

1 July 2010

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Dear Optionholder

Auzex Resources Limited - renounceable rights issue

On 30 June 2010, the Company announced to ASX that it is undertaking a capital raising comprising:

- a placement of approximately \$AU0.9 million to institutional, professional and sophisticated investors (**Placement**);
- a renounceable rights issue for Eligible Shareholders to raise up to approximately \$AU2.35 million (**Shareholder Rights Issue**). Under the Shareholder Rights Issue, Eligible Shareholders may subscribe for one Share for every three Shares held on the record date, and will be issued with one free Option with an exercise price of \$AU0.20 and expiring on 13 February 2012, for every three Shares subscribed for; and
- a renounceable rights issue for Eligible Optionholders to raise up to approximately \$AU0.45 million (**Optionholder Rights Issue**). Under the Optionholder Rights Issue, Eligible Optionholders may subscribe for one Share for every three AZXO Options held on the record date, and will be issued with one free Option with an exercise price of \$AU0.20 and expiring on 13 February 2012, for every three Shares subscribed for.

Shareholder approval is not required for the Shareholder Rights Issue or the Optionholder Rights Issue. The Optionholder Rights Issue is renounceable, which means that entitlements can be sold or otherwise transferred.

Eligible Optionholders

The Optionholder Rights Issue will be offered to all holders (**Eligible Optionholders**) of options that are quoted on ASX under the code 'AZXO' (**AZXO Options**) with a registered address in Australia or New Zealand at 7.00pm (Sydney time) on 16 July 2010 (**Record Date**).

The Company has determined that it is unreasonable to make offers to optionholders other than Eligible Optionholders having regard to the number of optionholders 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.

Entitlements

The Shares are offered at an issue price of \$AU0.12 or \$NZ0.145 per Share. A maximum of approximately 3.75 million Shares will be issued by the Company under the Optionholder Rights Issue.

A maximum of approximately 1.25 million Options will be issued by the Company under the Optionholder Rights Issue.

The Shares, and 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 Shares on ASX. The Company will apply for the Options to be quoted on ASX if the holder spread requirements under the Listing Rules are satisfied.

Company's capital structure

Share capital ¹	Shares
Shares on issue at 23 June 2010	51,015,095
Maximum Shares to be subscribed under the Placement	7,652,264
Maximum Shares to be subscribed under the Optionholder Rights Issue	3,755,975
Maximum free attaching Options to be issued under the Optionholder Rights Issue	1,251,992
Maximum Shares to be subscribed under the Shareholder Rights Issue	19,555,787
Maximum free attaching Options to be issued under the Shareholder Rights Issue	6,518,596
Potential Shares on completion of the Placement, Optionholder Rights Issue and Shareholder Rights Issue^{1, 2}	89,749,709

Notes:

1. Subject to rounding.
2. Assuming all 7,770,588 attaching Options to be issued under the Optionholder Rights Issue and Shareholder Rights Issue are exercised, and that none of the 14,767,926 options on issue at 23 June 2010 are exercised.

Fractional Entitlements

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.

Applications

A copy of the Prospectus will be sent to Eligible Optionholders on 21 July 2010 accompanied by a personalised entitlement and acceptance form to subscribe for Shares. A copy of the Prospectus will be available on the ASX website at www.asx.com.au and the Company's website at www.auzex.com.

Purpose of the Rights Issues

The funds raised from the Rights Issues will be used to undertake exploration activities at the Bullabulling Gold Project in Western Australia, where Auzex Resources, in joint venture with Central China Goldfields Plc, intend to fast-track a feasibility study into the development of the Project over the next 12 to 18 months.

Important dates

Event	Indicative timing
Lodge Appendix 3B with ASX	Wednesday 30 June 2010
Despatch letter to option holders	Thursday 1 July 2010
Lodge Prospectus with ASIC and ASX	Thursday 8 July 2010 (Pre-open)
Despatch letter to shareholders	Friday 9 July 2010
Existing shares quoted 'ex' rights Rights trading commences	Monday 12 July 2010
Record date for pro-rata offer	Friday 16 July 2010 (7.00pm Sydney time)
Despatch of prospectus to shareholders as at record date and announce despatch	Wednesday 21 July 2010

Offer opens	Wednesday 21 July 2010
Rights trading ends	Wednesday 28 July 2010
Offer closes	Thursday 5 August 2010
Issue and allotment of Shares and Options	Thursday 12 August 2010
Holding statements despatched	Friday 13 August 2010
Normal trading resumes	Monday 16 August 2010

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.

If you are an Eligible Optionholder and exercise your AZXO Options before Monday 12 July 2010, you will not be eligible to participate in the Optionholder Rights Issue but will become eligible to participate in the Shareholder Rights Issue.

Yours sincerely



J. J. Lawton
Managing Director