

QUARTERLY REPORT TO 30 JUNE 2015

HIGHLIGHTS

- **In-principle agreement reached with the Ngadju native title holders to enable development of the Medcalf Project.**
- **Pre-feasibility study work continues in relation to the Medcalf Project.**
- **Appointment of CEO.**

Audalia Resources Limited (ASX: **ACP**) is pleased to present its report for the June 2015 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.

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.

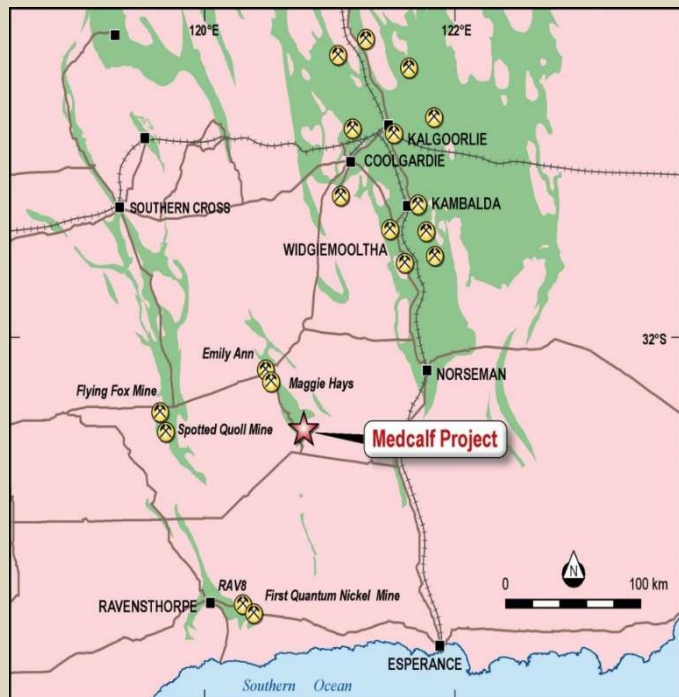


Figure 1: Medcalf Project - Location Map

Native title agreement

The Company advanced the confidential negotiations with the Ngadju native title holders during the quarter, the sole native title holders in the area covering the Medcalf Project, in relation to grant of the project tenure, development of the Medcalf Project and conduct of the operations.

Audalia reached an in-principle agreement which ensures the Ngadju People will share in the benefits of the Medcalf Project from the date of signing the definitive agreement. The definitive agreement is expected to be finalised in August 2015 and is a condition precedent to the grant of mining lease application M63/656 by the Department of Mines and Petroleum.

MEDCALF PROJECT (continued)

Pre-feasibility study (PFS)

The Company continued its PFS work on its flagship Medcalf Project during the June 2015 quarter with work continuing on haul road access and logistics, water and power. Following engagement with the community and various stakeholders, the Company withdrew its application for miscellaneous licence L63/68 and investigated alternative options for haul road access from the Medcalf Project site. Audalia, together with its consultants, is now assessing a potential haul road corridor with a view to refining the alignment and completing a preliminary road design for costing.

Metallurgical testwork programme

During the quarter, the Company concluded a bench scale testwork programme on previous core samples to assess a potential method of extracting additional ore to enhance recoverability. This testwork along with the historical testwork conducted will establish a base to commence work in developing a preliminary flow sheet to drive process development and design further metallurgical test work. As part of the PFS, the Company will undertake a high level assessment of potential flow sheet options in order to structure the metallurgical testwork programme commencing in the September 2015 quarter.

During the June 2015 quarter, a drill core programme was designed to extract further samples for the metallurgical test work in order to define the metallurgical characteristics of the Medcalf Project ore body to a PFS standard and confirm the optimal process flow sheets. The Company plans to complete the drill core programme in the September 2015 quarter.

Environmental works

The Company completed the Level 2 autumn season flora survey over the mining lease application M63/656 during the quarter together with targeted searches of flora of conservation significance. The data from these surveys was included in Audalia's Conservation Management Plan and submitted to the Department of Parks and Wildlife for review for confirmation of compliance with their departmental standards.

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.

