022 to confirm that a premium High grade Titanium Lump ore (HTLO) product can be produced.</p> <p>The Company continues to update previous economic studies and has just completed a Prefeasibility study (PFS) on the viability of producing a high grade titanium lump ore (HTLO) product for the blast furnace liner market. The Company intends to continue to refine these studies during the secondary approval process.</p> |

| | |
|--|---|
| <p>Statutory approvals</p> <p>The Company's Project and operations are subject to Commonwealth and State laws, regulations and specific conditions regarding approvals to explore, construct and operate. There is a risk that such laws, regulations and specific conditions may impact the profitability of the Project and the ability of the project to be satisfactorily permitted. Key approvals from the Environmental Protection Authority, Department of Mines, Industry Regulation and Safety, Department of Water and other agencies may take longer to be obtained or may not be obtainable at all.</p> | <p>The Company utilises specialist consultants, as required, to assist with the statutory approvals process and works closely with the regulators in the preparation of submissions.</p> |
| <p>Business risks</p> | <p>Mitigating actions</p> |
| <p>Finance</p> <p>Until the Company is able to develop the Medcalf Project and generate cash flow, it is dependent upon being able to obtain future equity or debt funding to support its continuing operations. Neither the Company nor any of the Directors can provide any guarantee or assurance that if and when further funding is required, such funding can be raised on terms favourable to the Company (or at all).</p> <p>Should the Company fail to raise capital, if and when needed, it could adversely affect the Company's current strategy and intentions for the Company's assets. The inability to access further capital could have a material adverse effect on the Company's activities and its ability to repay existing long-term borrowings.</p> | <p>The Board regularly assesses the financial position of the Company and continues to assess all funding alternatives to ensure that Audalia can continue exploration and evaluation activities and progressively undertake exploration and evaluation work in relation to the Medcalf Project.</p> <p>The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means.</p> |

MINERAL RESOURCE STATEMENT

The Company has a 100% equity interest in mineral resource estimate at its Medcalf Project, which is located 470km east of Perth.

As at 30 June 2023, the Medcalf Project's mineral resource estimate focussed on High grade Titanium Lump Ore (HTLO) stood at 25.7 Mt at 9.98% TiO₂ for contained titanium dioxide content of approximately 1.67M tonnes in the Indicated category and 0.91M tonnes in the Inferred category. This mineral resource estimate was prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (JORC 2012).

The 'Checklist of Assessment and Reporting Criteria' was also provided with the technical report in line with the guidelines of the JORC Code (2012). The mineral resource has been interpolated within a geological wireframe and reported above a 6% TiO₂ lower cut and is tabulated below.

Table 1: Medcalf Project Mineral Resource Statement - March 2022

| Resource Classification | Prospect | Tonnes (Mt) | V ₂ O ₅ % | TiO ₂ % | Fe ₂ O ₃ % | Al ₂ O ₃ % | SiO ₂ % |
|----------------------------|--------------------|-------------|---------------------------------|--------------------|----------------------------------|----------------------------------|--------------------|
| Indicated | <i>Vesuvius</i> | 14.2 | 0.6 | 10.95 | 56.1 | 8.6 | 15.6 |
| | <i>Egmont</i> | 0.8 | 0.66 | 12.04 | 62.1 | 7.9 | 9.9 |
| | <i>Kilimanjaro</i> | - | - | - | - | - | - |
| Sub-Total Indicated | | 15 | 0.6 | 11.01 | 56.4 | 8.5 | 15.3 |
| Inferred | <i>Vesuvius</i> | 8.1 | 0.4 | 8.78 | 42.2 | 9.7 | 27.3 |
| | <i>Egmont</i> | - | - | - | - | - | - |
| | <i>Kilimanjaro</i> | 2.6 | 0.4 | 7.76 | 45.6 | 9.1 | 27.1 |
| Sub-Total Inferred | | 10.6 | 0.4 | 8.54 | 43 | 9.6 | 27.3 |
| Total Resource | | 25.7 | 0.52 | 9.98 | 50.9 | 9.0 | 20.2 |

Note: Figures may not add up due to rounding

The Company's independent mineral resource estimates were completed by consulting firm Cube Consulting. There is only one mineral resource on the Medcalf Project. Note Pinatubo and Fuji resources have been combined with Vesuvius.

Quality assurance and controls were put in place through independent analytical check on 6% of the 2018 drill programme assays.

The updated Mineral Resource estimate confirms the potential for a viable HTLO mining operation at the Medcalf Project and the Company continues to progress the environmental approval process.

The Company last reported an update to the mineral resource estimate in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (JORC 2012) on 18 August 2018 following completion of RC drilling programme of 89 holes for 3,794m.

The 'Checklist of Assessment and Reporting Criteria' was also provided with the technical report in line with the guidelines of the JORC Code (2012). The mineral resource has been interpolated within a geological wireframe the using a 0.20% V₂O₅ lower cut and is tabulated below.

Table 2: Medcalf Project Mineral Resource Statement - August 2018

| Resource Classification | Prospect | Tonnes (Mt) | V ₂ O ₅ % | TiO ₂ % | Fe ₂ O ₃ % | Al ₂ O ₃ % | SiO ₂ % |
|----------------------------|--------------------|-------------|---------------------------------|--------------------|----------------------------------|----------------------------------|--------------------|
| Indicated | <i>Vesuvius</i> | 17.4 | 0.54 | 9.82 | 54.6 | 8.9 | 16.9 |
| | <i>Egmont</i> | 0.8 | 0.64 | 11.86 | 62.0 | 7.9 | 10.0 |
| | <i>Kilimanjaro</i> | - | - | - | - | - | - |
| Sub-Total Indicated | | 18.2 | 0.55 | 9.91 | 54.9 | 8.9 | 16.6 |
| Inferred | <i>Vesuvius</i> | 10.0 | 0.37 | 8.08 | 41.0 | 9.7 | 28.4 |
| | <i>Egmont</i> | - | - | - | - | - | - |
| | <i>Kilimanjaro</i> | 3.8 | 0.35 | 6.90 | 43.7 | 9.6 | 28.8 |
| Sub-Total Inferred | | 13.8 | 0.37 | 7.75 | 41.8 | 9.7 | 28.5 |
| Total Resource | | 32.0 | 0.47 | 8.98 | 49.2 | 9.2 | 21.7 |

The previous Mineral Resource before 2018 calculated by Ravensgate and was announced to the market on August 18th, 2014.

The 'Checklist of Assessment and Reporting Criteria' was also provided with the technical report in line with the guidelines of the JORC Code (2012). The mineral resource has been interpolated within a geological wireframe the using a 0.20% V₂O₅ lower cut and is tabulated below.

Table 3: Medcalf Project Mineral Resource Statement - August 2014

| <i>Mineral Resources for the Medcalf Deposit - JORC 2012</i> | | | | |
|--|-------------|-----------------------------------|----------------------|---|
| Resource Category | Tonnes | V ₂ O ₅ (%) | TiO ₂ (%) | Cut-off V ₂ O ₅ (%) |
| Measured | - | | | |
| Indicated | 23.0 | 0.47 | 8.5 | 0.2 |
| Inferred | 8.8 | 0.40 | 8.1 | 0.2 |
| TOTAL | 31.8 | 0.45 | 8.4 | 0.2 |

The minor differences between the 2014 and 2018 Mineral resources is due to an updated Geological model by utilising the 2018 drillhole information.

