

ASX/MEDIA RELEASE

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COMPLETION OF AGREEMENTS FOR UPDATED KHNAIGUIYAH PROJECT JOINT VENTURE

HIGHLIGHTS

- ❖ Alara and its JV partner (Manajem) have completed the execution of formal agreements that give effect to the provisions of the Heads of Agreement announced on 14 March 2014 which will raise Alara's equity in the Khnaiguiyah Project from 50% to 60%.
- ❖ Alara will now make arrangements for a General Meeting in order to obtain shareholder approval of the equity terms of the agreement as announced.
- ❖ Effective immediately Alara will assume management of the JV. The new KMC Board will be led by its inaugural Chairman, HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud.
- ❖ The updated JV, under Alara's leadership, will progress Khnaiguiyah through the next Project phases, namely: finalise the DFS upside opportunities, project finance, award of the EPC construction contract and establishment of the Owner's Team.

Perth: Alara Resources Limited (ASX: AUQ) (Alara or Company), in conjunction with its Joint Venture (JV) partner, United Arabian Mining Company LLC (Manajem) have completed the formal legal agreements and documentation (Agreements), including an amended Shareholders Agreement (SHA), Articles of Association and ancillary documents, which form the basis of an updated JV arrangement for the Khnaiguiyah Zinc-Copper Project (Project) in Saudi Arabia.

Alara will convene a General Meeting in late May/early June 2014 to seek shareholder approval for the issue of shares to Manajem under the terms of the Agreements.

Further details are outlined in Annexure A.

Background

On 14 March 2014¹, Alara announced that it had entered into a Heads of Agreement (HoA) for an updated JV relationship with Manajem to advance the Khnaiguiyah Zinc-Copper deposit from DFS² to the Project's next stages of development.

The HoA provided for Alara to increase its shareholding in the Project's JV company, Khnaiguiyah Mining Company LLC (KMC) from 50% to 60% in consideration for the issue of 60 million Alara shares and payment of US\$6,664,120 (in stages) to Manajem; the KMC Board has been restructured (led by new Chairman, HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud) and all historic claims and outstanding matters settled between the parties.

The original intent of the JV and the associated SHA³ was for Alara to lead the Project forward ultimately into production. The new Agreements (including the amended SHA) will provide the necessary Project control for the Company to fulfil this responsibility.

¹ Refer Alara's ASX market announcement dated 14 March 2014 "[Alara Moving to 60% Interest in the Khnaiguiyah Project](#)"

² Refer Alara's ASX market announcement dated 30 April 2013: "[Positive DFS Confirms Khnaiguiyah Project as Technically and Financially Robust](#)"

³ Refer Alara ASX market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

Khnaiguiyah Project Development Timeline

The following is an indicative timeline for the Khnaiguiyah Project through to commercial production:

	Project Activity	2014				2015				2016				2017			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	SHA Completion	■															
2	Project Finance	■															
3	Project Construction					■											
4	Commissioning													■			

Project Next Steps

The JV partners are now poised to progress the following next steps in the Project's implementation. These matters will be progressed in parallel, with some items lagging due to natural Project needs and timing.

- (1) Preliminary Project construction:
 - (a) Security and site access works;
 - (b) Fence line and property delineation work; and
 - (c) Camp preparedness for early site construction activity;
- (2) Following the recent completion of the DFS upside review and validation, additional optimisation studies will now be initiated;
- (3) Negotiate concentrate off-take agreement as required within Saudi Industrial Development Fund (SIDF) funding guidelines;
- (4) Final Project EPC tender and bid process
- (5) Project finance:
 - (a) SIDF loan application; and
 - (b) Secure finance for the non-SIDF 'gap' component; ; and
- (6) Recruitment and establishment of the Project's Owner's Team.

Update on Daris/Washihi Oman Projects

Work has been re-initiated on an update to the Scoping Study for Alara's Daris/Washihi Copper-Gold Project in Oman. The Scoping Study work is based on the results of the recently completed Options Analysis Study, the full results of which will soon be released on ASX. A final decision on the way forward for the Oman project is expected at the end of May after the completion of the new Scoping Study.

– ENDS –

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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 recently completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and is completing an upgraded Scoping Study (SS) on its Daris/Washihi Copper-Gold Projects in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company. For more information, please visit: www.alararesources.com.

