

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

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## **ASX/MEDIA RELEASE**

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## KHNAIGUIYAH ZINC-COPPER PROJECT – LEGAL UPDATE

Alara Resources Limited (ASX: AUQ) (Alara or Company) provides this update on the case brought by United Arabian Mining Company LLC ('Manajem') against an Alara subsidiary before Saudi Arabia's Board of Grievances ("BOG") (the 'Case'). The Case involves disputes between the parties arising from the failed Alara-Manajem joint venture for the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, incorporating a 26Mt JORC Ore Reserve (3.3% Zinc, 0.24% Copper) (the 'Project').

On 3 May 2016, Alara issued an update providing an overview of the Project, including an outline of the rise and fall of the earlier joint venture with Manajem, and insight into new avenues that have opened up for the Company relative to the Project. As indicated in that announcement, the Case continues to work its way through to a conclusion.

At the most recent hearing in the Case the judge asked Alara to provide an evidence brief connecting the dots between each of the documents Alara has submitted in support of its US\$3,266,000 counterclaim against Manajem.

- In 2010 and 2011 Alara made payments of US\$3,266,000 to Manajem, this was over and above the >US\$23,000,000 which Alara later invested on the Project, including the cost of the Definitive Feasibility Study.
- Alara's counterclaim seeks the return of the US\$3,266,000 it paid to Manajem for the transfer of the khnaiguiyah mining licence to the Alara-Manajem joint venture company, i.e. Khnaiguiyah Mining Company ('KMC').
- After Alara paid the US\$3,266,000, Manajem reneged on its commitment to transfer the mining licence to KMC and this default eventually resulted in the undoing of the joint venture, as without the mining licence, KMC was unable to move the Project forward, notwithstanding the existence of a bankable, Definitive Feasibility Study completed by Alara per its commitments under the original 50:50 joint venture agreement with Manajem.
- In response to the judge's direction, counsel for Alara are preparing an additional evidence brief
  explaining the purpose of the US\$3,266,000 payments (i.e. consideration for transferring the mining
  licence) which are supported by banking receipts and other documents.

For its part, Manajem submitted a brief: (1) reiterating, but again failing to offer any evidence substantiating allegations of contractual breaches on Alara's part; and (2) requesting that BOG order the cancellation of the KMC Shareholders' Agreement and commercial/company registration.

Manajem may be seeking these cancellations to prevent Alara from claiming repayment of loans Alara made to KMC to enable KMC to operate. At this stage, with advice of counsel, Alara has chosen to defer any such claim and to focus the court's attention on Manajem's core breach. Alara achieves this by focusing its





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counterclaim on a request for a judgment requiring Manajem to repay the US\$3,266,000 it was paid to transfer the Project mining licence to KMC.

The next court date is scheduled for 25 May 2016.

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## **About Alara Resources**

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, an Advanced Scoping Study on the Daris and Al Hadeetha Copper-Gold Projects in Oman and a Feasibility Study for the Al Hadeetha Project, Washihi deposit. The Company is transitioning to establish itself as a base and precious metals mine development and production company. For more information, please visit: www.alararesources.com.

