

QUARTERLY REPORT TO 31 MARCH 2012

HIGHLIGHTS

- **Two Exploration licences granted on the Gascoyne Project;**
 - **Fieldwork carried out on the Medcalf Project.**
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Audalia Resources Limited (ASX: **ACP**) is pleased to present its report for the March 2012 quarter.

GASCOYNE PROJECT

The Gascoyne Project is located approximately 100 kilometres north of Gascoyne Junction east of the Lyons River and tributaries. The tenements consist of five granted Exploration Licences E09/1568-70 and the recently granted Exploration Licences E09/1824-25. The Gascoyne Project covers an area of 32,400 Ha (324 km²).

The regional setting of the Project is near the western edge of the Neo-Proterozoic Morrisse 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.

No field work was carried out this quarter due to the field season restrictions from cyclonic depressions limiting access to the area which occur from November to April.

Work proposed next quarter

Audalia are currently reviewing several options which include carrying out airborne geophysics and rock sampling itself or obtaining a joint venture partner to conduct the work.

MEDCALF PROJECT

The Medcalf Project is located some 470 kilometres south east of Perth near Lake Johnson, Western Australia. The Project comprises three granted Exploration Licences E63/1068, E63/1405 and E63/1406 and covers an area of 1,740 Ha (17.4 km²).

The Project lies in the southern end of the Archaean Lake Johnston greenstone belt. This greenstone belt is a narrow, north-northwest trending belt approximately 110 km in length. It is located near the south margin of the Yilgarn Craton, midway between the southern ends of the Norseman-Wiluna and the Forresteria-Southern Cross greenstone belts. Previous work carried out by numerous holders of the tenements over the last 40 years includes exploration for nickel, titanium/vanadium, platinum group metals (PGM) and gold. The primary vaniferous titanomagnetite mineralisation occurs within the pyroxenite zone between the basal peridotite and upper gabbro zones of the sill. The lateritic weathering of this sill has removed much of the silica, calcium and magnesium in solution thus resulting in residual concentrations of iron, titanium and vanadium oxides. This secondary enrichment potential hosts economic ore.

Work completed during the quarter

Mapping/Soil Sampling

During the quarter, mapping and soil sampling was carried for gold was completed over 9 days, from 13 to 21 January. Geology was mapped by GPS (+/-3m accuracy) at 1:5000 scale onto A3 sheets of 2mm grid graph paper. Old drill collars and grid pegs were picked up where encountered. This mapping is currently been electronically import into a GIS format.

Review of historic exploration activities

A summary of the historic exploration was also completed and collated below:

Unimin/Laporte 1972:

Seven rotary percussion holes – RPH15 to RPH 21 - and two diamond holes – DDHLJ1 and DDHLJ2 – were drilled to test the nickel and vanadium potential at Medcalf.

Amoco 1982:

Twenty eight vertical RAB holes were drilled for a total of 1523m. Selected 1.5m intervals were analysed for V₂O₅ and TiO₂. A number of these were also analysed for nickel, copper, zinc, cobalt and chromium. No sample heaps remains on site.

Arimco 1996:

Three HQ diamond holes – MEDD-1, 2 and 3 - were drilled to a maximum depth of 43m to obtain material for metallurgy. Half core was used for metallurgy. Location of the remaining half core is unknown.

Lionore 2006:

Diamond hole LJPD0091 was designed to test a TEM anomaly.

Norilsk 2010:

Drilled LJPD0091 and 0092.

Soil Sampling results

Soil sampling results returned low values for gold. Best result was 16ppb gold. Results received are attached in Appendix 1.

Work proposed next quarter

Audalia have commenced compiling an electronic database of all the historical hard copy drill data that defined the Medcalf Vanadium – Titanium deposit in 1982. The data is currently being analysed for drill density and opportunities to extend the deposit.

Audalia plans to drill some confirmation and infill holes as well as drill in new areas. Subject to obtaining the necessary permit approvals and availability of a drill rig, Audalia hopes to start drilling in the next quarter.

Audalia will also collect samples for metallurgical testwork while completing the drill program.

Audalia continues to actively review and assess other projects in the resource sector, both in Australia and overseas, by way of acquisition or investment/ joint venture.

Authorised by:

Soo Kok Lim
Executive Chairman

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Brent Butler, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Butler is a consultant geologist with 27 years' experience as a geologist. 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 2004 edition of the 'Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves' (JORC Code). Mr Butler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 1

