

# QUARTERLY REPORT TO 31 MARCH 2017

## HIGHLIGHTS

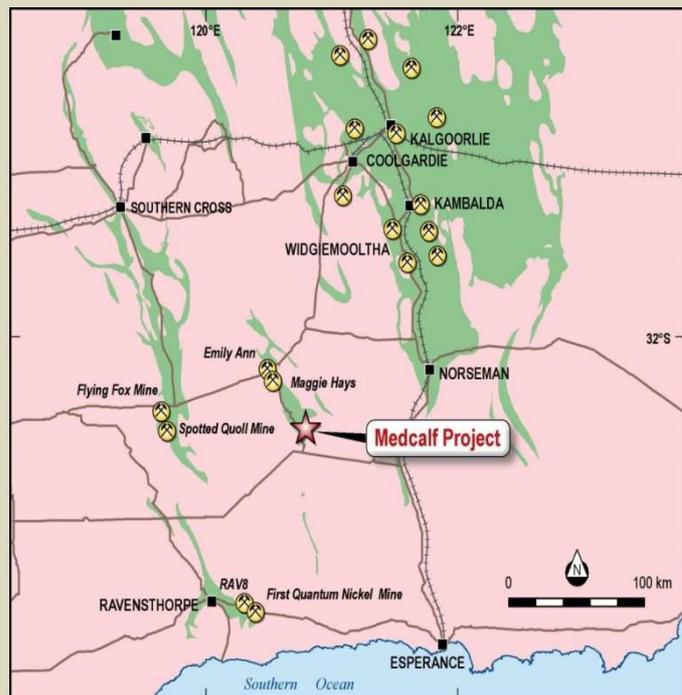
- **Interim metallurgical testwork completed for the Medcalf Project.**
- **Definitive feasibility study work underway for Medcalf.**
- **EM Survey completed at the Gascoyne Project.**

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

### MEDCALF PROJECT

The Medcalf Project is a vanadium-titanium 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

Both the interim metallurgical testwork undertaken by the independent overseas consultant and the beneficiation testwork carried out by local consultant, Nagrom, were completed during the March 2017 quarter. The two testwork programmes were consolidated during the quarter, with the overseas consultant completing testwork using the beneficiated concentrate produced by Nagrom.

The consultants are preparing the reports, the results of which will be released to the market once available.

## Definitive feasibility study

During the quarter, the Company commenced the definitive feasibility study (DFS) for the Medcalf Project, engaging consultants to begin work on Tailings Storage Facility (TSF) concept design based on the revised process flowsheet, and to plan a haul road route. An environmental consultant has also been engaged by the Company to facilitate the primary environmental approval application required for the development of the Medcalf Project.

## Bulk sample for pilot plant study

As part of the DFS, the Company will undertake a comprehensive pilot plant study. A location has been selected to extract a bulk sample from the Medcalf mineralisation beside the 2015 PQ drill holes located with the Vesuvius starter pit designed during the pre-feasibility study.

A programme of work (POW) for the proposed bulk sample extraction has been prepared and lodged with the Department of Parks and Wildlife and the Department of Mines and Petroleum (DMP).

## 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.

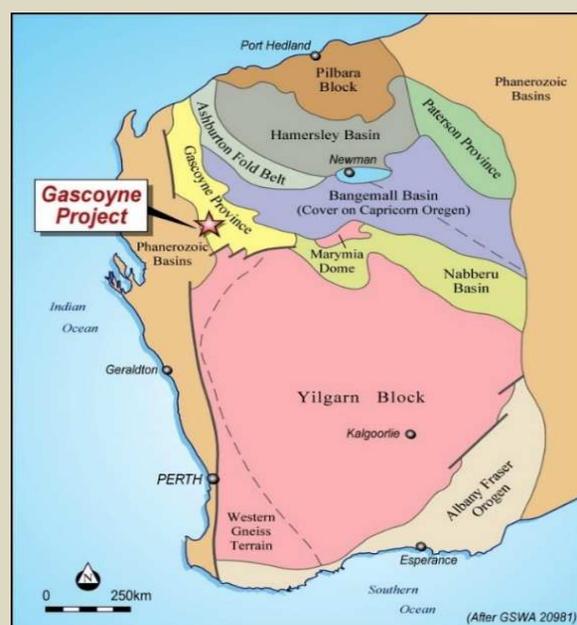


Figure 2: Gascoyne Project - Location Map

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

## EM Survey

During the 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. The survey covered 942.4 line kilometres at 200m spacing's in a north south direction with an additional 96.4 line kilometres which are tie lines flown in an east west direction.

The data from the survey is being levelled and interpreted by GPX's geophysicist in conjunction with the Company's consultant geologist.

Audalia expects to receive the final report from GPX Surveys in the June 2017 quarter at which time it will release the results of the EM survey and provide an update on the next stages of work.

## **CORPORATE MATTERS**

The Company has extended the term of Mr Brent Butler's existing consultancy agreement for the position of Chief Executive Officer at the same level of fees, being A\$120,000 per annum with no additional incentive benefits, for a further period of one year to take effect from 13 April 2017. Details of Mr Butler's consultancy agreement were announced to ASX on 17 April 2015.

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 31 March 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%

**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 32 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")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(437)	(972)
(b) development	-	-
(c) production	-	-
(d) staff costs	(12)	(31)
(e) administration and corporate costs	(72)	(299)
1.3 Dividends received	-	-
1.4 Interest received	1	4
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>(520)</b>	<b>(177)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(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 (9 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</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1)</b>	<b>(1)</b>

<b>3.</b>	<b>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</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,394</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,620	883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(520)	(177)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(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</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,099</b>	<b>2,099</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	2,084	2,604
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>2,099</b>	<b>2,620</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	(90)
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	(14)
Consultant Fees	(76)

<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 amount is payable in full (with accrued interest) on 20 November 2018. The amount is unsecured.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(583)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(12)
9.5 Administration and corporate costs	(132)
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>(727)</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	Medcalf P63/1528	100%	100%	0%
	P63/1560	Direct Interest	100%	0%
	P63/1561		100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

**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: .....  
(CEO and Executive Director)

Date: **28 April 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.