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QUARTERLY REPORT TO 30 SEPTEMBER 2013

HIGHLIGHTS

- **Infill drill programme at the Medcalf Project now completed and a Level 2 flora and fauna study underway.**
- **Alternative metallurgical consultant and laboratory engaged in South Africa in relation to the Medcalf Project.**
- **Gold exploration programme underway at the Gascoyne Project.**

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

GASCOYNE PROJECT

The Gascoyne Project comprises 100% owned tenements covering 311 km^2 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.

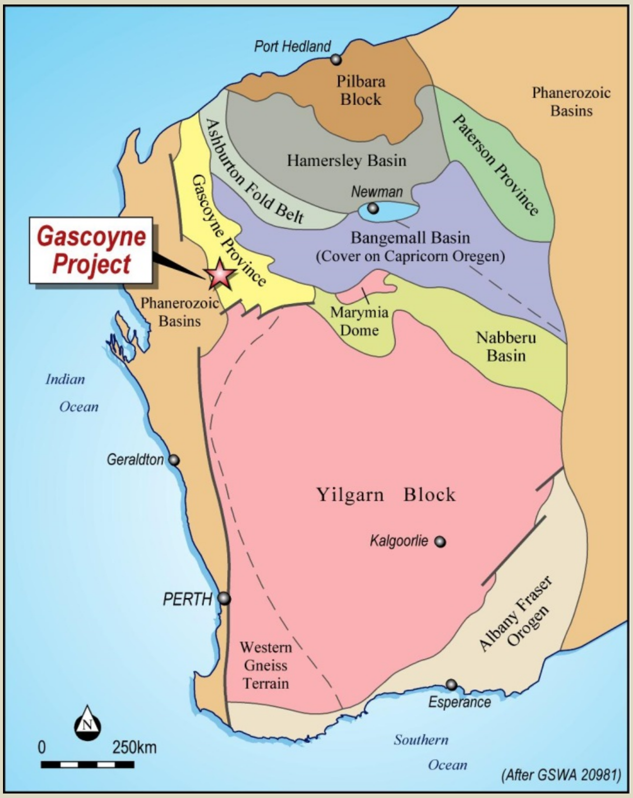

Figure 1: Gascoyne Project - Location Map

Soil and rock chip sampling programme

During the quarter, soil and rock chip sampling commenced over the entire tenement package. This programme's focus was on the prospectivity for gold whereas previous exploration was focussed on base metals.

Results are expected to be received during the December 2013 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 km^2.

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.

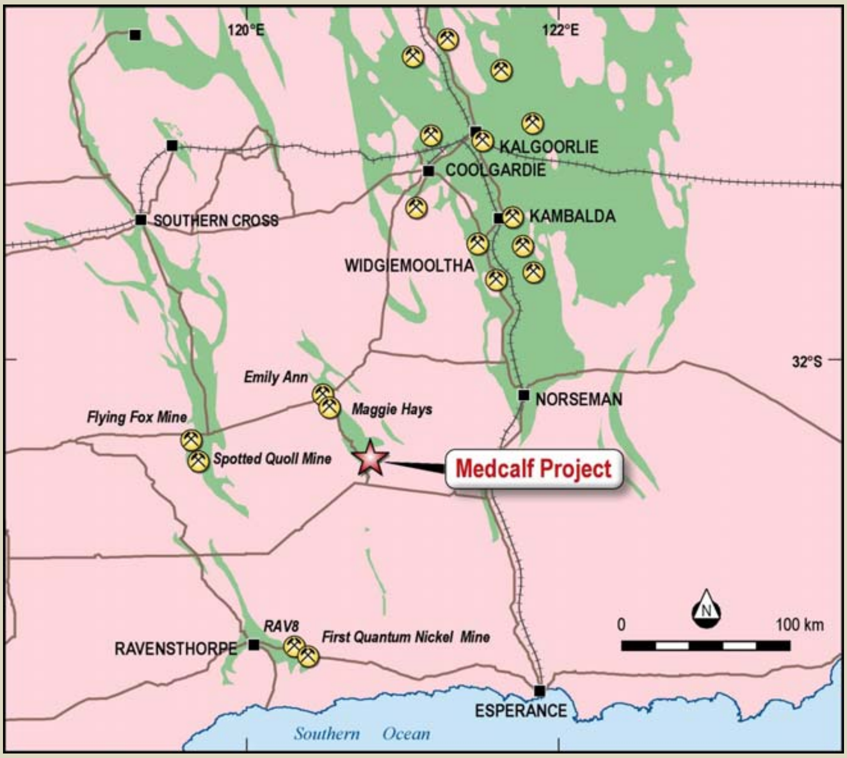

Figure 2: Medcalf Project - Location Map

Metallurgical test work programme

During the September 2013 quarter, the Company continued to progress its test works to determine the likely processing method and likely metallurgical recoveries for the Medcalf Project. The test works comprise of four phases: characterisation, composite preparation, metallurgical and comminution.

