

TUESDAY, 29 JULY 2014

ASX Code: AUQ

#### DIRECTORS

Ian Williams  
Non-Executive Chairman

Philip Hopkins  
Managing Director

John Hopkins  
Non-Executive Director

HRH Prince Abdullah bin Mosaad bin  
Abdulaziz Al Saud  
Non-Executive Director

James Phipps  
Alternate Director

#### MANAGEMENT TEAM

Victor Ho  
Company Secretary

Elle Macdonald  
Corporate Affairs Manager

Justin Richard  
Country Manager, Saudi & Oman

John Watkins  
Chief Financial Officer

#### CAPITAL STRUCTURE

As at 28 July 2014

Shares: 242,007,500

Options: 36,050,000

Share Price: \$0.055

Market Cap: \$13.31m

Cash as at 30 June 2014 - \$3.1m

#### RESOURCES – KHNAIGUIYAH \*

Measured & Indicated:  
Zinc-Copper Resource 25.32 Mt @  
4.03% Zn and 0.17% Cu

Measured & Indicated:  
Copper Resource 8.53Mt @ 0.64%Cu

#### RESERVE – KHNAIGUIYAH \*

Proved:  
Zinc-Copper Reserve 17.7 Mt @  
3.4% Zn and 0.29% Cu

Probable:  
Zinc-Copper Reserve 8.35 Mt @  
3.1% Zn and 0.13% Cu

#### CONTACT DETAILS

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## Highlights

- In June, the previously announced HoA (moving Alara from its current 50% equity position to a 60% equity position in the Khnaiguiyah Project) reached an impasse. The Company continues to work toward resolution of this matter with various options being progressed.
- Previously initiated technical and financial Khnaiguiyah Project enhancement studies progressed on schedule with positive results.
- Khnaiguiyah Project enhancement studies include:
  - Evaluation for Heavy Media Separation (HMS) processing of ore - exhibiting positive initial results;
  - Khnaiguiyah water supply opportunities – several alternatives identified;
  - Comminution Circuit Optimisation – study initiated;
  - Plant ore feed grind size optimisation – study to commence after HMS evaluation; and
  - Bulk product transportation/shipping versus a container based approach – initial investigations commenced.
- Continuing improvement in the Zinc price is a key upside for the Khnaiguiyah Project. The Project economics were established at \$1.05/lb. At the time of writing, Zinc had reached a price of \$1.09/lb.
- Daris/Washihi Project (Oman) Options Study was completed in the Quarter and led to the “re-scoping” of the upgraded Scoping Study which is nearing completion.

\* Refer JORC Statements at page 10

# Introduction

The fourth Quarter of the 2014 Financial Year included both positive breakthroughs and a disappointing delay with the Khnaiguiyah Project.

Project studies progressed well for the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and the Daris/Washihi Project in Oman, but the Company was unable to move forward on the previously announced Heads of Agreement (HoA) to acquire an additional 10% of the Khnaiguiyah Zinc-Copper Project Joint Venture (JV).

The continuing improvement in the price of Zinc is a significant positive for the Khnaiguiyah Project economics.

## Saudi Arabia

### KHNAIGUIYAH ZINC-COPPER PROJECT

As previously announced <sup>1</sup> & <sup>2</sup> Alara and its JV partner, United Arabian Mining Company LLC (Manajem) entered into a Heads of Agreement (HoA) 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 JV to move forward.

The Company subsequently announced <sup>3</sup> that the implementation of the HoA, which includes a Road Map outlining the steps the parties have agreed to undertake to give effect to a New JV Agreement, had reached an impasse resulting from JV partner Manajem's failure to comply with the steps in the Road Map.

As a result of this impasse, Alara has postponed preparations for a General Meeting to seek Alara shareholder approval for the issue of the shares required to affect the equity transfer to Manajem under the New JV Agreement. The Company will recommence this process once the Mining License transfer to KMC is underway.

Alara continues to work toward a solution to the current JV HoA impasse in order to progress the Khnaiguiyah Project in the current rising Zinc price market. Various options and opportunities are being progressed in order to move the Project forward as soon as practical.



