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## 30 SEPTEMBER 2011 QUARTERLY REPORT

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**Dated: 31 October 2011**

#### FURTHER INFORMATION:

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### SUMMARY

#### ➤ Cash Position:

Cash (and investments in listed securities) position was \$29m as at 30 September 2011 (30 June 2011: \$33m).

#### ➤ Khnaiguiyah Zinc-Copper Project in Saudi Arabia:

**29 July 2011** – Assay results from drill-holes testing extent of mineralisation along the eastern margin of Zone 2 indicate high grade mineralisation, confirming potential for copper with the zinc mineralisation; two PQ holes in Zone 3 drilled for metallurgical test work confirm zinc and copper mineralisation alongside historic holes;

**5 September 2011** – Further assay results from 6 drill-holes in Zone 3 continue to correlate with historic holes, confirming historically reported high grade zinc-copper mineralisation; results from a step-out drill hole (K3DD11\_031: 9m @ 8.68% Zn and 0.47% Cu from 155m) indicate extension of mineralisation down-dip to the North-West; rich zones of copper have been identified in holes K3DD11\_022 (21m @ 2.32% Cu) and K3DD11\_030 (6m @ 2.06 % Cu) outside of the high-grade Zinc intersections, which indicates the potential for further high grade copper mineralisation. Initial locked cycle flotation test work results from the metallurgical testwork programme on Zone 2 master composite, based on a relatively coarse primary grind product size of P80 < 106µm, appear highly encouraging, with favourable kinetics and recoveries consistently in excess of 87% for copper and 91.5% for zinc and resulting concentrate grades of around 30% for Cu and 57% for Zn.

**20 October 2011** – Further assay results from 17 holes drilled on the eastern, western and southern edges of Zone 3 to test the extent of mineralisation and confirm the overall geometry of Zone 3 - all but two holes encountered significant zinc and copper mineralisation; Exceptionally high grades and thicknesses of zinc and copper mineralisation were encountered in two holes at shallow depth (K3DD11\_028: 21m at 10.18% Zn and 0.58% Cu from 18m and K3DD11\_067: 37m at 1.92% Cu from 28m); Results open up potential for further high grade extensions to mineralisation to the west at shallow depth; High grade zones will underpin overall high average grades in Zone 3

#### ➤ Daris Copper Gold Project in Oman:

A ground geophysics programme has commenced at Daris. On completion of this work, a drilling programme of ~5000m comprising a combination of RC and diamond core holes will commence to test 26 high priority targets identified through predictive modelling at Daris and the adjoining Awtad area using GIS referenced spatial geological, geochemical and geophysical data sets including a VTEM survey.

#### ➤ El Quillay Copper-Gold Project in Chile:

**24 October 2011** - Final agreements have been executed in relation to Alara's acquisition of a 70% interest in the El Quillay Copper-Gold Project, which paves the way for commencement of formal works in advancing this project. Mapping and geophysical surveys, including magnetic and Induced Polarisation (IP) is planned for Q4 2011 with an initial 5,000m of drilling in early Q1 2012.



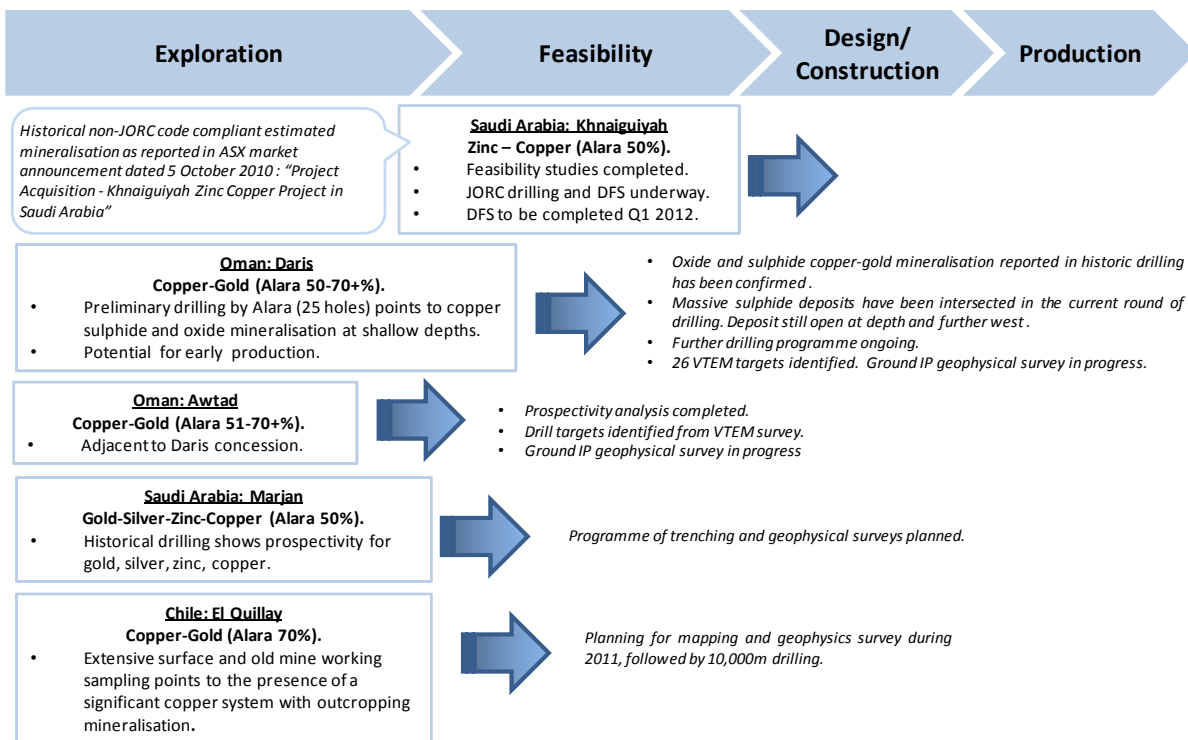


# COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian-based minerals exploration and development company. Alara has a current portfolio of projects in Saudi Arabia, Oman and Chile as follows:

PROJECTS	LOCATION	STATUS
(1) Khnaiguiyah Zinc-Copper <sup>1</sup>	Saudi Arabia	DFS
(2) Daris Copper-Gold <sup>2</sup>	Oman	Exploration
(3) El Quillay Copper-Gold <sup>3</sup>	Chile	Exploration
(4) Marjan Precious and Base Metals <sup>4</sup>	Saudi Arabia	Exploration
(5) Awtad Copper-Gold Project <sup>5</sup>	Oman	Exploration

Alara is moving towards establishing itself as a base metals development company with a strong pipeline of advanced and early stage projects:



<sup>1</sup> Refer Alara 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](#)"

<sup>2</sup> Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

<sup>3</sup> Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition - El Quillay Copper Gold Project in Chile](#)"

<sup>4</sup> Refer Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)"

<sup>5</sup> Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)"

# PROJECT LOCATION

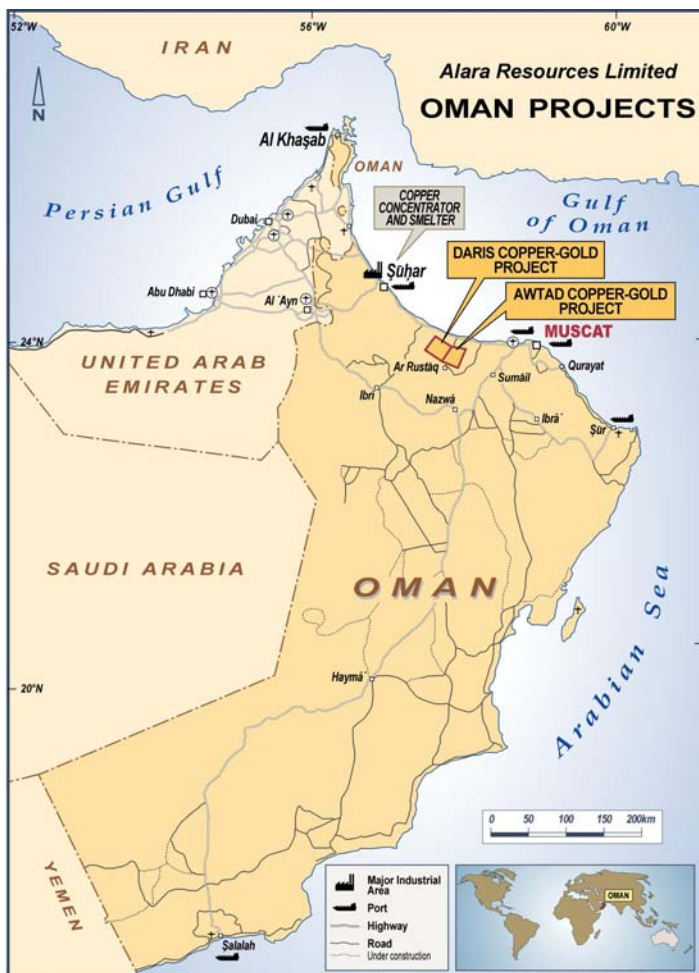
## SAUDI ARABIA

The **Khnaiguiyah Zinc Copper Project** (Alara 50%) is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway. The project comprises the Khnaiguiyah Mining Licence, 3 Exploration Licences and 5 Exploration Licence applications pending grant, totalling ~380km<sup>2</sup>. Alara has a 50% interest in a new joint venture company, “Khnaiguiyah for Mining Company”, which will hold these mineral licences (after transfers have been processed by relevant authorities).

The **Marjan Precious and Base Metals Project** (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project comprising 3 Exploration Licences (totalling 260km<sup>2</sup>) prospective for gold, silver, copper and zinc. Alara will have a 50% interest in a new joint venture company to be formed, which will hold these licences (after Alara has completed a minimum US\$1 million funding and transfers have been processed by relevant authorities).



Figure 1



## OMAN

The **Daris Copper Gold Project** is located ~150km west of Muscat, the capital of Oman and comprises a mineral excavation licence of ~587km<sup>2</sup>. Alara has a 50% interest (with a right to increase this to 70%+) in a joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

The **Awtad Copper Gold Project** is located immediately adjacent to the Daris Project and comprises a mineral excavation licence of ~497km<sup>2</sup>. Alara has a right to earn an initial 10% interest (increasing to 70%+) in the concession owner, Awtad Copper LLC.

Alara has also formed a separate joint venture company (Alara 70%) in Oman, Alara Resources LLC, which has lodged applications for exploration licences over areas prospective for precious and base metals.

Figure 2

# PROJECT LOCATION



## CHILE

The **El Quillay Copper-Gold Project** (Alara - right to earn-in 70%) is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

The project comprises 63 mineral concessions totalling ~13.3km<sup>2</sup> 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.

Figure 3



# COMPANY PROJECTS

## 1. Khnaiguiyah Zinc Copper Project (Saudi Arabia)

(Alara - 50%, United Arabian Mining Company (**Manajem**) - 50%, of Khnaiguiyah for Mining Company LLC (**KMC**))

### Background

Alara has a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia via a 50% shareholding interest in a joint venture company, KMC.

The Khnaiguiyah Project is an advanced near production project having a historical non-JORC Code compliant estimated mineralisation<sup>6</sup> assessed by BRGM<sup>7</sup>, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 13 to 26 of the Company's 2011 Annual Report).

The project is located 200km west of Riyadh and is the second most advanced base metals project in Saudi Arabia after the Jabal Sayid Copper-Gold Project, previously held by Citadel Resources Group Limited (ASX: CGG), which was taken over by Equinox Minerals Limited (TSX and ASX: EQN) in January 2011, which itself was taken over by Barrick Gold Corporation (TSX and NYSE: ABX) in July 2011.

Previous drilling (of in excess of 45,000 metres in ~345 RC and diamond drill holes) at Khnaiguiyah by BRGM and Ma'aden (Saudi Arabian Mining Company) has outlined a substantial Zn-Cu mineralisation in two zones - Zone 2 and Zone 3 - and significant additional mineralisation in Zone 1 and Zone 4 (refer Figure 4).

