



Alara Resources Limited
ABN 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
E-mail | info@alararesources.com

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Drilling Update – Khnaiguiyah Zinc Copper Project

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

The drilling results announced today confirm the presence of significant additional mineralisation to the maiden Khnaiguiyah JORC Resource announced on 21 February 2012¹.

These results represent a progressive update on Alara's 10,000m backlog of additional drilling, conducted since the drilling cut-off date of 22 November 2011 for the JORC Resource estimation.

The drilling results cover a total of 19 holes, including a third batch of results from Zone 1 comprising 8 holes and an additional 7 holes from Zone 2. These results are outside the previously defined JORC Resource area and confirm additional mineralisation in Zone 1 and Zone 2 (North extension). In addition to this, 4 holes from Zone 3 covered in this announcement are previously drilled geotechnical holes for which analysis was carried out after completing a related geotechnical study.

Assay results from completed drilling, together with results from drilling continuing in Zones 1 and 2 to confirm mineralised extensions, will be announced over the coming months.

DRILLING HIGHLIGHTS

ZONE 1:

- **Hole K1DD12_221** from 24–30.8m: 6.8m at 6.02% Zn; 0.49% Cu
- **Hole K1DD12_222** from 63–66m: 3m at 7.51% Zn; 0.95% Cu
- **Hole K1DD12_245** from 25.45–34m: 8.55m at 10.91% Zn; 0.19% Cu
including 25.45–28m: 2.55m at 21.80% Zn; 0.34% Cu
and 42–47.1m: 5.1m at 10.97% Zn; 0.21% Cu
including 45–46m: 1m at 31.56% Zn; 0.70% Cu

ZONE 2:

- **Hole K2DD12_233** from 80.8–86m: 5.2m at 7.15% Zn; 0.14% Cu
- **Hole K2DD12_237** from 157–162m: 5m at 8.40% Zn; 0.38% Cu
- **Hole K2DD12_239** from 177–188m: 11m at 6.42% Zn; 0.12% Cu
- **Hole K2DD12_240** from 91–101m: 10m at 10.90% Zn; 0.31% Cu

ZONE 2 (Copper Rich Zone):

- **Hole K2DD12_237** from 164–168m: 4m at 1.09% Cu
- **Hole K2DD12_238** from 193.4–203m: 9.6m at 1.47% Cu

¹ Refer AUQ market announcement dated 21 February 2012 entitled "[Maiden JORC Resource - Khnaiguiyah Zinc-Copper Project](#)"

ZONE 3:

- Hole K3DD11_037 from 78–82m: 4m at 11.02% Zn; 0.07% Cu
- Hole K3DD11_044 from 187–209.1m:
and 214–221m: 22.1m at 6.87% Zn; 0.14% Cu
7m at 6.69% Zn; 0.65% Cu
- Hole K3DD11_052 from 20–31m: 11m at 5.62% Zn; 0.22% Cu

The results from Zone 1 continue to confirm mineralisation at shallow depths and similar in grade as that found in Zones 2 and 3. In particular, Hole K2DD12_240 drilled in the southernmost edge of Zone 2 intersected 10m at 10.90% Zn. This confirms the mineralisation open in a southern direction positioned along the shear zone.

A complete tabulation of intersection results along with maps indicating the location of these holes in Zones 1, 2 and 3 are attached (refer Appendix – Summary of Intersection Results and Drill-Hole Locations).

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 presence of additional mineralisation within Zones 1 to 3 and give us further confidence surrounding the feasibility and scale of the Khnaiguiyah Zinc Copper Project."

"The Khnaiguiyah Definitive Feasibility Study (DFS) is nearing completion and is expected to be finalised by the end of June 2012. Once the DFS is complete, Alara will move to the design and construction phase of the Khnaiguiyah Project," added Mr Madan.

DRILLING STATUS

Alara is continuing the infill and step-out drilling to extend mineralisation in Zone 1 and Zone 2 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 290 holes to 35,155 metres.

