

QUARTERLY REPORT TO 30 SEPTEMBER 2018

HIGHLIGHTS

- Updated Mineral Resource estimate reported with maiden resources defined at Pinatubo and Kilimanjaro and Egmont upgraded to Indicated category.
- Assessment of draft Environmental Scoping Document progresses.

Audalia Resources Limited (ASX: **ACP**) is pleased to present its report for the September 2018 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 three granted Exploration Licences E63/1133, E63/1134 and E63/1855 as well as mining lease M63/656 and miscellaneous licence L63/75. Together, these licences cover a total area of 38 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.

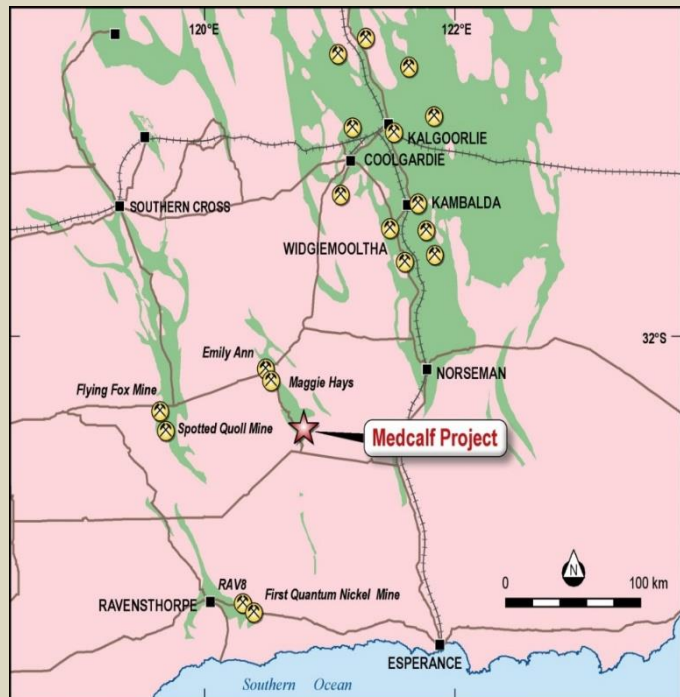


Figure 1: Medcalf Project - Location Map

Updated Mineral Resource Estimate

On 31 August 2018, Audalia Resources reported an updated Mineral Resource estimate for the Medcalf Project in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (**JORC 2012**).

During the quarter independent geologist, Cube Consulting, constructed a new geological model for Egmont, Vesuvius and Fuji along with two new additional prospects, Pinatubo and Kilimanjaro that lie southeast of Fuji (Figure 2).

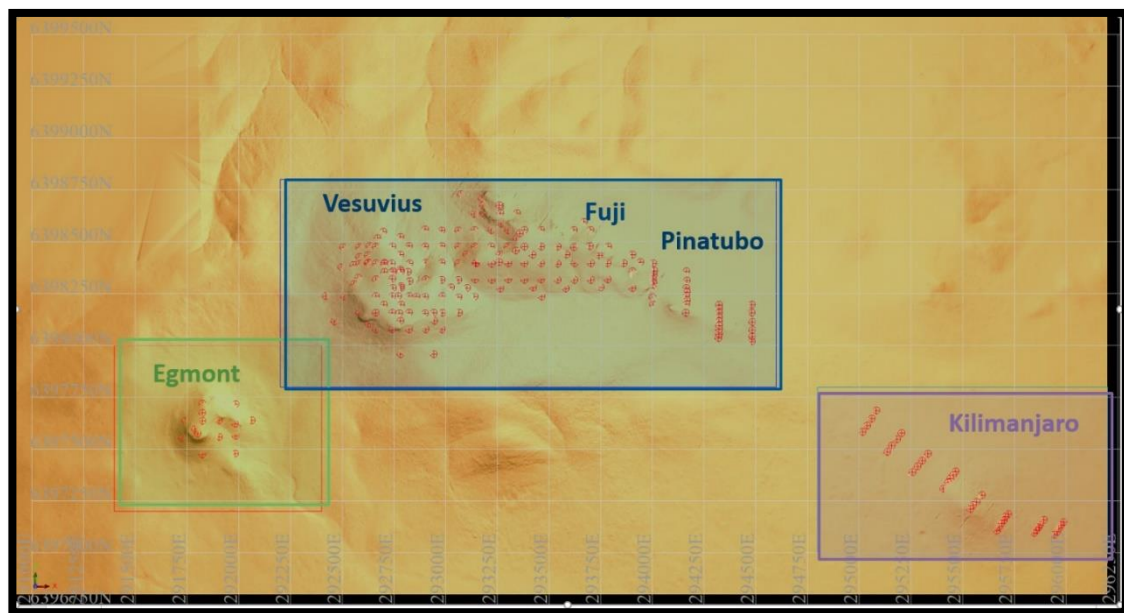


Figure 2 – Prospect location plan

At total of 212 reverse circulation (**RC**) holes for 7,340m and 19 PQ core holes for 839.2m were used to estimate the resource. All holes were drilled by Audalia Resources. Blanks, standards and duplicates were inserted into the assay run after every 20th sample for quality control and assurance.

Cube Consulting constructed the resource model (Figure 3) from first principles and estimated the following in Table 1 below.

