

30 January 2015

ASX Code: AUQ

DIRECTORS

Ian Williams
Non-Executive Chairman

Philip Hopkins
Managing Director

John Hopkins
Non-Executive Director

James Phipps
Non-Executive Director

MANAGEMENT TEAM

Victor Ho
Company Secretary

Justin Richard
Country Manager, Saudi & Oman

CAPITAL STRUCTURE

As at 29 January 2015

Shares: 242,007,500

Options: 17,066,667

Share Price: \$0.015

Market Cap: \$3.63m

Cash as at 31 December 2014 - \$2.1m

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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**Refer JORC Statements at page 11*

Highlights

- Cash and liquid securities at \$2.23 million (as at 31 December 2014).
- ~19 million unlisted options lapsed or were cancelled.
- Expenditure in Australia and overseas reduced after an operating cost review and implementation of cost conservation initiatives.
- HRH Prince Abdullah resigned as Director (due to Government appointment) and was replaced by his Principal Advisor, Mr James Phipps.
- Khnaiguiyah Project JV partner, Manajem has filed an unsubstantiated 'financial claim' against Alara before the Board of Grievance in Saudi Arabia. Alara's position is that there is little to no reasonable basis in law or fact for Manajem to assert the alleged causes of action and seek the remedies set out in its purported claims. These claims remain unsubstantiated.
- Alara has lodged a counter-claim against Manajem based on a number of specific breaches of the SHA and given notice to Manajem suspending Alara's obligations under the JV shareholders' agreement and reserving Alara's rights to file additional claims against Manajem.
- Construction and operation of the Khnaiguiyah Zinc-Copper Project remains strongly supported by the local community and government authorities.
- Newly established Public Authority for Mining in Oman has renewed the Exploration Licences for Washihi, Mullaq and Al-Ajal up to November 2015.
- The mining licence for the Washihi project is progressing.
- Positive outcomes under well-defined development options under an Advanced Scoping Study in Oman announced.
- Plans and commercial framework to fund next stage initiated/enhanced to progress the Oman Project through to Feasibility Study in next 18 months prepared and being evaluated. Discussions ongoing with in-country interested and enjoined parties to advance funding strategy in Oman.
- Early adoption of ASX Corporate Governance Principles leading to updated 2014 Corporate Governance Statement.



Overview

The second quarter of FY2015 was a challenging one for the Company, both from a market perspective and with the Khnaiguiyah Project in Saudi Arabia. In spite of these challenges, it was overall not unrewarding in regards to materially moving both the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and the Daris and Washihi Copper-Gold Project in Oman forward.

The Khnaiguiyah Project remains the key frustration for the Company (and its shareholders) given the very robust nature of this project, the fact that it is in a position to go to finance and construction (there is a long completed DFS), and yet the Company's joint venture partner Manajem continues to be unwilling to honour either the original joint venture shareholders' agreement (SHA) or the subsequent updated joint venture agreement (New JV Agreement) requiring them to transfer the mining licence to the joint venture company. There remains a very strong and focused interest on the part of the Saudi Arabian government to advance mining in the Kingdom. This government focus coupled with the fact that Saudi Arabian law and precedence will not allow mining licences to remain 'static' for this length of time provides management with a cautious optimism that the Khnaiguiyah Project will be able to meet the next milestone in the third quarter of FY2015.

The Daris and Washihi Project in Oman saw a very different progress path in the quarter. Given the very strong economic results from the Advanced Scoping Study¹, the Omani Project's options were evaluated and progressed. This project is most attractive in the 1Mtpa throughput range and as such this was the targeted outcome relative to moving the project to the next stage. Given the strength of study outcomes and the clear options it offers the Company is now defining what the next stage is that will be undertaken for these assets. As a result, the Company is confident the Daris and Washihi Project will move to the next stage of development in the third quarter this financial year.

It remains the strategy of the Company to stay focused on the current advanced projects in both Saudi Arabia and Oman in order to maximise their valuation and expedite their progress as quickly as possible.

Given the delays in Saudi Arabia and ongoing work in Oman, the Company has remained focused on cost management and structuring the Company for the work at hand. The third quarter will require the payment of several 'one-off' style annual payments and fees however following this the monthly expenditure will reduce to the ~\$130k/month level. Further commentary in this regard is provided below.