Whilst the BRGM estimate is a historical non-JORC Code compliant, it is considered by the Company to be a valid and relevant measure of mineralisation as it is based on significant drilling, exploration and evaluation work conducted by an internationally reputable organisation between 1972-85 and 1991-92 on behalf of the Saudi Arabian Government in accord with internationally accepted standards at the time.

Alara believes that the Khnaiguiyah Project offers the potential to move the company to the status of a significant producer within a relatively short time.

Please refer to the Company's 2011 Annual Report, at pages 4 to 26, for further technical information on the Khnaiguiyah Project.

### Khnaiguiyah Project – Summary

- Khnaiguiyah Mining Licence issued in December 2010<sup>8</sup> with 30 year exclusive term and no mineral royalties payable.
- Definitive Feasibility Study (DFS) scheduled for completion in Q2 2012; Ausenco Limited (ASX: AAX), a well-known worldwide minerals consulting and engineering design and construction group, are the DFS lead engineers.
- Historical drilling within the Khnaiguiyah Project (in 1972-85, 1991-92 and 1997-98) totals in excess of 45,000 metres across 345 core and percussion holes.
- KMC has completed ~18,800 metres of drilling across ~14,000 metres of diamond core and ~4,800 metres of reverse circulation (RC) holes to date (for metallurgical test work, geotechnical, mineralisation validation, mineralisation extension and sterilisation).
- Assay results from drill-holes in Zone 3 continue to correlate with historic holes, confirming historically reported high grade zinc-copper mineralisation (refer to Summary of Assay Results below).
- JORC Resource estimate pending completion in Q4 2011.
- Metallurgical test work on Zone 2 samples indicates potential for zinc and copper recoveries in excess of 90%.
- Saudi Arabia has very attractive attributes for investment, low cost energy and excellent infrastructure.

<sup>6</sup> Source: BRGM Geoscientists, 1993, *Khnaiguiyah zinc-copper deposit – prefeasibility study – 1,2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photoplates*

<sup>7</sup> Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") ([www.brgm.fr](http://www.brgm.fr))

<sup>8</sup> Refer Alara market announcements dated 21 December 2010 and entitled "[Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia](#)"

# COMPANY PROJECTS

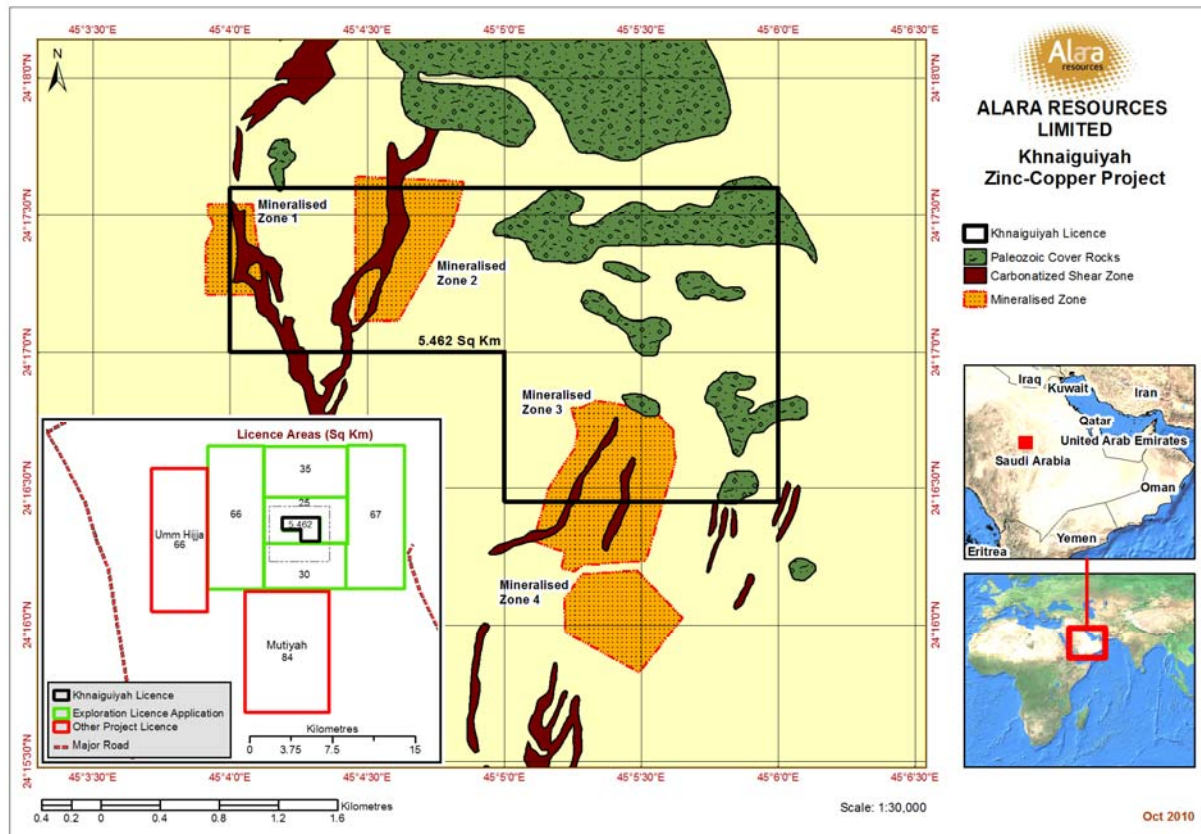


Figure 4: Khnaiguiyah Project Location, Licence Areas and Mineralised Zones

## Drilling Programme

KMC has completed drilling of 130 holes totalling ~18,800 metres to date, comprising diamond core PQ and HQ sized drill holes (~14,000 metres) and RC holes (~4,800 metres) within Mineralised Zones 2 and 3 and for sterilisation over proposed infrastructure areas. This includes all planned metallurgical test work holes, geotechnical holes, mineralisation validation holes (in support of the DFS), holes to extend the known mineralisation and sterilisation drillholes over plant and tailings dam areas.

KMC has awarded contracts for a total of 35,000 metres of core and RC drilling (inclusive of ~18,800 metres of drilling completed to date) to be completed over the next 6 to 12 months and there are currently five drilling rigs – four diamond core rigs and one RC rig - operating on-site.

The focus of the next phases of the drilling programme is for sterilisation of the proposed mine plant area and to expand mineralisation in Zones 2, 3 and 1.

## Summary of Assay Results

- Zone 2 - Metallurgical test holes to duplicate earlier holes drilled by BRGM and Ma'aden intersected mineralisation with some exceptionally high copper and zinc grades<sup>9</sup>:
  - K2DD11-001: 27.43m at 12.88% Zn and 0.47% Cu from 52.60m to 80.03m (at above 1% Zn cut-off)
  - K2DD11-002: 14.10m at 2.70% Zn from 26.90m to 41.00m followed by 4.33m at 2.07% Cu from 46.52m to 50.85m
  - K2DD11-003: 5.60m at 3.86% Zn from 32.28 to 37.88m
  - K2DD11-004: 23.07m at 10.14% Zn and 0.41% Cu from 17.91m to 40.98m, including 8.12m at 17.93% Zn from 20.66m to 28.78m

<sup>9</sup> Refer Alara market announcement dated 16 June 2011 and entitled "[Operations Update - Khnaiguiyah Project](#)"



# COMPANY PROJECTS

- K2DD11 -005: 12.12m at 2.04% Cu from 63.54m to 75.66m, including two separate intervals of 5.60% Cu and 5.44% Cu above 0.85m each (at above 0.55% Cu cut-off)
- Zone 2 – drilling to test extent of mineralisation along the eastern margin of Zone 2 produced attractive grades of copper mineralisation, mostly accompanied by zinc mineralisation at relatively shallow depths:<sup>10</sup>
  - K2DD11\_011: 10m at 5.00% Zn from 25m to 35m with 16m at 1.16% Cu from 25m
  - K2DD11\_013: 7m at 6.46% Zn from 41 to 48m with 12m at 0.99% Cu from 47m
  - K2DD11\_014: 7m at 7.16% Zn from 50m to 57m with 6m at 0.86% Cu from 55m
  - K2DD11\_010: 5m at 3.03% Zn from 57m to 62m with 5m at 1.24% Cu from 62m
- Zone 3 - Step-out holes south of Zone 3 has extended mineralisation by ~50 metres<sup>11</sup>:
  - K3DD11\_006: 48m at 5.84% Zn from 44m including a zone of 4m at 26% Zn from 85m  
10m at 12.99% Zn from 83m, including the highest recorded assay of 1m at 43.6% Zn from 87m
  - K3DD11\_007: 5m at 6.58% Zn from 37m including a zone of 4m at 7.56% Zn  
10m at 0.6% Cu from 41m including a zone of 3m at 1.01% Cu
- Zone 3 - Metallurgical test holes confirm zinc and copper mineralisation alongside historic holes<sup>12</sup>:
  - K3DD11\_015: 16m at 6.38% Zn from 130m to 146m with 6m at 1.04% Cu from 141m
  - K3DD11\_018: 45m at 5.02% Zn from 100m to 145m, including 9m at 6.77% Zn from 137m and 7m at 8.52% Zn from 138m to 145m
- Zone 3 - Results continue to correlate with historic holes, confirming historically reported high grade zinc-copper mineralization; rich zones of copper have been identified in holes K3DD11\_022 (21m at 2.32% Cu) and K3DD11\_030 (6m at 2.06 % Cu) outside of the high-grade Zinc intersections, which indicates the potential for further high grade copper mineralisation; results from step-out hole K3DD11\_031 confirm the extension of mineralisation at depth in the dip direction to the west of historic drill hole K97\_157, indicating extension of mineralisation down-dip to the North-West<sup>13</sup>:
  - K3DD11\_039: 84m at 13.3% Zn and 0.39% Cu from 71m, including 19m at 30.39% Zn and 0.95% Cu
  - K3DD11\_032: 65m at 9.86% Zn and 1.24% Cu from 122m, including 12m at 15.31% Zn and 3.09 % Cu
  - K3DD11\_035: 35m at 7.65% Zn and 0.18% Cu from 84m, including 3m at 38.6% Zn and 0.87 % Cu, and, 21m at 7.03% Zn and 0.16% Cu from 125m, including 1m at 44.4% Zn and 0.78% Cu
  - K3DD11\_030: 54m at 8.33% Zn and 0.39% Cu from 82m, including 9m at 20.19% Zn and 1.52% Cu and 13m at 7.39% Zn and 1.27% Cu from 168m, including 6m at 2.06% Cu
  - K3DD11\_022: 7m at 5.45% Zn and 0.22% Cu from 107m, and 21m at 2.32% Cu from 132m
  - K3DD11\_031: 9m at 8.68% Zn and 0.47% Cu from 155m, including 6m at 11.75% Zn and 0.59% Cu

<sup>10</sup> Refer Alara market announcement dated 29 July 2011 and entitled "[Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc Copper Project Saudi Arabia](#)"

<sup>11</sup> Refer Alara market announcement dated 26 May 2011 and entitled "[Drilling Update - Khnaiguiyah Zinc Copper Project, Saudi Arabia](#)"

<sup>12</sup> Refer Alara market announcement dated 29 July 2011 and entitled "[Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc Copper Project Saudi Arabia](#)"

<sup>13</sup> Refer Alara market announcement dated 5 September 2011 and entitled "[Drilling Update - Khnaiguiyah Zinc-Copper Project](#)"



