



**Alara Resources Limited**  
A.B.N. 27 122 892 719  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000

Telephone | +61 8 9214 9787  
Facsimile | +61 8 9322 1515

Web | [www.alararesources.com](http://www.alararesources.com)  
Email | [info@alararesources.com](mailto:info@alararesources.com)

Monday, 5 September 2011

# MARKET ANNOUNCEMENT

## Drilling Update - Khnaiguiyah Zinc-Copper Project

Alara Resources Limited (ASX: AUQ) refers to its announcement dated 29 July 2011 providing an update of assay results from recently completed drill-holes in Zone 2 of the Khnaiguiyah Zinc-Copper Project in Saudi Arabia (the **Project**).

The Company is now pleased to provide assay results from six recently completed drill-holes in Zone 3, together with an update on metallurgical test work undertaken as part of the Project's Definitive Feasibility Study (**DFS**). The DFS is targeted for completion in Q1 2012.

### HIGHLIGHTS

- Assay results from recently completed drill-holes in Zone 3 continue to correlate with historic holes, confirming historically reported high grade zinc-copper mineralisation:
  - K3DD11\_039 :** 84 m @ 13.3 % Zn and 0.39 % Cu from 71m, including 19m @ 30.39 % Zn and 0.95 % Cu
  - K3DD11\_032 :** 65m @ 9.86% Zn and 1.24% Cu from 122m, including 12m @ 15.31 % Zn and 3.09 % Cu
  - K3DD11\_035 :** 35m @ 7.65 % Zn and 0.18 % Cu from 84m, including 3m @ 38.6 % Zn and 0.87 % Cu and, 21m @ 7.03 % Zn and 0.16 % Cu from 125m, including 1m @ 44.4 % Zn and 0.78 % Cu
  - K3DD11\_030 :** 54m @ 8.33% Zn and 0.39% Cu from 82m, including 9m @ 20.19 % Zn and 1.52 % Cu and, 13m @ 7.39% Zn and 1.27% Cu from 168m, Including 6m @ 2.06 % Cu
  - K3DD11\_022 :** 7m @ 5.45% Zn and 0.22% Cu from 107m, and, 21m @ 2.32% Cu from 132m
  - K3DD11\_031 :** 9m @ 8.68% Zn and 0.47% Cu from 155m, including 6m @ 11.75 % Zn and 0.59 % Cu
- Metallurgical testwork on Zone 2 samples indicates potential for zinc and copper recoveries in excess of 90%.

ASX Code | AUQ



**DRILLING PROGRAMME**

The drilling programme at the Khnaiguiyah Project, which commenced at the end of February, is continuing with 5 drilling rigs comprising 4 core drilling rigs and 1 reverse circulation (RC) rig. A second RC rig is proposed to be mobilised in September.

A total of 82 holes for approximately 11,473m have been completed to date. Contracts for a total 35,000m of drilling have been awarded.

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

Drill core samples are being submitted to the ALS Laboratory in Jeddah, Saudi Arabia for sample preparation and Alara’s quality control sample inserts. After quality control inserts, pulp samples are dispatched to an ALS hub in Europe for assay.

There are currently more than 700 samples in the ALS Laboratories awaiting analysis. As results of these samples are received, collated and analysed, the Company will continue to provide regular updates to the market.

**DRILLING RESULTS**

Five of the six holes reported in this announcement were drilled to verify high grade zinc-copper mineralisation in historic BRGM and Ma’aden drilling conducted in Zone 3. The results are encouraging as they correlate with historical drilling and confirm the high grade zinc-copper mineralisation reported in the historic drill-holes.

The sixth hole, K3DD11\_031, was drilled as a step-out hole with the objective of extending the mineralisation. The results confirm the extension of mineralisation at depth in the dip direction to the west of historic drillhole K97\_157, indicating extension of mineralisation down-dip to the North-West.

