

NOTICE OF ANNUAL GENERAL MEETING

ANNOUNCEMENT

29 OCTOBER 2020

The following documents were sent to shareholders today in relation to the Annual General Meeting of Audalia Resources Limited (**Audalia** or the Company) (ASX: ACP) to be held on Monday, 30 November 2020 at 11:30 am (AWST):

1. Notice of Meeting (including Explanatory Memorandum)
2. Proxy Form
3. Letter to Shareholders (who have not elected to receive notices by email).

In accordance with temporary modifications to the *Corporations Act 2001* (Cth) under the Corporations (Coronavirus Economic Response) Determination (No 3) 2020, the Company will not be sending hard copies of the Notice of Meeting to Shareholders. The Notice of Meeting can be viewed and downloaded from the ASX website at <https://www2.asx.com.au/markets/company/acp>.

Shareholders will be able to submit their proxy vote online or by form in accordance with the instructions on the Proxy Form.

Authorised by:

Brent Butler
Executive Director and CEO

For more information please contact:

Brent Butler
CEO and Executive Director
Audalia Resources Limited
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E: admin@audalia.com.au



ACN 146 035 690

**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM**

Date of Meeting

Monday, 30 November 2020

Time of Meeting

11:30 am (AWST)

Place of Meeting

Level 1, Office F
1139 Hay Street
WEST PERTH WA 6005

ANNUAL REPORT

The 2020 Annual Report is available from the Company's website via the following link:

<http://www.audalia.com.au/files/200930-ACP-2020-Annual-report.pdf>

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY AND SEEK INDEPENDENT ADVICE BEFORE DECIDING HOW TO VOTE ON THE RESOLUTIONS.

If you are in doubt how to deal with this document or how to vote on the Resolutions, please consult your financial or other professional adviser.

Should you have any questions regarding the matters in this document please do not hesitate to contact the Company Secretary via email at admin@audaliareources.com.au

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Audalia Resources Limited (**Company** or **Audalia Resources**) is to be held at Level 1, Office F, 1139 Hay Street, West Perth, Western Australia 6005 on Monday, 30 November 2020 commencing at 11:30 am (AWST).

The Explanatory Memorandum that accompanies and forms part of this Notice describes the matters to be considered at this meeting.

BUSINESS

Financial Statements and Other Reports – Year Ended 30 June 2020 (no resolution required)

To receive and consider the Financial Report for the year ended 30 June 2020, the declaration of Directors, the Remuneration Report and the reports of the Directors and of the Auditor for the year ended 30 June 2020.

Resolution 1 – Non-Binding Resolution to Adopt Remuneration Report

To consider and, if thought fit, to pass with or without amendment the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given to adopt the Remuneration Report as set out in the Annual Report for the year ended 30 June 2020."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Resolution 2 – Re-election of Director – Mr Xu (Geoffrey) Han

To consider, and if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

"That Mr Han, being a director of the Company who retires by rotation in accordance with Clause 13.2 of the Company's Constitution, Listing Rule 14.4 and for all other purposes, and being eligible and offering himself for re-election, be re-elected as a director of the Company."

Resolution 3 – Re-election of Director – Mr Brent Butler

To consider, and if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

"That Mr Butler, being a director of the Company who retires by rotation in accordance with Clause 13.2 of the Company's Constitution, Listing Rule 14.4 and for all other purposes, and being eligible and offering himself for re-election, be re-elected as a director of the Company."

Resolution 4 – Re-election of Director – Mr Siew Swan Ong

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

"That Mr Ong, being a director of the Company who retires by rotation in accordance with Clause 13.2 of the Company's Constitution, Listing Rule 14.4 and for all other purposes, and being eligible and offering himself for re-election, be re-elected as a director of the Company."

Resolution 5 – Ratification of Prior Issue of Shares under Placement

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the issue of 30,000,000 Shares under the Placement on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who participated in the issue or is a counterparty to the agreement being approved (namely Ehsan Bina Sdn Bhd); or
- an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Approval of 7.1A Mandate

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Memorandum."

EXPLANATORY MEMORANDUM

The Explanatory Memorandum is incorporated in and comprises part of this Notice. Shareholders are referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice and the Explanatory Memorandum.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

If Shareholders have questions about the Meeting and voting arrangements, please email the Company Secretary at admin@audaliareources.com.au.

