

ASX/MEDIA RELEASE

Friday, 12 August 2016

PROJECT UPDATES

Alara Resources Limited (ASX: AUQ) (Alara or Company) is pleased to provide the following updates.

AL HADEETHA COPPER-GOLD PROJECT (OMAN)

Oman is currently experiencing some extraordinary developments with the Government promoting and prioritizing development of the mining industry.

Moves by Omani sovereign wealth funds to further develop the mining industry through the establishment of Mining Development Oman were announced earlier in the year. MDO has been capitalised with 60 million Omani Riyal (AUD \$200 million) initially and plans to raise a further 40 million Riyal through IPO on the Muscat Securities Market before the end of the year.

Late last year the Public Authority for Mining in Oman submitted a draft of the new mining law for approval by relevant ministries. The new law is expected to help attract investment to develop the mining sector into a major contributor to the country's gross domestic product.

The mining sector is also preparing for an international mining and minerals conference, to be held in Muscat in January, which aims to ignite the industry.

Overall, the environment bodes well for Alara's plans to develop a low cost copper- gold project at Washihi.

The Project is well on track, with progress being made in the following key areas:

Washihi Mining Licence

A meeting with Public Authority of Mining, Oman is scheduled for the last week of August. This will provide a timely opportunity to positively address the Project's position on environment and community issues, plus highlight key findings from the feasibility study and downstream benefits that will flow from the Project.

Washihi's Indicated Resource can be converted into a Reserve only after a Mining Licence is issued. The Washihi Mining Licence Application was first submitted in April 2013. Since that time it has passed through various government authorities and the local community representatives to obtain 'no objection' status.

The upcoming presentation to the Public Authority for Mining has been arranged through the Company's JV partners and is a key step towards award of the mining licence. The Company sees no reason why the mining licence could not be issued shortly thereafter.

The current exploration licences and the mining licence application are held in the name of the JV company Al Hadeetha Resources LLC, so no licencing transfers are required in order for mining operations to commence.

Project Financing

As indicated in the June quarterly report, ~AUD\$12m has already been invested into the Project with a further AUD\$53m being allocated to debt finance. The debt finance will be subject to granting of the mining licence and other standard conditions.

PMC / EPCM Contract Award

Project Management proposals are currently being assessed with contract awards expected in the last quarter of the year.

Washihi Resource Model

The Resource Model and Competent Person sign off for the Al Hadeetha Copper-Gold Project was provided by Mr Ravi Sharma of Bedrock Mineral Resource Consulting ('BMRC'). Mr Sharma is a chartered member of The Australasian Institute of Mining and Metallurgy and registered member of the Society for Mining, Metallurgy and Exploration.

The recently completed infill drilling program was designed to upgrade more of the existing Mineral Resources from Inferred to the Indicated category. Work to create the updated resource model has already commenced and Alara is working closely with BMRC to help ensure the revised model, incorporating results from that recent drilling program, is technically robust and completed as soon as possible.

Key inputs such as DGPS survey of drill hole locations and a check assay program are being conducted to support the release of a revised JORC resource statement which is expected by 9 September, if not sooner.

KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI)

Zinc prices are now of approaching the level used in the Base Case (i.e. US\$2,315/t) to calculate Project NPV of AUD\$170 million and LOM project revenues of AUD\$2,074 million¹. The 'High Case' had an NPV of AUD\$255 million based on a zinc price of US\$2,373/t.

The NPV, revenue and EBITDA figures previously reported were based on foreign exchange rates which value the AUD much higher than it is today². Consequently, the NPV, revenue and EBITDA figures previously released are much lower than the figures that would be shown using today's exchange rate.

The Company does not intend to reproduce the figures at this stage, but will do so once the mining licence is secured.

In any case, the above note highlights the value that is currently locked up in the Khnaiguiyah Project and this has been brought to the attention of the relevant authorities in Saudi Arabia.

The fact that there has not been an 'on the record' statement from government officials as to when the licence will be reissued is not surprising in the circumstances. Alara and Bayan Mining Company will continue to follow

¹ See page 21 of Alara's 2013 Annual Report.

² Page 21 of Alara's 2013 Annual Report shows the LOM exchange rate was assumed to be AUD \$0.90 to USD\$1.00, for both the Base Case and High Case.

the appropriate lines of authority, including escalating as required, to pursue this matter through to conclusion.

OTHER OPPORTUNITIES

The Company is continually being presented with other opportunities, including mineral projects in the Middle East, Africa, US and elsewhere. While these opportunities are being considered on their merits, management is keeping its main focus on existing projects.

In regard to further opportunities in Oman, the Company notes that demand for copper metal in Oman continues to grow. A new copper tube manufacturing is scheduled to start up in the Sohar Freezone in mid-2018 and will produce 15,000tpa of copper tubing, with plans to increase capacity to 30,000tpa.

Copper cathode for the plant will reportedly be sourced from Iran or the local market. The only copper smelter in Oman is currently under care and maintenance. This smelter previously processed up to 80,000tpa of concentrate producing 24,000tpa of copper metal.

The Al Hadeetha Copper-Gold Project is the most advanced copper project in the country, in terms of time to production. The Project also contains the country's single largest JORC copper resource. The Public Authority for Mining has estimated there is around 50mt of copper in upper ophiolite suite (volcanic sequence) of northern Oman.

In short, the joint venture company Al Hadeetha Resources LLC³ is set to be a significant player in the development of Oman's copper industry.

RIGHTS ISSUE CLOSED SUCCESSFULLY

The recent rights issue provided eligible shareholders an opportunity to purchase one additional share for every seven held at a price of \$0.02. There was strong support for the offer with hundreds of shareholders participating in the issue, and almost every single one of the Company's top 20 shareholders exercising their rights and/or applying for additional/shortfall shares.

Despite not filling the full demand for shortfall shares, the Company has no intention to do further capital raising at such a discounted price. This recent rights issue rewarded shareholders with an opportunity to increase their shareholding prior to the Company achieving its next milestones and sees the Company in a strengthened position in preparation for granting of the mining licence and construction on the Washihi site.

³ Al Hadeetha Resources LLC is owned 70% by Alara Oman Operations Pty Ltd (a wholly owned subsidiary of Alara Resources Ltd) and 30% by the local partner Al Hadeetha investments LLC.

Competent Person Statement

The information in this report that relates to JORC Resources in relation to the Al Hadeetha Copper-Gold Project (Oman) is based on, and fairly represents, information and supporting documentation prepared by Mr Ravi Sharma, who is a Chartered 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 he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2012 edition. Mr Sharma approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For further information, please contact:

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian minerals exploration company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, an Advanced Scoping Study on the Daris and Al Hadeetha Copper-Gold Projects in Oman and a Feasibility Study for the Al Hadeetha Project, Washihi deposit. The Company is transitioning to establish itself as a base and precious metals mine development and production company. For more information, please visit: www.alararesources.com