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Monday, 24 October 2011

MARKET ANNOUNCEMENT

Project Acquisition – El Quillay Copper Gold Project in Chile

Alara Resources Limited is pleased to confirm that final agreements have now been executed in relation to Alara's acquisition of a 70% interest in the El Quillay Copper-Gold Project (the **Project**) located in the north of Chile.¹

Execution of such agreements paves the way for commencement of formal works in advancing this Project.

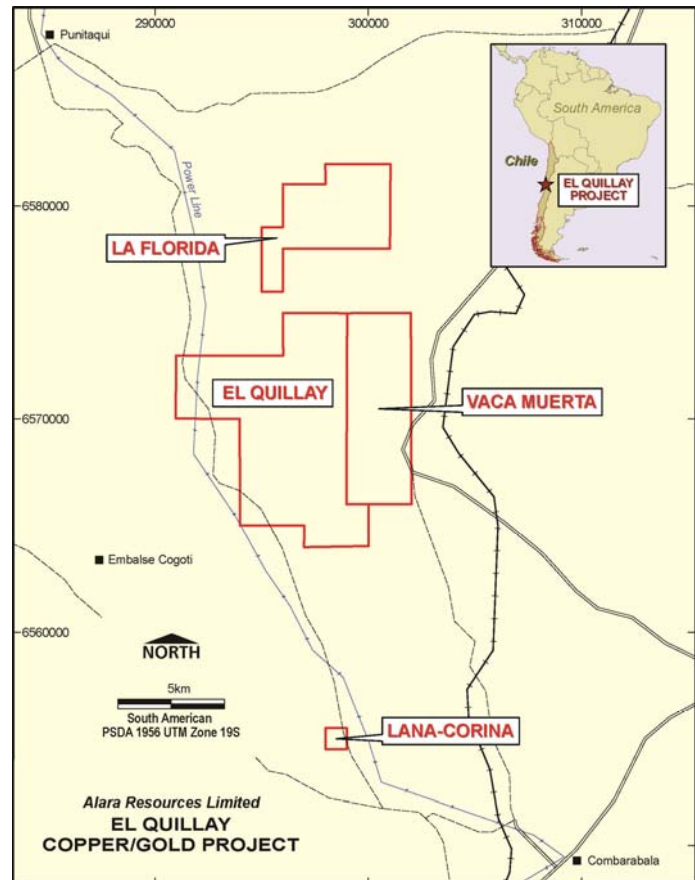
SUMMARY

The Project is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

The Project comprises ~68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

The Project presents several drill targets:

- El Quillay Norte (North) – Copper prospect along the El Quillay regional fault zone (which has a decline that has supported recent mining activity);
- El Quillay Central – Copper prospect along the El Quillay fault zone;
- El Quillay Sue (South) – Copper-Gold prospect along the regional fault zone;
- Lana-Corina – Two breccia pipes 40m to 50m wide with a deep shaft and underground workings. The breccia pipes extend into a porphyry copper deposit where 2 holes have intersected greater than 130m of mineralisation, one of which intersected 180m of 0.70% Cu and up to 200ppm Mo (refer Figures 2 and 3);
- Vaca Muerta – Along the El Quillay regional fault zone with many workings in parallel near vertical structures with grades encountered from due diligence sampling of up to 3.8% Cu over 2m; and
- La Florida – Exploration potential along the El Quillay regional fault zone.



¹ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)"



GEOLOGY

Work previously conducted by the vendors indicates that the El Quillay deposit is formed by a series of lentiform mineralised bodies, containing Cu, Cu-Au-Ag and Cu-Au ore. These structures appear to be located within a belt ~6 kilometres long, with NS to NNW strike, related to a low angle fault system.

The mineralised bodies are hosted by volcanic andesitic rocks which show hydrothermal-metasomatic alteration. These mainly contain silica (quartz), sericite, albite-adularia, chlorite-epidote and hematite.

The lengths of the lenses (3 bodies of this type have been recognised to date) potentially range from 300 to 1,000 metres with widths ranging from 20 to 200 metres.

The mineralisation appears in the shape of veins, veinlets-stockwork and disseminations. The oxidation zone reaches up to 25 metres depth. Thereafter the primary sulphide zone has been observed to continue to a depth of at least 80 metres in old workings. The widths of mineralisation indicate the potential for open cut mining.

The mineralisation appears to continue over a strike length of ~3 kilometres. The hydrothermal alteration has been observed to continue over a further ~3 kilometres.

TARGET MINERALISATION

The Project comprises known Copper/Gold mineralisation in old workings presenting as lenticular bodies extending over a strike distance of ~3 kilometres with widths of up to 200 metres.

