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MEDCALF PROJECT EXPLORATION UPDATE

ANNOUNCEMENT **25 JULY 2014**

Audalia Resources Limited (ASX: ACP) continues to advance works at the Medcalf Project to assess its economic viability but also seeks to minimise the environmental impacts of exploration activities and ensure the success of the exploration rehabilitation as outlined in the Company's Conservation Management Plan (**CMP**). To this end, the Company confirms that it has completed ore-waste rock characterisation of selected drillholes and 10 surface locations outside the drilling area.

Botanica Consulting Services from Kalgoorlie assisted with design of the sampling programme which sought to analyse the topsoil and waste rock for the purposes of rehabilitation of drill sites upon completion of exploration activities and in accordance with the Company's CMP.

A total of 33 samples were analysed for a range of elements by the Chemistry Centre in Bentley, which specialises in inorganic chemistry. The results indicated that there are no hostile materials with the exception of one sample that had elevated nickel within the waste rock. The soils are very stable and have good nutrient levels which are ideal for use in waste rock landform rehabilitation.

Surface sampling was conducted at the follow locations:

Location ID	Zone	Easting	Northing
TSFa	51 H	293888	6397794
TSFb	51 H	294193	6397332
OP1a	51 H	293500	6398550
OP1b	51 H	293153	6398499
OP1c	51 H	292761	6398242
OP2a	51 H	291864	6397674
OP2b	51 H	291699	6397670
LD	51 H	292547	6397336
Ma	51 H	292971	6397586
Mb	51 H	292823	6397464

Drillholes sampled were as follows:

Hole	East	North	From	To
MRC019	293,098.74	6,398,443.20	0	49
MRC062	292,657.94	6,398,158.54	0	48
MRC101	293,459.61	6,398,558.95	0	36
MRC112	291,820.25	6,397,638.08	0	42

This is a very positive result for the Medcalf Project and will assist the Company in its commitment to completing rehabilitation works upon completion of each of its exploration activities.

Full sets of results are attached in Appendix 1 and 2.

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.

JORC Code, 2012 Edition – Table 1

Section 1 - Sampling Techniques and Data	
Sampling techniques	Ten 3kg soil samples were at a depth of a depth between 10 to 20cm and seived using -80 mesh. Twenty three selected 3kg RC chip samples were collected from previous drilling stored in 30kg plastic bags.
Drilling techniques	Not applicable as no drilling has been completed for this work.
Drill sample recovery	Not applicable as no drilling has been completed for this work.
Logging	Not applicable as no drilling has been completed for this work.
Sub-sampling techniques and sample preparation	Not applicable as no drilling has been completed for this work.
Quality of assay data and lab tests	All analysis were completed at the Chemistry Centre, a Government run specialist inorganic chemistry lab at Bentley. All samples were analysed by the Mehlich No. 3 test which is an alternative soil test using universal extractant for mulit-element analyisis. The test provides information on the amount of plant available nutrients including phosphorous, potassium, sulphur, calcium, magnesium, sodium, boron, copper, iron, manganese and zinc in the soil. It is also used as a screening tool to measure concentrations of colbalt, aluminium, molybdenum and toxic metals such as cadmium, lead, arsenic, selenium and nickel in the soil.
Verification of sampling and assaying	No QAQC was undertaken as the sampling is for waste rock characaterisation.
Location of data points	Soil sample sites were located with a hand held GPS while the drillholes were surveyed by Cardno surveys using a GPS.
Data spacing and distribution	Samples sites were randomly selected.
Orientation of data in relation to geological structure	Not applicable as no drilling has been completed for this work.

Section 1 - Sampling Techniques and Data (continued)	
Sample security	Sample security is managed by the Company. The field samples are collecte in 8" by 12" calico bags and tied and then placed into a large plastic bag and tied for transporation directly to the laboratoty. The assay laboratory audits the samples on arrival and reports any discrepany to the Company.
Audits or reviews	No audits or review of the sampling techniques or data has been carried out.

