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ASX/MEDIA RELEASE

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COMPANY UPDATE

Perth: Alara Resources Limited (ASX: AUQ) (Alara or Company) wishes to provide a general update on its projects in the Kingdom of Saudi Arabia and the Sultanate of Oman, and its current internal financial management during the period to each project's next milestone.

Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

As previously announced, the Khnaiguiyah Zinc-Copper Project (Project) remains at an "impasse" as the Mining Licence (ML) still resides with Alara's Joint Venture (JV) Partner, United Arabian Mining Company LLC (Manajem).¹

In line with the lack of progress with the ML and the Project itself, the office of the Deputy Minister for Mineral Resources (DMMR) has issued a series of letters and/or violation notices to Manajem regarding its non-performance under the ML requirements.

The Company continues to receive ongoing and invaluable in-country advice, support and direct assistance from recently appointed Director, Mr James Phipps (former Alternate Director to HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud).

Also of critical importance is the ongoing and strengthening support the Project enjoys from key incountry parties in the Project vicinity, including the Governor of Al Quwayiyah, the President of Al Khnaiguiyah and the Al Quwayiyah Chamber of Commerce.

Project Way Forward

Alara continues to actively pursue and progress alternative approaches and options to move the Project beyond the current impasse and believes it will be able to progress the Project in the not too distant future despite the current circumstances.

Following the completion of the Definitive Feasibility Study (DFS) for the Project, the Company has worked successfully on further clarification of the Project risks and the studies and activity necessary to eliminate or mitigate those risks. The Company has also outlined and completed some early investigation and preliminary study work into a number of potential (and material) upsides within the Project's capital and operating costs. Further activity will be undertaken in these areas once there is clarity on both the Khnaiguiyah Project JV and the way forward with the ML.

The Khnaiguiyah Project remains one of the most attractive early-stage and significant Zinc projects in the world given its technical simplicity, projected low operating costs (once in production) and very "clean" or high quality concentrates. Every effort is being made to progress this Project as soon as practical.

Refer Alara's ASX announcement dated 18 November 2014 entitled "Khnaiguiyah Project – Update on Legal Matters"



Daris/Washihi Copper-Gold Project (Oman)

The newly established Public Authority for Mining (**Authority**) in Oman has recently renewed the Exploration Licences for the Washihi, Mullaq and Al-Ajal tenements and is completing the annual renewal of the Daris (Block 7) Exploration License. The grant of the five Mining Licence applications within these Exploration License areas is currently progressing under the Authority.

Given the robust nature of the Advanced Scoping Study outcomes for the Oman Project and the additional upside potential, a select number of immediate and very positive options for the project have been identified. The relative merit and funding for each of these options is currently under review with outcomes to be defined in the near future.

Corporate

Working Capital & Operating Costs

The Company has undertaken an operating cost review and implemented several initiatives to ensure financial capability in the short to medium term. As a result, the Company has been successful in consistently reducing its monthly expenditure over the past three months and will continue to do so over the next two quarters as the full effect of the cost reduction initiatives is realised. Operating costs are forecast to reduce to ~\$130k/month by the end of Q3 FY2015. Alara is forecasted to end FY2015 with +\$1m cash reserves. This amount does not include an anticipated R&D Tax Incentive Scheme refund for FY2014 or possible realisation of a listed share investment.

The Company will continue to focus on further cost conservation opportunities as well as potential revenue generation. There is a desire to extend the time frame for the requirement for any capital injection while also ensuring the Company is prepared to move both the Saudi and the Oman projects forward as quickly as possible once the path ahead is clear.

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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 <u>Definitive Feasibility Study</u> (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an <u>Advanced Scoping Study</u> 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: <u>www.alararesources.com</u>.