

ASX/MEDIA RELEASE
Thursday, 28 June 2018

OMAN COPPER PROJECT UPDATE – BASE CASE NPV AT US\$90M

PERTH: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) is pleased to report this update to financial projections previously announced for the Al Hadeetha Copper Project¹ in Oman.

Feasibility Study Update

Further to the Al Hadeetha feasibility study findings released 31 March 2016² and revised on 24 January 2017³, this update takes account of current inputs to the financial model, including higher copper prices, indicative weighted average cost of capital, revised capex and opex pricing and tax increases.

Key Financials

Base Case financial modelling on the Feasibility study for the Al Hadeetha Copper Gold Project (the **Project**) indicates robust returns as follows:

- Forecast **Revenue** – **US\$ 561 million** over 10.4 years
- Forecast **EBITDA** over the same period – **US\$ 252 million**
- **FCFF** – Free Cash flow available in 10.4 years – **US\$ 155 million**
- **Project NPV** – **US\$ 90 million**
- Project IRR over the period – **34%**

Project Fundamentals

The Al Hadeetha feasibility study concluded a technically feasible and financially robust mining operation. The process plant is designed to process 1,000,000 tonnes of mineralised material per annum. Project life is anticipated to be 10.4 years. Key Project parameters are summarised below.

Table 1: Key Parameters

Parameter	DFS Fundamentals
Total pre-production capex	\$ 60 million (including EPC, Project Management, STP & pipeline and contingency)
Mining method	Open pit, 10.4 years
Project construction	14 months
First production	Q4 calendar 2019
Final production	2030
Processing rate	1 Mtpa
Average annual concentrate production	35,000 (wmt)
Total tonnes copper metal production	79,297 (t)
Total gold ounces	21,825 (oz)
Unit operating costs	\$27.4/t of processed material

¹ Refer Alara's ASX Announcement dated 24 January 2017.

² Refer Alara's ASX Announcement dated 31 March 2016.

³ Refer Alara's ASX Announcement dated 24 January 2017.

Financial Modelling Assumptions

The assumptions used for financial modelling to produce a Base Case, Low Case and High Case are summarised in Table 2, below.

The variable parameter used in each case is the copper price. The gold price is assumed as \$1,300/oz (real) for all three cases.

Table 2: Variable Copper Prices used for Base Case, Low Case and High Case

Case Scenario		Cu US\$/t	Au US\$/oz
Base Case	Based on flat Cu price equal to LME average Cash Settlement Price for February 2018	7,000 life of mine	\$1,300/oz
Low Case	Based on recent ⁴ World Bank price forecast for 2018 to 2025 (excluding forecast increase post 2025 to 7,000)	Minimum 6,800 & maximum 6,900	\$1,300/oz
High Case	Based on recent investment bank projections and copper futures pricing ⁵	7,050 rising to 8,000	\$1,300/oz

A summary of financial returns for each of the above cases is shown below.

Table 3: Financial Summary of Base Case, Low Case and High Case.

Case Scenario	Total Revenue US\$m	Total Opex US\$m	EBITDA US\$m	NPV* US\$m	IRR
Base Case	561	275	252	90	34%
Low Case	553	275	244	85	32%
High Case	622	275	309	120	40%

*NPV is based on a discount rate of 6% calculated from indicative WACC and 80:20 debt to equity ratio

Resource Base

The Project findings are underpinned by Mineral Inventory, comprising 9.7Mt in-pit Ore Reserves (or 96.5% of the in-pit ore) and 0.35Mt Mineral Resources as summarised in Table 4, below.

Table 4: Mineral Inventory

Mineral Inventory JORC 2012 Category	Tonnes (millions)	Cu (%)	Au (g/t)
Probable Reserves	9.70	0.88	0.22
Inferred Resource ⁶	0.35	0.65	0.22
Total	10.05	0.87	0.22

JORC Mineral Resource Statement

The Ore Reserve estimate is based on the Company's Mineral Resource estimate announced 19 September 2016 and summarized in Table 5, over the page.

