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MARKET ANNOUNCEMENT

Drilling Update - Khnaiguiyah Zinc-Copper Project

Alara Resources Limited (ASX: AUQ) refers to its market announcement of 21 February 2012 entitled "Maiden JORC Resource - Khnaiguiyah Zinc-Copper Project", wherein it had indicated that it will provide progressive updates on its backlog of 10,000m of additional drilling conducted since the cut off date for the JORC Resource estimation from the Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

This announcement covers 17 holes drilled at the edges and infill drilling in Mineralised Zone 2 and 10 holes drilled from Mineralised Zone 1 – being the first batch of drill hole results from this zone.

The results from these holes confirm the possibility of significant additional mineralisation to the JORC Resources announced on 21 February 2012.

Further results are expected to be released in the following months.

DRILLING HIGHLIGHTS

ZONE 1:

• **Hole K1DD11_185**	**from 29.65-44m:**	**14.35m at 14.75% Zn; 0.16% Cu**
	including 37- 40m:	**3m at 27.44% Zn; 0.24% Cu**
• **Hole K1DD11_187**	**from 29-38m:**	**9m at 6.87% Zn; 0.05% Cu**
	and 44-48m:	**4m at 8.60% Zn; 0.07% Cu**
• **Hole K1RC11_176**	**from 47- 61m:**	**14m at 7.24% Zn; 0.53% Cu**
• **Hole K1RC11_179**	**from 4-19m:**	**15m at 3.84% Zn; 0.10% Cu**
	and 26-35m:	**9m at 4.54% Zn; 0.11% Cu**
	and 43-48m:	**5m at 4.99% Zn; 0.06% Cu**

ZONE 2:

• **Hole K2DD11_136**	**from 181-193m:**	**12m at 5.70% Zn; 0.19% Cu**
• **Hole K2DD11_139**	**from 19- 29m:**	**10m at 3.94% Zn; 0.16% Cu**
• **Hole K2DD11_149**	**from 76.04 - 82.25m:**	**6.21m at 6.29% Zn; 0.12% Cu**
• **Hole K2DD11_153**	**from 80- 94.2m:**	**14.2m at 5.44% Zn; 0.13% Cu**
• **Hole K2DD11_154**	**from 90-101m;**	**11m at 6.36% Zn; 0.48% Cu**

ZONE 2 - Copper Rich Zone:

- **Hole K2DD11_012 from 84 - 96m: 12m at 1.12% Cu**
  Including 89-95m: 6m at 1.72% Cu

- **Hole K2DD11_017 from 85- 99m: 14m at 2.09% Cu**
  including 95-96m: 1m at 10.43% Cu

The results indicate that the mineralisation in Zone 1 occurs at shallow depth and is similar in grade as that in Zones 2 and 3. At least in one hole, K1RC11_179, several layers of zinc mineralisation with cumulative thickness of 29m occur within the top 48m from 4m.

In Zone 2 several of the holes (not previously reported) occur at the margin of the identified mineralisation boundary and extend it further. A 12m thick intersection averaging 5.70% Zn at the eastern edge of Zone 2 shows that the mineralisation continues down dip and open.

In addition two geotech holes, K2DD11_012 and K2DD11_017, with thick and high grade copper mineralization, have now been analysed and reported herein under Highlights and in the attached Summary of Intersections (refer *Table 2*).

A complete tabulation of intersection results along with maps indicating the location of these holes in Zones 1 and 2 are attached (refer *Figure 1* and *Table 1* for Zone 1 and refer *Figure 2* and *Table 2* for Zone 2).

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.

DRILLING STATUS

The Company is continuing infill drilling and drilling to seek to extend mineralisation in both Zone 1 and Zone 2 with a view to identifying additional mineralisation prior to the completion of the Khnaiguiyah DFS in Q2 2012.

FURTHER INFORMATION:

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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

