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Tuesday, 20 September 2011

MARKET ANNOUNCEMENT

Investor Update Presentation

Alara Resources Limited is pleased to attach a copy of an Investor Update presentation.

Further information:

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NOTE:

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 Australian 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 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.

ASX Code | **AUQ**



Alara Resources Limited



Investor Update September 2011



ASX: AUQ

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Investor Update – September 2011



1. INTRODUCTION

- The Company: Management, Structure and Share Price Performance

2. SAUDI ARABIA

- Khnaiguiyah: Targeting DFS completion Q1 2012
- Marjan: New concessions nearby Khnaiguiyah

3. OMAN

- Daris and Awtad: Helicopter-borne VTEM Survey completed

4. CHILE

- El Quillay: Planning, geophysics and mapping program

5. SUMMARY

- Recent accomplishments and the way forward

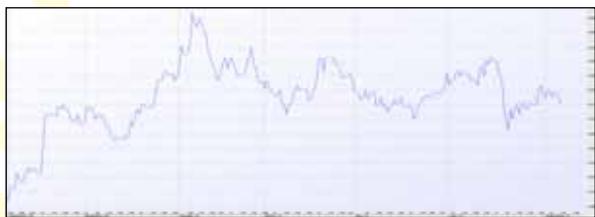
Company Profile



Directors	
Ian Williams AO Chairman	<ul style="list-style-type: none"> 40+ years mining experience Hamersley Iron, Rio Tinto, Century Zinc & Pasminco Awarded Order of Australia for services to Indigenous communities
Shanker Madan Managing Director	<ul style="list-style-type: none"> 35+ years mining industry experience BHP, Rio Tinto & Hamersley Iron
Doug Stewart	<ul style="list-style-type: none"> 35+ years mining industry and capital markets advisory experience Territory Iron, Teck Corporation, NM Rothschild and Sons, Australia
Farooq Khan	<ul style="list-style-type: none"> 20+ years capital markets experience Management of ASX-listed companies Corporate law background
William Johnson	<ul style="list-style-type: none"> 20+ years experience in senior management and executive roles in public companies in Australia, New Zealand and S.E. Asia
General Manager, Projects	
Eduardo Valenzuela	<ul style="list-style-type: none"> 30+ years experience in mine operations, project management, technical services and project financing

Stock	
ASX Code	AUQ
Market Cap (12 September 2011)	\$ 67.5M
Issued Capital	
- Shares	210.5M
- Options	42.65M
Cash (30 June 2011)	\$ 32.2M

Top Shareholders	
Colonial	13.8%
Aviva	10.0%
Northcape	9.0%
Kinetic	7.4%
Contango	5.7%



Pipeline



Alara has a strong pipeline of base metal development projects



Historical non-JORC compliant estimate as reported in Alara ASX market announcement dated 5 October 2010¹

¹Refer: Alara ASX market announcement dated [5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia"](#)

Oman: Daris Copper – Gold (Alara 50%)
Preliminary drilling by Alara (25 holes) points to copper sulphide and oxide mineralisation at shallow depths.

Chile: El Quillay Copper – Gold (Alara 70%)
Extensive surface and old mine working sampling points to the presence of a significant copper system target potential.

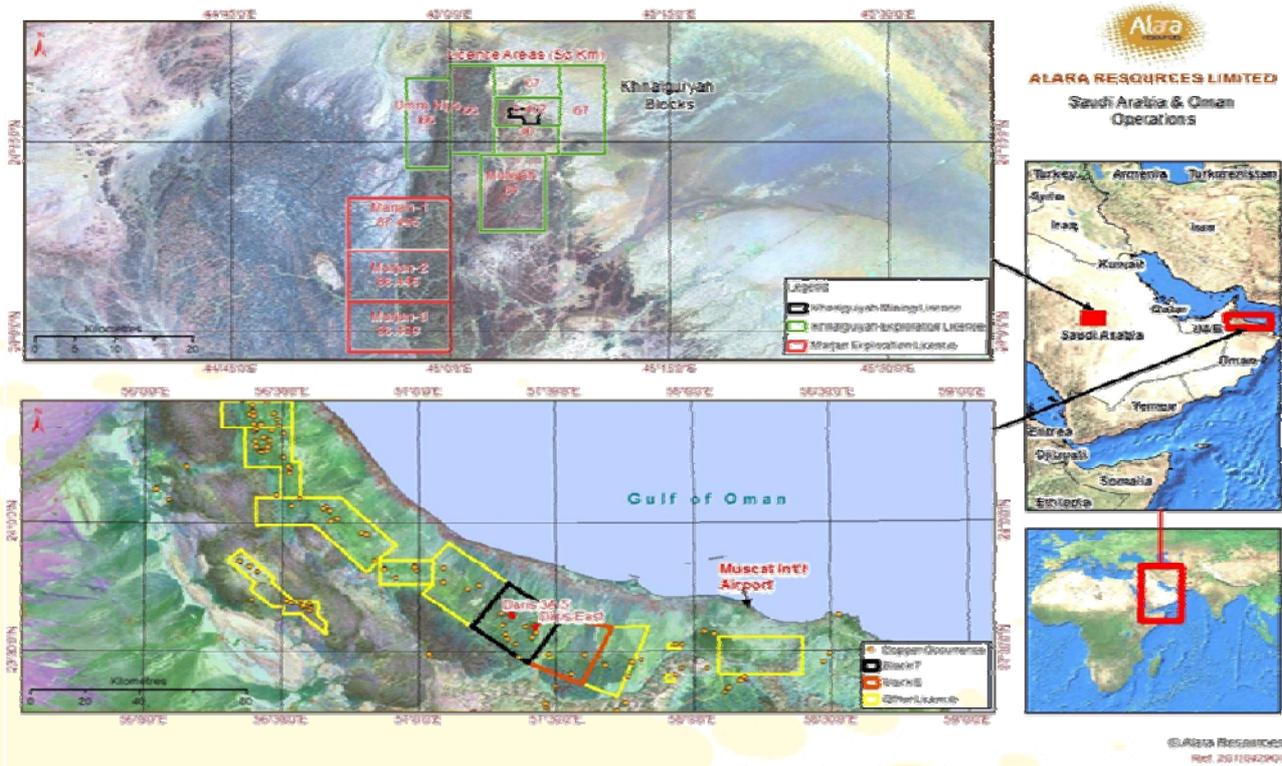
Saudi Arabia: Khnaiguiyah Zinc – Copper (Alara 50%)

- Pre-feasibility studies completed
- DFS in progress
- DFS to be completed Q1 2012

Oxide and sulphide copper-gold mineralisation reported in historic drilling has been confirmed. New VTEM conductors found. Massive sulphide deposits have been intersected in the current round of drilling. Deposit open at depth and further west.