VOTING BY PROXY

The Proxy Form provides further details on appointing proxies and lodging proxy votes. Proxy votes (together with any authority under which the Proxy Form was signed or a certified copy of the authority) must be received before 11:30 am (AWST) on Saturday, 28 November 2020.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

VOTING ENTITLEMENTS

For the purposes of section 1074E(2) of the Corporations Act and regulation 7.11.37 of the *Corporations Regulations 2001*, the Company has determined that members holding ordinary shares as set out in the Company's share register at 4:00 pm (AWST) on Saturday, 28 November 2020 will be entitled to attend and vote at the Annual General Meeting.

CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with an original (or certified copy) certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company in advance of the meeting or handed in at the meeting when registering as a corporate representative. The appointment must comply with section 250D of the Corporations Act.

ATTORNEYS

If an attorney is to attend the meeting on behalf of a Shareholder, a properly executed original (or originally certified copy) of an appropriate power of attorney must be received by the Company by the deadline for the receipt of Proxy Forms, being no later than 11:30 am (AWST) on Saturday, 28 November 2020. Previously lodged powers of attorney will be disregarded by the Company.

QUESTIONS

Shareholders are encouraged to submit questions in respect of the items of business as well as general questions in respect of the Company and its operations in advance of the Meeting by email to the Company Secretary at admin@audaliareources.com.au.

**DATED THIS 29TH OCTOBER 2020
BY ORDER OF THE BOARD**



**Karen Logan
Company Secretary**

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of Audalia Resources Limited (**Company** or **Audalia Resources**).

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Financial Statements and Report

Under the Corporations Act, the directors of the Company must table the Financial Report, the Directors' Report and the Auditor's Report for Audalia Resources for the year ended 30 June 2020 (**2020 Annual Report**) at the Meeting.

These reports, together with the declaration of Directors, are set out in the 2020 Annual Report. Shareholders who elected to receive a printed copy of annual reports should have received the 2020 Annual Report with this Notice of Annual General Meeting. In accordance with section 314 (1AA)(c) of the Corporations Act, the Company advises the 2020 Annual Report is available from the Company's website: <http://www.audalia.com.au/files/200930-ACP-2020-Annual-report.pdf>

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the 2020 Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2020.

There is no requirement for Shareholders to approve the 2020 Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the 2020 Annual Report which is available online;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about:
 - (i) the conduct of the audit;
 - (ii) the preparation and contents of the Auditor's Report;
 - (iii) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (iv) the independence of the Auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Auditor about:

- (a) the content of the Auditor's Report; and
- (b) the conduct of the audit of the Annual Report,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

1. Resolution 1 – Adoption of Remuneration Report

1.1 General

Under the Corporations Act, the Company is required to include, in the Directors' Report, a detailed Remuneration Report setting out the prescribed information in relation to the remuneration of directors and executives of Audalia Resources and the Company's remuneration practices.

Shareholders will be given reasonable opportunity at the meeting to ask questions and make comments on the Remuneration Report.

Under section 250R(2) of the Corporations Act, the Remuneration Report is required to be submitted for adoption by a resolution of Shareholders at the Annual General Meeting. The vote on this Resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

1.2 Voting consequences

Under the Corporations Act, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

1.3 Previous voting results

At the Company's previous Annual General Meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Meeting.

1.4 Voting Intention

The Chair of the Meeting intends to vote all available proxies in favour of the Resolution.

2. Background to Resolutions 2, 3 and 4 – Re-election of Directors

ASX Listing Rule 14.4 provides that other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled not to be subject to re-election.

Clause 13.2 of the Constitution requires that at the annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt) shall retire from office, provided always that no Director other than the Managing Director shall hold office for more than 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself for re-election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. In determining the number of Directors to retire by rotation, no account is to be taken of a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution. A retiring director is eligible for re-election.

The Directors have resolved to implement best practice and to request that Shareholders consider the re-election of all Directors at each annual general meeting. This practice provides Shareholders with an opportunity to vote on the re-election of each of the Company's Directors each year and ask questions about their proposed re-appointment.

3. Resolution 2 – Re-election of Director – Mr Xu (Geoffrey) Han

3.1 General

Mr Han, who has served as a director since 30 June 2016 and was last re-elected at the Company's 2019 Annual General Meeting held on 25 November 2019, retires in accordance with the Company's Constitution and the current practice of the Board and, being eligible, offers himself for re-election.