# COMPANY PROJECTS

MINERALISED ZONE 3 - SIGNIFICANT DRILLHOLE INTERSECTIONS - AUGUST 2011								
Drillhole Id	Intersections	Significant Mineralisation			Zinc Rich Zone		Copper Rich Zone	
		From (m)	To (m)	Length (m)	Zn%	Included Cu%	Cu%	Included Zn%
K3DD11_022	Primary	107	131	24	3.8	0.32		
	Inclusion 1	107	114	7	5.45	0.22		
	Inclusion 2	117	124	7	5.37	0.19		
	Primary	113	167	54			1.14	1.12
	Inclusion 1	132	153	21			2.32	0.03
K3DD11_030	Primary	82	136	54	8.33	0.39		
	Inclusion 1	110	119	9	20.19	1.52		
	Inclusion 2	123	128	5	29.9	0.85		
	Primary	109	128	19			0.98	18.73
	Inclusion 1	115	119	4			2.82	24.54
	Primary	168	181	13			1.27	7.39
	Inclusion 1	171	172	1			0.73	18.35
	Inclusion 2	172	178	6			2.06	1.41
K3DD11_031	Primary	155	164	9	8.68	0.47		
	Inclusion 1	158	164	6	11.75	0.59		
K3DD11_032	Primary	122	187	65	9.86	1.24		
	Inclusion 1	122	136	14	17.85	0.47		
	Inclusion 2	151	156	5	14.84	0.85		
	Inclusion 3	159	171	12	15.31	3.09		
K3DD11_035	Primary	84	119	35	7.65	0.18		
	Inclusion 1	101.5	104.5	3	19.73	0.50		
	Inclusion 2	106	109	3	38.6	0.87		
	Primary	125	146	21	7.03	0.16		
	Inclusion 1	134	146	12	10.89	0.26		
	Inclusion 2 (included in inclusion 1)	137.7	138.7	1	44.4	0.78		
	Inclusion 3 (included in inclusion 1)	138.7	139.7	1	30.3	1.06		
K3DD11_039	Primary	71	155	84	13.3	0.39		
	Inclusion 1	71	75	4	20.3	0.44		
	Inclusion 2	90	94	4	25.5	1.27		
	Inclusion 3	104	123	19	30.39	0.95		

- Zone 3 - Results from 17 holes drilled on the eastern, western and southern edges of Zone 3 to test the extent of mineralisation and confirm the overall geometry of Zone 3 indicate significant zinc and copper mineralisation (in all but 2 holes) opens up potential for further high grade extensions to mineralisation to the west at shallow depth; high grade zones confirm and will underpin overall high average grades in Zone 3<sup>14</sup>.

Drill Hole ID	Mineralisation				Mineralised Zone	
	Intersections	From (m)	To (m)	Length (m)	Zn%	Cu%
K3DD11_028	Primary	12	39	27	8.47	0.46
	Including	33	34	1	23.70	0.61
		18	39	21	10.18	0.58
		38	39	1	10.20	2.47
K3DD11_036	Primary	89	90	1	2.20	0.06
K3DD11_041	Primary	51	52	1	3.07	0.00
K3DD11_046	Primary	50	110	60	2.83	0.06
	Including	67	72	5	5.44	0.11
		81	82	1	10.20	0.24
		97	98	1	5.35	0.47
		108	110	2	8.31	0.38
		109	110	1	12.45	0.32

<sup>14</sup> Refer Alara market announcement dated 20 October 2011 and entitled "Drilling Update - Khnaiguiyah Zinc-Copper Project"





# COMPANY PROJECTS

Drill Hole ID	Mineralisation			Mineralised Zone		
	Intersections	From (m)	To (m)	Length (m)	Zn%	Cu%
K3DD11_049	Primary	94	101	7	3.11	0.06
	Including	96	97	1	6.96	0.09
	Primary	112	121	9	4.93	0.21
	Including	112	113	1	18.35	0.47
		112	117	5	6.29	0.25
		120	121	1	6.18	0.42
K3DD11_055	Primary	57	59	2	6.66	0.50
	Including	57	58	1	13.10	0.78
K3DD11_056	Primary	21	35	14	4.26	0.03
	Including	22	24	2	7.19	0.03
		33	34	1	16.15	0.13
K3DD11_059	Primary	225	226	1	1.59	1.27
		237	246	9	2.99	0.43
	Including	237	238	1	5.02	0.18
K3DD11_060	Primary	229	231	2	2.65	0.05
		241	247	6	2.57	0.17
K3DD11_061	Primary	22	25	3	2.96	0.01
		34	41	7	2.72	0.01
	Including	40	41	1	5.29	0.01
	Primary	48	53	5	3.57	0.34
	Including	49	50	1	9.04	0.28
		48	50	2	5.86	0.77
K3DD11_062	Primary	27	53	26	3.30	0.06
	Including	32	34	2	6.54	0.16
		42	43	1	8.94	0.05
		52	53	1	5.71	0.14
K3DD11_063	Primary	43	65	22	2.16	0.15
	Including	46	47	1	5.84	0.09
		62	63	1	6.61	0.12
	Primary	68	69	1	0.03	2.60
K3DD11_065	Primary	255	260	5	3.20	0.04
		265	273	8	0.87	0.70
	Including	271	273	2	0.05	1.22
K3DD11_067	Primary	28	65	37	0.96	1.92
	Including	39	42	3	0.20	3.23
		48	49	1	0.73	7.07
	Primary	27	29	2	5.93	0.10
		59	67	8	3.04	1.89
	K3DD11_068	Primary	7	19	12	4.06
Including		9	10	1	5.81	0.39
		18	19	1	10.55	0.04
Primary		28	31	3	4.06	0.03
Including		29	30	1	9.30	0.02

Refer Figures 5 and 6 for drill hole locations within Mineralised Zones 2 and 3.

# COMPANY PROJECTS

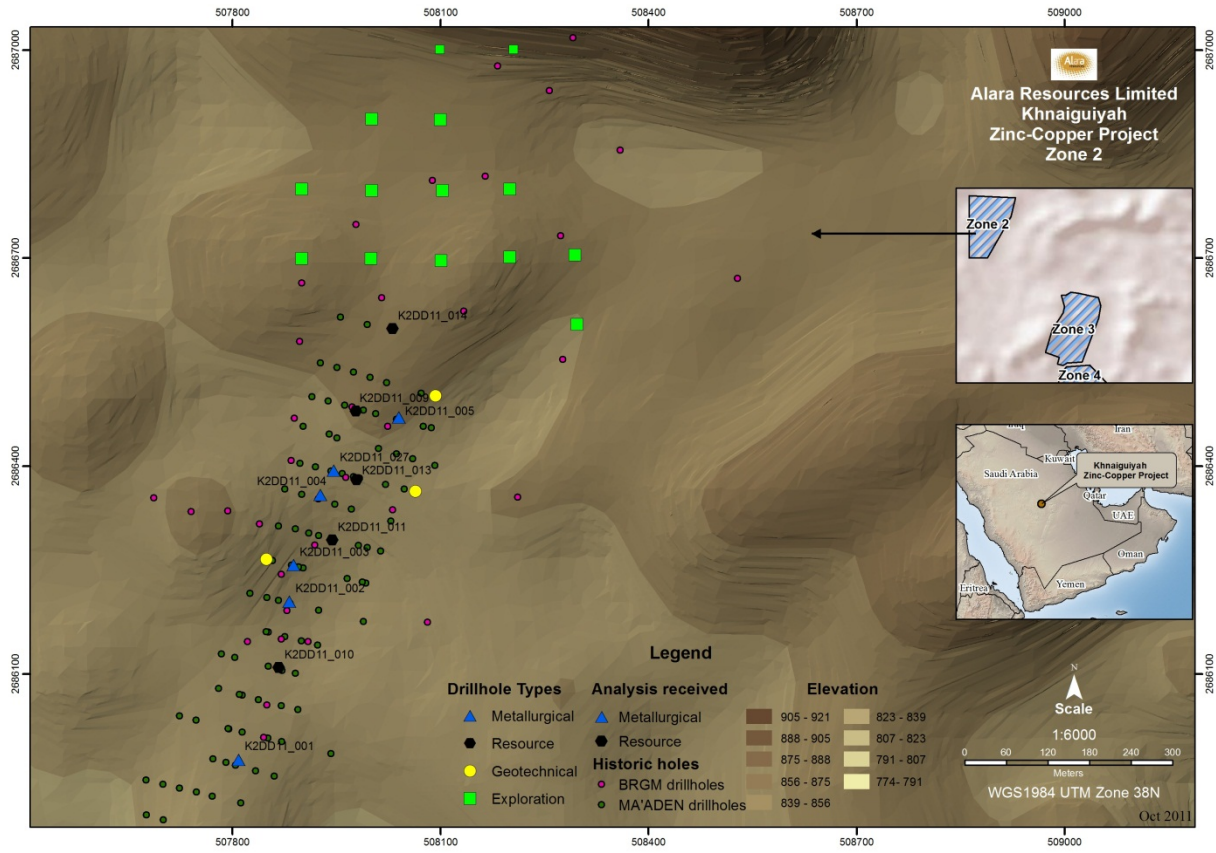


Figure 5: Zone 2 Drill Hole Location Map

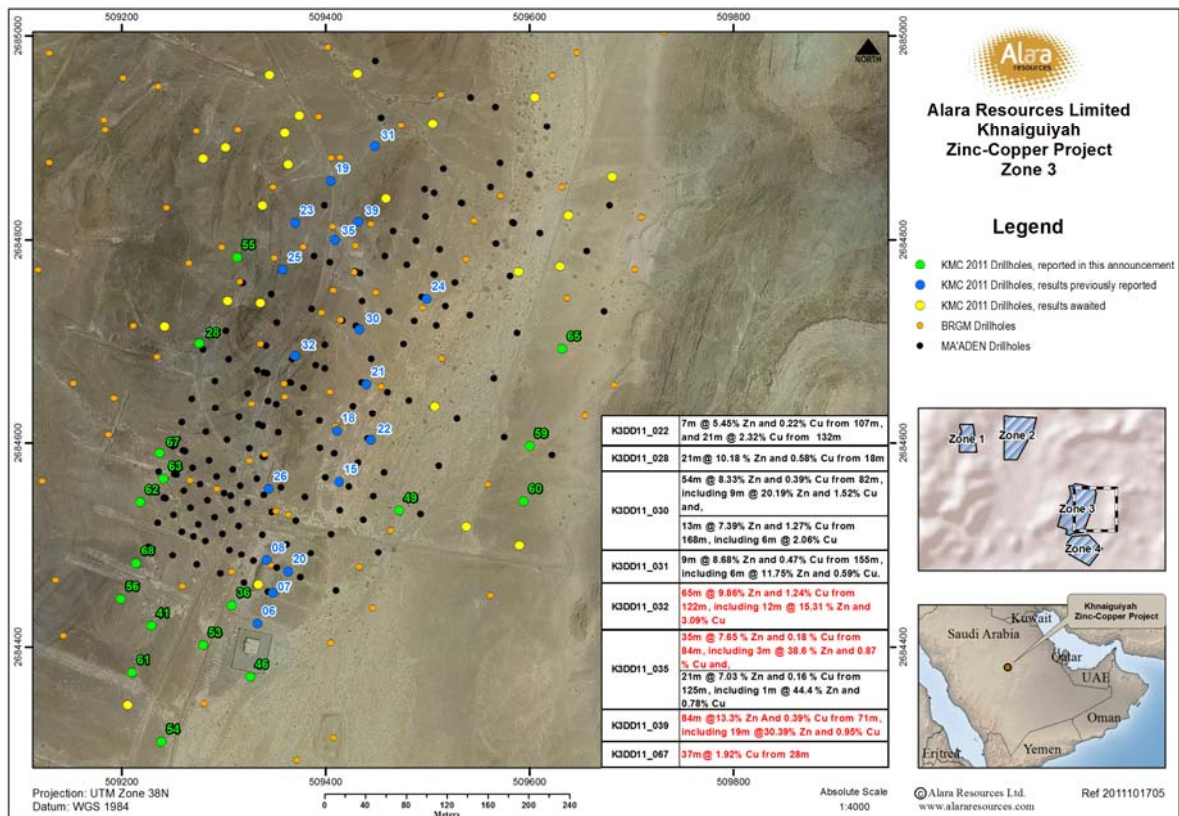


Figure 6: Zone 3 Drill Hole Location Map



# COMPANY PROJECTS

## Definitive Feasibility Study (DFS)

The DFS is based on a 1.0 Mt/year and 1.5 Mt/year process throughput from two open pits located within Zones 2 and 3 located ~1.5km apart followed by crushing, grinding and conventional differential floatation circuits with the 1.5 Mt/year operation as the base case.

