

19 February 2015

ASX Compliance Pty Limited
Level 40, Central Park
152 – 158 St George's Terrace
PERTH WA 6000

Attn: Mr Dale Allen

by email: Dale.Allen@asx.com.au

Dear Mr Allen,

Audalia Resources Limited (**Audalia** or the **Company**) refers to ASX's letter dated 13 February 2015 regarding the Company's Quarterly Cash Flow Report in the form of Appendix 5B for the quarter ended 31 December 2014 (**Appendix 5B**) and responds in order of the questions raised.

1. It could be concluded on the basis of the information provided in the Appendix 5B that the Company would not have sufficient cash to fund its activities. However, Audalia expects to have sufficient cash to fund its activities based on factors such as:
 - a. The Company is pursuing opportunities to source further funding; and
 - b. Audalia continues to have the support of its major shareholders and lender.
2. Although Audalia does expect to have negative operating cash flows in the future, the Company expects to have sufficient working capital to enable it to meet its business objectives and advance the development work at the Medcalf Project.
3. The Company will continue to meet its business objectives in continuing to explore and develop its existing projects.
4. The Company confirms that, to the best of its knowledge, it is in compliance with the listing rules and in particular listing rule 3.1.
5. Audalia believes that it is in compliance with listing rule 12.2 and that the financial condition of the Company is sufficient to warrant its continued listing on the Official List of ASX.

If you require any further information, please do not hesitate to contact the undersigned.

Yours sincerely,
AUDALIA RESOURCES LIMITED



Karen Logan
Company Secretary



ASX Compliance Pty Limited
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152 – 158 St Georges Terrace
PERTH WA 6000

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13 February 2015

Ms Karen Logan
Company Secretary
Audalia Resources Limited

By email: karen.logan@themiscorporate.com

Dear Karen

Audalia Resources Limited (the "Company")

I refer to the Company's Quarterly Cash Flow Report in the form of Appendix 5B for the quarter ended 31 December 2014, released to ASX Limited ("ASX") on 30 January 2015, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$nil.
2. Payments for exploration, evaluation, development and production of \$393,000.
3. Negative operating cash flows for the quarter of \$509,000.
4. Cash at end of quarter of \$671,000
5. Estimated cash outflows for the quarter ending 31 March 2015 of \$962,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.1.

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me via email dale.allen@asx.com.au. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Thursday 19 February 2015**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Dale Allen
Senior Adviser, Listings Compliance (Perth)