

QUARTERLY REPORT TO 31 MARCH 2015

HIGHLIGHTS

- **Pre-feasibility study commenced in relation to the Medcalf Project.**
- **Financing secured to commence the PFS for the Medcalf Project.**
- **Rockchip sampling programme over BIF at the Gascoyne Project returns elevated copper, lead, zinc and manganese assays.**

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

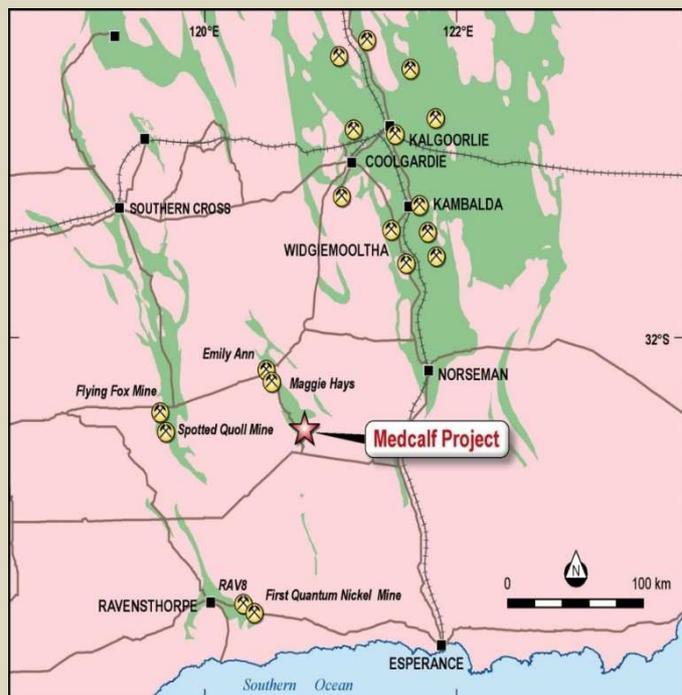


Figure 1: Medcalf Project - Location Map

Pre-feasibility study

During the March 2015 quarter, the Company commenced a pre-feasibility study (**PFS**) of its flagship Medcalf Vanadium Project. Audalia expects the PFS to be completed in the December 2015 quarter.

MEDCALF PROJECT (continued)

Metallurgical testwork programme

A review of metallurgical testwork was completed during the March 2015 quarter and recommendations received as to the next stages of testwork. The historical testwork conducted to date continues to be refined before commencing to the stage of process design.

Flora and Fauna Surveys

Autumn season surveys are planned for the June 2015 quarter to undertake the following scopes of works.

- Level 1 flora and fauna survey over the proposed haul road;
- Level 2 flora survey over the mining lease application, M63/656; and
- Targeted searches for flora of conservation significance.

Other work in progress

During the March 2015 quarter, the Company continued its desktop study reviews on water, power and road construction options in relation to the Medcalfe Project.

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.

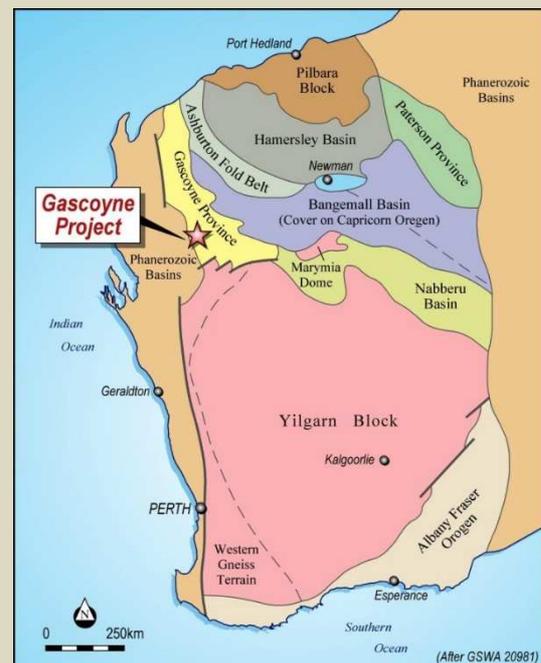


Figure 2: Gascoyne Project - Location Map

During the March 2015 quarter, the Company received the results from the reconnaissance rockchip sampling programme and aeromagnetic/radiometric survey carried out in October and November 2014 over all the tenements.

The exploration results were released to ASX on 28 January 2015. The results indicated further work is warranted on the BIF particularly around rockchip CW978 that has elevated copper, lead, zinc and manganese values. Future work at the Gascoyne Project should include diamond drilling in order to understand the stratigraphy and mineralisation at depth.

CORPORATE MATTERS

On 26 February 2015, the Company completed Tranche 2 of the \$1.5 million placement, via the issue of 2,000,000 fully paid ordinary shares raise \$750,000. Following the extension of the repayment date of its short-term loan of \$700,000, the Company made repayment in March 2015.

In March 2015, the Company secured loan facilities of \$4,000,000 (**Loan Facilities**) to advance the PFS at its flagship Medcalf Vanadium Project. The Loan Facilities are unsecured, attract an interest rate of 8% per annum and are repayable on 20 March 2016. The Company drew down on \$1,000,000 of the Loan Facilities during the March 2015 quarter.

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 31 March 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	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%
	M63/656	Audalia Resources Limited	Pending	100%
	L63/68	Audalia Resources Limited	Pending	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 2015

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 and evaluation	(391)	(1,260)
(b) development	-	-
(c) production	-	-
(d) administration	(113)	(370)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	11
1.5 Interest and other costs of finance paid	(33)	(33)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(531)	(1,652)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(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	(4)	(8)
1.13 Total operating and investing cash flows (carried forward)	(535)	(1,660)

+ 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)	(535)	(1,660)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (net of issuance costs)	746	1,492
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,000	1,700
1.17	Repayment of borrowings	(700)	(700)
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		1,046	2,492
Net increase (decrease) in cash held		511	832
1.20	Cash at beginning of quarter/year to date	671	350
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,182	1,182

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	(68)
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 directors' remuneration		(13)
Services provided by director-related entities		(55)

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	1,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,500)
4.2 Development	-
4.3 Production	-
4.4 Administration	(350)
Total (1)	(1,850)

(1) The Company has sufficient loan facilities in place to cover its estimated cash outflows for the next quarter.

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	1,167	106
5.2 Deposits at call	15	565
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,182	671

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	2,000,000	2,000,000	\$0.375	\$0.375
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 April 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.