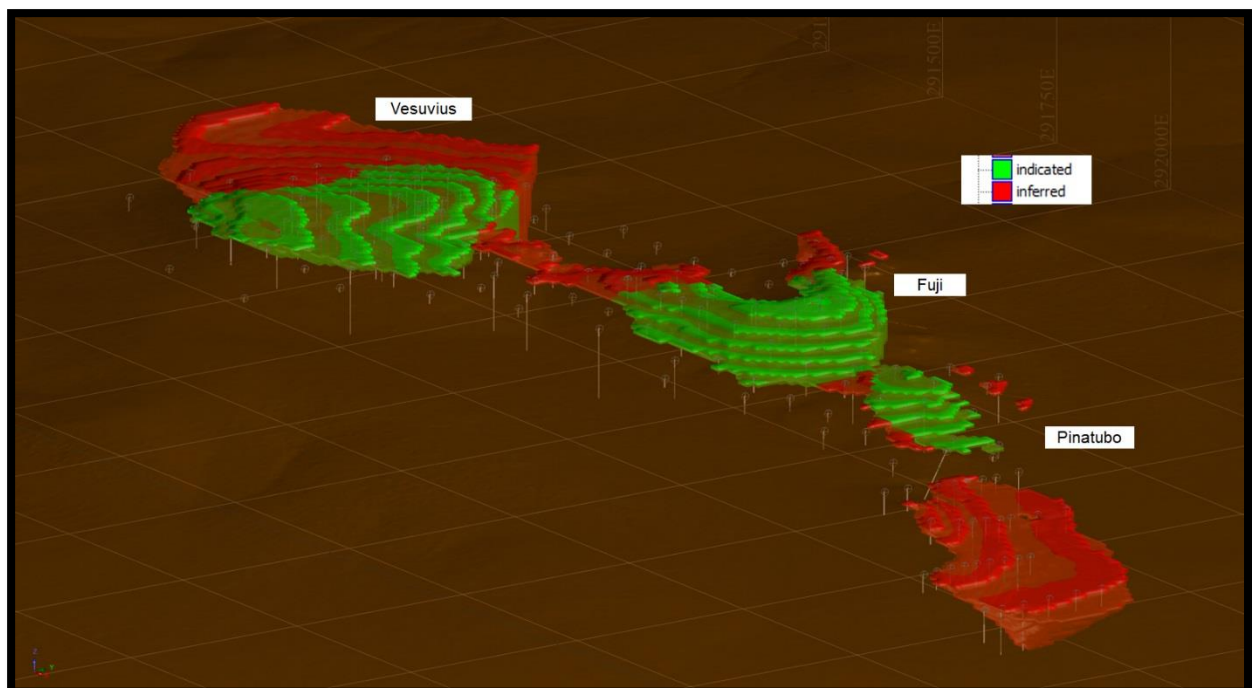


Figure 3 – Oblique view looking northwest

Resource Classification	Prospect	Tonnes (Mt)	V ₂ O ₅ %	TiO ₂ %	Fe ₂ O ₃ %	Al ₂ O ₃ %	SiO ₂ %
Indicated	<i>Vesuvius</i>	17.4	0.54	9.82	54.6	8.9	16.9
	<i>Egmont</i>	0.8	0.64	11.86	62.0	7.9	10.0
	<i>Kilimanjaro</i>	-	-	-	-	-	-
Sub-Total Indicated		18.2	0.55	9.91	54.9	8.9	16.6
Inferred	<i>Vesuvius</i>	10.0	0.37	8.08	41.0	9.7	28.4
	<i>Egmont</i>	-	-	-	-	-	-
	<i>Kilimanjaro</i>	3.8	0.35	6.90	43.7	9.6	28.8
Sub-Total Inferred		13.8	0.37	7.75	41.8	9.7	28.5
Total Resource		32.0	0.47	8.98	49.2	9.2	21.7

Table 1 – Resource Estimate (N.B – Pinatubo and Fuji are combined with Vesuvius)

The resource model was restricted using a resource limiting shell that meets JORC 2012 that the resource estimated must have potential economic extraction. The lower cut-off for this threshold was calculated to be 0.20% V₂O₅.

The updated Mineral Resource estimate has increased the metal content through higher grades at the Medcalf Project.

Audalia Resources is not aware of any new information or data that materially affects the information included in the updated Mineral Resource estimate announced on 31 August 2018 and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Environmental Approval

During the quarter, the Company continued to progress the environmental approval application with the Environmental Protection Authority (**EPA**). Audalia Resources and its environmental consultants continued to engage with the EPA, Department of Biodiversity, Conservation and Attractions and other regulators seeking comments on the draft environmental scoping document.

Authorised by:

Brent Butler
CEO and Executive Director

Schedule of Tenements as at 30 September 2018

Projects	Licence Number	Registered Holder/ Applicant	Status	Audalia's Interest
<u>Western Australia</u>				
Medcalf	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	Granted	100%
	L63/75	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 34 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 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(327)	(327)
(b) development	-	-
(c) production	-	-
(d) staff costs	(11)	(11)
(e) administration and corporate costs	(87)	(87)
1.3 Dividends received	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(423)	(423)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	(18)	(18)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(60)	(60)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(78)	(78)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,879	1,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(423)	(423)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(78)	(78)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,378	1,378

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,362	1,863
5.2 Call deposits	16	16
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,378	1,879

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
(95)
-

Director Fees	(14)
Consultant Fees – Brent Butler	(30)
Consultant Fees – Geoffrey Han	(51)
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.	

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,000	3,000
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.		

A \$2 million loan attracts an 8% interest rate per annum (compounded daily) and the drawn down amount is payable in full (with accrued interest) on 20 November 2019. The amount is unsecured.

A \$1 million loan attracts an 10% interest rate per annum (compounded daily) and the amount is payable in full (with accrued interest) on 31 March 2020. The loan is unsecured.

A remaining amount of \$100,000 is repayable over the next 5 months in relation to a third loan.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(365)
9.2 Development	
9.3 Production	
9.4 Staff costs	(96)
9.5 Administration and corporate costs	(99)
9.6 Other (provide details if material) – loan repayments	(40)
9.7 Total estimated cash outflows	(600)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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	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: **31 October 2018**

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.