



## The Project

The Project is located ~130km west of Muscat, the capital of Oman and currently comprises a mineral excavation license for copper ores of ~49,667 hectares (**Concession**). The Concession owner is currently seeking an expansion of the mineral rights from copper to include gold ores.

The Project is located in the Semail Ophiolite belt in Northern Oman that extends over 800km. This belt provides a prospective setting for Cyprus-type VMS copper gold deposits. In the past, the Government-owned Oman Mining Company has produced, mined and treated 14 million tonnes of copper resource at between 1 to 2% copper from open cut mines at their Lasail, Arja and Baida mines in this belt.

More recently, a privately owned Omani company has located a large resource of copper ~70 km west of the Project area.

Alara believes that the Project area has the potential to host substantial copper mineralisation and plans to pursue a systematic modern exploration programme over Block 8.

The proximity to the capital city, a paved highway and modern copper extraction facilities nearby (in Sohar) should assist in the development of early cash flow from any discoveries made in the Project area.

## Initial Exploration Programme

A detailed study of the available geological, geophysical and GIS data over Block 8 has been recently carried out and a Cyprus type VMS prospectivity model has been constructed.

The study has identified five potential target areas within Block 8. The first priority target area of ~15 kms<sup>2</sup> is located immediately adjoining Block 7 to the west where Alara has recently announced significant copper and gold mineralisation at Daris 3A-5 and Daris East prospects within Block 7.

An airborne VTEM geophysical survey (carried out in conjunction with a survey over the Daris Block 7) has recently been completed over this first priority target area which involves 82 flight line kilometres at 200m spacing.

Analysis and geophysical interpretation of the VTEM data (pending completion by end of April 2011) will form the basis of further ground exploration including drilling of identified anomalies, correlation to other prospectivity model targets in Block 8 and geochemical sampling.

Subject to the outcomes and assessment of this first phase of exploration, a detailed second phase exploration programme is proposed to commence in the second quarter of 2011.



## Agreement Terms

- (1) Alara Oman Operations Pty Limited (a wholly owned subsidiary of Alara Resources Limited) (**Alara**) has entered into a Shareholders Agreement with the Concession holder, Awtad Copper LLC (**Awtad** or **JVCo**), and the local shareholders of Awtad (**Awtad Shareholders**).
- (2) Alara is entitled to earn-in up to a 70% shareholding interest in JVCo by funding exploration and evaluation and completion of a definitive bank feasibility study (**DFS**) over a 5 year term.
- (3) Alara will secure an initial 10% shareholding interest in JVCo by contributing US\$0.5 million equity capital into JVCo. Alara will then fund all on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$2.5 million into JVCo during the first 3 years, it will increase its shareholding interest in JVCo to 51%. This will increase to 70% upon the completion of a DFS (funded by Alara) within the balance of the term.
- (4) Post completion of DFS, the JVCO shareholders have to contribute any required equity funding or dilute in accordance with an industry standard dilution formula. If a shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholders in exchange for a 2% net smelter return.
- (5) Awtad Shareholders are entitled to a once-off election to maintain their interest at 49% (with Alara holding 51%) if a threshold resource of 20,000 or more tonnes of contained Copper has been delineated within the Project area (within a JORC Measured Copper Resource with a cut-off grade above 0.5% and an average grade above 2%) as at the date Alara has completed its 51% earn-in (prior to completion of a DFS). If the Awtad Shareholders exercise this election, on-going funding of JVCo (including to complete the DFS) will be pro-rata to JVCo's shareholding interest (ie. Alara 51% and Awtad Shareholders 49%).
- (6) JVCo will be governed by a 4 member Board with 2 nominees appointed by Alara and the Vendors. Alara is entitled to appoint the Chairman, who has a casting vote, and also the Managing Director.
- (7) The shareholders agreement is also subject to conditions precedent (to be satisfied within 60 days), including completion of due diligence within 30 days, reissuance of the Project Licence (expanded to included gold ores/minerals) and JVCo settling all liabilities owed to the Awtad Shareholders.

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*The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.*