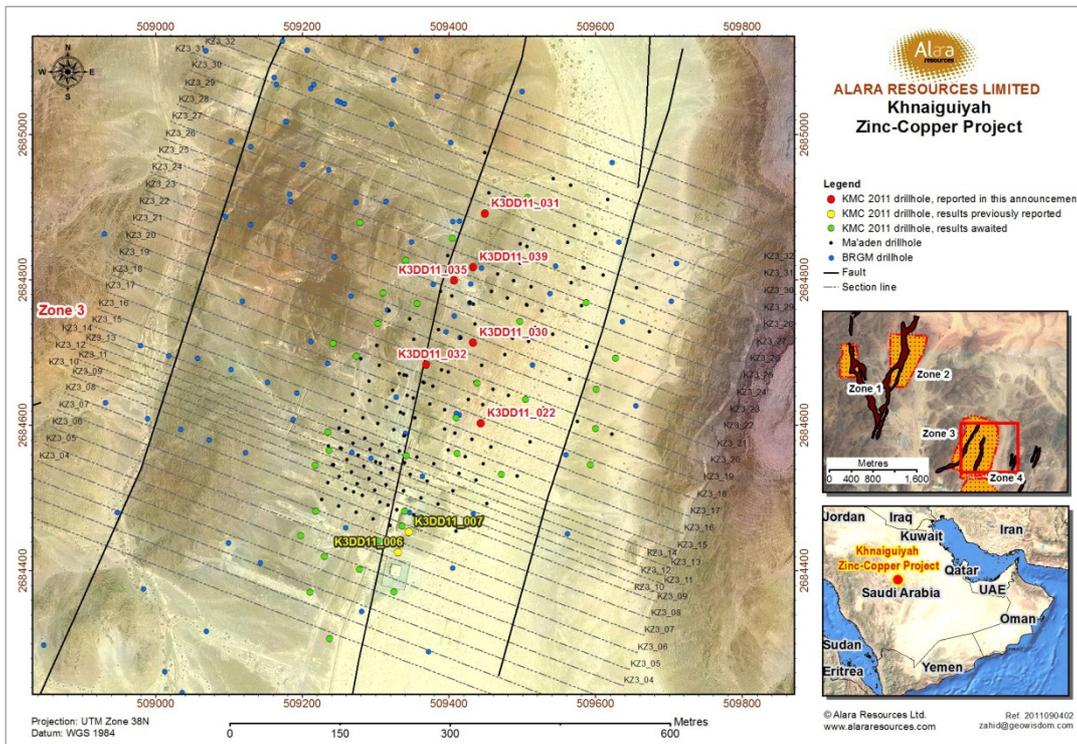


Figure 1: Mineralised Zone 3 Drill Hole Locations

Furthermore, rich zones of copper have been identified in holes K3DD11\_022 (**21m @ 2.32% Cu**) and K3DD11\_030 (**6m @ 2.06 % Cu**) outside of the high-grade Zinc intersections, which indicates the potential for further high grade copper mineralisation.

A complete tabulation of intersection results from these 6 drill holes is presented in Table 1 below.

## **DEFINITIVE FEASIBILITY STUDY**

The Khnaiguiyah DFS is targeted for completion in Q1 2012.

Key DFS activities currently progressing are:

- preparation of a JORC compliant resource estimate for the two main mineralised zones (Zone 2 and Zone 3);
- metallurgical testwork on a master composite on Zone 2;
- variability composites for both Zones 2 and 3;
- an intensive field programme covering various environmental surveys and hydrological testing; and
- general engineering and infrastructure activities.

It is anticipated that in the next few weeks grinding and flotation process design criteria will be delivered to Ausenco, thereby commencing the plant process design process for the Khnaiguiyah DFS.

### **Metallurgical Testwork – Zone 2**

Initial locked cycle flotation test work results from the metallurgical testwork programme on Zone 2 master composite, based on a relatively coarse primary grind product size of P80 < 106µm, appear highly encouraging, with;

- favourable kinetics and recoveries consistently in excess of 87% for copper and 91.5% for zinc; and
- resulting concentrate grades of around 30% for Cu and 57% for Zn.

Testwork optimisation has now commenced, aimed primarily at maximising copper recovery and reducing the presence of zinc in the copper concentrate.

Initial indications based on comminution data in hand are that the Khnaiguiyah DFS ores are of moderate hardness of the order of 14kWh/t energy requirement during grinding.

TABLE 1. MINERALISED ZONE 3 - SIGNIFICANT DRILLHOLE INTERSECTIONS - AUGUST 2011								
Drillhole Id	Intersections	Significant Mineralisation			Zinc Rich Zone		Copper Rich Zone	
		From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K3DD11_022	Primary	107	131	24	3.8	0.32		
	Inclusion 1	107	114	7	5.45	0.22		
	Inclusion 2	117	124	7	5.37	0.19		
	Primary	113	167	54			1.14	1.12
	Inclusion 1	132	153	21			2.32	0.03
K3DD11_030	Primary	82	136	54	8.33	0.39		
	Inclusion 1	110	119	9	20.19	1.52		
	Inclusion 2	123	128	5	29.9	0.85		
	Primary	109	128	19			0.98	18.73
	Inclusion 1	115	119	4			2.82	24.54
	Primary	168	181	13			1.27	7.39
	Inclusion 1	171	172	1			0.73	18.35
	Inclusion 2	172	178	6			2.06	1.41
K3DD11_031	Primary	155	164	9	8.68	0.47		
	Inclusion 1	158	164	6	11.75	0.59		
K3DD11_032	Primary	122	187	65	9.86	1.24		
	Inclusion 1	122	136	14	17.85	0.47		
	Inclusion 2	151	156	5	14.84	0.85		
	Inclusion 3	159	171	12	15.31	3.09		
K3DD11_035	Primary	84	119	35	7.65	0.18		
	Inclusion 1	101.5	104.5	3	19.73	0.50		
	Inclusion 2	106	109	3	38.6	0.87		
	Primary	125	146	21	7.03	0.16		
	Inclusion 1	134	146	12	10.89	0.26		
	Inclusion 2 (included in inclusion 1)	137.7	138.7	1	44.4	0.78		
K3DD11_039	Primary	71	155	84	13.3	0.39		
	Inclusion 1	71	75	4	20.3	0.44		
	Inclusion 2	90	94	4	25.5	1.27		
	Inclusion 3	104	123	19	30.39	0.95		

#### FURTHER INFORMATION:

Shanker Madan  
Managing Director  
T | (08) 9214 9787  
E | smadan@alararesources.com

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.