

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.

Following completion of the Offer and based on the number of Shares currently on issue, the Company will have issued approximately 383,957,434 New Shares resulting in total Shares on issue of approximately 767,914,868.

Audalia announces the record date of 5:00 pm (AWST) on 28 May 2018 for the purposes of determining shareholders entitled to participate in the Entitlement Issue (**Entitlement Record Date**). A prospectus containing full details of the Entitlement Issue was lodged with ASIC on 22 May 2018 and will be despatched to all Eligible Shareholders on 29 May 2018. The Prospectus is available on the ASX website (company announcements section, ASX code: ACP).

Ineligible Shareholders

A Shareholder registered at the Entitlement Record Date who has a registered address outside Australia, New Zealand or Malaysia (**Ineligible Shareholder**) will not be eligible to participate in the Entitlement Issue.

You are not eligible to participate in the Entitlement Issue and you will not be sent a copy of the Prospectus. This decision has been made pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules after taking into consideration the costs of complying with legal and regulatory requirements in jurisdictions outside of Australia, New Zealand and Malaysia, the number of Ineligible Shareholders and the number and value of New Shares to which they would otherwise be entitled.

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