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30 SEPTEMBER 2010 QUARTERLY REPORT

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Dated: 26 October 2010

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SUMMARY

- **Cash position:** Cash (and investments in listed securities) position was \$5.4 million as at 30 September 2010 (30 June 2010: \$6.1 million).
- **Acquisition of Khnaiguiyah Zinc Copper Project in Saudi Arabia:** In September 2010, Alara secured rights to acquire a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia.

Refer to market announcements dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia"
- **Acquisition of Daris Copper Project in Oman:** In August 2010, Alara secured rights to acquire up to a 70% interest in the Daris Copper Project located in Oman and formed a separate joint venture (Alara 70%) to identify, secure and commercially exploit other resource projects in Oman.

Refer to market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman", dated 14 September 2010 and entitled "Daris Project Drilling Update" and dated 26 October 2010 and entitled "Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman"
- **Acquisition of El Quillay Copper-Gold Project in Chile:** In August 2010, Alara secured rights to acquire (subject to completion of due diligence) a 70% interest in the El Quillay Copper-Gold Project located in the north of Chile.

Refer to market announcement dated 25 August 2010 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile"
- **Other Projects:** No field work was conducted by Alara during the quarter ending 30 September 2010 and none is planned in the Company's other project areas in Australia and Peru for the current quarter ending 31 December 2010 (save for any work undertaken by farm-out joint venture partners on the Australian Bigryli South Uranium Project and Canning Well EL 46/629 tenement).





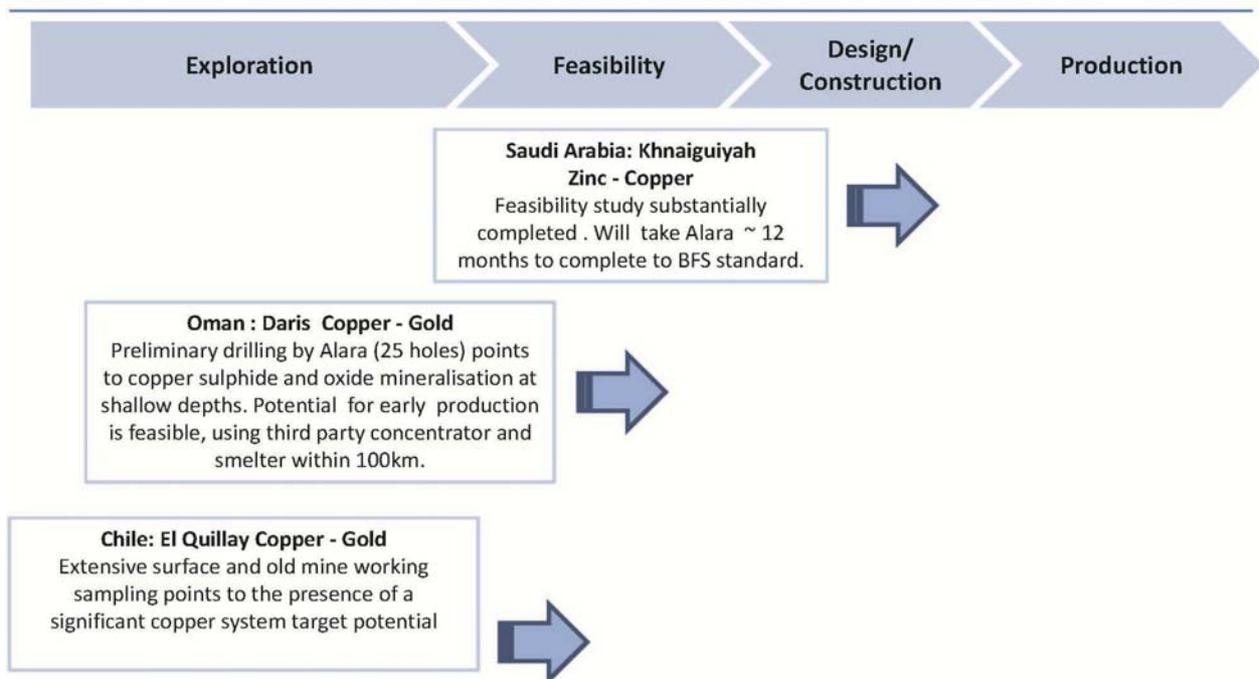
COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian-based mineral exploration and development company. Alara has a current portfolio of projects in Saudi Arabia, Oman, Chile, Peru and Australia as follows:

PROJECTS	LOCATION
(1) Khnaiguiyah Zinc-Copper	Saudi Arabia
(2) Daris Copper	Oman
(3) El Quillay Copper-Gold	Chile
(4) Bigrlyi South Uranium	Northern Territory, Australia
(5) Canning Well Base Metals	Pilbara, Western Australia
(6) Mt James Uranium	Gascoyne, Western Australia
(7) Crucero and Coasa Uranium	Peru

The Company has recently acquired interests in the advanced development Khnaiguiyah Zinc Copper Project in Saudi Arabia¹ and two other base metals exploration projects - Daris Copper Project in Oman² and the El Quillay Copper-Gold Project in Chile³.

Alara is now moving towards establishing itself as a base metals development company with an exciting pipeline of advanced and early stage projects as illustrated below.



¹ Refer Alara market announcements dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia"

² Refer Alara market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman", dated 14 September 2010 and entitled "Daris Project Drilling Update" and dated 26 October 2010 and entitled "Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman"

³ Refer Alara market announcement dated 25 August 2010 and entitled "Project Acquisition - El Quillay Copper Gold Project in Chile"

PROJECT LOCATION

SAUDI ARABIA

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway.

The project comprises 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km². An application for a Mining Licence in respect of the main Khnaiguiyah Exploration Licence is pending grant.

Alara will have a 50% interest in the joint venture company currently being established to hold the mineral licences.



Figure 1



OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprises a mineral excavation licence of ~587km².

Alara will have an initial 50% interest (with a right to increase this to 70%) in the joint venture company currently being established to hold exclusive rights to manage, operate and commercially exploit the licence.

Alara has also formed a separate joint venture company (Alara 70%) in Oman to identify, secure and commercially exploit other resource projects in Oman.

Figure 2

PROJECT LOCATION



CHILE

The El Quillay Copper-Gold Project in Chile (Alara - right to earn-in 70%) is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

The project comprises 68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

Figure 3

AUSTRALIA

The Bigryli South Uranium Project comprises is located ~350km north-west of Alice Springs in the Northern Territory of Australia and adjacent to tenements surrounding the Bigryli uranium deposit (being developed by Energy Metals Limited – ASX Code: "EME"). The project tenements (totalling ~1,350 km²) have been farmed-out to Thundelarra Exploration Ltd (ASX Code: THX), who has a right to earn-in 70% interest.

The Canning Well Base Metals Project is located in the Eastern Pilbara region of Western Australia, ~360km south-east of Port Hedland. The manganese rights on the granted Exploration Licence 46/629 has been farmed-out to Process Minerals International Pty Ltd, a subsidiary of Mineral Resources Limited (ASX Code: MIN) in consideration for a royalty payment of ~A\$4.20/tonne manganese fines and lump mined.

The Mt James Uranium Project is located in the Gascoyne region of Western Australia.

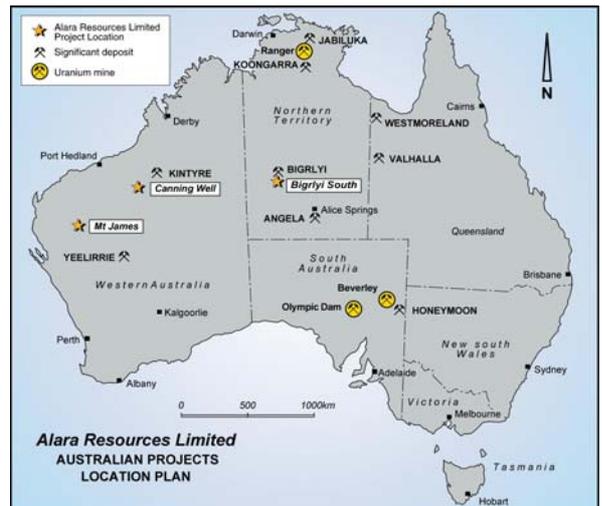


Figure 4



PERU

The Crucero Uranium Project comprises 4 concessions covering an area of ~31km². The concessions are located 45km south-east of the town of Crucero.

The Coasa Project comprises 4 concessions covering an area of ~32km². The concessions are centred on the town of Coasa, located in the Macusani east district.

Figure 5



COMPANY PROJECTS

1. Acquisition of Interest in Khnaiguiyah Zinc Copper Project (Saudi Arabia)

(Alara - 50%)

In September 2010, Alara secured rights to acquire a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia.

The Khnaiguiyah Project is an advanced near production project having a non-JORC compliant resource estimate⁴ assessed by BRGM⁵, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" (a copy of which is reproduced at pages 11 to 24 of this report).

Whilst the BRGM estimate is non-JORC compliant, it is considered by the Company to be a valid and relevant measure of mineralisation as it is based on significant drilling, exploration and evaluation work conducted by an internationally reputable organisation between 1972-85 and 1991-92 on behalf of the Saudi Arabian Government in accord with internationally accepted standards at the time.

Alara believes that the Khnaiguiyah Project offers the potential to move the company to the status of a significant producer within a relatively short time.

On 5 October 2010, Alara announced that it had entered into a binding Heads of Agreement (the **HoA**) with United Arabian Mining ("Manajem" in Arabic) Company (**Manajem**) for Alara to acquire a 50% interest in the Khnaiguiyah Project. The HoA outlined broadly the key terms upon which the parties agreed to jointly develop and fund the project within a new joint venture company (**JVCo**). The parties agreed that the HoA would be superseded by a more definitive joint venture agreement.

Since the execution of the HoA, negotiations with Manajem have quickly progressed to the stage that both parties have now agreed upon the detailed terms of the Shareholders' Agreement, which was accordingly executed in Riyadh on 21 October 2010. The key terms of the Shareholders' Agreement are outlined below.

Khnaiguiyah Project - Summary

- BRGM non-JORC compliant resource estimate as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" (a copy of which is reproduced at pages 11 to 24 of this report).
- Historical drilling within the Khnaiguiyah Project (in 1972-85, 1991-92 and 1997-98) totals in excess of 45,000 metres across 345 core and percussion holes.
- Prefeasibility Study (**PFS**) completed by BRGM for the Directorate General of Mineral Resources, Saudi Arabia, in 1993⁶.
- A Feasibility Study (**FS**) undertaken by Manajem between 2006 – 2009 targets a production profile of 55,000 tonnes of zinc per annum and 10 year mine life, using open pit mining.
- Alara plans to validate and refine the existing studies into a Bankable Feasibility Study (**BFS**) within 12 months.
- The Khnaiguiyah Project offers considerable potential for additional zinc and copper mineralisation, based on old mine workings (yet to be drilled), core samples (yet to be analysed) from the recent (2009/2010) drilling along strike, cross sections depicting continuation of mineralisation at depth at Khnaiguiyah and extensive outcropping copper oxide mantle at Umm Hijja.
- Saudi Arabia has very attractive attributes for investment, low cost energy and excellent infrastructure.

⁴ Source: *BRGM Geoscientists, 1993, Khnaiguiyah zinc-copper deposit – prefeasibility study – 1,2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photoplates*

⁵ Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (brgm.fr)

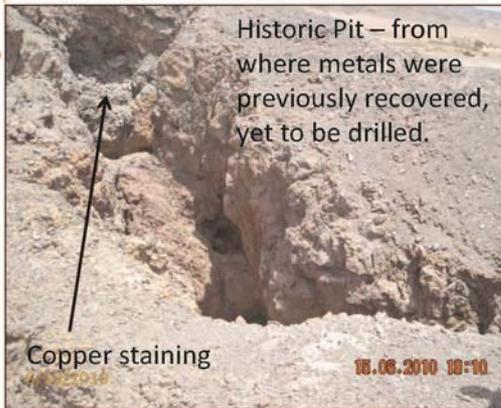
⁶ The BRGM PFS describes geology and exploration work and results from a programme of works undertaken between 1990 and 1993 as well as technical and economic prefeasibility studies. It also integrates the results of previous work on the Khnaiguiyah zinc-copper deposit between 1972 and 1985.

COMPANY PROJECTS



Sample piles from bulk sample shaft

The Khnaiguiyah Project landscape is flat and easily accessible with a history of ancient mining



Copper staining

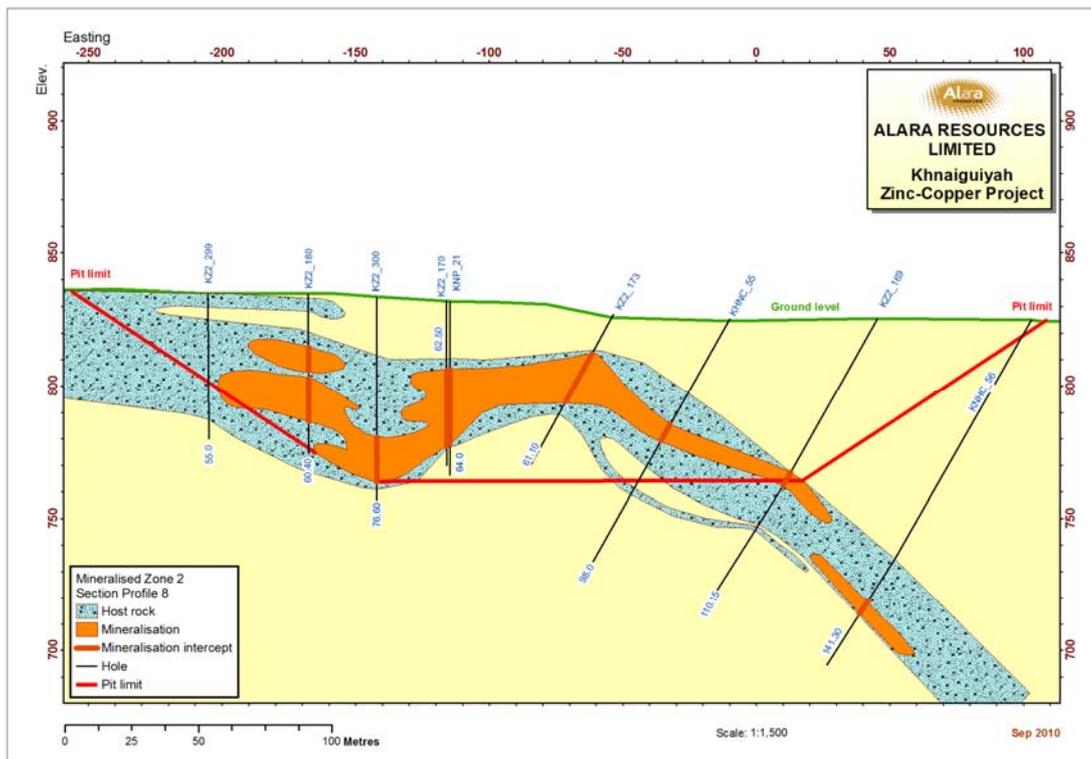
Historic Pit – from where metals were previously recovered, yet to be drilled.