*Alara Board Chairman Ian Williams, AO makes a formal presentation on behalf of Alara to Mr Sulaiman Al Jebreen (Chairman of the Al Quwayiyah Chamber of Commerce) at a civic reception at Al Quwayiyah on the occasion of the Alara Board visit to Saudi Arabia in May 2014.*

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

<sup>2</sup> Refer Alara's ASX market announcement dated 4 April 2014 entitled "[Completion of Agreement for Updated Khnaiguiyah Project Joint Venture](#)".

<sup>3</sup> Refer Alara's ASX market announcement dated 4 June 2014 entitled "[Khnaiguiyah Project Joint Venture Agreement Has Reached Impasse](#)".

## PROJECT ENHANCEMENTS IDENTIFIED FOR FURTHER STUDY

Based on internal technical analyses and confirmed by the independent Definitive Feasibility Study (DFS) Peer Review in the previous quarter, additional technical studies were either progressed, or have been defined and are ready to commence as soon as practical. These studies are designed to materially enhance the value and/or reduce the key risks associated with the Khnaiguiyah Project.

The bulk of these additional Project enhancement studies have or are currently being completed while further work has been put on temporary hold until the Company is able to progress the Project JV. Alara does not intend to expend significant additional funds on Project optimisation until a clear way forward for the JV has been identified and progressed.

**The current status of the Project Enhancement Studies is as follows:**

### HEAVY MEDIA SEPARATION (HMS) EVALUATION FOR THE ORE

- > Test work (at lab or 'bench' scale) has been completed and a draft report has been issued. Initial indications show positive amenability of Khnaiguiyah ore to the HMS process. Test work to bring this flow sheet change up to DFS level is pending the resolution of the current Project delay.
- > As reported in the March 2014 Quarterly Report<sup>4</sup>, a HMS plant would allow a relatively coarsely crushed ore feed (4-7 mm diameter) to be processed up front and as a result of this pre-treatment, the lighter (non-metallic) silica material included in the ore could potentially be inexpensively separated from the Zinc-Copper bearing rock. The outcome of this process flow sheet enhancement is a 70-90% upgrade in the effective ore grade being fed to the processing plant.
- > Should the test work currently underway prove to be technically viable and economically justifiable for the Khnaiguiyah ore, then there will be an option for the Khnaiguiyah Project to advance on one of two paths:
  - i) Maintain the 2Mtpa ore feed as per the DFS, but change the circuits to have ore pass through the HMS first. This would allow the remainder of the processing plant to be downsized to 1.0-1.5Mtpa thus reducing the complexity and capital cost of the plant; or alternatively
  - ii) Increase the front end feed through the HMS to 3.5- 4.0Mtpa and retain the back end of the process plant throughput at 2Mtpa but due to the upgrade in ore grade, produce up to 1.5-1.8 times more concentrate per annum.

### WATER SUPPLY OPPORTUNITIES

- > A water supply study has identified several alternative process water supply sources which are being investigated and discussions are ongoing with the relevant government departments and private entities.

### COMMINATION CIRCUIT OPTIMISATION

- > Data was provided to external consultants to perform an initial analysis and modelling on the potential to replace the SAG mill with 1-2 crushing units (dependent on crushing unit size and performance of the HMS process – see above) as well as general optimisation of the comminution circuit.

### PLANT ORE FEED GRIND SIZE OPTIMISATION

- > The grind size employed in the DFS is very fine and there is an opportunity to increase the grind size thus reducing the plant size, power consumption and operating costs associated with wear and tear on materials and parts. A grind size review and potential optimisation study will commence only after the result of the HMS evaluation is finalised.

<sup>4</sup>

Refer Alara's ASX market announcement dated 29 April 2014 and entitled "[Quarterly Activities Report - March 2014](#)"

## BULK PRODUCT TRANSPORTATION/SHIPPING VERSUS A CONTAINER BASED APPROACH

- > Initial discussions were undertaken with shipping/logistics experts on current indicative freight rates from the several possible ports, and port facilities are being investigated in order to evaluate the potential to bulk ship concentrates from site as an alternative to transporting concentrates in containers. This study will also incorporate input from the providers of concentrate offtake agreements.