⁴ Released 24 April 2018 <http://pubdocs.worldbank.org/en/458391524495555669/CMO-April-2018-Forecasts.pdf>

⁵ www.metalbulletin.com/Article/3785039/FORECAST-Copper-price-to-hit-8000-per-tonne-in-2018-Goldman.html . Copper contracts trading on Shanghai Futures Exchange ~ 51,860 yuan (\$8,003) a tonne as at 20 June 2018.

⁶ See Table 5 below for complete Mineral Resources classification listing.

Table 5 – Copper Gold Mineral Resources @ 0.25% Cu Cut-off

Resource Classification	Tonnes (m)	Cu (%)	Au (g/t)
Indicated	12.4	0.89	0.22
Inferred	3.7	0.79	0.23
Total	16.1	0.87	0.22

Going Forward

With the mining licence finalised, the Company is focused on closing project financing and advancing construction on the mine site to commence production in 2019.

Several media reports have covered the new mining law for Oman. It is understood the new law will include provisions aimed at making application processes more streamlined and attractive to foreign investors going forward. Alara welcomes these developments as it looks forward to developing Al Hadeetha's other licence areas and its other JV copper projects in Oman.

Alara's CEO, Justin Richard, said:

"The Al Hadeetha Copper Project is the first international mining joint venture to receive a copper mining licence in Oman and it will not be the last. Alara and its joint venture partners will play a key role in Oman's resurgent copper industry. With over 150 ancient copper mines in Oman⁷, advanced mining and processing technologies, and solid fundamentals supporting the global copper outlook⁸, there is a bright future for copper mining in the Sultanate and for Al Hadeetha Resources and Alara's other Omani joint venture companies."

Competent Person Statements

The information in this announcement that relates to the Mineral Resources at the Al Hadeetha Copper-Gold Project (Oman) is extracted from the Company's report titled "Oman Activities Update" created on 24 January 2017 and available view at http://www.alararesources.com/irm/PDF/2336_0/OmanActivitiesUpdate and on www.asx.com.au under the ASX Company Code AUQ. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in that market announcement related to Mineral Resources continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's (Mr Ravi Sharma) findings related to Mineral Resources are presented have not been materially modified from the original market announcement.

The information in this announcement that relates to Ore Reserves at the Al Hadeetha Project is based on information compiled by Mr Harry Warries, who is a Fellow of the Australasian Institute of Mining and Metallurgy, and a consultant to Alara Resources. He is employed by Mining Focus Consultants Pty Ltd. Mr Warries has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' In assessing the appropriateness of the Ore Reserve estimate, Mr Warries has relied on various reports, from both internal and external

⁷ "The Report: Oman 2013", p.13, Oxford Business Group.

⁸ Copper consumption per capita has grown an average of 3% p.a. over the past 30 years. With global demand set to exceed 25Mtpa by 2025 and identified supply well below 20Mtpa⁸, Source: Wood Mackenzie, CRU, Incomare, Anglo American.

sources, in either draft or final version, which form part of or contribute to the Al Hadeetha Project Feasibility Study. These reports are compiled by persons considered by Alara to be competent in the field on which they have reported. Mr Warriess consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to the feasibility study of the Al Hadeetha Copper-Gold project is based on information compiled by Mr Atmavireshwar Sthapak, who is a Member of the Australasian Institute of Mining and Metallurgy and is an Executive Director of Alara Resources. Mr Sthapak has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sthapak consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian minerals exploration company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, an Advanced Scoping Study on the Daris and Washihi, Mullaq and Al Ajal exploration licences in Oman and a Feasibility Study for the Al Hadeetha Copper Gold Project, Washihi ore reserve. The Company is transitioning to establish itself as a base and precious metals mine development and production company. For more information, please visit: www.alararesources.com