

25 February 2020

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

by email: ListingsCompliancePerth@asx.com.au

Dear Mr Maloney,

Audalia Resources Limited (**Audalia** or the **Company**) refers to ASX's letter dated 21 February 2020 regarding the Company's Appendix 5B - Quarterly Cash Flow Report for the quarter ended 31 December 2019 (**Appendix 5B**) and responds in order of the questions raised.

1. Audalia is in the exploration and evaluation phase of its flagship Medcalf Project and as a result, expects to have negative operating cash flows for the time being.
2. Audalia manages its cash flow through ongoing budgeting, forecasting and financial reporting processes, using that information to make decisions about the Company's activities and to determine the form and timing of funding for those activities. The Company plans to raise additional funds during the March 2020 quarter by way of placement utilising the capacity available under Listing Rule 7.1.

Audalia has demonstrated a record of securing funds when required (refer to ASX announcements dated 11 July 2019 – Update on funding and capital raising, 20 June 2018 – Shortfall on entitlement issue and 16 March 2018 – Update on Funding) and is confident that it will be able to continue to do so.

3. The Company expects to continue its operations and to meet its business objectives as it is confident that it will be able to continue to raise funds as and when required. This expectation is based on past experience (as noted above) and because Audalia continues to have the support of its major shareholders and lenders to continue to advance the approvals for the Medcalf Project (refer to ASX announcements dated 29 July 2019 – Update on Loan Facilities and 16 March 2018 – Update on Funding).
4. The Company confirms that, to the best of its knowledge, it is in compliance with Listing Rule 3.1 and there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. The Company confirms that its responses to the questions raised by ASX have been authorised and approved by the Board of Directors.

Yours sincerely,
AUDALIA RESOURCES LIMITED

Karen Logan
Company Secretary



21 February 2020

Reference: 14335

Ms Karen Logan
Company Secretary
Audalia Resources Limited

By email: karen.logan@themiscorporate.com

Dear Ms Logan

Audalia Resources Limited ('ACP'): Appendix 5B Query

ASX refers to ACP's Appendix 5B quarterly report for the period ended 31 December 2019 lodged with ASX Market Announcements Platform on 31 January 2020 (the 'Appendix 5B').

ASX notes that ACP has reported:

- negative net operating cash flows for the quarter of \$409,000;
- cash at the end of the quarter of \$342,000; and
- estimated cash outflows for the next quarter of \$661,000.

It is possible to conclude, based on the information in the Appendix 5B that if ACP were to continue to expend cash at the rate indicated by the Appendix 5B, ACP may not have sufficient cash to continue funding its operations.

In view of that, ASX asks ACP to respond separately to each of the following questions and requests for information:

1. Does ACP expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has ACP taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does ACP expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that ACP is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that ACP's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of ACP with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:30 PM AWST Wednesday, 26 February 2020**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in ACP's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ACP's obligation is to

disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed 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. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to ACP’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that ACP’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ACP’s securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Sean Maloney
Adviser, Listings Compliance (Perth)