3.4 Qualifications and other directorships

Mr Han holds a Masters in Chemical Engineering from Curtin University and has held senior engineering positions with a number of WA resource companies over the last 10 years. Mr Han specialises in mining project development of all stages from scoping study through to construction and has managed a number of mining projects during his career.

3.3 Independence

The Board has considered Mr Han's independence and considers that he is not an independent director.

3.4 Board Recommendation

The Board has reviewed Mr Han's performance since his appointment to the Board and considers that Mr Han's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board (other than Mr Han) recommends Shareholders vote in favour of the Resolution.

3.5 Voting Intention

The Chair of the meeting intends to vote undirected proxies in favour of the Resolution.

4. Resolution 3 – Re-election of Director – Mr Brent Butler

4.1 General

Mr Butler, who has served as a director since 16 February 2011 and was last re-elected at the Company's 2019 Annual General Meeting held on 25 November 2019, retires in accordance with the Company's Constitution and the current practice of the Board and, being eligible, offers himself for re-election.

4.2 Qualifications and other directorships

He has a geology degree from Otago University and is a Fellow member of the Australasian Institute of Mining and Metallurgy. Mr Butler is also a Fellow member of the Society of Geology (USA), Fellow member of the Geological Society of London (UK) and a member of Prospectors Development of Canada. He is currently the CEO and Director of Power Metals Corp (TSX), President and CEO of Superior Mining International Corporation (TSX), and past Director of Millennial Lithium Corp (TSX) (formerly Redhill Resources Corp). He has significant international exploration and mining experience in the gold industry, having worked in the United States, Brazil, Chile, Argentina, Africa and Australia.

4.3 Independence

The Board has considered Mr Butler's independence and considers that he is not an independent director.

4.4 Board Recommendation

The Board has reviewed Mr Butler's performance since his appointment to the Board and considers that Mr Butler's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board (other than Mr Butler) recommends Shareholders vote in favour of the Resolution.

4.5 Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of the Resolution.

5. Resolution 4 – Re-election of Director – Mr Siew Swan Ong

5.1 General

Mr Ong, who has served as a director since 9 October 2010 and was last re-elected at the Company's 2019 Annual General Meeting held on 25 November 2019, retires in accordance with the Company's Constitution and the current practice of the Board and, being eligible, offers himself for re-election.

5.2 Qualifications and other directorships

Mr Ong holds a Bachelor of Law degree from Bond University, Australia. He is an advocate & Solicitor for more than 20 years, including managing his own legal practice in the areas of Banking Law, Commercial Law, Land & Mining Law. He was appointed as Legal Adviser and Justice of Peace by the XIV King of Malaysia, Tuanku Halim Mu'adzam Shah.

Mr Ong is also involved in the business of property investments & developments, security products, services & solutions, solid waste management & solutions for the State Government of Malaysia.

5.3 Independence

The Board has considered Mr Ong's independence and considers that he is not an independent director.

5.4 Board Recommendation

The Board has reviewed Mr Ong's performance since his appointment to the Board and considers that Mr Ong's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board (other than Mr Ong) recommends Shareholders vote in favour of the Resolution.

5.5 Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of the Resolution.

6. Resolution 5 – Ratification of Prior Issue of Shares under Placement

6.1 General

On 6 March 2020, the Company issued 30,000,000 Shares at an issue price of \$0.012 per share to raise \$360,000, before costs (**Placement**). The Shares were issued under the placement capacity available to the Company under Listing Rule 7.1.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Shares.

6.2 ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of the period.

The issue of the Shares does not fit within any of the exceptions in Listing Rule 7.2 and, as it has not yet been approved by the Company's shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date of the Shares.

6.3 ASX Listing Rule 7.4

Listing Rule 7.4 allows shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to be approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1. To this end, the Company is seeking shareholder ratification pursuant to Listing Rule 7.4 for the issue of Shares.

Resolution 5 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares.

6.4 Technical information required by Listing Rule 14.1A

If Resolution 5 is passed, the Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without shareholder approval over the 12 month period following the issue date of the Shares.

If Resolution 5 is not passed, the Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12 month period following the issue date of the Shares.

It is noted that the Company's ability to utilise the additional 10% capacity provided for in Listing Rule 7.1A for issues of equity securities following this Meeting remains conditional on Resolution 6 being passed at this Meeting.

