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MARKET ANNOUNCEMENT

Drilling Update – Khnaiguiyah Zinc Copper Project, Saudi Arabia

RECENT DRILLING HIGHLIGHTS

Drilling programme with 3 rigs currently engaged in Definitive Feasibility Study (DFS) works is being expanded to focus on expanding the size of the resource at the Khnaiguiyah Zinc Copper Project in the Kingdom of Saudi Arabia (**Project**). An additional 2 rigs are being mobilised to expand the resource and as validation and other DFS drilling tapers off, 4 drilling rigs will progressively be deployed towards resource expansion within the next two months.

Results from the first two step-out drill holes on Mineralised Zone 3 have been received and are exceptionally encouraging and summarised below:

K3DD11_006

- **48m at 5.84% Zn from 44m including a zone of 4m at 26% Zn from 85m**
- **10m at 12.99% Zn from 83m, includes highest recorded assay of 1m at 43.6% Zn from 87m**

K3DD11_007

- **5m at 6.58% Zn from 37m including a zone of 4m at 7.56% Zn**
- **10m at 0.6% Cu from 41m including a zone of 3m at 1.01% Cu**

Mapping of Mineralised Zone 2 has also been completed and indicates that host rock extends for another 600m before it disappears under a shallow cover of recent sediments.

Drilling Programme

The Company refers to its market announcement dated 10 March 2011¹ where it confirmed the commencement of a drilling programme at the Khnaiguiyah Project.

This 5000m, 40 drill hole programme was designed to build upon extensive historical drilling of over 45,000 meters in 345 RC and diamond drill holes conducted within the Project over the last 40 years. The programme is an integral component of the Project DFS and has 4 components:

- Procurring of samples for Metallurgical Test work;
- Resource validation holes;
- Procurring of samples for Geotechnical analysis; and
- Resource extension holes.

¹ Refer Alara [ASX market announcement dated 10 March 2011 and entitled "Commencement of Drilling – Khnaiguiyah Zinc Copper Project, Saudi Arabia"](#)



At present there are 3 diamond core rigs drilling on site. As a consequence of the matters set out below, the Company has reviewed this programme with a view to significantly increasing the drill programme with respect to resource extension.

Resource Extension Holes : Mineralised Zone 3

The Company is pleased to confirm that it has recently received the results from the first two diamond holes drilled to confirm the extension of Mineralised Zone 3, which comprises the major mineralised body of the Project.

K3DD11_006

- 48m at 5.84% Zn from 44m including a zone of 4m at 26% Zn from 85m.
- 10m at 12.99% Zn from 83m, includes highest recorded assay of 1m at 43.6% Zn from 87m.

K3DD11_007

- 5m at 6.58% Zn from 37m including a zone of 4m at 7.56% Zn; and
- 10m at 0.6% Cu from 41m including a zone of 3m at 1.01% Cu

A map outlining the location of these two drill holes is attached to this announcement.

This step-out drilling to the south-east of Mineralised Zone 3 has extended the mineralisation by approximately 50m, with the hole furthest from the deposit (K3DD1_006) intersecting exceptionally high thickness of zinc mineralisation starting at a relatively shallow depth of 44m from the surface.

The Company is very encouraged by these results as they relate to the main mineralised body of the Project and indicate an extension of the mineralisation beyond historically outlined parameters.

In particular, the Company is pleased by the thick intersections of high grade zinc at relatively shallow depths of less than 100m.

It is also noted that K3DD11_007 indicated the presence of significant copper grades as a continuation of the zinc mineralisation.

Mineralised Zone 2 Mapping

As part of the process of resource extension for the Project, the Company has recently completed geological mapping of Mineralised Zone 2, which lies approximately 1km from Mineralised Zone 3.

Mapping has indicated that the host rock of Mineralised Zone 2 extends by at least 600m to the north at which point it disappears beneath recent sediments.

The current drilled area of Mineralised Zone 2 is approximately 700m by 200m. The mapping of this additional host rock therefore leaves the Company encouraged that the potential exists for further resource delineation at Mineralised Zone 2.

Increase in Drilling Programme: Resource Extension

Based upon the results of the further works undertaken for Mineralised Zone 2 and Mineralised Zone 3, the Company has determined to increase the drilling programme allocated to resource extension by the deployment of a further 2 rigs to the Project.

These rigs will be in addition to one of the diamond rigs that is currently working on resource extension, thereby having 3 full time rigs applied towards the objective of significantly increasing the size of the total Project resource. As the DFS drilling tapers off in the next 2 months, an additional drilling rig will be deployed towards resource expansion.

Upon deployment, the Company will have a total of 4 rigs underway applied towards resource extension work and one rig applied towards resource validation, sterilisation and geotechnical test work.

DFS Test work and Analysis

The Company confirms that metallurgical and geotechnical test work and resource validation required for the DFS is well underway. A total of 14 diamond holes have been drilled to date comprising 5 large diameter metallurgical holes, 2 geotechnical test work holes and 5 resource validation.

More than 2.5 tonnes of core material for metallurgical test work from Mineralised Zone 2 has already been airfreighted to Perth for test work at AMMTEC Laboratories. The test work commenced a week ago and is currently in progress.

The Company will continue to keep the market updated as these works progress.

For Further Information:

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The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The 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.

