

# QUARTERLY REPORT TO 30 JUNE 2014

## HIGHLIGHTS

- Scoping study on the Medcalf Project completed and a mining lease and miscellaneous licence application lodged.
- Rockchip sampling programme completed at the Medcalf Project.
- Rockchip and trap site stream sediment program completed at Gascoyne.

Audalia Resources Limited (ASX: ACP) is pleased to present its report for the June 2014 quarter.

### 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 five granted Exploration Licences E63/1068, E63/1133, E63/1134, E63/1405 and E63/1406 and Prospecting Licences P63/1528-33 inclusive and P63/1560 and P63/1561 covering a total area of 24 km<sup>2</sup>.

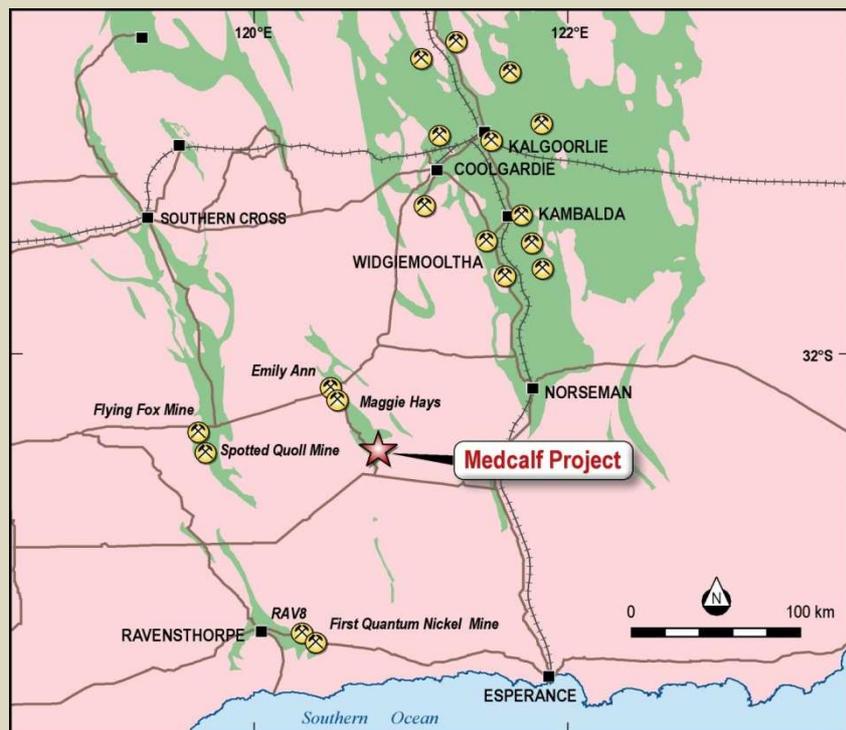


Figure 1: Medcalf Project - Location Map

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.

## **MEDCALF PROJECT (continued)**

### **Metallurgical test work programme**

During the June 2014 quarter, the Company continued to progress its test works to determine the likely processing method and likely metallurgical recoveries for the Medcalf Project. The Mintek laboratory in Johannesburg, South Africa commenced Phase Two of the metallurgical testwork programme.

Mintek have been able to obtain 80% of the Vanadium from the cleaned concentrate that had 2% silica. This indicates that if the concentrate can be produced then the Vanadium can be recovered. The salt roast testwork is giving the most positive result which could conclude a saving on the use of imported soda ash.

The process currently going forward is to improve the separation of the silica from the vanadiferous ore.

### **Scoping Study**

Ravensgate Mining Consultants have completed a scoping study on the Medcalf Project using certain assumptions of processing costs and recoveries. An optimum pit outline footprint has been produced to determine the area required for a mining lease application.

Cardno Surveys from Kalgoorlie were engaged to mark out the mining lease boundaries as well as a proposed haul road from the project to the Lake King road. Mining Lease (M63/656) and Miscellaneous Licence (L63/68) were submitted to the Department of Mines (**DMP**) during the June 2014 quarter.