Governance arrangements and internal controls

Mineral resources are estimated by suitably qualified independent consultants to Audalia in accordance with the requirements of the JORC Code, using industry best practice standards and consultants' internal guidelines for the estimation and reporting of mineral resources. The mineral resource estimates included in the Company's 2023 Annual Report are peer reviewed by a suitably qualified competent person.

Competent Person's Statement

The information in this report that relates to Mineral Resources is based on information compiled by Patrick Adams who is a Fellow of the Australasian Institute of Mining and Metallurgy. Patrick Adams is an employee of Cube Consulting Ltd and 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". Mr Adams has given his consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

DIVIDENDS

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

ENVIRONMENTAL REGULATION

The Company's exploration and mining activities are governed by a range of environmental legislation and regulations including the *National Greenhouse and Energy Report Act 2007* and *Mining Act 1978*. As the Company is still in the assessment phase of its interests in exploration projects, Audalia is not yet subject to the public reporting requirements of environmental legislation and regulations. To the best of the Directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of the applicable environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

GOVERNANCE

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value for stakeholders and enhances investor confidence.

The Company's corporate governance statement is available on the Company's website, in a section titled 'Corporate Governance': www.audalia.com.au/corporate/corporate-governance/

EVENTS SUBSEQUENT TO REPORTING DATE

On 14 September 2023, the Company announced that it has negotiated access to additional loan facility of up to A\$500,000 from a director, Siew Swan Ong, to meet its working capital requirement. In addition, the Company has negotiated for an extension of the repayment dates of all loan facilities from 31 January 2024 to 31 July 2025.

Other than those mentioned above, there has been no arisen of any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, that affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

REMUNERATION REPORT (AUDITED)

The Remuneration Report, which has been audited, outlines the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

In this report, the term “executive” refers to the executive Directors of the Company.

(a) Key management personnel

The following were key management personnel of the Company at any time during the year and unless otherwise indicated were key management persons for the entire year:

| Name | Position held |
|----------------------|--|
| Mr Siew Swan Ong | Executive Director |
| Mr Brent Butler | Chief Executive Officer and Executive Director |
| Mr Xu (Geoffrey) Han | Non-Executive Director |
| Mr Adam Buckler | Non-Executive Director |

(b) Remuneration governance

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the Directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

Further information on the Nomination and Remuneration Committee’s role, responsibilities and membership is set out in the Company’s corporate governance statement which can be found on the Company’s website, in a section titled ‘Corporate Governance’: www.audalia.com.au/corporate/corporate-governance/.

(c) Remuneration policies and framework

(i) Principles of remuneration

The remuneration structures explained below are competitively set to attract, motivate and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel’s ability to control the achievement of strategic objectives; and
- the Company’s performance including:
 - the growth in share price; and
 - the amount of incentives within each key management person’s compensation.

Given the evaluation and developmental nature of the Company’s principal activity, the overall level of compensation does not have regard to the earnings of the Company.

(ii) Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Directors’ remuneration is clearly distinguished from that of executives.

(d) Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration for all Non-Executive Directors, last voted upon by shareholders at the 2011 General Meeting, is not to exceed \$300,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-Executive Directors do not receive any retirement benefits, other than statutory superannuation, nor do they receive any performance related compensation. Level of non-Executive Directors' fees is as follows:

| Name | Annual Fees |
|-----------------|-------------|
| Mr Xu Han | \$25,000 |
| Mr Adam Buckler | \$30,000 |

(e) Executive remuneration

Remuneration for executives is set out in employment and consultancy agreements. Details of the agreements with the CEO/Executive Director is provided below.

| Name | Annual Fees |
|------------------------------|-------------|
| Mr Brent Butler ¹ | \$30,000 |

1. Mr Brent Butler was appointed Chief Executive Officer on 14 April 2015. His remuneration as an executive director is disclosed in section (k) of this Remuneration Report. Mr Butler continues to receive this Director's fee in addition to his remuneration as the Company's CEO.

Executive Directors may receive performance related compensation, statutory leave obligations and statutory superannuation but do not receive any other retirement benefits.

(i) Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost) as well as employer contributions to superannuation funds. Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee. As described in section (j) of this Remuneration Report, as it is not possible to evaluate the Company's financial performance using generally accepted measures such as profitability or total shareholder returns, remuneration considerations will have regard to achievement of strategic objectives, service criteria and share price.

As noted above, the Nomination and Remuneration Committee has access to external advice independent of management, if required, but did not use any experts in the current year.

(ii) Short-term incentive

The Company has not set any short-term incentives (STI) for key management personnel.

(iii) Long-term incentive

Long-term incentives (LTI) may be provided to key management personnel in the form of options over ordinary shares of the Company, ordinary shares or other equity-settled remuneration. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. LTI may generally only be issued to a Director subject to approval by shareholders in a general meeting.

In 2016, the CEO participated in LTI in the form of equity-settled remuneration which has been granted pursuant to the completion of certain performance conditions and after the Company obtained the necessary approval from shareholders. Further details are set out in section (k) of this Remuneration Report.

The Company has a policy that prohibits employees and Directors of the Company from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.

(f) Use of remuneration consultants

The Board did not engage the services of a remuneration consultant during the year.

(g) Voting and comments made at the Company's 2022 Annual General Meeting

At the 2022 Annual General Meeting, 100% of votes cast by poll were in favour of the adoption of the Company's remuneration report for the 2022 financial year. The Company did not receive any comments at the Annual General Meeting on its remuneration report.

(h) Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Directors have regard to the following indices in respect of the current financial period:

| | 2023 ⁴ | 2022 ⁴ | 2021 ³ | 2020 ² | 2019 ¹ |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net loss for the year | (901,790) | (836,378) | (616,470) | (734,925) | (797,658) |
| Change in share price | nil | nil | nil | nil | nil |
| Share price at beginning of the period | \$0.012 | \$0.025 | \$0.01 | \$0.008 | \$0.020 |
| Share price at end of the period | \$0.011 | \$0.012 | \$0.025 | \$0.01 | \$0.008 |
| (Loss)/profit per share (cents) | (0.13) | (0.12) | (0.09) | (0.11) | (0.13) |

1. No shares were issued during the 2019 financial year.
2. The Company issued a total of 80,000,000 shares during the 2020 financial year, on 18 July 2019 (50,000,000) and 6 March 2020 (30,000,000).
3. The Company issued a total of 20,000,000 shares during the 2021 financial year, on 30 November 2020.
4. No shares were issued during the 2022 and 2023 financial year.

Due to the Company currently being in an exploration and evaluation phase, the Company's earnings are not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration takes into account the achievement of strategic objectives, service criteria and share price.

(i) Employment and Consultancy Agreements

Mr Ong, Executive Director, had an employment agreement with the Company (**ED Employment Agreement**) which specified the duties and obligations to be fulfilled by the Executive Director. The ED Employment Agreement provided a salary of \$80,000 per annum (exclusive of statutory superannuation) but it expired on 4 July 2018. Mr Ong continues to be paid on the same terms as the ED Employment Agreement.