Phase One results of the metallurgical test work programme were received from Bureau Veritas Minerals Pty Ltd (**Bureau Veritas**) in September 2013 and announced in the Exploration Update released on 16 September 2013. Phase Two was completed by Bureau Veritas but following consideration of the preliminary results, the Board concluded that alternative consultants possessing expertise in vanadium should be sought.

Environmental Process and Mining Consultants Pty Ltd (**EPMC**) were engaged to carry out a nine-week test work programme following the arrival of the core at the Mintek laboratory in Johannesberg.

Resource upgrade drilling programme

The Company released results of the drill programme to complete the proposed upgrade from the current Inferred Resource category to Indicated in the Exploration Update dated 25 October 2013.

Ravensgate Pty Ltd (**Ravensgate**) has completed a new resource block model from this drill programme. However, Ravensgate will be unable to complete a JORC estimate until such time as the metallurgical test work results are available. The Company is hopeful of being in a position to report the upgrade during the latter part of the December 2013 quarter, in compliance with the 2012 edition of the JORC Code.

Level Two Flora and Fauna Survey

Stage One of the Level 2 Flora and Fauna study is underway at the Medcalf Project. Stage Two will be completed in Autumn 2014 in order to complete the survey during two field seasons.

CORPORATE MATTERS

In August 2013, the Company secured a short-term loan of $500,000 (**Loan**) for the purposes of supplementing working capital. In September 2013, the Company entered into subscription agreements with sophisticated investors for a total of 150,000,000 Shares at an issue price of $0.01 per Share to raise $1.5 million before costs (**Subscription Agreements**). The Subscription Agreements propose to complete the placement in two tranches, as follows:

- Tranche 1: Placement of 12,000,000 Shares to raise $120,000; and
- Tranche 2: Placement of 138,000,000 Shares to raise $1,380,000.

The issue of Shares under Tranche 1 occurred on 27 September 2013. Tranche 2 of the Placement is subject to and conditional upon shareholder approval at the upcoming Annual General Meeting to be held on 6 November 2013.

The funds raised from the placement will be used to repay the Loan due for repayment on 20 November 2013, to advance the metallurgical testwork at the Medcalf Project, to progress the Company's ongoing exploration activities at its Medcalf and Gascoyne Projects and for general working capital.

Audalia 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.

Rule 5.3

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	Quarter ended ("current quarter")
49 146 035 690	**30 September 2013**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(683)	(683)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(101)	(101)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	3
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	**(781)**	**(781)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(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	**-**	**-**
1.13	Total operating and investing cash flows (carried forward)	(781)	(781)

+ See chapter 19 for defined terms.

1.13	**Total operating and investing cash flows (brought forward)**	(781)	(781)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. (net of issue costs)	120	120
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	500	500
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	**620**	**620**
	Net increase (decrease) in cash held	(161)	(161)
1.20	Cash at beginning of quarter/year to date	499	499
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	**338**	**338**

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	**(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

Executive directors' remuneration	**(11)**
Non-executive directors' remuneration	**(10)**
Services provided by director-related entities	**(27)**

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	(275)
4.2	Development	-
4.3	Production	-
4.4	Administration	(100)
	Total	**(375)**

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	338	91
5.2	Deposits at call	-	408
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**338**	**499**

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	-	-	-	-

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** *(description)*	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3	**+Ordinary securities**	92,160,001	92,160,001		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,000,000	12,000,000	1 cent	1 cent
7.5	**+Convertible debt securities** *(description)*	-	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7	**Options** *(description and conversion factor)*	6,830,004	6,830,004	***Exercise price*** 20 cents	***Expiry date*** 28 April 2014
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	-	-		
7.11	**Debentures** *(totals only)*	-	-		
7.12	**Unsecured notes** *(totals only)*	-	-		

+ 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 October 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.

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