1 Refer ASX market announcement dated 14 October 2014 and entitled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)"

Saudi Arabia

Update on legal matters

On 13 November 2014, the Company announced that its Khnaiguiyah Project Joint Venture partner, United Arabian Mining Company LLC (Manajem) had filed a 'financial claim' against Alara Saudi Operations Pty Limited before the Diwan Al Mazalem (Board of Grievances) in Riyadh².

To date there have been two initial hearings both of which have been brief with a further postponement being the outcome at each session. The next hearing is scheduled for the week of 9 March 2015.

Alara will keep the market informed as material developments arise in relation to these matters. To date, Manajem has not substantiated their claims nor provided any evidence. It is too early to provide a reasonable expectation as to the anticipated length of these legal proceedings.



New office in Riyadh

The Company has moved to a new office in Riyadh, Saudi Arabia in order to better conduct its business in the country. Although the office requires the same financial commitment to operate, it is superior for the Company's needs and will be suitable to move the Project forward when possible.

Khnaiguiyah Project update

It has been ~22 months since the Khnaiguiyah Zinc-Copper Project DFS was completed and announced³. Construction and operation of the project remains strongly supported by the local community and the government authorities. Once constructed, the mine operation will be the largest industrial site in the region and will provide the local and regional stakeholders with many benefits and opportunities.

Failure to comply with conditions of the Mining Licence (ML), including advancing the project in accordance with the approved schedule, is unlikely to be tolerated by Deputy Minister's office (DMMR) much longer. If project delays are not resolved in the coming months, there is a strong likelihood that government intervention will occur. This outcome would be seen as a material step forward in the project at this stage.

While the Company will not speculate as to what action may be taken, it is important to note that:

- Alara has contingency plans to deal with such risks⁴;
- Alara retains control of the technically and financially robust DFS, including +36,000m new resources drilling data, which has been solely funded by Alara; and
- Construction of the project in accordance with the DFS will deliver an operating mine (with a 13 year mine life at 2Mtpa) some two years earlier than would otherwise occur.

In summary, Alara remains well positioned to capitalise on the investment it has made in Saudi Arabia as soon as the dispute with Manajem, or the impasse over the ML, is resolved, whichever occurs first.

2 Refer ASX market announcement dated 13 November 2014 and entitled "[Khnaiguiyah Project Update](#)"

3 Refer ASX market announcement dated 30 April 2013 and entitled "[Positive Definitive Feasibility Study Confirms Khnaiguiyah Project as Technically and Financially Robust](#)"

4 These plans are commercially sensitive and have not been disclosed pursuant to the exception in Listing Rule 3.1A. It is not possible to release further details at this time without putting the Company's contingency plans at risk. Further details will be announced in due course

Oman

Licences update

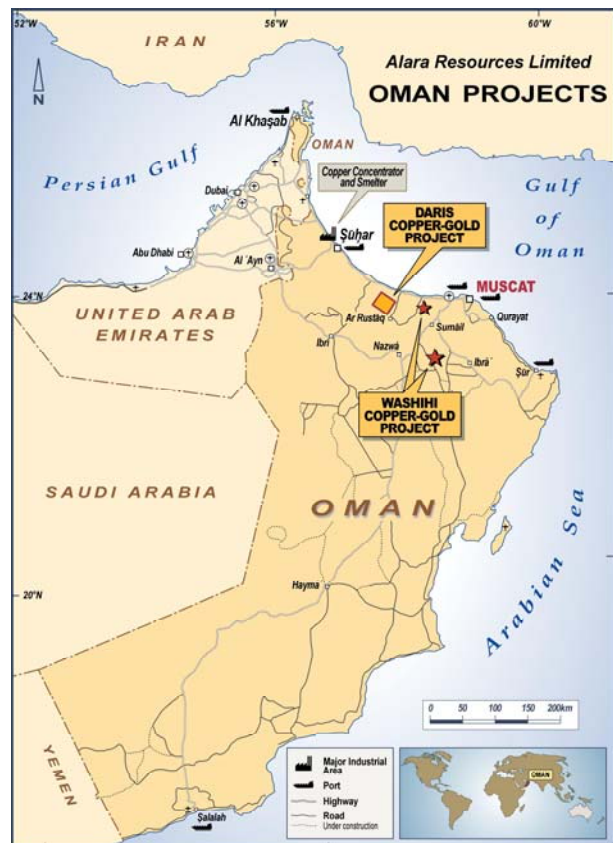
Alara is pleased to confirm that the newly established Public Authority for Mining in Oman has renewed the term of the Exploration Licences for Washihi, Mullaq and Al-Ajal for one year. The current validity of Exploration in these three areas is extended to November 2015.