– ENDS –

For further information, please contact:

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

David Loch
Unicus
T | +61 3 9654 8300 / +61 411 144 787
E | david@unicusgroup.com.au

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

APPENDIX – Summary of Intersection Results and Drill-Hole Locations

Figure 1: Drill-hole Locations in Mineralised Zone 1

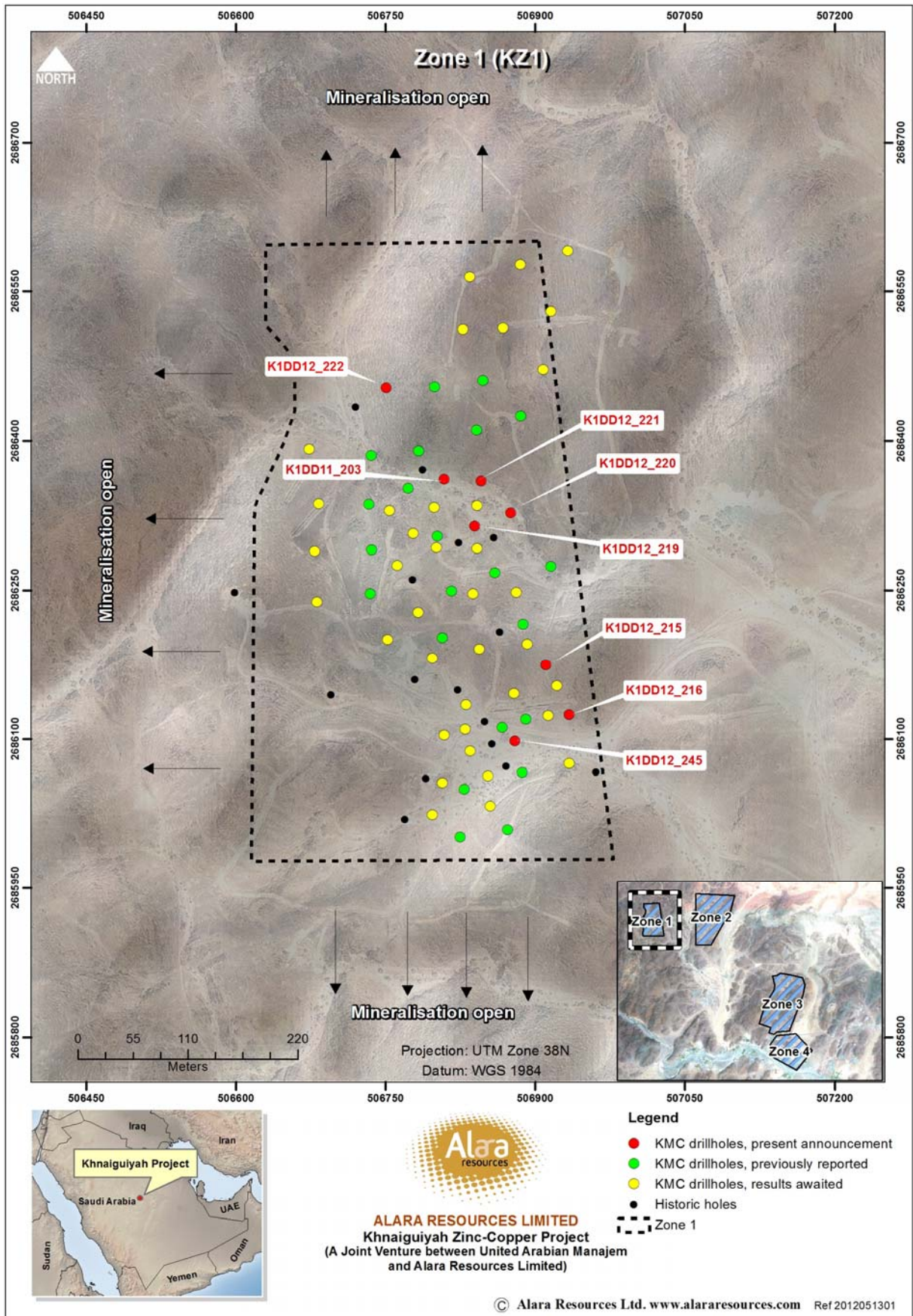


Table 1: Summary of Intersection Results for Zone 1

MINERALISED ZONE 1(K1)- SIGNIFICANT INTERSECTIONS								
Drill Hole	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
	Intersections	From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K1DD12_203	Primary	37.2	42	4.8	2.75	0.37		
	Primary	41	44	3			0.66	0.81
	Inclusion	41	42	1			1.54	2.29
K1DD12_215	Primary	20.1	25	4.9	3.32	0.08		
	Inclusion	24	25	1	5.13	0.11		