In particular, five copper, copper gold and copper moly IOCG (Iron oxide-Copper-Gold) type and porphyry prospects have been identified with deep workings along a ~6 kilometre strike located along a major fault system in andesitic lavas and in diorite.

Alara projects the following target mineralisation ranges:

- 8 to 10Mt of oxide cap at 0.5% to 1.00% Cu to 30m depth and 20Mt to +40Mt at 1.5% Cu equivalent as copper sulphides, gold and silver below an oxide cap (based upon 550 samples extracted from outcroppings, underground and surface mine workings, assumed continuity of mineralisation along strike between the samples and assumed continuity of mineralisation to a depth of 200 metres); and
- 30Mt to 60Mt at 0.7% to 0.8% Cu equivalent in breccia pipes and porphyry (based on 2 drill holes which intersected greater than 130m of mineralisation, one of which intersected 180m at 0.70% Cu and up to 200ppm Mo) (refer Figures 2 and 3).

(The potential quantity and grade of the target mineralisation of copper equivalent is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of copper equivalent. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of copper equivalent).

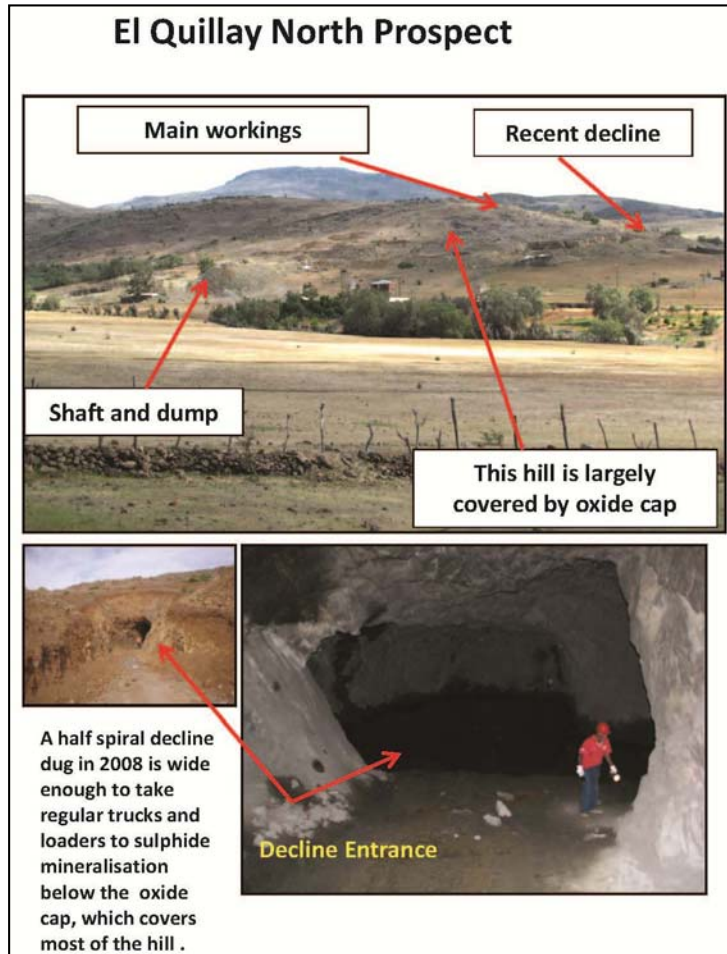


Figure 2: Lana-Corina Project Area Geology Plan

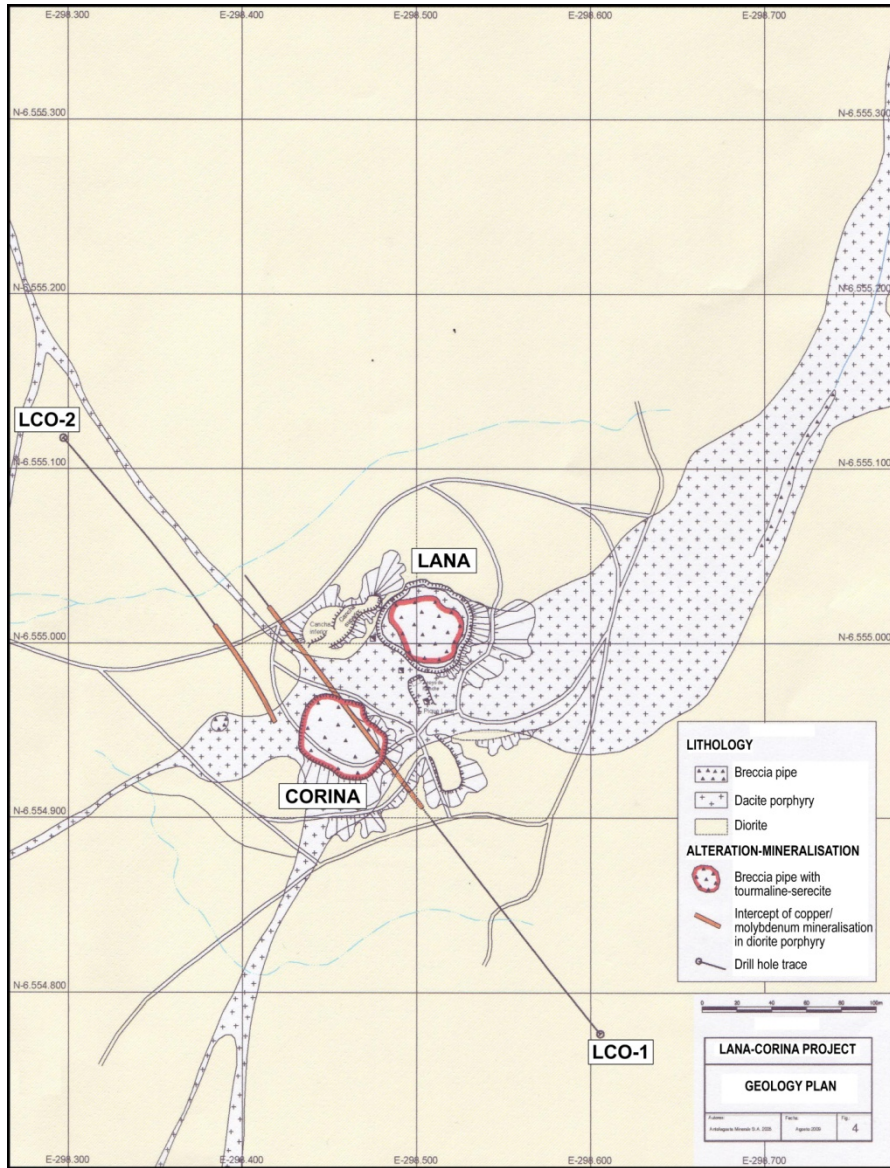
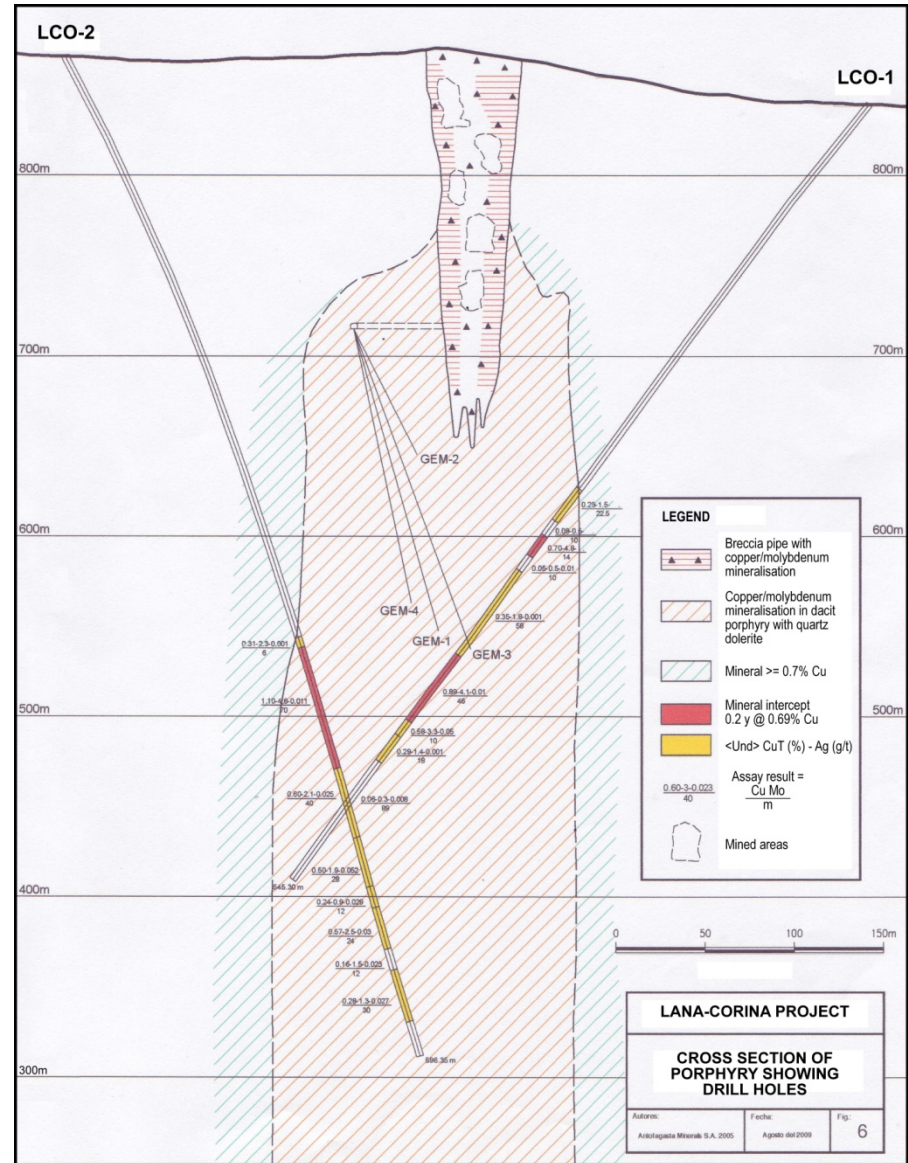
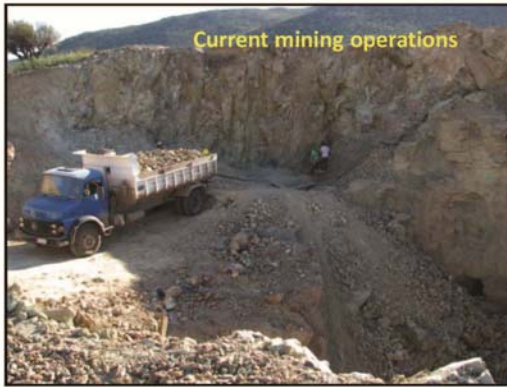