Mr Butler, CEO/ Executive Director, had a consultancy agreement with the Company (**CEO Consultancy Agreement**) which specified the duties and obligations to be fulfilled by the CEO. The CEO Consultancy Agreement provided an annual fee of \$120,000 per annum (exclusive of GST) but it expired on 14 April 2019. Mr Butler continues to be paid on the same terms as the CEO Consultancy Agreement. Should the Company decide to terminate the CEO Consultancy Agreement, a minimum of 3 months payout must be transacted at the time of notice unless there is a breach of duty and Company policy conditions.

Mr Han is engaged as a consultant to the Company on a month to month basis. The engagement is for a set number of days in one month at a day rate of \$950 per day. As the engagement is on a month to month basis, there are no termination benefits and notice periods. Mr Han is subject to the Company's Code of Conduct with regard to termination of the engagement.

(j) Link between remuneration and performance

The Nomination and Remuneration Committee determines the Company's remuneration policy and structure to ensure it aligns with the Company's needs and meet remuneration principles set out in section (c) of this Remuneration Report. Remuneration is not linked to performance using generally accepted measures such as profitability or total shareholder returns but linked to achievement of strategic objectives or service criteria aimed at advancing the goals set out to achieve project outcomes which the Board believes aligns with creation of positive shareholder value.

(k) Remuneration of key management personnel

Details of the nature and amount of each major element of the remuneration of each key management person of the Company are:

| | | Fixed Remuneration | | | Variable Remuneration | | Total |
|--------------------------|-------------|------------------------------|-------------------------------|-------------------------------------|----------------------------|----------------|-------|
| | | SHORT-TERM EMPLOYEE BENEFITS | POST-EMPLOYMENT BENEFITS | LONG-TERM BENEFITS | LONG-TERM BENEFITS | | |
| | | Salary & fees \$ | Superannuation benefits \$ | Annual and Long Service Leave \$ | Share based payments \$ | \$ | |
| Directors | | | | | | | |
| Non-executive | | | | | | | |
| Mr X Han ¹ | 2023 | 31,213 | - | - | - | 31,213 | |
| | 2022 | 152,300 | - | - | - | 152,300 | |
| Mr A Buckler | 2023 | 27,500 | - | - | - | 27,500 | |
| | 2022 | - | - | - | - | - | |
| Executive | | | | | | | |
| Mr S S Ong | 2023 | 80,000 | 8,400 | 6,941 | - | 95,341 | |
| | 2022 | 80,000 | 8,000 | 7,454 | - | 95,454 | |
| Mr B Butler ² | 2023 | 160,000 | - | - | - | 160,000 | |
| | 2022 | 150,000 | - | - | - | 150,000 | |
| Total | 2023 | 298,713 | 8,400 | 6,941 | - | 314,054 | |
| | 2022 | 382,300 | 8,000 | 7,454 | - | 397,754 | |

1. Mr Han's remuneration includes the consultancy fees listed in the other transactions with key management personnel in section (m) of this Remuneration Report below.
2. Mr Butler's remuneration includes the consultancy fees listed in the other transactions with key management personnel in section (m) of this Remuneration Report below.

Share-based remuneration

There were no share based payments granted in the 2023 financial year (2022: nil).

Equity instruments held by key management personnel

The number of ordinary fully paid shares in the Company held directly and indirectly by Directors and other key management personnel, and any movements during the period are set out below:

| | Balance at 1 July 2022 | Received as remuneration | Options Exercised | Net Changes Other | Balance at 30 June 2023 |
|----------------------|---------------------------|-----------------------------|----------------------|-------------------------|----------------------------|
| Directors | | | | | |
| <u>Non-Executive</u> | | | | | |
| Mr X Han | - | - | - | - | - |
| Mr A Buckler | - | - | - | - | - |
| <u>Executive</u> | | | | | |
| Mr S S Ong | 100,590,000 | - | - | - | 100,590,000 |
| Mr B Butler | 9,000,000 | - | - | - | 9,000,000 |

(l) Loans to/from key management personnel

On 16 June 2020, 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.

On 29 October 2021, the Company negotiated access to an additional loan facility of up to \$1,000,000 from a director, Siew Swan Ong, to meet its working capital requirements (Additional Related Party Loan Facility). The Additional Related Party 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. Full details of the Related Party Loan Facility are set out in the ASX release dated 29 October 2021.

On 26 October 2022, the Company has access to a further additional loan facility of up to A\$500,000 with 5% interest rate per annum (compounded daily) to meet its working capital requirements. The loan facility is unsecured, and the amount is payable in full (with accrued interest) on 31 January 2024. Full details of the loan facility are set out in the ASX release dated 26 October 2022.

Refer to Note 7 for the material terms of the loan facility.

As at 30 June 2023, the Company has drawn down \$2,380,000 (2022: \$1,760,000) from total loan facilities of \$2,500,000.

(m) Other transactions with key management personnel

There were no other transactions with key management personnel and related parties during the year other than reported below. These values are included in the remuneration table at section (k) of this Remuneration Report above.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. 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 year relating to key management personnel and their related parties were as follows:

| Director/ Executive | Transaction | Transactions value year ended 30 June | | Balance outstanding as at 30 June | |
|--------------------------|------------------|--|------------|--------------------------------------|------------|
| | | 2023 \$ | 2022 \$ | 2023 \$ | 2022 \$ |
| Mr B Butler ¹ | Consultancy fees | 160,000 | 120,000 | 20,000 | 20,000 |
| Mr X Han ² | Consultancy fees | 31,209 | 127,300 | 3,363 | 24,700 |

1. A company associated with Mr Butler, World Technical Services Group Pty Ltd, provided consulting services in connection with the Company's exploration projects in 2023. Terms for such services were based on market rates, and amounts were 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 year 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.

The total amount owed to the Directors for salaries and superannuation which remain unpaid as at 30 June 2023 is \$660,000 and \$63,900 (2022: \$580,000 and \$55,500) respectively. These amount forms part of the other creditors and accrued balance in Note 5.

This concludes the Remuneration Report, which has been audited.

OPTIONS

Unissued shares under option

At the date of this report, there were no unissued ordinary shares of the Company under option. No options have been granted since the end of the previous financial year.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current Directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the Directors, the company secretary, and executive officers of the Company against any liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the director's and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contract.

INDEMNIFICATION AND INSURANCE OF AUDITORS

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

The following non-audit services were provided by BDO Corporate Tax (WA) Pty Ltd, entities associated with the Company's auditor, BDO Audit (WA) Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Corporate Tax (WA) Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

| | 2023 | 2022 |
|---------------------------------------|-------------|-------------|
| | \$ | \$ |
| <i>BDO Corporate Tax (WA) Pty Ltd</i> | | |
| Tax compliance and related services | 25,400 | 20,700 |

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO AUDIT (WA) PTY LTD

There are no officers of the Company who are former audit partners of BDO Audit (WA) Pty Ltd.

AUDITOR'S INDEPENDENCE DECLARATION

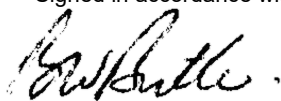
The auditor's independence declaration is set out on page 26 and forms part of the Directors' Report.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Dated at Perth, Western Australia this 28th day of September 2023.

