

20 October 2015

Dear Shareholder

## Renounceable Rights Issue

On 13 October 2015 Alara Resources Limited (ACN 122 892 719) (**AUQ** or **Company**) announced a renounceable pro rata entitlement offer to raise up to approximately \$2.48 million before issue costs (**Offer**). The Offer is partially underwritten by Patersons Securities Limited (**Patersons**) for \$500,000.

Proceeds from this rights issue will be applied towards development of exploration targets at the Washihi/Daris projects and upgraded resource definition and/or resource acquisition. Funds raised will also be used to preserve the Company's interests in the Khnaiguiyah Zinc-Copper project in Saudi Arabia.

The Offer will be made on the basis of 1 new share for every 1 existing share held by eligible shareholders (being shareholders with a registered address in Australia or New Zealand) as at 7pm (AEST) on 22 October 2015 (**Record Date**), at an issue price of \$0.01 per share together with 1 free attaching new option (exercisable at \$0.02 on or before 30 April 2017) for every new share issued. Eligible shareholders may also apply for new shares in addition to their entitlement.

New shares to be issued under the Offer will rank equally with existing shares. The Company has applied to ASX for the new shares to be listed. Fractional entitlements will be rounded down to the nearest whole number.

A prospectus for the Offer has been lodged with ASIC on 15 October 2015 and is available on both the ASX's website and the Company's website. The Company will mail the prospectus and accompanying personalised entitlement and acceptance form (**Entitlement and Acceptance Form**) to eligible shareholders following the Record Date.

Shareholders should consider the prospectus in deciding whether to acquire new shares under the Offer and will need to complete the Entitlement and Acceptance Form to take up their entitlement.

Patersons has agreed to lead manage and underwrite the Offer for a \$45,000 lead manager management fee and an underwriting fee of 5% of the Underwritten Amount. Patersons will also receive a placement fee of 5% based on the securities it places.

As an Eligible Shareholder, you may:

- a) take up all or part of your Entitlement;
- b) take up all of your Entitlement and apply for Shortfall Securities;
- c) sell all of your Entitlement;

- d) take up all or part of your Entitlement and sell the balance of your Entitlement;
- e) allow all or part of your Entitlement to lapse

The capital structure of the Company following the Offer is as follows:

Shares	Underwritten Amount		Full Subscription	
	Number	%	Number	%
Existing Shares	248,007,500	83.22	248,007,500	50.00
New Shares offered under this Prospectus	50,000,000	16.78	248,007,500	50.00
<b>Total Shares</b>	<b>298,007,500</b>	<b>100.0</b>	<b>496,015,000</b>	<b>100.0</b>

Options	Underwritten Amount		Full Subscription	
	Number	%	Number	%
Unlisted Options (exercise price \$0.10 expiry 15 January 2016)	10,000,000		10,000,000	
Total existing Options	10,000,000		10,000,000	
New Options offered under this Prospectus (exercise price \$0.02 on or before 30 April 2017)	50,000,000		248,007,500	
<b>Total Options following the Offer</b>	<b>60,000,000</b>		<b>258,007,500</b>	

The exercise price of Options on issue will be adjusted in accordance with the Listing Rules.

The indicative timetable for the Offer is as below:

Prospectus lodged with ASIC and ASX	15 October 2015
Ex Date - Shares trade ex Entitlement	20 October 2015

Rights trading commences	20 October 2015
Record date to determine Entitlement ( <b>Record Date</b> )	22 October 2015
Prospectus with Entitlement and Acceptance Form dispatched	26 October 2015
Offer opens for receipt of Applications	26 October 2015
Rights trading ends	28 October 2015
Closing date for acceptances ( <b>Closing Date</b> )	5 November 2015
Notify ASX of Shortfall	10 November 2015
Issue of New Securities	12 November 2015
Deferred settlement trading ends	
Dispatch of shareholding statements	12 November 2015
Normal trading of New Securities expected to commence	13 November 2015

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

#### For further information, please contact:

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#### About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and mine development company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an Advanced Scoping Study on its Daris/Washihi Copper-Gold Project in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company. For more information, please visit: [www.alararesources.com](http://www.alararesources.com).