*The Alara Board visited Dammam's King Abdul Aziz Sea Port, the largest port on the Persian Gulf, as part of its site visit to Saudi Arabia in May 2014.*

*The Board met with the port authority and reviewed the port's available capacity while viewing the port's world class and expanding bulk/ container shipping facilities.*

*Dammam Port is the principal port of Saudi Arabia and is located approximately mid-way along the Eastern Coast. It acts as the main gateway through which cargoes leave and enter the Eastern and Central Provinces of the Kingdom to all parts of the globe and is strategically placed to service the continuous development of Riyadh, the capital, and the major provincial cities in the Eastern and Central Provinces.*

## KHNAIGUIYAH PROJECT INDICATIVE TIMELINE

The Khnaiguiyah Project indicative development timeline is as follows:

Project Activity (Calendar Years)	2014		2015				2016				2017				2018			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 ML Security	■																	
2 Project Finance		■	■	■														
3 Project Construction				■	■	■	■	■	■	■	■	■	■					
4 Commissioning													■	■	■	■		
5 Full Operations																		■

# Oman

## DARIS/WASHIHI COPPER-GOLD PROJECT

An upgraded Scoping Study for the Daris/Washihi Project in Oman commenced and is nearing completion. External interest in the Project has continued with various parties undertaking due diligence activities.

### OPTIONS ANALYSIS/SCOPING STUDIES

As advised in the previous Quarterly Report<sup>4</sup>, the updated Scoping Study was placed on hold pending a full Options Analysis Study<sup>5</sup>.

This Options Analysis Study evaluated the following six project options:

1. Conventional flotation circuit;
2. HMS circuit followed by a smaller capacity conventional flotation circuit;
3. HMS circuit followed by a larger capacity (x2) conventional flotation circuit;
4. Toll treatment of the Daris Sulphide ores;
5. On-site conventional heap leach of Daris oxides; and
6. Continuous Vat Leach of Daris oxides.

Test work on the benefits of including a HMS circuit to the ore treatment process flow sheet proved successful<sup>6</sup> and two variations on the application of a HMS circuit were evaluated (Options 2 & 3 - see above). The application of the HMS circuit to the Daris/Washihi Project provides a material uplift or 'breakthrough' as it effectively increases the grade of the material to be processed from 0.8-0.9% Cu to 1.6-1.8% Cu.

Based on the technical and economic results of the Options Analysis Study, Options 2 & 3 were then selected for inclusion in an upgraded Scoping Study. The Scoping Study is designed to confirm the economic potential of the project and identify the key technical issues required to progress the project to its next phase. The work on the Scoping Study recommenced in the June 2014 Quarter and is nearing completion.

Additional preparatory activity has been undertaken in parallel to prepare a phased Pre-Feasibility Study work program that addresses the issues identified in the Scoping Study. This work program is currently under internal consideration as part of overall Project development planning.

### PROJECT PARTICIPATION AND DEVELOPMENT ALTERNATIVES

The Daris/Washihi Project is underpinned by the largest copper resource (JORC qualified)<sup>7 & 8</sup> in Oman. This fact, coupled with the Daris/Washihi Project's location, logistics, JV partners and other project parameters, has made this Project attractive to outside groups. Several of these external parties are reviewing the assets and the Daris/Washihi Project to determine if they wish to become involved. This activity continued during the Quarter, together with the evaluation of additional and associated commercial opportunities.

<sup>5</sup> Refer to Alara's ASX Announcement dated 12 June 2014 entitled "[Oman Project - Positive Options Analysis Study Outcomes](#)"

<sup>6</sup> Refer to Alara's ASX Announcement dated 18 February 2014 entitled "[Oman Project HMS Breakthrough](#)"

<sup>7</sup> Refer Alara's ASX market announcement dated 16 July 2013 entitled "[Upgrade to JORC Resources at Washihi Copper-Gold Project in Oman](#)"

<sup>8</sup> Refer JORC Statements at page 10

# Commercial

## ZINC MARKET

The price of Zinc metal continued to move upwards during the Quarter and into July when the zinc price reached US\$1.09/lb. Commentators on the Zinc market believe that the market has moved into up-cycle driven by organic growth in demand and near term supply constraints as several large mines are about to close.