Signed in accordance with a resolution of the Directors:


Brent Butler
CEO/ Executive Director

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

As lead auditor of Audalia Resources Limited for the year ended 30 June 2023, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth

28 September 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2023

| | Notes | 2023 \$ | 2022 \$ |
|--|-------|------------|------------|
| Revenue from continuing operations | | | |
| Interest income | | 1,349 | 122 |
| Other income | | 16,728 | - |
| Financing costs (interest expense) | 7 | (519,473) | (482,330) |
| Exploration expenditure write off | 12 | (11,232) | (6,532) |
| Corporate and administration expenses | 12 | (389,162) | (347,638) |
| Loss before income tax expense | | (901,790) | (836,378) |
| Income tax (expense) / benefit | 13 | - | - |
| Net loss after income tax for the year | | (901,790) | (836,378) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the year | | (901,790) | (836,378) |
| Basic and diluted loss per share (cents per share) | 14 | (0.13) | (0.12) |

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

| | Notes | 2023 \$ | 2022 \$ |
|--|-------|-------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 410,820 | 184,025 |
| Receivables and other financial assets | | 49,266 | 49,805 |
| Other assets | | 12,312 | 11,078 |
| Total current assets | | <u>472,398</u> | <u>244,908</u> |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 1,651 | 3,003 |
| Investments | | 50,000 | 50,000 |
| Exploration and evaluation expenditure | 4 | 11,634,410 | 11,577,655 |
| Total non-current assets | | <u>11,686,061</u> | <u>11,630,658</u> |
| TOTAL ASSETS | | <u>12,158,459</u> | <u>11,875,566</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 5 | 3,727,795 | 1,083,290 |
| Employee benefits obligations | 6 | 84,495 | 77,449 |
| Borrowings | 7 | 5,328,183 | 1,704,278 |
| Total current liabilities | | <u>9,140,473</u> | <u>2,865,017</u> |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 5 | - | 2,092,073 |
| Employee benefits obligations | 6 | 16,000 | 14,700 |
| Borrowings | 7 | - | 3,000,000 |
| Total non-current liabilities | | <u>16,000</u> | <u>5,106,773</u> |
| TOTAL LIABILITIES | | <u>9,156,473</u> | <u>7,971,790</u> |
| NET ASSETS | | <u>3,001,986</u> | <u>3,903,776</u> |
| EQUITY | | | |
| Issued capital | 8 | 11,828,277 | 11,828,277 |
| Reserve | 9 | 10,000 | 10,000 |
| Accumulated losses | 10 | (8,836,291) | (7,934,501) |
| TOTAL EQUITY | | <u>3,001,986</u> | <u>3,903,776</u> |

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

STATEMENT OF CASH FLOWS
for the year ended 30 June 2023

| | Notes | 2023 \$ | 2022 \$ |
|--|-------|------------|-------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (265,492) | (237,557) |
| Interest received | | 1,064 | 118 |
| Net cash used in operating activities | 17 | (264,428) | (237,439) |
| Cash flows from investing activities | | | |
| Payments for exploration and evaluation assets - capitalised costs | | (592,500) | (1,011,411) |
| Proceeds from R&D incentives for exploration and evaluation | | 463,723 | 349,392 |
| Net cash used in investing activities | | (128,777) | (662,019) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 8 | - | - |
| Payment of share issue costs | | - | - |
| Proceeds from borrowings | 7 | 620,000 | 1,030,000 |
| Net cash provided by financing activities | | 620,000 | 1,030,000 |
| Net increase/(decrease) in cash held | | 226,795 | 130,542 |
| Cash and cash equivalents at the beginning of the year | | 184,025 | 53,483 |
| Cash and cash equivalents at the end of the year | 3 | 410,820 | 184,025 |

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2023

| | Contributed equity \$ | Accumulated losses \$ | Reserve \$ | Total equity \$ |
|---|-----------------------------|-----------------------------|---------------|-----------------------|
| Balance at 1 July 2022 | 11,828,277 | (7,934,501) | 10,000 | 3,903,776 |
| Loss for the year | - | (901,790) | - | (901,790) |
| <i>Total comprehensive losses for the year</i> | - | (901,790) | - | (901,790) |
| <i>Transactions with Shareholders in their capacity as shareholders</i> | | | | |
| Issue of shares | - | - | - | - |
| Transaction costs of issuing shares | - | - | - | - |
| Balance at 30 June 2023 | 11,828,277 | (8,836,291) | 10,000 | 3,001,986 |
| Balance at 1 July 2021 | 11,828,277 | (7,098,123) | 10,000 | 4,740,154 |
| Loss for the year | - | (836,378) | - | (836,378) |
| <i>Total comprehensive losses for the year</i> | - | (836,378) | - | (836,378) |
| <i>Transactions with Shareholders in their capacity as shareholders</i> | | | | |
| Issue of shares | - | - | - | - |
| Transaction costs of issuing shares | - | - | - | - |
| Balance at 30 June 2022 | 11,828,277 | (7,934,501) | 10,000 | 3,903,776 |

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

1. BASIS OF PREPARATION AND COMPLIANCE STATEMENT

The financial report of Audalia Resources Limited (the Company or Audalia) for the financial year ended 30 June 2023 was authorised by the Board of Directors for release on 28 September 2023. The Company is a public company limited by shares incorporated and domiciled in Australia whose shares are traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Review of Activities.

(i) *Statement of compliance*

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Audalia is a for profit entity for the purpose of preparing the financial statements. The financial statements of the Company also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) *Basis of measurement*

The financial statements are prepared on the accruals basis and the historical cost basis except for financial assets and liabilities measured at fair value. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

(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 annual report. The annual financial report has been prepared on a going concern basis.

The Company incurred a loss after tax of \$901,790 (2022: \$836,378) for the year ended 30 June 2023. Total net cash inflows for the year ended 30 June 2023 was \$226,795 (2022: Inflows \$130,542) which was a result of net cash outflows of \$393,205 (2022: \$899,458) from operating and investing activities and \$620,000 (2022: \$1,030,000) net cash inflows from financing activities relating to proceed from loan facilities. The Company has working capital deficiency of \$8,668,075 (2022: \$2,620,109) at reporting date.

The Directors have prepared an estimated cash flow forecast for the period to September 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, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have made an assessment 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 \$410,820 as at 30 June 2023 (30 June 2022: \$184,025).
- The Company has \$120,000 unused financing facilities available with Mr Siew Swan Ong as at 30 June 2023. The loan is unsecured, provided with 5% interest per annum and has a maturity date on 31 January 2024. Subsequent to year end, the maturity date was extended to 31 July 2025.
- 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.

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 annual 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 Company not continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Report. The accounting policies have been consistently applied unless otherwise stated.

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

In the year ended 30 June 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2023. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations issued by the AASB and, therefore, no change is necessary to Company accounting policies.

(b) 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 year ended 30 June 2023. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Company accounting policies.

(c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the Board of Directors.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The Company undertakes an assessment of impairment indicators at each reporting date to determine if the assets recoverable amount exceeds its carrying amount. Where there are research and development costs recouped through government incentives in relation to exploration and evaluation, these are netted against the carrying value of capitalised expenditure incurred in respect of the identifiable project or area of interest where practicable. Events may occur or information may come to hand after the issue of this report which may materially alter the carrying value of this asset. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits.

Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of borrowings using the effective interest method. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash asset transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

(h) Employee benefits

Liabilities for wages and salaries including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented as current employee benefit obligations in the statement of financial position. Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured as present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Re-measurements as a result of adjustments and changes are recognised in profit or loss. The obligations are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(j) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement. The Company has unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(k) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Tax incentives

The Company may be entitled to claim special tax deductions for investments in qualifying expenditure (e.g. Research and Development Tax Incentive Scheme in Australia). The Company accounts for such allowances on the same basis as the relevant expenditure. If the expenditure is expensed in the income statement the tax incentive will be recorded in the profit or loss. If the expenditure is capitalised to an asset, the tax incentive will reduce the carrying value of the asset.

(m) Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Loans and receivables are recognised when cash is advanced (or settled).

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognised when extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets are classified into the following categories:

- amortised cost
- fair value either through other comprehensive income (FVOCI), or through profit or loss (FVPL).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

Subsequent measurement of financial assets

(i) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. The Company's cash and cash equivalents, and trade and other receivables fall into this category of financial instruments.

(ii) Financial assets at fair value through other comprehensive income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI (**Equity FVOCI**). Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. Any gains or losses recognised in other comprehensive income (**OCI**) are not recycled upon derecognition of the asset.

The Company's unquoted equity investment falls into this category of financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial Instruments (continued)

Debt instruments at fair value through other comprehensive income (Debt FVOCI) are financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to “hold to collect” the associated cash flows and sell financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets in this category comprise of:

- items held for trading (through a business model other than ‘hold to collect’ or ‘hold to collect and sell’)
- items specifically designated as fair value through profit or loss on initial recognition; and
- debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis. This category may include equity investment where the Company did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI).

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or if a host contract contains one or more embedded derivatives; or if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

The fair value is determined in line with the requirements of AASB 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

AASB 9’s impairment requirements use more forward-looking information to recognise expected credit losses using the ‘expected credit loss (ECL) model’. This replaced AASB 139’s ‘incurred loss model’.

Instruments within the scope of the new requirements includes loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments that are not measured at fair value through profit or loss.

In applying the ECL model, the Company considers:

- financial instruments that have deteriorated significantly in credit quality since initial recognition or that have low credit risk (category 1)
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (category 2)
- financial assets that have objective evidence of impairment at reporting date (category 3)

The Company will apply ‘12-month expected credit loss’ for the first category while ‘lifetime expected credit losses’ are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(l) Financial Instruments (continued)****Classification and initial measurement of financial liabilities**

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

The Company's financial liabilities at amortised cost include borrowings, trade and other payables.

(n) Significant accounting judgements, estimates and assumptions

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and on other various factors management believes to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Assumptions used to carry forward the exploration assets

The write-off or carrying forward of exploration expenditure is based on a periodic assessment of the viability of an area of interest and/or the existence of economically recoverable reserves. This assessment is based on pre-determined impairment indicators, taking into account the requirements of the accounting standard, and with the information available at the time of preparing this report. Information may come to light in subsequent periods which requires the asset to be impaired or written down for which the Directors are unable to predict the outcome.

Discount rate used to determine the fair value interest free loan

The Company used 10% as discount rate to determine the fair value of a long-term loan that carries no interest. Such loans can be measured as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument.

NOTES TO THE FINANCIAL STATEMENTS

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | \$ | \$ |
| 3. Cash | | |
| Cash at bank and in hand | 410,820 | 184,025 |
| 4. Exploration and evaluation assets | | |
| Exploration, evaluation and development costs carried forward in respect of areas of interest | 11,634,410 | 11,577,655 |
| Reconciliation – Medcalf | | |
| Carrying amount at the beginning of the year | 11,577,655 | 10,837,235 |
| Additions to the exploration and evaluation asset | 520,478 | 1,089,812 |
| Less: R&D tax incentive received (Medcalf Project) | (463,723) | (349,392) |
| Carrying amount at end of the year | 11,634,410 | 11,577,655 |
| 5. Trade and other payables | | |
| | \$ | \$ |
| <u>Current liabilities (due within 12 months)</u> | | |
| Trade creditors | 238,816 | 351,491 |
| Other creditors and accruals | 866,885 | 717,346 |
| Interest payable ¹ | 2,622,094 | 14,453 |
| | 3,727,795 | 1,083,290 |
| <u>Non-current liabilities (payable after 12 months)</u> | | |
| Interest payable ¹ | - | 2,092,073 |
| | - | 2,092,073 |
| Notes: | | |
| 1. Refer to Note 7 for details of the repayment period for borrowings. This amount relates to the unpaid interest on borrowings as at 30 June. | | |
| 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. | | |
| 6. Employee benefits obligations | | |
| | \$ | \$ |
| Annual leave – current | 84,495 | 77,449 |
| <u>Annual leave – current (due for payment within 12 months)</u> | | |
| Reconciliation | | |
| Balance brought forward | 77,449 | 70,403 |
| Movement during the year | 7,046 | 7,046 |
| Balance carried forward | 84,495 | 77,449 |
| Long service leave – non-current | 16,000 | 14,700 |
| <u>Annual and Long service leave – non-current liabilities (debts payable after 12 months)</u> | | |
| Reconciliation | | |
| Balance brought forward | 14,700 | 13,400 |
| Movement during the year | 1,300 | 1,300 |
| Balance carried forward | 16,000 | 14,700 |

| 7. Borrowings (loans) | 2023 \$ | 2022 \$ |
|--------------------------------------|------------------|------------------|
| <i>Current</i> | 5,328,183 | 1,704,278 |
| Borrowings carried at amortised cost | <u>5,328,183</u> | <u>1,704,278</u> |
| <i>Non-current</i> | | |
| Borrowings carried at amortised cost | <u>-</u> | <u>3,000,000</u> |
| | <u>-</u> | <u>3,000,000</u> |
| <i>Facilities</i> | | |
| Amount used | 5,380,000 | 4,760,000 |
| Amount unused | 120,000 | 240,000 |
| Total facilities | <u>5,500,000</u> | <u>5,000,000</u> |

Terms of 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 - \$2,328,183

i. Interest-free loan facility \$1 million - \$948,183

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 30 June 2023, the Company has fully drawn down \$1,000,000 (30 June 2022: \$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 30 June 2023, the total fair value was \$948,183 (30 June 2022: \$944,278). 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 - \$1,380,000

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 30 June 2023, the Company has drawn down \$1,380,000 (30 June 2022: \$760,000) from the loan facility.