Ore Zone 2 - Zinc and Copper Mineralisation in broken outcrop.



Figure 6: Mineralised Zone 2 is generally copper rich and open to the east



COMPANY PROJECTS

Figure 7: Mineralised Zone 2 is shallow and thick

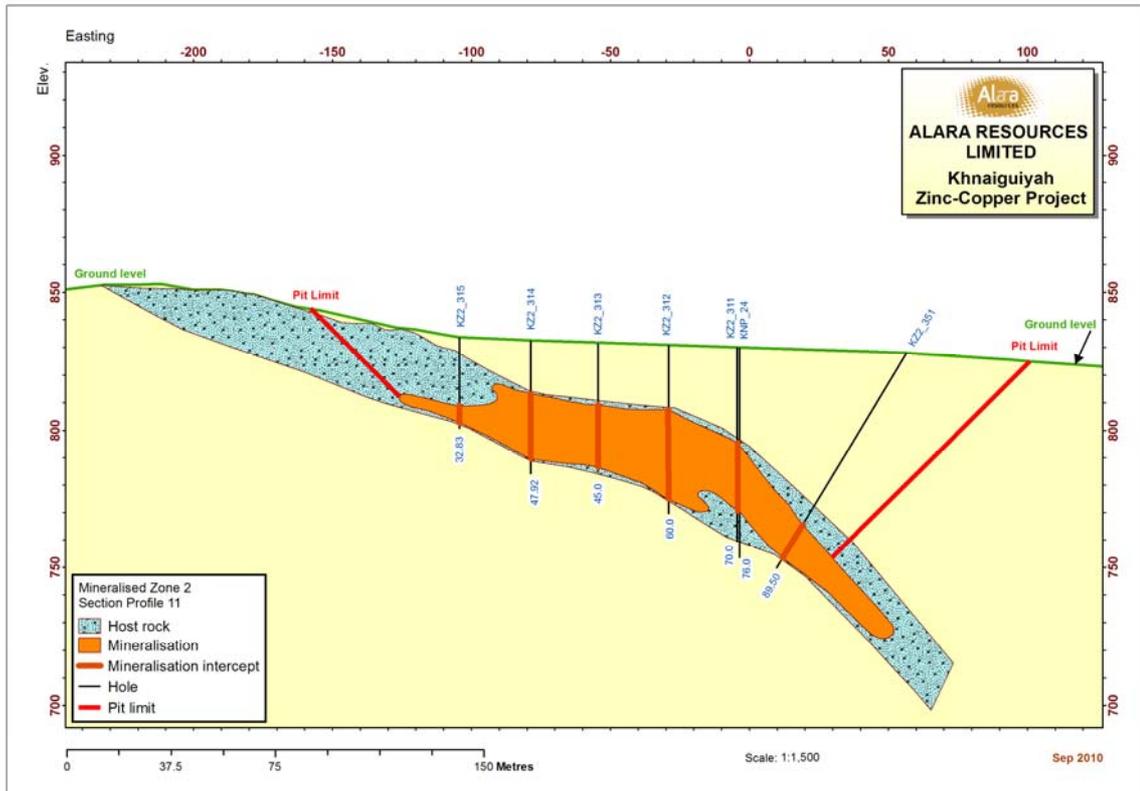
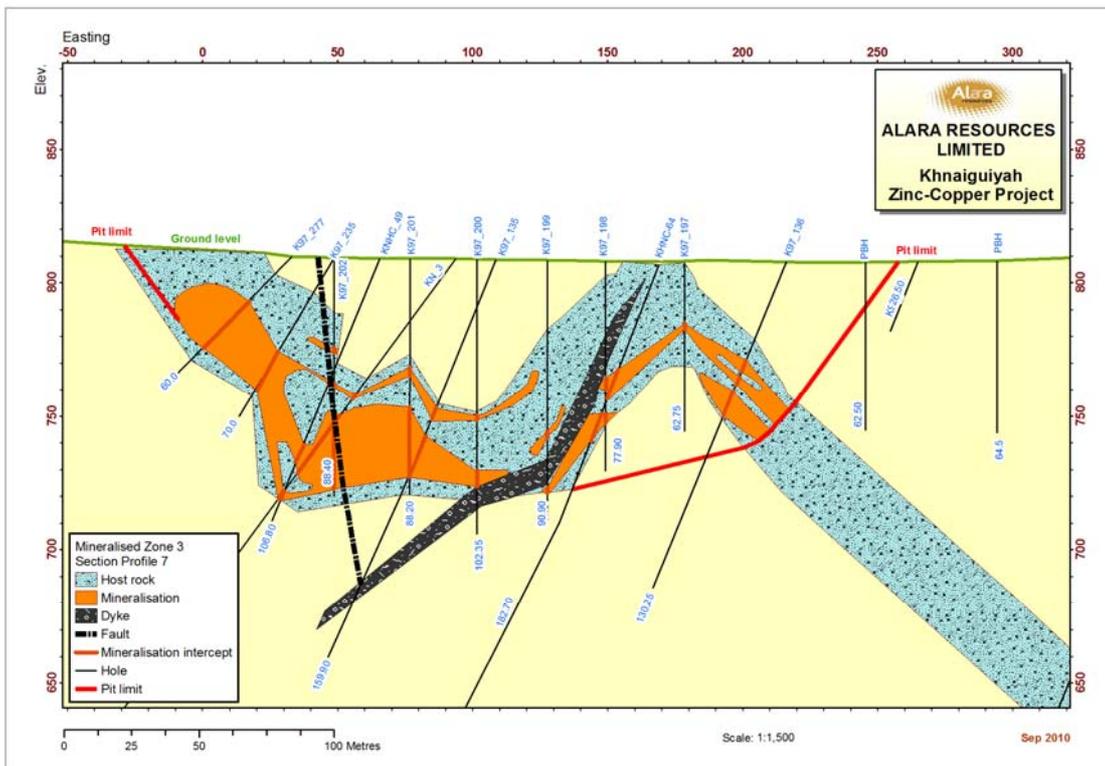


Figure 8: Mineralised Zone 3 is thicker and close to surface on the east limb but generally copper rich and open towards the west



COMPANY PROJECTS

Figure 9: Mineralised Zone 3 contains the majority of the identified mineralisation. It is richer in zinc with a distinct copper rich zone to the east

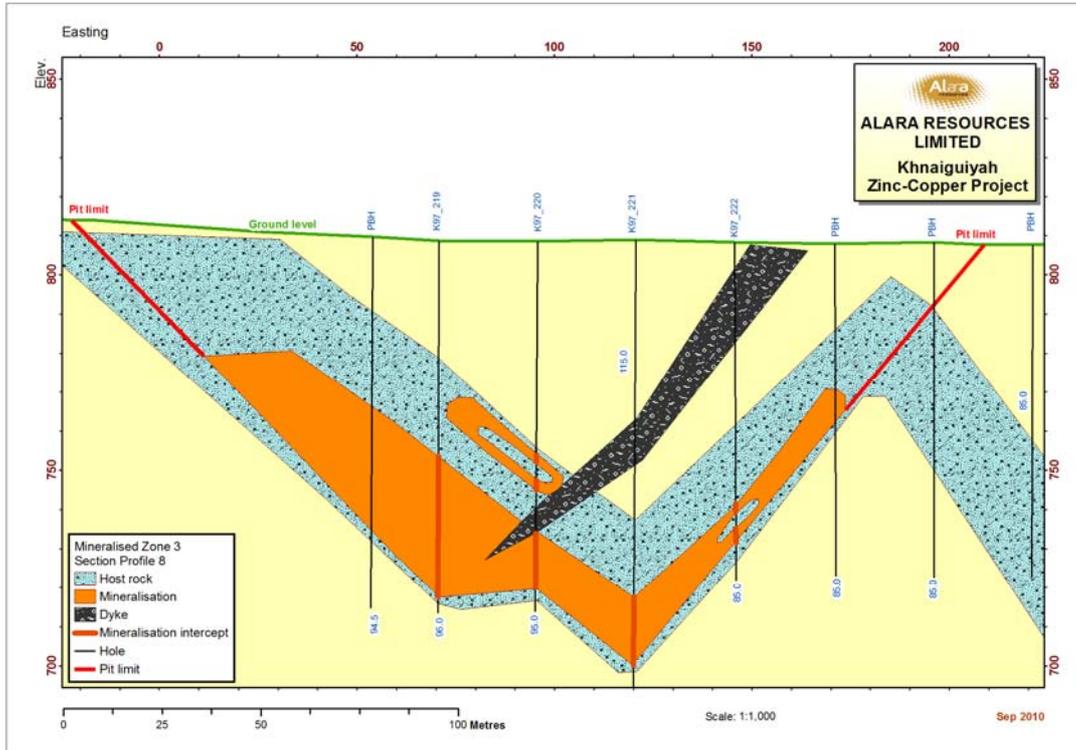
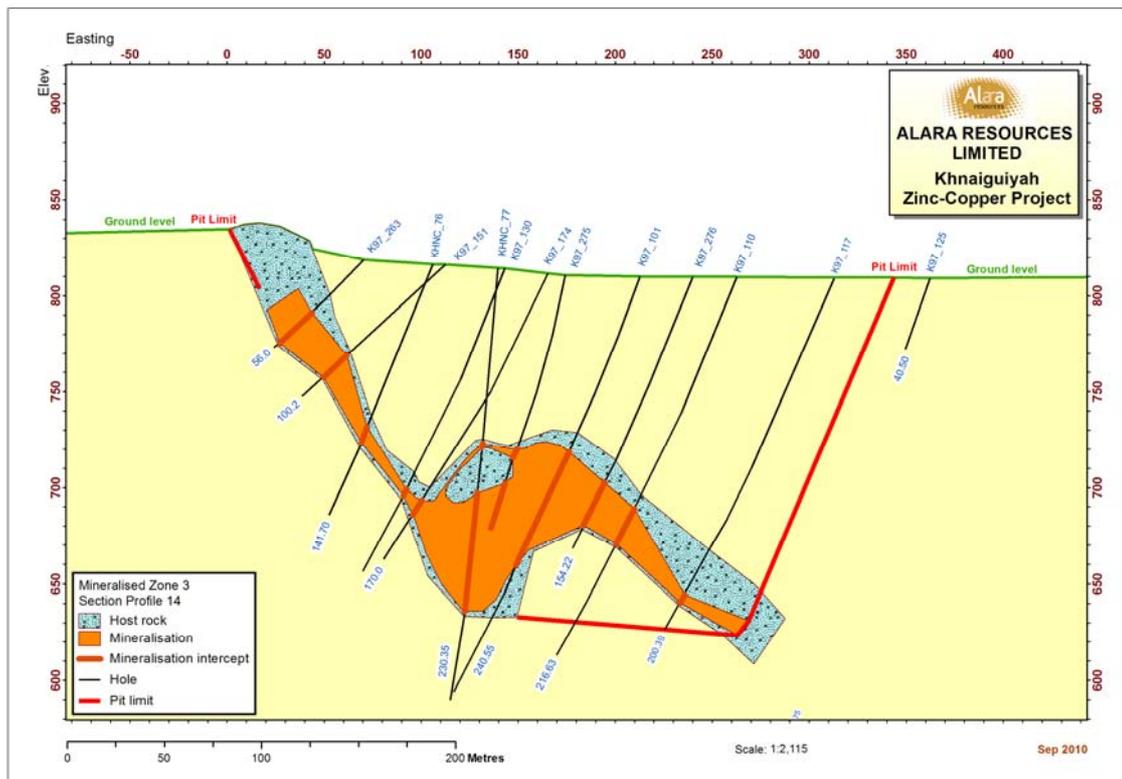


Figure 10: Mineralised Zone 3 is thicker and well defined at depth. It has a distinct zinc rich zone to the east and it is open and copper rich to the west





COMPANY PROJECTS

Agreement Terms

A Shareholders Agreement in relation to JVCo (proposed to be named "Khnaiguiyah Zinc Copper Mining Company") was executed in Riyadh on 21 October 2010.

