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ASX/MEDIA RELEASE

Thursday, 18 July 2013

Khnaiguiyah Project – Joint Venture Update

Perth: Alara Resources Limited (ASX: AUQ) (**Alara**) refers to its market announcement of 21 May 2013¹ and provides the following further update in relation to the joint venture² for the Khnaiguiyah Zinc-Copper Project in Saudi Arabia (**Project**).

Joint Venture Management and Transfer of Mining Licence

Under a Shareholders Agreement (**SHA**) between Alara and Manajem for the formation and operation of joint venture company KMC³, Manajem has an obligation to transfer the Khnaiguiyah Mining Licence⁴ (and other Exploration Licences within the Project area held by Manajem) to KMC. To date they have not done so.

As announced on 21 May 2013, Alara formally provided notice to Manajem seeking that they rectify the matter of the transfer of the Mining Licence (insofar as it relates to their involvement to facilitate the process). Alara has the option, inter alia, to suspend its obligations under the SHA if Manajem fails to address this issue to its satisfaction within 60 days (which expires on 19 July 2013).

Alara and Manajem have been productively engaged to endeavour to resolve a number of outstanding issues in relation to the completion of the transfer of the Mining Licence from Manajem to KMC and to address other KMC joint venture management and operational matters interrelated to the development of the Khnaiguiyah Project overall.

As a consequence of these positive discussions to date and the scheduling of further detailed KMC shareholders' discussions in late July (with the mutual intention to resolve any/all outstanding joint venture matters) Alara will not exercise its discretion to suspend the SHA at this time. However, Alara has reserved its rights to do so under the SHA if the matter of the transfer of the Mining Licence has not been resolved in due course.

A further update will be provided by the Company after these meetings with Manajem in late July 2013.

¹ Refer Alara's ASX market announcement dated 21 May 2013 and entitled "Khnaiguiyah Project Update Post DFS"

The Khnaiguiyah Project is operated by Khnaiguiyah Mining Company LLC (KMC) a 50:50 joint venture between Alara and United Arabian Mining Company LLC (Manajem), a privately owned Saudi Arabian mining company.

Refer Alara's market announcements dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia"

The Khnaiguiyah Mining Licence (with an exclusive 30 year term) was granted in December 2010; refer Alara market announcements dated 21 December 2010 and entitled "Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia"

SIDF Project Financing

The Khnaiguiyah Joint Venture with the assistance from the Riyadh office of KPMG is currently preparing its application to the <u>Saudi Industrial Development Fund</u> (**SIDF**) to provide up to 75% local project financing for the Khnaiguiyah Project.

A formal loan application is expected to be lodged with SIDF by the end of September 2013.

Oman Copper-Gold Projects - Resource Upgrade and Asset Strategy

As announced 16 July 2013⁵, Alara is continuing towards the sale or further finance of its combined Washihi and Daris Copper-Gold Projects in Oman with the intent of providing short term cash injection in support of ongoing Company operations and SIDF application costs. The outcome of this process will be announced once matters have been concluded or upon material advancement in the process.

Strengthening of the Alara Board with Local Saudi Representative

Alara is reviewing the possible appointment of a commercially experienced, highly regarded Saudi Arabian national to strengthen its presence in Saudi Arabia. This representative would be an experienced and trusted presence to advise the Company overall and potentially to assist in securing project financing locally/regionally and various regulatory approvals required for the Khnaiguiyah mine development. This process is continuing with detailed due diligence and is not expected to be concluded in the immediate future.

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For further information, please contact:

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and development company with a diverse portfolio of projects in Saudi Arabia and Oman.

Alara has recently completed a DFS on its flagship Khnaiguiyah Zinc-Copper Project⁶t in Saudi Arabia and is moving towards establishing itself as an emerging base and precious metals development company.

For more information, please visit: www.alararesources.com.

Refer Alara's ASX market announcement dated 16 July 2013 and entitled "Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset"

Refer Alara's ASX market announcement dated 30 April 2013 and entitled "Positive Definitive Feasibility Study Confirms Khnaiguiyah Project as Technically and Financially Robust"