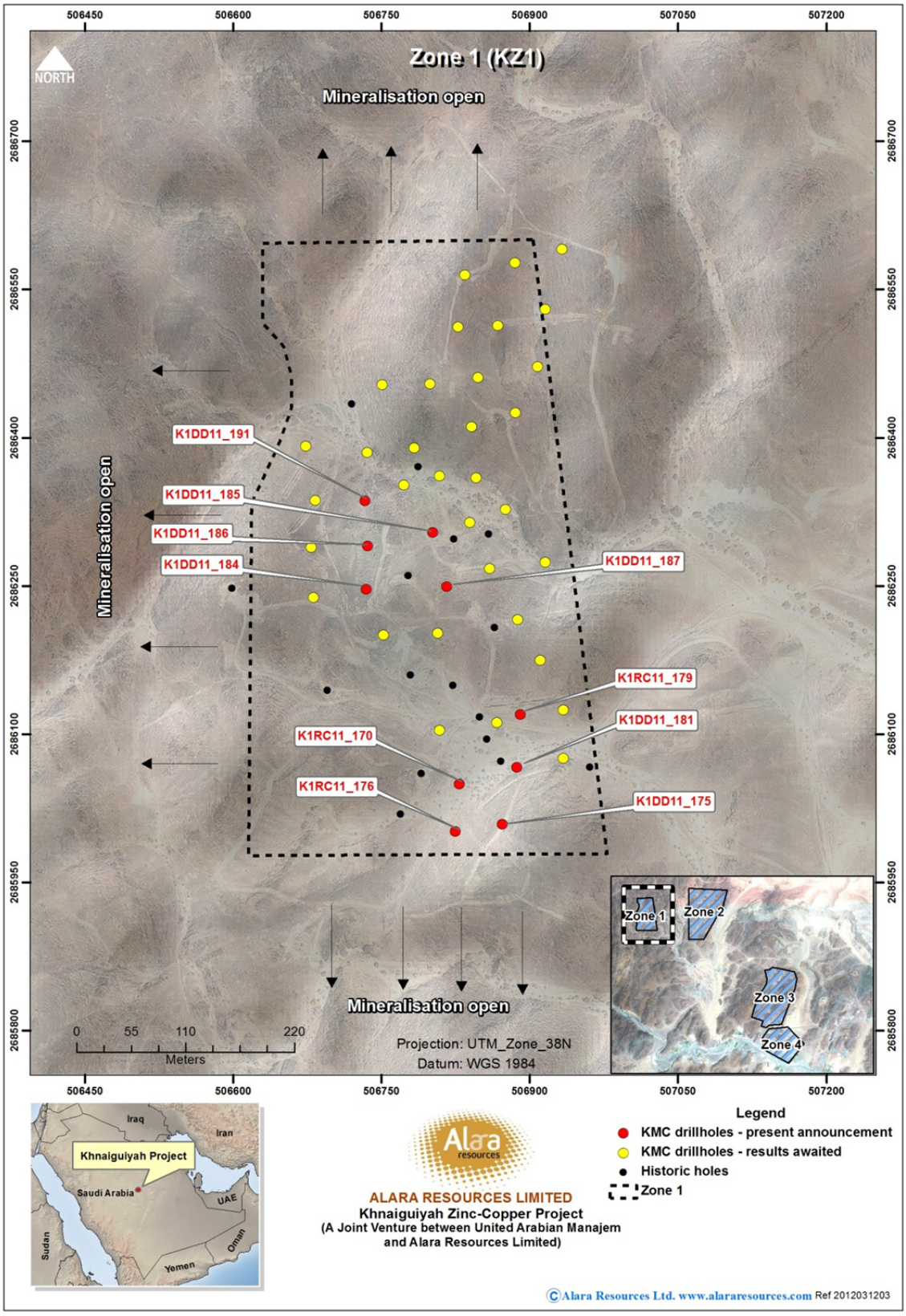

Figure 1: Drill-hole locations in Mineralised Zone 1

Table 1: Summary of Intersection Results for Zone 1

MINERALISED ZONE 1 (K1) - SIGNIFICANT DRILLHOLE INTERSECTIONS								
	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
Drill Hole	Intersections	From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K1DD11_185	Primary	29.65	44	14.35	**14.75**	0.16		
	Inclusion	37	40	3	**27.44**	0.24		
	Primary	50	54	4	4.74	0.11		
	Inclusion	53	54	1	**11.47**	0.38		
	Primary	55	56	1			0.27	0.07
K1DD11_187	Primary	18	20	2	3.64	0.07		
	Primary	29	38	9	**6.87**	0.05		
	Inclusion	34	36	2	**14.89**	0.08		
	Primary	44	48	4	**8.60**	0.07		
	Primary	48	50	2			**0.50**	0.08
K1DD11_191	Primary	70	81	11	3.95	0.06		
	Inclusion	70	72.1	2.1	**10.52**	0.21		
	Primary	84.5	86	1.5	**5.59**	0.26		
	Primary	85	90	5			**0.73**	0.85
K1DD11_175	Primary	68	68.65	0.65	2.58	0.01		
K1DD11_181	Primary	16	22	6	2.99	0.10		
	Primary	26	27	1	2.47	0.03		
	Primary	29	31	2	**6.93**	0.17		
	Primary	44	49	5	4.47	0.03		
	Inclusion	*44*	*45*	*1*	***9.70***	*0.04*		
	Primary	56	57	1	2.66	0.02		
K1DD11_184	Primary	93.5	94.5	1			0.37	0.05
	Primary	100.5	101.5	1			0.31	0.03
K1DD11_186	Primary	73.2	79	5.8	**6.85**	0.17		
	Inclusion	*73.2*	*75*	*1.8*	***11.14***	*0.28*		
	Primary	81	82	1			0.27	0.03
	Primary	86	91	5			**0.61**	0.05
	Inclusion	*89*	*91*	*2*			***1.11***	*0.07*
K1RC11_170	Primary	29	34	5	**8.19**	0.25		
	Primary	36	38	2	**13.55**	0.19		
	Primary	40	41	1	**5.02**	0.04		
	Primary	32	42	10			0.24	5.60
	Primary	55	59	4			**1.49**	0.25
	Primary	62	63	1			**0.68**	0.28
K1RC11_176	Primary	34	35	1	**5.05**	0.11		
	Primary	47	61	14	**7.24**	**0.53**		
	Inclusion	*49*	*50*	*1*	***12.21***	***1.47***		
K1RC11_179	Primary	4	19	15	3.84	0.10		
	Inclusion	*5*	*8*	*3*	***5.68***	*0.24*		
	Primary	26	35	9	4.54	0.11		
	Inclusion	*26*	*28*	*2*	***6.66***	*0.20*		
	Primary	43	48	5	4.99	0.06		
	Inclusion	*46*	*48*	*2*	***8.50***	*0.14*		
	Primary	4	6	2			0.37	5.06