Mapping and geophysical surveys, followed by 10,000m drilling in 2011

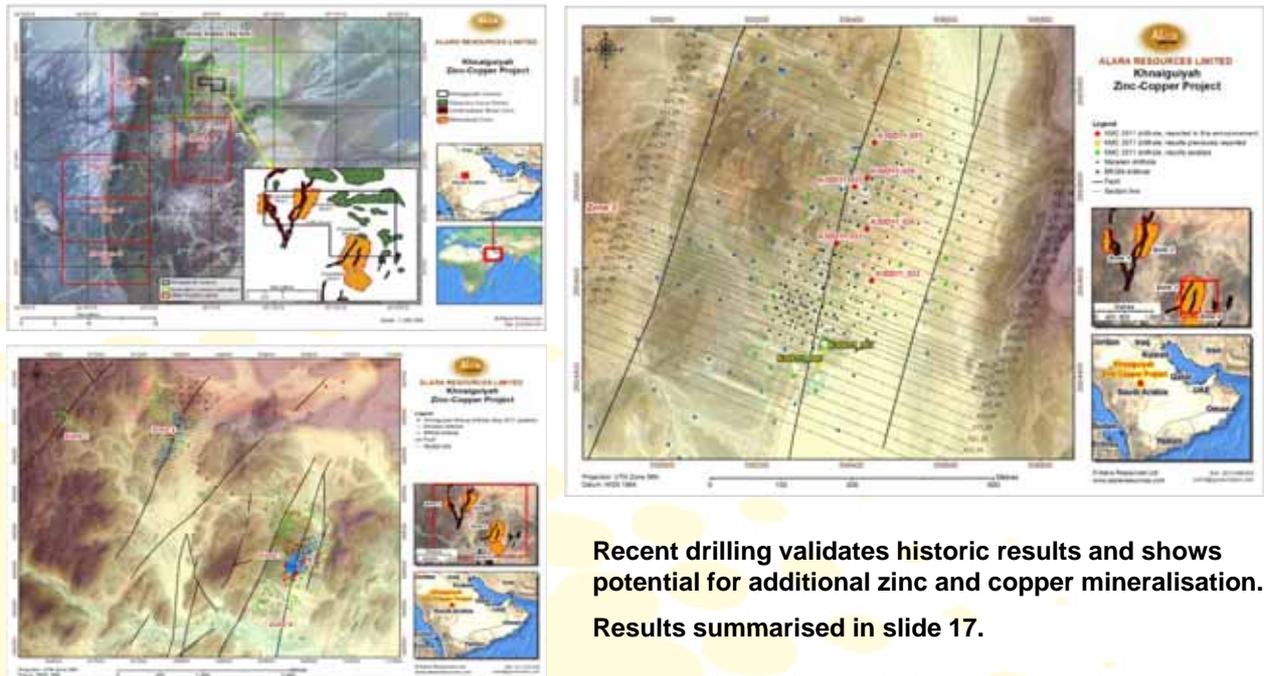
Saudi Arabia & Oman Operations



Saudi Arabia: The Khnaiguiyah Project



The Khnaiguiyah Project comprises a Mining Licence (granted), 2 Exploration Licences and 5 Exploration Licence Applications covering 380 sq. km



Recent drilling validates historic results and shows potential for additional zinc and copper mineralisation. Results summarised in slide 17.

Previous Khnaiguiyah studies have confirmed the potential for commercial development of the project

- Historical non-JORC compliant estimate² as reported in Alara ASX market announcement dated [5 October 2010](#)¹⁾
- The PFS (1990's) indicates the project was commercially viable at a price assumption for Zinc of US\$1,200 per tonne – considerably lower than today's price of ~USD\$2,155 per tonne³
- Mineralised Zones 1, 2 and 4 may be mined by open cut method and Zone 3 may be mined partly by open cut and the rest by underground methods
- Fresh water is available in a large aquifer at Kuff 25km away
- 33KVA power line is available on site
- Direct sealed road access

1 Refer: Alara ASX market announcement dated [5 October 2010](#) and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia"

2 Source: BRGM Geoscientists 1993, Khnaiguiyah Zinc-Copper deposit – pre-feasibility study – 1,2 and 3, Saudi Arabian Directorate General of Mineral Resources Technical Report BRGM TR 13-4, 651p, 209 figs, 171 tables, 78 appendices and 23 photo plates

3 LME Zinc cash price as at 14 September 2011 (<http://www.lme.com/zinc.asp>)

Previous Work and Studies

Alara's Definitive Feasibility Study (DFS) scheduled for completion in Q1 2012 is building on a considerable amount of previous work

- Exploration and Pre-feasibility Study conducted by BRGM and further studies conducted by Manajem (the Vendor) include the following works:
 - Total drilling in excess of 45,000m in 345 core and percussion holes, across four mineralised zones within 3km²
 - BRGM completed 25,193m of percussion and core drilling in 192 drill holes on profiles 100m x 25m / 50m
 - Additional infill drilling on profiles 50m x 25m / 12.5m grid spacing confirms the structure and the mineralisation (Manajem in-house feasibility study)
 - Other works done include two deep shafts for bulk sample, test work on a 15t bulk sample, pit design and financial modelling

Access, Camp and Drilling Activities

The Khnaiguiyah Zinc-Copper Project has excellent road power and camp infrastructure



