

QUARTERLY REPORT TO 31 MARCH 2022

HIGHLIGHTS

- **Favourable results from bulk sample testwork.**
- **Updated Mineral Resource estimate using a 6% TiO₂ cut-off of 25.7M of 9.98% TiO₂, 0.52% V₂O₅ and 50.9% Fe₂O₃.**
- **Updated PFS study near completion.**
- **RtS document pending EPA response.**

Audalia Resources Limited (ASX: **ACP**) is pleased to present its report for the March 2022 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, two miscellaneous licences L63/75 and L63/94 and one General Purpose licence G63/10 as well as mining lease M63/656. 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.

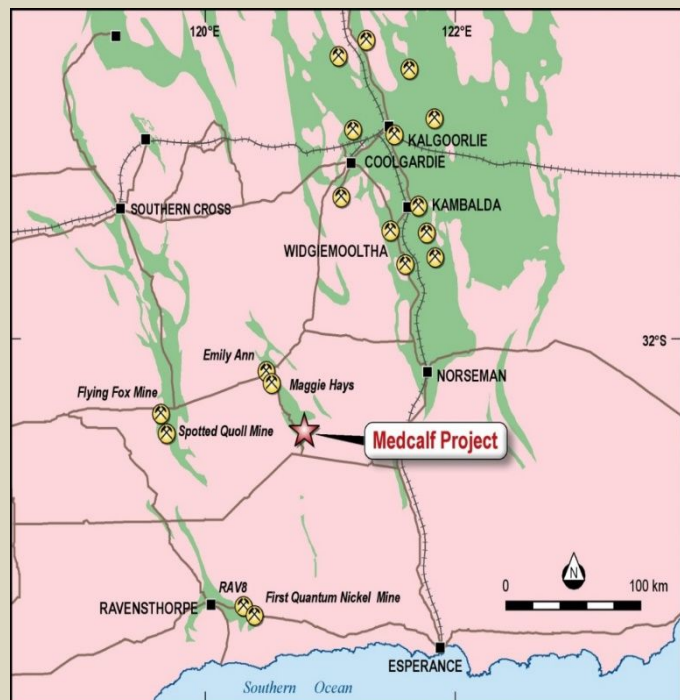


Figure 1: Medcalf Project - Location Map

Bulk Sample Test work

Audalia has recently identified the possibility of producing a high titanium lump ore (HTLO) product to be used for blast furnace refractory liner protection.

A bulk sampling programme was completed in October 2021 and approximately 13 tonnes of bulk samples were delivered to Nagrom to undergo the metallurgical test work, (refer to ASX announcement dated 24 November 2021).

This bulk test work has confirmed the opportunity to produce a HTLO product of the mineralisation at Medcalf, with a weighted average grade of 21.48% TiO₂, 59.69% Fe₂O₃, and 0.97% V₂O₅ (refer to ASX announcement dated 6 April 2022).

Updated Mineral Resource estimate

Cube Consulting, the Company's independent geologist, who estimated the 2018 Mineral Resource using a 0.2% V₂O₅ cut off were appointed again to revisit the block model using a 6% TiO₂ grade cut off and demonstrate reasonable prospects for economic extraction of the HTLO via assessment against an optimisation shell to be in line with Company's updated pre-feasibility study (PFS) study currently underway on a direct shipping ore (DSO) type product (refer to ASX release on 31 January 2022).

Cube Consulting re-ran the 2018 resource block model using a 6% TiO₂ grade cut off, (refer to ASX announcement dated 15 March 2022). Reasonable prospects for eventual economic extraction were determined with reference to the results of Whittle optimisation resource limiting shells. The extents of the selected open pit shell were used as an analogy to help limit the extents for reporting of the Mineral Resources associated with the Vesuvius, Egmont and Kilimanjaro prospect. Figure 1 provides an oblique view of the resource classification categories for the Vesuvius prospect area.

