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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 BRGM[1], the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as follows[2]:

> **"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.

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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.

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 1993[4].
- 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.

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

Licencing 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.

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

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*

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.

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

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;

(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:

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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.

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 radium 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 as 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.

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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.

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.

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[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)

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).

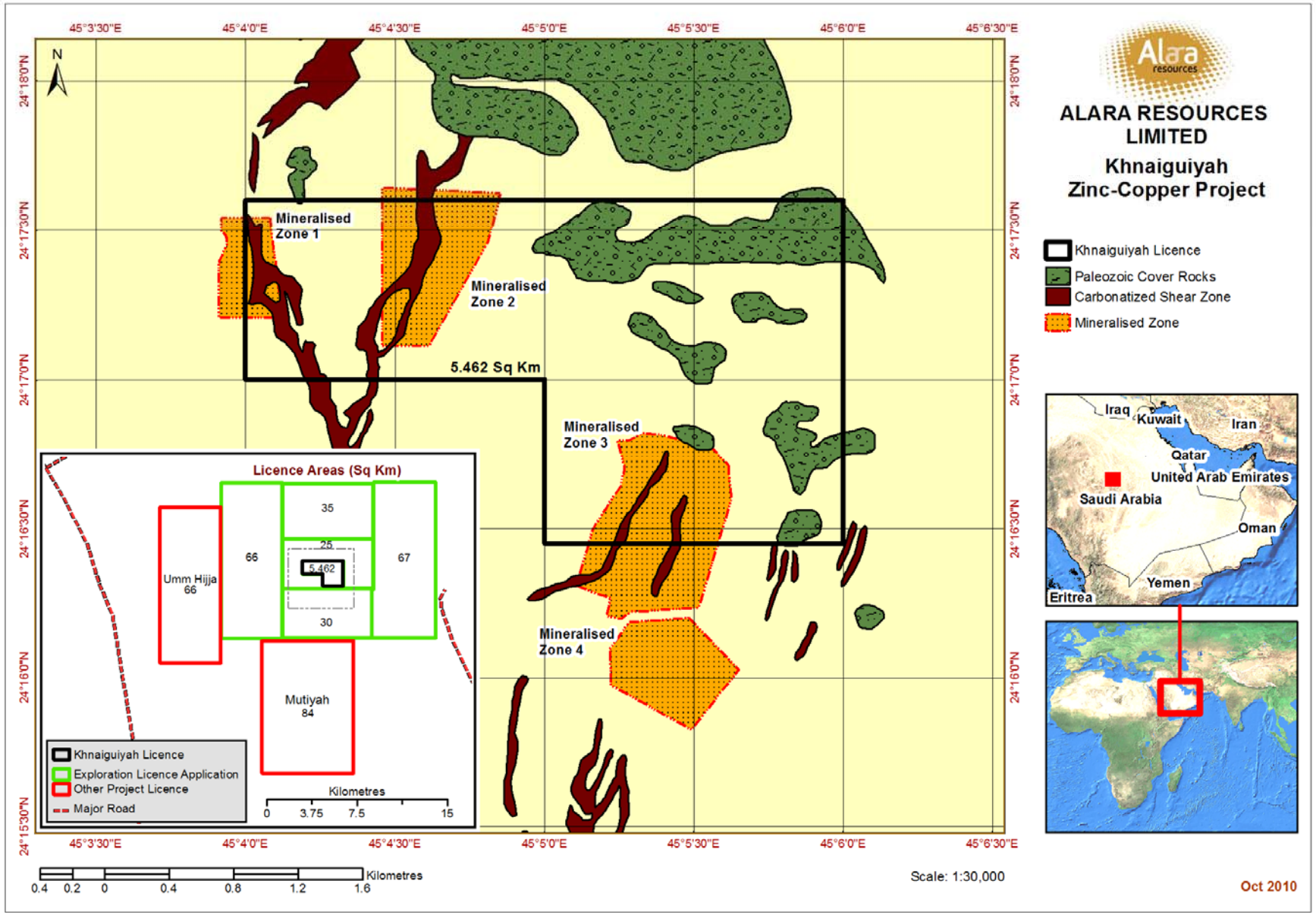
In the case of the largest mineralised zone 3 where underground mining is potentially proposed, a minimum required true thickness of 2.5m plus 0.5m for dilution was assumed. For the open-pit mine proposed for mineralised zones 1, 2 and 4, a minimum thickness of 2.0m plus 0.5m for dilution was selected. 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

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



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 Manajem 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

<table>
<tr><td></td><td>evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

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.

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.

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.</td></tr>
<tr><td>“in-place reserves”: economic “drill-measured resources”, including “minable reserves”</td><td>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.</td></tr>
<tr><td>“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)</td><td>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.

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.</td></tr>
</table>

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).