The annual renewal of the Daris (Block 7) Exploration Licence is in progress.

The five Mining Licence applications (totalling 10km²) within these Exploration Licence areas are currently under review by the Public Authority for Mining.

Advanced Scoping Study

The Advanced Scoping Study reported in October⁵ evaluated three potential development options for the Daris/Washihi Project centred around the Washihi JORC Mineral Resource with contributions from the Daris-East JORC Mineral Resource and exploration targets from the Daris 3A-5 prospect (within the Daris exploration licence) and Al Ajal and Mullaq prospects/exploration licences, as follows⁶:



- (1) A '**Base Case**' 0.5Mtpa conventional flotation plant (post Heavy Media Separation (HMS)) from mining inventory sourced from the existing JORC Mineral Resources at the Washihi and Daris-East deposits – shows US\$40M NPV, 18% IRR, US\$96M capex, 5.3 year pay-back, US\$514M LOM revenues (from 74,747t Cu and 38,088oz Au LOM production), US\$289 LOM opex (at US\$3,870/t Cu recovered);
- (2) An '**Enhanced Base Case**' 0.5Mtpa conventional flotation plant (post HMS), which is based on a slight increase in the mining inventory sourced from a high grade early stage prospect within the Mullaq exploration licence – shows a more attractive US\$52M NPV, 20% IRR, US\$96M capex, 4.5 year pay-back, US\$544M LOM revenues (from 79,683t Cu and 37,151oz Au LOM production), US\$303M LOM opex (at US\$3,801/t Cu recovered); and
- (3) Both deposits are open in two directions and at depth and based on existing geological data, JORC Exploration Targets have been identified on these and other prospects across the Oman Project area. This upside potential was tested under larger scale flotation plant (post HMS) case scenario based on a more substantial increase (x2) in the mining inventory sourced from these Exploration Targets – the economics of this larger capacity case are more attractive due to economies of scale and capital efficiencies and suggests an opportunity to leverage the Omani Project's value through securing additional resources.

ASX and JORC Code Cautionary Statements

For further information on the outcomes of the Advanced Scoping Study and the Exploration Targets identified for the Daris/Washihi Project, refer to Alara's ASX Announcement dated 14 October 2014 and titled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)" (per ASX Listing Rule 5.19.1). Alara confirms that all material assumptions underpinning the production targets and forecast financial information derived from production targets (under the Study reported in the 14 October 2014 announcement) continue to apply and have not materially changed (per ASX Listing Rule 5.19.2). The Study is based on low level technical and economic assessments and is insufficient to support

5 Refer ASX market announcement dated 14 October 2014 and entitled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)"

6 The Advanced Scoping Study financial model assumes a 8% discount rate, US\$7,000/t Copper price, US\$1,300/oz Gold price, 100% ownership and is inclusive of taxes and royalties)

estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised (per JORC Code (2012 Edition) para. 38). The potential quantity and grade of an Exploration Target is conceptual in nature, there has been insufficient exploration to determine a JORC Mineral Resource and there is no certainty that further exploration work will result in the determination of JORC Mineral Resources or that the production target (under the Study) will be realised (per ASX Listing Rules 5.19.4 and 5.16.5).

Feasibility Study update

Bids were invited from several established EPC firms for preparation of plans and a budget to progress the Oman Project through to a Feasibility Study (FS) in the next 18 months. The proposals include the total lump sum fixed cost (budget level) and timetables required to complete the FS scope of work.

A preliminary round of EPC selection process is complete with a shortlist of strategic bidders currently being evaluated.

