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**Wednesday, 27 October 2010**

# MARKET ANNOUNCEMENT

## Completion of \$10.58 Million Capital Raising

Alara Resources Limited is pleased to confirm that it has successfully completed a capital raising to professional, institutional and sophisticated investors of \$10.58 million through a placement of 46 million shares at \$0.23 per share (**Placement**).

The Placement received strong support from a range of professional, institutional and sophisticated investors 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:** 12 million shares (raising \$2.76 million gross) issued within the Company's existing 15% placement capacity under ASX Listing Rule 7.1; and
- (2) **Tranche 2:** 34 million shares (to raise \$7.82 million gross) to be issued subject to shareholder approval under ASX Listing Rule 7.1.

The Company currently has 80,507,500 shares on issue.

Shareholder approval for the Tranche 2 issue will be sought at the Annual General Meeting of the Company scheduled for 30 November 2010.

The \$10.58 million funds raised under the Placement, after expenses of the issue, will be applied principally towards the costs of acquisition of the Company's flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia. The balance of the funds, together with the Company's existing cash and liquid investments of approximately \$5.4 million, will be applied towards the advancement of exploration, evaluation and development of the Company's other mineral exploration and development projects and for general working capital purposes.

In addition, the Company confirms that its largest shareholder, Strike Resources Limited, has sold down its entire 12.75 million interest in the Company as part of the book build for the Placement, with such shares being placed to professional, institutional and sophisticated investors.

Alara was originally spun-out of Strike in May 2007, with Strike retaining a significant non-core interest in the Company. This divestment by Strike removes a large stock overhang, with the resulting separation of Strike and Alara having benefits for both companies.

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### FURTHER INFORMATION:

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