A summary of DFS items completed and currently in progress are as follows:

Completed	In Progress
Validation drilling and analysis	QA / QC assessment of historical and current data
Geotech drilling	Resource expansion drilling
Metallurgical sample drilling	Geology modelling
Test work on Zone 2 master composites	Resource estimation
Fauna and flora surveys	Archaeological studies
Air, water resources monitoring, soil surveys	Legal framework study
Social studies	Traffic and transportation study
Selection of tailings dam site and sterilization of the same	Infrastructure study
	Mine study
Preliminary flow sheet design	Metallurgical test work on Zone 3 composites
	Metallurgical test work on variability composites

The completion of the JORC Resource estimation for Zones 2 and 3 has been extended by a month to November 2011 due to further work required in incorporating the latest validation drilling data. This extension has had a flow-on effect on the completion of the Mining Study component of the DFS; DFS completion will now move into Q2 2012.

## Metallurgical Test Work Programme

All metallurgical test drill holes for the DFS have now been completed, comprising a total of five diamond PQ drill core holes in Zone 2 and a further five diamond PQ drill holes in Zone 3, representing various grades, rock types, lithologies and mineralisation.

Initial composite samples from Zone 2 from four metallurgical drill holes and one resource drill hole were selected to represent the average copper and zinc grades of the mineralisation in Zone 2 and likewise in the case of Zone 3 with five metallurgical drill holes and three resource drill holes.

Open circuit flotation testwork results on Zone 2 master composite at a primary grind of 106 micron and with Perth Scheme water indicate excellent copper and zinc recovery rates, exceeding historical test work completed by BRGM (with respect to the prefeasibility study completed by them) and by Manajem (with respect to the feasibility study completed by them).

Initial results from locked cycle flotation test work of a Zone 2 master composite (at a primary grind of 106 micron and with Perth Scheme water) appear highly encouraging with:

- Favourable kinetics and recoveries consistently in excess of 87% for copper and 91.5% for zinc; and
- Resulting concentrate grades of around 30% for copper (and about 7% zinc in the copper concentrate) and 57% for zinc.

LCT is considered definitive metallurgical response and can provide design criteria for sizing the flotation plant under the DFS.

Flotation testing of the Zone 2 master composite is continuing with a focus on strategies to maximise copper recovery and to minimise the zinc reporting into the copper concentrate. An initial ICP scan analysis of the copper and zinc concentrates indicate that there are no deleterious elements present other than the 7% zinc level in the copper concentrate. A study is underway to check the implications of zinc in copper concentrate with smelters. Testing using Khnaiguiyah site water will also be performed on arrival of 200L of Saq Aquifer water from Saudi Arabia.

Initial indications based on comminution data in hand are that the Khnaiguiyah ores are of moderate hardness of the order of 14kWh/t energy requirement during grinding.



# COMPANY PROJECTS

The path forward for the metallurgical test work programme is as follows:

- Perform the Zone 2 and 3 variability composite flotation testing;
- Perform vendor testwork including; thickening for concentrates and tailings and filtration for concentrates and tailings;
- Determine the comminution data for all Zone 2 and Zone 3 variability samples;
- Obtain an up to date mining schedule that accounts for both Zone 2 and Zone 3;
- Obtain an up to date geological interpretation of the two ore bodies including both ore domains and lithology; and
- Undertake analysis to provide design numbers which can be modelled to determine the mill size and flotation plant size parameters.

The preliminary draft process flow sheet is shown in Figure 7.

# COMPANY PROJECTS

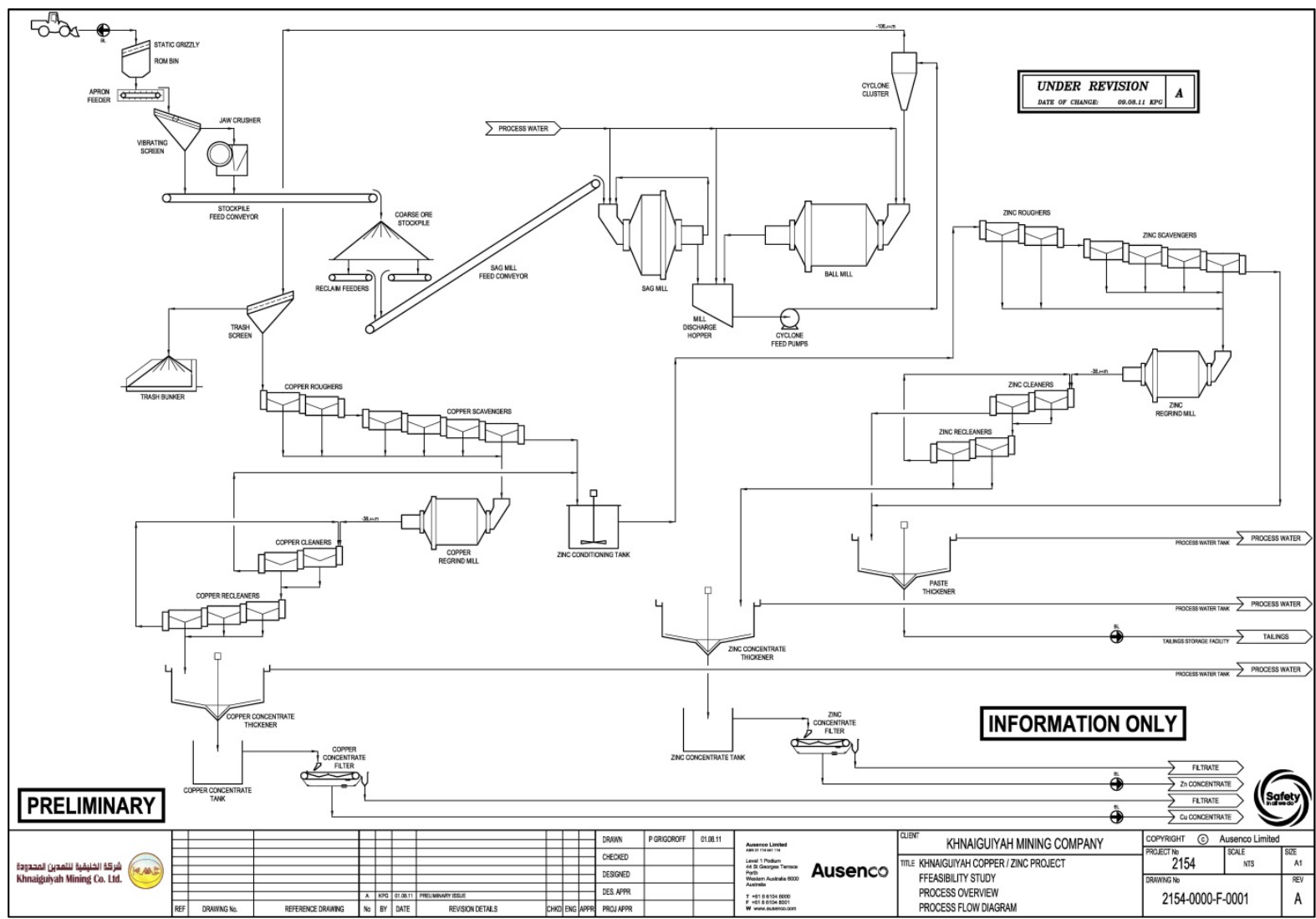


Figure 7: Preliminary Draft Process Flow Sheet for Khnaiguiyah Mine



# COMPANY PROJECTS

## Update on Joint Venture Shareholders' Agreement

The key terms of the shareholders' agreement between Alara and "Manajem" (the Vendor) (dated 21 October 2010) are outlined in Alara's ASX market announcement dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement – Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and in the Company's 2011 Annual Report (at page 89).

Alara has one outstanding tranche payment owed to the Vendor:

- (a) Tranche 4 US\$4,234,000 – payable upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to transfer of the Khnaiguiyah Mining Licence from Manajem to KMC) with such consideration to be satisfied as follows:
  - (i) US\$2,010,000 to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.302 per share based on the current A\$1.00/US\$0.994 exchange rate); and
  - (ii) US\$2,224,000 to be satisfied by the payment of cash.

On 16 July 2011, Alara advanced a further US\$267,000 to Manajem to assist Manajem with its operations, which will be deducted from the Tranche 4 cash payment referred to above.

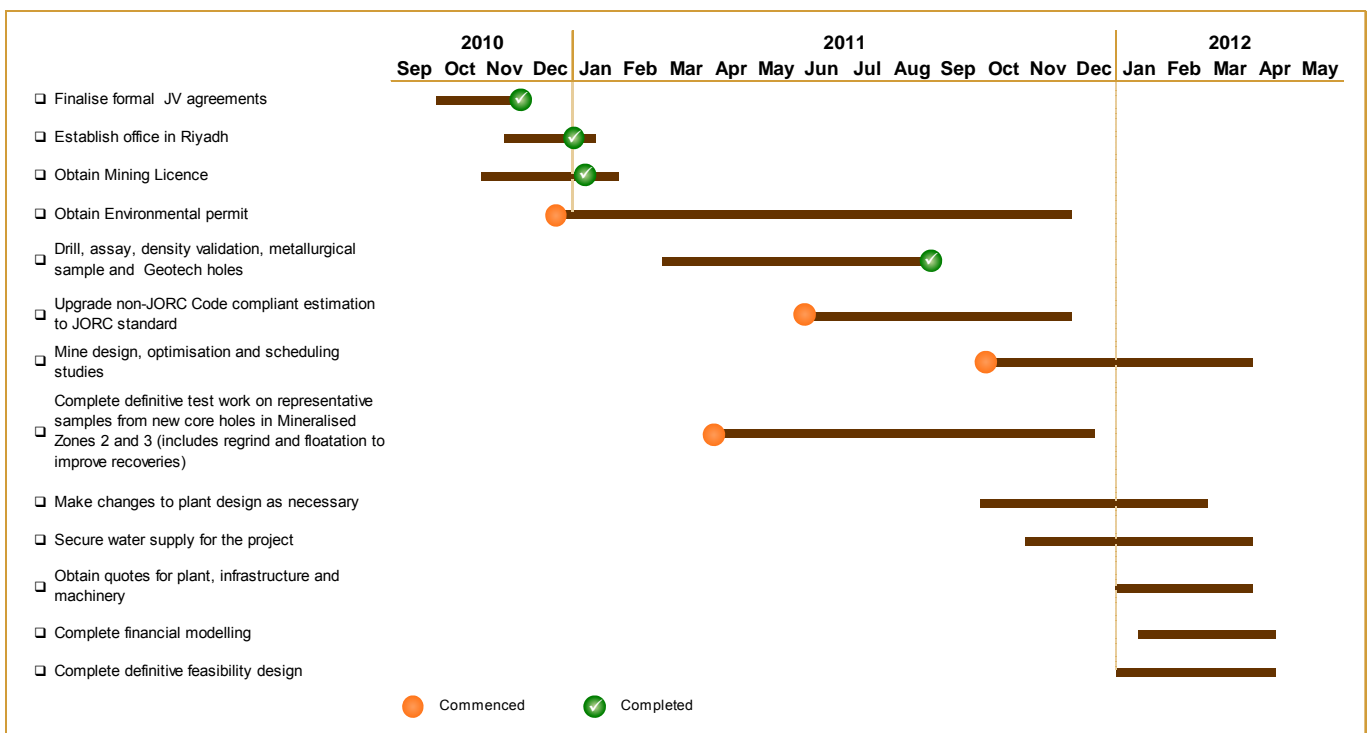
As at 31 October 2011, the transfer of the Khnaiguiyah Mining Licence from Manajem to KMC and the issue of an Environmental Permit is pending completion/grant (respectively).