Daris Toll Milling option

In addition to the larger 'hub & spoke' model for Washihi and Daris deposits (that formed the basis for the Advanced Scoping Study), the Company is also reviewing the potential to toll mine and treat the high grade Daris deposit as a means to advance its production and to generate value for the joint venture. This work is being completed in parallel with the combined project option. It is unclear at the time of writing if this approach will be viable however should this option be available it will be announced as such.

Commercial update

The Advanced Scoping Study has identified considerable upside to work towards achieving enhanced value for shareholders. Our JV Partners in Oman, as well as the Omani government and local community representatives have been very supportive and relationships continue to be developed and strengthened with these key stakeholders.

Discussions are ongoing with various regional financial groups with regards to the funding of a feasibility study. There are also additional commercial options available in regard to the treatment of these assets that are including in the options for the way forward. The Company will provide more detailed comments about the result of the current work and reviews in the near future as plans are finalised.

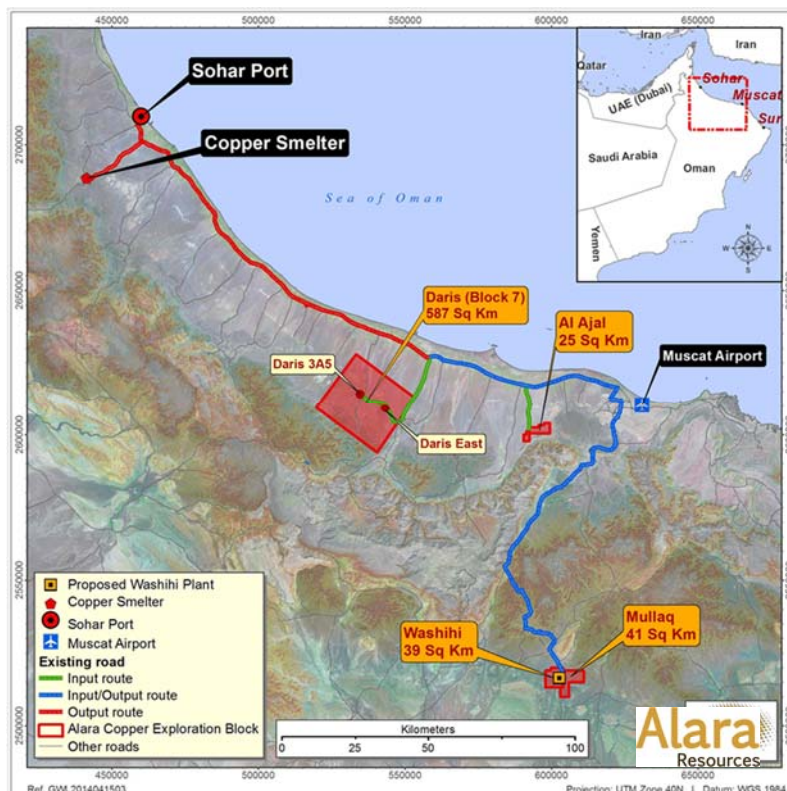


Figure 1: Location Map of Alara's Exploration Licence Areas in Oman

Commercial, Corporate & Finance

Zinc price outlook

During the quarter, zinc traded in a range of ~\$0.95-1.06/lb and is currently ~\$0.95/lb (as at 26 January 2015)⁷.

Commentators believe that zinc is the base metal poised to perform price-wise in the next few years due to a tightening in supply brought about by anticipated Western mine closures (including the closure of one of the significant producers, the Century Zinc Mine in Queensland).

This is aligning with the project timeline for the Khnaiguiyah Zinc-Copper Project which is planned to commence commissioning in 2017-2018. Should the consensus forecast price be achieved they would provide significant upside to the project economics which is based on a zinc price of US\$1.05/lb.

Cash position

Alara's cash position as at 31 December 2014 was \$2.1 million (30 September 2014: \$2.8 million).

In addition, Alara has ASX listed securities⁸ worth \$0.13 million as at 31 December 2014 (30 September 2014: \$0.18 million).

The Company also anticipates receiving an R&D Tax Incentive Scheme refund (+~\$250,000) for FY2014 during the March 2015 Quarter. Further details will be announced upon receipt of this refund.