Section 2 - Reporting of Exploration Results	
Mineral tenement and land tenure status	Audalia owns the Medcalf Project 100% that comprises of P63/1528-33 and P63/1560-61 and E63/1068, E63/1405-6, E63/1133-34. All licences are in good standing. No security or legal issues have been noted. Rehabilitation of the previous year's drilling is currently being completed.
Exploration done by other parties	Over the past 40 years, the tenements have been explored for nickel (Ni), copper (Cu) titanium (Ti)/vanadium (V), platinum group metals (PGE) and gold (Au). The Companies are Unmin/Laporte (1972) for Ni & Cu. Amoco (1982) for V & Ti. Cyprus (1986) for PGM and (1989) for Au & PGM. Arimco (1991) for V & Ti and (1996 & 1997) for V, Ti, Au,PGM, Ni & Cu. Lionore (2005) for V, Ti, Au, PGM, Ni & Cu. Lionore (2006) for Ni Cu sulphides, PGE & Au. Norilsk (2010) for Ni sulphides.
Geology	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. The area of interest is the Medcalf sill located in the hinge zone of a gently north-west plunging regional anticline and is emplaced within a predominately tholeiitic basalt sequence low in the greenstone sucession. Rocks in this area belong to the almandine amphibolite facies of regional metamorphism. The primary vanadiferous titanomagnetite mineralisation occurs within the pyroxenite zone between the basal peridotite and upper gabbro zones of the sill. Extensive weathering over time has resulted in removal of much of the silica, calcium and magnesium resulting in residual concentration of iron, titanium and vanadium oxides. It is this secondary enriched material which constitutes potential ore.
Drill hole information	Not applicable as no drilling has been completed for this work.
Data aggregation methods	Not applicable as no drilling has been completed for this work.
Relationship between mineralisation widths and intercept lengths	Not applicable as no drilling has been completed for this work.
Diagrams	Not applicable as no drilling has been completed for this work.
Balanced reporting	All results have been reported in Appendix One and Appendix Two.
Other substantive exploration data	Not applicable as these assays are not for exploration purposes. These results are to determine if the rock has the potential to generate acid drainage and the soils have good nutrients for regrowth.
Further work	The Company recently completed a rock chip sampling programme and will release the results as soon as they are available.

Appendix One

Ore and Waste Rock Characterisation

ID No.	Depth	Ore & Waste Rock	pH	Sulfur-Total (%)	Sulfate-S-SO4 (%)	ANC (kg H_2SO_4/t)	NAPP (kg H_2SO_4/t)	NAPP Classification of Acid Drainage
MRC062	(0-6m)	mottled zone pyroxenite	4.7	0.12	0.041	3.6	-1.8	NAF
MRC062	(6-16m)	moderately magnetic saprolitic pyroxenite	5.6	0.07	0.032	3	-2	NAF
MRC062	(16-21m)	strongly magnetic saprolitic pyroxenite	7.1	0.03	0.013	12	-11	NAF
MRC062	(21-27m)	strongly magnetic saprolitic pyroxenite	7	0.02	0.013	5.6	-5.3	NAF
MRC062	(27-31m)	saprolitic pyroxenite	7.1	0.04	0.007	14	-13	NAF
MRC062	(31-39m)	saprolitic pyroxenite	6.9	0.05	0.008	13	-12	NAF
MRC062	(39-44m)	saprolitic pyroxenite	7.3	<0.01	<0.005	8.4	-8.4	NAF
MRC062	(44-48m)	ultramafic pyroxenite	7.8	0.03	<0.005	11	-9.9	NAF
MRC019	(0-4m)	lateritic residum	5.4	0.08	0.053	4.4	-3.4	NAF
MRC019	(4-10)	mottled zone pyroxenite	4	0.18	0.1	2.9	-0.5	NAF
MRC019	(10-21m)	high grade saprolitic pyroxenite	4.2	0.08	0.042	2.2	-1.1	NAF
MRC019	(21-30m)	alternating high and low grade intervals of saprolitic pyroxenite	6	0.04	0.025	12	-11	NAF
MRC019	(30-42m)	high grade saprolitic pyroxenite	6.3	0.02	0.007	4.3	-3.8	NAF
MRC019	(42-47m)	low grade saprolitic pyroxenite	6.7	0.03	0.016	19	-18	NAF
MRC019	(47-49m)	saprolitic ultramafic						
MRC101	(0-9m)	mottled zone high grade pyroxenite	7.4	0.1	0.062	2.7	-1.4	NAF
MRC101	(9-21m)	high grade saprolitic pyroxenite	3.5	0.11	0.077	0.8	0.3	UNCERTAIN
MRC101	(21-33m)	high grade saprolitic pyroxenite	3.5	0.17	0.13	2.3	-0.9	NAF
MRC101	(33-36m)	high grade saprolitic pyroxenite	6	0.04	0.024	21	-20	NAF
MRC112	(0-3m)	mottled zone pyroxenite	5.3	0.06	0.025	4.3	-3.4	NAF
MRC112	(3-15m)	weakly magnetic high grade saprolitic pyroxenite	4.2	0.03	0.014	2.2	-1.6	NAF
MRC112	(15-31m)	moderately magenetic high grade saprolitic pyroxenite	6.7	0.03	0.01	7.2	-6.6	NAF
MRC112	(31-42m)	saprolitic ultramafic	7.5	0.03	0.018	20	-21	NAF

