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ASX/MEDIA RELEASE

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Drilling Update – Khnaiguiyah Zinc-Copper Project

Perth: Australian-based minerals exploration and development company Alara Resources Limited (ASX: **AUQ**) (“Company”) is pleased to report the results from an ongoing drilling programme at its Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

The drilling results announced today confirm the possibility of significant additional mineralisation to the JORC Resource¹ announced on [21 February 2012](#) and represent a progressive update on the Company’s 10,000m backlog of additional drilling conducted since the drilling cut-off date of 22 November 2011 for the JORC Resource estimation from the Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

Alara is pleased to announce the drilling results covering a total of 27 holes including an additional 15 holes from Zone 2 and a second batch of results from Zone 1 comprising 12 holes. These results are outside the resource area and confirm additional mineralisation by Zone 1 and Zone 2 (North extension).

Drilling is continuing in Zones 1 and 2 to explore mineralised extensions the results of which will be announced in the following months.

DRILLING HIGHLIGHTS

ZONE 1:

- Hole K1RC11_188 from 27–34m: 7m at 8.32% Zn; 0.21% Cu
- Hole K1RC11_189 from 27–32m: 5m at 7.7% Zn; 0.15% Cu
and 40–44m: 4m at 13.21% Zn; 0.15% Cu
- Hole K1DD11_190 from 19–26m: 7m at 9.02% Zn; 0.38% Cu
- Hole K1DD11_193 from 62–67m: 5m at 7.69% Zn; 0.57% Cu

ZONE 2:

- Hole K2DD11_159 from 50–62m: 12m at 7.18% Zn; 0.11% Cu
- Hole K2DD11_167 from 159.45–168m: 8.55m at 7.65% Zn; 0.08% Cu
- Hole K2DD11_157 from 23–26m: 3m at 5.69% Zn; 0.15% Cu

ZONE 2 (Copper Rich Zone):

- Hole K2DD11_158 from 105–115m: 10m at 0.59% Cu
- Hole K2DD11_161 from 132–148m: 16m at 1.31% Cu
including 138–143m: 5m at 2.5% Cu
- Hole K2DD11_162 from 150–167m: 17m at 0.51% Cu
- Hole K2RC11_160 from 177–184m: 7m at 1.4% Cu
including 181–183m: 2m at 3.32% Cu

¹ The measured, indicated and inferred JORC Code compliant resource at Khnaiguiyah ([21-Feb-12](#)) comprises 26.4Mt at 3.9% Zn and 7.0Mt at 0.8% Cu for 1,035,948 t Zn (2,284m lbs) and 56,376 t Cu (124m lbs) respectively.

The results of Zone 1 continue to confirm mineralisation at shallow depths and similar in grade as that in Zones 2 and 3.

In Zone 2, holes K2DD11_167 and K2DD11_168 drilled confirms extension of mineralisation outside current resource area in North East direction. Mineralisation is open in North East direction.

A complete tabulation of intersection results along with maps indicating the location of these holes in Zones 1 and 2 are attached (refer *Figure 1* and *Table 1* for Zone 1 and refer *Figure 2* and *Table 2* for Zone 2).

It is noted that drill intercepts are reported as drilled; true thicknesses will be calculated at the interpretation and resource modelling stage. The drill intersections are almost perpendicular to mineralisation and no significant difference is expected in true and intersection thickness.

Alara Resources' Managing Director, Shanker Madan, said: "These latest results confirm the additional mineralisation within Zones 1 and 2 and give us further confidence surrounding the potential feasibility and scale of the Khnaiguiyah Zinc-Copper Project."

DRILLING STATUS

The Company is continuing the infill and step-out drilling to extend mineralisation in Zone 1 and other Zones with a view to identifying additional mineralisation prior to the completion of the Khnaiguiyah DFS in Q2 2012. Since the commencement of the Khnaiguiyah Zinc-Copper Project drilling programme, Alara has completed a total of 260 holes to 33,078 metres.

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and development company with a diverse portfolio of projects in Saudi Arabia, Oman, Chile, and Australia.

With a strong pipeline of advanced and early stage projects, Alara is moving towards establishing itself as an emerging base and precious metals development company.

For more information, please visit: www.alararesources.com.