Working capital and operating costs review

During the quarter, the Company completed an operating cost review and implemented several initiatives to reduce its expenditure in Australia and overseas (Saudi Arabia and Oman)⁹. The Company will continue to focus on further cost conservation opportunities to ensure financial capability in the short to medium term to advance both the Saudi and Oman Projects as quickly as possible once the path ahead is clear.

Board changes

During the quarter, His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud resigned as a Director and the Board appointed HRH Prince Abdullah's Alternate Director, Mr James Phipps, as a Non-Executive Director in his own right¹⁰.

HRH Prince Abdullah resigned his private sector directorships as a consequence of his recent appointment to a high profile Saudi Arabian Government position as General President of Youth Welfare (effectively, Saudi Arabia's Minister of Sport).

Mr Phipps is Principal Advisor to and represents the interests of HRH Prince Abdullah on the boards of a number of public and private companies (including as Chairman) and brings considerable local knowledge and experience to the Board in the context of Alara's Middle East and GCC endeavours.

The Company would like to take this opportunity to again thank HRH Prince Abdullah for his support and contribution and to welcome James Phipps to the Board.

7 Source: LME cash (buyer) price

8 3,573,889 shares in Strike Resources Limited (ASX:SRK)

9 Refer AUQ ASX announcement dated 12 December 2014 entitled "[Company Update](#)"

10 Refer AUQ ASX announcement dated 5 November 2014 entitled "[Board Changes](#)"

2014 Annual General Meeting

At the Company's Annual General Meeting¹¹ held on 19 November 2014¹²:

- Messrs Ian Williams and John Hopkins were re-elected as Directors;
- The Company's Employee Options Plan was re-adopted;
- The Company's 2014 Remuneration Report was approved unanimously on show of hands; and
- The approval of an additional 10% placement facility was not passed (as a special resolution with the required 75% majority) on a Poll (70.4% in favour vs. 29.5% against).

Lapse and cancellation of Unlisted Options

During the quarter, ~19 million unlisted options lapsed or were cancelled, as follows^{13,14}:

No of Options	Date of Lapse/ Cancellation	Description of Options	Exercise Price	Date of Issue	Original Expiry Date
1,650,000	25 Oct 2014	\$0.35 (25 October 2014) Unlisted Options ¹⁵	\$0.35	26 Oct 2009	25 Oct 2014
2,000,000				1 Dec 2009	
1,000,000	25 Oct 2014	\$0.60 (25 October 2014) Unlisted Options ¹⁶	\$0.60	26 Oct 2009	25 Oct 2014
1,000,000				1 Dec 2009	
3,333,333	27 Oct 2014 ¹⁷	\$0.15 (21 November 2016) Unlisted Managing Director's Options ¹⁸	\$0.15	22 Nov 2013	21 Nov 2016
10,000,000	1 Nov 2014 ¹⁹	\$0.15 (15 January 2016) Unlisted Director's Options ²⁰	\$0.15	16 Jan 2014	15 Jan 2016

The Company notes that:

- The number and classes of unlisted options historically issued to previous Directors and employees have decreased significantly from in excess of 20 million options (as at 30 June 2013) to 400,000 options currently;
- Save for 400,000 \$0.35 (22 August 2015) Unlisted Options, the remaining current unlisted options have been issued in the past year (since the 2013 AGM) with defined milestones to be achieved prior to vesting;
- 13,333,333 (out of 30,000,000) of these more recently issued unlisted options have also lapsed or been cancelled, thus further reducing the number of unlisted options on issue; and
- 3,333,333 (21 November 2016) Unlisted Managing Director's Unlisted Options are still subject to vesting upon attainment of a defined milestone (on or before 31 December 2015).

