

ASX/MEDIA RELEASE

Tuesday, 10 May 2016

PROJECT UPDATE - OMAN

Further to the feasibility study findings announced earlier this month¹, Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) provide this update on recent developments at the Al Hadeetha Copper-Gold Project in Oman (the 'Project').

Infill Drilling Program

The Project currently includes three exploration licences (Washihi, Al Ajal and Mullaq) covering an area of more 100sqkm, with a 14mt JORC Resource contained within the Washihi licence area².

In April, infill drilling was conducted on the Washihi licence. With drill spacing appropriate to the deposit geometry, the program is directed towards further increasing the size of the resource within the indicated category. Figure 1 below shows the location of historic, recent and proposed drill holes in relation to existing Washihi resource boundaries.

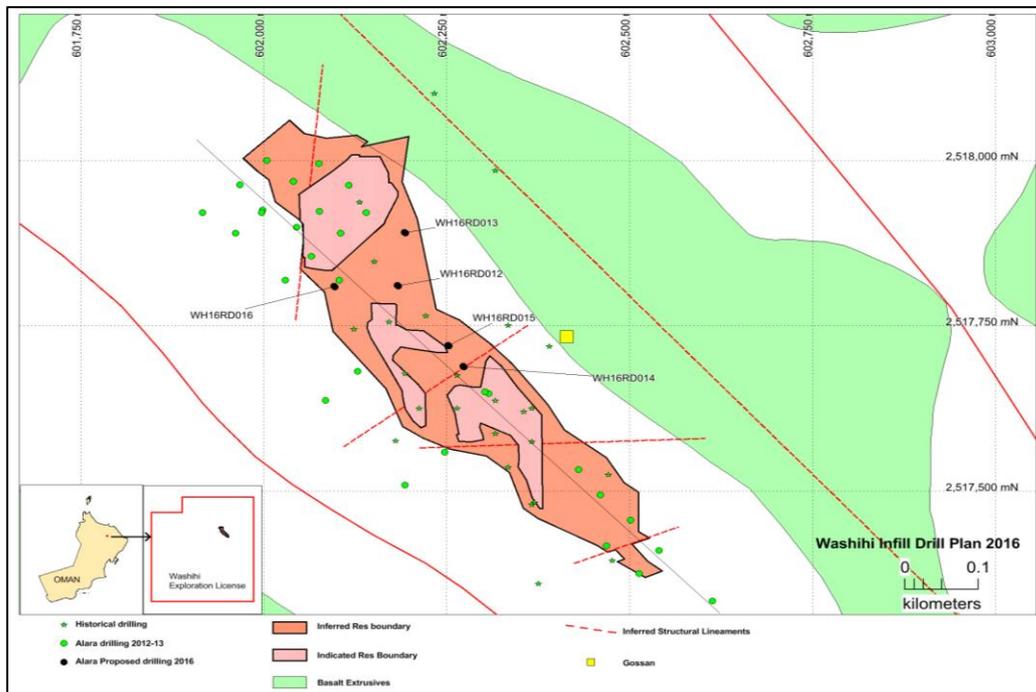


Figure 1: Drill hole locations at Washihi

¹ Refer Alara's ASX Announcement of 1 April 2016: Feasibility Study Update

² Refer Alara's March 2016 Quarterly Report for further details.



Drill rig set up at Washihi near gossan hill

The drilling of three holes, namely WH16RD012, WH16RD013 and WH16RD014 has now been completed.

Geological observation of RC cuttings from these completed drill holes confirmed sulphide mineralisation as expected; however hole WH16RD012 appears to have intersected previously unknown mineralisation between 20 and 24m depths below an oxidised horizon. Detailed chemical analysis of samples will be completed to confirm the presence of copper mineralisation in this new zone.

Samples are now being dispatched to the laboratory for testing, with remaining drill holes due to be completed this month.

Community Meeting

Al Hadeetha Resources LLC recently held a community gathering and luncheon near the Washihi site (see images below). The luncheon was hosted by Alara's JV partner Sheikh Khalid bin Hamed bin Saif Al Busaidi. The event was attended by over fifty Omani nationals representing stakeholders from local communities, key government ministries, including the Public Authority of Mining, Ministry of Environment, Director General of Municipality, and officials from the local province (Wilayat).

The community meeting agenda included:

1. update on outcomes of the feasibility study;
2. discussion of key milestones going forward (e.g. mining licence grant and mine construction); and
3. questions and answers regarding the impact of the Al Hadeetha Project on the local community.

Sheikh Khalid Al Busaidi led the meeting and community interactions supported by key Government officials. The outcome of the discussions was very positive with good community support for the Project. This community feedback, coupled with subsequent meetings at relevant Ministry offices and recent public announcements on streamlining of approval processes, all bode well for Al Hadeetha's Washihi mining licence application.



Government representatives and community leaders come to view drilling operations at the Washihi site.



Alara's joint venture partner, Sheikh Khalid Al Busaidi, and its Managing Director, Mr Justin Richard, meet and greet community leaders and government representatives.



Alara Director, Mr AV Sthapak and ministry officials reviews map of mine layout situated largely on a plain protected by a natural mountain barrier seen in the background



Sheikh Khalid Al Busaidi explains Project history and planned development, including one year mine construction and an initial ten years of mining operations.



After the meeting, Sheikh Khalid Al Busaidi generously hosted a traditional Omani meal including fresh fruits, roasted goats, rice, vegetables and halwa.

