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 eligible shareholders of 1 new share for every 7 existing shares held at the record date of 7:00pm (AEST) on 14 July 2016 (**Offer**). The issue price for the new shares is $0.02.

The Offer will raise $1.45M before issue costs and is fully underwritten by CPS Capital.

Further details of the Offer, including the rights issue timetable and effect on the Company's capital structure are set out in a prospectus lodged with ASIC on 8 July 2016. The prospectus will be dispatched to eligible shareholders on 15 July 2016. The prospectus will be available on the Company's and ASX's websites from that date.

The Company has decided that it is unreasonable to extend the Offer to shareholders with a registered address outside Australia or New Zealand as at the record date (**Ineligible Shareholders**), having regard to the number of such shareholders, their holdings and the compliance costs required to extend Offer to those shareholders.

The purpose of this letter is to inform you that no offer is being made to you and the prospectus will not be sent to you as you are an Ineligible Shareholder.

This letter is neither an offer to issue securities to you nor an invitation for you to apply for the new securities under the Offer.

As the Offer is renounceable, the Company will appoint a nominee to arrange for the sale of the entitlements that would have been given to you. If the entitlements are sold, the proceeds of sale will be distributed to you (after deducting the costs of the sale).

You do not have to take any action in relation to the Offer.

Yours faithfully

Elizabeth Hunt
Company Secretary

ASX Code | **AUQ**