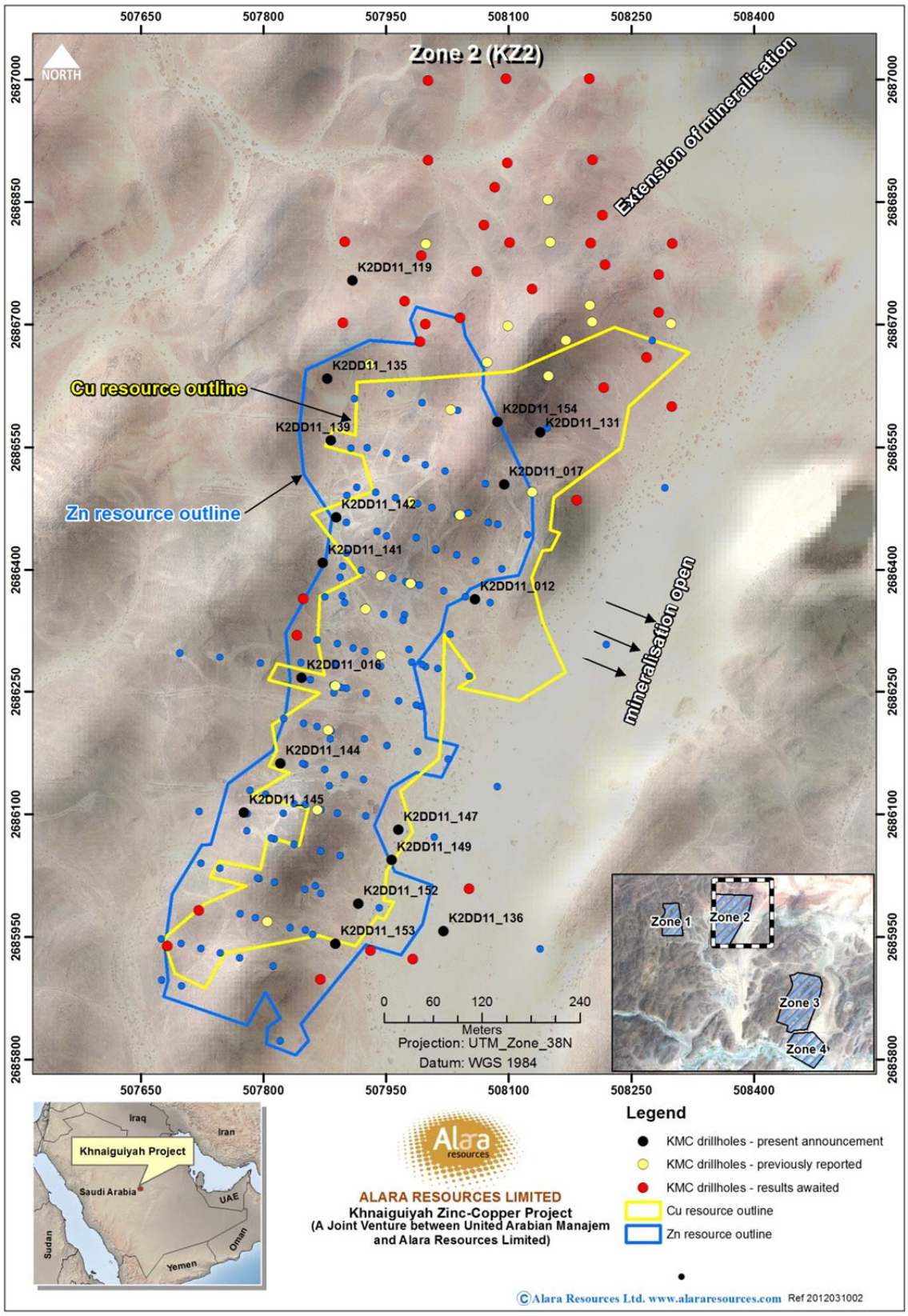

Figure 2: Drill-hole locations in Mineralised Zone 2

Table 2: Summary of Intersection Results for Zone 2

MINERALISED ZONE 2 (K2) - SIGNIFICANT DRILLHOLE INTERSECTIONS								
	Significant Mineralization				Zinc Rich Zone		Copper Rich Zone	
Drill Hole	Intersections	From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K2DD11_119	Primary	21	23	2	4.99	0.03		
	Primary	78	79	1	2.59	0.11		
	Primary	85	86	1			0.24	0.04
	Primary	88	91	3			**1.22**	0.03
K2DD11_132	Primary	39	40	1			**0.60**	0.55
K2DD11_135	Primary	19	20	1	4.04	0.01		
	Primary	34	35	1	2.05	0.01		
	Primary	41	42	1	2.02	0.01		
K2DD11_136	Primary	181	193	12	**5.70**	0.19		
	Inclusion	*188*	*192*	*4*	***8.34***	*0.30*		
	Primary	188	195.55	7.55	5.26		0.36	
	Inclusion	192	193	1			**0.56**	4.13
K2DD11_139	Primary	10	14	4	3.25	0.03		
	Inclusion	*11*	*12*	*1*	***5.34***	*0.04*		
	Primary	19	29	10	3.94	0.16		
	Inclusion	*27*	*28*	*1*	***9.34***	*0.19*		
	Primary	22	30.2	8.2			0.22	4.01
K2DD11_141	Primary	18	18.4	0.4	3.20	0.02		
	Primary	25.7	29	3.3			**1.06**	0.28
	Inclusion	*26.5*	*27.9*	*1.4*			***2.23***	*0.11*
K2DD11_142	Primary	9	9.3	0.3	3.30	0.10		
K2DD11_144	Primary	31	36	5	2.80	0.06		
	Inclusion	*31*	*32*	*1*	***5.27***	*0.18*		
K2DD11_145	Primary	12.2	14	1.8	**5.12**	0.14		
	Primary	40	42	2	2.85	0.04		
	Primary	42	43.2	1.2			0.20	0.85
K2DD11_147	Primary	77	85.5	8.5	3.91	0.19		
