

QUARTERLY REPORT TO 30 JUNE 2011

HIGHLIGHTS

- **IPO closed oversubscribed and listed on ASX in July 2011**
 - **Commenced planning for Drilling Programme at Gascoyne Project**
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ASX LISTING

Audalia Resources Limited (**Audalia**) (ASX: ACP) is a base metal exploration company located in Perth, Western Australia; with high quality ground holdings in the Gascoyne Region of Western Australia. Its exploration tenements cover over 335 sq kms with prospectivity for lead, zinc and copper.

The Company was admitted to the Official List of ASX on 4 July 2011, after closing its \$1.5 million IPO oversubscribed. The IPO was completed by the issue of 7,660,000 Shares and 3,830,004 options to raise \$1,532,000.

During the quarter, Audalia focussed its attention on the IPO capital raising and associated procedures to apply for admission to the Official List of ASX.

THE GASCOYNE PROJECT – EXPLORATION PLANNING

The Gascoyne Project is located approximately 100kms north of Gascoyne Junction east of the Lyons River and tributaries. The tenements consist of three granted Exploration Licences and two exploration tenement applications. The total area occupied by the tenements (including applications) is 108 blocks.

The regional setting of the Project is near the western edge of the Neo-Proterozoic Morrissey Metamorphic Suite rocks with overlying Permo-Carboniferous sediments of the Carnarvon Basin. The metamorphic belt acts as a buffer zone between the Archaean Yilgarn shield and the overlying cratonic Proterozoic Basins and is orientated WNW-ESE with well-developed schists, shears and intrusives parallel to this dominant strike. Therefore the area is a complex juxtaposition of sediments, granitoids and mafics with accompanying structures such as shears and faults.

The region was explored for gold, base metals and diamonds by large companies such as BHP, MIM, Western Mining and Rio Tinto using regional stream sediment, soil and rock chip sampling. These explorers considered the Gascoyne Province to be prospective for Broken Hill Type (BHT) Ag-Pb-Zn mineralisation based on a study of Zn-bearing spinels (gahnites) in the late 1990s.



Audalia Resources Limited

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Exploration work on the Gascoyne Project will initially focus on a geophysical survey and reconnaissance RAB/RC drilling during the first year. In the second year, RC and Diamond drilling is proposed to test priority geochemical and conductivity anomalies determined from the mapping, geochemical and geophysical surveys. Pending results from the initial phase of drilling, or if the VTEM survey detects deeper conductivity anomalies below the weathering profile, a programme of deeper drilling may be warranted.

Authorised by:

Soo Kok Lim
Executive Chairman

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

AUDALIA RESOURCES LIMITED

ABN

49 146 035 690

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1)	(11)
(b) development	-	-
(c) production	-	-
(d) administration	(29)	(79)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(29)	(84)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(150)	(250)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(150)	(250)
1.13 Total operating and investing cash flows (carried forward)	(179)	(334)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(179)	(334)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net of issue costs)	1,409	2,696
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		1,409	2,696
Net increase (decrease) in cash held		1,230	2,362
1.20	Cash at beginning of quarter/year to date	1,132	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,362	2,362

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(30)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Services provided by director-related entities	(30)
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 25 January 2011, the Company entered into an agreement under which Audalia appointed C K Locke & Partners Pty Ltd as lead manager to the IPO Offer. As part consideration for the services, the Company issued 3,000,000 listed options exercisable at \$0.20 each on or before 28 April 2014 in satisfaction of \$10,000 of management fees on 29 June 2011.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(200)
4.2 Development	-
4.3 Production	-
4.4 Administration	(75)
Total	(275)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,362	1,132
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,362	1,132

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	E09/1568	100%	0%	100%
	E09/1569	100%	0%	100%
	E09/1570	100%	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 +Ordinary securities	80,160,001	80,160,001		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,000,000 7,660,000	10,000,000 7,660,000	10 cents 20 cents	10 cents 20 cents
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 Options <i>(description and conversion factor)</i>	6,830,004	6,830,004	Exercise price 20 cents	Expiry date 28 April 2014
7.8 Issued during quarter	6,830,004	6,830,004	20 cents	28 April 2014
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: **29 July 2011**
(Executive Chairman)

Print name: **Soo Kok Lim**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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