Soil sampling Results

Medcalf stream sediment sampling				
Sampno	East	North	Au (ppb)	Description
MD001	291,520	6,397,680	6	minus 80 mesh soil
MD002	291,600	6,397,680	3	minus 80 mesh soil
MD003	291,680	6,397,680	4	minus 80 mesh soil
MD004	291,520	6,397,600	1	minus 80 mesh soil
MD005	291,600	6,397,600	5	minus 80 mesh soil
MD006	291,680	6,397,600	3	minus 80 mesh soil
MD007	291,520	6,397,520	<1	minus 80 mesh soil
MD008	291,600	6,397,520	2	minus 80 mesh soil
MD009	291,680	6,397,520	1	minus 80 mesh soil
MD010	292,283	6,397,812	2	minus 80 mesh trap site stream sediment
MD011	292,924	6,398,967	3	minus 80 mesh trap site stream sediment
MD012	293,840	6,398,840	6	minus 80 mesh soil
MD013	293,920	6,398,840	6	minus 80 mesh soil
MD014	294,000	6,398,840	4	minus 80 mesh soil
MD015	293,920	6,398,760	5	minus 80 mesh soil
MD016	294,000	6,398,760	1	minus 80 mesh soil
MD017	294,080	6,398,760	6	minus 80 mesh soil
MD018	293,920	6,398,680	5	minus 80 mesh soil
MD019	294,000	6,398,680	10	minus 80 mesh soil
MD020	294,080	6,398,680	4	minus 80 mesh soil
MD021	294,000	6,398,680	9	Duplicate of MD019
MD022	294,000	6,398,600	10	minus 80 mesh soil
MD023	294,080	6,398,600	6	minus 80 mesh soil
MD024	294,000	6,398,520	10	minus 80 mesh soil
MD025	294,080	6,398,520	2	minus 80 mesh soil
MD026	294,160	6,398,520	5	minus 80 mesh soil
MD027	294,080	6,398,440	1	minus 80 mesh soil
MD028	294,160	6,398,440	3	minus 80 mesh soil
MD029	293,599	6,397,340	<1	minus 80 mesh trap site stream sediment
MD030	293,409	6,397,238	<1	minus 80 mesh trap site stream sediment
MD031	294,240	6,398,520	1	minus 80 mesh soil
MD032	294,320	6,398,520	3	minus 80 mesh soil
MD033	294,400	6,398,520	4	minus 80 mesh soil
MD034	292,480	6,398,520	4	minus 80 mesh soil
MD035	294,560	6,398,520	2	minus 80 mesh soil
MD036	294,560	6,398,600	8	minus 80 mesh soil
MD037	294,480	6,398,600	6	Duplicate of MD037
MD038	294,480	6,398,600	5	minus 80 mesh soil
MD039	294,400	6,398,440	9	minus 80 mesh soil
MD040	294,480	6,398,440	16	minus 80 mesh soil
MD041	294,560	6,398,440	2	minus 80 mesh soil
MD042	294,560	6,398,360	2	minus 80 mesh soil
MD043	294,480	6,398,360	1	minus 80 mesh soil
MD044	294,400	6,398,360	1	minus 80 mesh soil
MD045	295,120	6,397,840	1	minus 80 mesh soil
MD046	295,200	6,397,840	<1	minus 80 mesh soil
MD047	295,280	6,397,840	2	minus 80 mesh soil
MD048	295,360	6,397,840	2	minus 80 mesh soil
MD049	295,360	6,397,760	4	minus 80 mesh soil
MD050	295,280	6,397,760	1	minus 80 mesh soil
MD051	295,200	6,397,760	4	minus 80 mesh soil
MD052	295,120	6,397,760	<1	minus 80 mesh soil
MD053	295,200	6,397,680	1	minus 80 mesh soil
MD054	295,280	6,397,680	2	minus 80 mesh soil
MD055	295,360	6,397,680	2	minus 80 mesh soil
MD056	295,600	6,396,960	2	minus 80 mesh soil
MD057	295,680	6,396,960	2	minus 80 mesh soil
MD058	295,680	6,396,880	2	minus 80 mesh soil
MD059	295,680	6,396,880	2	Duplicate of MD058
MD060	295,680	6,397,840	2	minus 80 mesh soil
MD061	295,760	6,397,840	3	minus 80 mesh soil
MD062	295,840	6,397,840	2	minus 80 mesh soil
MD063	295,840	6,397,920	2	minus 80 mesh soil
MD064	295,760	6,397,920	2	minus 80 mesh soil
MD065	295,680	6,397,920	1	minus 80 mesh soil

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")

31 March 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(15)	(56)
(b) development	-	-
(c) production	-	-
(d) administration	(61)	(287)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	42	65
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	(34)	(278)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(4)	(163)
(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	(4)	(163)
1.13 Total operating and investing cash flows (carried forward)	(38)	(441)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(38)	(441)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net of issue costs)	-	(85)
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		-	(85)
Net increase (decrease) in cash held		(38)	(526)
1.20	Cash at beginning of quarter/year to date	1,874	2,362
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,836	1,836

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	(23)
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
Directors' remuneration		(16)
Services provided by director-related entities		(7)

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

Nil

- 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	(170)
4.2 Development	-
4.3 Production	-
4.4 Administration	(50)
Total	(220)

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	131	110
5.2 Deposits at call	1,705	1,764
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,836	1,874

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			

+ 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	19,160,001		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
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	3,830,004	Exercise price 20 cents	Expiry date 28 April 2014
7.8 Issued during quarter	-	-		
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: **30 April 2012**
(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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