6.5 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 5:

- (a) a total of 30,000,000 Shares were issued under the placement capacity available to the Company under Listing Rule 7.1;
- (b) the issue price per Placement Share was \$0.012;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (d) the Shares were issued on 6 March 2020;
- (e) the Shares were issued to Ehsan Bina Sdn Bhd, who is not a related party of the Company;
- (f) the funds raised from the issue were principally used to progress the exploration and evaluation work at the Company's Medcalf Project in addition to supplementing general working capital;
- (g) the Shares were issued under a subscription agreement made to record the terms of the Placement. There are no other material terms of the agreement; and
- (h) a voting exclusion statement has been included for this Resolution.

6.6 Board Recommendation

The Board recommends Shareholders vote in favour of the Resolution.

6.7 Voting Intention

The Chair of the Meeting intends to vote all available proxies in favour of the Resolution.

7. Resolution 6 – Approval of 7.1A Mandate

7.1 Background

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 6 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 6 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 6 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

7.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information is provided below in relation to Resolution 6:

(a) Period for which the 7.1A Mandate is valid

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) Minimum Price

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(c) Use of funds raised under the 7.1A Mandate

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate to progress the exploration and evaluation work at the Company's Medcalf Project in addition to supplementing general working capital and covering the costs of the issue of Equity Securities.

(d) Risk of Economic and Voting Dilution

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of those Shareholders who do not

receive any Shares under the issue.

If Resolution 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 20 October 2020.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

		Dilution			
Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)		Shares issued – 10% voting dilution	Issue Price		
			\$0.006	\$0.012	\$0.024
			50% decrease	Issue Price	50% increase
			Funds Raised		
Current	672,136,191 Shares	67,213,619 Shares	\$403,282	\$806,563	\$1,613,127
50% increase	1,008,204,287 Shares	100,820,429 Shares	\$604,923	\$1,209,845	\$2,419,690
100% increase	1,344,272,382 Shares	134,427,238 Shares	\$806,563	\$1,613,127	\$3,226,254

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- (i) There are currently 672,136,191 Shares on issue as at the date of this Notice of Meeting.
- (ii) The issue price set out above is the closing price of the Shares on the ASX on 20 October 2020.
- (iii) The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
- (iv) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
- (v) The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vi) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (vii) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
- (viii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (ix) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date

of issue.

(e) Allocation policy under the 7.1A Mandate

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) the alternative methods of raising funds that are available to the Company, including but not limited to, entitlements issues, share purchase plans, placement or other issues in which existing security holders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the dilutionary effect of the proposed issue of the Equity Securities on existing Shareholders at the time of proposed issue of Equity Securities;
- (v) the circumstances of the Company, including, but not limited to, the financial situation and solvency of the Company; and
- (vi) advice from professional advisers, including corporate, financial and broking advisers (if applicable).

(f) Previous approval under Listing Rule 7.1A

The Company did not obtain approval under Listing Rule 7.1A at its annual general meeting held on 25 November 2019. Accordingly, the Company has not issued any Equity Securities under Listing Rule 7.1A.2 in the twelve months preceding the date of the Meeting.

7.3 Voting Exclusion Statement

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

GLOSSARY

\$ means an Australian dollar.

7.1 Mandate has the meaning given in Section 7.1

Annual General Meeting means the annual general meeting the subject of this Notice.

Annual Report has the same meaning as Financial Report.

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules and **Listing Rules** mean the official listing rules of ASX.

Auditor means the Company's auditor from time to time, at the date of the Notice, being BDO Audit (WA) Pty Ltd.

Auditor's Report means the auditor's report on the Financial Report.

AWST means Australian Western Standard Time.

Board means the board of directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company or **Audalia Resources** means Audalia Resources Limited (ACN 146 035 690).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a Director of the Company and **Directors** means the directors of the Company.

Directors' Report means the annual directors' report prepared under Chapter 2M of the Corporations Act.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice of Annual General Meeting.

Financial Report means the annual financial report of the Company prepared under Chapter 2M of the Corporations Act 2001.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Meeting means the meeting of Shareholders convened by the Notice of Annual General Meeting.

Notice or **Notice of Meeting** means the notice of annual general meeting accompanying this Explanatory Memorandum.

Proxy Form means a proxy form attached to the Notice.

Remuneration Report means the remuneration report as contained in the Directors' report section of the Company's annual financial report.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Variable A means "A" as set out in the formula in Listing Rule 7.1A.2.