The key terms of the Shareholders Agreement are outlined below:

- (1) In addition to US\$266,000 paid to the Vendor upon execution of the HoA, Alara will pay the Vendor a further US\$7,234,000 upon the achievement of certain milestones:
 - (a) US\$1,250,000 - upon the formation of a new joint venture company (**JVCo**), which will hold the Project and in which Alara and Manajem shall each hold a 50% shareholding interest;
 - (b) US\$1,750,000 – upon the later of 15 November 2010 or the Vendor receiving the grant of a Mining Licence in respect of the Khnaiguiyah Project and such licence being transferred to JVCo; and
 - (c) US\$4,234,000 – upon the later of 17 January 2011 or JVCo receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence with such consideration to be satisfied as follows:
 - (i) US\$2,010,000 to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.305 per share based on the current A\$1.00/US\$0.983 exchange rate); and
 - (ii) US\$2,224,000 to be satisfied by the payment of cash.
- (2) A 'Resource Bonus' is payable to the Vendor calculated at the rate of US\$0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade).
- (3) Alara will fund (as loan capital to JVCo) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**).
- (4) Upon Alara having made a "decision to mine" following completion of a BFS, JVCo will seek project financing to fund development of the Project.
- (5) The difference between the amount of project financing raised and the capital costs of the Project shall be met by the parties as follows; Alara shall firstly provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US\$15 million plus 25% of the Project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by JVCo shareholders, Alara will contribute its half share of the shortfall and will also fund a maximum of US\$15 million of the Vendor's contribution towards the shortfall.
- (6) Thereafter, each Shareholder shall (pro-rata to their respective shareholding interests) provide additional capital contributions in return for new shares issued in JVCo.
- (7) The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in the JVCo at that time.
- (8) Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price.
- (9) Any loan funds advanced by Alara to JVCo, together with an existing (deemed) loan of US\$3 million from the Vendor, shall be repayable from JVCo's net profits. The Alara loan accrues interest at LIBOR plus 2% per annum.
- (10) 30% of net profits shall be applied towards repayment of shareholder loans each year prior to the distribution of dividends.
- (11) JVCo will be managed by a Board of Directors with 2 nominees from each of Alara and the Vendor and a local independent Director nominated by agreement of the parties. The Managing Director shall be nominated by Alara. Alara's Managing Director, Shanker Madan, will be appointed Chairman of JVCo for the first 12 months.



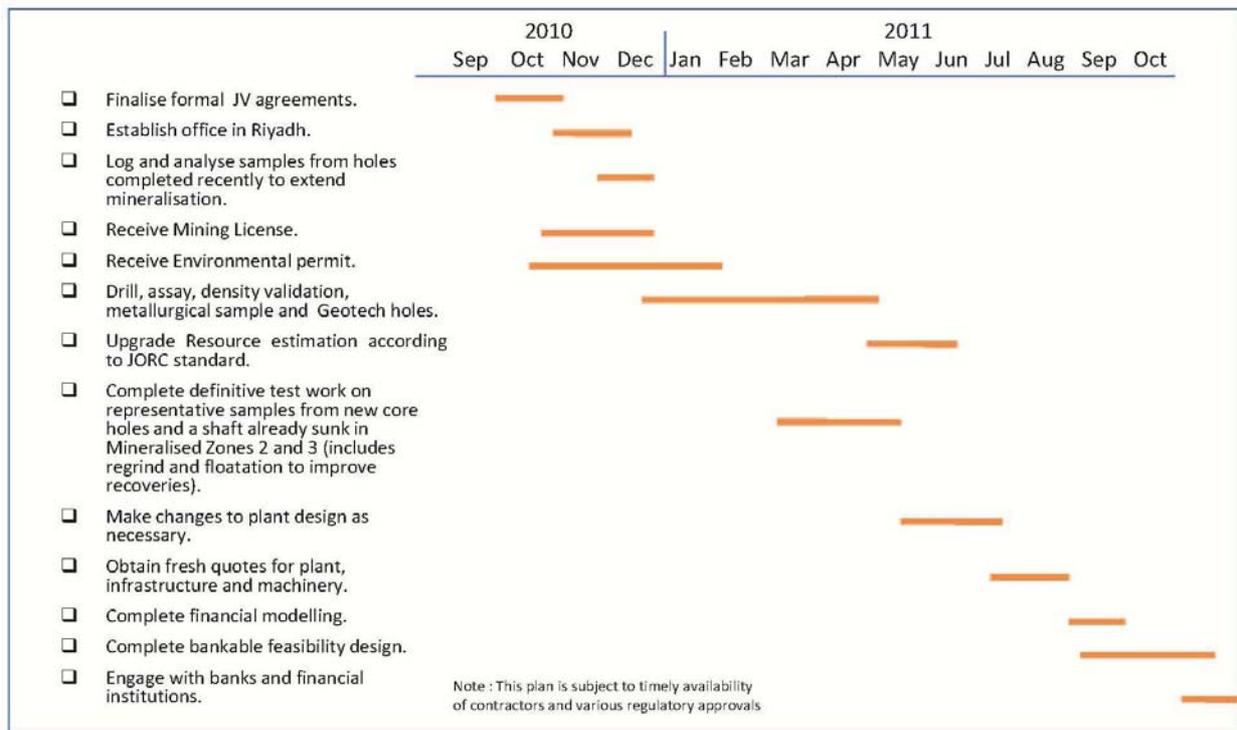
COMPANY PROJECTS

Next Steps

With the Shareholders' Agreement now executed, Alara's focus over the coming months will be to work closely with Manajem to progress the following matters as quickly as possible:

- the formation JVCo in Saudi Arabia, in which Alara and Manajem will each hold an initial 50% shareholding interest;
- the grant of a Mining Licence in respect of the Khnaiguiyah Project and subsequent transfer to JVCo;
- the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence;
- validation drilling in order to convert the historical estimates to a JORC compliant resource and or reserve classification; and
- the appointment of firms to undertake the BFS for the Khnaiguiyah Project.

Alara's indicative development work programme for the next 12 months is illustrated below:



Other Projects in Saudi Arabia

Saudi Arabia is considered to be a favourable investment destination, ranked 13th in 2010 by the World Bank out of 183 countries in terms of ease of doing business and ranked 1st in the Middle East region. The country benefits from well developed infrastructure in roads and ports, low cost energy and in-country construction expertise.

The country was only opened up to private companies for mineral exploration within the last five years and is considered highly prospective for major discoveries of world class metallic and non-metallic deposits.

To assist Alara in such process, Alara has entered into an agreement with Shahayd Trading Establishment (**Shahayd**), a local company, for Shahayd to introduce a number of base metals, precious metals and ferrous metals projects in Saudi Arabia to Alara and assist Alara to secure a joint venture interest in one of the same. An initial retainer of US\$100,000 has been paid to Shahayd under such agreement and US\$400,000 is payable upon the achievement of defined milestones in relation to Alara securing such new project in Saudi Arabia.



COMPANY PROJECTS

5 October 2010 Announcement: "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia



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Tuesday, 5 October 2010

MARKET ANNOUNCEMENT

Project Acquisition – Khnaiguiyah Zinc Copper Project in Saudi Arabia

Alara Resources Limited is pleased to confirm that it has entered into an agreement to acquire a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project (the **Khnaiguiyah Project**) and the adjacent Mutiyah Zinc-Copper Project and Umm Hijja Copper-Zinc Project (together the **Project**) located in the Kingdom of Saudi Arabia from local vendor, United Arabian Mining Company (**Manajem**).

The Khnaiguiyah Project is an advanced near production project having a non-JORC compliant resource estimate assessed by BRGM¹, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as follows²:

"In-place minable reserves" of 10.23Mt containing 7.46% zinc and 0.80% copper at a cut off grade of 4% zinc, within a "drill measured resource" of 24.8Mt at 4.11% zinc and 0.56% copper.³

The above estimate is based on significant drilling, exploration and evaluation work conducted between 1972-85 and 1991-92 on behalf of the Saudi Arabian Government, in accord with internationally accepted standards at the time.

Alara believes that this Project offers the potential to move the Company to the status of a significant producer within a relatively short time.

¹ Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research")

² *BRGM Geoscientists, 1993, Khnaiguiyah zinc-copper deposit – prefeasibility study – 1,2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photoplates*

³ This historical foreign estimate is not reported in accordance with the JORC Code and it is uncertain that following evaluation and/or further exploration the "drill measured resource" or "in-place minable reserves" referred to therein will ever be able to be reported in accordance with the JORC Code.

Refer also to Annexure A to this market announcement for further details pertaining to the estimates assessed by BRGM.

ASX Code | AUQ





COMPANY PROJECTS

20101005 AUQ ASX Acquisition of Interest in Khnaiguiyah Zinc Copper Project in Saudi Arabia

The acquisition of the Khnaiguiyah Project follows on from the recently announced acquisitions by Alara of two other base metals projects, the Daris Copper-Gold Project in Oman and the El Quillay Copper Project in Chile. Alara is now moving towards establishing itself as a base metals development company with an exciting mix of advanced and early stage projects.

The Khnaiguiyah Project

Summary

- "In-place minable reserves" of 10.23Mt containing 7.46% zinc and 0.80% copper at a cut off grade of 4% zinc, within a "drill measured resource" of 24.8Mt at 4.11% zinc and 0.56% copper.
- Historical drilling within the Khnaiguiyah Project (in 1972-85, 1991-92 and 1997-98) totals in excess of 45,000 metres across 345 core and percussion holes.
- Prefeasibility Study (PFS) completed by BRGM for the Directorate General of Mineral Resources, Saudi Arabia, in 1993⁴.
- A Feasibility Study (FS) undertaken by Manajem between 2006 – 2009 targets a production profile of 55,000 tonnes of zinc per annum and 10 year mine life, using open pit mining.
- Alara plans to validate and refine the existing studies into a Definitive or Bankable Feasibility Study (BFS) within 12 months.
- The Project offers considerable potential for additional zinc and copper mineralisation, based on old mine workings (yet to be drilled), core samples (yet to be analysed) from the recent (2009/2010) drilling along strike, cross sections depicting continuation of mineralisation at depth at Khnaiguiyah and extensive outcropping copper oxide mantle at Umm Hijja.
- Saudi Arabia has very attractive attributes for investment, low cost energy and excellent infrastructure.
- Alara is negotiating to gain further access to a significant exploration portfolio throughout Saudi Arabia through its partner, Manajem.

⁴ The BRGM PFS describes geology and exploration work and results from a programme of works undertaken between 1990 and 1993 as well as technical and economic prefeasibility studies. It also integrates the results of previous work on the Khnaiguiyah zinc-copper deposit between 1972 and 1985.

COMPANY PROJECTS

20101005 AUQ ASX Acquisition of Interest in Khnaiguiyah Zinc Copper Project in Saudi Arabia

Location

The Project is located on a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway.

Figure 1: Project Location Map Within Saudi Arabia



Licensing Status

The Project comprises 3 Exploration Licences and 5 Exploration Licence Applications pending grant totaling ~380 square kilometres. An application for a Mining Licence in respect of the Khnaiguiyah Project Exploration Licence has already been made and is pending grant (**Mining Licence**).

Please refer to Figure 2 (at page 12) which shows the Project licence areas.



COMPANY PROJECTS

20101005 AUQ ASX Acquisition of Interest in Khnaiguiyah Zinc Copper Project in Saudi Arabia

Historical Resource Estimate

The Khnaiguiyah Project has "In-place minable reserves" of 10.23Mt containing 7.46% zinc and 0.80% copper at a cut off grade of 4% zinc, within a "drill measured resource" of 24.8Mt at 4.11% zinc and 0.56% copper.³

Whilst this historical resource estimate is non-JORC compliant, it is considered by the Company to be a valid and relevant measure of mineralisation as it is based on significant exploration and evaluation work conducted by an internationally reputable organisation between 1972-85 and 1991-92 on behalf of the Saudi Arabian Government in accord with internationally accepted standards at the time.

Historical Drilling

Historical drilling within the Khnaiguiyah Project (in 1972-85, 1991-92 and 1997-98) totals in excess of 45,000 metres across 345 core and percussion holes, as summarised below:

- (a) General exploration and reconnaissance drilling conducted by BRGM (1972-85)²

A total of 192 percussion and core drill holes were drilled totalling 25,192.65m as follows:

Description	No. Holes	No. Metres Drilled
Mineralised Zone 1	23	3,221.30m
Mineralised Zone 2	51	6,331.20m
Mineralised Zone 3	42	5,741.70m
Mineralised Zone 4	29	3,926.95m
Outside Mineralised Zones	47	5,971.50m

9 trenches totalling 787m were also sampled.

The 4 mineralised zones occur within an area of 3km x 3km.

Please refer to Figure 2 (at page 12) which shows the 4 mineralised zones within the Project licence areas.

- (b) Additional drilling to define the mineralised zones conducted by BRGM (1991-92)²

A total of 71 percussion and core drill holes were drilled totalling 10,587.10m as follows:

Description	No. Holes	No. Metres Drilled
Mineralised Zone 1	4	422.70m
Mineralised Zone 2	10	1,388.15m
Mineralised Zone 3	30	5,691.80m
Mineralised Zone 4	9	1,296.10m
Outside Mineralised Zones	9	1,788.35m



COMPANY PROJECTS

20101005 AUQ ASX Acquisition of Interest in Khnaiguiyah Zinc Copper Project in Saudi Arabia

35 trenches totalling 4,010m were also sampled.

The sections were drilled 100m apart on 50m and 25m spacings between drill holes.

- (c) Further infill drilling within Mineralised Zone 3 conducted by Saudi Arabian Mining Company (Ma'aden) (1997-98)⁵

A total of 82 core and reverse circulation holes were drilled totalling 9,854m.

- (d) Further drilling was conducted by Manajem in 2009/2010, samples for which are yet to be analysed.

Mineralisation and Geology

The mineralisation is hosted in carbonatised shear zones within strongly folded late Proterozoic volcano-sedimentary rocks.

The mineralised zones 1, 2, and 4 are amenable to mining by open cut methods with mineralised zone 3 appearing to be a combination of open cut and underground mining. The mineralisation appears to be open at depth.

Further potential for additional discoveries exists underneath ancient old workings within the Khnaiguiyah Exploration Licence.

Umm Hijja Copper-Zinc Project and Mutiyah Zinc-Copper Project

The Umm Hijja and Mutiyah Exploration Licences, are located less than 15km from the Khnaiguiyah Project. Though less advanced than the Khnaiguiyah Project, both present as exciting exploration targets based upon preliminary drilling having been conducted in both areas. In particular, the Umm Hijja Exploration Licence area has significant occurrences of oxide copper mineralisation at surface.

Prior Studies and Alara's Assessment

BRGM conducted a PFS on the Khnaiguiyah Project in the 1990's when the project was owned by the Saudi Arabian Government. The study is detailed and of a professional standard using kriging and other geostatistical techniques to evaluate the volume of mineralised material. Whilst the study was done to a professional standard, BRGM at the time had not adopted the JORC standard for reporting on exploration results, mineral resources and ore reserves (first released in 1989).