Fair value estimation

The Directors consider that the carrying amount of the \$3 million and \$1,380,000 financial liabilities maturing on 31 January 2024 respectively approximates their fair values as the impact of any time value of money would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

7. Borrowings (loans) (continued)

| | 2022 \$ | Cash flows | | Non-cash | 2023 \$ |
|------------------------------------|-------------------|-------------------|------------|------------------|-------------------|
| | | Proceeds | Repayments | Interest expense | |
| Borrowings | 4,704,278 | 620,000 | - | 3,905 | 5,328,183 |
| Interest on borrowings (Note 5) | 2,106,526 | - | - | 515,568 | 2,622,094 |
| | <u>6,810,804</u> | <u>620,000</u> | <u>-</u> | <u>519,473</u> | <u>7,950,277</u> |

| | 2021 \$ | Cash flows | | Non-cash | 2022 \$ |
|------------------------------------|-------------------|-------------------|------------|------------------|-------------------|
| | | Proceeds | Repayments | Interest expense | |
| Borrowings | 3,625,891 | 1,030,000 | - | 48,387 | 4,704,278 |
| Interest on borrowings (Note 5) | 1,672,583 | - | - | 433,943 | 2,106,526 |
| | <u>5,298,474</u> | <u>1,030,000</u> | <u>-</u> | <u>482,330</u> | <u>6,810,804</u> |

Repayment profile (in years) – (Liquidity)

| | Carrying Amount | Contractual Cash flows | Less than 1 year¹ | Between 2 and 5 years² |
|-------------|----------------------------|-----------------------------------|---|--|
| | \$ | \$ | \$ | \$ |
| 2023 | | | | |
| Interest | 2,622,094 | 2,622,094 | 2,622,094 | - |
| Borrowings | 5,328,183 | 5,380,000 | 5,380,000 | - |
| | <u>7,950,277</u> | <u>8,002,094</u> | <u>8,002,094</u> | <u>-</u> |
| 2022 | | | | |
| Interest | 2,106,526 | 2,106,526 | 14,453 | 2,092,073 |
| Borrowings | 4,704,278 | 4,760,000 | 1,760,000 | 3,000,000 |
| | <u>6,810,804</u> | <u>6,866,526</u> | <u>1,774,453</u> | <u>5,092,073</u> |

Notes:

- At reporting date, an interest free loan balance of \$1,000,000 (30 June 2022: \$1,000,000) is due for repayment on 31 January 2024 (30 June 2022: 30 June 2022). An additional interest payable loan and interest advanced to the Company during the year of \$1,380,000 (30 June 2022: \$760,000) and \$72,403 (30 June 2022: \$14,453) are repayable on 31 January 2024.
- At reporting date, borrowings and interest of \$3,000,000 (30 June 2022: \$3,000,000) and \$2,549,691 (30 June 2022: \$2,092,073) are repayable on 31 January 2024 (30 June 2022: November 2022).

8. Equity

(a) Ordinary shares

| | 2023 Number | 2022 Number | 2023 \$ | 2022 \$ |
|--------------------------------------|--------------------|--------------------|-------------------|-------------------|
| Balance at the beginning of the year | 692,136,191 | 692,136,191 | 11,828,277 | 11,828,277 |
| Share issue costs | - | - | - | - |
| Balance as at end of the year | <u>692,136,191</u> | <u>692,136,191</u> | <u>11,828,277</u> | <u>11,828,277</u> |

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

Every holder of ordinary shares present at a shareholder meeting in person or by proxy is entitled to one vote on a show of hands; and on 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.

(b) Options

At reporting date, the Company does not have any options to acquire ordinary shares issued.

No options were granted during the year.

(c) Capital management

The Company's objectives when managing capital are disclosed in Note 11.

9. Reserve

| | 2023 \$ | 2022 \$ |
|------------------------|---------------|---------------|
| Option premium reserve | <u>10,000</u> | <u>10,000</u> |
| | <u>10,000</u> | <u>10,000</u> |

The option premium reserve was used to record the value of options issued in satisfaction of fees payable to a consultant.

10. Accumulated losses

| | 2023 \$ | 2022 \$ |
|---|--------------------|--------------------|
| Accumulated losses at the beginning of the year | (7,934,501) | (7,098,123) |
| Net loss for the year | <u>(901,790)</u> | <u>(836,378)</u> |
| | <u>(8,836,291)</u> | <u>(7,934,501)</u> |

11. Risk management

Audalia’s risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company’s risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Company has exposure to the following risks from their use of financial assets:

- Market risk
- Liquidity risk
- Credit risk

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the equity markets and seeks to minimise the potential adverse effects due to movements in financial liabilities or assets. The Company holds the following financial instruments as at 30 June:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 410,820 | 184,025 |
| Receivables and other financial assets | 49,266 | 49,805 |
| | <u>460,086</u> | <u>233,830</u> |
| Financial liabilities | | |
| Trade and other payables | (3,727,795) | (3,175,363) |
| Borrowings | (5,328,183) | (4,704,278) |
| | <u>(9,055,978)</u> | <u>(7,879,641)</u> |

Market risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. There were no changes in the Company’s market risk management policies from previous years.

Interest rate risk

The Company’s exposure to interest rates primarily relates to the Company’s cash and cash equivalents. The Company manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

11. Risk management (continued)

| | 2023 \$ | 2022 \$ |
|----------------------------------|------------|------------|
| <i>Variable rate instruments</i> | | |
| Cash at bank | 410,820 | 184,025 |
| | 410,820 | 184,025 |

Cash flow sensitivity analysis for variable rate instruments

The Board notes that recent RBA and press reports suggest that there will likely not be a movement of significant magnitude within the next 12 months. Although not likely, this analysis assumes a change of 25-basis points in interest rates. Based on cash balances held at variable rates as at 30 June 2023, a change of 25 basis points in interest rates would have increased or decreased the Company's loss by \$1,028 (2022: \$503 at 25 basis points). This analysis assumes that all other variables remain constant.

Other market price risk

The Company is involved in the exploration and development of mining tenements for minerals. Should the Company successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices

The Company operates within Australia and all transactions during the financial year are denominated in Australian dollars. The Company is not exposed to foreign currency risk at the end of the reporting period.

Capital (company's ability to raise equity (issue shares) or obtain loans (borrowings) as and when needed)

The capital of the Company consists of issued capital (shares) and borrowings. The Directors aim to maintain a capital structure that ensures the lowest cost of capital available to the entity at the time when funds are obtained. The Directors will assess the options available to the Company to issue more shares while taking into account the effect on current shareholder ownership percentages (dilution) or alternatively assess the ability of the Company to access debt (borrowings) where the cost associated of borrowing these funds (interest) is not considered excessive.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels as the Company is not yet in production.

Liquidity Risk

Liquidity risk arises from the debts (financial liabilities being creditors and other payables) of the Company and the Company's subsequent ability to meet these obligations to repay its debts (financial liabilities) as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the administration of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves and monitoring actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and debts (liabilities). There were no changes in the Company's liquidity risk management policies from previous years.

11. Risk management (continued)

Liquidity Risk (continued)

The following tables detail the Company's contractual maturity for its financial liabilities:

| | Carrying amount | Contractual cash flows | Less than 1 year | 2-5 years | >5 years |
|--------------------------|------------------|------------------------|------------------|------------------|----------|
| 30 June 2023 | | | | | |
| Trade and other payables | 3,727,795 | 3,727,795 | 3,727,795 | - | - |
| Borrowings | 5,328,183 | 5,380,000 | 5,380,000 | - | - |
| Total | 9,055,978 | 9,107,795 | 9,107,795 | - | - |
| 30 June 2022 | | | | | |
| Trade and other payables | 3,175,363 | 3,175,363 | 1,083,290 | 2,092,073 | - |
| Borrowings | 4,704,278 | 4,760,000 | 1,760,000 | 3,000,000 | - |
| Total | 7,879,641 | 7,935,363 | 2,843,290 | 5,092,073 | - |

Credit Risk

The credit risk is in respect of cash balances held with banks. The assessment of the credit risk based on a rating agency review of the financial institution is as follows:

| | 2023 \$ | 2022 \$ |
|------|------------|------------|
| A-1+ | 410,820 | 184,025 |

The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

The Company is currently not exposed to material interest rate movements given the low interest rate returns on offer in the market for funds on deposit and the Company's fixed rate borrowings (refer Note 7).