K1DD12_216	Primary	9	10	1	4.35	0.01		
	Primary	12	13	1	3.23	0.01		
K1DD12_219	Primary	11.5	24	12.5	4.55	0.31		
	Inclusion	12	16	4	3.50	0.64		
	Inclusion	19	23	4	7.70	0.05		
K1DD12_220	Primary	2	7	5	4.53	0.37		
	Inclusion	3	4	1	8.31	0.64		
	Primary	5	8.9	3.9			0.72	3.09
	Inclusion	7	8	1			1.15	1.46
K1DD12_221	Primary	24	30.8	6.8	6.02	0.49		
	Inclusion	24	28	4	8.63	0.46		
	Inclusion	30	30.8	0.8	2.97	1.13		
K1DD12_222	Primary	60	61.1	1.1	4.30	0.80		
	Primary	63	66	3	7.51	0.95		
	Inclusion	63	64	1	11.49	0.38		
	Primary	63	67	4			0.78	5.68
	Inclusion	65	66	1			2.14	4.63
	Primary	77	80	3			0.86	0.36
	Inclusion	77	78	1			1.94	1.05
K1DD12_245	Primary	14	16	2	8.85	0.21		
	Primary	25.45	34	8.55	10.91	0.19		
	Inclusion	25.45	28	2.55	21.80	0.34		
	Inclusion	30	30.9	0.9	15.72	0.26		
	Primary	42	47.1	5.1	10.97	0.21		
	Inclusion	45	46	1	31.56	0.70		