Two hours from Riyadh on the Riyadh-Jeddah Highway



Drilling Activities

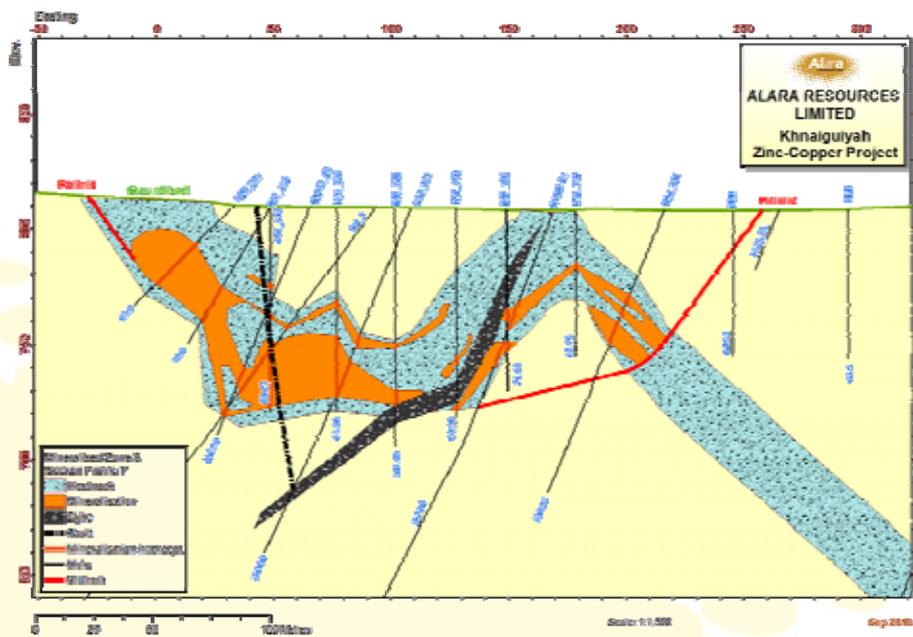
Four of six drilling rigs operating at Khnaiguiyah



Mineralisation



Mineralisation is thick, high grade, open and has good continuity
 Mineralised Zone 3 is thicker and close to the surface on the east limb but generally
 Copper rich and open towards the west



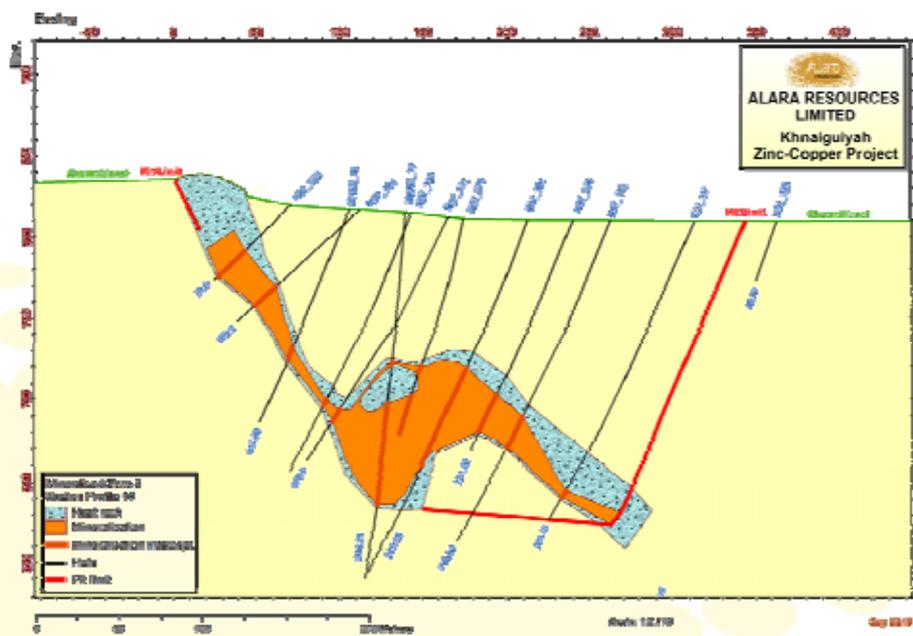
Drill hole intersections:

- K97_136: 4m @ 3.58% Zn, 0.27% Cu
 3m @ 3.93% Zn, 0.19% Cu
 10m @ 3.06% Zn, 0.05% Cu
- K97_197: 2m @ 3.1% Zn, 0.02% Cu
- K97_198: 5m @ 3.99% Zn, 0.21% Cu
- K97_199: 2m @ 4.56% Zn, 0.36% Cu
 2m @ 7.89% Zn, 0.09% Cu
- K97_200: 2m @ 3.6% Zn, 0.17% Cu
 7m @ 0.5% Zn, 3.5% Cu
- K97_135: 5m @ 5.91% Zn, 0.18% Cu
 17m @ 23.8% Zn, 0.71% Cu
- K97_201: 3m @ 6.39% Zn, 0.09% Cu
 25m @ 18.68% Zn, 0.54% Cu
- K97_277: 25m @ 3.07% Zn, 1.1% Cu
- K97_235: 16m @ 2.52% Zn, 0.41% Cu
- KHNC_49: 7m @ 3.95% Zn, 0.2% Cu
- K97_202: 2m @ 10.58% Zn, 0.01% Cu
 2m @ 4.43% Zn, 0.02% Cu
 29m @ 4.59% Zn, 0.03% Cu
- KHNC_64: 3.5m @ 10.95% Zn, 0.32% Cu
 11.2m @ 5.66% Zn, 0.21% Cu
- KN_3: 6.97m @ 4.51% Zn, 0.18% Cu
 4m @ 1.37% Zn, 1.1% Cu
 6.75m @ 5.13% Zn, 0.24% Cu
 9.2m @ 0.3% Zn, 1.73% Cu

Mineralisation



High grade thicknesses within a defined structural envelope
 Mineralised Zone 3 is thicker and well defined at depth, with a distinct Zinc rich zone to
 the east, and is open and Copper rich to the west



Drill hole intersections:

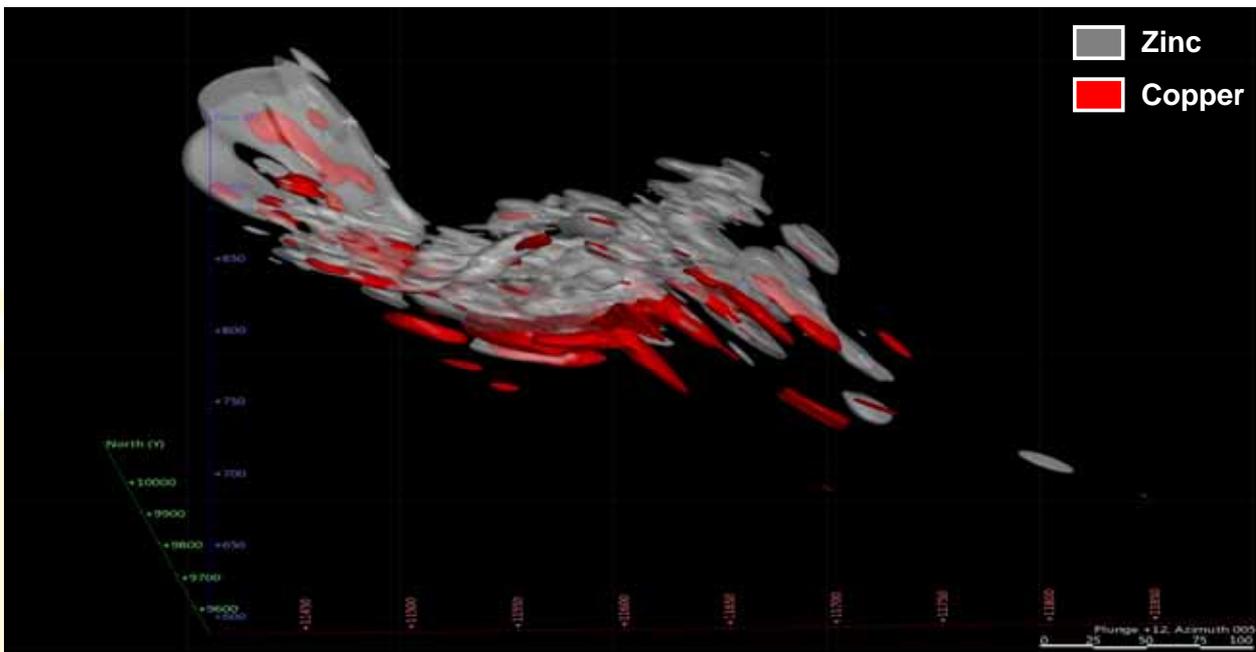
- K97_263: 23m @ 4.4% Zn, 0.08% Cu
- KHNC_76: 8.31m @ 13.5% Zn, 0.37% Cu
- K97_151: 16.78m @ 6.18% Zn, 0.31% Cu
- KHNC_77: 61.7m @ 9.07% Zn, 1.22% Cu
 2.6m @ 5.14% Zn, 0.05% Cu
- K97_130: 4m @ 3.67% Zn, 0.3% Cu
- K97_110: 9m @ 3.1% Zn, 0.14% Cu
 12m @ 0.06% Zn, 1.89% Cu
- K97_117: 4m @ 4.07% Zn, 0.04% Cu
 3m @ 0.06% Zn, 0.61% Cu
- K97_101: 64.55m @ 9.39% Zn, 0.2% Cu

Mineralisation



Structural continuity demonstrated

A stacked 3D model of Mineralised Zone 3 shows structural continuity

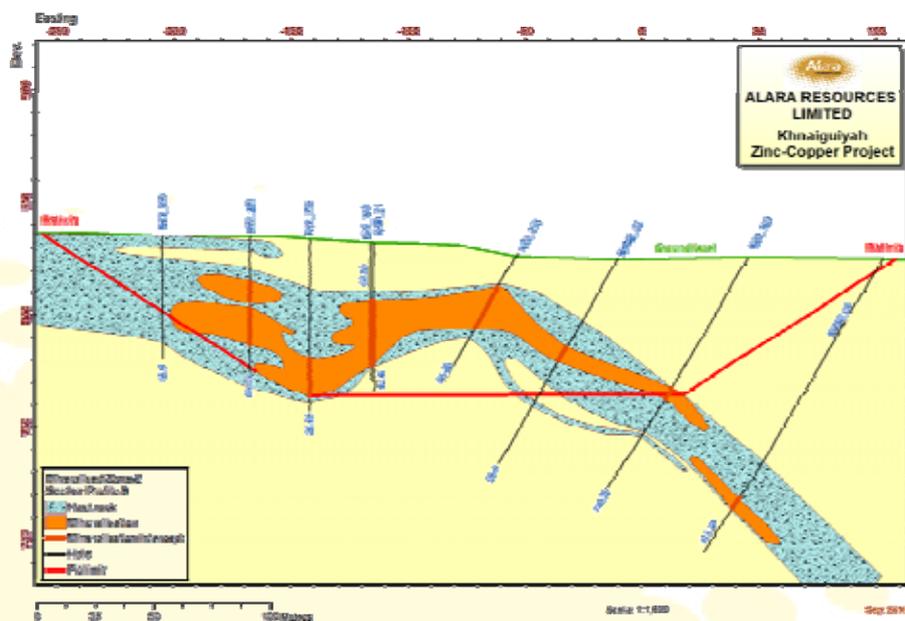


Mineralisation



Mineralisation in Zone 2 is flat lying and shallow

Mineralised Zone 2 is generally flat lying and open to the east



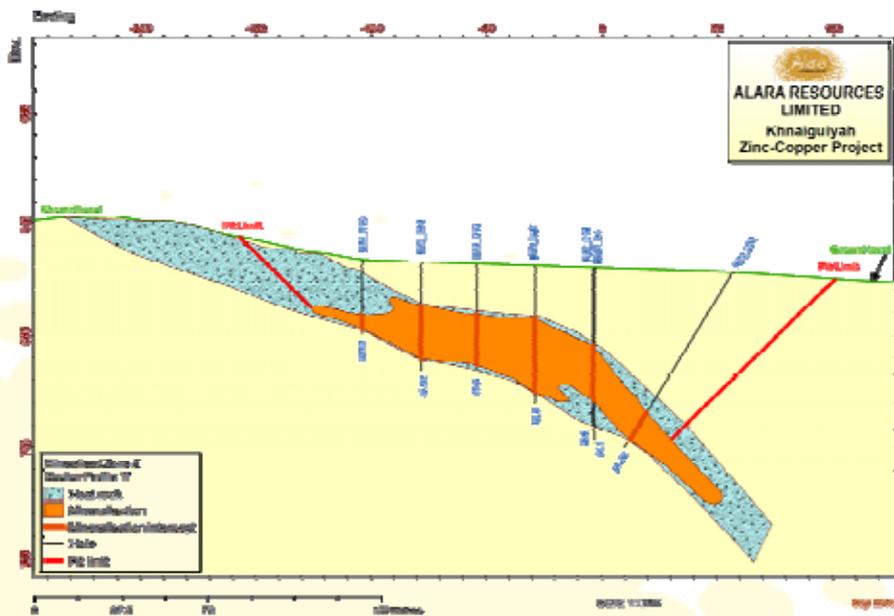
Drill hole intersections:

- KZ2_180: 16m @ 10.3% Zn, 0.33% Cu
- KZ2_300: 17m @ 4.06% Zn, 0.77% Cu
- KZ2_170: 4m @ 3.36% Zn, 0.03% Cu
18m @ 3.87% Zn, 0.82% Cu
- KNP_21: 15m @ 6.17% Zn, 0.16% Cu
6m @ 0.49% Zn, 0.72% Cu
- KZ2_173: 2m @ 4.33% Zn, 0.24% Cu
14m @ 1.47% Zn, 0.77% Cu
- KZ2_165: 5m @ 4.18% Zn, 0.09% Cu
- KHNC_55: 7m @ 5.03% Zn, 0.09% Cu
- KHNC_56: 5m @ 1.13% Zn, 1.12% Cu

Mineralisation



Mineralisation in Zone 2 is thick and continuous
Mineralised Zone 2 is shallow and thick



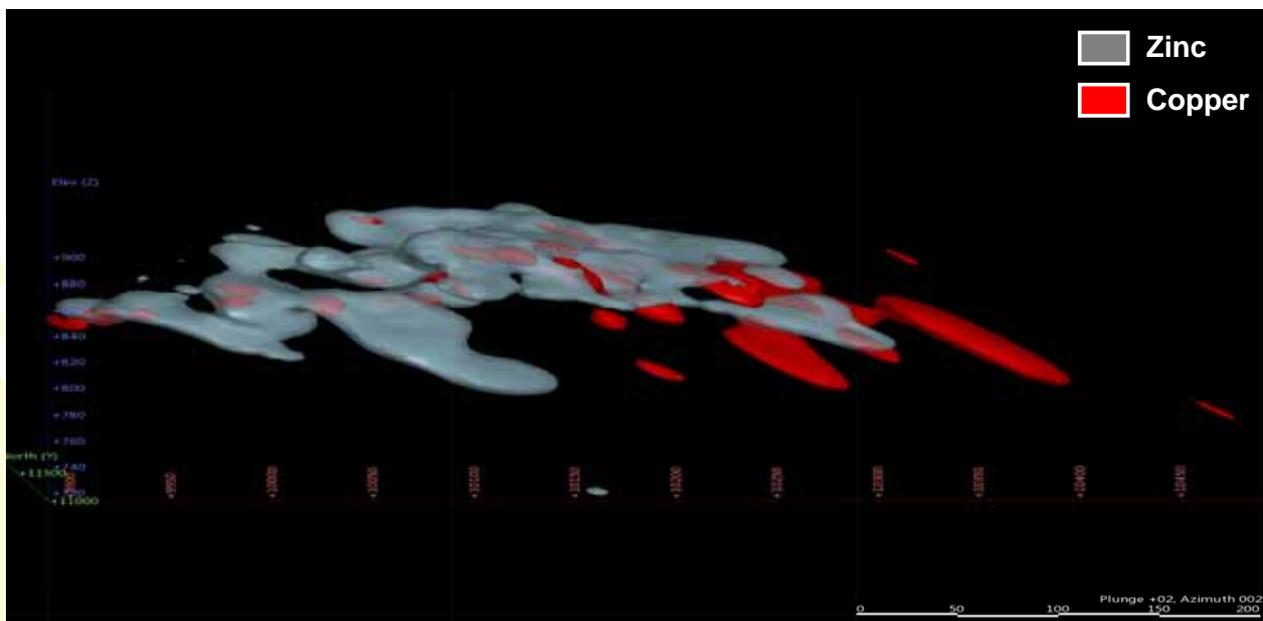
Drill hole intersections:

- KZ2_311: 8m @ 4.6% Zn, 0.5% Cu
- KZ2_351: 8m @ 7.5% Zn, 0.3% Cu
- KZ2_312: 18m @ 7.2% Zn, 0.1% Cu
- KZ2_313: 17m @ 18% Zn, 0.3% Cu**
- KZ2_314: 18m @ 6.5% Zn, 0.25% Cu
- KZ2_315: 24m @ 5.5% Zn, 0.2% Cu

Mineralisation



Recent drilling aimed at copper mineralisation and strike extensions
A stacked 3D model of Mineralised Zone 2 shows the flat and shallow disposition of the mineralisation



Highlights of recent drilling

Assay results from recently completed drill-holes in Zone 3 continue to correlate with historic holes, confirming historically reported high grade zinc-copper mineralisation:

K3DD11_039

- 84 m @ 13.3 % Zn and 0.39 % Cu from 71m, including 19m @ 30.39 % Zn and 0.95 % Cu

K3DD11_032

- 65m @ 9.86% Zn and 1.24% Cu from 122m, including 12m @ 15.31 % Zn and 3.09 % Cu

K3DD11_035

- 35m @ 7.65 % Zn and 0.18 % Cu from 84m, including 3m @ 38.6 % Zn and 0.87 % Cu
- 21m @ 7.03 % Zn and 0.16 % Cu from 125m, including 1m @ 44.4 % Zn and 0.78 % Cu

K3DD11_030

- 54m @ 8.33% Zn and 0.39% Cu from 82m, including 9m @ 20.19 % Zn and 1.52 % Cu
- 13m @ 7.39% Zn and 1.27% Cu from 168m, including 6m @ 2.06 % Cu

