



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
Email | info@alararesources.com

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MARKET ANNOUNCEMENT

Project Acquisition

- Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman

Alara Resources Limited (**Alara**) is pleased to confirm that it has secured rights to acquire up to a 75% interest in Pilatus Resources Oman LLC (**Pilatus**) which currently holds three Exploration Licenses covering 80km² over the prospective Al Ajal, Washihi and Mullaq Copper-Gold Project areas (collectively the **Project**) located in Oman.

These prospects are located on the Semail Ophiolite belt which hosts Cypress type VMS deposits. The three license areas are approximately 80-160km east and southeast of Alara's Daris Copper-Gold Project (Block 7)¹ and Awtad Copper-Gold Project (Block 8)².

This Project is the third (after Daris Block 7 and Awtad Block 8) of a number of copper-gold opportunities Alara is currently pursuing in Oman.

Project Summary

- Target mineralisation based on previous drilling and geophysics (the latter recently undertaken by Alara) of **2.5 million tonnes at 1.3% copper equivalent to 4.5 million tonnes at 1% copper equivalent** (which includes gold credits) across the existing areas of drilling within the three licence areas. Further potential for mineralisation remains open laterally and at depth within the broader licence areas.

(The potential quantity and grade of the target mineralisation of copper equivalent is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of copper equivalent. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of copper equivalent)

- At the Al Ajal prospect, several historical drill holes intersected mineralised massive sulphides with combination of narrow high-grade copper zones and wider low-grade gold mineralisation. **Significant drill results include 12m at 3.3g/t Au and 1.9% Cu.**
- At the Washihi Prospect, historical drilling over high chargeability-low resistivity geophysical targets, characteristic of VMS deposits, intercepted multiple Cu-Au-Ag bearing zones. These zones of **massive sulphides have analysed up to 8.18g/t Au, 3.78% Cu, 16.83g/t Ag and 0.70% Zn.**
- Historical drilling at the Mullaq prospect adjacent to Washihi has also identified **significant mineralisation ranging from 1.4% to 16.06% Cu.**
- Previous exploration has been concentrated around known gossans and covered only small pockets of the much larger licence areas.

¹ Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

² Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)"