## Development Milestones

KMC's focus over the next 6 to 12 months will be to progress the following matters:

- Convert the historical estimates to a JORC compliant resource and reserve status and to expand the existing and known mineralisation;
- Complete the transfer of the Khnaiguiyah Mining Licence (and other exploration licences within the project) from Manajem to KMC;
- Receive environmental permits and other Saudi Government approvals to undertake mining operations at Khnaiguiyah;
- Complete the DFS in Q2 2012;
- Undertake and complete project financing in Q2 2012; and
- Commence construction of Khnaiguiyah mine in Q3 2012.

An indicative development work programme for the Khnaiguiyah Project is illustrated below:



# COMPANY PROJECTS

## 2. Daris Copper-Gold Project (Oman)

(Alara - 50% with right to increase to 70%+, Al Tamman Trading Establishment LLC - 50%, of Daris Resources LLC)

Alara has a 50% interest (with a right to increase this to 70%+) in the Daris Copper-Gold Project located in Oman, via an initial 50% shareholding interest in a joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

Alara plans to pursue a twofold strategy in the project area:

- (1) To develop high grade oxide / sulphide mineralisation that may be amenable to heap leaching or at custom treatment facilities nearby; and
- (2) To explore shallow and deeper sulphide mineralisation using modern geophysical and geochemical techniques.

The Licence Area No. 7 (Block 7) of ~587km<sup>2</sup> comprising the Daris Copper-Gold Project is located immediately adjacent to the Licence Area No. 8 (Block 8) of ~497km<sup>2</sup> comprising the Awtad Project in which Alara has an interest. Both projects cover more than 40kms of strike length within the Semail Ophiolite belt considered highly prospective for Cyprus type VMS copper-gold deposits (refer Figure 8).

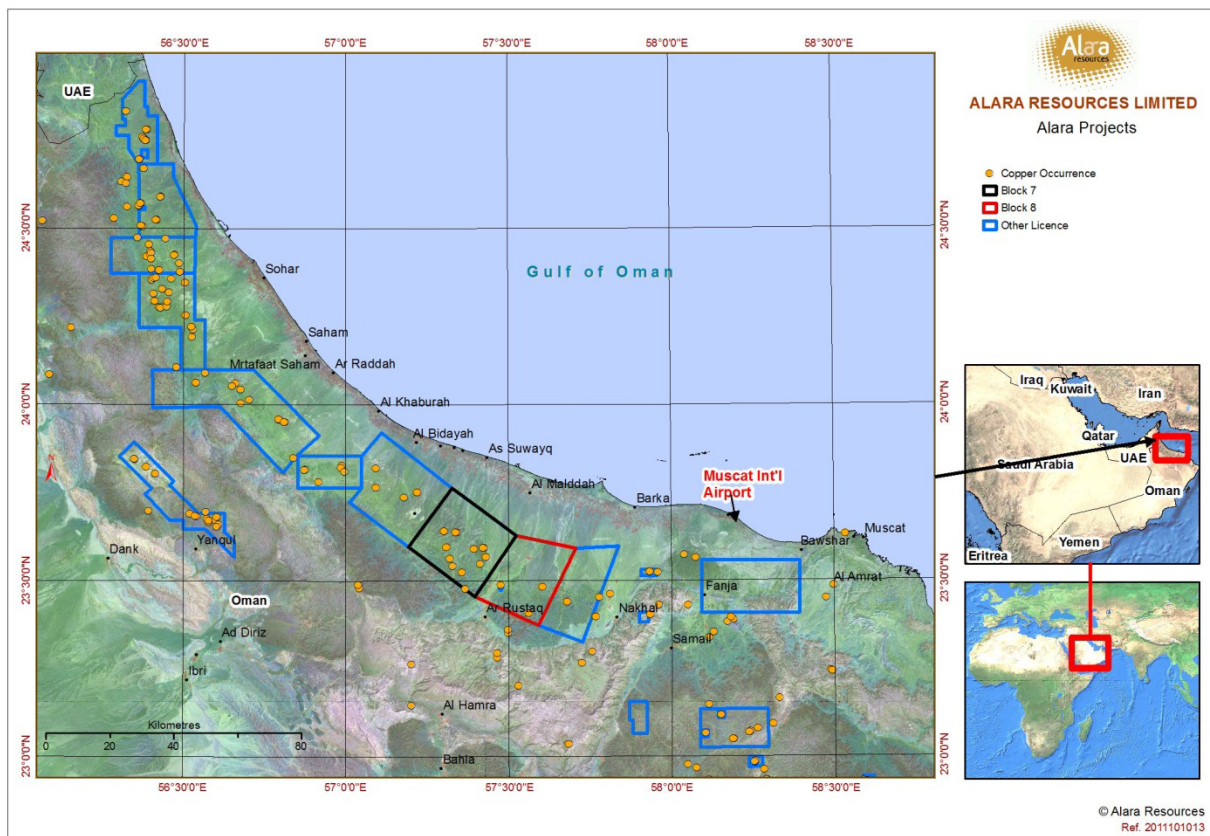


Figure 8: Daris Project (Block 7) Location

Please refer to Alara's 2011 Annual Report, at pages 27 to 30, for further technical information on the Daris Project.



# COMPANY PROJECTS

## Drilling Programme

Mineralisation has been confirmed by drilling at the following two prospects during 2010/2011:

- **Daris East prospect** – 21 rotary and 32 diamond core holes were drilled totalling 3950m to test shallow oxide mineralisation for a potential heap leach operation and to locate massive sulphide and stringer zones beneath the oxide cap; and
- **Daris 3A-5 prospect** located ~10 kilometres north-west of Daris East – 5 diamond core holes were drilled totalling 363m to test shallow sulphide mineralisation around a known gossan, based upon government-funded exploration work conducted by various agencies over the past 30 years.

These are two of the twelve known copper occurrences within the Daris Project area.

Highlights of the initial drilling programme on these two prospects are summarised as follows:

- 17.20m at 8.05% copper, as copper sulphides and 2.67 g/t gold, from 51.50m including several intersections between 10% to 14.7% copper (D3DC003)
- 11.90m at 5.74% copper, as copper sulphides from 34.35m (D3DC002)
- 3.45m at 10.28% copper (including 1m at 16.0% copper), as copper sulphides from 50.60m (D3DC002)
- 17.85m at 2.61 g/t gold from 28.40m (D3DC002)
- 3.45m at 3.10 g/t gold from 50.60m (D3DC002)
- 6.10m at 5.81% copper, as copper sulphides from 31.55m (D3DC001)
- 18.65m at 3.80 g/t gold from 19.0m (D3DC001)
- 4m at 5.33% copper as copper sulphides and 0.41g/t gold from 34m including 1m at 6.46% copper from 34m; 7m at 2.45% copper as copper sulphides and 0.25g/t Gold from 38m (DERO009)
- 23m at 1.23% copper as copper oxide from 7m, including 1m at 2.7% copper from 17m (DERO006)
- 8m at 1.26% copper as copper oxide from 28m; 8m at 2.88g/t gold from 1m, including 1m at 12.4 g/t from 4m (DERO004)

A second phase programme of 3,000 metres of diamond core HQ/NQ holes on the Daris-East prospect is underway. Assay results received to date are summarised as follows:

- 7.25m at 4.08% copper as copper sulphides from 49.95m in DEDC005
- 4.4m at 2.02% copper as copper sulphides from 51.6m in DEDC006
- 2.85m at 4.55% copper as copper sulphides from 30.65m in DEDC007

Refer Figure 9 for the drill hole locations at the Daris East prospect.

A ground geophysics programme has commenced at Daris. On completion of this work, a drilling programme of ~5,000m comprising a combination of RC and diamond core holes will commence to test 26 high priority targets identified through predictive modelling at Daris and the adjoining Awtad area using GIS referenced spatial geological, geochemical and geophysical data sets including a VTEM survey.



# COMPANY PROJECTS

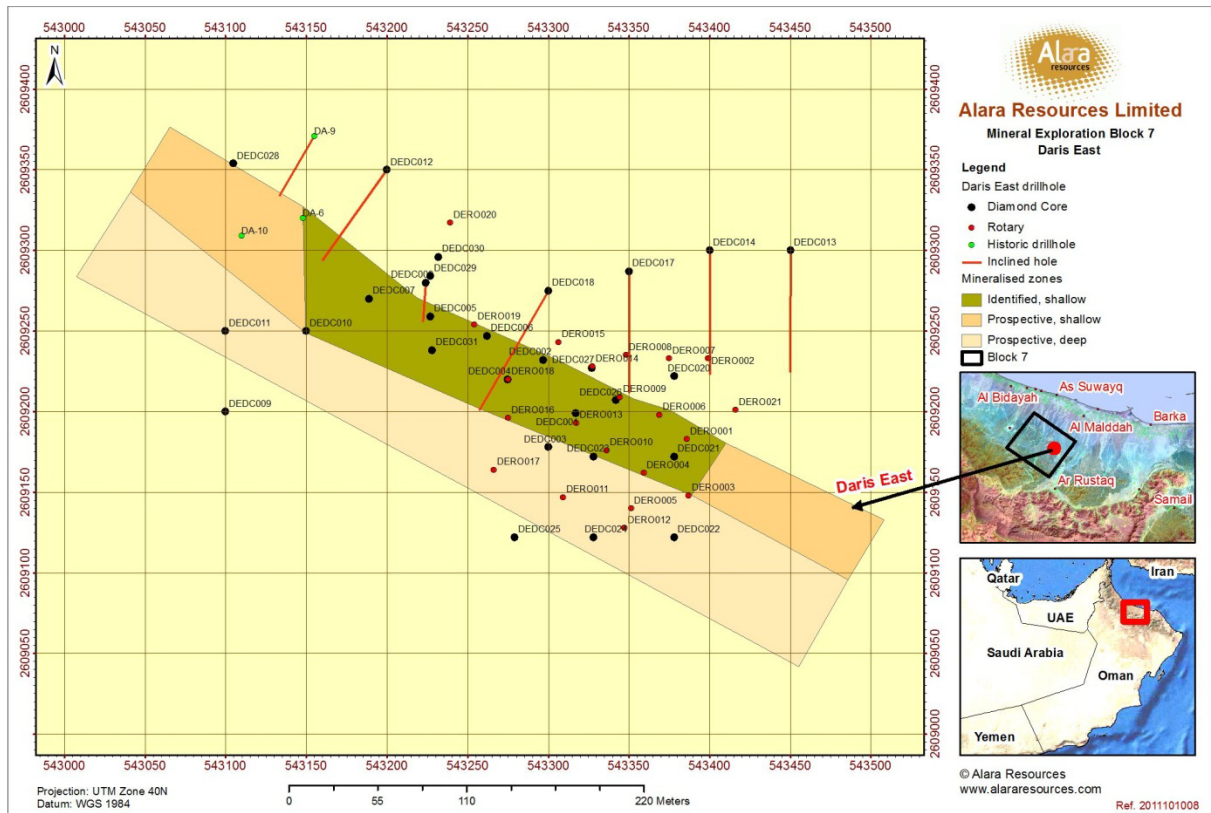


Figure 9: Daris East Prospect Drill Hole Location Map

## VTEM Electromagnetic Survey and Predictive Modelling

Alara has completed a helicopter-borne electromagnetic VTEM survey covering prospective areas within the Daris Project, including areas with high grade copper and copper gold intersections (from Alara's drilling programme) reported within the Daris 3A-5 and Daris East prospects (refer Figure 10).

The VTEM survey is a geophysical technique appropriate for the region for locating volcanogenic massive sulphide (**VMS**) style of mineralisation. The electromagnetic and magnetic geophysical survey of ~1203 line kilometres was completed by Geotech Airborne Malta Limited.

