

# QUARTERLY REPORT TO 30 JUNE 2017

## HIGHLIGHTS

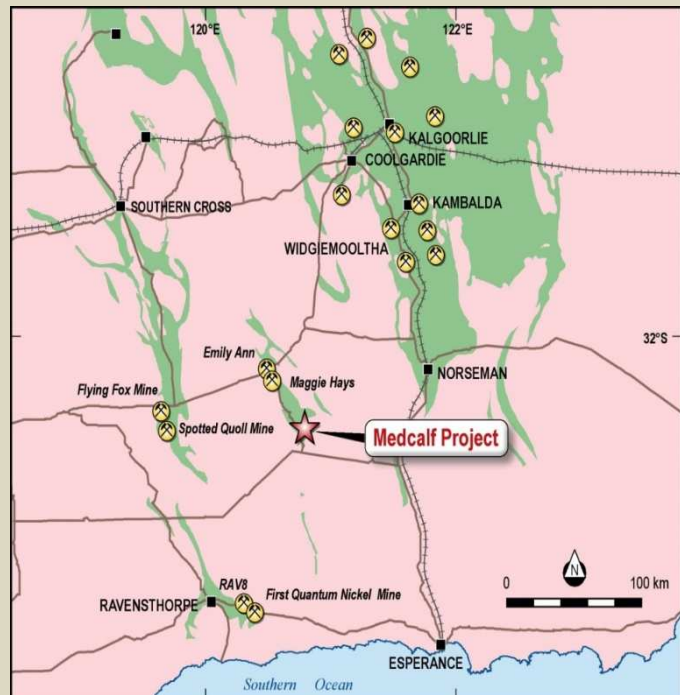
- **Initial results from interim metallurgical testwork programme indicate production of vanadium contained iron ore and titanium concentrate from the Medcalf Project.**
- **Additional work underway at Medcalf for environmental approval application.**
- **Geophysical consultant engaged to process and interpret the EM survey at the Gascoyne Project.**

Audalia Resources Limited (ASX: ACP) is pleased to present its report for the June 2017 quarter.

### MEDCALF PROJECT

The Medcalf Project is a vanadium-titanium-iron project located some 470 kilometres south east of Perth near Lake Johnston, Western Australia. The Medcalf Project comprises two granted Exploration Licences E63/1133 and E63/1134 as well as mining lease M63/656. Together these licences covering a total area of 24 km<sup>2</sup>.

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**

### Interim metallurgical testwork programme

During the quarter, the independent overseas consultant completed the interim metallurgical testwork using the beneficiated concentrate produced by local consultant, Nagrom. Initial results from the testwork indicates that two products, namely vanadium contained iron ore and titanium concentrate, can be produced from the Medcalf Project via a simplified process route. These products are used in the production of steel, vanadium pentoxide and titanium dioxide pigment. The proposed simplified process route is expected to require lower capital investment and operating costs, and is more technically matured.

The results from this testwork will be released to the market, once available.

### Environmental approval

The environmental consultant commenced preparation of the environmental approval application for the Medcalf Project during the June 2017 quarter.

A troglofauna study program is being undertaken in the proposed mine pit areas to provide additional information for the application. It is envisaged that the program will be completed in August 2017.

### Ancillary tenure

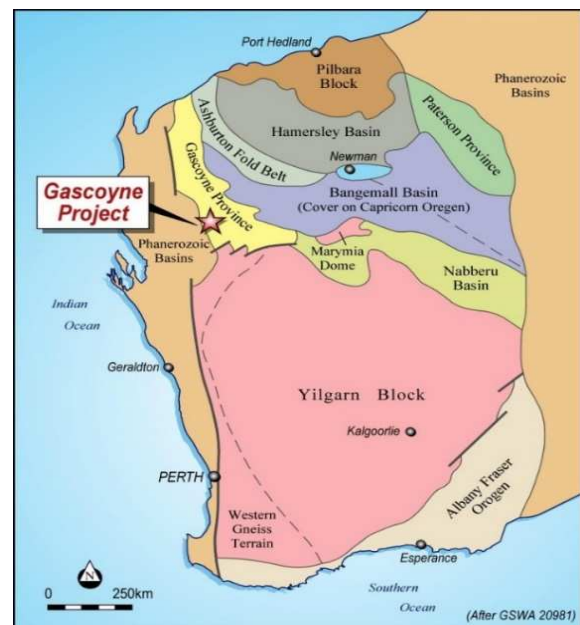
During the quarter, the Company commenced preliminary design and survey work in relation to the proposed haul road route. An independent road design engineer conducted road alignment and borrow pit surveys. The Company's environmental consultant conducted Level 2 Autumn flora and fauna surveys along the proposed route during the June 2017 quarter and Audalia plans to undertake the Level 2 Spring flora and fauna surveys together with the heritage surveys in the September 2017 quarter.