⁵ Ma'aden report on Revised Geology, Processing and Economics, April 1999



COMPANY PROJECTS

20101005 AUQ ASX Acquisition of Interest in Khnaiguiyah Zinc Copper Project in Saudi Arabia

The PFS evaluated both the underground and open pit mining scenarios at a price assumption for zinc of US\$1,200 per tonne – considerably lower than today's price of ~US\$2,175 per tonne.⁶ Whilst the PFS indicated that the Khnaiguiyah Project was commercially feasible despite the comparatively low zinc prices at the time, further work stalled due to the Government's decision to privatise the minerals industry.

The Khnaiguiyah Project was then held by Saudi Arabian Mining Company (Ma'aden), a semi-Government corporation, until Manajem acquired the project in 2005. Ma'aden had conducted an additional 9,854m (82 holes) of infill drilling at Khnaiguiyah at 25m spacing between drill holes on profiles 50m apart. The results of this drilling essentially appear to have confirmed the results from the previous drilling.

Manajem then conducted a FS between 2006 - 2009. The FS was managed by Hyquip Technologies, an associate of Hindustan Dorr-Oliver (India). The pilot plant test work on a 15 tonne sample was performed by Indian Bureau of Mines.

Alara has reviewed the PFS and the FS and believes that additional test work and QA/QC work on drill-hole data will be necessary to convert it to a BFS of sufficient standard to attract project finance.

Alara has engaged SRK Consulting (SRK) and West Australian based processing consultants, Simulus Engineering (Simulus), to provide an assessment on the previous studies.

SRK has built a 3D model for two of the larger four mineralised zones and determined that these are geologically and structurally continuous and open at depth. However additional data on QA/QC and density will be necessary before a JORC compliant resource classification may be assigned. Alara is in the process of obtaining this information from Manajem and may also have to drill a number of additional twinned holes to validate previous data.

Simulus' review confirms that the BRGM PFS was done generally to a high standard. However, there is some uncertainty whether the samples used are sufficiently representative to support the mine plan adopted by Manajem in its FS. Simulus observed that the test work undertaken by Manajem was not to a bankable feasibility study standard and further work would be required.

Simulus also observed that the capital and operating cost estimates of the PFS and FS appear to be reasonably accurate compared to similar plants.

Alara believes that its BFS may be able to be completed to the required standard within the next 12 months.

⁶ LME Special High Grade Zinc cash price as at 30 September 2010 (<http://www.lme.com/zinc.asp>)



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Country and Partners

Saudi Arabia is considered to be a favourable investment destination, ranked 13th in 2010 by the World Bank out of 183 countries in terms of ease of doing business and ranked 1st in the Middle East region. The country benefits from well developed infrastructure in roads and ports, low cost energy and in-country construction expertise.

The country was only opened up to private companies for mineral exploration within the last five years and is considered highly prospective for major discoveries of world class metallic and non-metallic deposits.

Alara's partner in the Project, Manajem, is the one of the largest private holders of exploration concessions throughout Saudi Arabia and has excellent contacts and experience in the country.

Agreement Terms

Alara has entered in a Heads of Agreement (the **Agreement**) with the Saudi Arabian concession owner, United Arabian Mining ("Manajem" in Arabic) Company (the **Vendor**) upon the following terms:

- (1) Alara will pay the Vendor US\$266,000 within 5 days of the execution of the Agreement;
- (2) Alara will pay the Vendor a further US\$7,234,000 upon the achievement of certain milestones:
 - (a) US\$1,250,000 - upon the formation of a new joint venture company (JVCo) and the execution of a more definitive joint venture agreement (JV Agreement) between the parties;
 - (b) US\$1,750,000 – upon the later of 15 November 2010 or the Vendor receiving the grant of a Mining Licence in respect of the Khnaiguiyah Project and such licence being assigned to JVCo; and
 - (c) US\$4,234,000 – upon the later of 17 January 2011 or JVCo receiving the grant of an Environmental Permit for the commencement of mining pursuant to the Mining Licence of the Khnaiguiyah Project;
- (3) A 'Resource Bonus' is payable to the Vendor calculated at the rate of US\$0.005 per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) delineated with the Project in excess of 11 million tons (at the same minimum average 7% zinc grade);
- (4) Alara will fund (as loan capital to JVCo) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable or definitive feasibility study (DFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective participating interests in JVCo or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set pursuant to an independent expert valuation at the completion of the DFS;



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- (5) Alara's loan (referred to above) and a deemed Vendor's loan of US\$3 million is repayable from JVCo's net profits prior to the distribution of dividends; and
- (6) JVCo will be managed by a Board of Directors with 2 nominees from each of Alara and the Vendor and a local independent Director nominated by agreement of the parties.

Next Steps

After SRK and Simulus have completed their review of the PFS and FS data, Alara proposes to conduct further validation drilling over the next few months in order to convert the historical estimates to a JORC compliant resource and or reserve classification. Alara will then seek to appoint a consulting firm to undertake the BFS for the Project.

It is also contemplated that the Company will be undertaking a capital raising to fund the above vendor payments, the above works and Alara's other working capital requirements.

Further information:

Shanker Madan
Managing Director
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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 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.

Mr Madan also accepts responsibility for the accuracy of the statements of historical (pre-JORC Code or before the requirement to name the Competent Person) estimates and foreign resource and reserve estimates currently not reported in accordance with the JORC Code, reported in this announcement based on previously prepared reports and the accuracy of the information disclosed in this announcement to address the Requirements for Non-JORC Code Compliant Historical and Foreign Reporting in the Joint Statement of ASX and JORC reported in the ASX Companies Update No. 11/07 dated 5 December 2007.

This announcement is consistent with the guidance contained in ASX Companies Update No. 11/07 (Historical estimates and foreign resource and reserve estimates, currently not reported in accordance with the JORC Code) dated 5 December 2007 and Companies Update No. 05/04 (JORC Code Compliance, Chapter 5 of ASX Listing Rules) dated 25 March 2004.

The Company has obtained a waiver from ASX Listing Rule 5.6 for the purposes of reporting statements of estimates and foreign resource and reserve estimates currently not reported in accordance with the JORC Code, in this announcement.



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ANNEXURE A

FURTHER DETAILS ON NON-JORC COMPLIANT HISTORICAL AND FOREIGN ESTIMATES ASSESSED BY BRGM

The information in this Annexure A relates to the following non-JORC compliant historical and foreign estimates assessed by Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (BRGM) in their "Khnaiguiyah Zinc-Copper Deposit – Prefeasibility Study Report" produced for the Saudi Arabian Directorate General of Mineral Resources (DGMR) in 1993 (1993 Report)⁷:

"In-place minable reserves" of 10.23Mt containing 7.46% zinc and 0.80% copper at a cut off grade of 4% zinc, within a "drill measured resource" of 24.8Mt at 4.11% zinc and 0.56% copper.⁸

1982-1985 BRGM Exploration and Evaluation

Discovered in 1966, the Khnaiguiyah prospect was the subject of geological reconnaissance conducted between 1982 and 1985 by BRGM on behalf of DGMR. Work comprised several phases of reconnaissance and evaluation by means of trenching, drilling (core, percussion and mixed, totaling 192 holes and 25,192m), mapping, geochemistry and geophysics (Argas).

This work led to the discovery of many occurrences including the 4 mineralised zones referred to in the 1993 Report and in this Alara market announcement.

Please refer to Figure 2 (at page 12) which shows the 4 mineralised zones within the licence areas.

These 4 mineralised zones occur within a circular area 2kms in radius in the northern part of the Late Precambrian Al Amar volcanosedimentary belt. They are located at the edge of the sedimentary Paleozoic cover, which is marked by an escarpment 30 to 50m high. The basement forms an undulating physiographic relief of hills separated by wide wadis.

The following work was carried out by BRGM on the 4 mineralised zones between 1972 and 1985:

- (a) 10,747m of percussion drilling;
- (b) 8,474m of core drilling, including 546m of mixed drilling (percussion-drilled pre-holes);
- (c) 787m of trenching (9 trenches);
- (d) Topographic and geophysical surveying;
- (e) Regional and detailed geochemical prospecting (soil/rock);
- (f) Geological study and mapping accompanied by abundant petrographic study (but little structural study); and
- (g) Ore-processing tests and economic evaluations.

This work led to the computation of "in place resources" in the 4 mineralised zones, to volcanodynamic interpretation of the pyroclastic deposits and to development of a metallogenic model for the deposit.

⁷ BRGM Geoscientists, 1993, *Khnaiguiyah zinc-copper deposit – prefeasibility study – 1, 2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photoplates*

⁸ This historical foreign estimate is not reported in accordance with the JORC Code and it is uncertain that following evaluation and/or further exploration the "drill measured resource" or "In-place minable reserves" referred to therein will ever be able to be reported in accordance with the JORC Code.



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1991-92 BRGM Prefeasibility Study

In 1990, on reinterpretation of the deposit in light of a new metallogenic hypothesis and in light of an increase in the zinc price, the DMGR commissioned BRGM to conduct a second phase of exploration and evaluation of the Khnaiguiyah prospect, with the following objectives:

- (1) Objective 1: General reassessment of the base data available on geology, structure, geophysics and ore leading to revised estimates in relation to "in-place reserves" and or "minable reserves."⁹

A field programme of detail investigation was carried out over a 1 ½ year period, comprising core drilling and trenching designed to reevaluate the "reserves" in the 4 mineralised zones. This led to a geologic reinterpretation of the deposit and to a revised definition of structural controls; and

- (2) Objective 2: Completion of a prefeasibility study.

Field work (commenced in 1991 and completed at the end of 1992) included geostatistical study and computation of total "reserves" using various cut-off grades and thicknesses, laboratory-scale ore-processing tests, hydrogeologic inventory (water resources), geotechnical terrain stability studies and external control analysis. Work presented in the prefeasibility report includes design of underground and open-pit mining projects, design of beneficiation plant and technical and economic studies.

Technical Summary

The 4 mineralised zones occur in an area extending over 3 x 3km at the edge of the Cover Rocks and are interpreted as Zn-Cu-bearing carbonatised shear zones hosted by a strongly folded Late Proterozoic volcanosedimentary unit in the northern part of the Al Amar belt. These shear zones, some tens of metres thick, are oriented north-south and dip 10 to 70 degrees to the east (mineralised zone 2, 3 and 4) or to the west (mineralised zone 1).

The mineralisation (Zn-Cu-Fe-Mn) is associated with the shear zone and comprises a carbonatised gangue (containing chlorite, epidote and silica) with disseminated pyrite, chalcopyrite, sphalerite and magnetite-hematite. Where the carbonatised unit disappears, it gives way to much more abundant mineralisation, giving the mineralisation a "stratiform" aspect. Each mineralised zone is associated with a different shear zone.

The overall total of exploration work (1991-92) on the 4 mineralised zones comprised 49 core holes (totaling 8,389.30m) and 30 trenches (totaling 4,010m). An additional 21 percussion holes (totaling 2,059.60m) were drilled to define the boundary between mineralised zone 3 and 4, explore for possible extensions and to test geophysical anomalies (also 5 trenches totaling 565m and one core hole totaling 138.2m).

Core recovery in HQ and NQ diameters was generally 100%. Samples were analysed in Saudi Arabia and control analyses were conducted at BRGM New Orleans in the United States. Systematic measurements of density and drill-hole deviation were made. The results of percussion drilling were confirmed by core drilling.

⁹ Definitions used in the BRGM 1993 Report are as follows:

- "drill-measured resources": proven concentration of material with potential for economic extraction;
- "in-place reserves": economic "drill-measured resources", including "minable reserves";
- "minable reserves": that part of the "reserves" which can be extracted by the mining method selected;
- "recoverable reserves": "minable reserves" to which dilution and recovery factors have been applied;
- "economic": material which can be profitably mined under current conditions (subject to completion of a feasibility study)



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The "drill-measure resources" were computed as follows using the polygon (block) method:

Mineralised zone	Zn (%)	Cu (%)	Zn Equivalent (%)	Tonnage (t)
1	4.80	1.01	6.42	194,000
2	3.19	0.83	4.51	6,307,000
3	5.71	0.52	6.55	11,477,000
4	2.30	0.39	2.93	6,828,000
Total	4.11	0.56	5.00	24,806,000

Zinc equivalent is taken to be Zn grade plus [1.6 x Cu grade]. Oxidised mineralisation is not included.

"Drill-measure in-place reserves" were computed using the polygon (block) method (with geostatistical methods used for mineralised zone 3).

In the case of the largest mineralised zone 3 where underground mining is potentially proposed, a minimum required true thickness of 2.5m plus 0.5m for dilution was assumed. For the open-pit mine proposed for mineralised zones 1, 2 and 4, a minimum thickness of 2.0m plus 0.5m for dilution was selected. The minimum required true thickness for mineralised zone 2 (for which open-pit exploitation was studied), is 2m after dilution. Using the same methods, various exploitation projects were envisaged and the application of various zinc cut-off grades (4%, 6%, 8% and 10%) and various diluted thickness cut-offs (2.5, 3.00 and 3.50m) to each polygon generated "minable reserves".

