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MARKET ANNOUNCEMENT

Drilling Update - Khnaiguiyah Zinc-Copper Project

Alara Resources Limited (ASX: AUQ) refers to its announcement dated 5 September 2011¹ providing an update of assay results from six recently completed drill holes in Zone 3 of the Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

The Company is now pleased to provide assay results from a further 15 recently completed drill-holes in Zone 3.

A total of 17 holes were drilled on the eastern, western and southern edges of Zone 3 with the objectives of testing the extent of mineralisation and confirming the overall geometry of Zone 3.

HIGHLIGHTS

- All but two holes encountered significant zinc and copper mineralisation
- Exceptionally high grades and thicknesses of zinc and copper mineralisation were encountered in two holes at shallow depth:

K3DD11_028: 21m at 10.18% Zn and 0.58% Cu from 18m

K3DD11_067: 37m at 1.92% Cu from 28m

- Results open up potential for further high grade extensions to mineralisation to the west at shallow depth.
- High grade zones identified by this drilling confirm and will underpin overall high average grades in Zone 3.

DRILLING RESULTS

The 17 holes reported here were drilled with the primary objective of determining the extent of mineralisation of Zone 3 in easterly, westerly and southerly directions.

The mineralisation in Zone 3 is characterised by a high grade core within a shear zone surrounded by a lower grade envelope.

¹ Refer ASX market announcement dated 5 September 2011 and entitled "[Drilling Update – Khnaiguiyah Zinc-Copper Project](#)"



The intersection of some very high grade and thick intercepts of copper and zinc mineralisation up dip and along the western margin in drill holes K3DD11_028 and K3DD_067 are encouraging as these indicate the existence of further high grade zones within Zone 3 as well as further extensions to the west, at shallow depth.

Further drilling is planned along the western margin of Zone 3 to test for further extensions.

A further 13 holes reported below show positive grades and thicknesses, indicating a general thinning to the east and south and that mineralisation is dipping to the east.

The two holes drilled to the south south west, K3D11_053 and K3D11_054, which did not intersect significant mineralisation, may indicate the southern limit of mineralisation in Zone 3.

The drilling programme at Khnaiguiyah, which commenced at the end of February 2011, is continuing with five drilling rigs comprising four core drilling rigs and one reverse circulation (RC) rig.

A total of 112 holes for approximately 16,500m have been completed since March 2011. A further 20,000m of drilling is anticipated within the next nine months.

With all planned metallurgical test holes, mineralisation validation holes and the geotechnical holes completed, the focus of drilling is now on the extension of mineralisation in Zone 2 and Zone 3 areas, as well as sterilisation of the proposed plant and tailings dam areas.

A complete tabulation of intersection results from 15 of the 17 drill holes is presented in Table 1 below (drill holes K3DD11_053 and K3DD11_054, drilled at the south western edge of Zone 3, encountered no significant mineralisation).

It is noted that drill intercepts are reported as drilled; true thicknesses will be calculated at interpretation and resource modelling stage.

Mineralisation					Mineralised Zone	
Drill Hole ID	Intersections	From (m)	To (m)	Length (m)	Zn%	Cu%
K3DD11_028	Primary	12	39	27	8.47	0.46
	Including	33	34	1	23.70	0.61
		18	39	21	10.18	0.58
		38	39	1	10.20	2.47
K3DD11_036	Primary	89	90	1	2.20	0.06
K3DD11_041	Primary	51	52	1	3.07	0.00
K3DD11_046	Primary	50	110	60	2.83	0.06
	Including	67	72	5	5.44	0.11
		81	82	1	10.20	0.24
		97	98	1	5.35	0.47
		108	110	2	8.31	0.38
		109	110	1	12.45	0.32
K3DD11_049	Primary	94	101	7	3.11	0.06
	Including	96	97	1	6.96	0.09
	Primary	112	121	9	4.93	0.21
	Including	112	113	1	18.35	0.47
		112	117	5	6.29	0.25
		120	121	1	6.18	0.42
K3DD11_055	Primary	57	59	2	6.66	0.50
	Including	57	58	1	13.10	0.78
K3DD11_056	Primary	21	35	14	4.26	0.03
	Including	22	24	2	7.19	0.03
		33	34	1	16.15	0.13

Mineralisation					Mineralised Zone	
Drill Hole ID	Intersections	From (m)	To (m)	Length (m)	Zn%	Cu%
K3DD11_059	Primary	225	226	1	1.59	1.27
		237	246	9	2.99	0.43
	Including	237	238	1	5.02	0.18
K3DD11_060	Primary	229	231	2	2.65	0.05
		241	247	6	2.57	0.17
K3DD11_061	Primary	22	25	3	2.96	0.01
		34	41	7	2.72	0.01
	Including	40	41	1	5.29	0.01
	Primary	48	53	5	3.57	0.34
		49	50	1	9.04	0.28
	Including	48	50	2	5.86	0.77
K3DD11_062	Primary	27	53	26	3.30	0.06
		32	34	2	6.54	0.16
	Including	42	43	1	8.94	0.05
		52	53	1	5.71	0.14
K3DD11_063	Primary	43	65	22	2.16	0.15
		46	47	1	5.84	0.09
	Including	62	63	1	6.61	0.12
		68	69	1	0.03	2.60
K3DD11_065	Primary	255	260	5	3.20	0.04
		265	273	8	0.87	0.70
	Including	271	273	2	0.05	1.22
K3DD11_067	Primary	28	65	37	0.96	1.92
		39	42	3	0.20	3.23
	Including	48	49	1	0.73	7.07
		27	29	2	5.93	0.10
	Primary	59	67	8	3.04	1.89
K3DD11_068	Primary	7	19	12	4.06	0.08
		9	10	1	5.81	0.39
	Including	18	19	1	10.55	0.04
		28	31	3	4.06	0.03
	Including	29	30	1	9.30	0.02

The attached figure outlines drill hole locations within Zone 3 the subject of this announcement.

FURTHER INFORMATION:

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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 Australasian 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 Exploration Results, 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.