The Company also applied for an adjacent tenement for the purposes of water exploration for the Medcalf Project.

## GASCOYNE PROJECT

The Gascoyne Project comprises 100% owned tenements covering 537 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.

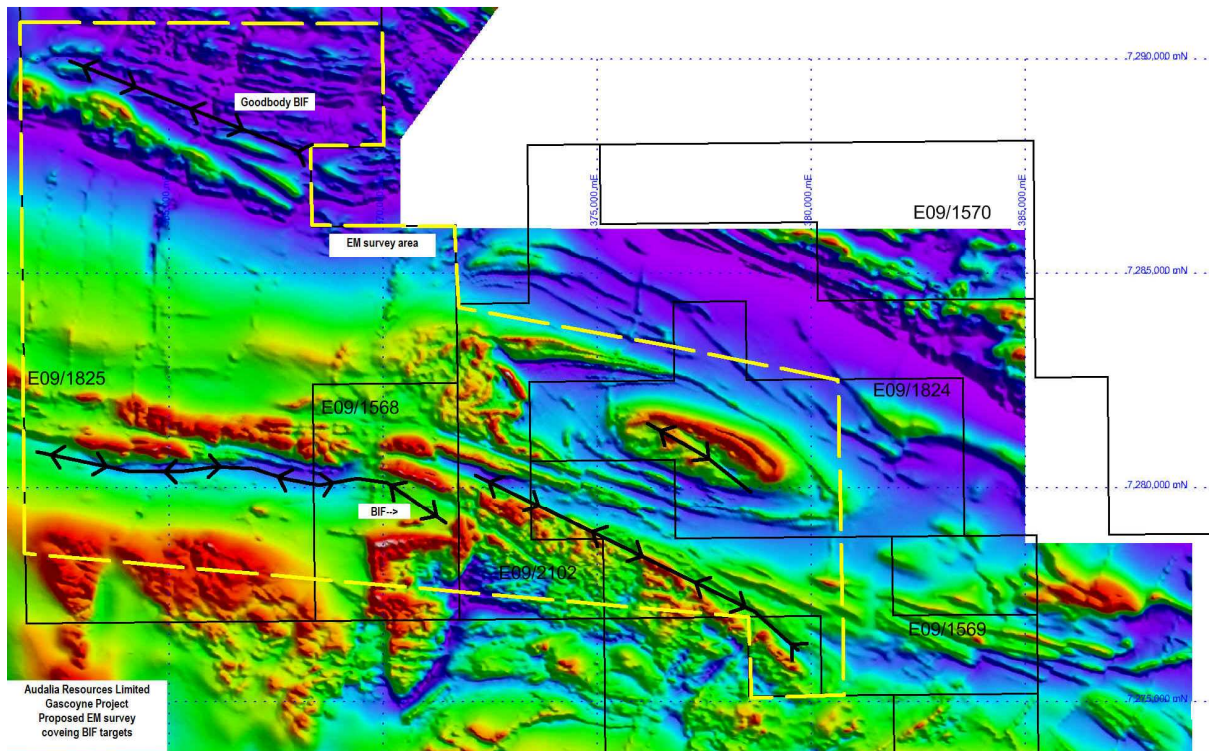
The Gascoyne Project covers an area of mid-Proterozoic aged, metamorphosed sediments and volcanic rocks which have been subjected to several phases of tectonic deformation and intruded by granitoids. Exploration work and drilling to date has used the geological model of base metal mineralisation being 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.