Fair value of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

11. Risk management (continued)

Fair value of financial instruments (continued)

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Management measures fair value on a recurring basis. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. Valuation process and fair value changes are reviewed yearly in line with the Company's reporting dates.

The Directors consider the carrying amounts of current receivables, unquoted equity investments, payables and borrowings to be a reasonable approximation of their fair values.

| 12. Expenses | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Personnel expenses</i> | | |
| - Director fees and employee expenses | 107,500 | 80,000 |
| - Director and employee superannuation expense | 8,400 | 8,000 |
| - Director and employee leave entitlements expense | 8,346 | 8,346 |
| | <u>124,246</u> | <u>96,346</u> |
| <i>Depreciation</i> | 756 | 1,057 |
| <i>Administration expenses</i> | | |
| - Accounting and secretarial fees | 102,287 | 108,400 |
| - Audit expenses | 52,314 | 38,300 |
| - Consultancy fees | 26,162 | 21,321 |
| - Insurance expenses | 33,589 | 27,506 |
| - Legal expenses | 2,837 | - |
| - Regulatory fees | 31,825 | 41,634 |
| - Other expenses | 15,146 | 13,074 |
| Total administration expenses | <u>264,160</u> | <u>250,235</u> |
| Total corporate and administrative expenses | <u>389,162</u> | <u>347,638</u> |
| Total exploration expenditure written off | <u>11,232</u> | <u>6,532</u> |

NOTES TO THE FINANCIAL STATEMENTS

| 13. Taxation | 2023 \$ | 2022 \$ |
|---|-------------|-------------|
| Loss before income tax expense | (901,790) | (836,378) |
| Income tax benefit calculated at 30% (2022: 30%) | (270,537) | (250,913) |
| Increase in deferred tax balance not brought to account | 270,537 | 250,913 |
| Income tax expense | - | - |
| Set-off deferred tax liabilities pursuant to off-set provisions | | |
| Deferred tax liability on exploration assets, prepayments & interest | 3,494,141 | 3,478,546 |
| Less: Deferred tax asset on carry forward losses / timing difference | (3,494,141) | (3,478,546) |
| Net deferred tax liability for the year | - | - |
| The tax benefits of the above deferred tax assets will only be obtained if: | | |
| (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised; | | |
| (ii) the Company continues to comply with the conditions for deductibility imposed by law; and | | |
| (iii) no changes in income tax legislation adversely affects the Company in utilising the benefits. | | |
| Deferred tax assets not brought to account | | |
| Carry forward tax losses | 2,939,465 | 2,798,546 |
| Capital raising costs | - | - |
| Provisions and accruals | 1,057,544 | 853,705 |
| | 3,997,009 | 3,652,251 |
| Deferred tax liabilities not brought to account | | |
| Prepayments | 3,694 | 3,323 |
| Interest receivable | 124 | 39 |
| Exploration and evaluation costs | 3,490,323 | 3,475,184 |
| | 3,494,141 | 3,478,546 |

14. Loss per share

Basic loss per share

The calculation of basic loss per share at 30 June 2023 was based on the loss attributable to ordinary shareholders of \$901,790 (2022: \$836,378) and a weighted average number of ordinary shares outstanding during the year of 692,136,191 (2022: 692,136,191) shares.

| | 2023 \$ | 2022 \$ |
|---|------------------------|------------------------|
| Loss attributable to ordinary shareholders | (901,790) | (836,379) |
| | Number | Number |
| Weighted average number of ordinary shares | 692,136,191 | 692,136,191 |
| | cents per share | cents per share |
| Basic and diluted loss per share | (0.13) | (0.12) |

15. Segment reporting

| | Mineral Exploration \$ | Corporate Admin \$ | Company \$ |
|---|------------------------------|--------------------------|------------------|
| 30 June 2023 | | | |
| Segment Revenue | - | 18,077 | 18,077 |
| Significant expenses within the loss | | | |
| <i>Interest expenses</i> | - | (519,473) | (519,473) |
| <i>Depreciation</i> | - | (756) | (756) |
| <i>Exploration expenditure written off</i> | (1,462) | - | (1,462) |
| Segment net operating loss after tax | (1,462) | (900,328) | (901,790) |
| | | | |
| | Mineral Exploration \$ | Corporate Admin \$ | Company \$ |
| 30 June 2022 | | | |
| Segment Revenue | - | 122 | 122 |
| Significant expenses within the loss | | | |
| <i>Interest expenses</i> | - | (482,330) | (482,330) |
| <i>Depreciation</i> | - | (1,057) | (1,057) |
| <i>Exploration expenditure written off</i> | (6,532) | - | (6,532) |
| Segment net operating loss after tax | (6,532) | (829,846) | (836,378) |
| | | | |
| | Mineral Exploration \$ | Corporate Admin \$ | Company \$ |
| Segment assets | | | |
| At 30 June 2023 | 11,685,562 | 472,897 | 12,158,459 |
| At 30 June 2022 | 11,629,403 | 246,163 | 11,875,566 |
| Segment liabilities | | | |
| At 30 June 2023 | (390,959) | (8,765,514) | (9,156,473) |
| 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.

16. 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 30 June 2023 were:

Mr Brent Butler
Mr Siew Swan Ong
Mr Geoffrey Han
Mr Adam Buckler

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 had consulting agreements which 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 in the table below:

16. Related party transactions (continued)

| (a) Key management personnel compensation | 2023 \$ | 2022 \$ |
|---|----------------|----------------|
| Short-term employee benefits | 298,713 | 382,300 |
| Post-employment benefits | 8,400 | 8,000 |
| Long term benefits | 6,941 | 7,454 |
| | <u>314,054</u> | <u>397,754</u> |

(b) Other transactions with key management personnel

A key management personnel holds position in another entity that resulted in that personnel having control or significant influence over the financial or operating policies of that entity.

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

Below is the aggregate amounts recognised during the year relating to key management personnel and their related parties

| Director / executive | Transaction | Transaction Value | | Outstanding balance | |
|--------------------------|---------------------|-------------------|------------|---------------------|------------|
| | | 2023 \$ | 2022 \$ | 2023 \$ | 2022 \$ |
| Mr B Butler ¹ | Consulting Services | 130,000 | 120,000 | 20,000 | 20,000 |
| Mr X Han ² | Consulting Services | 6,213 | 127,300 | 3,363 | 24,700 |

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. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

The total amount owed to the Directors for salaries and superannuation which remain unpaid as at 30 June 2023 is \$660,000 and \$63,900 (2022: \$580,000 and \$55,500) respectively. These amount forms part of the other creditors and accrued balance in Note 5.

As at 30 June 2023, 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 30 June 2023, the Company has drawn down \$1,380,000 (30 June 2022: \$760,000) from the loan facility.

