

ASX/MEDIA RELEASE

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PROJECT UPDATE: POTENTIAL BREAKTHROUGH ON KHNAIGUIYAH PROJECT

Alara Resources Limited (ASX: AUQ) (Alara or Company) announces that it has received credible reports from concerned persons to the effect that the mining license for the Khnaiguiyah Zinc-Copper Project (the 'Project'), held by the United Arabian Mining Company LLC ('Manajem'), has been cancelled¹.

Under applicable Saudi mining regulations, Manajem will have 60 days to appeal the cancellation. The Company understands that Manajem intends to appeal.

If the cancellation is ultimately effective, the consequences include:

- A requirement that the Company adjust its balance sheet to reflect losses associated with the cancellation of the license; and
- A choice or the optionality to:
 1. Help Manajem seek to regain its license, provided a way can be found to secure Alara's interests in the Project; and/or
 2. Pursue Alara's interests relative to the Project through its joint venture with Bayan Mining LLC ('Bayan') or otherwise.

Earlier this year, Alara entered into a "Plan B" joint venture agreement with Bayan, under which Alara and Bayan would team to secure a licensed interest in the Project and other projects in the Kingdom.²

Company Chairman Jim Phipps welcomed the news of the cancellation, saying that:

"This is a necessary step to enable this project to move forward. The cancellation of the Khnaiguiyah mining license represents the moving aside of a major road block and is a breakthrough moment for Alara. We can now move forward unimpeded to compete for this and other mining opportunities in Saudi Arabia, where the environment for foreign investment in the mining sector is set to improve³. We enjoy the unique competitive advantage of possessing a Definitive Feasibility Study for this project, in which Alara invested over US\$20 Million and two years of precious time. With this study, any licensee working with Alara would save significant

¹ Note: As Manajem defaulted on its obligation to contribute the mining license to the SAGIA-licensed joint venture Khnaiguiyah Mining Company LLC, in which Alara holds an equity interest, Alara will not receive formal notice of the cancellation.

² Refer ASX Announcement dated 20 August 2015: "Alara and Bayan to extend framework agreement to include Khnaiguiyah Sites."

³ Recent developments are noted below.

