

ASX/MEDIA RELEASE

Friday, 13 June 2014

Oman Project Update Positive Options Analysis Study Outcomes

Perth: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) is pleased to inform the market of the successful outcomes of an 'Options Analysis Study' to evaluate six development options identified for the Washihi and Daris Copper-Gold Projects in Oman.

Highlights

- Six development options have been evaluated for the combined Washihi and Daris Copper-Gold Projects namely:
 - (1) Conventional flotation circuit
 - (2) Heavy media separation followed by a smaller scale conventional flotation circuit
 - (3) Heavy media separation followed by a larger scale (x2) conventional flotation circuit
 - (4) Off-site ore toll treatment
 - (5) Heap leach of Daris oxide ore
 - (6) Continuous Vat Leach (CVL) of Daris oxide ore
- All options returned positive economic outcomes with Options #2 and #3 being the most attractive
- Options #2 and #3 have progressed into an upgraded Scoping Study (due for completion in July 2014)
- Option #4 provides the lowest capital cost alternative however results in a reduced overall return from the assets and thus will not be progressed at this time
- Options #5 and #6 provide incremental value to Options #1, #2 and #3 however are not sufficiently valuable to progress as stand-alone options
- Initial results from the upgraded Scoping Study are positive with the study to be completed in July 2014. Results inclusive of economic outcomes for the study will be announced at this time

Project and Study Background and Context

The Daris and Washihi Copper-Gold sites are located approximately 185km apart (refer Figure 1). The formal evaluation work to date (previous Scoping Study completed in July 2012) has been based on a processing plant being located at the Washihi site (due to its long life and more significant resource base and potential expansion based on exploration targets) with the Daris resource (being a smaller tonnage but with high grade Copper/Gold) being a potential feed source to the plant. Details of both assets and their JORC Mineral Resources (based on the 2004 edition of the JORC Code) are in [Annexure A](#).