Alara has completed detailed predictive modelling of all GIS referenced spatial geological, geochemical and geophysical data sets including the past and Alara's VTEM survey.

Predictive modelling based on known copper occurrences and mines in the region has outlined 26 very high priority targets with similar probability of success as the known occurrences (refer Figure 10).

An additional 15km<sup>2</sup> area was determined to be highly prospective for VMS mineralisation. Most of these areas are covered by a thin mantle of recent marine terraces and has been difficult to explore.

Drilling programmes have been devised to test the 26 identified targets and to sample the unconformity at the interface of the Ophiolitic rocks and the mantle of recent sediments within the prospective 15km<sup>2</sup> area.

# COMPANY PROJECTS

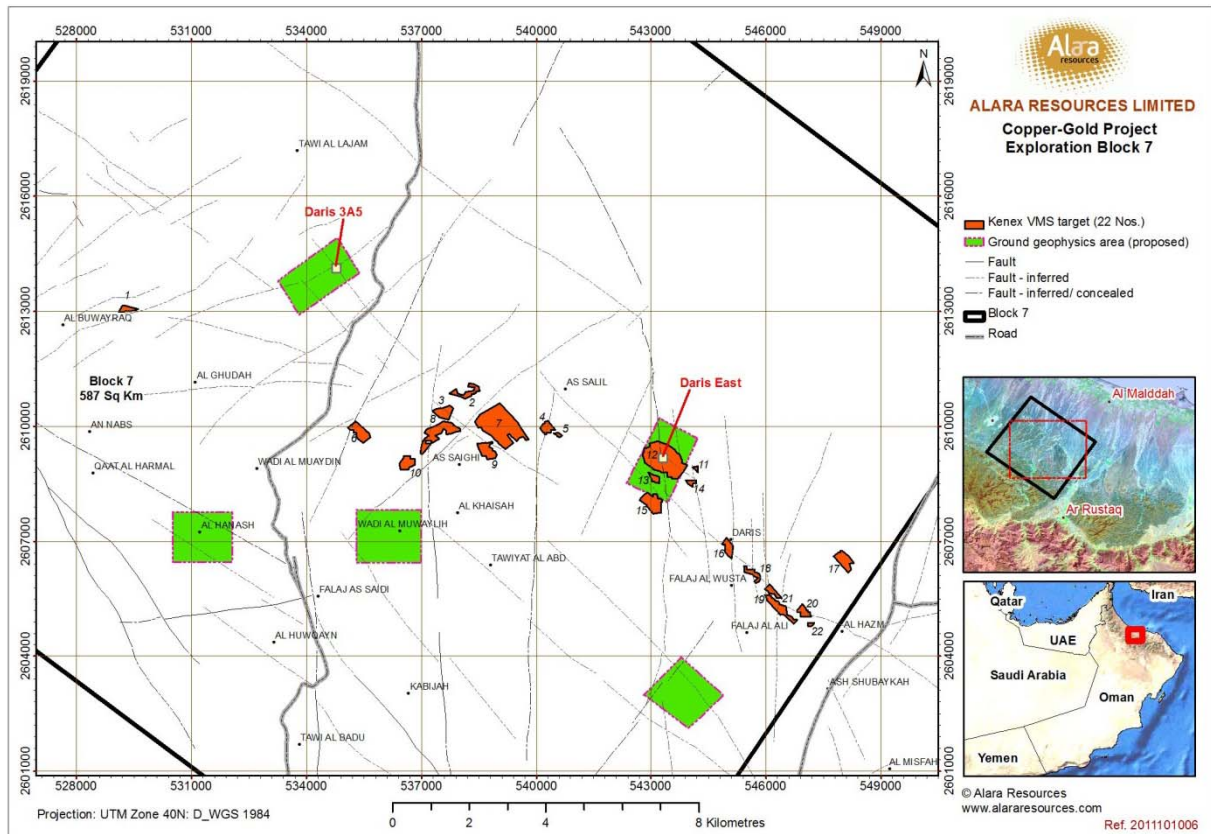


Figure 10: Daris Project VTEM Target Areas

## Update on Daris Resources LLC Joint Venture Shareholders' Agreement

The Daris Resources LLC shareholders' agreement<sup>15</sup> is subject to conditions precedent including, amongst other matters, the execution of a management agreement and ancillary loan agreement and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals. The exploration licence has been renewed and the expansion of the mineral rights under the licence is pending. As at the date of this report, the conditions precedent have not been satisfied. Completion of these matters is expected to be finalised within Q4 2011.

## Update on Alara Resources LLC Joint Venture Shareholders' Agreement

Alara has also formed a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) with Sur United International Co. LLC (**SUR**), to identify, secure and commercially exploit other resource projects in Oman. AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR.

The Alara Resources LLC shareholders agreement<sup>16</sup> is subject to conditions precedent including, amongst other matters, the execution of an ancillary loan agreement and an exploration licence being granted to AlaraCo. As at the date of this report, the conditions precedent have not been satisfied. As at the date of this report, the conditions precedent have not been satisfied. The timetable for completion of these matters is 7 February 2012 (subject to further extension if an exploration licence is still pending grant to AlaraCo).

The terms of these agreements are in the Company's 2011 Annual Report (at pages 89 and 90).

<sup>15</sup> Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

<sup>16</sup> Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

# COMPANY PROJECTS

## 3. El Quillay Copper-Gold Project (Chile)

(Alara - right to earn-in 70%)

Alara has secured rights to acquire a 70% interest in the El Quillay Copper-Gold Project located in the north of Chile.

Final agreements to formalise the terms of the acquisition were executed on 21 October 2011, which paves the way for commencement of formal works in advancing this project.

The project, which comprises 4 project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida), presents several drill targets:

- El Quillay Norte (North) - Copper prospect along the El Quillay regional fault zone (which has a recent decline);
- El Quillay Central - Copper prospect along the El Quillay fault zone;
- El Quillay Sur (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;
- 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.

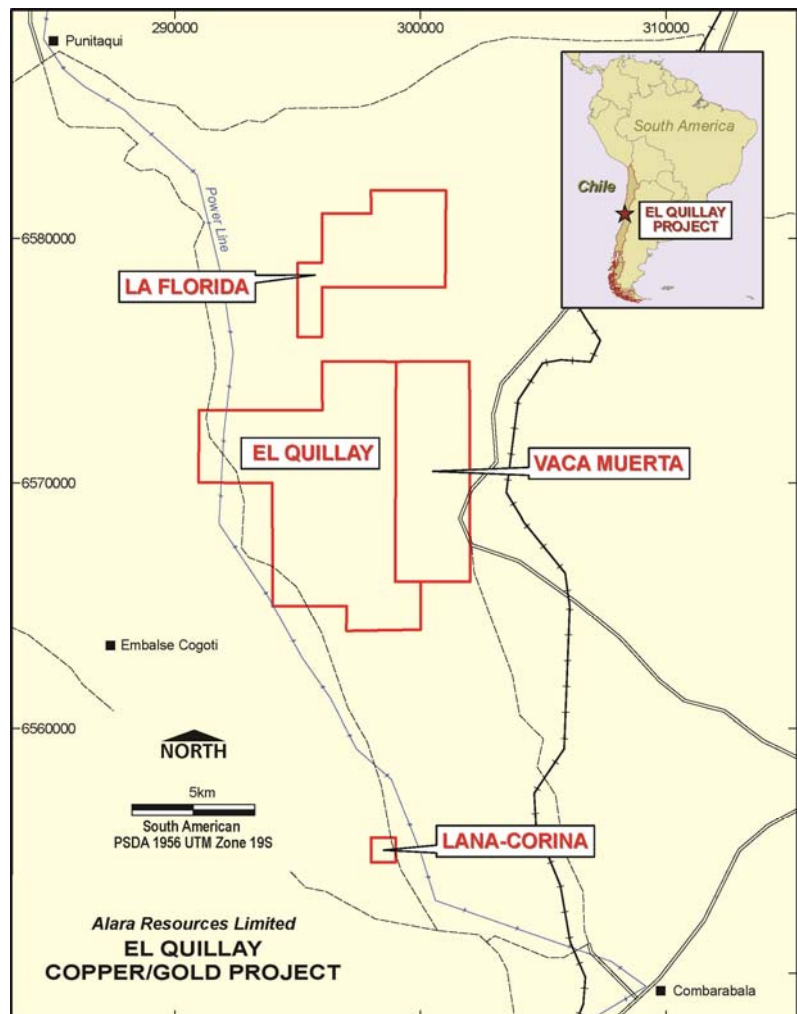


Figure 11: El Quillay Project Location

Please refer to Alara's 2011 Annual Report, at pages 31 to 34, for further technical information on the El Quillay Projects.

### Exploration Programme

Alara has appointed Juan Carlos Toro Taylor 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.



# COMPANY PROJECTS

## Summary Of Joint Venture Agreements

On 21 October 2011, various agreements were executed relating to the creation and operation of a joint venture company in Chile in which Alara will hold a controlling 70% interest. This company, El Quillay SpA (**ELQ**) has an option to acquire 100% of the shares of another Chilean company, SCM Antares, which holds the interests in the El Quillay Project concessions.

A Shareholder Agreement grants Alara Chile Limitada (a wholly owned Chilean subsidiary) a 70% interest in joint venture company 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. This agreement also provides that ELQ (funded by Alara) shall carry out a minimum of 10,000m of drilling on the project 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) US\$500,000 upon execution of the Option Agreement (which was paid on 21 October 2011);
  - (b) US\$1,000,000 by 21 October 2012;
  - (c) US\$3,000,000 by 21 October 2013;
  - (d) US\$5,500,000 by 21 October 2014; and
- (2) A variable bonus payment, calculated at the rate of US\$0.03 for each pound of Copper Resource<sup>17</sup> 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.

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<sup>17</sup> "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.

# COMPANY PROJECTS

## 4. Marjan Precious and Base Metals Project (Saudi Arabia)

(Alara - 50%, United Arabian Mining Company (**Manajem**) - 50%, of "Marjan Mining Company LLC" (**MMC**) (to be incorporated))

Alara has secured a 50% interest in the Marjan Project in Saudi Arabia.

A summary of the Marjan Project is as follows:

- Comprises 3 Exploration Licences of approximately 260km<sup>2</sup> located within trucking distance approximately 30kms south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project (refer Figure 12).
- Predominantly gold prospect with associated silver, zinc and copper.
- Historical drilling in the Marjan Project area has returned values up to 7g/t Au, 31.3 g/t Ag, 4.7% Zn, and 1.6% Pb over 3m.
- Grab samples from the Marjan Project area have returned values of up to 0.7% Cu, 22.4% Zn, 100g/t Ag, 2.18g/t Au and 5.4% Pb.

