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MARKET ANNOUNCEMENT

Completion of \$30 Million Capital Raising

Alara Resources Limited is pleased to confirm that it has completed a capital raising to professional and institutional investors of \$30.24 million through a placement of 84 million shares at \$0.36 per share (**Placement**).

The Placement received strong support and was well oversubscribed.

The Placement was managed by Petra Capital Pty Ltd (**Petra Capital**). Petra Capital will receive a commission on the gross funds raised under the Placement.

The new shares issued under the Placement comprise two tranches:

- (1) **Tranche 1:** 18 million shares (raising \$6.48 million gross) issued within the Company's existing 15% placement capacity under ASX Listing Rule 7.1; and
- (2) **Tranche 2:** 66 million shares (to raise \$23.76 million gross) to be issued subject to shareholder approval under ASX Listing Rule 7.1.

Shareholder approval for the Tranche 2 issue will be sought at a General Meeting of the Company to be held on or about 31 May 2011.

The \$30.24 million funds raised under the Placement, after expenses of the issue, will be applied principally towards the costs of development of the Company's flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia¹ and exploration, evaluation and development of the Company's resource projects in Oman (including the Daris Copper-Gold Project²) and the El Quillay Copper-Gold Project³ in Chile. The balance of the funds, together with the Company's existing cash and liquid investments, will be applied towards the evaluation of resource projects by the Company and for general working capital purposes.

FURTHER INFORMATION:

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¹ Refer Alara market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

² Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

³ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition - El Quillay Copper Gold Project in Chile](#)"