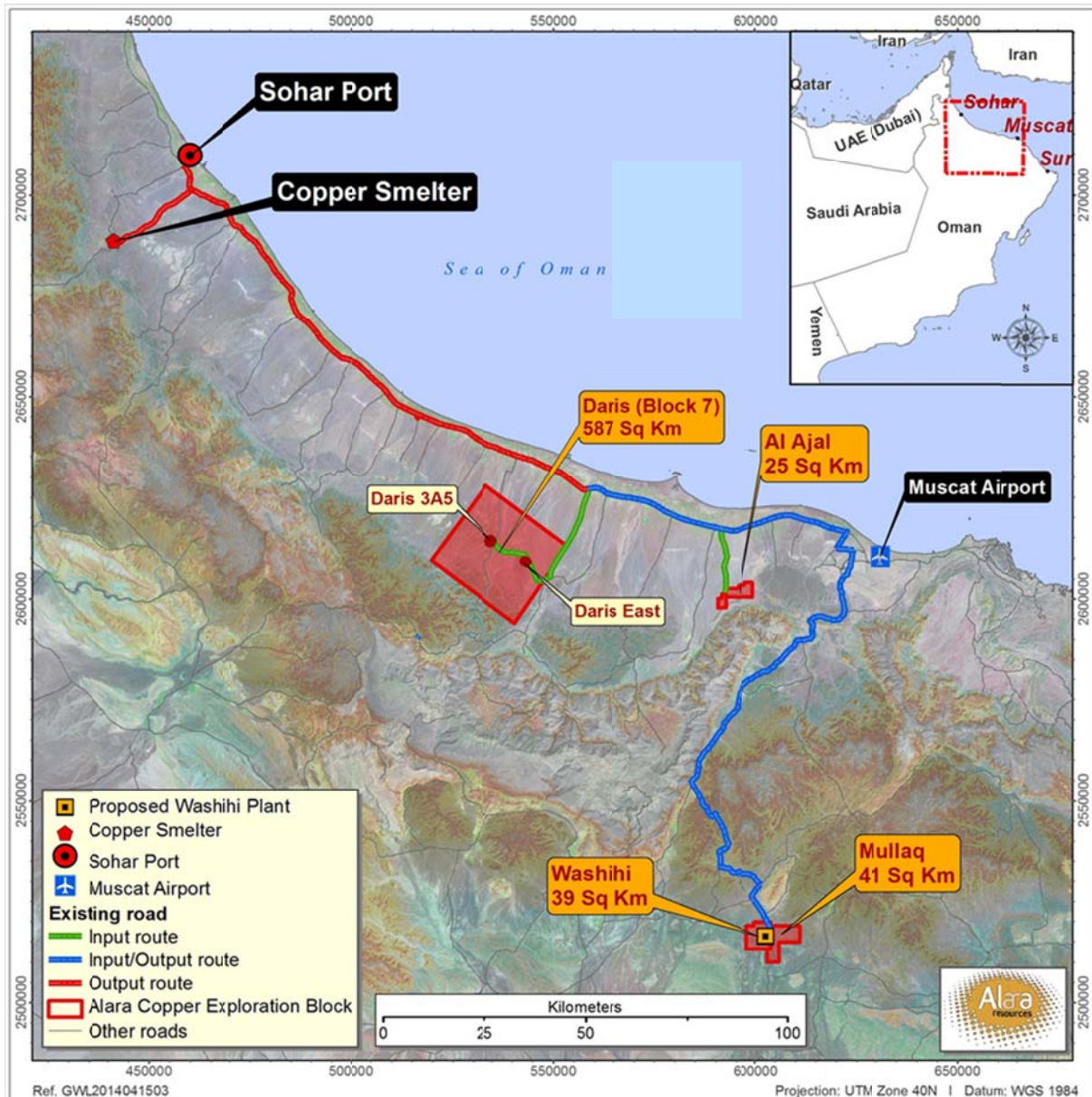


Figure 1: Location Map of Alara's Exploration Licence Areas in Oman

Following the completion of the previous scoping study (completed in July 2012) the following additional Project information became available - an upgraded Washihi JORC Resource was defined¹ (now the largest copper JORC Resource in Oman), additional metallurgical test work was completed on the ore and a technological breakthrough identified with the potential for Heavy Media Separation (HMS) to increase the effective feed grade of the Washihi deposit from 0.8 - 0.9% Cu to 1.6 - 1.8% Cu.²

As a result of these positive upsides (outlined above) a process flow sheet that includes HMS has been defined and an upgraded Scoping Study initiated (refer Figure 2).

¹ Refer Alara's ASX market announcement dated 16 July 2013: [Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset](#)

² Refer Alara's ASX market announcement dated 18 February 2014: [Oman Project Breakthrough – Ore Upgrade Heavy Media Separation Tests Successful](#)

