

ASX/MEDIA RELEASE

Tuesday, 31 May 2016

PROJECT UPDATES

Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) provides this status update on its projects in Oman and Saudi Arabia.

AL HADEETHA COPPER-GOLD PROJECT (OMAN)

Project Financing

The Company is making steady progress towards selection of a major project financing arrangement; this includes consideration of both Sharia compliant and conventional banking products. In addition, vendor financing options are also being considered with key suppliers.

Al Hadeetha Mining Licence

Steady progress is also being made on the mining licence application, with our JV partners' Group Head of Administration reporting that the Ministry of Housing and Ministry of Water & Electricity have submitted approvals of the Al Hadeetha Copper project to the Public Authority of Mining.

Infill Drilling Program

Further to the drilling update of 10 May, it is confirmed that samples from the first three drill holes were dispatched via DHL to the ALS laboratory in Jeddah over two weeks ago.

Drilling will continue into June. This is due to a number of RC drill holes having to be abandoned after encountering ground water and mechanical inability of the drill rig to penetrate the fracture zones above mineralisation. Relatively hard host rock below fractured rock formations associated with water impacted adequate sample recovery. The drilling program was subsequently converted to core drilling.

As on 30th May, a total of 564 meters of drilling had been completed in 6 holes and a total of 173 RC samples have been dispatched to ALS Jeddah with lab results expected next week.

Despite the delays, the Company recognises and appreciates the extra effort being exerted by the drilling company at no additional cost to Alara.

KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI)

New Saudi Ministers Appointed

Following the recent announcement of Saudi Arabia's 2030 vision, which includes plans to increase output of the mining sector, a number of key ministerial changes took place.

King Salman has replaced Ali Al-Naimi, who had served as Minister of Petroleum and Mineral Resources for more than twenty years, with Khalid Al-Falih, chairman of the state oil company Saudi Aramco. This change comes amid major economic reforms announced by Deputy Crown Prince Mohammed bin Salman. The reforms are directed towards reducing the Kingdom's reliance on oil and growing other parts of its economy, including the mining sector.

Khalid al-Falih, has a key role in these reform plans as head of the renamed 'Energy, Industry and Mineral Wealth Ministry'.

Khnaiguiyah Mining Licence

Further to the Company's announcement dated 3 May 2016, the Company is advised that Bayan's Mining Licence application is currently before the mineral licencing department of the Energy, Industry and Mineral Wealth Ministry (formerly the Ministry of Petroleum and Mineral Resources).

Legal Proceedings

Following the Company's previous legal update of 19 May 2016, legal counsel for Alara appeared before the Saudi Board of Grievances on 25 May 2016. However, in an apparent clerical error there was no hearing scheduled and the next court date was scheduled for 26 July 2016 (after Ramadan).

Neither Alara nor Manajem know why the court set a period of three months between hearings. The Judge previously asked the parties to see if an out of court resolution could be reached, and this gap may have been to create space for that to occur.

With the Khnaiguiyah Mining Licence no longer in Manajem's possession, Alara would expect any settlement discussion to include the refund of US\$3,266,000 to Alara, being the amount which Alara paid Manajem to effect (and not hinder) the transfer of the mining licence to the Khnaiguiyah Mining Company LLC.

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian minerals exploration company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study on the Khnaiguiah Zinc-Copper Project in Saudi Arabia, an Advanced Scoping Study on the Daris and Al Hadeetha Copper-Gold Projects in Oman, and a Feasibility Study for the Al Hadeetha Project, Washihi deposit. The Company is transitioning to establish itself as a base and precious metals mine development and production company. For more information, please visit: www.alararesources.com.

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