This is aligning well with the project timeline for the Khnaiguiyah Project which is planned to commence production in 2017 when forecasters are predicting a zinc price range of US\$1.40-\$2.00/lb (Glencore-CRU). Should these prices be achieved they would provide significant upside to the Project economics which is based on a zinc price of US\$1.05/lb.

# Corporate & Finance

## GENERAL

John Watkins commenced as Alara's Chief Financial Officer<sup>9</sup> on 1 May 2014. This key appointment completed the assembly of Alara's core Management Team to take the Company through the next stage of its development.

As previously announced<sup>10</sup>, the Managing Director and representatives from Petra Capital conducted an investor roadshow (17-20 June) to Sydney and Melbourne, meeting with existing and prospective investors.

## FINANCE & METAL OFFTAKE DISCUSSIONS

Advice was received regarding the application process for Saudi Investment & Development Fund ("SIDF") finance. The SIDF is mandated to support the industrialisation objectives of the Kingdom of Saudi Arabia by providing technical, administrative, financial and marketing advice and financial assistance in the form of medium and long term loans to investors in industry. For approved projects in more remote areas of the country, the SIDF can fund up to 75% of construction capital cost and 5-10% of pre-construction cost. As part of funding conditions the SIDF would require a significant portion of concentrate output to be covered by metal offtake agreements.

The Khnaiguiyah Project is believed to meet the SIDF 'remote location' criteria. This is supported by written advice received from external financial advisors (KPMG) in Saudi Arabia. The availability of a large portion of project finance from within Saudi Arabia and the need for metal offtake arrangements both reduce project risk in the areas of funding and revenue.

During the Quarter, Alara commenced discussions with metal traders and financiers. These discussions were positive and are being assessed and expanded. Further discussions are planned as we refine the DFS optimisation studies and project finance timeline.

## COST CONTROL

A review was undertaken of working capital/operating costs (G&A) with additional and continuing tight control of expenditure. Project costs are also being scrutinized pending resolution of the Khnaiguiyah HoA impasse. The cash operating expenditure was \$1,404k in the June 2014 Quarter, and is forecast to reduce to \$1,100k in the September 2014 Quarter.

<sup>9</sup> Refer to Alara's ASX Announcement dated 2 May 2014 entitled "[Alara Appoints Highly Experienced CFO](#)"

<sup>10</sup> Refer to Alara's ASX Announcement dated 16 June 2014 entitled "[Investor Roadshow Presentation - JUN 2014](#)"

## CASH POSITION

Alara's cash position as at 30 June 2014 was \$3.1 million (31 March 2014: \$4.9 million). In addition a bank cheque for the first payment under the Khnaiguiyah HoA of USD 601,000 (\$637,000) is held in escrow pending completion of the transaction.

## Conclusion

Progress on the technical front was pleasing for Alara's projects in both Saudi Arabia and Oman. However we have been very frustrated by the delay in progressing the terms of the HoA which would increase Alara's stake in the Khnaiguiyah Project from 50% to 60% and allow us to move forward with financing and development to the benefit of all parties.

Alara is continuing to centre its primary focus on achieving a resolution to the current Project impasse and in turn move the Khnaiguiyah Project forward as soon as practical.



*Core from the Khnaiguiyah Project showing intersection containing Sphalerite ((Zn, Fe) S) mineralisation. (Sphalerite is a zinc/iron sulphide and the primary ore of zinc metal.)*

## Next Quarter Planned Activities

- Resolution of the impasse for the Khnaiguiyah Project JV
- Progress the Khnaiguiyah Project DFS optimisation studies
- Progress the Khnaiguiyah Project financing plans
- Complete the Daris/Washihi Project updated Scoping Study

## INTERESTS IN MINING AND EXPLORATION LICENCES

### KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI ARABIA)

The Khnaiguiyah Zinc-Copper Project (Khnaiguiyah Project) is located approximately 170km south-west of the capital city Riyadh and 35km north-west of Al-Quwayiyah, which is a regional centre located around the Riyadh to Jeddah Expressway.