### EM Survey

During the March quarter, GPX Surveys in Belmont completed a helicopter airborne Electromagnetic (EM) and magnetic survey over the prospective Banded Iron Formation (BIF) in order to locate massive sulphides within the folds of the BIF.



**Figure 3 – EM Survey location plan**

Figure 3 shows the total magnetic intensity (TMI) from the 2014 airborne magnetic survey with the main area of interest, the Banded Iron Formation (BIF), shown in black. The EM survey area (highlighted in yellow) was chosen to cover several BIF's that returned significant geochemical anomalies through a series of rockchip programmes from previous years. After several delays over the Christmas period due to inclement weather and a shortfall of Avgas drums, the crew began mobilisation on January 24th to Eudamullah station to their base camp.

The airborne survey was carried out using a Eurostar BA AS350 Squirrel helicopter equipped with a XTEM time domain Electromagnetic system over the period from January 30th to February 2nd and was demobilised on February 3rd. The crew were ready to demobilise on February 5th but were delayed by two days due to the flooded Lyons River.

A total of 1038.8 line kilometres was flown that consisted of 942.4 line kilometres at 200m spacing's in a north south direction and 96.4 line kilometres flown in an east west direction (tie lines).

An initial interpretation from discussions with GPX and a consultant geologist suggests that there are several discrete anomalies that warrant further investigation.

The Company has engaged Western Geophysics Pty Ltd to process and interpret airborne magnetic, radiometric from the GPX survey in 2014 and the recently flown electromagnetic data. Also assisting with the interpretation is the consultant geologist's mapping and sampling and the historic drilling and induced polarisation (IP) data.

The results from this interpretation are expected to be available during the September quarter.

## **CORPORATE MATTERS**

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:**

**Brent Butler**  
*CEO and Executive Director*

**Schedule of Tenements as at 30 June 2017**

<b>Projects</b>	<b>Licence Number</b>	<b>Registered Holder / Applicant</b>	<b>Status</b>	<b>Audalia's Interest</b>
<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	Granted	100%
<b>Medcalf</b>	E63/1133	Audalia Resources Limited	Granted	100%
	E63/1134	Audalia Resources Limited	Granted	100%
	M63/656	Audalia Resources Limited	Granted	100%
	E63/1855	Audalia Resources Limited	Application	0%
	L63/75	Audalia Resources Limited	Application	0%

**Competent Person's Statement**

The information in this report relates to the Exploration Results is based on information compiled by Mr Brent Butler, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Butler has 33 years' experience as a geologist and is CEO and Executive Director of Audalia. 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 has provided his consent 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 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, 01/05/13, 01/09/16

### Name of entity

Audalia Resources Limited

### ABN

49 146 035 690

### Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(458)	(1,430)
(b) development	-	-
(c) production	-	-
(d) staff costs	(5)	(36)
(e) administration and corporate costs	(153)	(451)
1.3 Dividends received	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	1,121
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(613)</b>	<b>(790)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(1)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(1)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	1,433
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(39)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,394</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,099	883
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(613)	(790)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(1)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,394
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>1,486</b>	<b>1,486</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,470	2,083
5.2 Call deposits	16	16
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,486</b>	<b>2,099</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	(78)
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director Fees	(11)
Consultant Fees – Brent Butler	(20)
Consultant Fees – Geoffrey Han	(47)
Consultant fees paid to Brent Butler relate to the provision of services as CEO of the Company.	
Consultant fees paid to Geoffrey Han relate to the provision of services as project director of the Company.	

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A
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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	4,000	3,625
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The loans attract an 8% interest rate per annum (compounded daily) and the drawn down amounts are payable in full (with accrued interest) on 20 November 2018. The loans are unsecured.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(150)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(132)
9.5 Administration and corporate costs	(118)
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>(400)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Medcalf E63/1855	Application	0%	0%
	L63/75	Application	0%	0%

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
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(CEO and Executive Director)Date: **31 July 2017**Print name: **Brent Butler****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.
2. This quarterly report has been prepared in accordance with Australian Accounting Standards, 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 including interpretation 1031 Accounting for the Goods and Services Tax with the exception of the classification of capitalised exploration expenditure and the allocation of the research and development tax incentive as an investing activity. This quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.