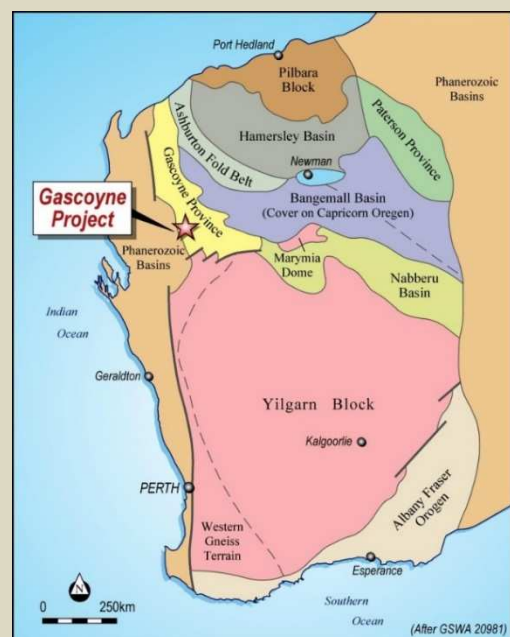


Figure 2: Gascoyne Project - Location Map

GASCOYNE PROJECT (cont'd)

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

During the quarter, the Company continued to negotiate with the Gnulli People via the Yamatji Marlpa Aboriginal Corporation (YMAC) in relation to an alternative heritage agreement for Audalia's exploration licence application E09/2102 such that the Gnulli People's objection could be resolved and the application granted.

Audalia was pleased to enter into an alternative heritage agreement with the Gnulli People on 14 July 2015 and the objection to the application was immediately withdrawn by YMAC. The Department of Mines and Petroleum promptly granted Audalia's application for E09/2102 on 15 July 2015.

Exploration licence application E09/2102 has an area of 218 km² and as such is an integral part of the Gascoyne Project. Given this, the Company will focus work on this tenement to evaluate its potential and bring the level of geological understanding in line with the rest of the tenement package in order to plan a future drill programme at the Gascoyne Project.

CORPORATE MATTERS

On 17 April 2015, the Company announced the appointment of Mr Brent Butler as its Chief Executive Officer on the terms and conditions set out in that announcement.

In the June 2015 quarter, the Company drew down a further \$2 million of the \$4 million of loan facilities (**Loan Facilities**) which Audalia secured during the March 2015 quarter. As at 30 June 2015 the Company has a further \$1 million of the Loan Facilities available to advance the PFS on Audalia's Medcalf Project.

Audalia continues to pursue opportunities to complete further capital raisings to advance the development work at the Medcalf Project as well as progress the ongoing exploration activities at the Gascoyne Project. The Company also 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 2015

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%
	E09/2102	Audalia Resources Limited	Pending ¹	100%
	Medcalf²	E63/1068	Audalia Resources Limited	Granted
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%
M63/656		Audalia Resources Limited	Pending	100%

1. Exploration licence application E09/2102 was granted on 15 July 2015.
2. Miscellaneous licence application L63/68 was withdrawn on 21 April 2015.

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 2015

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	(437)	(1,673)
(b) development	-	-
(c) production	-	-
(d) administration	(89)	(483)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	16
1.5 Interest and other costs of finance paid	-	(33)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(521)	(2,173)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(8)
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	-	(8)
1.13 Total operating and investing cash flows (carried forward)	(521)	(2,181)

+ 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)	(521)	(2,181)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net of issuance costs)	-	1,492
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,000	3,700
1.17	Repayment of borrowings	-	(700)
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		2,000	4,492
Net increase (decrease) in cash held		1,479	2,311
1.20	Cash at beginning of quarter/year to date	1,182	350
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,661	2,661

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	(48)
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
Non-executive and executive directors' remuneration		(14)
Services provided by director-related entities		(34)

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

Nil

+ 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 (1)	4,000	3,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(650)
4.2 Development	-
4.3 Production	-
4.4 Administration	(116)
Total	(766)

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	1,646	1,167
5.2 Deposits at call	1,015	15
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	2,661	1,182

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 <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	234,160,001	234,160,001		
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>	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
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 July 2015**

(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.