

Level 30 , AMP Place , 10 Eagle Street , BRISBANE , QLD, AUSTRALIA, 4000

21 July 2008

Dear Security Holder

**Auzex Resources Limited - 1:2 non-renounceable pro-rata offer of options**

**Pro-rata offer of 75 cent options expiring 30 September 2010**

On 17 July 2008 the Company lodged a prospectus with ASX for its non-renounceable pro-rata offer of one option over a fully paid ordinary share for every two fully paid ordinary shares held at the Record Date of 28 July 2008 (**Prospectus**).

The options are offered at an issue price of 10 cents per option. The options have an exercise price of 75 cents and an expiry date of 30 September 2010. A maximum of 15,186,002 options will be issued by the Company.

Fractional entitlements will be rounded up to the nearest whole number. Holdings on different registers or sub-registers will not be aggregated to calculate entitlements. Shareholder approval is not required for the offer.

The fully paid ordinary share issued on exercise of an option will rank equally in all respects with the fully paid ordinary shares already on issue in the Company.

The Company has applied for the quotation of the options on ASX.

The pro-rata offer is non-renounceable, which means that entitlements cannot be sold or otherwise transferred.

**Qualifying Shareholders**

Only those shareholders with registered addresses in Australia and New Zealand will be entitled to participate in the pro-rata offer (**Qualifying Shareholders**).

The Company has determined that it is unreasonable to make offers to shareholders other than Qualifying Shareholders having regard to the number of shareholders outside of Australia and New Zealand, the number and value of the options that would be offered and the cost of complying with legal and regulatory requirements outside of those countries.

**Additional options**

Qualifying Shareholders may apply for options in addition to their entitlement, up to the amount of any entitlements not accepted and entitlements not offered to non-Qualifying Shareholders (**Shortfall Options**).

The Directors reserve the right to issue the Shortfall Options in their discretion.

**Company's capital structure**

Share capital	Shares
Shares on issue at the date of Prospectus	30,372,005
Unlisted options on issue at the date of the Prospectus	3,935,000
Options offered under the Prospectus <sup>1</sup>	15,186,002
Shares on completion of Offer	30,372,005

**Notes:**

- 1 Subject to rounding and assuming that no shares are issued pursuant to the exercise of existing options on or before the Record Date.*
- 2: Subject to rounding and assuming that no existing options are exercised before the Record Date.*

The Company has unlisted options on issue that, if exercised prior to the Record Date, may entitle the option holder to participate in the rights issue. Notices were sent to option holders on 17 July 2008 informing them of the pro-rata offer. The table below lists the options currently on issue, assuming that none are exercised prior to the Record Date. Options which have vested (marked \*) may be exercised before the Record Date:

Class	Expiry Date	Exercise Price (\$)	Number on Issue
Options (AZXAM)	30/08/10	\$1.00	1,000,000
Options (AZXAO)	30/08/10	\$0.75	1,000,000
Options (AZXAQ)	30/09/10	\$0.50	1,000,000
Employee options*	15/05/09	\$1.25	100,000
Employee options*	16/05/09	\$1.75	150,000
Employee options*	16/05/09	\$2.25	250,000
Employee options*	19/06/09	\$1.48	37,500
Employee options	19/06/10	\$1.78	37,500
Employee options*	08/09/09	\$1.60	45,000
Employee options	08/09/10	\$1.92	45,000
Employee options*	18/11/09	\$1.52	35,000
Employee options	18/11/10	\$1.83	35,000
Employee options*	04/12/09	\$1.52	47,500
Employee options	04/12/10	\$1.83	47,500
Employee options*	08/01/10	\$1.62	52,500
Employee options	08/01/11	\$1.95	52,500

### Applications

A copy of the Prospectus will be sent to Qualifying Shareholders on 31 July 2008 accompanied by a personalised entitlement and acceptance form to subscribe for options. A copy of the Prospectus is available on the ASX website at [www.asx.com.au](http://www.asx.com.au) and the Company's website at [www.auzex.com](http://www.auzex.com).

### Purpose of the pro-rata offer

The funds raised from the issue of the options will be used to strengthen the Company's financial position as it completes the Feasibility Study for the Kingsgate Molybdenum-Silica-Bismuth Project, near Glen Innes in New South Wales.

### Important dates

Event	Indicative timing
Lodge Appendix 3B with ASX Lodge Prospectus with ASIC and ASX Despatch letter to option holders	17 July 2008
Despatch letter to shareholders	21 July 2008
Existing shares quoted 'ex' rights	22 July 2008
Record date for pro-rata offer	28 July 2008
Despatch of prospectus to shareholders as at record date and announce despatch	31 July 2008
Offer opens	1 August 2008
Offer closes	5.00pm 22 August 2008
Issue and allotment of options	28 August 2008
Despatch new holding statements to option holders	1 September 2008
Normal trading resumes	2 September 2008

*The dates above are indicative only and subject to the Listing Rules and the Corporations Act, the Company reserves the right to change any date, including to extend the closing date or to close the offer early without prior notice.*

Yours sincerely



**John Lawton**  
Executive Chairman