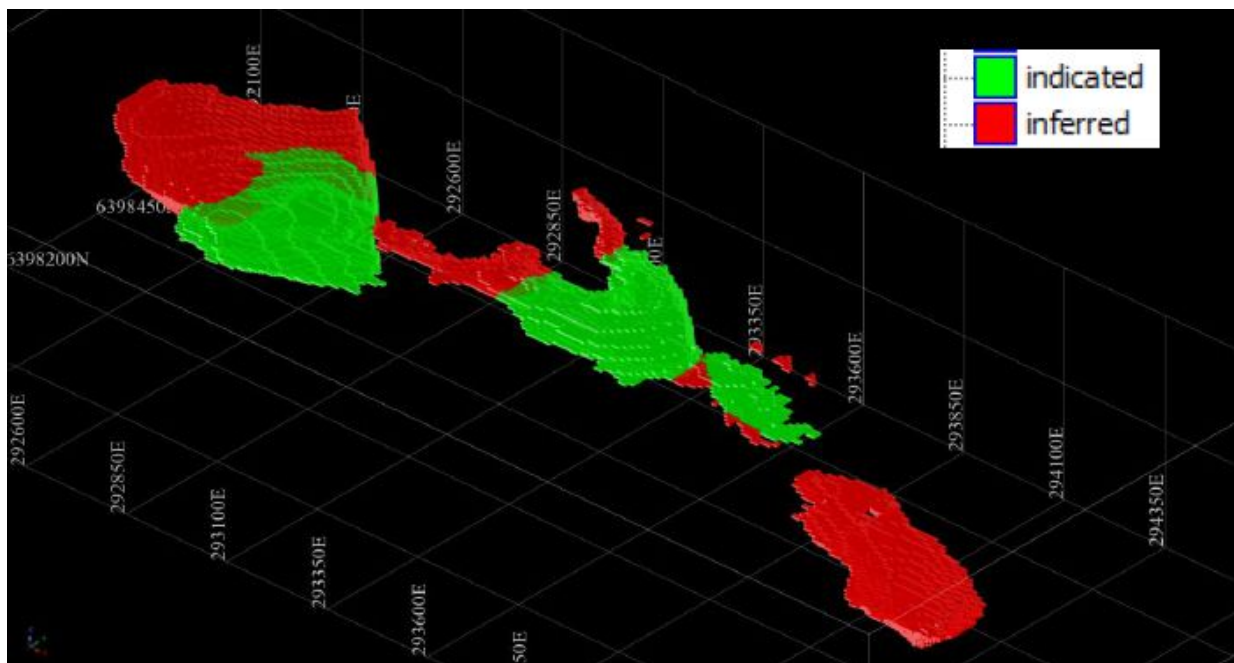


Figure 1 – Oblique view looking northwest

The Medcalf resource has demonstrated sufficient geological and grade continuity to support the definition of a Mineral Resource and enable classification in accordance with the JORC Code (2012 edition) guidelines.

The input drill data is considered representative of the V₂O₅ and TiO₂ grade distribution and does not misrepresent the mineralisation. Knowledge of the geological controls on mineralisation has been used to develop the overall resource estimate.

The Mineral Resource in Table 1 is reported above a lower cut-off grade of 6% TiO₂ based on preliminary economic considerations. The preliminary mining studies are based on open cut mining methods using conventional drill and blast mining. These studies have assisted with definition of an appropriate cut-off grade above which mineralisation has reasonable prospects for economic extraction.

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>	14.2	0.60	10.95	56.1	8.6	15.6
	<i>Egmont</i>	0.8	0.66	12.04	62.1	7.9	9.9
	<i>Kilimanjaro</i>	-	-	-	-	-	-
Sub-Total Indicated		15.0	0.60	11.01	56.4	8.5	15.3
Inferred	<i>Vesuvius</i>	8.1	0.40	8.78	42.2	9.7	27.3
	<i>Egmont</i>	-	-	-	-	-	-
	<i>Kilimanjaro</i>	2.6	0.40	7.76	45.6	9.1	27.1
Sub-Total Inferred		10.6	0.40	8.54	43.0	9.6	27.3
Total Resource		25.7	0.52	9.98	50.9	9.0	20.2

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

Updated PFS

Audalia commenced the updated PFS in the December quarter and engaged METS Engineering to undertake the updated study on the HTLO product.

The bulk test work results from the metallurgical test work completed by Nagrom and updated Mineral Resource estimate completed by Cube Consulting are critical components of the updated PFS, and those results have now been incorporated into the study providing information for flowsheet definition and engineering design.

Key results from the PFS study are expected to be announced next quarter along with a JORC compliant Ore Reserve estimate utilising the updated Mineral Resource information.

Environmental permitting update

Comments on the Response to Submission document were received from EPA on 22 December 2021. The Company addressed the comments and submitted its response to the EPA on 10 February 2022 and now awaits a response from the EPA.

CORPORATE MATTERS

The Company had cash and cash equivalents as of 31 March 2022 of \$245,000 (Q2: \$412,000) following payments for capitalised exploration and evaluation expenditure of \$103,000 (Q2: \$457,000) and payments to related parties and their associates of \$43,000 (Q2: \$84,000) during the March 2022 quarter.

Payments to related parties of the entity

A description of and explanation for payments to related parties and their associates per Section 6.1 of the Appendix 5B following this Quarterly Activities Report is set out in the table below.

