

Alara Resources Limited A.B.N. 27 122 892 719 Level 11, 216 St Georges Tce Perth WA 6000, Australia

GPO Box 2517 Perth WA 6831 Telephone | +61 8 9481 0389 Facsimile | +61 8 9463 6103

Web | www.alararesources.com Email | info@alararesources.com

ASX/MEDIA RELEASE

Wednesday, 23 December 2015

PROJECT UPDATE: POTENTIAL BREAKTHROUGH ON KHNAIGUIYAH PROJECT

Alara Resources Limited (ASX: AUQ) (Alara or Company) announces that it has received credible reports from concerned persons to the effect that the mining license for the Khnaiguiyah Zinc-Copper Project (the 'Project'), held by the United Arabian Mining Company LLC ('Manajem'), has been cancelled¹.

Under applicable Saudi mining regulations, Manajem will have 60 days to appeal the cancellation. The Company understands that Manajem intends to appeal.

If the cancellation is ultimately effective, the consequences include:

- A requirement that the Company adjust its balance sheet to reflect losses associated with the cancellation of the license; and
- A choice or the optionality to:
 - 1. Help Manajem seek to regain its license, provided a way can be found to secure Alara's interests in the Project; and/or
 - 2. Pursue Alara's interests relative to the Project through its joint venture with Bayan Mining LLC ('Bayan') or otherwise.

Earlier this year, Alara entered into a "Plan B" joint venture agreement with Bayan, under which Alara and Bayan would team to secure a licensed interest in the Project and other projects in the Kingdom.²

Company Chairman Jim Phipps welcomed the news of the cancellation, saying that:

"This is a necessary step to enable this project to move forward. The cancellation of the Khnaiguiyah mining license represents the moving aside of a major road block and is a breakthrough moment for Alara. We can now move forward unimpeded to compete for this and other mining opportunities in Saudi Arabia, where the environment for foreign investment in the mining sector is set to improve³. We enjoy the unique competitive advantage of possessing a Definitive Feasibility Study for this project, in which Alara invested over US\$20 Million and two years of precious time. With this study, any licensee working with Alara would save significant



¹ Note: As Manajem defaulted on its obligation to contribute the mining license to the SAGIA-licensed joint venture Khnaiguiyah Mining Company LLC, in which Alara holds an equity interest, Alara will not receive formal notice of the cancellation.

² Refer ASX Announcement dated 20 August 2015: "Alara and Bayan to extend framework agreement to include Khnaiguiyah Sites."

³ Recent developments are noted below.



Alara Resources Limited A.B.N. 27 122 892 719

Level 11, 216 St Georges Tce Perth WA 6000, Australia

GPO Box 2517 Perth WA 6831 Telephone | +61 8 9481 0389 Facsimile | +61 8 9463 6103

Web | www.alararesources.com Email | info@alararesources.com

time, money and other resources standing up the project, which would be to the advantage of all stakeholders, including not only our shareholders, but the people of Saudi Arabia."

With regard to foreign investment in Saudi Arabia, recent developments include:

- According to its Minister of Petroleum and Mineral Resources, H.E. Ali Al Naimi, the Kingdom of Saudi Arabia plans to increase the mining sector's contribution to GDP by 325%, rising from SAR80 billion (A\$29.6 billion) today to SAR260 billion (A\$96 billion) in 2030.
- At the first Saudi Mining and Minerals Conference held in late October this year, Minister Al Naimi pointed to the vital role foreign investors would play in the development of the mining industry in Saudi Arabia.
- "Our mining sector is developing fast and we hope to attract foreign investors to various projects in the sector," the Minister said, "hoping that the Kingdom would prepare an attractive climate for the foreign investors who would like to invest in copper, zinc and precious metals."4

- ENDS -

For further information, please contact:

Justin Richard **T | +61** 8 9481 0389

Managing Director E | jrichard@alararesources.com

Elizabeth Hunt T | +61 8 9481 0389

Company Secretary E | cosec@alararesources.com

About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and mine development company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an Advanced Scoping Study on its Daris/Washihi Copper-Gold Project in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company. For more information, please visit: www.alararesources.com.

⁴ <u>http://www.arabnews.com/economy/news/826806</u>; see also <u>http://saudigazette.com.sa/saudi-arabia/mining-contribution-to-gdp-to-reach-sr260b-al-naimi/</u>