

10 August 2016

Dear Shareholders

NON-RENOUCEABLE ENTITLEMENT ISSUE

Audalia Resources Limited (**Audalia** or the **Company**) is undertaking a non-renounceable entitlement issue to shareholders of up to 240,660,001 new fully paid ordinary shares (**New Shares**) at an issue price of \$0.01 each to raise up to approximately \$2,406,600, 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 work at the Gascoyne Project	-	-	463,505	19
2.	Exploration, evaluation and ongoing metallurgical test work at the Medcalf Project	422,015	70	1,692,710	70
3.	General working capital ¹	177,895	30	250,385	11
	Total	600,000	100	2,406,600	100

Notes:

1. Funds allocated to general working capital relate to administration costs of the Company, including the costs of 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 240,660,001 New Shares resulting in total Shares on issue of approximately 481,320,002.

Audalia announces the record date of 5:00 pm (AWST) on 12 August 2016 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 8 August 2016 and will be despatched to all Eligible Shareholders on 17 August 2016. 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

A handwritten signature in black ink, appearing to read "Brent Butler", written in a cursive style.

Brent Butler
CEO and Executive Director