For a diluted thickness of 3.00m, "in-place minable reserves" were as follows:

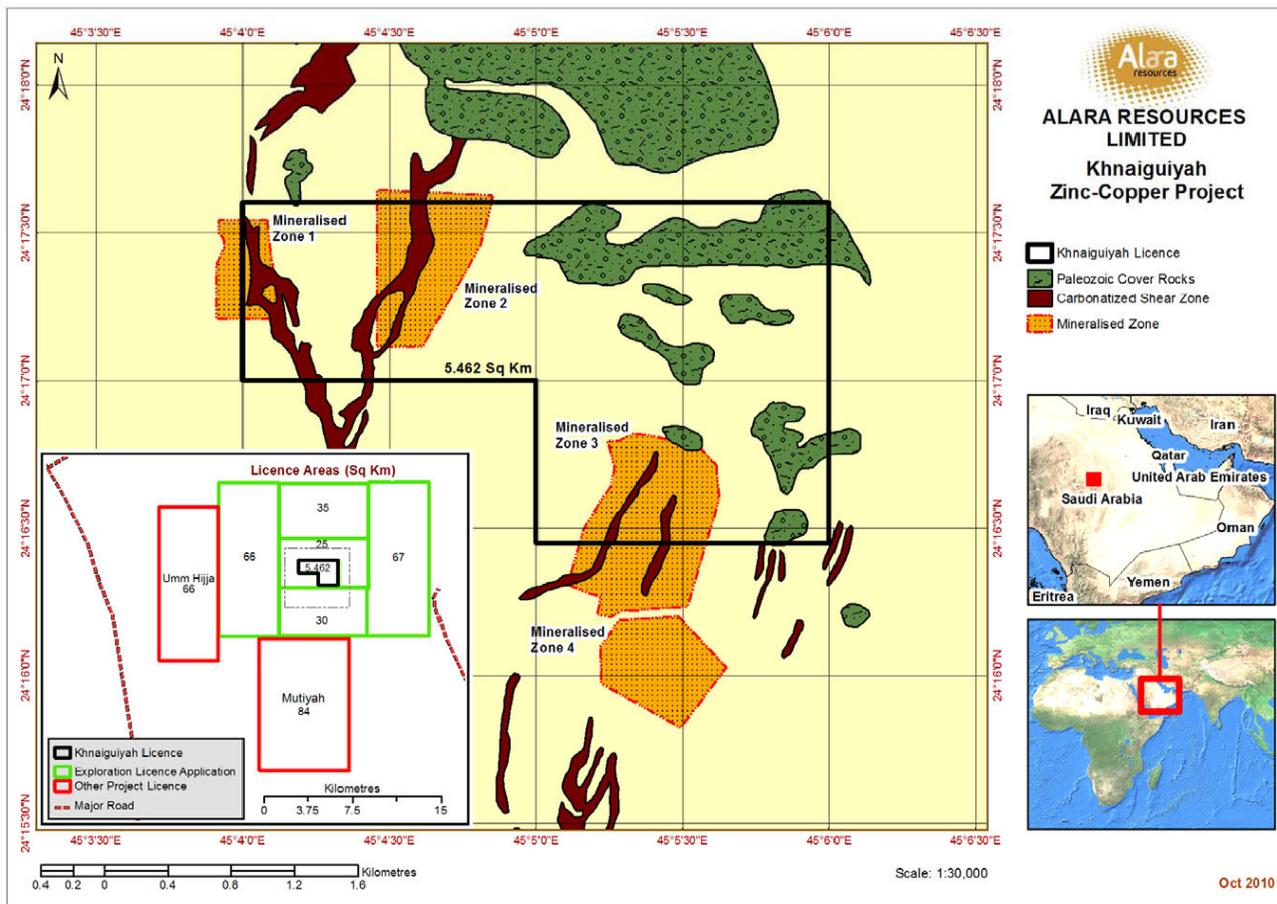
Cut-Off Grade (%)	Mineralised zone	Zn (%)	Cu (%)	Zn Equivalent (%)	Tonnage (t)
4	1 *	6.72	1.41	8.97	115,000
	2	4.71	1.03	6.35	2,989,000
	3	9.88	0.73	11.04	5,083,000
	4	5.50	0.60	6.47	2,042,000
	Total	7.46	0.80	8.21	10,229,000
6	1 *	8.55	1.16	10.41	90,000
	2	7.46	0.47	8.22	1,486,000
	3	11.77	0.89	13.20	3,832,000
	4	6.19	1.06	7.89	1,112,000
	Total	11.17	0.83	12.50	6,520,000
8	1 *	10.86	0.48	11.64	70,000
	2	10.32	0.25	10.71	572,000
	3	13.83	0.75	15.04	3,025,000
	4	9.45	0.24	9.84	389,000
	Total	12.86	0.63	13.87	4,057,000
10	1 *	22.45	0.26	22.86	23,000
	2	12.14	0.35	12.69	267,000
	3	15.18	0.81	16.48	2,503,000
	4	11.47	0.47	12.31	126,000
	Total	14.80	0.75	16.00	2,919,000

* no cut-off thickness adopted for Mineralised Zone 1

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Figure 2: Khnaiguiyah Project Location, Licence Areas and Mineralised Zones





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ANNEXURE B

ASX REQUIRED INFORMATION IN RELATION TO WAIVER OF LISTING RULE 5.6

The Company has obtained a waiver from ASX Listing Rule 5.6 for the purposes of reporting the following statement of historical and foreign resource and reserve estimates currently not reported in accordance with the JORC Code, in this announcement:

- "In-place minable reserves" of 10.23Mt containing 7.46% zinc and 0.80% copper at a cut off grade of 4% zinc, within a "drill measured resource" of 24.8Mt at 4.11% zinc and 0.56% copper (**Historical and Foreign Estimate**)

The Company provides the following additional information pursuant to the guidance contained in ASX Companies Update No. 11/07 (Historical estimates and foreign resource and reserve estimates, currently not reported in accordance with the JORC Code) dated 5 December 2007, Companies Update No. 05/04 (JORC Code Compliance, Chapter 5 of ASX Listing Rules) dated 25 March 2004) and ASX requirements pursuant to the grant of the waiver under Listing Rule 5.6:

1. The Historical and Foreign Estimate is not reported in accordance with the JORC Code and it is uncertain that following evaluation and/or further exploration the "drill measured resource" or "in-place minable reserves" referred to therein will ever be able to be reported in accordance with the JORC Code.
2. The Historical and Foreign Estimate has been assessed by the Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (**BRGM**) in their "Khnaiguiyah Zinc-Copper Deposit – Prefeasibility Study Report" produced for the Directorate General of Mineral Resources (**DGMR**), Ministry of Petroleum and Mineral Resources, Kingdom of Saudi Arabia in 1993 (full reference source: *BRGM Geoscientists, 1993, Khnaiguiyah zinc-copper deposit – prefeasibility study – 1,2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photoplates*).
3. The Historical and Foreign Estimate is relevant for disclosure for the following reasons:
 - 3.1. it is based on significant exploration and evaluation work conducted by an internationally reputable organisation between 1972-85 and 1991-92 on behalf of the Saudi Arabian Government. The estimate was prepared prior to the adoption of the JORC standard by BRGM (and prior to the adoption of the JORC Code as a universally acceptable international standard) but was in accord with internationally accepted standards at the time;
 - 3.2. it provides an indication of the currently defined mineralisation and potential resources of the project area proposed to be acquired by the Company; and
 - 3.3. non-disclosure would represent the withholding of information that could be material to the Company's share price.
4. Mr Hem Shanker Madan, the Managing Director of Alara Resources Limited and the Competent Person under the JORC Code named in this market announcement confirms the reliability of the historical and foreign estimate in this announcement with reference to the items in Table 1 of the JORC Code which are relevant to understanding the reliability of the same. The Company refers also to Annexure A to this market announcement for further details pertaining to the bases of the Historical and Foreign Estimate assessed by BRGM.
5. The Historical and Foreign Estimate is material to the Company given the substantial nature of the quantity and quality of the estimate and the proposed acquisition transaction relative to the Company's current market capitalisation. As reported in the market announcement, After SRK Consulting and Simulus Engineering have completed their review of the BRGM Prefeasibility Study and the Managem Feasibility Study data, the Company proposes to conduct further validation drilling over the next few months in order to convert the Historical and Foreign Estimate to a JORC compliant resource and or reserve classification. The Company will report on the progress of these activities via updated market announcement(s). The Company will fund this validation exploration programme from existing cash reserves, which is not likely to impact on the resources currently devoted to the Company's other exploration projects.
6. The Historical and Foreign Estimate adopts "resource" and "reserve" categories as defined below, which differs from the JORC Code categories (reproduced below):

Definitions used in the BRGM 1993 Report	JORC Code categories
"drill-measured resources": proven concentration of material with potential for economic extraction	A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological



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	<p>evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.</p> <p>An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.</p> <p>An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource. Mineralisation may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow confident interpretation of the geological framework and to assume continuity of mineralisation. Confidence in the estimate is sufficient to allow the application of technical and economic parameters, and to enable an evaluation of economic viability.</p> <p>A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.</p>
"in-place reserves": economic "drill-measured resources", including "minable reserves"	An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
"minable reserves": that part of the "reserves" which can be extracted by the mining method selected	A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
"recoverable reserves": "minable reserves" to which dilution and recovery factors have been applied	A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
"economic": material which can be profitably mined under current conditions (subject to completion of a feasibility study)	

7. The Company refers to Annexure A to this market announcement for further details pertaining to the bases of the Historical and Foreign Estimate assessed by BRGM and is not aware of any more recent available estimate or data pertaining to the same.
8. The Company intends to evaluate those matters listed in Table 1 of the JORC Code (Appendix 5A of the ASX Listing Rules) which are relevant to the Historical and Foreign Estimate and conduct exploration for the purposes of allowing a Competent Person to take responsibility for an estimate of Mineral Resources and or Ore Reserves in order that they may be reported by the Company in accordance with the JORC Code (refer also paragraph 5 above).
9. The Company confirms that this market announcement is consistent with the guidance contained in ASX Companies Update No. 05/04 (JORC Code Compliance, Chapter 5 of ASX Listing Rules) dated 25 March 2004.
10. Mr Hem Shanker Madan, the Managing Director of Alara Resources Limited and the Competent Person under the JORC Code named in this market announcement, accepts responsibility for the accuracy of the statements of historical (pre-JORC Code or before the requirement to name the Competent Person) estimates and foreign resource and reserve estimates currently not reported in accordance with the JORC Code, reported in this announcement based on previously prepared reports and the accuracy of the information disclosed in this Annexure B to address the Requirements for Non-JORC Code Compliant Historical and Foreign Reporting in the Joint Statement of ASX and JORC (contained in ASX Companies Update No. 11/07 (Historical estimates and foreign resource and reserve estimates, currently not reported in accordance with the JORC Code) dated 5 December 2007).

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2. Acquisition of Interest in El Quillay Copper-Gold Project (Chile)

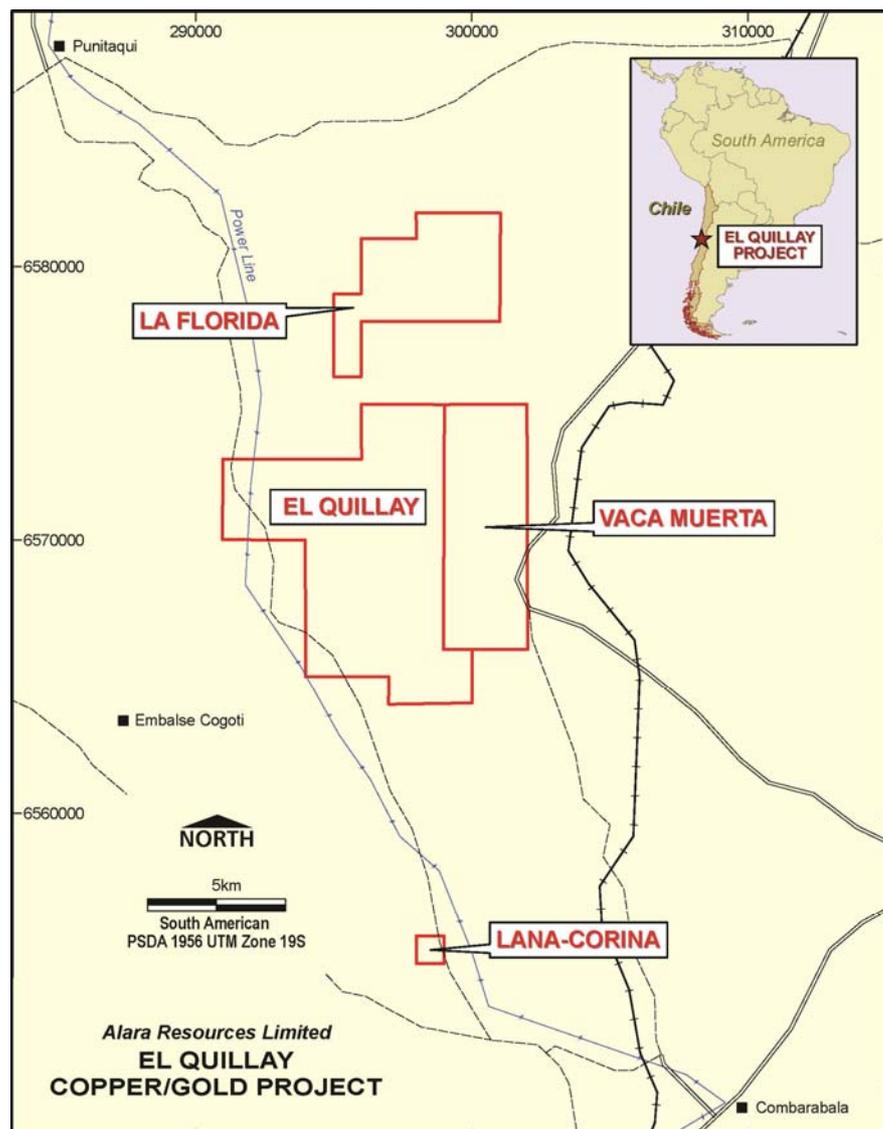
(Alara - right to earn-in 70%)

In August 2010, Alara secured rights to acquire (subject to completion of due diligence) a 70% interest in the El Quillay Copper-Gold Project located in the north of Chile.

The project, which comprises 4 project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida), presents several drill targets:

- El Quillay Norte (North) - Copper prospect along the El Quillay regional fault zone (which has a recent decline);
- El Quillay Central – Copper prospect along the El Quillay fault zone;
- El Quillay Sue (South) – Copper-gold prospect along the regional fault zone;
- Lana-Corina – Two breccia pipes 40m to 50m wide with a deep shaft and underground workings. The breccia pipes extend into a porphyry copper deposit where 2 holes have intersected greater than 130m of mineralisation, one of which intersected 180m of 0.70% Cu and up to 200ppm Mo;
- Vaca Muerta – along the El Quillay regional fault zone with many workings in parallel near vertical structures with grades encountered from due diligence sampling of up to 3.8% Cu over 2m; and
- La Florida – exploration potential along the El Quillay regional fault zone.