The Khnaiguiyah Project comprises one mining licence (issued in December 2010 with an exclusive 30 year term and no mineral royalties), 2 exploration licences and 5 exploration licence applications, totalling approximately 380km<sup>2</sup> currently held by Manajem pending completion of transfer to the JV company, Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia, incorporated on 10 January 2011).

Alara's wholly owned subsidiary, Alara Saudi Operations Pty Limited has a 50% interest in KMC, with an agreement to move to 60% equity<sup>1</sup>.

Two exploration licences, Umm Al Hijja and Mutiyah, have expired and are pending renewal and are considered by Alara to be non-core to the Khnaiguiyah Project vis a vis the five exploration licences (applications pending grant) surrounding the existing Mining Licence

The current status of all licences/applications for this project is presented in the table below.

Project	Licence Owner	Status	Tenement	Grant/Application Date	Expiry Date	Area	Location/Property Name	Country	Alara's Interest
Khnaiguiyah Zinc-Copper Project	United Arabian Mining Company LLC	Granted	Mining Lease No 2. Qaaf	Dec 2010 dated 6/1/1432H	30 years	5.462km <sup>2</sup>	~170km west of Riyadh	Saudi Arabia	50%**
Khnaiguiyah Zinc-Copper Project	United Arabian Mining Company LLC	Two (2) Granted/pending renewal	Exploration Licence "Qaf"/101	Oct 2007 dated 17/10/1428H	Expired (pending renewal/reissue)	84 + 66km <sup>2</sup>	~170km west of Riyadh	Saudi Arabia	50%**
Khnaiguiyah Zinc-Copper Project	United Arabian Mining Company LLC	Five (5) Applications	Exploration Licence "Qaf"/99	Oct 2007 dated 17/10/1428H	N/A	24.99 + 66.71 + 65.52 + 34.65 + 30.08km <sup>2</sup>	~170km west of Riyadh	Saudi Arabia	50%**

\*\* The transfer of licences for exploration or exploitation of the same is covered by a Shareholders Agreement between Alara and Manajem and a Mining Rights Agreement between Alara, KMC and Manajem. The latter, among other things, contemplates KMC's rights to exploit the ML and its extensions or the Environmental Approval as if these were held by KMC<sup>12</sup>.

Alara's interest in these licences is currently 50% with a right to move to 60% as agreed in a HoA announced on 14 March 2014<sup>1</sup>



## INTERESTS IN MINING AND EXPLORATION LICENCES (CONTINUED)

### DARIS/WASHIHI COPPER-GOLD PROJECT (OMAN)

#### Daris Copper-Gold Project

The Daris Copper-Gold Project is located approximately 150km west of Muscat, the capital of Oman, and comprises a mineral excavation licence of ~587km<sup>2</sup>. The JV company, Daris Resources LLC, has made applications for two mining licence applications covering 3.2km<sup>2</sup> and 1.3km<sup>2</sup> which have been filed over the Daris East and Daris 3A-5 prospects.

Alara's wholly owned subsidiary, Alara Oman Operations Pty Limited has a 50% interest (with a right to increase to 70%+) in the JV company, Daris Resources LLC (Oman, incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

The current status of all licences/applications for this project is presented in the table below.

Block Name	Licence Owner	Alara JV Interest	Exploration Licence					Mining Licences within EL		
			Area	Date of Grant	Date of Expiry	Application for Renewal	Status	Area	Date of Application	Status
Block 7	Al Tamman Trading and Est. LLC, Oman	50-70%	587km <sup>2</sup>	Nov 2009	Nov 2012	Oct 2012	Deemed renewed as per law	Daris East 3.2km <sup>2</sup> Daris 3A-5 1.3km <sup>2</sup>	Dec 2012	Accepted in April 2013; in progress

Also refer to Alara ASX announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)" for further background information.