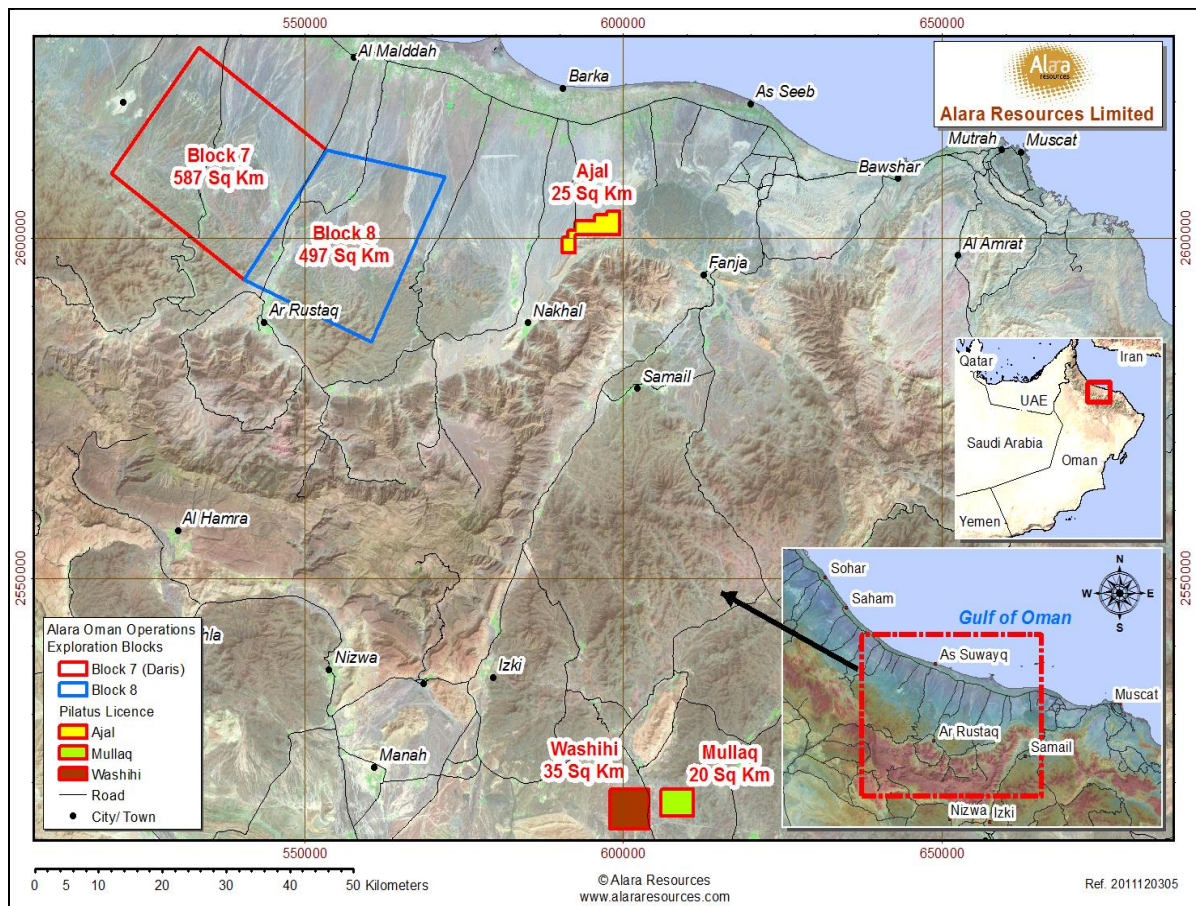


Figure 1: Alara's Oman Project Locations - Al Ajal, Washihi and Mullaq Copper-Gold Project areas held by Pilatus and the Daris "Block 7" Project and Awtad "Block 8" Project

The Project

The Project is located on the Semail Ophiolite belt in Northern Oman that extends over 800km. This belt provides a prospective setting for Cyprus-type VMS copper gold deposits. In the past, the Government-owned Oman Mining Company has produced, mined and treated 14 million tonnes at between 1% to 2% copper from open cut and underground mines at their Lasail, Arja and Baida mines in this belt. More recently, a privately owned Omani company has located a large deposit of copper ~150 km west of the Al Ajal prospect.

Historical drilling has been conducted in all three licence areas to test for the presence of economic grades of copper and or gold mineralisation. This historical drilling, though limited in nature, provides encouraging potential for copper and or gold mineralisation in all three areas.

Refer Figures 2, 3 and 4 for historical drill hole locations within each of the Al Ajal, Washihi and Mullaq Copper-Gold Project areas.

Based on analysis of previous drilling data, Alara believes that the Project area has the potential to host significant copper-gold mineralisation.

Preliminary due diligence of historical drill hole data conducted by Alara has indicated previously encountered mineralised zones to be open laterally as well as at depth.

Initial Exploration Programme

Historical data compilation and QA/QC is in progress on completion of which a 3D resource model and grade estimates will be developed.

Ground IP and Magnetics over the entire Mullaq licence area and selective areas within the Al Ajal and Washihi prospects have been completed by Alara.

On receipt of the interpretation of the ground geophysics data, a two-pronged approach will be adopted as follows:

- (a) Complete an "Order of Magnitude" study including confirmatory/due diligence and mineralisation extension drilling over the identified prospective areas; and
- (b) Exploration drilling on geophysical targets over the balance of the licence areas in all three prospects.

