

12 July 2016

Dear Shareholder

Renounceable Rights Issue

On 6 July 2016, Alara Resources Limited (the **Company**) announced a renounceable pro rata entitlement offer to raise \$1.45 million.

The offer will be made on the basis of 1 new share for every 7 existing shares held by shareholders with a registered address in Australia or New Zealand as at 7:00pm (AEST) on 14 July 2016 (**Eligible Shareholders**), at an offer price of \$0.02 per share (**Offer**). Shareholders will be given the opportunity to apply for additional shares in excess of their entitlement. Funds raised from the Offer will be used primarily to:

- help secure a mining licence for the Al Hadeetha Copper-Gold project in Oman by providing bridge finance to meet pre-operating expenses prior to commencement of mine and plant construction at Washihi;
- incorporate the recently announced high grade copper and gold mineralisation into the existing Resource Model for the Company's Al Hadeetha Copper-Gold project; and
- continue pursuing other licences/projects, including meeting commitments on Al Ajal, Mullaq and Daris with the aim of increasing mining inventory to feed a concentration plant at Washihi, and concluding legal action before the Board of Grievances in regard to the Khnaiguiyah Zinc-Copper Project and (if necessary) judgement enforcement in Saudi Arabia.

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 up to the nearest whole number.

A prospectus for the Offer has been lodged with ASIC on 8 July 2016 which will be available on both the ASX website and the Company's website (**Prospectus**). Full details of the Offer will be contained in 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.

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 part of your entitlement and sell the balance of your entitlement;
- (e) allow all or part of your entitlement to lapse.

Assuming that no shares are issued prior to the Record Date, at the close of the Offer, the capital structure of the Company following the Offer will be:

Shares	Number	%
Existing Fully Paid Shares	506,015,000	87.50
New Shares offered under this Prospectus	72,287,857	12.50
Total Shares	578,302,857	100.00

The indicative timetable for the Offer is set out below:

Prospectus lodged with ASIC and ASX	8 July 2016
Ex date – shares trade ex entitlement	13 July 2016
Rights trading commences	13 July 2016
Record date to determine entitlement (Record Date)	14 July 2016
Prospectus with Entitlement and Acceptance Form dispatched	15 July 2016
Offer opens for receipt of applications	15 July 2016
Rights trading ends	26 July 2016
Closing date for acceptances (Closing Date)	2 August 2016
Issue of new securities	9 August 2016
Deferred settlement trading ends	9 August 2016
Dispatch of shareholding statements	9 August 2016
Normal trading of new securities expected to commence	10 August 2016

The timetable above is indicative only and may be subject to change. The Company reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws.

Yours faithfully

Elizabeth Hunt
Company Secretary