

24 May 2018

Dear Shareholder

NON-RENOUNCEABLE ENTITLEMENT ISSUE

Audalia Resources Limited (**Audalia** or the **Company**) is undertaking a non-renounceable entitlement issue to shareholders of up to 383,957,434 new fully paid ordinary shares (**New Shares**) at an issue price of \$0.01 each to raise up to approximately \$3,839,574, before costs (**Entitlement Issue** or **Offer**).

The funds raised from the Offer are currently intended to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Minimum Subscription (\$)	%	Full Subscription (\$)	%
1.	Exploration and evaluation at the Medcalf Project ¹	1,105,702	74	3,265,568	85
2.	General working capital ²	394,298	26	574,006	15
	Total	1,500,000	100	3,839,574	100

Notes:

1. Consisting of independent geological consultant, environmental approvals, metallurgical test work and other exploration and evaluation work.
2. Funds allocated to general working capital relate to administration costs of the Company and include expenses of the Offer (totalling \$45,000 based on full subscription under the Offer).

The Entitlement Issue will be offered to shareholders registered at the Record Date (as defined below) with a registered address in Australia, New Zealand or Malaysia (**Eligible Shareholders**) on the basis of one (1) New Share for every one (1) Share held.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company already on issue.

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take:

- + You may wish to accept all of your rights to subscribe for New Shares pursuant to the Prospectus (**Entitlement**). To take up all of your Entitlement you will need to ensure your application money for the Entitlement you wish to take up is received by Advanced Share Registry (**Share Registry**) by no later than 5:00pm (AWST) on 15 June 2018, by completing and returning your Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency to Audalia Resources Limited, for the amount indicated on the Entitlement and Acceptance Form OR making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form (at \$0.01 per New Share).
- + You may wish to accept part of your Entitlement. To take up part of your Entitlement you will need to ensure your application money for the Entitlement you wish to take up is received by the Share Registry by no later than 5:00pm (AWST) on 15 June 2018, by completing and returning your Entitlement and Acceptance Form by filling in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency to Audalia Resources Limited, for the appropriate application monies OR making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form (at \$0.01 per New Share).
- + You may do nothing. If you choose to do nothing with your Entitlement, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

The Prospectus relating to this issue has been lodged with the Australian Securities and Investments Commission and ASX and is available on the ASX website (company announcements section, ASX code: ACP). The timetable for the Entitlement Issue is set out below:

Lodgement of Prospectus with the ASIC	22 May 2018
Lodgement of Prospectus & Appendix 3B with ASX	22 May 2018
Notice sent to Shareholders	24 May 2018
Ex date	25 May 2018
Record Date for determining Entitlements	28 May 2018
Prospectus sent out to Shareholders and the Company announces this has been completed	29 May 2018
Closing Date	15 June 2018
Shares quoted on a deferred settlement basis	18 June 2018
ASX notified of under subscriptions	20 June 2018
Issue date for Shares. Deferred settlement trading ends.	22 June 2018
Trading of Shares issued under the Offer	25 June 2018

All dates, other than the date of lodgement of the Prospectus with ASIC, are indicative only. The Company reserves the right to amend any of the important dates without prior notice but subject to the Corporations Act and the ASX Listing Rules.

Shares – Completion of Entitlement Issue

Following completion of the Entitlement Issue, the Company will have the following Shares on issue assuming full subscription under the Offer:

	Number
Shares on issue before the Entitlement Issue	383,957,434
Shares offered pursuant to the Entitlement Issue	383,957,434
Total Shares on issue after completion of the Entitlement Issue	767,914,868

In calculating entitlements under the Entitlement Issue fractions will be rounded up to the nearest whole number.

Full details of the Entitlement Issue, the rights attaching to shares and the use of funds are contained in the Prospectus that will be mailed to all Eligible Shareholders who are registered on the Record Date. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus. Instructions on how and when to apply under the Offer are set out in the Prospectus. Eligible Shareholders should read the Prospectus carefully.

If you require further information, please contact the Company Secretary on +61 8 9321 0715 between 8:30 am and 5:00 pm AWST or via email at investors@audalia.com.au.

Yours sincerely
AUDALIA RESOURCES LIMITED



Brent Butler
CEO and Executive Director