Summary of Joint Venture Terms

- (1) Alara Oman Operations Pty Limited (a wholly owned subsidiary of Alara) has entered into a Shareholders Agreement with the concession holder, Pilatus Resources Oman LLC (**Pilatus** or **JVCo**) and the existing shareholders of Pilatus (**Pilatus Shareholders**).
- (2) Alara will secure an initial 10% shareholding interest in JVCo by contributing US\$1 million equity capital into JVCo. Alara will then fund on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$3 million into JVCo during a period of up to 4 years, it will be entitled to increase its shareholding in JVCo to 60%.
- (3) Post completion of a definitive feasibility study, the Pilatus board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If the existing Pilatus Shareholders decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay JVCo the amount which the Pilatus Shareholders were required to contribute under their payment notice and Alara shall increase its economic interest in JVCo to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of the Pilatus Shareholders until such time that 25% of the total amount required under the payment notices is repaid to Alara.
- (4) If a JVCo shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by JVCo.
- (5) JVCo will be governed by a four (4) member Board. Two (2) directors shall be appointed by Alara and, for so long as the existing Pilatus Shareholders own at least 40% of the issued share capital of JVCo, two (2) directors shall be jointly appointed by the Pilatus Shareholders. Alara is entitled to appoint the Chairman, who has a casting vote, and to nominate the Managing Director.
- (6) The Shareholders Agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including completion of due diligence, renewal of the Project licences (expanded to include gold ores/minerals) (where applicable) and JVCo settling all liabilities with the Pilatus Shareholders (where applicable).

FURTHER INFORMATION:

Shanker Madan
Managing Director

T | (08) 9214 9787

E | smadan@alararesources.com

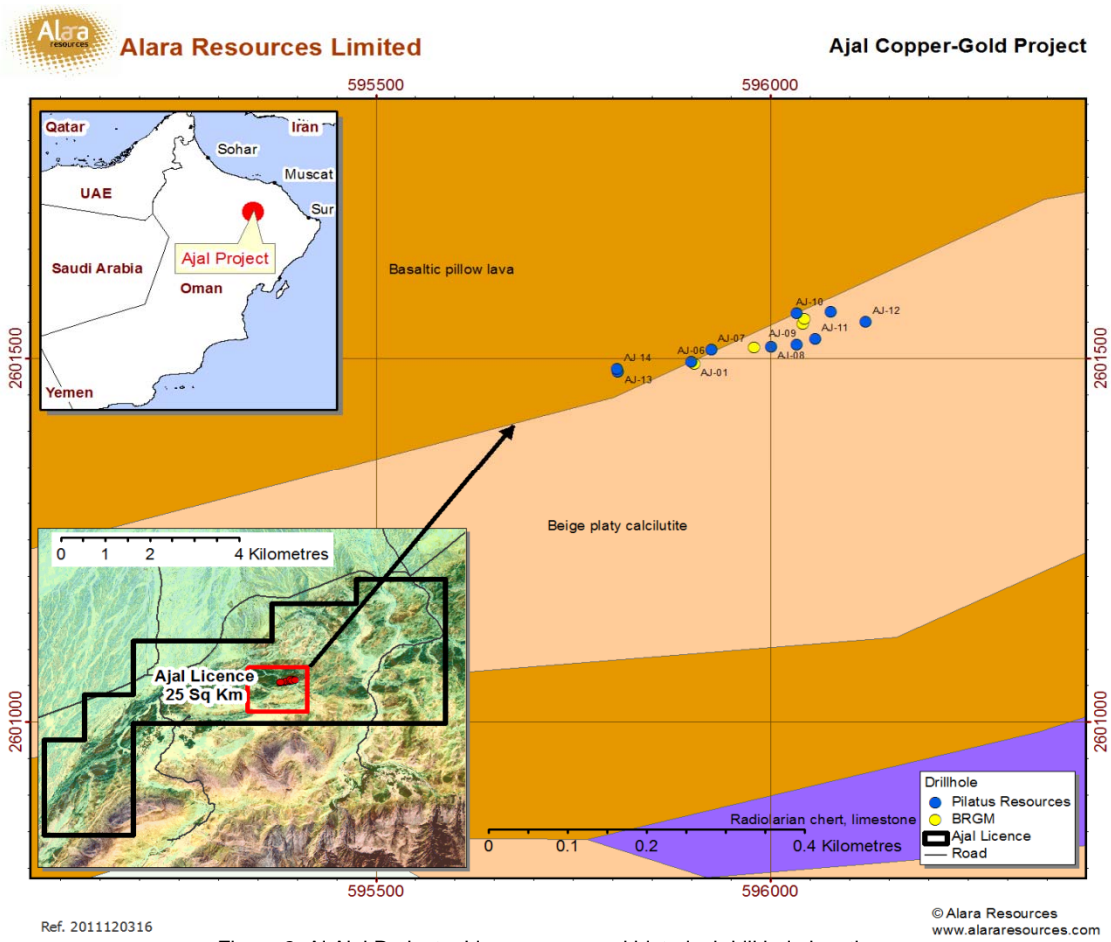


Figure 2: Al Ajal Project – Licence area and historical drill hole locations

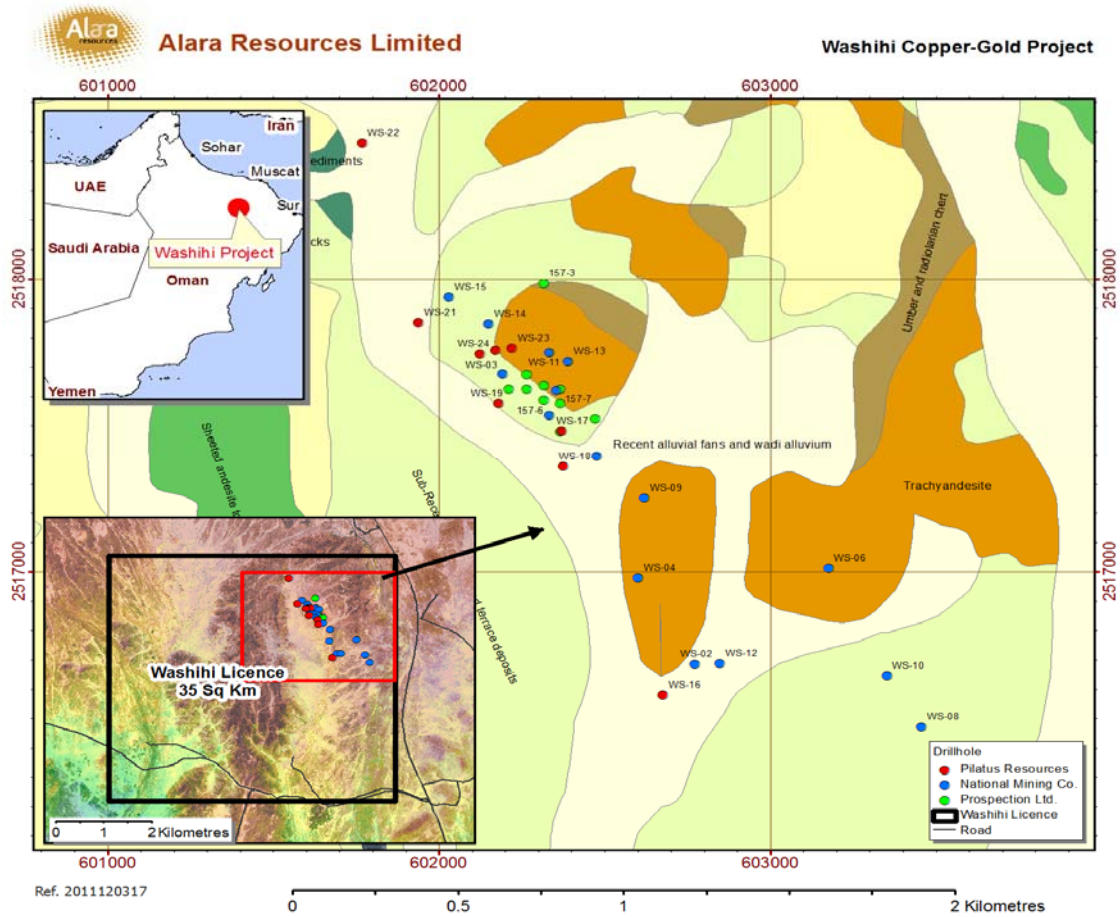


