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ASX/MEDIA RELEASE

Wednesday, 21 January 2015

KHNAIGUIYAH PROJECT – UPDATE ON LEGAL MATTER

Perth: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) wishes to provide an update on the previously reported[1] legal matter in relation to the Khnaiguiyah Zinc-Copper Project in Saudi Arabia (**Project**).

At a very brief follow-up hearing of the Board of Grievance[1] (13 January 2015) Alara submitted four specific counter claims in response to its joint venture partner Manajem's claim and requested the Board enjoin the two sets of claims going forward. No further activity happened at this session with the next meeting on the matter to take place in approximately two months' time (date unspecified as of yet).

Alara notes that Manajem has still failed to substantiate their claim.

The disposal of this matter may take a period of time. The Company will report on the matter when it is concluded or should a material event occur in the interim.

– ENDS –

For further information, please contact:

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and mine development company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an Advanced Scoping Study on its Daris/Washihi Copper-Gold Project in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company. For more information, please visit: www.alararesources.com.

[1] Refer ASX market announcements dated 18 November and entitled "Khnaiguiyah Project – Update on Legal Matters" and dated 13 November 2014 and entitled "Khnaiguiyah Project Update"