#### Washihi-Mullaq-Al Ajal Copper-Gold Project

The Washihi-Mullaq-Al Ajal Copper-Gold Project is located approximately 80-160kms east of Alara's Daris Project.

Alara's wholly owned subsidiary, Alara Oman Operations Pty Limited holds 70% of the shares in the JV company, Al Hadeetha Resources LLC (Al Hadeetha). Al Hadeetha holds exploration licences over the Washihi area of 39km<sup>2</sup>, the Mullaq area of 41km<sup>2</sup>, and the Al Ajal area of 25km<sup>2</sup>.

Two of the exploration licences, Washihi and Mullaq, are located approximately 100km south-southeast of the Daris Project (Block 7 licence). One exploration licence, Al Ajal, is located approximately 40km east of the Daris Project (Block 7 licence).

The JV entity has made applications for mining licences over the Washihi area of 3km<sup>2</sup>, Mullaq area of 1km<sup>2</sup> and Al Ajal area of 1.5km<sup>2</sup>.

The current status of all licences/applications for this project is presented in the table below.

Licence Name	Licence Owner	Alara JV Interest	Exploration Licence					Mining Licence within EL		
			Area	Date of Grant	Date of Expiry	Application for Renewal	Status	Area	Date of Application	Status
Washihi	Al Hadeetha Resources LLC Oman	70%	39km <sup>2</sup>	Jan 2008	Jan 2013	Dec 2013	Deemed granted as per law	3km <sup>2</sup>	Dec 2012	Accepted in April 2013; in progress
Mullaq	Al Hadeetha Resources LLC Oman	70%	41km <sup>2</sup>	Oct 2009	Oct 2012	Sep 2012	In progress	1km <sup>2</sup>	Jan 2013	In progress
Al Ajal	Al Hadeetha Resources LLC Oman	70%	25km <sup>2</sup>	Jan 2008	Jan 2013	Dec 2013	In progress	1.5km <sup>2</sup>	Jan 2013	In progress

Also refer to Alara's market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman](#)" for further background information.

## JORC STATEMENTS

### KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI ARABIA)

Table 3 - Khnaiguiyah JORC Ore Reserves<sup>11</sup>

Mineralised Zone	Proved			Probable			Proved + Probable		
	Mt	Zn%	Cu%	Mt	Zn%	Cu%	Mt	Zn%	Cu%
1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
2	8.75	2.6	0.32	1.2	3.8	0.44	9.95	2.7	0.34
3	8.21	4.1	0.27	6.08	2.7	0.05	14.28	3.5	0.17
<b>Total (All Pits)</b>	<b>17.73</b>	<b>3.4</b>	<b>0.29</b>	<b>8.35</b>	<b>3.1</b>	<b>0.13</b>	<b>26.08</b>	<b>3.3</b>	<b>0.24</b>

Table 4 - Khnaiguiyah JORC Measured and Indicated Resource - Zinc (Domain 1) and Zinc-Copper (Domain 2)<sup>12</sup>

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Measured	1 and 2	1, 2	9.65	3.37	0.16	1.5
		3	6.37	5.28	0.25	1.5
Indicated		1, 2	3.12	4.45	0.3	1.5
		3	6.18	3.55	0.05	1.5
<b>Measured and Indicated</b>		<b>1, 2 and 3</b>	<b>25.32</b>	<b>4.03</b>	<b>0.17</b>	<b>1.5</b>

Table 5 - Khnaiguiyah JORC Measured and Indicated Resource - Copper (Domain 3)<sup>12</sup>

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper %	Cu Cut-off (%)
Measured	3	1, 2	4.7	0.72	0
		3	1.07	0.63	0
Indicated		1, 2	1.59	0.54	0
		3	1.16	0.43	0
<b>Measured and Indicated</b>		<b>1, 2 and 3</b>	<b>8.53</b>	<b>0.64</b>	<b>0</b>