11 Refer [Notice of AGM and Explanatory Statement](#) lodged on ASX on 21 October 2014

12 Refer AUQ ASX announcement dated 19 November 2014 entitled "[Results of 2014 AGM](#)"

13 Refer AUQ ASX announcement dated 27 October 2014 entitled "[Lapse and Cancellation of Unlisted Options](#)"

14 Refer AUQ ASX announcement dated 10 November 2014 entitled "[Lapse of Unlisted Options - Corrected](#)"

15 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](#)

16 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](#)

17 Pursuant to a Deed of Cancellation between the Company and the option holder dated 27 October 2014, at the request of the option holder

18 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

19 Lapse of unvested options immediately upon retirement of Director

20 Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 November 2013](#) for a General Meeting held on 16 January 2014 and in [ASX Appendix 3B New Issue Announcement lodged on 21 January 2014](#)

Early adoption of ASX Corporate Governance Principles

During the Quarter, the Company updated its Corporate Governance Statement²¹ in accordance with the early adoption of the [Corporate Governance Principles and Recommendations](#) (3rd Edition, March 2014) issued by the ASX Corporate Governance Council in respect of FY2014, one year before the mandatory adoption date.

The Company's [2014 Corporate Governance Statement](#), [ASX Appendix 4G \(Key to Disclosures of Corporate Governance Principles and Recommendations\)](#) and other ancillary corporate governance related documents can also be found at the following URL on the Company's Internet website: www.alararesources.com/corporate-governance

Conclusion

Although it was a seemingly slow and frustrating period for the advancement of the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, there has been a great deal of focus and diligence spent to move the project forward. The Company remains 'cautiously optimistic' that in the near future the project's next milestone or key step will be reached.

Work in Oman was focused on establishing the details and commitments to move the Washihi and Daris Copper-Gold Project there to the feasibility study stage or otherwise extract the maximum value possible through a number of parallel options. This work will be crystallised in the next quarter.

The Company remains focused on its two key projects and associated regions and will do so as these projects are advanced to their next stage. In the interim, cash flow and activity management will continue to provide the maximum flexibility in both countries.

Next Quarter Outlook

- Resolution of the 'stalled' Khnaiguiyah mining licence in Saudi Arabia
- Defined next step/stage for the Oman Project
- Conclusion of the toll mining and milling option review for the Daris deposit (Oman)
- Receipt of the FY2014 R&D tax refund
- Decision regarding the treatment of the held securities in Strike Resources
- Payment of annual 'one-off' costs/fees followed by the planned reduction in monthly spend

21 Refer AUQ ASX announcement dated 27 October 2014 entitled "[Corporate Governance](#)"

Mineral Licences – Saudi Arabia

Khnaiguiyah Zinc-Copper Project

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 380km² currently held by Manajem pending completion of transfer to the JV company, Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia, incorporated on 10 January 2011).

The 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.

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

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 ²	~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	84 + 66km ²	~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 ²	~170km west of Riyadh	Saudi Arabia	50%*

* Upon transfer of rights from Manajem to KMC

Mineral Licences – Oman

Daris and Washihi Copper-Gold Projects

Alara has joint venture interests in five copper-gold deposits located within four exploration licences in Oman extending over 692km². These deposits are also covered by 5 mining licence applications pending grant, totalling 10km².

The Daris Copper-Gold Project is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq prospects are located ~100km south-southeast of Daris (*refer Figure 1*). Both projects/prospects are located on or very close to high quality bitumen roads.

Daris Copper-Gold Project

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 ²	Nov 2009	Nov 2012	Oct 2014	Renewal letter pending	Daris East 3.2km ²	Dec 2012	Accepted in April 2013; in progress
								Daris 3A-5 1.3km ²		

Washihi-Mullaq-Ai Ajal Copper-Gold Project

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	Status	Area	Date of Application	Status
Washihi	Al Hadeetha Resources LLC, Oman	70%	39km ²	Jan 2008	Nov 2015	Active	3km ²	Dec 2012	Accepted in April 2013; in progress
Mullaq	Al Hadeetha Resources LLC, Oman	70%	41km ²	Oct 2009	Nov 2015	Active	1km ²	Jan 2013	In progress
Al Ajal	Al Hadeetha Resources LLC, Oman	70%	25km ²	Jan 2008	Nov 2015	Active	1.5km ²	Jan 2013	In progress

JORC Statements – Saudi Arabia

Khnaiguiyah Zinc-Copper Project²²

Table 1 - Khnaiguiyah JORC Ore Reserves

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
Total (All Pits)	17.73	3.4	0.29	8.35	3.1	0.13	26.08	3.3	0.24

Table 2 - Khnaiguiyah JORC Measured and Indicated Resource - Zinc (Domain 1) and Zinc-Copper (Domain 2)

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
Measured and Indicated		1, 2 and 3	25.32	4.03	0.17	1.5

Table 3 - Khnaiguiyah JORC Measured and Indicated Resource - Copper (Domain 3)

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
Measured and Indicated		1, 2 and 3	8.53	0.64	0

Table 4 - 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.