PROXY FORM

MR SAM SAMPLE
UNIT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE WA 6060

1. Appointment of Proxy

I/We being a member/s of Audalia Resources Limited entitled to attend and vote at the Meeting hereby appoint

the Chair of
the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at Level 1, Office F, 1139 Hay Street, West Perth, Western Australia 6005 on Monday, 30 November 2020 at 11:30 am (AWST), and at any adjournment thereof.

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business in which the Chair is entitled to vote. In exceptional circumstances the Chair may change his voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Authority for Chair to vote undirected proxies on remuneration-related resolutions: Where I/we appoint the Chair of the Meeting as my/our proxy (or where the Chair of the Meeting becomes my/our proxy by default), I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of Resolution 1, (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel of Audalia Resources Limited, which may include the Chair. I/we acknowledge that if the Chair of the Meeting is my/our proxy and I/we have not marked any of the boxes opposite Resolution 1, the Chair of the Meeting intends to vote my/our proxy in favour of Resolution 1.

2. Items of Business

Please mark ☒ to indicate your voting directions.

	FOR	AGAINST	ABSTAIN
1. Non-Binding Resolution to Adopt Remuneration Report	☐	☐	☐
2. Re-election of Director – Mr Xu (Geoffrey) Han	☐	☐	☐
3. Re-election of Director – Mr Brent Butler	☐	☐	☐
4. Re-election of Director – Mr Siew Swan Ong	☐	☐	☐
5. Ratification of Prior Issue of Shares under Placement	☐	☐	☐
6. Approval of 7.1A Mandate	☐	☐	☐

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority.

If two proxies are being appointed, the proportional voting rights this proxy represents is _____ %

3. Signature of Securityholder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/ Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/ Company Secretary

Contact Name

Contact Daytime Telephone

Date

HOW TO COMPLETE THE PROXY FORM

1. Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: If you are entitled to cast two or more votes you may appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. The appointment of a second proxy must be done on a separate copy of the Proxy Form. If a member appoints two proxies and the appointments do not specify the proportion or number of the member's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded.

A duly appointed proxy need not be a securityholder of the company.

Attending the Meeting: Completion of a Proxy Form will not prevent you from attending the Meeting in person if you wish. Where you complete and lodge a valid Proxy Form and attend the Meeting in person, your proxy's authority to speak and vote for you is suspended while you are present at the Meeting.

2. Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities (or such lesser number as indicated by you on the proxy form) will be voted in accordance with your directions. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses subject to relevant laws. If you mark more than one box on an item your vote on that item will be invalid.

3. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: Please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Lodgment of a Proxy

To vote by proxy, please complete and sign this Proxy Form and return by:

- (a) Post to Audalia Resources Limited, PO Box 354, West Perth, WA 6872; or
- (b) Facsimile to the Company on facsimile number +61 8 9321 0721; or
- (c) Email to the Company at admin@audalia.com.au.

This Proxy Form (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting.

Proxy Forms received after this time will be invalid.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from the Company Secretary.

Completion of a Proxy Form will not prevent individual securityholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

29 October 2020

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING

Audalia Resources Limited (ASX:ACP) (**Audalia** or the **Company**) is convening its Annual General Meeting on Monday, 30 November 2020 at 11:30 am (AWST).

In accordance with temporary modifications to the *Corporations Act 2001* (Cth) under the Corporations (Coronavirus Economic Response) Determination (No 3) 2020, the Company will not be sending hard copies of the Notice of Meeting to Shareholders. The Notice of Meeting can be viewed and downloaded from the ASX website at <https://www2.asx.com.au/markets/company/acp>.

As you have not elected to receive notices by email, a copy of your personalised Proxy Form is enclosed for your convenience. Shareholders are encouraged to submit their proxy vote online or by form in accordance with the instructions on the Proxy Form.

The Company strongly encourages Shareholders to lodge a directed proxy form prior to the meeting. Your proxy vote must be received by 11:30 am (AWST) on Saturday, 28 November 2020. Any proxy vote received after that time will not be valid for the meeting.

The Notice of Meeting should be read in its entirety. If you are in doubt as to how you should vote, you should seek advice from your professional advisers prior to voting. If you have questions about the Meeting and voting arrangements, please email the Company Secretary at admin@audaliareources.com.au.

Yours sincerely

AUDALIA RESOURCES LIMITED



Karen Logan
Company Secretary