NAPP Classification of Acid Drainage

Primary Geochemical Waste Type Class	Sulfide-Sulfur Content	NAPP Value kg H_2SO_4/tonne
Potentially Acid Forming (PAF)	≥ 0.3%	≥ 10
Potentially Acid Forming (PAF) - Low Capacity (PAF-LC)	≥ 0.16 - ≤ 0.3%	5 to 10
Uncertain	≤ 0.16%	0 to 5
Non Acid Forming (NAF)	Not important	-100 to 0
Acid Consuming Materials	Not important	< -100

ID No.	Depth	Ore &Waste Rock	Dissolved Heavy Metals (mg/L)							
			Arsenic (mg/l)	Cadmium (mg/l)	Chromium (mg/l)	Mercury (mg/l)	Molybdenum (mg/l)	Nickel (mg/l)	Lead (mg/l)	Selenium (mg/l)
MRC062	(0-6m)	mottled zone pyroxenite	<0.0001	<0.0001	<0.005	<0.0001	<0.001	<0.001	<0.0001	<0.001
MRC062	(6-16m)	moderately magnetic saprolitic pyroxenite	<0.0001	<0.0001	<0.005	<0.0001	<0.001	0.005	<0.0001	<0.001
MRC062	(16-21m)	strongly magnetic saprolitic pyroxenite	0.0008	<0.0001	<0.005	<0.0001	0.001	0.01	0.0001	<0.001
MRC062	(21-27m)	strongly magnetic saprolitic pyroxenite	0.0009	<0.0001	<0.005	<0.0001	0.001	0.009	<0.0001	<0.001
MRC062	(27-31m)	saprolitic pyroxenite	0.0012	<0.0001	<0.005	<0.0001	<0.001	0.022	<0.0001	<0.001
MRC062	(31-39m)	saprolitic pyroxenite	0.0015	<0.0001	<0.005	<0.0001	<0.001	0.034	0.0004	<0.001
MRC062	(39-44m)	saprolitic pyroxenite	0.0002	<0.0001	<0.005	<0.0001	<0.001	0.029	<0.0001	<0.001
MRC062	(44-48m)	ultramafic pyroxenite	<0.0001	<0.0001	<0.005	<0.0001	<0.001	0.04	0.0001	<0.001
MRC019	(0-4m)	lateritic residum	<0.0001	<0.0001	<0.005	<0.0001	<0.001	0.002	<0.0001	<0.001
MRC019	(4-10)	mottled zone pyroxenite	0.0006	<0.0001	<0.005	<0.0001	<0.001	0.02	0.0002	<0.001
MRC019	(10-21m)	high grade saprolitic pyroxenite	0.0006	<0.0001	<0.005	0.0001	<0.001	0.008	0.0003	<0.001
MRC019	(21-30m)	alternating high and low grade intervals of saprolitic pyroxenite	0.0005	<0.0001	<0.005	<0.0001	<0.001	0.028	0.0001	<0.001
MRC019	(30-42m)	high grade saprolitic pyroxenite	<0.0001	<0.0001	<0.005	<0.0001	<0.001	0.002	0.0002	<0.001
MRC019	(42-47m)	low grade saprolitic pyroxenite	0.0014	<0.0001	0.006	0.0003	<0.001	0.044	0.0002	<0.001
MRC019	(47-49m)	saprolitic ultramafic								
MRC101	(0-9m)	mottled zone high grade pyroxenite	<0.0001	<0.0001	<0.005	<0.0001	<0.001	<0.001	<0.0001	<0.001
MRC101	(9-21m)	high grade saprolitic pyroxenite	0.0001	<0.0001	<0.005	<0.0001	<0.001	0.022	0.0003	<0.001
MRC101	(21-33m)	high grade saprolitic pyroxenite	0.0003	<0.0001	<0.005	<0.0001	<0.001	0.052	<0.0001	<0.001
MRC101	(33-36m)	high grade saprolitic pyroxenite	0.0004	<0.0001	<0.005	<0.0001	<0.001	0.034	0.0001	<0.001
MRC112	(0-3m)	mottled zone pyroxenite	0.0001	<0.0001	<0.005	<0.0001	<0.001	0.003	<0.0001	<0.001
MRC112	(3-15m)	weakly magnetic high grade saprolitic pyroxenite	<0.0001	<0.0001	<0.005	<0.0001	<0.001	0.006	<0.0001	<0.001
MRC112	(15-31m)	moderately magenetic high grade saprolitic pyroxenite	<0.0001	0.0003	<0.005	<0.0001	<0.001	0.002	<0.0001	<0.001
MRC112	(31-42m)	saprolitic ultramafic	0.0005	<0.0001	<0.005	<0.0001	<0.001	0.3	<0.0001	<0.001
		Drinking water Australian Standards	**0.007**	**0.002**	**0.05**	**0.001**	**0.05**	**0.02**	**0.01**	**0.01**
		Livestock/Irrigation water Australian Standards	**0.1**	**0.01**	**0.1**	**0.002**	**0.01**	**0.2**	**2**	**0.02**