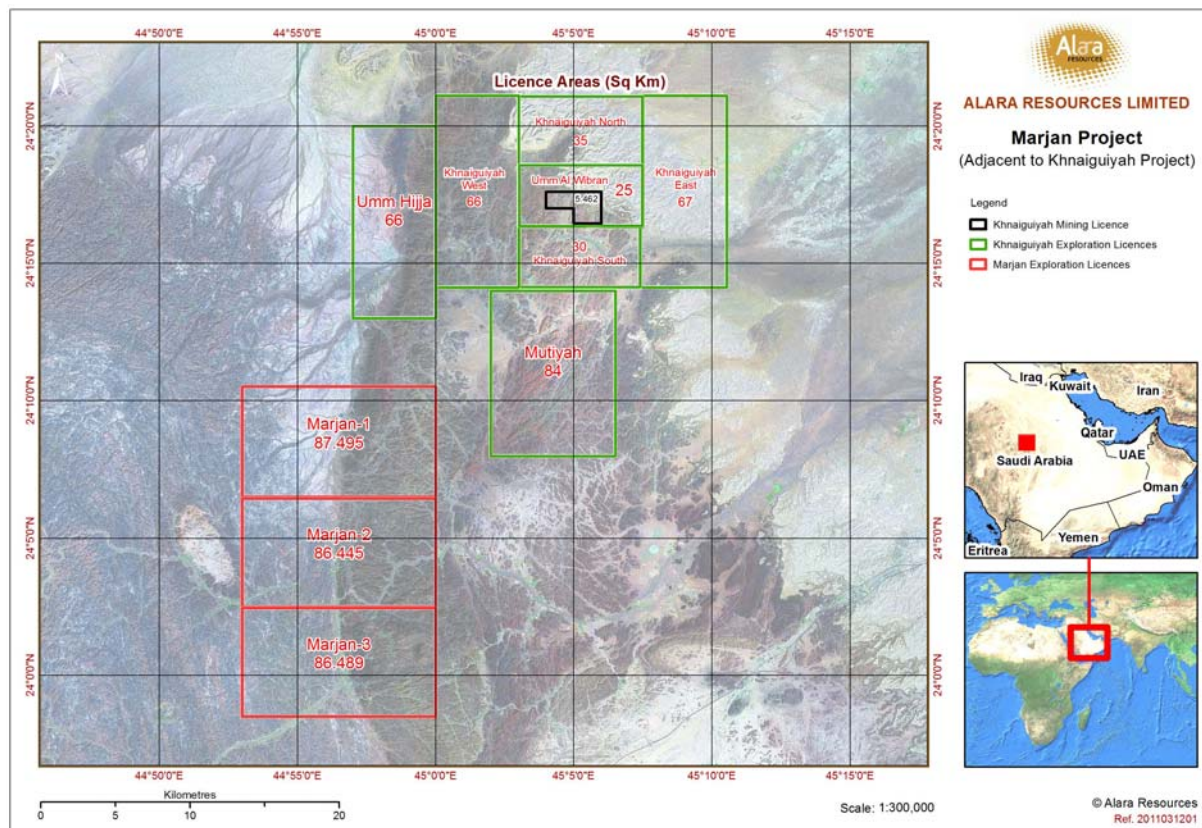


Figure 12: Marjan Licence Locations Adjacent to Khnaiguiyah Project

### Exploration Programme

Alara proposes to conduct a programme of trenching and trench sampling to expand on the previous surface sampling, conduct ground geophysical surveys and drilling to outline a resource in the project area. An integrated geospatial and remote sensing imagery data collection and interpretation has commenced. Landsat-4 Thematic Mapper (TM) images (30m GSD) along with other ancillary data were used to classify various alteration units, delineate geologic structures and associated zones of probable mineralisation. Seven priority zones have been identified in this Marjan prospect for further detailed ground study.

# COMPANY PROJECTS

## Update on Joint Venture Shareholders' Agreement

The key terms of the Shareholders Agreement (dated 17 April 2011) executed with Saudi Arabian vendor, Manajem, were outlined in an Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)" and are in the Company's 2011 Annual Report (at page 90).

The shareholders' agreement is subject to conditions precedent, including, amongst other matters, the incorporation and registration of a new joint venture company and the execution of ancillary agreements arising therein. As at the date of this report, the conditions precedent have not been satisfied. Completion of these matters is expected to be finalised within Q4 2011.

## 5. Awtad Copper-Gold Project (Oman)

(Alara – right to subscribe for 10% initially with right to increase to 51% and subsequently to 70%+, existing local shareholders - the balance of shareholding interests, of Awtad Copper LLC) (Awtad))

Alara has secured rights to earn-in up to a 70% interest in the Awtad Copper-Gold Project located in Oman.

A summary of the Awtad Project is as follows:

- The Licence Area No. 8 (Block 8) of ~49,667 hectares comprising the Awtad Project is located immediately adjacent to the Licence Area No. 7 (Block 7) comprising the Daris Copper-Gold Project in which Alara has an interest (refer Figure 13).
- Alara is targeting Cyprus type VMS deposits in close proximity to known deposits. The VMS prospectivity model of Block 8 has identified five target areas along the strike extension of known copper occurrences.
- The first priority target area of ~15 kms<sup>2</sup> is located immediately adjoining the Daris "Block 7" Project to the west where Alara has previously announced significant copper and gold mineralisation at the Daris 3A-5 and Daris East prospects.
- The Awtad Project area is ~120km by paved highway from an operating copper concentrator and smelter in Sohar.

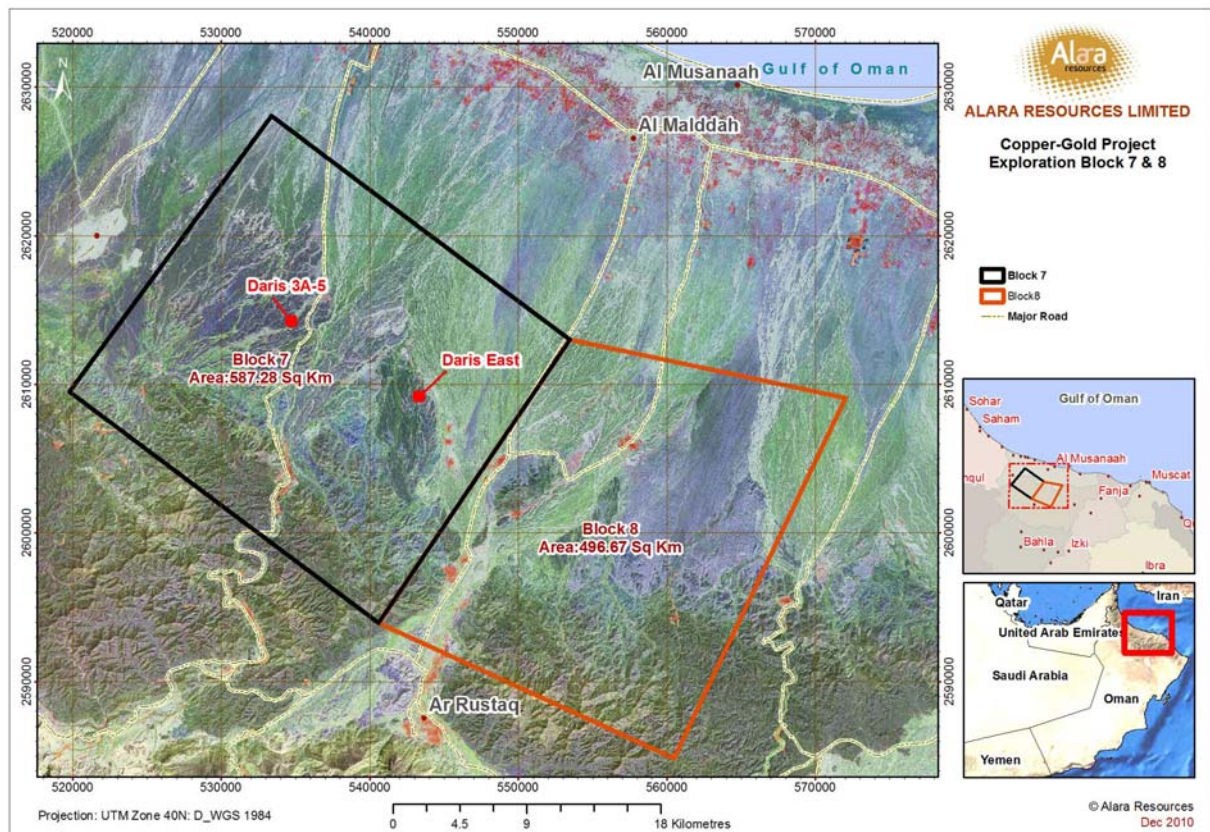


Figure 13: Awtad "Block 8" Project Location Adjacent to Daris "Block 7" Project



# COMPANY PROJECTS

## Exploration Programme

Alara's Oman based exploration department is presently finalising an initial exploration programme over priority targets within the project area as follows:

- Mapping and geophysical surveys;
- Geochemical surveys; and
- An initial core drilling is planned to commence in late Q4 2011.

## Update on Joint Venture Shareholders' Agreement

The key terms of the Shareholders Agreement (dated 24 April 2011) executed with the Omani vendors were outlined in an Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)" and are in the Company's 2011 Annual Report (at page 91).

On 29 July 2011, the conditions precedent under the shareholders' agreement were declared by Alara to be satisfied or waived (where applicable).

### NOTE:

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian 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 Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*



# CORPORATE

## Cash Position and Listed Securities

The Alara group's cash (and investments in listed securities) position as at 30 September 2011 was \$29 million (including US\$1.4 million) (30 June 2011: \$33 million (including US\$3.7 million)). The Alara group has a major exposure to the United States Dollar. This foreign currency holding is applicable to and facilitate the Alara group's overseas operations and activities.

As at 30 September 2011, Alara's investment in listed securities had a total value of \$0.9 million (30 June 2011: \$0.9 million).

## Issue and Lapse of Unlisted Options

During the quarter, the Company issued the following unlisted options to Company personnel, as part of their remuneration package<sup>18</sup>:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
200,000	2 September 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue
125,000	2 September 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue
125,000	2 September 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue

During the quarter, the following unlisted options previously held by Company personnel lapsed without being exercised:

No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Original Expiry Date
200,000	30 September 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014
125,000	30 September 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014
125,000	30 September 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014

These options lapsed in accordance with their terms of issue on 26 May 2011 as they were not exercised within one month of cessation of engagement.

## Annual General Meeting (AGM)

The Company's 2011 AGM was convened as follows:

**Date and Time of Meeting:** 12:30 pm (Perth time) on Friday, 4 November 2011

**Place of Meeting:** The Forrest Centre Conference Suites  
Level 14, The Forrest Centre, 221 St Georges Terrace, Perth

The following resolutions are being put to shareholders:

- (1) Re-election of William Johnson as Director (who retires by rotation at the AGM);
- (2) Adoption of 2011 Remuneration Report;
- (3) Approval of Employee Share Option Plan (which was first adopted at the 2008 AGM and requires re-adoption every 3 years to ensure issues under the same do not affect the Company's 15% placement capacity); and
- (4) Approve Issue of 6.7 million shares to United Arabian Mining Company (shareholder approval last received on 26 May 2011 has expired after 3 months under the ASX Listing Rules).

The [Notice of AGM \(dated 4 October 2011\), Explanatory Statement and Proxy Form](#) was despatched to shareholders on 6 October 2011.

<sup>18</sup> Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)





# MINERAL CONCESSIONS

## KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway. The project comprises one Mining Licence (granted in December 2010), 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km<sup>2</sup>.

Alara Saudi Operations Pty Limited has a 50% interest in a joint venture company, "Khnaiguiyah for Mining Company" (incorporated on 10 January 2011), which will hold these mineral licences (after transfers have been processed by relevant authorities).

Refer to Alara market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 13 to 26 of this 2011 Annual Report) and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)."

Also refer to pages 4 to 26 and 89 of the Company's 2011 Annual Report for further information on the project and the joint venture terms.

## DARIS COPPER-GOLD PROJECT IN OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprise a mineral excavation licence of ~587km<sup>2</sup>. Alara Oman Operations Pty Limited has a 50% interest (with a right to increase this to 70%+) in a new joint venture company, Daris Resources LLC (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

Alara Oman Operations Pty Limited also has a 70% interest in a separate joint venture company in Oman, Alara Resources LLC (incorporated on 2 October 2010), which has lodged applications for exploration licences over several prospects.

Refer to Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)."

Also refer to pages 27 to 30 and 89 to 90 of the Company's 2011 Annual Report for further information on the project and the Daris Resources LLC and Alara Resources LLC joint venture terms.

## EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises ~68 mineral concessions totalling ~15km<sup>2</sup> 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.

Alara Chile Operations Pty Ltd (through Alara Chile Limitada, a wholly owned Chilean subsidiary) has a 70% interest in a Chilean joint venture company, El Quillay SpA (ELQ). ELQ has an option to acquire SCM Antares, a Chilean mining company which holds mining rights and concessions in relation to the project.