K3DD11_022

- 7m @ 5.45% Zn and 0.22% Cu from 107m
- 21m @ 2.32% Cu from 132m

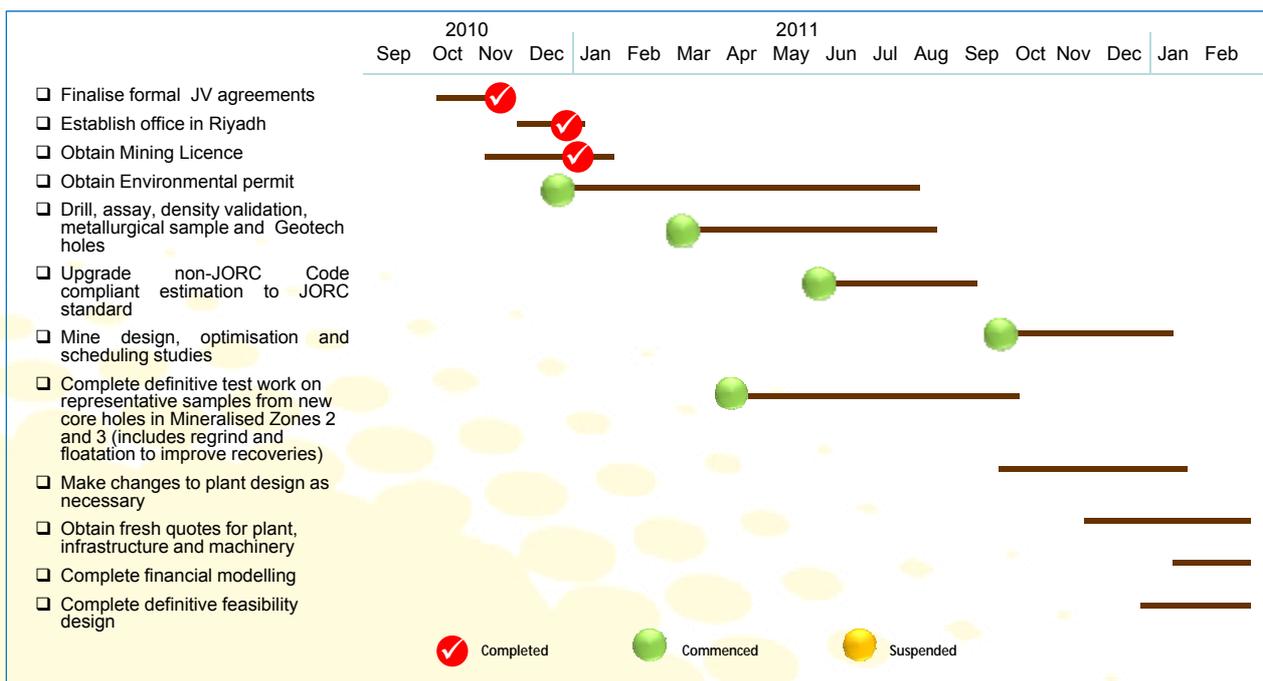
K3DD11_031

- 9m @ 8.68% Zn and 0.47% Cu from 155m, including 6m @ 11.75 % Zn and 0.59 % Cu

Metallurgical test work on Zone 2 samples indicates potential for zinc and copper recoveries in excess of 90%.

DFS Completion

Alara is targeting completion of Khnaiguiyah DFS in Q1 2012



Highlights of Metallurgical Test Work

- Initial locked cycle flotation test work results from the metallurgical test-work program, on Zone 2 master composite, based on a relatively coarse primary grind product size of P80 < 106µm, delivered recoveries of 87% for Cu and 91.5% for Zn, at concentrate grades of around 30% for Cu and 57% for Zn.
- Comminution data shows moderate hardness of the order of 14kWh/t energy requirement during grinding.
- It is anticipated that in the next few weeks grinding and flotation process design criteria will be delivered to Ausenco Engineering thereby commencing the plant process design process.

Highlights of Environmental Studies

- 17 species of birds and 16 species of reptiles were found but none of the species are endangered. The area is not part of a wild life sanctuary.
- 44 species of flora were found but none is rare or endangered.
- There are no rehabilitation issues and the Project is seen as positive for the region.
- Sterilisation of tailings dam is 60% complete. No mineralisation was found in the selected area.

Resource Modelling and Mining Studies

- QA / QC of historic data has taken longer than envisaged but to date the results are encouraging and BRGM data is well documented. Distribution of Ma'aden data matches very well with the 2011 data from recent drilling.
- Interpretation of Zone 2 has been completed and has been handed over to the mining engineers for Mining Studies.

Highlights of Hydrological, Geotechnical and Transportation Studies

- Mine water drilling has commenced and drilling completed to date shows mine water is unlikely to be an issue.
- All geotechnical drilling has been completed. Logging is in progress. Rocks appear to be hard and quite competent.
- Infrastructure and transportation studies have commenced. Both rail road transport options for transporting concentrate are being considered.

Acquisition of Marjan



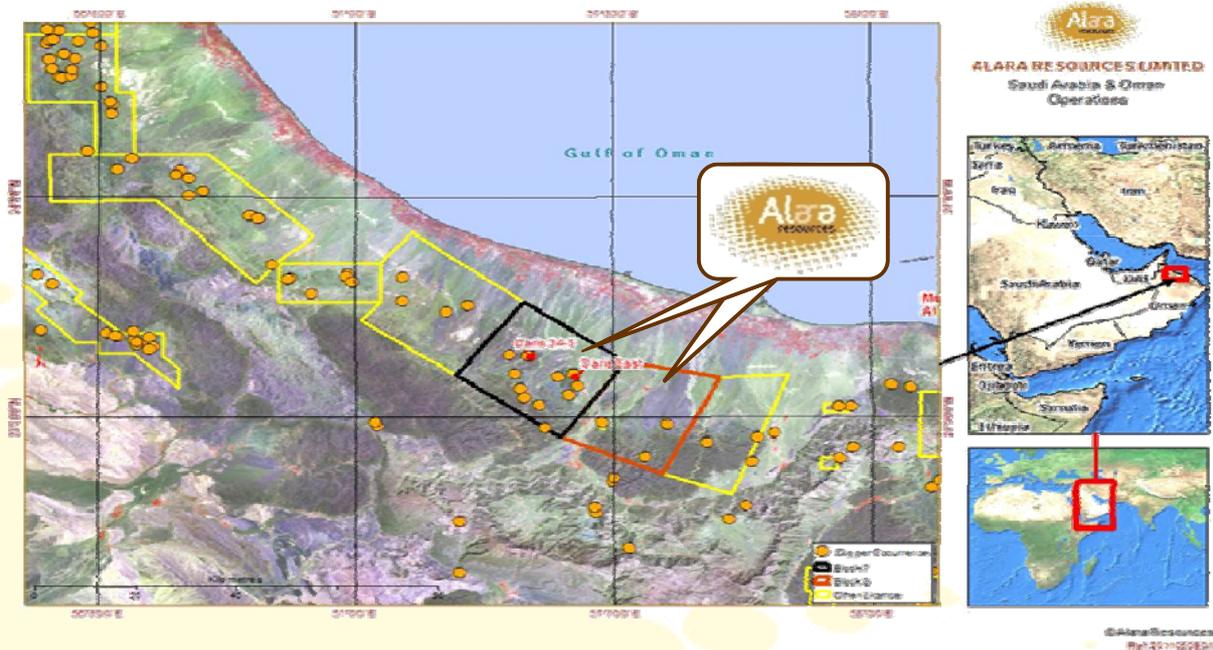
The Marjan Project comprises three Exploration Licences that have combined area of approximately 260km² – predominantly Gold, with associated Silver, Zinc and Copper