Figure 11: El Quillay Project Areas Location Map



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Geology

Work previously conducted by the vendors (which is the subject of due diligence currently being conducted by Alara) indicates that the El Quillay deposit is formed by a series of lentiform mineralised bodies, containing Cu, Cu-Au-Ag and Cu-Au ore. These structures appear to be located within a belt ~6 kilometres long, with NS to NNW strike, related to a low angle fault system.

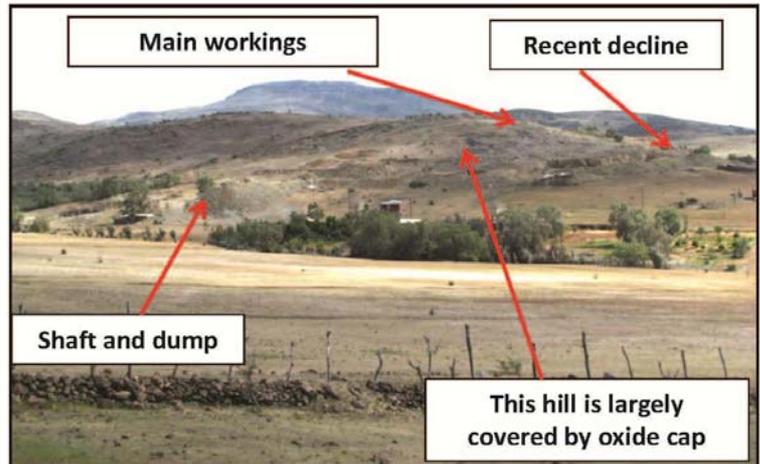
The mineralised bodies are hosted by volcanic andesitic rocks which show hydrothermal-metasomatic alteration. These mainly contain silica (quartz), sericite, albite-adularia, chlorite-epidote and hematite.

The lengths of the lenses (3 bodies of this type have been recognised to date) potentially range from 300 to 1,000 metres with widths ranging from 20 to 200 metres.

The mineralisation appears in the shape of veins, veinlets-stockwork and disseminations. The oxidation zone reaches up to 25 metres depth. Thereafter the primary sulphide zone has been observed to continue to a depth of at least 80 metres in old workings. The widths of mineralisation indicate the potential for open cut mining.

The mineralisation appears to continue over a strike length of ~3 kilometres. The hydrothermal alteration has been observed to continue over a further ~3 kilometres.

El Quillay North Prospect



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 .

Alara intends to develop an initial exploration programme over priority targets within the project area as a precursor to the commencement of a staged 10,000 metre drilling programme over the next 12 months.

Target Mineralisation

The project comprises known copper/gold mineralisation in old workings presenting as lenticular bodies extending over a strike distance of ~3 kilometres with widths of up to 200 metres.

In particular, five copper, copper gold and copper moly IOCG (Iron oxide-Copper-Gold) type and porphyry prospects have been identified with deep workings along a ~6 kilometre strike located along a major fault system in andesitic lavas and in diorite.

Alara projects the following target mineralisation ranges:

- 8 to 10Mt of oxide cap @ 0.5% to 1.00% Cu to 30m depth and 20Mt to +40Mt @ 1.5% Cu equivalent as copper sulphides, gold and silver below an oxide cap (based upon 550 samples extracted from outcroppings, underground and surface mine workings, assumed continuity of mineralisation along strike between the samples and assumed continuity of mineralisation to a depth of 200 metres); and
- 30Mt to 60Mt @ 0.7% to 0.8% Cu equivalent in breccia pipes and porphyry (based on 2 drill holes which intersected greater than 130m of mineralisation, one of which intersected 180m @ 0.70% Cu and up to 200ppm Mo) .

(The potential quantity and grade of the target mineralisation of copper equivalent is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of copper equivalent. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of copper equivalent)

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Figure 12: Lana-Corina Project Area Geology Plan

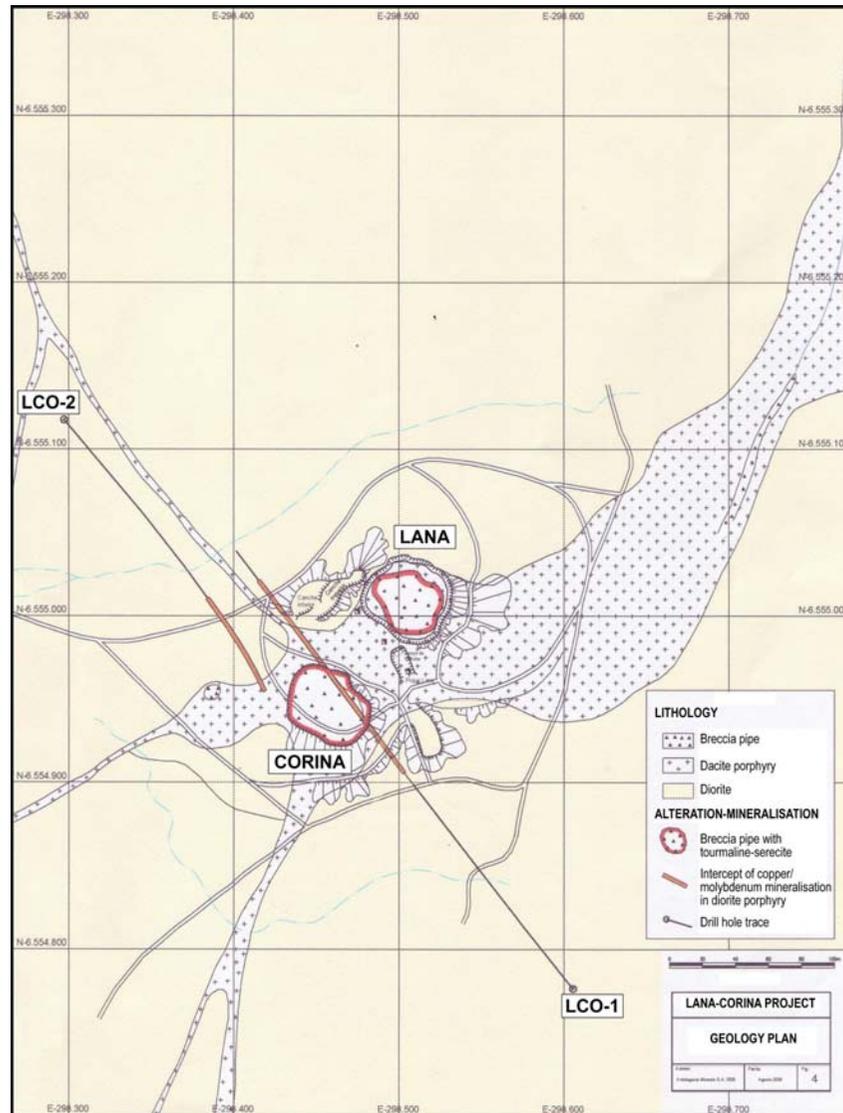
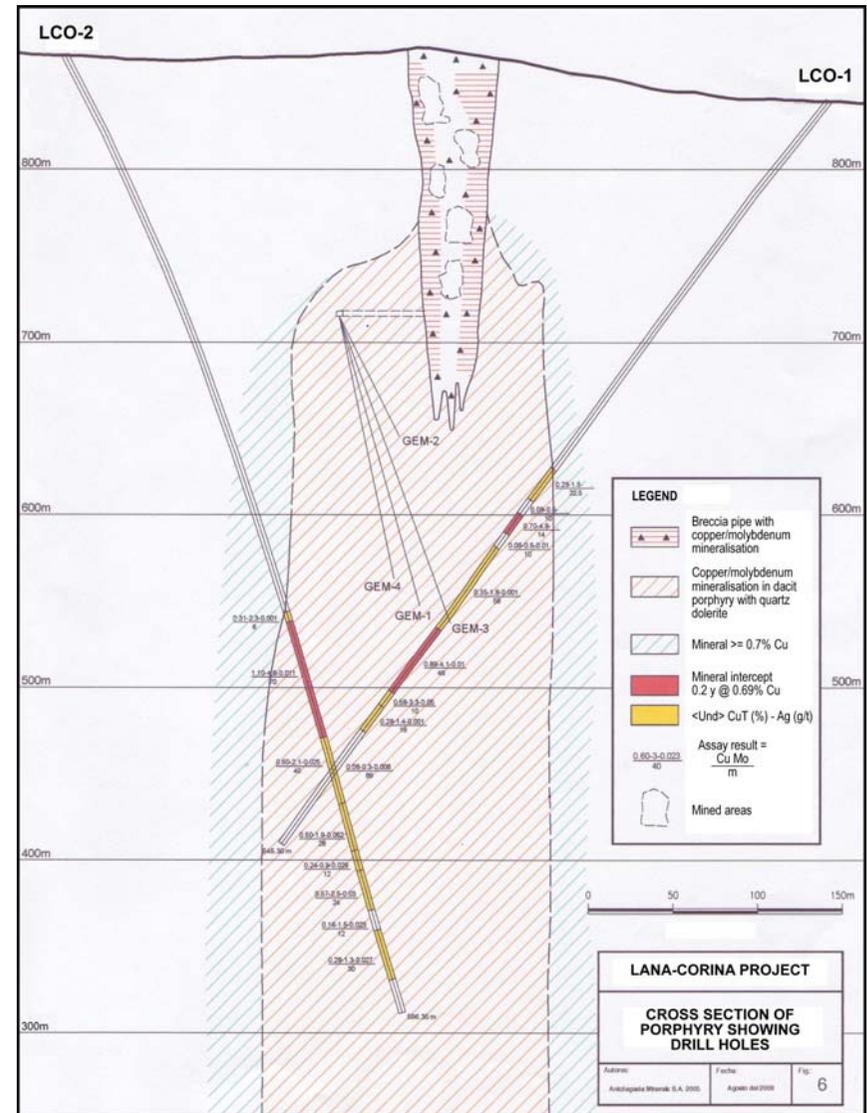
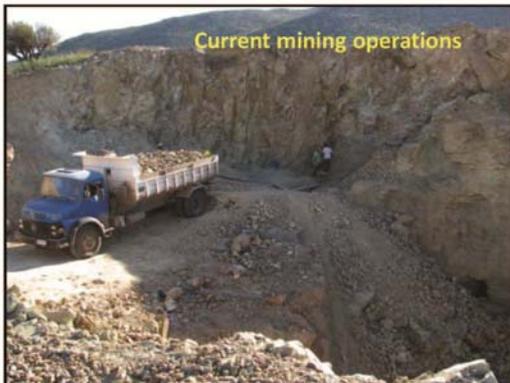


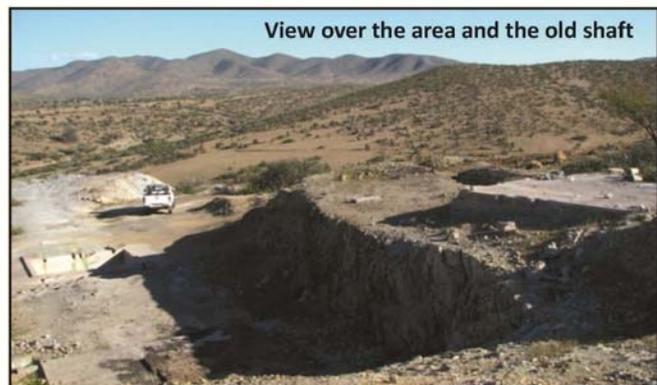
Figure 13: Lana-Corina Project Area Cross Section



COMPANY PROJECTS



Lana and Corina are well defined shallow targets significantly richer than the porphyry targets below the breccia pipes



Agreement Terms

On 22 August 2010, Alara Resources Limited entered into a term sheet (dated 17 August 2010) (the **Term Sheet**) with Chilean vendors of the El Quillay Copper-Gold Project in Chile, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the **Vendors**) pursuant to which upon completion of due diligence to the satisfaction of Alara (originally 60 days but which has subsequently been extended by mutual agreement for a further 60 days to enable Alara's lawyers in Chile to complete their legal review of the mineral concessions) and the execution of a more definitive joint venture agreement (**JV Agreement**) between the parties, Alara will pay the Vendors US\$500,000 and Alara will be granted an option to acquire 70% of a new joint venture entity (**JVCo**) (which will hold the mineral concessions) in consideration of 3 tranche payments totalling US\$9.5 million to the Vendors over a 3 year term (**Earn-In Period**).

During the Earn-In Period, Alara will manage and fund all exploration, evaluation and development costs, including a minimum 20,000 metre drilling programme to be completed over the first two years of the Earn-In Period (with a minimum of 10,000 metres to be completed during the first year).

After the completion of the Earn-In, as a 70% shareholder, Alara will have Board and operational control of JVCo and will continue to fund development costs up to completion of a Definitive (Bankable) Feasibility Study (**DFS**) in respect of each copper prospect within the project area. Thereafter, the parties will contribute to all cash calls in proportion to their respective participating interests in JVCo or be diluted in accordance with an industry standard dilution formula.

Alara's due diligence investigations are on-going and the parties are progressing towards the execution of the more definitive JV Agreement. Alara envisages this to occur during the current quarter ending 31 December 2010.

Please refer to Alara's 2010 Full Year Report (at pages 4, 5, 45 and 46) for further information on the El Quillay joint venture terms.

COMPANY PROJECTS

3. Acquisition of Interest in Daris Copper Project (Oman) (Alara – 50% with right to increase to 70%+)

In August 2010, Alara secured rights to acquire up to a 70% interest in the Daris Copper Project located in Oman.

Alara plans to pursue a twofold strategy in the project area:

- (1) To develop high grade oxide / sulphide mineralisation that may be amenable to heap leaching or at custom treatment facilities nearby; and
- (2) To explore shallow and deeper sulphide mineralisation using modern geophysical and geochemical techniques.

