



Alara Resources Limited
A.B.N. 27 122 892 719
Level 3, 35 Havelock Street
West Perth, Western Australia 6005
AUSTRALIA
PO Box 1890
West Perth, Western Australia 6872

Telephone | +61 8 6323 5900
Facsimile | +61 8 6323 5999
Web | www.alararesources.com
Email | info@alararesources.com

ASX/MEDIA RELEASE

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ALARA AND BAYAN EXTEND FRAMEWORK AGREEMENT TO INCLUDE KHNAIGUIYAH SITES

Perth: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) is pleased to announce an agreement with Bayan Mining LLC (**Bayan**) in respect to the Khnaiguiyah Zinc-Copper Project and surrounding areas (the '**Agreement**').

JV FRAMEWORK AGREEMENT WITH BAYAN

On 21 July 2015, the Company announced that it had entered into a joint venture framework agreement with Bayan. The Framework Agreement relates to an exploration licence application for the Ash Shizm copper site and also provides for Alara and Bayan to work together on other mining projects. The Khnaiguiyah area is one of the "other projects" envisaged by the Framework Agreement.

Bayan is a privately owned Saudi company committed to the development of the Mining Sector in Saudi Arabia. Bayan's interests extend to related ventures, including a zinc galvanising business in the region.

Alara's Chief Executive Officer, Justin Richard commented:

"Alara's strengthened relationship with Bayan provides the Company with a reputable partner that is well-placed to advance mining projects in the Kingdom of Saudi Arabia."

KHNAIGUIYAH ZINC-COPPER PROJECT

Progress under the Khnaiguiyah Shareholders' Agreement (and associated agreements) reached an impasse in June last year¹. The Company also previously reported the possibility that the Khnaiguiyah Mining Licence may be cancelled².

Further fencing around the Khnaiguiyah site and other remedial action appear to have addressed these concerns for the time being.

However, to prepare for the possibility of cancellation if further progress is not made and/or further licences connected to the Khnaiguiyah site not being renewed or granted to Manajem, Alara has entered into the Agreement with Bayan.

KEY TERMS OF THE AGREEMENT

The Agreement is between Alara, its wholly owned subsidiary Saudi Investments Pty Ltd ('SIPL') and Bayan.

To address the potential cancellation of the Khnaiguiyah mining licence and/or inability of Khnaiguiyah Mining Company LLC ('KMC') to obtain access to surrounding areas under the existing

¹ Refer Alara's ASX market announcement dated 4 June 2014: "Khnaiguiyah Project Joint Venture Agreement has reached an impasse".

² Refer to page three of Alara's Quarterly Report dated June 2015.



Shareholders' Agreement with Manajem, the parties have agreed (subject to all necessary licensing requirements being satisfied) to jointly develop and exploit mining opportunities at Khnaiguiyah.

Under the Agreement, Alara/SIPL is to provide onshore and offshore technical and management services and be responsible for day to day management of the project. Alara will also arrange funding up to and including project finance stage. Bayan will be responsible for obtaining and maintaining the mining licence/s and all other permits required for building and operating a mine.

In connection with the aforementioned services, Alara and Bayan have agreed to share economic interests of the project, 70% in favour of Alara/SIPL and 30% in favour of Bayan.

Consideration to Bayan is as follows:

- (a) 10 million fully paid ordinary shares in Alara upon renewal of Alara's 15% issuing capacity; and
- (b) 40 million fully paid ordinary shares in Alara upon issuance of the Mining Licence to Bayan or JVCo (as the case may be).

If circumstances require Alara shareholder approval and approval is not granted, the Parties are free to negotiate new terms or terminate the Agreement in accordance with relevant provisions.

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For further information, please contact:

Justin Richard
Managing Director

T | +61 8 6323 5900
E | md@alararesources.com

Ian Gregory
Company Secretary

T | +61 8 6323 5900
E | cosec@alararesources.com

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 Khnaiguiyah Zinc-Copper Project in Saudi Arabia, an [Advanced Scoping Study](#) on its Daris/Washihi Copper-Gold Projects in Oman and an [Updated Advanced Scoping Study](#) on its Washihi Project. For more information, please visit: www.alararesources.com.