Note: Holes K1DD12_214 and K1DD12_225 have no significant mineralisation

Figure 2: Drill-hole Locations in Mineralised Zone 2

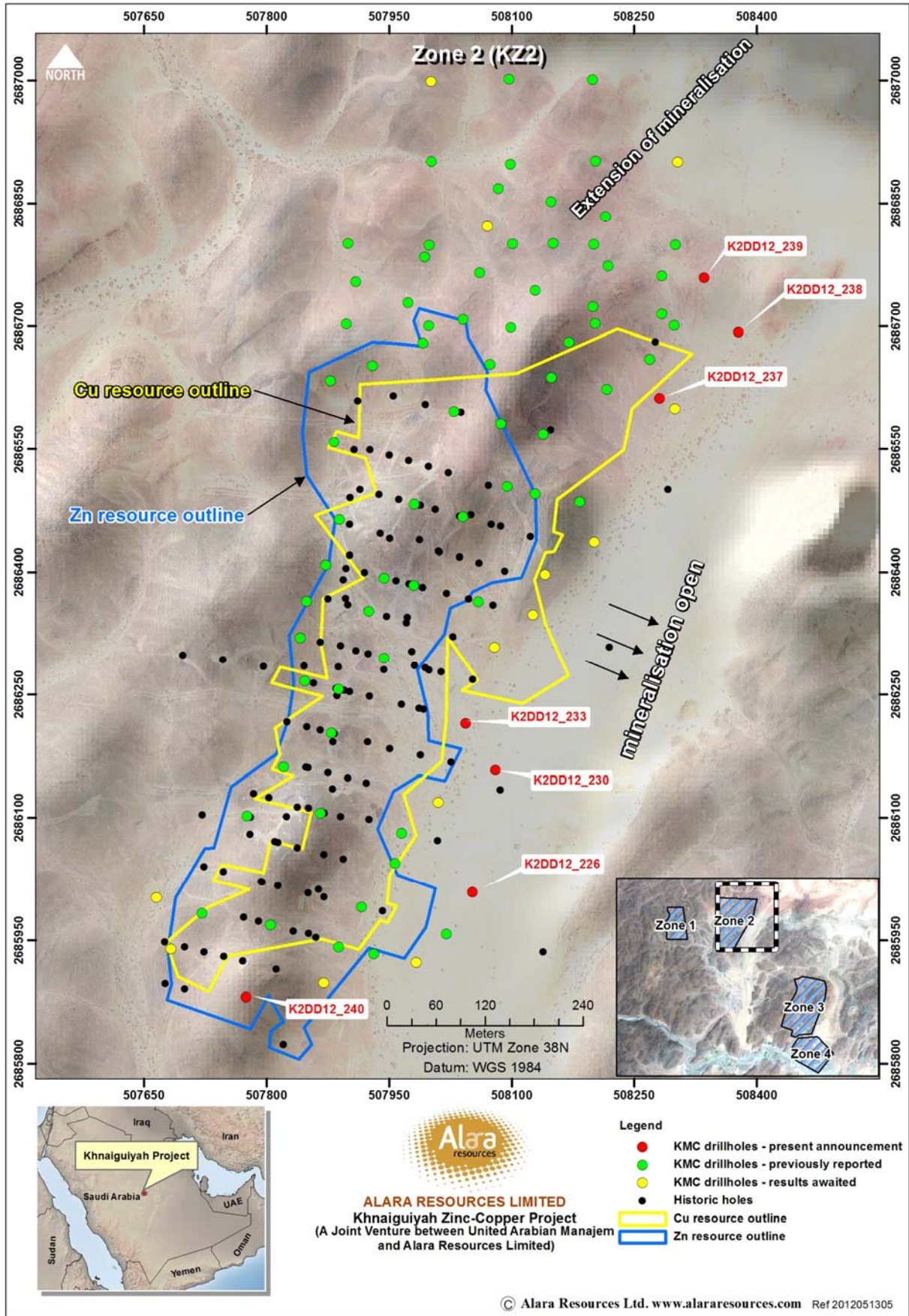


Table 2: Summary of Intersection Results for Zone 2

MINERALISED ZONE 2(K2)- SIGNIFICANT INTERSECTIONS								
Drill Hole	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
	Intersections	From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K2DD12_226	Primary	152	157	5	4.66	0.22		
	<i>Inclusion</i>	155	157	2	6.13	0.12		
K2DD12_230	Primary	143.3	150.25	6.95	4.05	0.04		
	Primary	159.8	162.45	2.65	5.26	0.01		
	Primary	162.45	166	3.55			0.62	0.05
	<i>Inclusion</i>	165	166	1			1.08	0.04
K2DD12_233	Primary	80.8	86	5.2	7.15	0.14		
	<i>Inclusion</i>	84	85	1	10.32	0.14		
	Primary	87	97	10			0.87	0.04
	<i>Inclusion</i>	92	94	2			1.59	0.05
K2DD12_237	Primary	157	162	5	8.40	0.38		
	<i>Inclusion</i>	160	161	1	13.62	0.34		
	Primary	164	168	4			1.09	0.16
K2DD12_238	Primary	176.6	179.95	3.35	4.81	0.34		
	<i>Inclusion</i>	176.6	178	1.4	7.86	0.29		
	Primary	193.4	203	9.6			1.47	0.46
K2DD12_239	Primary	177	188	11	6.42	0.12		
	<i>Inclusion</i>	180	183	3	8.47	0.25		
K2DD12_240	Primary	91	101	10	10.90	0.31		
	Primary	109	110	1	3.02	0.05		