The proximity to the capital city, a paved highway and modern copper extraction facilities nearby (in Sohar) should assist in the development of early cash flow from any discoveries made in the Daris Project area.

Figure 14: Daris Copper Project Location



Geology

The project is located in the Semail Ophiolite belt in Northern Oman that extends over 800km. This belt provides a prospective setting for Cyprus-type VMS copper gold deposits. In the past, the Government-owned Oman Mining Company has produced, mined and treated 14 million tonnes of copper resource at between 1-2% copper from open cut mines at their Lasail, Arja and Baida mines. More recently, a privately owned Omani Company has located a large resource of copper nearby within 50km from the Daris Project area.

Alara believes that the project area has the potential to host substantial copper mineralisation. During the course of its due diligence, Alara has identified a number of potential targets in addition to those previously drilled in the project area on a reconnaissance basis by the Government or consultants on its behalf. Drilling to date has identified the possibility of high grade oxide and sulphide mineralisation at shallow depths. The latest drilling was done in the 1990's.



COMPANY PROJECTS

Initial Drilling Programme

An initial 27 hole diamond and rotary drilling programme has been completed on targets identified by Alara.

The drilling campaign focused on two initial prospects within the concession to define a shallow oxide resource (21 rotary and 3 diamond core holes at the Daris East prospect) as well as a shallow high grade sulphide mineralisation (3 core diamond holes at the Daris 3A-5 prospect, approximately 10 kilometres south-east of Daris East), to build an exploration and development model for the project area. These are two of the twelve known copper occurrences within the Daris Project area.

Daris 3A-5 Prospect

The 3 hole diamond core drilling programme at Daris 3A-5 was conducted to test shallow sulphide mineralisation around a known gossan, based upon previously conducted reconnaissance work by Oman Copper. All holes were drilled to a maximum depth of 72m. Significant intersections of exceptionally high grade massive copper sulphide mineralisation generally within a wider halo of gold mineralisation were encountered in all three diamond core holes drilled:

Daris East Hole D3DC003:

- 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

Daris East Hole D3DC002:

- 11.90m at 5.74% copper, as copper sulphides from 34.35m
- 3.45m at 10.28% copper (including 1m at 16.0% copper), as copper sulphides from 50.60m
- 17.85m at 2.61 g/t gold from 28.40m
- 3.45m at 3.10 g/t gold from 50.60m

Daris East Hole D3DC001:

- 6.10m at 5.81% copper, as copper sulphides from 31.55m
- 18.65m at 3.80 g/t gold from 19.0m

The copper gold mineralisation occurs in a typical Cyprus type VMS environment within a relatively unexplored ophiolite sequence, where recent discoveries have highlighted the need for modern and systematic exploration.

Whilst exploration is still at an early stage at the Daris Copper Project, the Company is encouraged by these results given the intervals and grades of mineralisation at relatively shallow depths. Furthermore, there are numerous other known gossanous copper occurrences in the concession, including old workings dating back over a century with no record of recent exploration.

Copper mineralisation throughout the district generally occurs at a particular stratigraphic level as exhalative deposits at or near the contact between two submarine volcanic units and also as breccia pipes that feed mineral rich fluids into such deposits. Individual deposits vary considerably in size and grade.

The Company therefore notes that much more work needs to be done to build an economically minable quantity of mineralisation and that such high grades in sulphide zones are unusual for the district and may not be sustainable. To date the Company has only tested a strike distance within 70m from an outcropping gossan and therefore the extent of mineralisation along strike may well be limited.

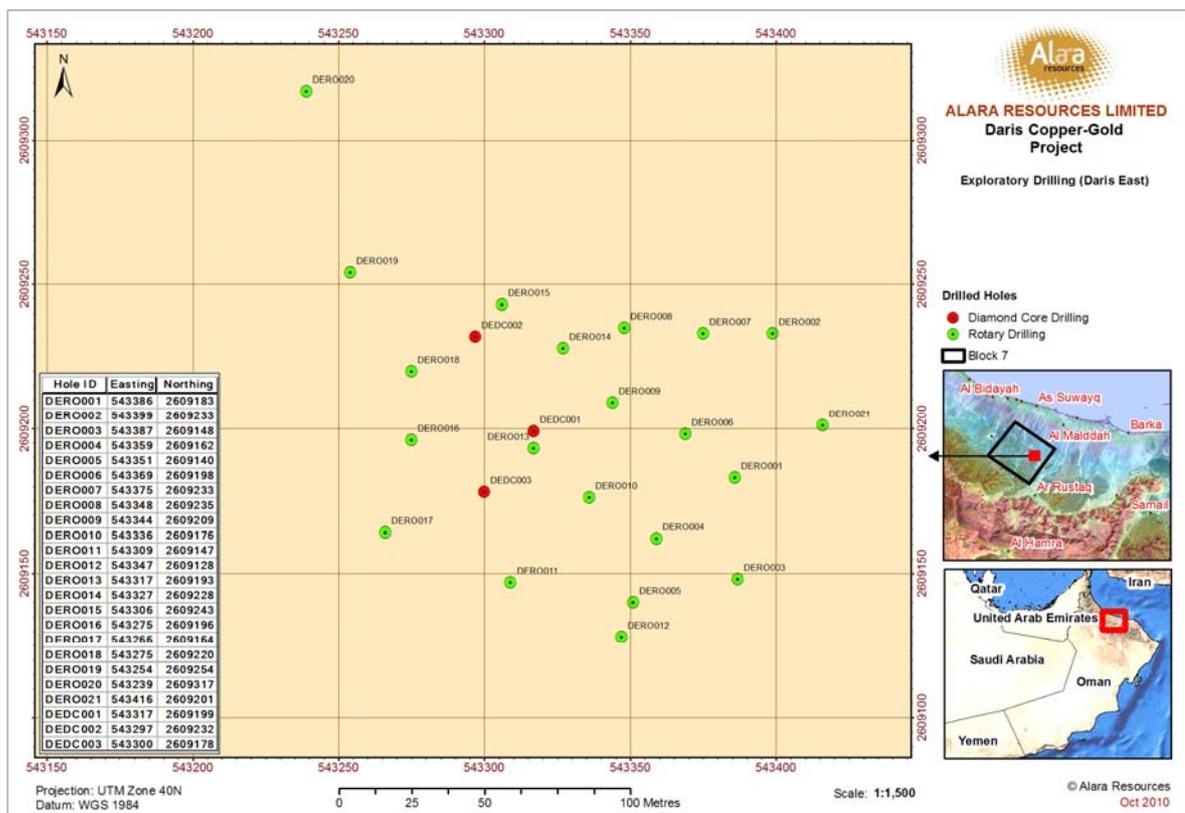
COMPANY PROJECTS

Daris East Prospect

A 21 hole rotary and 3 diamond core drilling programme (with a cumulative metreage of 804 metres) was also conducted to test shallow oxide mineralisation approximately 10km south-east from the sulphide zone, for a potential heap leach operation and to locate massive sulphide zones beneath the oxide cap. An area of approximately 180 by 130 metres was drilled with close-spaced grid ranging from 20 to 40 metres

The 3 deeper diamond core holes (shown in red in the figure below) were undertaken to test the extension of sulphide mineralisation intersected in hole DERO 09.

Figure 15: Daris East Prospect - 24 Hole Initial Drilling Programme



Shallow oxide and sulphide mineralisation was intersected in 14 of the 21 rotary holes, with significant intersections of oxide mineralisation and average gold grades ranging upwards from 0.25 g/t to a maximum of 12.4 g/t.

Sulphide copper with an oxide cap was intersected in two drill holes (DERO009 and DERO018) drilled about 70m apart and open to the west.

Summary of Significant Daris East Drill Hole Intersections:

DERO001:

- 18m at 0.6% copper as copper oxide from 10m, including 3m at 1.1% copper from 21m.

DERO004:

- 8m at 1.26% copper as copper oxide from 28m.
- 8m at 2.88g/t gold from 1m, including 1m at 12.4 g/t from 4m.



COMPANY PROJECTS

DERO005:

- 9m at 1.52g/t gold from 9m.

DERO006:

- 23m at 1.23% copper as copper oxide from 7m, including 1m at 2.7% copper from 17m.

DERO009:

- 4m at 5.33% copper as copper sulphides and 0.41g/t gold from 34m, including 1m at 6.46% copper from 34m.
- 7m at 2.45% copper as copper sulphides and 0.25g/t Gold from 38m.
- 2m at 1.02% copper as copper oxide from 27m.

DERO010:

- 1m at 5.34g/t gold from 13m (hole abandoned at 14m due to groundwater pressure and no sample return).

DERO012:

- 3m at 1.13% copper as copper oxide from 4m, and 5m at 1.54% copper as copper oxide from 21m.

DERO013:

- 12m at 1.54g/t gold from 7m.

DERO014:

- 7m at 2.45% copper as copper sulphides and 0.25g/t Gold from 38m.
- 12m at 1.16% copper as copper oxide from 33m, including 7m at 0.9% native copper from 34m.
- 14m at 0.30% copper as copper oxide from 14m.

DERO015:

- 3m at 1% copper as copper oxide from 22m.

DERO018:

- 14m at 0.54% copper as copper sulphides from 17m.
- 18m at 0.31g/t gold from 12m.

The Company is still awaiting assay results from the three diamond core holes as they were completed only recently, however visible massive sulphide mineralisation was logged in DEDC002 and oxide mineralisation in all three core holes DEDC001, DEDC002 and DEDC003.

The results of the drilling campaign have confirmed the presence of sulphide mineralisation over a strike distance of over 100m covered by a wider cap of oxide mineralisation with variable thicknesses and grades.

The Company is encouraged by the presence and continuity of sulphide mineralisation at relatively shallow depths and believes this affords the potential for further extension of mineralisation along strike and at depth.

Furthermore, the Company notes that the Daris East and Daris 3A-5 prospects that have been targeted to date comprise only two of a total of twelve known copper occurrences within the Project area and there is therefore significant exploration upside in the Project area.

Alara proposes to map all known occurrences and conduct an airborne or ground based EM survey over the project area within the next six months. After reviewing the results of this survey, a further drilling programme will be planned for the project.



COMPANY PROJECTS

Agreement Terms

On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with the concession owner holding 50%) and will advance US\$3 million as equity during a 3 year period. Thereafter, Alara will advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%.

DarisCo will have exclusive rights under a management agreement with the concession owner to manage, operate and commercially exploit the concession.

The shareholders' agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of DarisCo, the execution of the management agreement and ancillary loan agreement and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals. As at the date of this report, the conditions precedent have not been satisfied. Alara envisages this to occur during the current quarter ending 31 December 2010.

Other Project Opportunities in Oman

Alara is also forming a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) with Sur United International Co. LLC (**SUR**), to identify, secure and commercially exploit other resource projects in Oman.

On 8 August 2010, Alara Oman Operations Pty Limited entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) **will be established to** identify, secure and commercially exploit other resource projects in Oman. Alara will contribute 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000) for a 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Thereafter, Alara will advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends).

SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit.

The shareholders agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of AlaraCo, the execution of an ancillary loan agreement and an exploration license being granted to AlaraCo – it is the intention of the parties for AlaraCo to lodge an application for an exploration licence over an open area prospective for base metals. As at the date of this report, the conditions precedent have not been satisfied. Alara envisages this to occur during the current quarter ending 31 December 2010.

Please refer to Alara's 2010 Full Year Report (at pages 5, 6 and 45) for further information on the Daris and AlaraCo joint venture terms.



COMPANY PROJECTS

4. Update: Canning Well Manganese Farm-Out

(Alara 100% with Process Minerals International Pty Ltd having manganese rights)

Alara has farmed-out the Canning Well Exploration Licence 46/629 tenement to Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN) for the potential mining of manganese.

Exploration Licence 46/629 was granted on 22 August 2005 and was due to expire on 21 August 2010. An application for an extension of term has been submitted to the Mines Department.

PMI has previously conducted an evaluation of exploration data (including Alara's mag/lag and rock chip samples) and was planning further interpretation of magnetic and gravity data and field work (rock chip sampling) on the tenement.

PMI has advised that no further work was undertaken on the tenement during the September 2010 quarter pending a decision from the Mines Department in relation to the application for an extension of term and subject to the grant of this extension, field work is planned thereafter to follow up Alara's mag/lag and rock chip anomalies.

5. Update: Bigriyi South Uranium Farm-Out Venture

(Alara 30% with Thundelarra Exploration Ltd having a right to earn-in 70%)

Alara's joint venture partner, Thundelarra Exploration (THX) has provided Alara with the following update:

- (a) A helicopter-assisted ground gravity survey (of approximately 1250 stations at one kilometre spacing) on EL 24927 was completed as part of the Northern Territory Geological Survey's (NTGS) West Arunta Gravity Survey;
- (b) THX continued its participation in the Joint Surveys Uranium (JSU) Project (commenced with the CSIRO, the NTGS and 2 other ASX listed resource companies), including undertaking a field trip to Bigriyi to examine core and outcrop and to visit regions within the Ngalia basin and basement;
- (c) Heritage and regulatory approvals have been delayed for a 53 hole air-core drilling programme on the 3 granted exploration licences (EL 24879, EL 24928, EL 24929); and
- (d) THX continued their data compilation and analysis.



COMPANY PROJECTS

NOTES:

The information in this report 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 report of the matters based on his information in the form and context in which it appears.

Mr Madan also accepts responsibility for the accuracy of the statements of historical (pre-JORC Code or before the requirement to name the Competent Person) estimates and foreign resource and reserve estimates currently not reported in accordance with the JORC Code, reported in the Company's announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" based on previously prepared reports and the accuracy of the information disclosed in this report to address the Requirements for Non-JORC Code Compliant Historical and Foreign Reporting in the Joint Statement of ASX and JORC reported in the ASX Companies Update No. 11/07 dated 5 December 2007.