²² 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 – Oman

Washihi-Mullaq-AI Ajal Copper-Gold Project (Oman)

Table 5 - Washihi JORC Mineral Resources²³

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 6 - 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.

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

Securities Information

as at 31 December 2014

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (22 August 2015) Unlisted Options ²⁴	-	400,000	400,000
\$0.10 (15 January 2016) Unlisted Options ²⁵	-	10,000,000	10,000,000
\$0.15 (21 November 2016) Unlisted Managing Director's Options ²⁶	-	3,333,334	3,333,334
\$0.20 (21 November 2016) Unlisted Managing Director's Options ²⁷	-	3,333,333	3,333,333
Total	242,007,500	17,066,667	259,074,167

Summary of Directors' and Employees' Unlisted Options

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ²⁸	No. of Options
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
22 Nov 2013	\$0.15 (21 November 2016) Options	\$0.15	21 Nov 2016	Performance Conditions - Vested	3,333,334
22 Nov 2013	\$0.20 (21 November 2016) Options	\$0.20	21 Nov 2016	Performance Conditions - Unvested	3,333,333
16 Jan 2014	\$0.10 (15 January 2016) Options	\$0.10	15 Jan 2016	Performance Conditions - Vested	10,000,000

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

25 Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 November 2013](#) for a General Meeting held on 16 January 2014 and in [ASX Appendix 3B New Issue Announcement lodged on 21 January 2014](#)

26 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

27 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

28 Options which have vested may be exercised at any time thereafter, up to their expiry date

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	141	37,173	0.015
1,001 - 5,000	52	146,166	0.060
5,001 - 10,000	67	600,594	0.248
10,001 - 100,000	404	15,964,024	6.596
100,001 - and over	217	225,259,543	93.080
Total	881	242,007,500	100.00%

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	25,417,030	10.503%
2.	MR RAMAZAN GUNES	16,190,489	6.690%
3.	NATIONAL NOMINEES LIMITED	13,552,275	5.600%
4.	WHITECHURCH DEVELOPMENTS PTY LTD	11,869,118	4.904%
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,835,558	4.064%
6.	GWYNVILL TRADING PTY LTD	9,671,468	3.996%
7.	MS MENG MENG	9,547,273	3.945%
8.	CITICORP NOMINEES PTY LIMITED	4,473,122	1.848%
9.	MR CRAIG GRAEME CHAPMAN	4,399,114	1.818%
10.	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN	4,150,000	1.715%
11.	MR PETER KELVIN RODWELL	4,000,000	1.653%
12.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	3,803,828	1.572%
13.	FLANNERY FOUNDATION PTY LTD	3,588,083	1.483%
14.	MR MICHAEL ARCH	2,888,782	1.194%
15.	HGT INVESTMENTS PTY LTD	2,500,000	1.033%
16.	MR ANDREW BRUCE RICHARDS	2,500,000	1.033%
17.	THORPE ROAD NOMINEES PTY LTD	2,460,000	1.016%
18.	MR FIRAS SWEITI	2,170,399	0.897%
19.	HOUVAN PTY LTD	2,000,000	0.826%
20.	DR PAUL CHARLES BURNETT	2,000,000	0.826%
Total		137,016,539	56.616%