Figure 3: Lana-Corina Project Area Cross Section





Lana and Corina are well defined shallow targets significantly richer than the porphyry targets below the breccia pipes



EXPLORATION PROGRAMME

Alara has appointed Juan Carlos Toro as Exploration Manager (based in Chile) with considerable previous experience with Codelco, a major copper producer in Chile. Juan Carlos is presently finalising an initial exploration programme over priority targets within the Project area as a precursor to the commencement of a staged 10,000 metre drilling programme within 12 months, as follows:

- Mapping and geophysical surveys, including magnetic and Induced Polarisation (IP) is planned for Q4 2011; and
- An initial 5,000m of drilling in the El Quillay prospect is planned to commence early in Q1 2012.

SUMMARY OF AGREEMENTS

The Shareholder Agreement grants Alara a 70% interest in Chilean joint venture company El Quillay SpA (**ELQ**). Under this agreement, Alara agrees to sole fund the Project's planned exploration program up to and including the completion of one or more Definitive Bankable Feasibility Studies.

An Option Agreement provides ELQ with a three year option to acquire 100% of the shares in SCM Antares. SCM Antares is a Chilean mining company which holds mining rights and concessions for the Project. This agreement also provides that ELQ (funded by Alara) shall carry out a minimum of 10,000m of drilling on the concessions within the next 12 months and 20,000m within 24 months.

The option fee payable by Alara under the Option Agreement comprises the following:

- (1) US\$10 million, payable over 3 years as follows:
 - (a) \$500,000 upon execution of the Option Agreement (paid 21 October 2012)
 - (b) \$1,000,000 by 21 October 2012
 - (c) \$3,000,000 by 21 October 2013
 - (d) \$5,500,000 by 21 October 2014

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- (2) A variable bonus payment, calculated at the rate of US\$0.03 for each pound of Copper Resource² discovered in the Project attributable to Alara's pro-rata share in the Project (70%), in excess of 250,000 tonnes of Copper Resource.

The variable bonus payment also applies to any additional Copper Resources discovered after the option is exercised.

Under a Loan Agreement, Alara grants a US\$10m line of credit to the 30% shareholders (the **Vendors**) in ELQ. The loan shall be applied exclusively toward the Vendors' equity financing portion (if any) of the Project financing required to bring the Project into commercial production and repaid out of the Vendors' share of profits arising from the Project.

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.

² "Copper Resource" in this context means contained fine copper equivalent from a resource grading equal to or above 0.7% Copper equivalent (on average), regardless of whether the grading of copper is less than 0.7%, that is classified as being economically mineable with respect to proved and/or probable categories in the case of the "reserves, and measured and/or indicated in the case of the resources" according to JORC Code standards.