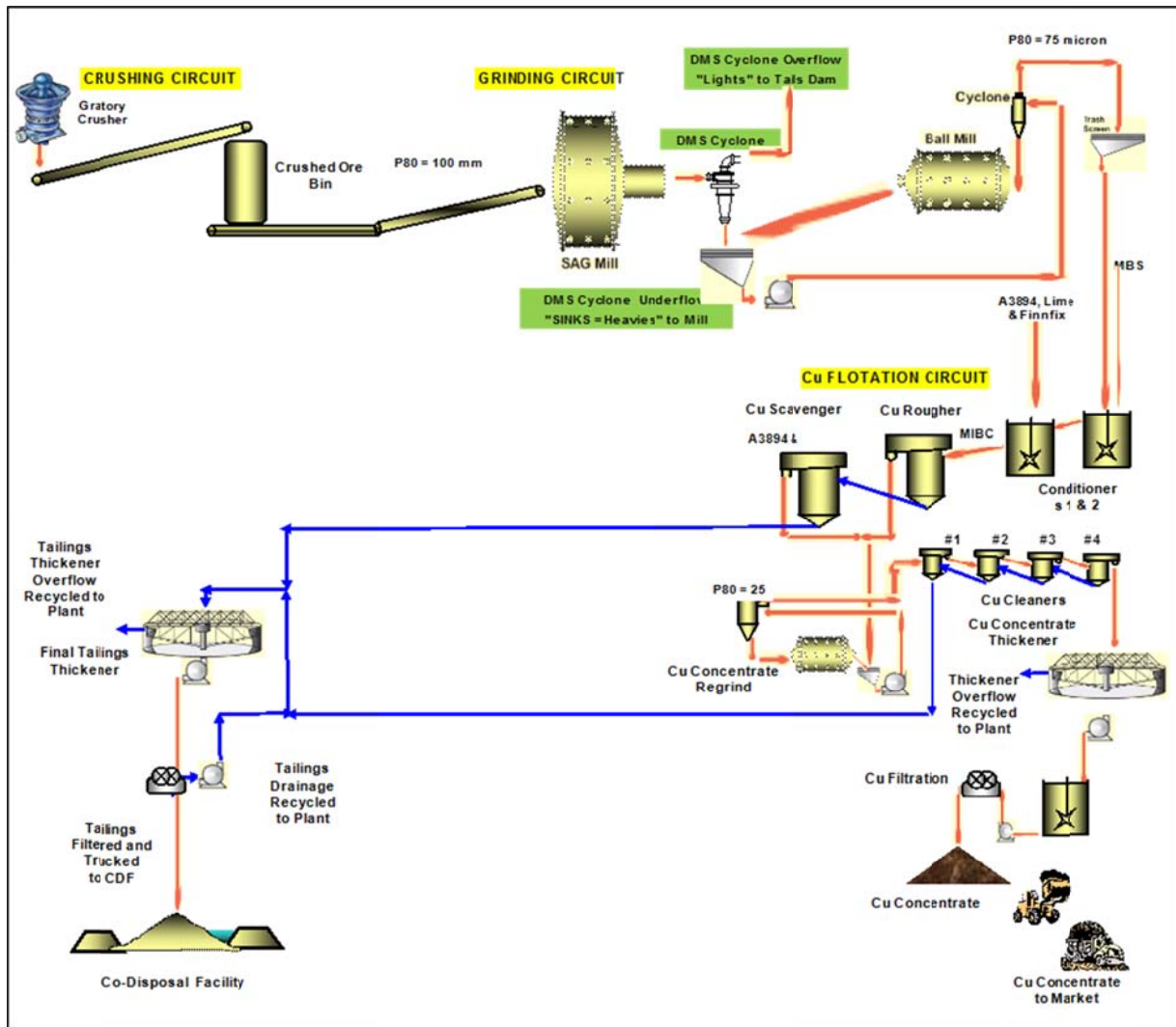


Figure 2: HMS Plant + Conventional Flotation Circuit (Options 2 and 3)

During the upgraded scoping study it was realised that there were other value adding options for these assets that were not previously considered and as such (and in parallel) an Options Analysis Study was initiated to assess both the value and viability of these various approaches to the asset's development.

Options Analysis Study Overview

The Options Analysis Study was undertaken by RMDSTEM Limited using an advanced database and a structured and detailed analytical approach.

The Options Analysis Study evaluated six potential development options for the combined Daris/Washihi Project centred on the Washihi site as the central hub.

- (1) Conventional copper/gold sulphide flotation circuit;
- (2) HMS plant followed by a smaller scale conventional flotation circuit;
- (3) HMS plant followed by a larger scale (2x) conventional flotation circuit;
- (4) Off-site toll treatment for higher grade primary ores;
- (5) On-site conventional heap leach of near surface oxide ores; and
- (6) On-site Continuous Vat Leach (CVL) of near surface oxide ores.

The study was based on a comparative review of options using benchmark data and assumptions from other similar projects. Capital and operating cost estimates were derived from the following sources:

- (1) A 2010 Scoping Study (undertaken by a reputable Perth based engineering group) for a 1.65Mtpa conventional flotation plant and open pit mine in Oman;
- (2) A 2002 Pre-Feasibility Study for an Oman property involving an open pit and conventional flotation flowsheet, which compared 0.75Mtpa and 1Mtpa mill capacities;
- (3) Scaled estimates from Alara's 2013 Khnaiguiyah Zinc-Copper Project Definitive Feasibility Study;
- (4) Operating and capital costs for the Continuous Vat Leach (CVL) plant from INNOVAT, the owners of the CVL process; and
- (5) A benchmark database and associated algorithms to scale capital and operating costs from similar international projects.

In turn the study outcomes were subjected to a Monte Carlo evaluation process relative to outcome sensitivity and overall assumption and parameter range analysis.

The study was underpinned by JORC classified Mineral Resources of Measured, Indicated and Inferred categories (refer Tables 1 and 2 in the JORC Statements in [Annexure A](#)) with additional modelling based on the addition of Exploration Targets.

Study Conclusions

The study has concluded that the three stand-alone concentrator options (Options #1, #2 and #3) are operationally and economically attractive. All options have been based on assumed copper prices of US\$7,000/t and gold prices of US\$1,300/oz.

Project modelling also clearly demonstrated that options #1 to #3 were materially enhanced with an increased mining inventory profile. This was supported by additional work undertaken that evaluated and identified Exploration Targets across prospects in both the Daris and Washihi Project areas. This work indicated there was significant upside in this area at equivalent grades to the current JORC Mineral Resources.

