

ASX/MEDIA RELEASE

Thursday, 13 November 2014

KHNAIGUIYAH PROJECT UPDATE

Perth: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) wishes to provide an update on the status of its Khnaiguiyah Zinc-Copper Project in Saudi Arabia (**Project**).

As previously announced:

- Alara and its Joint Venture (**JV**) partner, United Arabian Mining Company LLC (**Manajem**) had entered into an updated JV agreement (**New JV Agreement**) for the Khnaiguiyah Project whereby Alara would move from its current 50% equity position to 60% equity in the JV company, Khnaiguiyah Mining Company (**KMC**). In turn, this agreement resolved all outstanding historical matters between the parties and would thus allow the Khnaiguiyah JV and Project to move forward.^{1 & 2}
- However, the implementation of the New JV Agreement, which includes a 'Road Map' outlining the steps the parties have agreed to undertake to give effect to the New JV Agreement, had reached an impasse.^{3 & 4}

Alara has maintained an open stance and approach with Manajem to advance the New JV Agreement and the Project. In spite of this stance and prior attempts to work with Manajem under both the original JV shareholders' agreement⁵ (**SHA**) and the more recent New JV Agreement it has not been possible to advance the Project as planned.

Manajem has now filed a 'financial claim' against Alara Saudi Operations Pty Limited (a wholly owned Australian subsidiary of Alara Resources Limited and a 50% shareholder in KMC) before the 'Board of Grievance' in Riyadh.

The Board of Grievance has to date not provided Alara with a copy of Manajem's claim pending lodgment of an original legalised Power of Attorney (**PoA**) appointing Alara's Saudi lawyers to act on the Company's behalf in this matter. This is being arranged in Australia for presentation to the Board of Grievance in Riyadh as soon as practicable. Once the PoA is in place Alara will be able to receive a copy of the specific details of Manajem's claim and in turn respond accordingly.

Alara is disappointed with Manajem's actions in filing this claim and Manajem's lack of compliance with its legal obligations under the original JV SHA⁵ and the New JV Agreement (which includes the requirement for Manajem to transfer the Khnaiguiyah Mining Licence to KMC). Alara has acted in good faith to advance the JV relationship and the Project, which has included making advance vendor payments to Manajem under the SHA and in negotiating and entering into the New JV Agreement.

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

² Refer ASX market announcement dated 4 April 2014 entitled "[Completion of Agreement for Updated Khnaiguiyah Project Joint Venture](#)".

³ Refer ASX market announcement dated 4 June 2014 entitled "[Khnaiguiyah Project Joint Venture Agreement Has Reached Impasse](#)".

⁴ Refer ASX market announcement dated 21 July 2014 entitled "[Saudi Arabia and Oman Projects Update](#)".

⁵ Refer 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](#)".

Alara believes there is no basis for Manajem to dispute compliance with its legal obligations under the SHA and New JV Agreement. Alara will defend Manajem's claim before the Board of Grievance and is prepared to present a series of specific counter-claims against Manajem and or individual Manajem shareholders/directors pursuant to their obligations under the SHA (including to seek recovery of advance vendor payments) and in relation to a number of KMC operational matters.

In spite of the current impasse with the SHA/New JV Agreement and this most recent development Alara continues to:

- Explore and advance all reasonable means to resolve the New JV Agreement and Project impasse as soon as practical; and
- Investigate and progress various remedies in relation to the impasse with Manajem.

As a result of the ongoing work, focus and commitment regarding the Khnaiguiyah Project and the Kingdom of Saudi Arabia's continuing support and development of its mining industry and active support of foreign involvement in the mining industry, Alara remains cautiously optimistic that a resolution will be achieved in the not too distant future.

– 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 completed a [Definitive Feasibility Study](#) (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an [Advanced Scoping Study](#) on its Daris/Washihi Copper-Gold Project 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.