The Company's announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" is consistent with the guidance contained in ASX Companies Update No. 11/07 (Historical estimates and foreign resource and reserve estimates, currently not reported in accordance with the JORC Code) dated 5 December 2007 and Companies Update No. 05/04 (JORC Code Compliance, Chapter 5 of ASX Listing Rules) dated 25 March 2004.

The Company has obtained a waiver from ASX Listing Rule 5.6 for the purposes of reporting statements of estimates and foreign resource and reserve estimates currently not reported in accordance with the JORC Code, in the Company's announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia"



CORPORATE

Cash Position and Listed Securities

The Alara group's cash (and investments in listed securities) position as at 30 September 2010 was \$5.4 million (30 June 2010: \$6.1 million).

The Alara group has a relatively small exposure to the United States Dollar and Peruvian Nuevo Soles currencies. These foreign currencies are applicable to and facilitate the Alara group's operations and activities.

As at 30 September 2010, Alara's investment in listed securities had a total value of \$1.82 million (30 June 2010: \$1.78 million in respect of the same shareholding).

The Directors contemplate that the Company will be undertaking a capital raising to:

- (a) fund Alara's commitments (being vendor payments and exploration and evaluation expenditure commitments) under the Khnaiguiyah Project, El Quillay Project and Daris Project joint ventures;
- (b) fund commitments under new acquisitions undertaken (if any); and
- (c) supplement existing cash reserves to meet Alara's other working capital requirements.

Unlisted Options Issued/Lapsed

During the quarter, the Company issued the following unlisted options to an employee, as part of a review of his remuneration package:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
400,000	23 August 2010	\$0.35 (22 August 2015) Options	\$0.35	22 August 2015	100% on date of issue

During the quarter, the following unlisted Director's options (formerly held by a former Director, Dr John Stephenson) lapsed:

No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
900,000	19 August 2010	\$0.35 (16 September 2013) Director's Unlisted Options	\$0.35	16 September 2013



MINERAL CONCESSIONS

KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

In September 2010, Alara secured rights to acquire a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia.

Refer to market announcements dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia"

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway.

The project comprises 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km². An application for a Mining Licence in respect of the main Khnaiguiyah Exploration Licence is pending grant.

Alara will have a 50% interest in the joint venture company currently being established to hold the mineral licences.

Also refer to pages 5 to 24 of this Quarterly Report for further information on the Khnaiguiyah joint venture terms.

DARIS COPPER PROJECT IN OMAN

In August 2010, Alara secured rights to acquire up to a 70% interest in the Daris Copper Project located in Oman and formed a separate joint venture (Alara 70%) to identify, secure and commercially exploit other resource projects in Oman.

Refer to market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman", dated 14 September 2010 and entitled "Daris Project Drilling Update" and dated 26 October 2010 and entitled "Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman."

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprise a mineral excavation licence of ~587km².

Alara will have an initial 50% interest (with a right to increase this to 70%) in the joint venture company currently being established to hold exclusive rights to manage, operate and commercially exploit the licence.

Alara has also formed a separate joint venture company (Alara 70%) in Oman to identify, secure and commercially exploit other resource projects in Oman.

Also refer to Alara's 2010 Full Year Report (at pages 5, 6 and 45) for further information on the Daris and AlaraCo joint venture terms.

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

In August 2010, Alara secured rights to acquire (subject to completion of due diligence) a 70% interest in the El Quillay Copper-Gold Project located in the north of Chile.

Refer to market announcement dated 25 August 2010 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile".

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

The project comprises 68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

Also refer to Alara's 2010 Full Year Report (at pages 4, 5, 45 and 46) for further information on the El Quillay joint venture terms.



MINERAL CONCESSIONS

AUSTRALIAN MINERAL TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km ²)	Area (hectares)	Location / Property Name	State	Company's Interest
Bigrlyi South	Granted	EL 24879	15/08/06	14/08/12	82	260.5	26,050	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	15	34.95	3,495	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	
Mt James	Granted	E 09/1253	29/06/06	28/06/11	13	39	3,900	Mt James	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	E 09/1257	28/06/06	27/06/11	7	21	2,100	Injinu Hills	WA	100% held by Alara Operations Pty Ltd
	Granted	E 09/1258	29/09/06	28/09/11	13	39	3,900	Mortimer Hills	WA	100% held by Alara Operations Pty Ltd
Canning Well	Granted	E 46/629	02/08/05	01/08/10	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); subject to a farm-out agreement with Process Minerals International Pty Ltd, a subsidiary of ASX-listed Mineral Resources Limited
	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)
	Application	E46/801	01/10/2008	N/A	19	60	60,000	Canning Well	WA	100% (Alara Resources Limited)

Tenement Applications Withdrawn During the September 2010 Quarter:

Project	Status	Tenement	GRANT / APPLICATION DATE	Expiry Date	Area (Blocks)	Area (km ²)	Area (hectares)	Location / Property Name	State	Company's Interest
Kimberley Phosphate	Application	E 04/1855	14/08/08	N/A	150	490	48,992	Kimberley	WA	100% held by Alara Operations Pty Ltd
	Application	E 04/1856	14/08/08	N/A	45	146	14,649	Kimberley	WA	
	Application	E 04/1857	14/08/08	N/A	95	309	30,922	Kimberley	WA	
	Application	E 04/1858	14/08/08	N/A	75	245	24,456	Kimberley	WA	
	Application	E 04/1859	14/08/08	N/A	42	137	13,682	Kimberley	WA	
Roper Uranium	Application	EL 27620	02/09/09	N/A	14	46.58	4,650		NT	100% (Alara Resources Limited)



MINERAL CONCESSIONS

PERUVIAN MINERAL CONCESSIONS

Crucero Project:

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Lituania 1	01-02481-07	31 July 2007	600	29-X	Crucero	Carabaya	Puno
Lituania 2	01-02482-07	10 September 2007	1000	29-X	Crucero	Carabaya	Puno
Lituania 3	01-02483-07	25 September 2007	1000	29-X	Crucero	Carabaya	Puno
Lituania 8	10029708	27 June 2008	500	29-X	Putina	Sn. Antonio de Putina	Puno

Coasa Project:

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Cochacucho 1	01-02461-07	5 September 2007	800	28-V	Ituata/Coasa	Carabaya	Puno
Cochacucho 2	01-02463-07	31 July 2007	800	28-V	Coasa/Ituata	Carabaya	Puno
Cochacucho 3	01-02463-07	31 July 2007	800	28-V	Ituata/Coasa	Carabaya	Puno
Lituania 4	01-02484-07	5 September 2007	800	29-X	Coasa	Carabaya	Puno

Concessions Forfeited During the September 2010 Quarter

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Pampacolca 7	01-04637-07	29 August 2007 (application)	600	32Q	Aplao	Castilla	Arequipa

SECURITIES INFORMATION

as at 30 September 2010



ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options ⁷	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ⁸	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ⁸	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ⁹	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ⁹	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ¹⁰	-	400,000	400,000
Total	80,507,500	23,985,000	104,492,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ¹¹	No. of Options
27 July 2007	\$0.55 (27 July 2012) Options	\$0.55	26 July 2012	1/3 rd on 27 January 2008, 1/3 rd on 27 July 2008 and 1/3 rd on 27 January 2009	500,000
17 September 2008	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	16,400,000
17 September 2008	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	1,035,000
26 October 2009	\$0.60 (25 October 2014) Options	\$0.60	25 October 2014	100% on date of issue	1,000,000
30 November 2009					1,000,000
26 October 2009	\$0.35 (25 October 2014) Options	\$0.35	25 October 2014	100% on date of issue	1,650,000
30 November 2009					2,000,000
23 August 2010	\$0.35 (22 August 2015) Options	\$0.35	22 August 2015	100% on date of issue	400,000

⁷ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

⁸ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

⁹ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

¹⁰ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

¹¹ Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 30 September 2010



DISTRIBUTION OF ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,358	589,201	0.732
1,001	-	5,000	430	1,035,636	1.286
5,001	-	10,000	317	2,714,304	3.371
10,001	-	100,000	467	15,336,954	19.050
100,001	-	and over	104	60,831,405	75.560
Total			2,676	80,507,500	100%

TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1 *	STRIKE RESOURCES LIMITED	12,750,000	15.837
2 *	ORION EQUITIES LIMITED	9,332,744	11.592
3 *	KATANA ASSET MANAGEMENT LTD	3,060,000	
	MRS LISA SHALLARD AND MRS LINDA SALA TENNA	2,824,144	
	KATANA EQUITY PTY LTD <SALA TENNA FAMILY A/C>	520,000	
	KATANA EQUITY PTY LTD <CHARITY A/C>	605,000	
	BRW CONSULTING SERVICES PTY LTD	219,269	
	KB33 CAPITAL PTY LTD <CHARITY A/C>	100,000	
	KB33 CAPITAL PTY LTD	100,000	
	Sub-total	7,428,413	9.227
4	DATABASE SYSTEMS LIMITED	2,712,021	3.369
5	TWINLAND HOLDINGS PTY LTD	1,750,000	2.174
6	MR ROBERT GEMELLI	1,500,000	1.863
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,300,000	1.615
8	MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MISS CAROL ROBIN JONES <SCOPA FAMILY A/C>	1,250,268	1.553
9	HANOBINE HOLDINGS PTY LTD	1,164,369	1.446
10	MR ROBERT SPADANUDA <SUPER FUND A/C>	1,000,000	1.242
11	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>	1,000,000	1.242
12	BLUE CRYSTAL PTY LTD	829,751	1.031
13	MS ROSANNA DE CAMPO	800,000	0.994
14	RENMUIR HOLDINGS LIMITED	688,402	0.830
15	MRS KIERSTYN EDGAR	600,000	0.745
16	FOTI HOLDING PTY LTD	545,877	0.678
17	MR JOHN WILLIAM LLOYD FORREST <FORREST FAMILY A/C>	541,000	0.672
18	ZHIVAN PTY LTD <SUPER FUND A/C>	340,703	
	ZHIVAN PTY LTD	200,000	
	Sub-total	540,703	0.672
18	MIDAS INVESTMENTS (WA) PTY LTD <MIDAS INVESTMENTS A/C>	520,794	0.647
19	MR BRIAN PETER BYASS	518,537	0.644
20	MR DAVIDE PALERMO & MRS FRANCINE GINA PALERMO <D F PALERMO FAMILY TST A/C>	410,176	0.509
Total		47,183,055	58.582%

* Substantial shareholders

Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Alara Resources Limited and controlled entities

ACN or ARBN

122 892 719

Quarter Ended

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities

1.1 Receipts from product sales and related debtors

1.2 Payments for

(a) exploration and evaluation

(b) development

(c) production

(d) administration

1.3 Dividends received

1.4 Interest and other items of a similar nature received

1.5 Interest and other costs of finance paid

1.6 Income taxes paid

1.7 Other (provide details if material)

Net operating cash flows

Consolidated	
Current Quarter September 2010 \$' 000	Year to Date 3 months \$' 000
-	-
(153)	(153)
-	-
-	-
(563)	(563)
-	-
49	49
-	-
-	-
-	-
(667)	(667)

		Consolidated	
		Current Quarter September 2010 \$' 000	Year to Date 3 months \$' 000
1.8	Net operating cash flows (carried forward)	(667)	(667)
Cash flows related to investing activities			
1.9	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.14	Total operating and investing cash flows	(667)	(667)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(667)	(667)
1.21	Cash at beginning of quarter/year to date	4,332	4,332
1.22	Exchange rate adjustments to item 1.20	(96)	(96)
1.23	Cash at end of quarter	3,569	3,569

**Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the
related entities**

	Current Quarter September 2010 \$' 000
1.24 Aggregate amount of payments to the parties included in item 1.2	(127)
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

Financing facilities available

	Amount available \$' 000	Amount used \$' 000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		Next Quarter \$' 000
4.1	Exploration and evaluation	(500)
4.2	Development	-
4.3	Production	-
4.4	Administration	(500)
Total		(1,000)

Reconciliation of cash

Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Consolidated	
	Current Quarter \$' 000	Previous Quarter \$' 000
5.1 Cash on hand and at bank	2,501	764
5.2 Deposits at call	1,068	3,568
5.3 Bank overdraft	-	-
5.4 Other (Bank Bills)	-	-
Total: cash at end of quarter (item 1.22)	3,569	4,332

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (4))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Quarterly Activities Report		
6.2	Interests in mining tenements acquired or increased	Refer to Quarterly Activities Report		

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (see note 5) (cents)	Amount paid up per security (see note 5)
7.1 Preference securities+				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities+	80,507,500	80,507,500	25 cents	25 cents
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities+				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted \$0.55 (26 July 2012) Employee's Options	500,000	-	55 cents	26 July 2012
Unlisted \$0.35 (16 September 2013) Executive Directors' Options	16,400,000	-	35 cents	16 September 2013
Unlisted \$0.35 (26 July 2012) Employees' Options	1,035,000	-	35 cents	16 September 2013
Unlisted \$0.35 (25 October 2014) Employee's and Director's Options	3,650,000	-	35 cents	25 October 2014
Unlisted \$0.60 (25 October 2014) Employee's and Director's Options	2,000,000	-	60 cents	25 October 2014
7.8 Issued during quarter				
Unlisted \$0.35 (22 August 2015) Employee's Options	400,000	-	35 cents	22 August 2015
7.9 Exercised during quarter				
7.10 Cancelled during quarter				
Unlisted \$0.35 (16 September 2013) Non-Executive Director's Options	900,000	-	35 cents	16 September 2013
7.11 Debentures (totals only)				
7.12 Unsecured notes				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



25 October 2010

Victor Ho
Company Secretary

Notes:

The Company currently holds the following listed share investments:

	30-Sep-10
	Market Value
Shares (Other)	\$1,822,683
	<u>\$1,822,683</u>

Share investments are regarded as liquid assets to supplement the Company's cash reserves.

+ See Chapter 19 for defined terms

NOTES

- 1) The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note
- 2) The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent
- 3) Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4) The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5) Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6) The Company holds foreign currencies denominated in US dollars and Peruvian Nuevo Soles. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 30 September 2010.