

QUARTERLY REPORT TO 31 MARCH 2013

HIGHLIGHTS

- **Programme of Works (POW) granted for the drill programme at the Medcalf Project.**
- **Maiden JORC Inferred Resource completed at the Medcalf Project.**

Audalia Resources Limited (ASX: **ACP**) is pleased to present its report for the March 2013 quarter.

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

Exploration work programme for 2013

Audalia has reviewed the results from last's year soil and rock chip programme focussed on exploring for a base metal target and have decided to follow the recommendation of the field Geologist's latest report to assess the project for its gold potential.

Inspection of the Geological Survey of Western Australia (**GSWA**) Lockier and Mangaroon 1:100 000 map sheets shows similar lithologies and rock ages in the Mangaroon district and the Gascoyne Project tenements.

Historic sampling of the Mangaroon district showed alluvial gold to be widespread.

A programme has been designed for the September 2013 quarter to explore for gold. Approximately 600 samples will be collected over the 311km² area which equates to a sample density of two samples per square kilometre.

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.

Audalia received notification from the Department of Mines and Petroleum (DMP) in February 2013 that the proposed drill programme designed to test the vanadium-titanium mineralisation to quantify an inferred resource was approved.

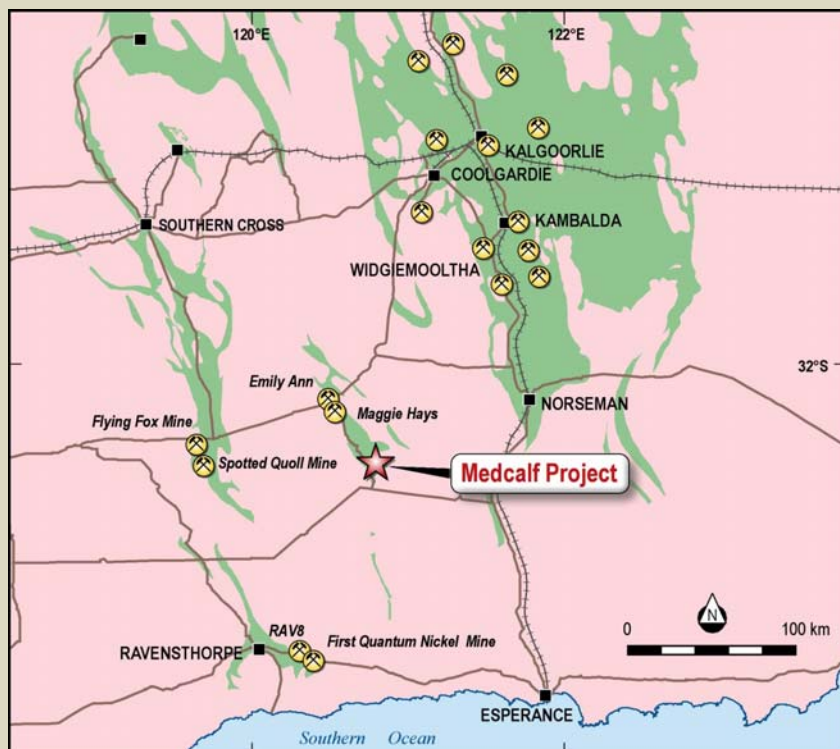


Figure 2: Medcalf Project - Location Map

Audalia immediately engaged Topdrill from Kalgoorlie to commence the drill programme. A total of 28 Reverse Circulation (RC) drillholes were drilled for a total of 1,306 metres. Samples were taken for every metre of the drilling programme.

Audalia's programme was centred on a 160m by 160m grid pattern drilling vertically through the pyroxenite sill, with drilling focussed on confirming an historic resource estimate that Amoco Minerals Company had calculated with their drill hole programme completed during 1982.. Drill holes depths varied on location. Ore-grade vanadium (V_2O_5) and Titanium (TiO_2) mineralisation are confined to the weathered zone where it has been enriched by loss of silicates. As a result, only a small proportion of the drill cuttings consisted of fresh rock.

The deepest drill hole was drilled to 90m. The average drill depth was 46m.

After a geological review, samples were selected based on their mineralogy for submittal for analysis to the laboratory. Blanks and standards were inserted every 20th sample for quality control and assurance (QAQC). Samples were sent to Intertek (formerly Genalysis Laboratory Services) to assay for vanadium and titanium.