### **Level Two Flora and Fauna Survey**

Level 2 Flora and Fauna reports have now been received from the autumn survey which completes the requirement from the Department of Parks and Wildlife (**DPaw**).

### **Rockchip Sampling Programme**

A total of 57 samples of in situ weathered rock were collected around the margins of the Vesuvius Fuji deposit and analysed for vanadium and titanium to closely define the limits of mineralisation. Additional geological mapping and re-logging of some of the drill holes was also carried out to gain a better understanding of the geometry of the deposit.

A full set of results were included in the Medcalf Project Exploration Update lodged with ASX on 25 July 2014.

### **Other Work Completed**

A sterilisation auger drilling programme has been designed over the project area in order to determine areas within the project that infrastructure can be placed. A Program of Works (**POW**) has been submitted to the DMP for approval of drilling 206 holes to a depth of 5m.

Audalia will begin rehabilitation on existing drilling next 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 1200km 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.

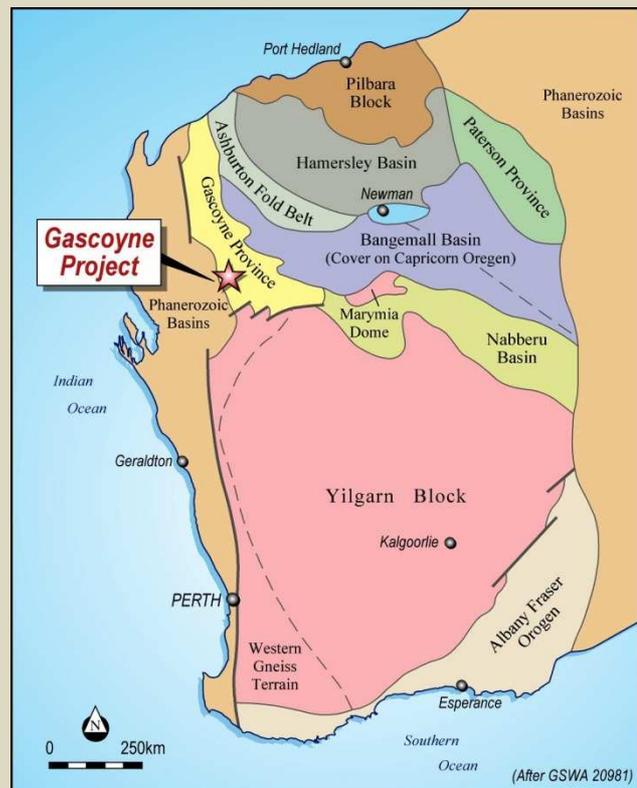


Figure 1: Gascoyne Project - Location Map

### Activity during the quarter

A reconnaissance rockchip and trap-site stream sediment sampling program carried out in the month of June 2014 over all the tenements.

An area sampled previously that contained gold anomalies from five river catchments were followed up with more detailed sampling. A total of 25 trapsite stream sediment samples were analysed for bulk cyanide leach gold. Two kilograms of minus 2mm material was collected from the base of loose gravel in dry watercourses. Up to 5.4ppb gold (average of 2 samples, 3.39ppb and 8.16ppb) was obtained in one catchment where the estimated background is 0.3ppb.

Two small catchments with moderately anomalous lead values from last field program were followed up with more detailed sampling. Twenty eight minus 80 mesh stream sediment samples were analysed for copper, lead and zinc. The highest lead value occurred in sample CW903, which analysed 63ppm Cu, 275ppm Pb and 130ppm Zn. District-scale background is approximately 20ppm Cu, 20ppm Pb and 30ppm Zn.

The sampling has indicated several base metal and gold anomalies that require further field work to follow-up for possible target drilling.

Fifty two rockchips samples were collected and analysed for gold plus a suite of 15 elements.

A full listing of results were included in the Gascoyne Project Exploration Update lodged with ASX on 25 July 2014.

The Gascoyne Project remains prospective for targeting a Broken Hill Sedimentary Exhalative (SEDEX) massive sulphide Pb, Zn and Cu deposit.

