



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.au
Email | info@alararesources.com.au

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MARKET ANNOUNCEMENT

Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia

Alara Resources Limited is pleased to announce that the Mining License for the Khnaiguiyah Zinc Copper project (the **Project**), located in the Kingdom of Saudi Arabia, has been granted.

The Mining License, issued by the Ministry of Petroleum and Mineral Resources (the **Ministry**), is for a 30 year term and provides the exclusive right to mine and exploit Zinc, Copper, Gold and Silver from the license area.

Material conditions attached to the Mining License are as follows:

- 30 year exclusive term for the mining of Zinc, Copper, Gold and Silver from the license area;
- No mineral royalties are payable (the corporate tax rate in the Kingdom of Saudi Arabia is 20%);
- An environmental impact assessment and economic feasibility study must be submitted to the Ministry prior to the commencement of mining; and
- Preference must be given to domestic zinc smelters for long term offtake agreements at market prices based upon the price of zinc according to the London Metal Exchange.

The Mining License has been granted to Manajem, Alara's joint venture partner, who currently hold the mineral concessions (the **Concessions**) of the Project. A joint venture company, Khnaiguiyah Mining Company, is currently in the process of being registered in Saudi Arabia in which Alara and Manajem each have a 50% shareholding interest. Once this company is established, a transfer of the Concessions and the Mining License from Manajem to the joint venture company will be effected.

Alara's Managing Director, Shanker Madan said,

"This is excellent news for the shareholders of Alara. The Company congratulates Manajem, its partner in the Khnaiguiyah Mining Project, in achieving this significant milestone less than two months after entering into the joint venture with Alara.

"In this short space of time, the Company has also put in place a management team comprising General Manager Projects, Chief Geologist and the supporting geological team and commenced the feasibility study programme of works. The Company is also very close to finalising the appointment of consultants for resource modelling, mine design, additional metallurgical test works as well as conducting the definitive feasibility studies.

"Drilling for metallurgical test work samples, limited validation holes and enlarging the resource base is proposed to commence in the first half of January".

FOR FURTHER INFORMATION:

Shanker Madan
Managing Director
T | +61 8 9214 9787
E | smadan@alararesources.com.au

ASX Code | **AUQ**