	Inclusion	*80.65*	*81.3*	*0.65*	***9.81***	*0.20*		
	Inclusion	*84*	*85.5*	*1.5*	***6.42***	*0.13*		
	Primary	80.65	93	12.35			0.39	1.84
	Inclusion	*88*	*89*	*1*			***0.87***	*0.07*
	Inclusion	*91*	*93*	*2*			***0.62***	*0.09*
K2DD11_149	Primary	69	70	1	3.53	0.02		
	Primary	76.04	82.25	6.21	**6.29**	0.12		
	Inclusion	*78*	*80*	*2*	***9.69***	*0.22*		
	Primary	91.05	97	5.95	**10.84**	0.26		
	Primary	91.05	99	7.95			0.27	8.13
K2DD11_152	Primary	76	87	11	4.55	0.40		
	Inclusion	*79*	*80*	*1*	***9.87***	*0.27*		
	Primary	79	91	12			**0.79**	4.02
	Inclusion	*84*	*91*	*7*			***1.14***	*2.31*
K2DD11_153	Primary	74	77	3	1.90	0.08		
	Primary	80	94.15	14.15	**5.44**	0.13		
	Inclusion	*81*	*85*	*4*	***9.97***	*0.24*		
	Primary	81	84	3			0.26	9.02
	Primary	88	89	1			0.24	6.33
	Primary	94.15	95	0.85			0.38	1.65
K2DD11_154	Primary	90	101	11	**6.36**	0.48		
	Inclusion	*92*	*94*	*2*	***10.81***	*0.38*		
	Primary	90	105	15			**0.64**	4.74
	Inclusion	*101*	*105*	*4*			***1.10***	*0.28*
	Primary	118	119	1			**0.64**	0.02
K2DD11_012	Primary	84	96	12			**1.12**	0.03
	Inclusion	*89*	*95*	*6*			***1.72***	*0.03*
K2DD11_016	Primary	25	26	1	4.85	0.19		
	Primary	10	12	2			**1.15**	0.33
	Primary	28	31	3			**0.79**	0.14
	Primary	48	51	3			0.43	0.03
K2DD11_017	Primary	82	85	3	3.85	0.03		
	Primary	80	82	2			0.30	0.12
	Primary	85	99	14			**2.09**	0.16
	Inclusion	*95*	*96*	*1*			***10.43***	*0.03*
	Primary	112	113	1			0.36	0.02