- Alara has recently secured a 50% interest in the Marjan Project in Saudi Arabia
- Historical drilling in the Marjan Project area has returned values up to 7 g/t Gold, 31.3 g/t Silver, 4.7% Zinc, and 1.6% Lead, over 3m
- Grab samples from the Marjan Project area have returned values of up to 0.7% Copper, 22.4% Zinc, 100g/t Silver, 2.18g/t Gold and 5.4% Lead
- The Marjan Project is located within trucking distance approximately 30kms south south-west of Alara's Khnaiguiyah Zinc-Copper Project

Oman: Daris Project



The Daris Project is located in a region with several examples of VMS Copper Deposits in the Oman Ophiolites and a nearby Copper Smelter

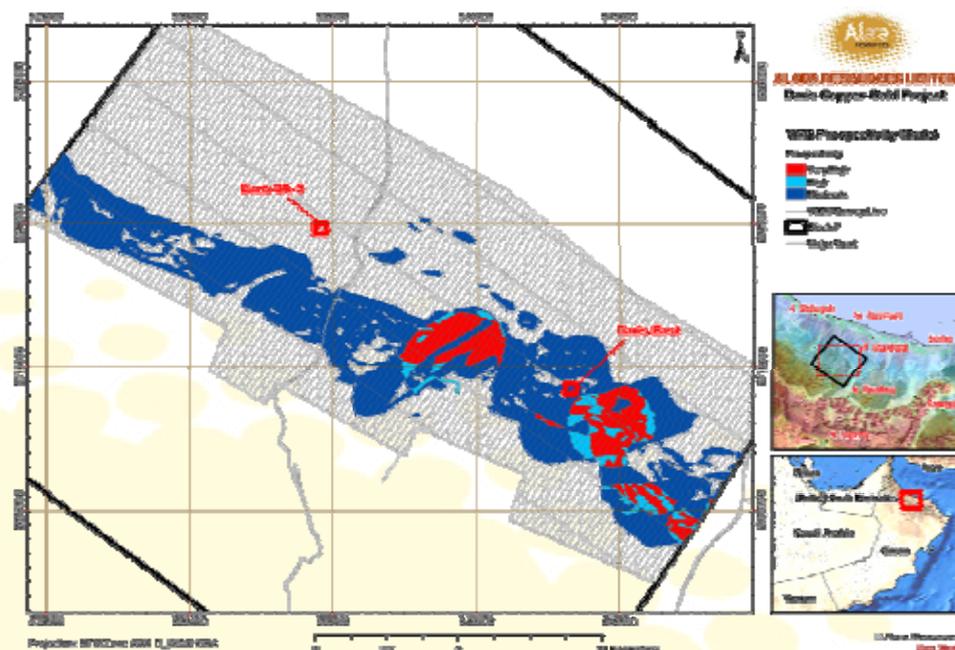


Alara is targeting discovery and development of Copper-Gold in Oman

- Alara earlier completed a 25 drill hole programme in 2 of 12 known prospects in the project area. Results received from one of these prospects, where 3 core holes were drilled to test previously indicated massive sulphide mineralisation around a known gossan are promising:
 - 17.20m at 8.05% Copper, as Copper Sulphides and 2.67 g/t Gold, from 51.50m including several intersections between 10% to 14.7% Copper (D3DC003)
 - 11.90m at 5.74% Copper, from 34.35m and 3.45m at 10.28% Copper (including 1m at 16.0% Copper), from 50.60m, as Copper Sulphides, together with 17.85m at 2.61 g/t Gold from 28.40m and 3.45m at 3.10 g/t Gold from 50.60m (D3DC002)
 - 6.10m at 5.81% Copper, as Copper Sulphides from 31.55m, together with 18.65m at 3.80 g/t Gold from 19.0m (D3DC001)
- Drilling has expanded sulphide mineralisation at Daris East.
- Helicopter-borne VTEM geophysical survey outlined several anomalies. Ground survey has confirmed new conductors. A detailed IP survey has commenced.
- Concurrently the Company is in the process of finalising further acquisitions in Oman with a view to rapidly building a critical mass.

Mineralisation

A helicopter-borne VTEM survey has been completed over Daris and the adjoining Awtad areas. New targets have been identified

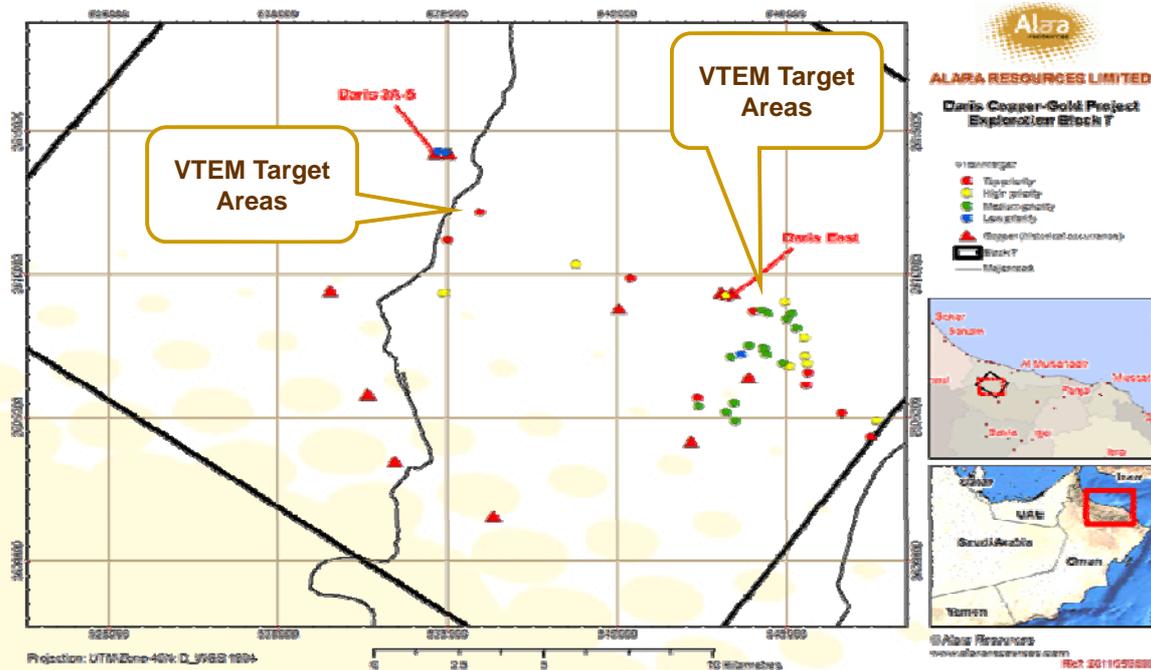


- Spatial Data and Predictive Modelling of VMS potential has identified several new unexplored targets in the Daris Project
- VTEM survey and reconnaissance has confirmed a new conductor where drilling has just commenced
- Reconnaissance survey of VTEM conductors ongoing