NOTE

JORC Code Competent Person Statements

The information in this announcement that relates to Mineral Resources within Mineralised Zones 2 and 3 of the Khnaiguiyah Project is based on information compiled by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Guibal consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Exploration Results pertaining to the Khnaiguiyah Project and Mineral Resources within Mineralised Zone 4 of the Khnaiguiyah Project is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr Sharma is a principal consultant to Alara Resources Limited. Mr Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Sharma consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

APPENDIX

Figure 1: Drill-hole locations in Mineralised Zone 1

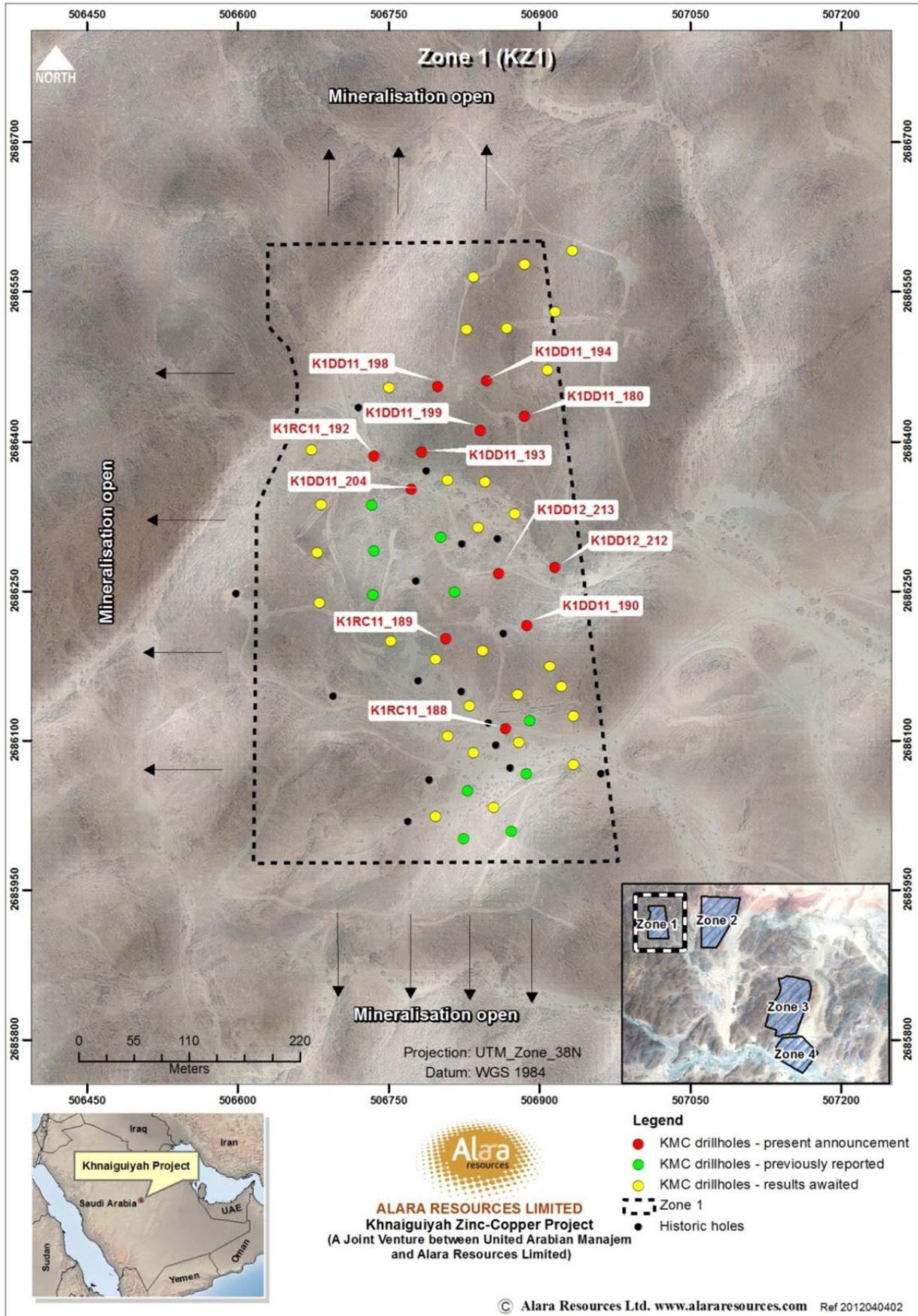


Table 1: Summary of Intersection Results for Zone 1

MINERALISED ZONE 1 (K1) - SIGNIFICANT DRILLHOLE INTERSECTIONS								
Drill Hole	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
	Intersections	From (m)	To (m)	Length (m)	Zn%	Included	Cu%	Included
K1RC11_188	Primary	2	22	20	2.90	0.07		
	Inclusion	11	12	1	6.12	0.12		
	Primary	27	34	7	8.32	0.21		
	Inclusion	30	31	1	27.57	0.28		
	Primary	6	8	2			0.28	2.10
	Primary	29	31	2			0.49	17.70
K1RC11_189	Primary	27	32	5	7.70	0.15		
	Inclusion	28	29	1	18.77	0.26		