Refer to Alara market announcement dated 24 October 2011 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile". Also refer to pages 31 to 34 of the Company's 2011 Annual Report for further information on the project.

## MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

The Marjan Precious and Base Metals Project (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project comprising 3 Exploration Licences (totalling 260km<sup>2</sup>) prospective for gold, silver, copper and zinc.

Alara Marjan Operations Pty Limited will have a 50% interest in a new joint venture company to be formed ("Marjan Mining Company" (MMC)), which will hold these licences (after Alara has completed a minimum US\$1 million funding and transfers have been processed by relevant authorities).

Refer to Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)". Also refer to pages 34 and 90 of the Company's 2011 Annual Report for further information on the project and the joint venture terms.

## AWTAD COPPER-GOLD PROJECT IN OMAN

The Awtad Copper Gold Project is located immediately adjacent to the Daris Project and comprises a mineral excavation licence of ~497km<sup>2</sup>.

Alara Oman Operations Pty Limited will have an initial 10% interest (with a right to increase to 51% and subsequently to 70%+) in the concession owner, Awtad Copper LLC.

Refer to Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)". Also refer to pages 35 and 91 of the Company's 2011 Annual Report for further information on the project and the joint venture terms.



# MINERAL CONCESSIONS

## AUSTRALIAN MINERAL TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km <sup>2</sup> )	Area (hectares)	Location / Property Name	State	Company's Interest
Bigrlyi South	Granted	EL 24879	15/08/06	14/08/12	54	170	17,000	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest <sup>19</sup>
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	12	28	2,800	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	
Canning Well	Granted	E 46/629	02/08/05	21/08/12	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); subject to a farm-out agreement with Process Minerals International Pty Ltd, a subsidiary of ASX-listed Mineral Resources Limited <sup>20</sup>
	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)
	Granted	E46/801	06/09/10	05/09/15	19	60	60,000	Canning Well	WA	100% (Alara Resources Limited)

<sup>19</sup> Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licenses EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration License application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant. Refer Alara market announcement dated 14 May 2010 and entitled "[Bigrlyi South Uranium Joint Venture with Thundelarra Exploration](#)"

<sup>20</sup> Under an agreement dated March 2010, Process Minerals International Pty Ltd (PMI) will determine the feasibility of a manganese mining operation on the Canning Well Exploration Licence 46/629 tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

# SECURITIES INFORMATION

as at 28 October 2011



	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	210,507,500
\$0.55 (26 July 2012) Unlisted Options <sup>21</sup>	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options <sup>17</sup>	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options <sup>22</sup>	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options <sup>23</sup>	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options <sup>18</sup>	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options <sup>24</sup>	-	500,000	500,000
\$0.60 (25 May 2014) Unlisted Directors' Options <sup>25</sup>	-	500,000	500,000
\$0.60 (25 May 2014) Unlisted Options <sup>19</sup>	-	425,000	425,000
\$0.70 (25 May 2014) Unlisted Options <sup>19</sup>	-	425,000	425,000
\$0.35 (22 August 2015) Unlisted Options <sup>26</sup>	-	400,000	400,000
<b>Total</b>	<b>210,507,500</b>	<b>25,800,000</b>	<b>236,307,500</b>

## SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>27</sup>	No. of Options
27 Jul 2007	\$0.55 (27 July 2012) Options	\$0.55	26 Jul 2012	1/3 on 27 January 2008, 1/3 on 27 July 2008, 1/3 on 27 January 2009	500,000
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	75% on grant, 25% on 17 September 2009	16,400,000
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	50% on 17 March 2009, 25% on 17 September 2009, 25% on 17 March 2010	1,000,000
26 Oct 2009	\$0.60 (25 October 2014) Options	\$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	\$0.60 (25 May 2014) Directors' Options	\$0.60	25 May 2014	100% on date of issue	500,000
26 May 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue	500,000
2 Sept 2011					500,000
26 May 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue	425,000
2 Sept 2011					425,000
26 May 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue	425,000
2 Sept 2011					425,000

<sup>21</sup> Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 27 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

<sup>22</sup> Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

<sup>23</sup> Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

<sup>24</sup> Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

<sup>25</sup> Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

<sup>26</sup> Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

<sup>27</sup> Options which have vested may be exercised at any time thereafter, up to their expiry date

# SECURITIES INFORMATION

as at 28 October 2011



## DISTRIBUTION OF ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,183	465,290	0.221
1,001	-	5,000	391	962,940	0.457
5,001	-	10,000	257	2,206,461	1.048
10,001	-	100,000	458	16,115,586	7.656
100,001	-	and over	122	190,757,223	90.618
<b>Total</b>			<b>2,411</b>	<b>210,507,500</b>	<b>100.00%</b>

## TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1 *	J P MORGAN NOMINEES AUSTRALIA LIMITED	44,295,635	
	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,234,804	
	Sub-total	48,530,439	23.054
2 *	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,920,466	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	10,582,382	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	25,351	
	Sub-total	33,528,199	15.927
3 *	NATIONAL NOMINEES LIMITED	30,085,942	14.292
4 *	CITICORP NOMINEES PTY LIMITED	17,957,312	
	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,011,867	
	Sub-total	19,969,179	9.486
5	ORION EQUITIES LIMITED	6,332,744	3.008
6	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C>	3,365	
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	6,191,827	
	Sub-total	6,195,192	2.943
7	MR PETER KELVIN RODWELL	3,250,000	1.544
8	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>	3,100,000	1.473
9	GWYNVILL TRADING PTY LTD	2,664,605	1.266
10	COGENT NOMINEES PTY LIMITED	2,198,600	1.044
11	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>	2,104,814	1.000
12	MRS LINDA SALA TENNA & MRS LISA SHALLARD	1,467,800	0.697
13	EXELMONT PTY LTD	1,424,000	0.676
14	BLUEFLAG HOLDINGS PTY LTD	1,053,000	0.500
15	HGT INVESTMENTS PTY LTD	1,000,000	0.475
16	HOUVAN PTY LTD	1,000,000	0.475
17	MR ANDREW BRUCE RICHARDS	1,000,000	0.475
18	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING <TREG TRAILERS DIS S/F A/C>	1,000,000	0.475
19	COVELANE GOLD COAST PTY LTD <COVELANE SUPER FUND A/C>	929,561	0.442
20	ZHIVAN PTY LTD <SUPER FUND A/C>	626,500	
	ZHIVAN PTY LTD	200,000	
	Sub-total	826,500	0.393
<b>Total</b>		<b>176,026,624</b>	<b>79.645%</b>

\* Substantial shareholders

## Appendix 5B

### Mining Exploration Entity Quarterly Report

Name of entity

**Alara Resources Limited and controlled/jointly controlled entities**

ACN or ARBN

**122 892 719**

Quarter Ended

**30 September 2011**

#### Consolidated statement of cash flows

#### Cash flows related to operating activities

1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation		
	(b) development		
	(c) production		
	(d) administration		
1.3	Dividends received		
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	(a) Professional fees		
	<b>Net operating cash flows</b>		

Consolidated	
Current Quarter September 2011 \$' 000	Year to Date 3 months \$' 000
-	-
<b>(3,113)</b>	<b>(3,113)</b>
-	-
-	-
<b>(1,340)</b>	<b>(1,340)</b>
-	-
<b>195</b>	<b>195</b>
-	-
-	-
-	-
<b>(62)</b>	<b>(62)</b>
<b>(4,320)</b>	<b>(4,320)</b>

		<b>Consolidated</b>	
		Current Quarter September 2011 \$' 000	Year to Date 3 months \$' 000
1.8	Net operating cash flows (carried forward)	<b>(4,320)</b>	<b>(4,320)</b>
<b>Cash flows related to investing activities</b>			
1.9	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	<b>(53)</b>	<b>(53)</b>
1.10	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>(53)</b>	<b>(53)</b>
1.14	<b>Total operating and investing cash flows</b>	<b>(4,373)</b>	<b>(4,373)</b>
<b>Cash flows related to financing activities</b>			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)		
	Share issue costs	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(4,373)</b>	<b>(4,373)</b>
1.21	Cash at beginning of quarter/year to date	<b>32,208</b>	<b>32,208</b>
1.22	Exchange rate adjustments to item 1.20	<b>218</b>	<b>218</b>
1.23	<b>Cash at end of quarter</b>	<b>28,053</b>	<b>28,053</b>

**Payments to directors of the entity and associates of the directors  
Payments to related entities of the entity and associates of the  
related entities**

	Current Quarter September 2011 \$' 000
1.24 Aggregate amount of payments to the parties included in item 1.2	<b>(95)</b>
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation for the quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

**Financing facilities available**

	Amount available \$' 000	Amount used \$' 000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		Next Quarter \$' 000
4.1	Exploration and evaluation	<b>(3,892)</b>
4.2	Development	-
4.3	Production	-
4.4	Administration	<b>(887)</b>
<b>Total</b>		<b>(4,779)</b>

### Reconciliation of cash

Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

		Consolidated	
		Current Quarter \$' 000	Previous Quarter \$' 000
5.1	Cash on hand and at bank	<b>3,822</b>	<b>5,048</b>
5.2	Deposits at call	<b>24,231</b>	<b>27,160</b>
5.3	Bank overdraft	-	-
5.4	Other (Bank Bills)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>28,053</b>	<b>32,208</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (4))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Quarterly Activities Report		
6.2	Interests in mining tenements acquired or increased	Refer to Quarterly Activities Report		



**Issued and quoted securities at end of current quarter**

	Total number	Number quoted	Issue price per security (see note 5) (cents)	Amount paid up per security (see note 5)
7.1 Preference securities+				
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 Ordinary securities+	210,507,500	210,507,500	-	-
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 Convertible debt securities+				
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted \$0.55 (26 July 2012) Options	500,000	-	55 cents	26 July 2012
Unlisted \$0.35 (16 September 2013) Options	16,400,000	-	35 cents	16 September 2013
Unlisted \$0.35 (16 September 2013) Options	1,000,000	-	35 cents	16 September 2013
Unlisted \$0.35 (25 October 2014) Options	3,650,000	-	35 cents	25 October 2014
Unlisted \$0.60 (25 October 2014) Options	2,000,000	-	60 cents	25 October 2014
Unlisted \$0.50 (25 May 2014) Options	500,000	-	50 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Directors' Options	500,000	-	60 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Options	425,000	-	60 cents	25 May 2014
Unlisted \$0.70 (25 May 2014) Options	425,000	-	70 cents	25 May 2014
Unlisted \$0.35 (22 August 2015) Options	400,000	-	35 cents	22 August 2015
7.8 Issued during quarter				
Unlisted \$0.50 (25 May 2014) Options	200,000	-	50 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Options	125,000	-	60 cents	25 May 2014
Unlisted \$0.70 (25 May 2014) Options	125,000	-	70 cents	25 May 2014
7.9 Exercised during quarter		-	-	-
7.10 Cancelled during quarter				
Unlisted \$0.50 (25 May 2014) Options	200,000	-	50 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Options	125,000	-	60 cents	25 May 2014
Unlisted \$0.70 (25 May 2014) Options	125,000	-	70 cents	25 May 2014
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes	-	-		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

31 October 2011

\_\_\_\_\_  
Victor Ho  
Company Secretary

**Notes:**

The Company currently holds the following listed share investments:

	30-Sep-11	30-Jun-11
	Market Value	Market Value
Listed securities	\$875,603	\$875,603
	<u>\$875,603</u>	<u>\$875,603</u>

Share investments are regarded as **liquid assets to supplement the Company's cash reserves**.

+ See Chapter 19 for defined terms

## NOTES

- 1) The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note
- 2) The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent
- 3) Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4) The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5) Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6) The Company holds foreign currencies denominated in US dollars and Peruvian Nuevo Soles. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 30 September 2011.