In turn the evaluation of Options #4, #5, and #6 resulted in the following summary outcomes:

- Option #4 offered the lowest initial capital cost with positive cash flow however the overall value derived from the resource was not as attractive as Options #1 to #3;
- Option #5 did not result in an acceptable standalone option but could add incremental value as a Project enhancement following the commencement of any/all of Options #1 to #3;
- Option #6 was not attractive as a stand-alone approach but also offered material Project enhancement when used incrementally with any/all of Options #1 to #3; and
- The addition of Option #6 (as an incremental addition) was preferable to Option #5 due to high evaporation rates (not ideal for heap leaching) and the ability to produce a fully neutralised tailings from this process and contained acid flows.

Next Steps - Scoping Study/Commercial Plan

The Options Analysis Study has concluded that there is sufficient justification to advance the Washihi and Daris Copper-Gold Projects to the next level. In doing so there are a number of key parameters that have been identified for both Options #2 and #3 which will require further investigation.

Alara is currently proceeding with the completion of the upgraded Scoping Study (due for completion in July 2014) on Options #2 and #3. The parameters of this upgraded Scoping Study include insights identified by the Options Analysis Study in order to present technically robust cases and thus provide sufficient confidence to allow Alara to progress to a Pre-Feasibility Study if and as warranted.

In parallel with the upgraded Scoping Study (and in anticipation of its positive outcomes based on the completed Options Analysis Study and the Scoping Study outcomes to date) Alara is reviewing the commercial options to potentially move the Project through to the next stage of a Pre-Feasibility Study. The outcome of this review will be completed in line with the completion of the upgraded scoping study.

Khnaiguiyah Project Update (Saudi Arabia)

As announced (4 June 2014) the activity associated with the Heads of Agreement (HoA) that will increase Alara's equity to 60% in the Khnaiguiyah Project Joint Venture (JV) company, Khnaiguiyah Mining Company LLC (KMC), has not progressed according to the projected timeline due to a delay in the JV partner taking action to have the Mining Licences transferred to KMC. The resolution of this matter remains a key focus for the Company and actions are being progressed both within the HoA and associated Road Map guidelines, as well as externally to ensure that this agreement is concluded as agreed and the Khnaiguiyah Project can progress.

– ENDS –

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and mine development company with a diverse portfolio of projects in Saudi Arabia and Oman. Alara has recently completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and is upgrading a Scoping Study (SS) on its Daris/Washihi Copper-Gold Projects in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company.

For more information, please visit Alara's new website: www.alararesources.com.

Forward Looking Statements and Disclaimer

This announcement contains certain forecasts and forward-looking information including possible or assumed future performance, costs, production levels or rates, prices, reserves and resources or potential growth of the Company, industry growth or other trend projections. Such forecasts and information are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors, many of which are beyond the control of the Company. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Neither the Company, nor any other person makes or gives any representation, assurance or guarantee, that the occurrence of an event expressed or implied in any forward looking statements in this announcement, will actually occur. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. The information in this announcement does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this announcement constitutes investment, legal, tax or other advice.

ANNEXURE A

Oman Project Details and JORC Statements

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

(Alara 70%, AI Hadeetha Investments LLC 30%, of AI Hadeetha Resources LLC)

- Comprises 3 prospects/exploration licences (Washihi, Mullaq and AI Ajal) totalling ~105km² located ~80 to 160km east and south-east of Alara's Daris Copper-Gold Prospect
- 3 Mining Licence applications covering 3km² at Washihi, 1km² at Mullaq and 1.5km² at AI Ajal have been filed

Table 1: Washihi JORC Mineral Resources³

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)

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

- Located ~150km west of Muscat (capital city) and comprises one exploration licence (Block 7) of ~587km²
- 2 Mining Licence applications covering 3.2km² at the Daris East and 1.3km² at the Daris 3A-5 prospects have been filed

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.

JORC Competent Persons' Statement

- (1) The information in this announcement that relates to Mineral Resources (and ancillary Exploration Results) in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) is based on information compiled 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 consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.
- (2) The information in this announcement that relates to Exploration Targets (and ancillary Exploration Results) in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) is based on information compiled 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 consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

³ Refer Alara's ASX market announcement dated 16 July 2013: [Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset](#)