

QUARTERLY REPORT TO 31 MARCH 2014

HIGHLIGHTS

- Metallurgical testwork Phase One completed at Medcalf Project.
- Scoping Study on Medcalf Project has commenced.
- Stage One of Level 2 flora and fauna study completed at Medcalf.

Audalia Resources Limited (ASX: ACP) is pleased to present its report for the March 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 km².

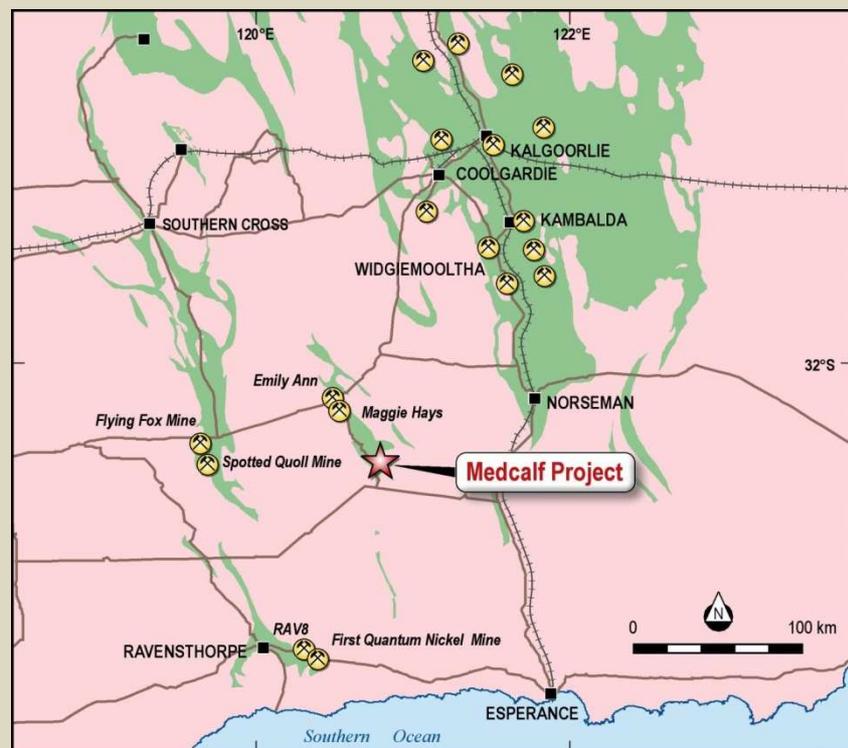


Figure 1: Medcalf Project - Location Map

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 March 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 completed the Phase One scope of works during the March 2014 quarter.

The proposed testwork was aimed at upgrading the vanadium by means of reducing the main gangue mineral, silica to 1.5-2% prior to leaching. A summary of the test work completed during Phase One was released by the Company on 22 April 2014

The results from this series of testworks has now led to a Phase Two testwork programme that will further concentrate the vanadium and reduce the silica content to optimise recoveries. Roast leach testwork will also be conducted in parallel.

Results from the Phase Two testwork programme are expected to be received in the new financial year.

Scoping Study

Audalia have engaged Ravensgate Mining Consultants to begin a Scoping Study on the Medcalf Project. Several pit optimisations have been run on hypothetical recoveries to establish a possible mining footprint in order to decide the boundaries of a mining lease. Management is also considering the proposed mine layout and haul road.

Level Two Flora and Fauna Survey

Stage Two (final) of the Level 2 Flora and Fauna study was completed at the Medcalf Project during the March 2014 quarter.

The report from Stage One has been received and the report from Stage Two of the survey is expected to be completed during the June 2014 quarter.

Other Work Completed

During the March 2014 quarter, repairs were completed to the Medcalf track from Lake Johnson road (50km) to the Medcalf Project following damage caused by last year's winter rains.

The Company submitted its annual technical reports to the Department of Mines and Petroleum in February 2014.

GASCOYNE PROJECT

The Gascoyne Project comprises 100% owned tenements covering 311 km² 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.

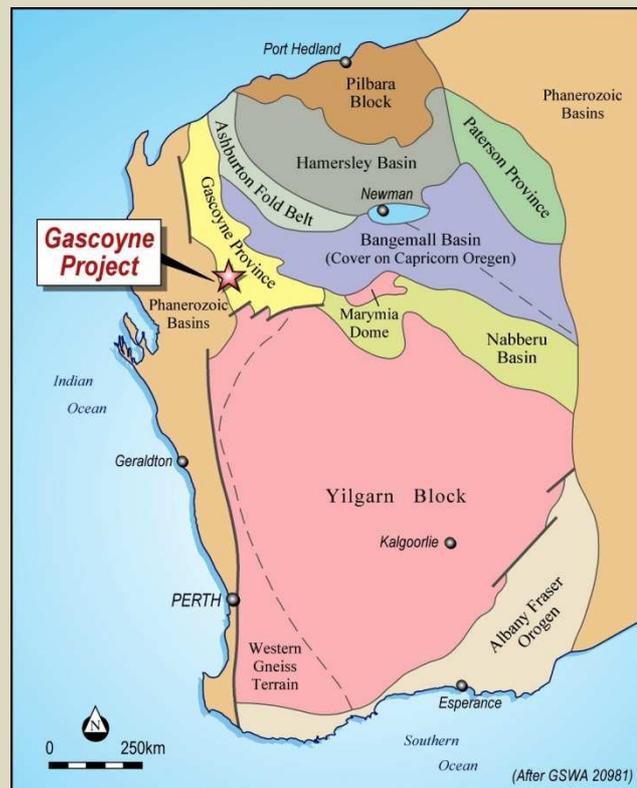


Figure 1: Gascoyne Project - Location Map

Other Work Completed

During the March 2014 quarter, the Company submitted its annual technical reports to the Department of Mines and Petroleum.

CORPORATE MATTERS

During the March 2014 quarter, the Company relocated its registered office and principal administrative office to West Perth.

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 31 March 2014

Projects	Licence Number	Registered Holder / Applicant	Status	Audalia's Interest
<u>Western Australia</u>				
Gascoyne	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%
Medcalf	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")

31 March 2014

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	(152)	(1,139)
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(96)	(304)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	10
1.5 Interest and other costs of finance paid	-	(10)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(244)	(1,443)
Cash flows related to investing activities		
1.8 Payment for purchases of:	-	-
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(14)	(14)
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	-	-
Net investing cash flows	(14)	(14)
1.13 Total operating and investing cash flows (carried forward)	(258)	(1,457)

+ 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)	(258)	(1,457)
Cash flows related to financing activities			
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	-	-
	Net financing cash flows	-	1,493
	Net increase (decrease) in cash held	(258)	36
1.20	Cash at beginning of quarter/year to date	793	499
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	535	535

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	(45)
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Executive directors' remuneration	(11)
	Non-executive directors' remuneration	(10)
	Services provided by director-related entities	(24)

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	(340)
4.2 Development	-
4.3 Production	-
4.4 Administration	(140)
Total	(480)

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	35	143
5.2 Deposits at call	500	650
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	535	793

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 Preference securities (description)	-	-		
7.2 Changes during quarter: (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 +Ordinary securities	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 +Convertible debt securities (description)	-	-		
7.6 Changes during quarter: (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 Options (description and conversion factor)	6,830,004	6,830,004	<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 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

+ 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 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.

+ See chapter 19 for defined terms.