

## QUARTERLY REPORT TO 30 SEPTEMBER 2012

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### HIGHLIGHTS

- **IP survey and geological mapping completed at the Gascoyne Project;**
  - **Archaeological Heritage survey completed at the Medcalf Project with flora survey underway; and**
  - **Acquisition of 10 additional tenements surrounding the existing Medcalf Project.**
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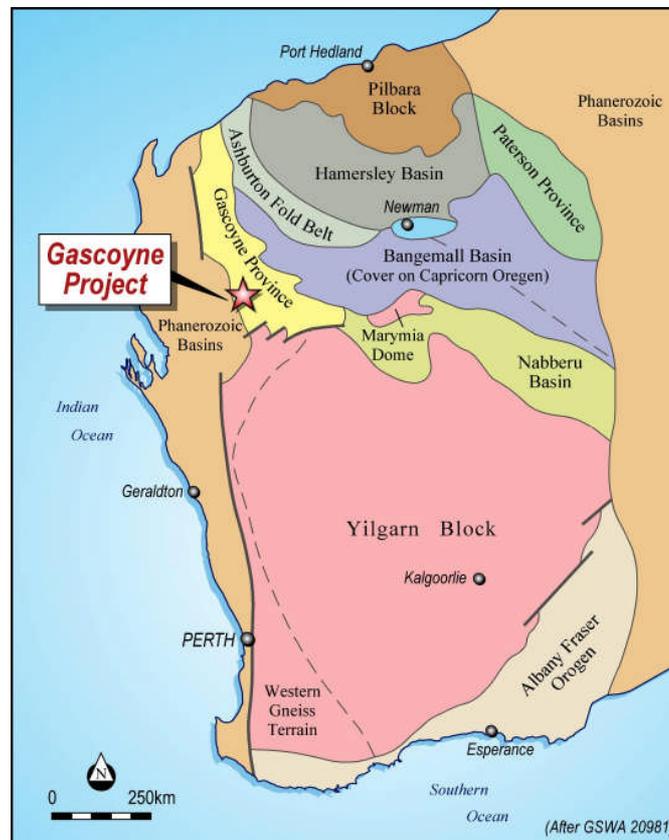
Audalia Resources Limited (ASX: **ACP**) is pleased to present its report for the September 2012 quarter.

### **GASCOYNE PROJECT**

The Gascoyne Project comprises 100% owned tenements covering 311 km<sup>2</sup> that are highly prospective for Lead (Pb), Zinc (Zn) and Copper (Cu) deposits, located in the Gascoyne Region, Western Australia. It is located approximately 250 km to the east of Carnarvon and 1200 kilometres north from Perth.

The Gascoyne Project covers an area of mid-Proterozoic aged, metamorphosed sediments and volcanic rocks which have been subjected to several phases of tectonic deformation and intruded by granitoids. Exploration work and drilling to date has used the geological model of base metal mineralisation being associated with coincident soil geochem and "thumbprint" magnetic anomalies. Historical RC drill testing from one of these targets has returned significant intercepts of 2.3% Pb and 0.9% Cu. Lead sulphide (galena) and copper sulphides (chalcopyrite) were identified in the drill chips.

Audalia is targeting a Broken Hill Sedimentary Exhalative (SEDEX) massive sulphide Pb, Zn and Cu deposit.

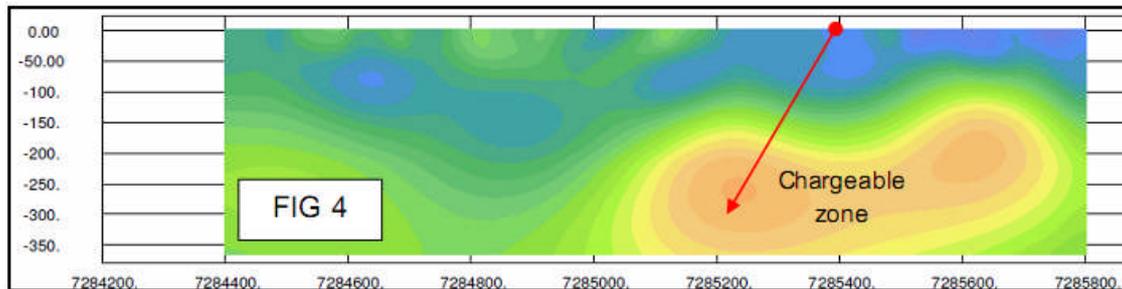


**Figure 1: Gascoyne Project - Location Map**

## IP Survey

During the September 2012 quarter, a 100 m dipole-dipole induced polarisation (IP) survey was carried out at the Gascoyne Project in an area of previous drilling that had intersected anomalous copper and lead, to seek for any major body of polarisable material that may represent disseminated sulphide mineralisation. The IP survey, consisting of six north-south traverses spaced at 300 m, and covering an area 1500 m east-west by 1000 m north-south, was carried out.

A broad chargeability anomaly stretching across the central part of the IP survey area was outlined. The zone causing the central chargeability anomaly has an east-west trending component and also a northerly trending 'arm'. Comparison with aeromagnetic data suggests the east-west part may parallel stratigraphic features, while the north trending segment correlates with a north-south running magnetic feature that might represent a dyke or series of intrusions along a fault zone. The central IP zone lies near to and below the drill holes that intersected anomalous copper and lead at 55-70 m. The depth to the main parts of the chargeable zone appears to be at least 200 m, and initial testing is suggested with a 350 m hole targeted on the central, strongest, section of the zone.