Table 6 - Khnaiguiyah JORC Inferred Resource - Zinc (Domain 1) and Zinc-Copper (Domain 2)

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Inferred	1 and 2	4	4.32	2.9	0.03	1.5

The information in these JORC Reserve and Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

<sup>11</sup> Refer to Alara's ASX Announcement of 18 April 2013 entitled "[Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#)"

<sup>12</sup> Refer to Alara's ASX Announcements of 21 February 2012 entitled "[Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#)", 12 October 2012 entitled "[JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#)," and 30 October 2012 entitled "[JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)"

## JORC STATEMENTS (CONTINUED)

### WASHIHI-MULLAQ-AL AJAL COPPER-GOLD PROJECT (OMAN)

Table 1 - Washihi JORC Mineral Resources<sup>13</sup>

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0	7.16	0.87	0.17	7.77	0.67	0.2
0.25	6.84	0.9	0.17	7.27	0.71	0.2
0.5	5.66	1.01	0.18	5	0.85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1	2.39	1.37	0.2	1.24	1.31	0.27

### DARIS COPPER-GOLD PROJECT (OMAN)

Table 2 - Daris-East JORC Mineral Resources

Ore type	Cut-off grade Cu%	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t
Sulphides	0.5	129,155	2.48	0.23	110,870	2.24	0.51	240,024	2.37	0.43	30,566	2.25	0.55
Oxides	0.5	96,526	0.77	0.03	86,839	0.66	0.14	183,365	0.72	0.08	1,712	0.61	0.97

The information in these JORC Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

<sup>13</sup> Refer to 16 July 2013 ASX Announcement: [Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset](#)



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Alara Resources Limited

ABN

27 122 892 719

Quarter ended ("current quarter")

30 June 2014

#### Consolidated statement of cash flows

	Current quarter (June 2014) \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(636) - - (768)	(1,190) - - (4,661)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	121
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Refund)	-	4,754
<b>Net Operating Cash Flows</b>	<b>(1,386)</b>	<b>(976)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects * (b) equity investments (c) other fixed assets	(637) - -	(637) - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,023)</b>	<b>(1,613)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,023)	(1,613)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(2,023)</b>	<b>(1,613)</b>
1.20	Cash at beginning of quarter/year to date	4,938	4,459
1.21	Exchange rate adjustments to item 1.20	195	264
1.22	<b>Cash at end of quarter</b> * excludes prepayment	<b>3,110</b>	<b>3,110</b>

\*Prepayment bank cheque of USD601k (AUD637k) for the Khnaiguiyah Project settlement is held in escrow.

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	(150)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 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.

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
4.3 Production	-
4.4 Administration	600
<b>Total</b>	<b>1,100</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	660	1,688
5.2 Deposits at call	2,450	3,250
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,110</b>	<b>4,938</b>

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Refer to quarterly activities report		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Refer to quarterly activities report		

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

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	<b>+Ordinary securities</b>	<b>242,007,500</b>	<b>242,007,500</b>	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	<b>+Convertible debt securities</b>			
	<i>(description)</i>			

+ See chapter 19 for defined terms.



**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7	<b>Options</b> (Unlisted Options)	3,650,000 2,000,000 400,000 6,666,667 3,333,333 10,000,000 10,000,000	- - - - - - -	<i>Exercise price</i> 35 cents 60 cents 35 cents 15 cents 20 cents 10 cents 15 cents	<i>Expiry date</i> 25 October 2014 25 October 2014 22 August 2015 21 November 2016 21 November 2016 15 January 2016 15 January 2016
7.8	Issued during quarter (Unlisted Options)	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	200,000 250,000 125,000 125,000	- - - -	50 cents 60 cents 60 cents 70 cents	25 May 2014 25 May 2014 25 May 2014 25 May 2014
7.11	<b>Debentures</b> (totals only)	-	-		
7.12	<b>Unsecured notes</b> (totals only)	-	-		

## 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 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Chief Financial Officer)

Date: 29 July 2014

Print name: John David Watkins

+ 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 or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

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