	Primary	40	44	4	13.21	0.15		
	Primary	26	29	3			0.30	10.10
	Primary	42	43	1			0.26	15.06
	Primary	59	60	1			0.72	0.04
K1RC11_192	Primary	65	80	15	3.68	0.20		
	Inclusion	66	68	2	9.27	0.33		
	Primary	67	68	1			0.56	9.58
	Primary	71	75	4			0.22	1.56
	Primary	78	79	1			0.88	1.83
	Primary	81	83	2			0.88	0.05
K1DD11_180	Primary	22	27	5	3.67	0.22		
	Inclusion	22	25	3	3.53	0.32		
	Primary	55	57	2	2.75	0.21		
K1DD11_190	Primary	1	9	8	3.97	0.09		
	Inclusion	4	5	1	6.40	0.24		
	Primary	19	26	7	9.02	0.38		
	Inclusion	19	21	2	14.06	0.29		
	Inclusion	24	26	2	4.08	0.64		
K1DD11_193	Primary	28	29	1	2.75	0.02		
	Primary	62	67	5	7.69	0.57		
	Inclusion	64	65	1	15.79	1.04		
	Inclusion	66	67	1	0.11	0.27		
K1DD11_198	Primary	62	69	7	4.11	0.19		
	Inclusion	64	65	1	11.11	0.50		
K1DD11_199	Primary	42	43	1	2.82	0.14		
	Primary	45	46	1	2.00	0.07		
	Primary	61	62	1			0.62	0.17
	Primary	63	64.1	1.1	4.25	0.11		
	Primary	65	67	2			0.47	0.39
K1DD11_194	Primary	37.4	41	3.6	3.64	0.15		
	Inclusion	40	41	1	8.65	0.47		
K1DD11_204	Primary	47	49	2	3.57	0.22		
	Inclusion	48	49	1	4.76	0.24		
	Primary	59.75	61	1.25			0.62	0.04
K1DD12_212	Primary	0	6	6	3.97	0.18		
	Inclusion	0	3.5	3.5	5.32	0.17		
	Inclusion	3.5	4	0.5	3.48	0.64		
K1DD12_213	Primary	12	13	1	2.41	0.01		
	Primary	17	19	2	2.50	0.08		
	Primary	23.1	24.2	1.1	4.27	0.57		