	Current quarter	Previous quarter
	\$A'000	\$A'000
Payments to related parties of the entity and their associates		
Directors' remuneration		
CEO and Executive Director	-	-
Non-Executive Director	-	-
Total Directors' remuneration	-	-
Consultancy fees		
CEO and Executive Director ¹	20	40
Non-Executive Director ²	23	44
Total Consultancy fees	43	84
Total payments to related parties of the entity and their associates	43	84

Notes:

1. A company associated with the CEO and Executive Director, Brent Butler, World Technical Services Group Pty Ltd, provides geological consulting services in connection with the operations of the Company. Terms for such services are based on market rates, and amounts are payable on a monthly basis.
2. A company associated with the Non-Executive Director, Xu (Geoffrey) Han, HQ Tech Pty Ltd, provides engineering consulting services in connection with the operations of the Company. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

As announced on 10 March 2022, the Company negotiated a further extension of the repayment dates of two loan facilities of A\$2 million and A\$1 million from 20 November 2022 to 31 January 2024.

The Company acknowledges its cash position at the end of the quarter and its estimated cash available for future operating activities. The Directors continue to assess funding alternatives to ensure the Company can continue exploration and evaluation activities at the Medcalf Project.

This announcement was authorised to be given to ASX by the Board of Directors of Audalia Resources Limited.

Authorised by:

Brent Butler
CEO and Executive Director

Schedule of Tenements as at 31 March 2022

Locality	Licence Number	Registered Holder / Applicant	Status	Audalia's Interest
<u>Western Australia</u>				
Lake Johnston	E63/1133	Audalia Resources Limited	Granted	100%
Lake Johnston	E63/1134	Audalia Resources Limited	Granted	100%
Bremer Range/ Lake Medcalf	M63/656	Audalia Resources Limited	Granted	100%
Bremer Range	E63/1855	Audalia Resources Limited	Granted	100%
Bremer Range	L63/75	Audalia Resources Limited	Granted	100%
Bremer Range	E63/1915	Audalia Resources Limited	Application	0%
Lake Johnson	G63/12	Audalia Resources Limited	Application	0%
Lake Johnston	G63/10	Audalia Resources Limited	Granted	100%
Lake Johnston	L63/94	Audalia Resources Limited	Granted	100%

Interests in Mining Tenements Lapsed, Relinquished or Reduced for the quarter ended 31 March 2022

Nil

Competent Person's Statement

For information relating to the exploration results in this document, refer to ASX announcements dated 15 March 2022 and 6 April 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Exploration Targets or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements; and that the information in the announcement relating to exploration results is based upon, and fairly represents the information and supporting documentation prepared by the named Competent Persons.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Audalia Resources Limited

ABN

49 146 035 690

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(64)	(215)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(64)	(215)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation	(103)	(690)
(e) investments		
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other: Research & Development Refunds	-	349
2.6	Net cash from / (used in) investing activities	(103)	(341)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	-	730
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)		
3.10	Net cash from / (used in) financing activities	-	730

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	412	71
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(64)	(215)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(103)	(341)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	730

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	245	245

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	228	395
5.2	Call deposits	17	17
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)	245	412

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	43

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,000	4,460
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	5,000	4,460
7.5 Unused financing facilities available at quarter end		540
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
	<p>A \$2million loan attract an 8% interest rate per annum (compounded daily) and the drawn down amount is payable in full (with accrued interest) on 21 November 2022. The amount is unsecured. On 10 March 2022, the Company announced that it has negotiated the extension of the repayment date to 31 January 2024.</p> <p>A \$1million loan attracts an 10% interest rate per annum (compounded daily) and the amount is payable in full (with accrued interest) on 20 November 2022. The loan is unsecured. On 10 March 2022, the Company announced that it has negotiated the extension of the repayment date to 31 January 2024.</p> <p>The Company has access to a total loan facility of up to \$1million from a director, Siew Swan Ong, to meet its working capital requirements (Related Party Loan Facility). The Related Party Loan Facility is unsecured, provided on interest free and fee-free terms and has a repayment date of 30 June 2022, which may be extended on the same terms by mutual agreement. On 30 June 2021, the Company announced that it has negotiated the extension of the repayment date to 31 January 2023. Full details of the Related Party Loan Facility are set out in the ASX release dated 16 June 2020 and 28 September 2020.</p> <p>On 29 October 2021, the Company negotiated access to an additional loan facility of up to \$1million with 5% interest rate per annum (compounded daily) from a director, Siew Swan Ong, to meet its working capital requirements (Additional Related Party Loan Facility). The Additional Related Party Loan Facility is unsecured, and the amount is payable in full (with accrued interest) on 31 January 2023. Full details of the Additional Related Party Loan Facility are set out in the ASX release dated 29 October 2021.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(64)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(103)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(167)
8.4 Cash and cash equivalents at quarter end (item 4.6)	245
8.5 Unused finance facilities available at quarter end (item 7.5)	540
8.6 Total available funding (item 8.4 + item 8.5)	785

8.7 **Estimated quarters of funding available (item 8.6 divided by item 8.3)** 4.7

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: **29 April 2022**

Authorised by: **The Board of Directors**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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. If this quarterly cash flow 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.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.