**Figure 2: IP Section illustrating chargeable anomaly**

### **Geological mapping**

A programme of detailed geological mapping at the Gascoyne Project was also completed during the September 2012 quarter at 1:2500 scale. North-south traverses at 200m spacing were walked, with infill over areas of interest.

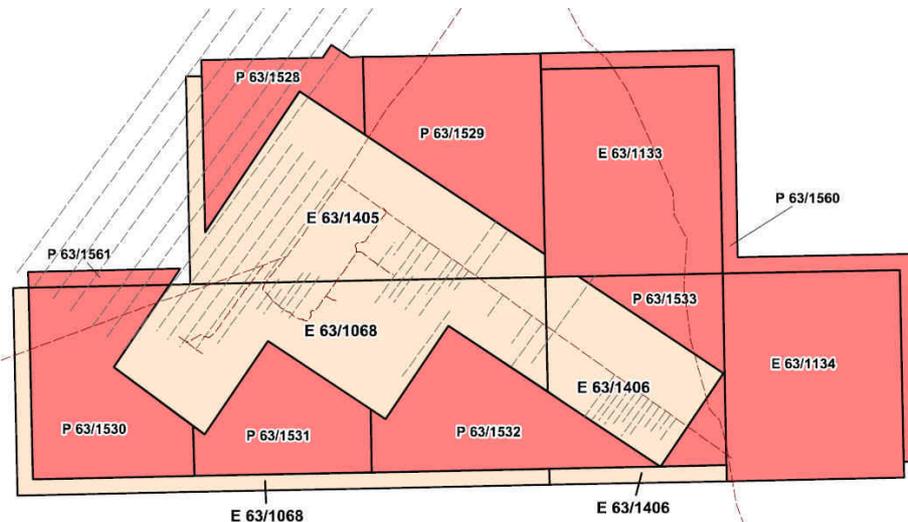
The dominant rock type in the mapped areas is gneiss, with subordinate mica schist, thin quartzite beds and amphibolite. Irregular granitic intrusions were also mapped. Schistosity strikes vary from east-west to east southeast. Dips range from moderately to steeply north. Sparse outcrop-scale folds in the quartzite beds, in the schists and gneisses, and in the margins of the granites generally plunge west in the western part of the project area to east southeast in the eastern half. A shear zone cutting through the middle of central part of the project is most probably a thrust. Quartzites are mostly confined to north of the shear, whereas amphibolites are restricted to the south.

### **MEDCALF PROJECT**

The Medcalf Project is a vanadium-titanium project located some 470 kilometres south east of Perth near Lake Johnson, Western Australia. The Medcalf Project comprises three granted Exploration Licences E63/1068, E63/1405 and E63/1406 and covers an area of 17.4 km<sup>2</sup>.

During the September 2012 quarter, Audalia completed the purchase of ten additional granted tenements that surround Audalia's Medcalf Project from Lake Johnston Pty Ltd. The Company paid \$55,000 (exclusive of GST) to the vendors in consideration for the acquisition.

The additional tenements purchased comprise of eight prospecting licences: P63/1528-33 inclusive, P63/1560 and P63/1561 and two exploration licences E63/1133 and E63/1134. These additional tenements increase Audalia's total Medcalf Project area to 34 km<sup>2</sup>.



**Figure 3: Additional ground purchased in red-orange.**

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.

Audalia is currently completing a Flora survey over tenements E63/1405 and E63/1068 in order to drill a vanadium- titanium resource programme over the area.

Audalia completed an Archaeological Heritage survey over the entire Medcalf Project (including the recently acquired tenements) during the September 2012 quarter. The Archaeological Heritage survey was supportive of the proposed programme, with the exception of 4 proposed drill holes which have been relocated accordingly.

Once the flora report has been compiled, a Programme of Works (**POW**) will be submitted to the Department of Mines and Petroleum (**DMP**) together with the Flora and Archaeological Heritage survey reports for approval of the proposed resource drill programme.

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:**

**Dato 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 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 September 2012**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(138)	(138)
(b) development	-	-
(c) production	-	-
(d) administration	(112)	(112)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	33	33
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(217)</b>	<b>(217)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(55)	(55)
(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)	-	-
<b>Net investing cash flows</b>	<b>(55)</b>	<b>(55)</b>
1.13 Total operating and investing cash flows (carried forward)	(272)	(272)
1.13 Total operating and investing cash flows (brought forward)	(272)	(272)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc. (net of issue costs)	-	-
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)	-	-
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	(272)	(272)
1.20 Cash at beginning of quarter/year to date	1,645	1,645
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 <b>Cash at end of quarter</b>	<b>1,373</b>	<b>1,373</b>

**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	(47)
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
<b>Directors' remuneration (20)</b> <b>Services provided by director-related entities (27)</b>	

**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
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- 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
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+ 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	(370)
4.2 Development	-
4.3 Production	-
4.4 Administration	(100)
<b>Total</b>	<b>(470)</b>

### 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	81	210
5.2 Deposits at call	1,292	1,435
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,373</b>	<b>1,645</b>

+ See chapter 19 for defined terms.

### 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	E63/1133 E63/1134 P63/1528 P63/1529 P63/1530 P63/1531 P63/1532 P63/1533 P63/1560 P63/1561	100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	- - - - - - - - - -

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+ See chapter 19 for defined terms.

### 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 <b>Preference +securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 <b>+Ordinary securities</b>	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 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> <i>(description and conversion factor)</i>	6,830,004	3,830,004	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 28 April 2014
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <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: **17 October 2012**  
(Executive Chairman)

Print name: **Dato 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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