Figure 2: Drill-hole locations in Mineralised Zone 2

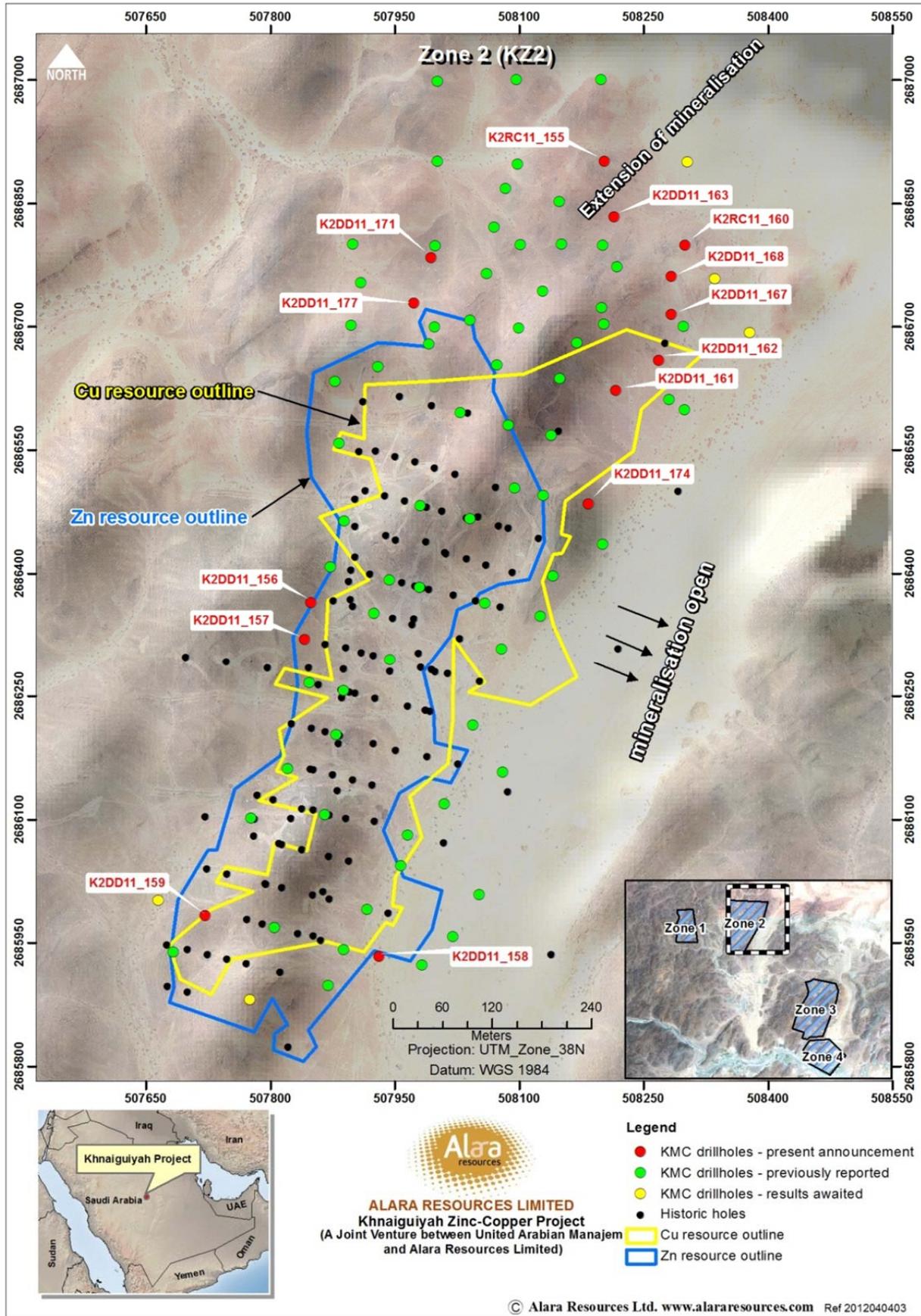


Table 2: Summary of Intersection Results for Zone 2

MINERALISED ZONE 2 (K2) - SIGNIFICANT DRILLHOLE INTERSECTIONS								
Drill Hole	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
	Intersections	From (m)	To (m)	Length (m)	Zn%	Included	Cu%	Included
K2DD11_156	Primary	9	23	14	2.50	0.07		
	Inclusion	13	14	1	5.84	0.21		
	Primary	22	24	2			0.68	1.96
K2DD11_157	Primary	23	26	3	5.69	0.15		
	Inclusion	24	25	1	7.17	0.17		
	Primary	25	30	5			0.43	0.82
	Inclusion	26	27	1			0.96	0.52
K2DD11_158	Primary	70	73	3	3.08	0.06		
	Primary	107.75	119	11.25	4.63	0.26		
	Inclusion	111	114	3	8.96	0.43		
	Primary	105	115	10			0.59	3.90
	Inclusion	106	107.75	1.75			1.54	0.33
	Primary	120	121	1			0.43	0.05
K2DD11_159	Primary	50	62	12	7.18	0.11		
	Inclusion	54	56	2	18.67	0.32		
K2DD11_161	Primary	126	134	8	3.47	0.08		
	Inclusion	130	131	1	7.02	0.04		
	Primary	132	148	16			1.31	0.20
	Inclusion	138	143	5			2.50	0.03
K2DD11_162	Primary	150	167	17			0.51	0.03
	Inclusion	155	157	2			1.26	0.03
	Inclusion	159	160	1			1.98	0.03
K2DD11_167	Primary	159.45	168	8.55	7.65	0.08		
	Inclusion	166	168	2	11.10	0.18		
	Primary	168	168.7	0.7			1.29	0.05
K2DD11_168	Primary	151	161	10	3.90	0.07		
	Inclusion	157	158	1	8.84	0.09		
	Primary	166	167	1			0.20	0.04
	Primary	171	173	2			0.24	0.03
K2DD11_163	Primary	66	67	1	3.10	0.01		
	Primary	76	77	1	7.01	0.05		
	Primary	81	82	1	2.09	0.01		
	Primary	89	90	1			0.35	0.05
K2DD11_174	Primary	119.25	123	3.75	3.62	0.11		
	Primary	112	113	1			0.22	0.10
	Primary	125	126	1			0.24	0.10
	Primary	131	134	3			0.80	0.10
	Primary	147	149	2			0.37	0.10
K2DD11_177	Primary	31	32	1	2.25	0.02		
K2RC11_155	Primary	47	50	3	2.37	0.40		
	Primary	52	53	1	5.48	0.21		
	Primary	60	63	3	4.51	0.07		
	Primary	47	49	2			0.57	2.31
	Primary	84	85	1			0.73	0.15
K2RC11_160	Primary	169	178	9	4.41	0.11		
	Inclusion	176	177	1	8.41	0.04		
	Primary	177	184	7			1.40	0.67
	Inclusion	181	183	2			3.32	0.19
K2DD11_171	Primary	35	35.35	0.35			0.85	0.02

Note: Hole K2DD11_150 has no significant mineralisation