NOTES TO THE FINANCIAL STATEMENTS

| 17. Reconciliation of cashflows used in operating activities | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Loss for the year | (901,790) | (836,378) |
| Add back – non-cash items | | |
| Depreciation | 756 | 1,056 |
| Interest expense on loan | 3,905 | 48,387 |
| Exploration expenditure write off | 11,232 | 6,532 |
| <i>Changes in the value of assets and liabilities used in the day to day operations of the business</i> | | |
| Decrease in receivables and other financial assets | (1,091) | 1,456 |
| Decrease/(increase) in other assets | (1,234) | (5,732) |
| Increase in trade and other payables - admin | 615,448 | 538,894 |
| Increase in provision of employee entitlements | 8,346 | 8,346 |
| Net cash paid for corporate administration costs during the year | (264,428) | (237,439) |

| 18. Commitments | 2023 \$ | 2022 \$ |
|--|------------|------------|
| <i>Exploration and other corporate commitments</i> | | |
| Within one year | 106,416 | 12,559 |
| After one year but not more than five years | 829,200 | 754,200 |
| Over five years | 1,479,413 | 1,664,719 |
| | 2,415,029 | 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 reporting date, total exploration expenditure commitments of the Company which have not been provided for in the interim financial report is listed above.

19. Contingent liabilities

The directors are not aware of any contingent liabilities as at reporting date.

| 20. Auditor's remuneration | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Audit services | | |
| <i>BDO Audit (WA) Pty Ltd - audit</i> | 42,500 | 32,500 |
| Other services | | |
| <i>BDO Corporate Tax (WA) Pty Ltd - Tax compliance</i> | 9,200 | 7,700 |
| <i>BDO Corporate Tax (WA) Pty Ltd - R&D incentive</i> | 16,200 | 13,000 |
| | 67,900 | 53,200 |

21. Subsequent events

On 14 September 2023, the Company announced that it has negotiated access to additional loan facility of up to A\$500,000 from a director, Siew Swan Ong, to meet its working capital requirement. In addition, the Company has negotiated for an extension of the repayment dates of all loan facilities from 31 January 2024 to 31 July 2025.

Other than those mentioned above, there has been no arisen of any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, that affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Audalia Resources Limited:

- (a) the financial statements and notes set out on pages 21 to 43, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (c) 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 has been made after receiving the declarations to Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2023.

Dated at Perth, Western Australia this 28th day of September 2023.

Signed in accordance with a resolution of the Directors.



Brent Butler
CEO/ Executive Director

INDEPENDENT AUDITOR'S REPORT

To the members of Audalia Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Audalia Resources Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Audalia Resources Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying Value of Capitalised Expenditure

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p>As disclosed in Note 4 of the financial report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Company.</p> <p>Refer to Note 4 of the financial report for a description of the accounting policy and significant judgements applied to capitalised exploration and evaluation expenditure.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"), the recoverability of exploration and evaluation expenditure requires significant judgement by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the area of interest held by the Company and assessing whether the rights to tenure of the area of interest remained current at balance date; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Company's exploration budgets, ASX announcements and director's minutes; • Considering whether any area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 2(e) and Note 4 to the Financial Statements. |



Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Audalia Resources Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to be 'Neil Smith', with a stylized flourish extending to the right.

Neil Smith

Director

Perth

28 September 2023

SHAREHOLDER INFORMATION

Details of shares as at 22 September 2023

Top holders

The 20 largest registered holders of each class of quoted security as at 22 September 2023 were:

Fully paid ordinary shares

| | Name | No. of Shares | % |
|-----|--|--------------------|--------------|
| 1. | Siew Swan Ong | 96,200,000 | 13.9 |
| 2. | TLM Holdings (M) Sdn Bhd | 96,000,000 | 13.87 |
| 3. | Muhammad Ikmal Opat Abdullah | 82,000,000 | 11.85 |
| 4. | Ms Moi Moi Chua | 79,333,348 | 11.46 |
| 5. | Ming Hwai Tan | 57,000,000 | 8.24 |
| 6. | Newforest Equity Sdn Bhd | 50,000,000 | 7.22 |
| 7. | Yek Yek Ong | 37,500,000 | 5.42 |
| 8. | Mr Swee Lim Chong | 35,670,000 | 5.15 |
| 9. | Poo Lian Tan | 24,500,000 | 3.54 |
| 10. | Mr Sean Lian Siong Lim | 18,750,000 | 2.71 |
| 11. | Mr Scott Lian Hing Lim | 18,652,766 | 2.69 |
| 12. | CME Group Berhad | 11,600,000 | 1.68 |
| 13. | Mr Wei Han | 10,000,000 | 1.44 |
| 14. | Megan Holdings Pty Ltd <The Butler Investment A/C> | 9,000,000 | 1.3 |
| 15. | Ms Nicola Lian Li Lim | 7,010,000 | 1.01 |
| 16. | Mr Tiong Sen Ngu | 4,881,605 | 0.66 |
| 17. | Beng Hong Tan | 4,320,000 | 0.62 |
| 18. | Mr Zhangjin Zhu | 4,000,000 | 0.58 |
| 19. | Mr Christen Michael Burgess | 2,854,984 | 0.41 |
| 20. | Chai Keong Loh | 2,350,000 | 0.34 |
| | | 651,622,703 | 94.15 |

Distribution schedules

A distribution schedule of each class of equity security as at 22 September 2023 were:

Fully paid ordinary shares

| Range | Holders | Units | % |
|-------------------|------------|--------------------|-------------|
| 1 - 1,000 | 13 | 1,965 | 0.00% |
| 1,001 - 5,000 | 4 | 9,007 | 0.00% |
| 5,001 - 10,000 | 194 | 1,931,143 | 0.28% |
| 10,001 - 100,000 | 78 | 3,716,235 | 0.54% |
| 100,001 - 999,999 | 83 | 686,477,841 | 99.18% |
| Total | 372 | 692,136,191 | 100% |

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in the most recent substantial shareholding notices given to the Company and lodged on ASX, are set out below:

| Substantial shareholder | Number of Shares |
|-------------------------|------------------|
| Siew Swan Ong | 100,590,000 |

SHAREHOLDER INFORMATION

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 45,454 as at 22 September 2023):

| Holders | Units |
|---------|-----------|
| 253 | 3,053,416 |

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every holder of ordinary share present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

On Market Buy Back

There is no current on-market buy-back.

SUMMARY OF TENEMENTS

Summary of tenements as 30 June 2023

| Projects | Licence Number | Area (km ²) | Registered Holder/ Applicant | Status | Audalia Interest |
|--------------------------|----------------|-------------------------|------------------------------|-------------|------------------|
| Western Australia | | | | | |
| Medcalf | M63/656 | 18.48 | Audalia Resources Limited | Granted | 100% |
| | E63/1855 | 14.48 | Audalia Resources Limited | Granted | 100% |
| | G63/10 | 2.40 | Audalia Resources Limited | Granted | 100% |
| | G63/12 | 2.89 | Audalia Resources Limited | Granted | 100% |
| | L63/75 | 16.57 | Audalia Resources Limited | Granted | 100% |
| | L63/94 | 2.89 | Audalia Resources Limited | Granted | 100% |
| | E63/1915 | 20.27 | Audalia Resources Limited | Application | 0% |
| | E63/2347 | 23.65 | Audalia Resources Limited | Application | 0% |
| | E63/2348 | 69.42 | Audalia Resources Limited | Application | 0% |
| | E63/2352 | 48.39 | Audalia Resources Limited | Application | 0% |