#### **Additional ground at the Gascoyne Project**

During the June 2014 quarter, Audalia applied for an Exploration Licence E09/2102 covering 70 graticular blocks that adjoin the existing tenements. Once the application is granted, Audalia will have contiguous tenements that cover 556km<sup>2</sup> of prospective ground.

### **CORPORATE MATTERS**

The Company acknowledges its cash position at 30 June 2014 and its estimated cash outflows for the September 2014 quarter. The directors are assessing all funding alternatives to ensure Audalia can achieve the near-term milestones it has set, meet its short term commitments and progress its longer term strategic objectives.

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 30 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 2012 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.

### Schedule of Tenements as at 30 June 2014

Projects	Licence Number	Registered Holder / Applicant	Status	Audalia's Interest
<b><u>Western Australia</u></b>				
<b>Gascoyne</b>	E09/1568	Audalia Resources Limited	Granted	100%
	E09/1569	Audalia Resources Limited	Granted	100%
	E09/1570	Audalia Resources Limited	Granted	100%
	E09/1824	Audalia Resources Limited	Granted	100%
	E09/1825	Audalia Resources Limited	Granted	100%
	E09/2102	Audalia Resources Limited	Application	100%
<b>Medcalf</b>	E63/1068	Audalia Resources Limited	Granted	100%
	E63/1405	Audalia Resources Limited	Granted	100%
	E63/1406	Audalia Resources Limited	Granted	100%
	P63/1528	Audalia Resources Limited	Granted	100%
	P63/1529	Audalia Resources Limited	Granted	100%
	P63/1530	Audalia Resources Limited	Granted	100%
	P63/1531	Audalia Resources Limited	Granted	100%
	P63/1532	Audalia Resources Limited	Granted	100%
	P63/1533	Audalia Resources Limited	Granted	100%
	P63/1560	Audalia Resources Limited	Granted	100%
	P63/1561	Audalia Resources Limited	Granted	100%
	E63/1133	Audalia Resources Limited	Granted	100%
	E63/1134	Audalia Resources Limited	Granted	100%

## Appendix 5B

### Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

**AUDALIA RESOURCES LIMITED**

ABN

**49 146 035 690**

Quarter ended ("current quarter")

**30 June 2014**

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(281)	(1,418)
(b) development	-	-
(c) production	-	-
(d) administration	(66)	(368)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	209	218
1.5 Interest and other costs of finance paid	-	(10)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(138)</b>	<b>(1,578)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(45)	(48)
(b) equity investments	-	-
(c) other fixed assets	(2)	(16)
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 – payment for held-to-maturity investments	-	-
<b>Net investing cash flows</b>	<b>(47)</b>	<b>(64)</b>
1.13 Total operating and investing cash flows (carried forward)	(185)	(1,642)

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(185)	(1,642)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. (net of issuance costs)	-	1,493
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	500
1.17	Repayment of borrowings	-	(500)
1.18	Dividends paid	-	-
1.19	Other	-	-
<b>Net financing cash flows</b>		<b>-</b>	<b>1,493</b>
<b>Net increase (decrease) in cash held</b>		<b>(185)</b>	<b>(149)</b>
1.20	Cash at beginning of quarter/year to date	535	499
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>350</b>	<b>350</b>

### Payments to directors of the entity, associates of the directors, 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	(63)
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>Executive directors' remuneration</b>		<b>(11)</b>
<b>Non-executive directors' remuneration</b>		<b>(10)</b>
<b>Services provided by director-related entities</b>		<b>(42)</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	(375)
4.2 Development	-
4.3 Production	-
4.4 Administration	(235)
<b>Total</b>	<b>(610)</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	75	35
5.2 Deposits at call	275	500
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>350</b>	<b>535</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas 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 <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>	230,160,001	230,160,001		
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>	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	6,830,004	6,830,004	20 cents	28 April 2014
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: **30 July 2014**

(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 and petroleum 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 or petroleum 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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+ See chapter 19 for defined terms.