VTEM Findings



New target areas



Targets



In Chile, Alara is targeting Copper-Gold prospects in an area with extensive previous workings and walk up drill targets

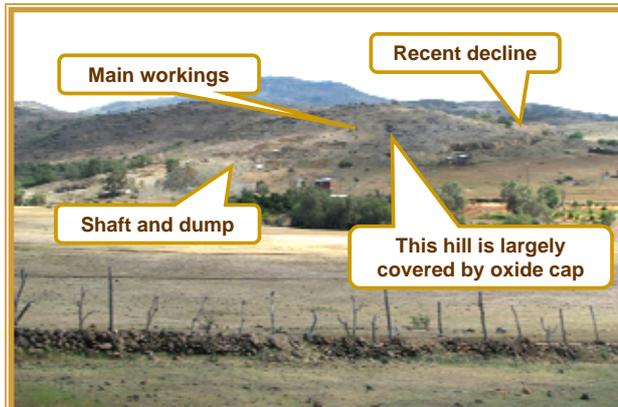
- Definitive agreements with local partner due to be finalised in the first week of October.
- Five Copper, Copper-Gold and Copper Molybdenum IOCG type and porphyry prospects
- Deep workings along a 6km strike are located along a major fault system in andesitic lavas and in diorite
- Target mineralisation potential¹:
 - 8 to 10Mt of oxide cap at 0.7% to 1.00% Copper to 30m depth, and 20Mt to 40Mt+ at 1.5% Copper equivalent as Copper Sulphides, Gold and Silver below oxide cap (based on surface widths and projections) (“**El Quillay**” Prospect)
 - 30Mt to 60Mt at 0.7% to 0.8% Copper equivalent in breccia pipes and porphyry (based on two drill holes, one of which intersected 180m at 0.70% Copper and up to 200ppm Molybdenum) (“**Lana and Corina**” prospect)
- Alara is earning a 70% interest over three years

1. The potential quantity and grade of the target mineralisation of Copper equivalent is conceptual in nature, based on 500+ surface samples conducted by the vendor's geologist and a representative portion of which has since validated by Alara's consultants. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of Copper equivalent in Copper and Gold. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of Copper equivalent in Copper and Gold.

Prospects



In the “El Quillay” Prospect, numerous workings exist over 1km strike and up to 85m depth. Outcrops and workings have been extensively sampled



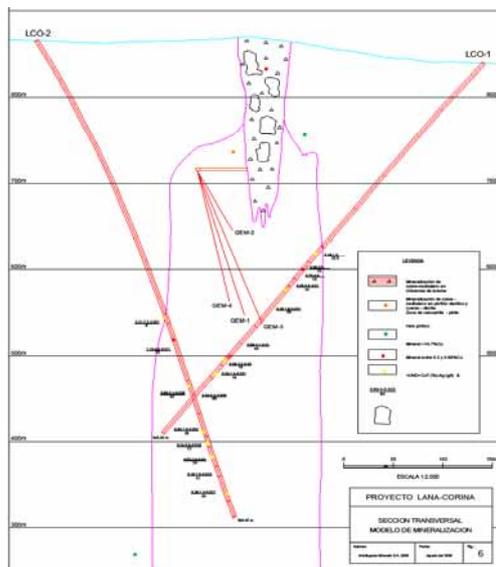
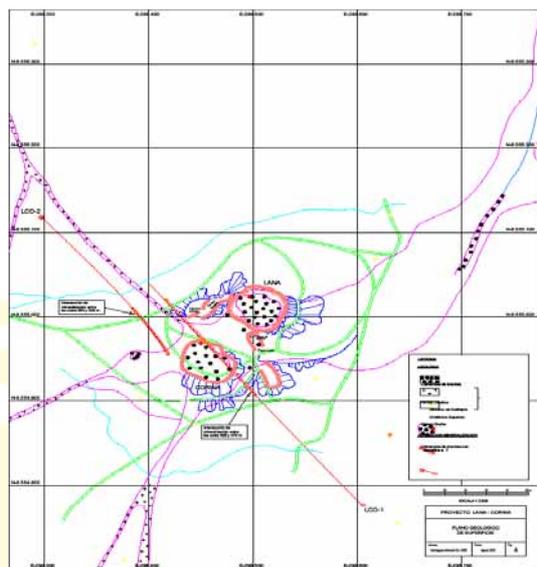
A half spiral decline dug in 2008 is wide enough to take regular trucks and loaders to sulphide mineralisation below the oxide cap which covers most of the hill



Prospects



At “Lana and Corina” Prospect, significant drill intersections confirm the prospectivity of breccia pipes, with porphyry below



Two drill holes intersected greater than 130m of mineralisation, one of which intersected 180m of 0.70% Copper and up to 200ppm Molybdenum

2011 Work Program



An extensive work program is planned for El Quillay in 2011

- Technical and legal due diligence completed
- Definitive agreements with local partner due to be finalised September/October
- Mapping and geophysical surveys, including magnetic and Induced Polarisation (IP) planned for Q4 2011
- An initial 5,000m of drilling in the El Quillay prospect is planned to be completed in Q1 2012
- Experienced Exploration Manager appointed



Recent Accomplishments



- Experienced industry veterans added to Board of Directors
- \$30M capital raising completed May 2011
- Khnaiguiyah Mining Licence awarded in Saudi Arabia, awaiting transfer to JV company
- Six rigs drilling in Saudi Arabia and two in Oman
- Marjan agreement executed
- Positive results from step out drilling in Saudi Arabia
- Positive drilling results in Oman; VTEM survey completed
- GM Projects and GM Exploration appointed. Khnaiguiyah Project Manager and various Exploration Managers Appointed
- Experienced Senior Technical Adviser appointed
- DFS Lead Engineers and Study Teams in place for the Khnaiguiyah DFS



- Completion of Khnaiguiyah DFS
- Increase Copper Exposure:
 - Continue drilling for Zinc and Copper extensions at Khnaiguiyah
 - Extension of high grade Copper Sulphide and Gold mineralisation in known discovery of additional lenses in both Saudi Arabia and Oman
 - Proving up multiple IOCG type and porphyry prospects in Chile

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