JORC Competent Persons Statements

1. The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) is based on, and fairly represents, information and supporting documentation prepared by Mr Geoff Davidson, who is a Fellow of the Australasian Institute of Mining and Metallurgy and a consultant to Khnaiguiyah Mining Company LLC (KMC). Mr Davidson 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code, 2004 edition). In assessing the appropriateness of the Ore Reserve estimate, Mr Davidson has relied on various reports, from both internal and external sources, in either draft or final version, which form part of or contribute to the Khnaiguiyah Project Detailed Feasibility Study. These reports are understood to be compiled by persons considered by KMC to be competent in the field on which they have reported. Mr Davidson has approved and given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears. Refer also to Table 5 (Estimation and Reporting of Khnaiguiyah JORC Ore Reserve Statement) of the JORC Code Competent Person Statements in Alara Resources Limited's ASX market announcement dated 18 April 2013: [Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#) for further information in relation to the Ore Reserve estimate for the Khnaiguiyah Project.
2. The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) is based on, and fairly represents, information and supporting documentation prepared by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal 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 JORC Code, 2004 edition. Mr Guibal approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
3. The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zones 1, 2 and 4 and other Exploration Results in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) and Mineral Resources in relation to the Daris/Washihi Copper-Gold Project (Oman) is based on, and fairly represents, information and supporting documentation prepared by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. Mr Sharma was a principal consultant to Alara Resources Limited. Mr Sharma 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 JORC Code, 2004 edition. Mr Sharma approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
4. The information in this report that relates to Exploration Targets and other Exploration Results in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) is based on, and fairly represents, information and supporting documentation prepared by Mr Philip Hopkins, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hopkins is the Managing Director of Alara Resources Limited. Mr Hopkins 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 JORC Code, 2012 edition. Mr Hopkins approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclaimer

This report contains "forward-looking statements" and "forward-looking information", including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Alara, industry growth and other trend projections. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management's expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Alara and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of gold and silver, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Alara believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Alara does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

OMAN ADVANCED SCOPING STUDY – JORC CODE COMPLIANCE: The mining inventory under the Advanced Scoping Study is partly based on Inferred Resources (42.3% under the Base Case and 41.3% under the Enhanced Base Case) and an Exploration Target (2.3% under the Enhanced Base Case). The mining process schedule assumes the following approximate relative sequence – in Years 1 and 2 (Washihi Indicated Resource and Mullaq Exploration Target), Years 3 and 4 (Washihi Indicated and Inferred Resources), Year 5 (Washihi Indicated and Inferred Resources and Daris-East Indicated and Inferred Resources), Year 6 (Washihi Indicated and Inferred Resources) and Years 7 to 9 (Washihi Inferred Resources, included stockpiled material after Year 7) (per JORC Code (2012 Edition) para. 38).

For further information:

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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")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter (December 2014) \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(231) - - (487)	(597) - - (1,021)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	34
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(706)	(1584)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(36) - (1)	532 - (1)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - 1	- - 1
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(36)	532
1.13 Total operating and investing cash flows (carried forward)	(742)	(1,052)

+ 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)	(742)	(1,052)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(742)	(1,052)
1.20	Cash at beginning of quarter/year to date	2,822	3,110
1.21	Exchange rate adjustments to item 1.20	12	34
1.22	Cash at end of quarter	2,092	2,092

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	(107)
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.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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

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*	400
4.2 Development	-
4.3 Production	-
4.4 Administration*	300
Total	700

*Projected outflows include one off costs related to lease renewals, exploration license renewals and legal costs.

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	992	1,072
5.2 Deposits at call	1,100	1,750
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,092	2,822

+ 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	Preference securities			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities	242,007,500	242,007,500	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities			
	<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	Options (Unlisted Options)	400,000 3,333,334 3,333,333 10,000,000	- - - - - -	Exercise price 35 cents 15 cents 20 cents 10 cents	Expiry date 22 August 2015 21 November 2016 21 November 2016 15 January 2016
7.8	Issued during quarter (Unlisted Options)	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	3,650,000 ¹ 2,000,000 ¹ 3,333,333 ¹ 10,000,000 ² - -	- - - - - -	35 cents 60 cents 15 cents 15 cents - -	25 October 2014 25 October 2014 21 November 2016 15 January 2016 - -
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (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:  Date: 29 January 2015
(Company Secretary)

¹ Refer AUQ ASX announcement dated 27 October 2014 entitled "[Lapse and Cancellation of Unlisted Options](#)"

² Refer AUQ ASX announcement dated 10 November 2014 entitled "[Lapse of Unlisted Options - Corrected](#)"

+ See chapter 19 for defined terms.

Print name: Victor Ho

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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