indicates level above Australian Standards

Appendix Two

Topsoil Analysis Results

Vegetation Community	Sample ID	pH	EC (mS/m)	Particle size distribution (%)				Texture	Emerson Class
				Stones (>2mm)	Sand (2 mm - 20 µm)	Silt (20 - 2 µm)	Clay (< 2 µm)		
Burnt forest of *Eucalyptus urna* over low scrub *Melaleuca pauperiflora* subsp. *pauperiflora* and open dwarf scrub of *Trymalium myrtillus* subsp. *myrtillus*	TSFa	8.2	51	2.6	49.5	25	25.5	sandy clay loam	4
	OP1b	6.2	5	42.6	69	13	18	sandy loam	3
Burnt open low woodland of *Eucalyptus salmonophloia* over dwarf scrub of *Melaleuca* sp. (juvenile) and open low grass of *Austrostipa variabilis*	TSFb	6.6	5	71.6	76	10.5	13.5	sandy loam	3
	OP1a	7.6	17	19.8	52.5	20.5	27	loam	3
	Mb	8.2	15	19.6	59	24.5	16.5	sandy loam	4
Burnt open tree mallee of *Eucalyptus livida* over open low scrub of *Hakea pendens* (P3) and open dwarf scrub of *Goodia medicaginea*	OP1c	5.8	2	65.1	71.5	12	16.5	sandy loam	3
	OP2a	6.6	2	62.8	72.5	15	12.5	sandy loam	3
Regrowth dwarf scrub of *Anthocercis anisantha subsp. anisantha/Acacia poliochroa/Alyogyne hakeifolia/Dodonaea stenozyga*	OP2b	7.1	7	31.2	57	17.5	25.5	sandy clay loam	3
	LD	8.2	28	5.3	49.5	19.5	31	clay loam	4
	Ma	8.2	29	10.9	46.5	20.5	33	clay loam	4
Preferred Level		**6-8**	**<200**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**3-4**