Figure 3: Drill-hole Locations in Mineralised Zone 3

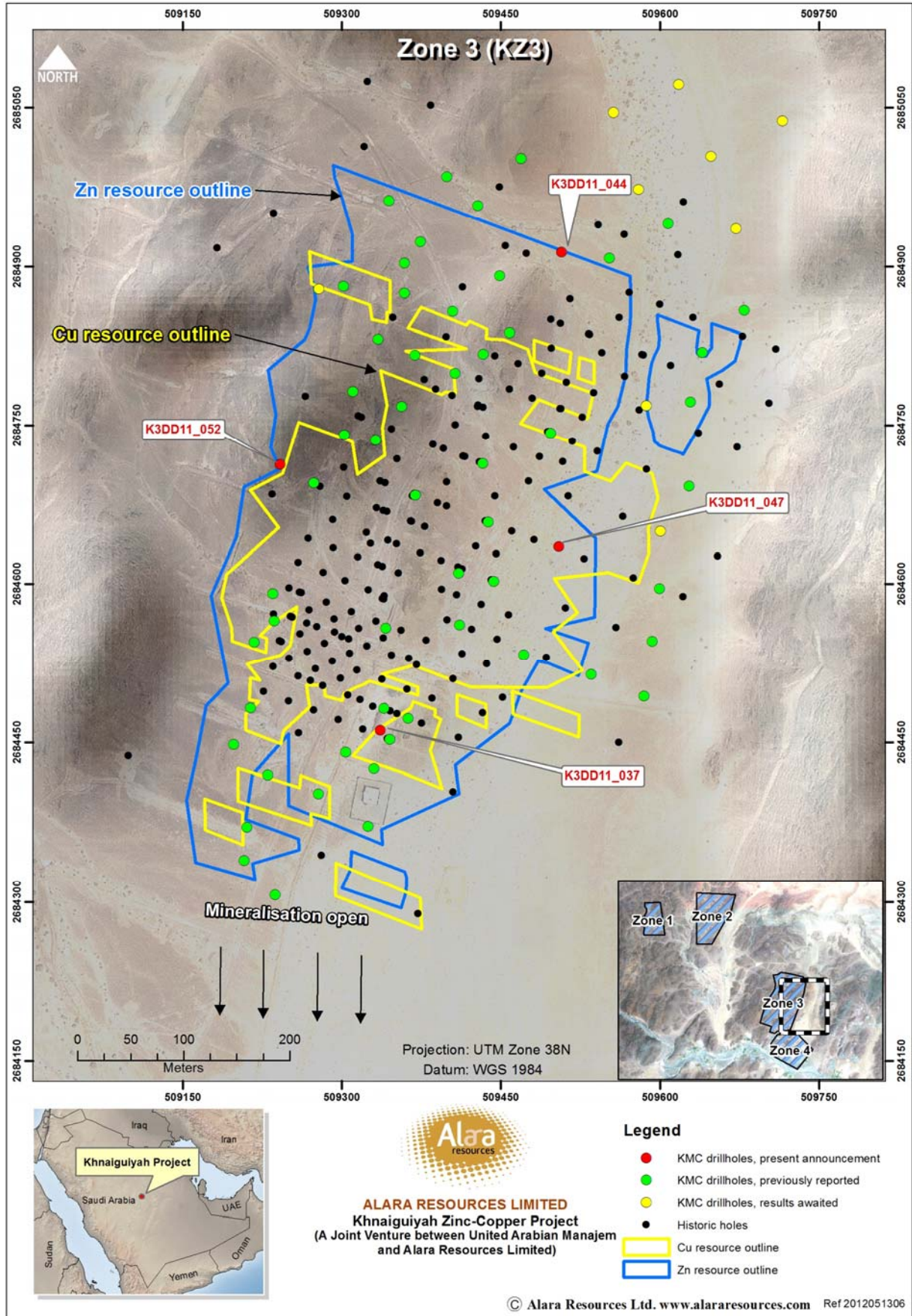


Table 3: Summary of Intersection Results for Zone 3

MINERALISED ZONE 3(K3)- SIGNIFICANT INTERSECTIONS								
Drill Hole	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
	Intersections	From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K3DD11_037	Primary	67	68	1	3.16	0.01		
	Primary	78	82	4	11.02	0.07		
	Inclusion	80	81	1	23.85	0.10		
	Primary	86	89	3	2.47	0.01		
	Inclusion	88	89	1	5.11	0.02		
K3DD11_044	Primary	187	209.1	22.1	6.87	0.14		
	Inclusion	198.75	201.1	2.35	18.94	0.28		
	Inclusion	203.5	209.1	5.6	13.83	0.33		
	Primary	214	221	7	6.69	0.65		
	Inclusion	218	220	2	15.15	2.00		
	Primary	225	227	2			0.89	0.44
K3DD11_047	Primary	154	156	2	6.01	0.11		
	Primary	169	172.85	3.85			2.22	0.02
	Inclusion	171	172	1			3.57	0.03
K3DD11_052	Primary	0	9	9	4.68	0.11		
	Inclusion	6	8	2	7.39	0.32		
	Primary	11	16	5	3.22	0.05		
	Primary	20	31	11	5.62	0.22		
	Primary	50	52	2	2.81	0.07		
	Primary	54	55	1	3.18	0.02		
	Primary	57	59	2	2.54	0.01		
	Primary	64	66	2	6.05	0.12		
	Primary	79	80	1			0.70	0.76

Note: Hole K3DD11_048 has no significant mineralisation

NOTE

JORC Code Competent Person Statement

The information in this announcement that relates to Exploration Results pertaining to 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.