Figure 3: Washihi Project – Licence area and historical drill hole locations

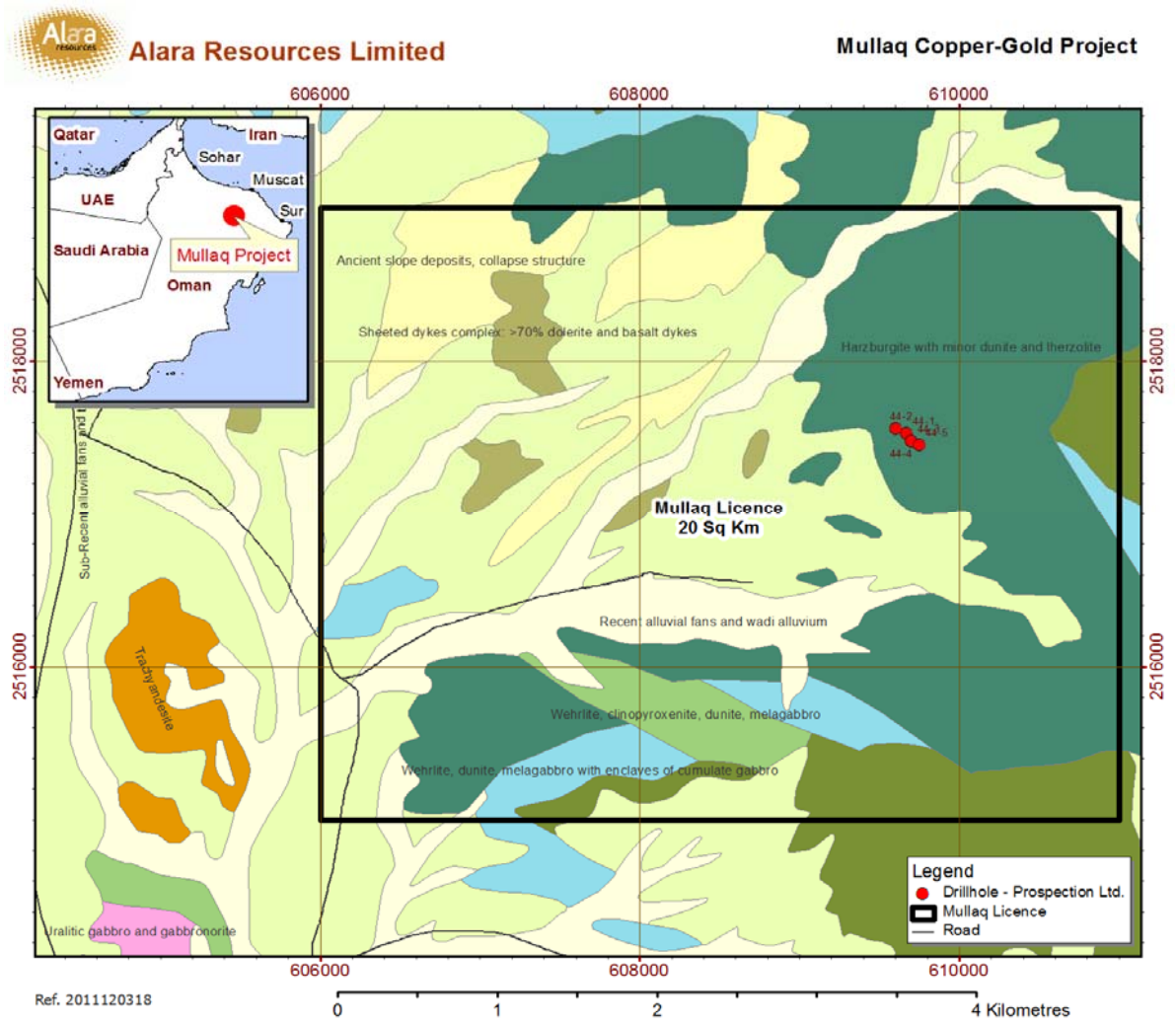


Figure 4: Mullaq Project – Licence area and historical drill hole locations

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.