below preferred level
above preferred level

Vegetation Community	Sample ID	Total N (%)	Colwell P (mg/kg)	Colwell K (mg/kg)	Sulphur (mg/kg)	Organic C (%)	Exchangeable cations				CEC (cmol(+)/kg)	ESP (%)	BSP (%)
							Ca	Mg	Na	K			
Burnt forest of *Eucalyptus urna* over low scrub *Melaleuca pauperiflora* subsp. *pauperiflora* and open dwarf scrub of *Trymalium myrtillus* subsp. *myrtillus*	TSFa	0.122	4	>550	39	2.07	20	11	3.6	2.1	33	9.8	100
	OP1b	0.078	2	170	6	2.53	8.3	3.5	0.25	0.61	12	2	100
Burnt open low woodland of *Eucalyptus salmonophloia* over dwarf scrub of *Melaleuca* sp. (juvenile) and open low grass of *Austrostipa variabilis*	TSFb	0.092	5	240	6	2.46	8.5	3.5	0.15	0.7	14	1.2	91
	OP1a	0.1	2	>550	13	1.67	19	8.2	1.2	2.5	30	3.9	100
	Mb	0.116	4	>550	31	1.68	18	9	1.2	1.7	28	4	100
Burnt open tree mallee of *Eucalyptus livida* over open low scrub of *Hakea pendens* (P3) and open dwarf scrub of *Goodia medicaginea*	OP1c	0.052	2	120	6	1.23	5.8	1.9	0.08	0.4	9	1	87
	OP2a	0.064	2	220	3	1.38	10	3.8	0.15	0.84	14	1	100
Regrowth dwarf scrub of *Anthocercis anisantha subsp. anisantha/Acacia poliochroa/Alyogyne hakeifolia/Dodonaea stenozyga*	OP2b	0.09	2	>550	6	1.88	17	9.2	0.7	2	26	2.4	100
	LD	0.131	3	>550	33	2.3	23	13	3.1	2.7	39	7.5	100
	Ma	0.121	3	>550	31	1.99	25	15	3.9	2.1	42	8.5	100
Preferred Level		**N/A**	**>20**	**100-250**	**10-20**	**>2**	**>5**	**>1.6**	**<1**	**>0.5**	**>10**	**<10**	**N/A**

below preferred level
above preferred level

Vegetation Community	Sample ID	B	Cd	Co	Cu	Fe	Mg	Mn	Mo	Na	Ni	Zn	As	Pb	Se
		mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg	mg/kg
Burnt forest of *Eucalyptus urna* over low scrub *Melaleuca pauperiflora* subsp. *pauperiflora* and open dwarf scrub of *Trymalium myrtillus* subsp. *myrtillus*	TSFa	5.7	0.01	0.19	6.2	21	>1000	31	0.02	920	0.8	0.7	0.2	0.6	<0.1
	OP1b	1.3	<0.01	4.7	11	51	400	95	0.01	68	4.3	0.7	0.1	0.2	0.2
Burnt open low woodland of *Eucalyptus salmonophloia* over dwarf scrub of *Melaleuca* sp. (juvenile) and open low grass of *Austrostipa variabilis*	TSFb	1.6	<0.01	0.63	11	41	430	18	0.01	36	0.5	0.5	0.1	0.2	0.1
	OP1a	4.6	<0.01	1.2	5.2	46	>1000	63	0.01	240	2.2	0.4	0.1	0.9	0.1
	Mb	4.9	0.01	0.16	5	19	>1000	25	<0.01	250	1	0.4	0.2	0.8	0.2
Burnt open tree mallee of *Eucalyptus livida* over open low scrub of *Hakea pendens* (P3) and open dwarf scrub of *Goodia medicaginea*	OP1c	1	<0.01	0.24	1.1	34	210	10	<0.01	19	0.2	0.3	<0.1	0.4	0.1
	OP2a	1.4	<0.01	2.7	12	32	340	130	<0.01	24	1.4	0.3	<0.1	0.3	0.1
Regrowth dwarf scrub of *Anthocercis anisantha subsp. anisantha/Acacia poliochroa/Alyogyne hakeifolia/Dodonaea stenozyga*	OP2b	2.2	<0.01	2.9	>20	59	>1000	42	<0.01	130	2.2	0.6	0.1	0.2	0.1
	LD	6.1	<0.01	0.24	5.3	29	>1000	37	0.02	630	1.2	0.5	0.1	0.5	0.1
	Ma	5.3	<0.01	0.4	4.6	35	>1000	59	0.01	880	1.5	0.4	0.2	0.8	0.1
Preferred Level		**0.5-4**	**<1**	**N/A**	**2-50**	**N/A**	**N/A**	**N/A**	**2**	**N/A**	**1-20**	**10-20**	**1-200**	**<20**	**<35**

below preferred level
above preferred level