Distribution of the vanadium (V_2O_5) and titanium (TiO_2) mineralisation is controlled by several factors. One is depth of lateritic weathering, where weathering has increased grades to economic levels. A second is stratigraphic control, with mineralisation confined to an approximate depth of 50m thick pyroxenite zone within the Medcalf Sill.

Result highlights include:

Hole	From (m)	To (m)	Width (m)	TiO2 (%)	V2O5 (%)
MRC007	3	29	26	11.59	0.69
MRC008	0	44	44	13.45	0.71
MRC009	0	37	37	14.16	0.81
MRC010	1	54	53	10.64	0.65
MRC011	0	50	50	14.71	0.83
MRC012	12	34	22	11.42	0.53
MRC013	34	38	4	12.34	0.63
MRC019	11	20	9	11.75	0.56

Table 1: Results for Medcalf vanadium and titanium mineralisation

For a full listing of results, please refer to Appendix 1 of Audalia's ASX announcement dated 21 March 2013 "Audalia has achieved its maiden JORC resource on Medcalf Vanadium Project".

Ravensgate, mining industry consultants of West Perth were engaged to model the Medcalf vanadium-titanium mineralisation intersected from the recent drill programme.

Ravensgate completed an Ordinary Kriging block model over the main mineralised area that over approximately 1,300m in length, 400m in width and up to 35m in thickness. Block size used was 20m by 20m by 2m depth. Summarised in Table 2 are the JORC estimate for various grade cut-off ranges.

Lower Cut-off	Measured				Indicated				Inferred				
	V ₂ O ₅ (%)	Volume	Tonnes	V ₂ O ₅ (%)	TiO ₂ (%)	Volume	Tonnes	V ₂ O ₅ (%)	TiO ₂ (%)	Volume	Tonnes	V ₂ O ₅ (%)	TiO ₂ (%)
0.20	-	-	-	-	-	-	-	-	-	12621627	28515387	0.5008	9.2704
0.30	-	-	-	-	-	-	-	-	-	10171343	22991785	0.5601	10.0492
0.40	-	-	-	-	-	-	-	-	-	7390179	16698823	0.6405	10.8876
0.50	-	-	-	-	-	-	-	-	-	5644264	12775558	0.6999	11.4583
0.60	-	-	-	-	-	-	-	-	-	4186404	9478696	0.7547	12.0640
0.80	-	-	-	-	-	-	-	-	-	1020024	2313374	0.9016	13.5197
1.00	-	-	-	-	-	-	-	-	-	147960	335869	1.0849	15.2576

Table 2: JORC estimates for grade cut-off ranges

From the above table, Audalia has identified a significant vanadium-titanium resource and within line of the industry best practice standards and the JORC (2004) Resource reporting guidelines, Audalia reports that the *TOTAL INFERRED RESOURCE for the Medcalf Project is 28,515,387 tonnes at 0.501% V₂O₅ that totals 142,862 tonnes of vanadium pentoxide).*

Audalia have now begun a metallurgical study to review the Medcalf Project's possible processing method and likely metallurgical recoveries.

NEW PROJECTS/ ACQUISITIONS

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 2004 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.

Appendix 5B

Mining 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

Name of entity

AUDALIA RESOURCES LIMITED

ABN

49 146 035 690

Quarter ended ("current quarter")

31 March 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(295)	(585)
(b) development	-	-
(c) production	-	-
(d) administration	(66)	(247)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	53
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(352)	(779)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(57)
(b) equity investments	-	-
(c) other fixed assets	-	-
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 (provide details if material)	-	-
Net investing cash flows	-	(57)
1.13 Total operating and investing cash flows (carried forward)	(352)	(836)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(352)	(836)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. (net of issue costs)	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(352)	(836)
1.20	Cash at beginning of quarter/year to date	1,161	1,645
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	809	809

Payments to directors of the entity and associates of the directors
Payments to 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	(33)
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	(12)

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	(100)
4.2 Development	-
4.3 Production	-
4.4 Administration	(60)
Total	(160)

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	28	358
5.2 Deposits at call	781	803
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	809	1,161

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining 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	80,160,001	19,160,001		
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>	6,830,004	3,830,004	<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 <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: **26 April 2013**
(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 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, 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.