ANNEXURE A**SUMMARY OF UPDATED KHNAIGUIYAH JOINT VENTURE****Completion of Agreements**

Alara and Manajem have entered into formal agreements and ancillary documentation to give effect to the terms of the HoA outlining updated KMC/JV arrangements (as announced on 14 March 2014)¹, including:

- A Settlement Agreement to formally give effect to matters outlined in the HoA, including the agreed form of the agreements and ancillary documentation referred to below;
- A Share Sale and Purchase Agreement for Alara to acquire a 10% shareholding in KMC from Manajem in consideration of the issue of 60 million Alara shares to Manajem
- Amendments to the existing SHA, Loan Agreement and Mining Rights Agreement to implement the matters outlined in the Settlement Agreement/HoA, including the adoption of new Articles of Association and the new Board restructure;
- A KMC Shareholders' Resolution amending KMC's Articles of Association to reflect, amongst other matters, the new 60% Alara shareholding and Board structure; and
- A KMC Shareholders' Resolution to invite HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud to join the new KMC Board as Chairman.

(together, the **Agreements**).

Summary of Key Points

- Alara will secure an additional 10% of the joint venture entity, KMC, thus increasing its equity to 60% (from 50%) and have control of KMC and the Project.
- Alara will issue 60 million shares to its JV partner, Manajem, subject to Alara shareholder approval and the transfer of the Mining Licence to KMC.
- Alara will pay US\$6,664,120 in tranches conditional on attainment of defined milestones with:
 - US\$601,000 payable to employees of KMC in respect of accrued/historical entitlements and to Manajem for the secondment of their employees to KMC, upon execution of the Agreements; and

Subject to the transfer of the Khnaiguiyah Mining licence to KMC being completed:

 - US\$3,500,000 payable to Manajem for settlement of prior Project items (such as site camp infrastructure and Manajem cost), within 2 months after the execution of the Agreements;
 - US\$150,000 payable to Mr Hatlani (Manajem Executive member) in respect of the balance of consideration for the purchase of land to secure water rights for the Khnaiguiyah Project, upon receipt of the land deed; and
 - US\$2,413,120 payable to Manajem, upon KMC securing project financing,

(The above amounts will be added to Alara's loans to KMC - repayable from KMC net profits).
- Alara will issue 6.7 million shares and pay US\$1,675,499 to Manajem as the balance of consideration under the terms of the original SHA, upon the transfer of the Mining Licence to KMC and KMC receiving the grant of an Environmental Permit (for the commencement of mining under the Mining Licence).
- US\$3,905,628 (being the difference between the invested capital by each of the parties to date) will be added to the KMC loan and repaid to Alara in accordance with the Loan Agreement pursuant to the SHA. These loans accrue interest at LIBOR plus 2% per annum and 30% of KMC's net profits are to be applied towards repayment of shareholder loans each year prior to the distribution of dividends.
- The parties agree to settle and/or waive all historical claims in relation to the KMC JV and or the Project.
- The new KMC Board will comprise 7 Directors, with Alara and Manajem having 3 nominees each and HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud (also an Alara Non-Executive Director) being invited to join the restructured Board as the inaugural Chairman. The KMC Board will appoint the future Chairman going forward.

Transfer of Khnaiguiyah Mining Licence

Manajem has provided a formal request to the Deputy Minister of Mineral Resources (DMMR) to proceed with the transfer of the Khnaiguiyah Mining Licence and Exploration Licences to KMC on a priority basis. The second milestone payment above (US\$3.5m) is contingent on the MLs being secured in the JV entity. This is also in accordance with the original SHA.

Alara will fund KMC (in accordance with the amended SHA and Loan Agreement) to commence the early site works required by the DMMR including but not limited to the extension of property fencing, signage and Project gate upgrades.

Existing Shareholders' Agreement

Except for amendments required to accommodate the Settlement Agreement/HoA (such as the new Articles of Association and Board restructure), the terms of the original SHA remain on foot.⁴

Alara Shareholder Approval

The issue of 60 million shares to Manajem under the Share Sale and Purchase Agreement is subject to shareholder approval.

The Company will also seek shareholder approval for the issue of 6.7 million shares to Manajem under the terms of the original SHA, under the ASX Listing Rules (LR 7.1) and also under the Corporations Act (Item 7 of section 611).

A general meeting will be convened (in late May/early June 2014) to seek the above shareholder approvals.

⁴

Refer Alara market announcements dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"