



Alara Resources Limited
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31 December 2012 Quarterly Activities Report

Company Profile

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

| PROJECTS | LOCATION | STATUS |
|--|--------------|-------------|
| (1) Khnaiguiyah Zinc-Copper | Saudi Arabia | DFS |
| (2) Washihi-Mullaq-AI Ajal Copper-Gold Project | Oman | Exploration |
| (3) Daris Copper-Gold Project | Oman | Exploration |
| (4) Marjan Precious and Base Metals | Saudi Arabia | Exploration |

Quarterly Highlights

- Upgraded JORC Resource at **Khnaiguiyah Zinc-Copper Project is:**
 - Measured and Indicated JORC Zinc and Copper Resource of 25.32 Mt @ 4.03% Zn and 0.17% Cu;
 - Measured and Indicated JORC Copper Resource (from the copper only domains) now stands at 8.53 Mt @ 0.64% Cu; and
 - Inferred JORC Zinc and Copper Resource of 4.32Mt @ 2.90% Zn and 0.03% Cu.
- Maiden JORC Resource at **Washihi Copper-Gold Prospect is:**
 - 6.9Mt Inferred @ 0.76% Cu and 0.16g/t Au; and
 - 2.1Mt Indicated @ 0.70% Cu and 0.17g/t Au.
- Maiden JORC Resource at **Daris East Copper-Gold Prospect is:**
 - Measured and Indicated JORC Copper resource of 240,024t @ 2.37%Cu (Sulphides) and 183,365t @ 0.72% Cu (Oxides)
 - Inferred JORC Copper resource of 30,566t @ 2.25% Cu (Sulphides) and 1,712t @ 0.61% Cu (Oxides)
- Increase in production profile and mine schedule update of the Khnaiguiyah Zinc-Copper Project. Proposed production profile of 90,000t of Zinc in concentrate per annum (up from 75,000t) and 6,250t Copper in concentrate per annum (up from 5,800t).
- Draft scoping study has been received for an integrated mining and processing facility to develop Alara's Oman prospects. A review of this scoping study is currently being undertaken.
- On-going drilling across Daris and Washihi prospects in Oman.
- Cash reserves of AUD \$8.6M as at 31 December 2012.
- Successful capital-raising conducted on 25 October 2012 raised AUD \$7.8M by issuing 31.5M shares at \$0.25 per share.

Dated: 31 January 2013

FURTHER INFORMATION:

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ASX Code | **AUQ**





COMPANY PROJECTS

Saudi Arabia

Khnaiguiyah Zinc-Copper Project

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

Summary

The Company is planning to develop a 2Mtpa mine at the Khnaiguiyah Zinc-Copper Project (“**Project**”) in Saudi Arabia, targeting production of 90,000 tonnes per annum of Zinc concentrate and 6,250t of copper concentrate.

JORC Resource Statement

Alara notes that as reported in its maiden JORC Resource announcement of 21 February 2012¹:

- The Khnaiguiyah deposit comprises four ore bodies/mineralised zones located within one to two kilometres from a central area and approximately three kilometres from each other (refer *Figure 1* on page 4).
- The mineralisation in Zones 1, 2, 3 and 4 is distributed as three distinct ‘Domains’:
 - “Domain 1” - has Zinc but no Copper;
 - “Domain 2” - has Zinc and Copper; and
 - “Domain 3” - has Copper but no Zinc.

The current JORC Zinc, Zinc/Copper and Copper Resources at Khnaiguiyah on an individual Measured, Indicated and Inferred basis across the four zones and three domains are as follows:

The tables below summarise the current JORC Measured and Indicated Zinc, Zinc/Copper and Copper Resource at Khnaiguiyah.

Table 1: Khnaiguiyah JORC Measured and Indicated Zinc (Doman 1) and Zinc/Copper (Domain 2) Resource

| JORC Resource | Domain | Mineralised Zone | Tonnes (Mt) | Zinc % | Copper % | Zn Cut-off (%) |
|------------------------|---------|------------------|-------------|--------|----------|----------------|
| Measured | 1 and 2 | 1, 2 | 9.65 | 3.37 | 0.16 | 1.50 |
| | | 3 | 6.37 | 5.28 | 0.25 | 1.50 |
| Indicated | | 1, 2 | 3.12 | 4.45 | 0.30 | 1.50 |
| | | 3 | 6.18 | 3.55 | 0.05 | 1.50 |
| Measured and Indicated | | 1, 2 and 3 | 25.32 | 4.03 | 0.17 | 1.50 |

Table 2: Khnaiguiyah JORC Measured and Indicated Copper (Doman 3) Resource

| JORC Resource | Domain | Mineralised Zone | Tonnes (Mt) | Copper % | Cu Cut-off (%) |
|------------------------|--------|------------------|-------------|----------|----------------|
| Measured | 3 | 1, 2 | 4.70 | 0.72 | 0.00 |
| | | 3 | 1.07 | 0.63 | 0.00 |
| Indicated | | 1, 2 | 1.59 | 0.54 | 0.00 |
| | | 3 | 1.16 | 0.43 | 0.00 |
| Measured and Indicated | | 1, 2 and 3 | 8.53 | 0.64 | 0.00 |

¹ Refer ASX market announcement dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#)



COMPANY PROJECTS

Saudi Arabia (cont...)

Khnaiguiyah Zinc-Copper Project

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

Table 3: Khnaiguiyah JORC Inferred Zinc (Doman 1) and Zinc/Copper (Domain 2) Resource

| JORC Resource | Domain | Mineralised Zone | Tonnes (Mt) | Zinc % | Copper % | Zn Cut-off (%) |
|---------------|---------|------------------|-------------|--------|----------|----------------|
| Inferred | 1 and 2 | 4 | 4.32 | 2.90 | 0.03 | 1.50 |

Additional Mineralisation Potential

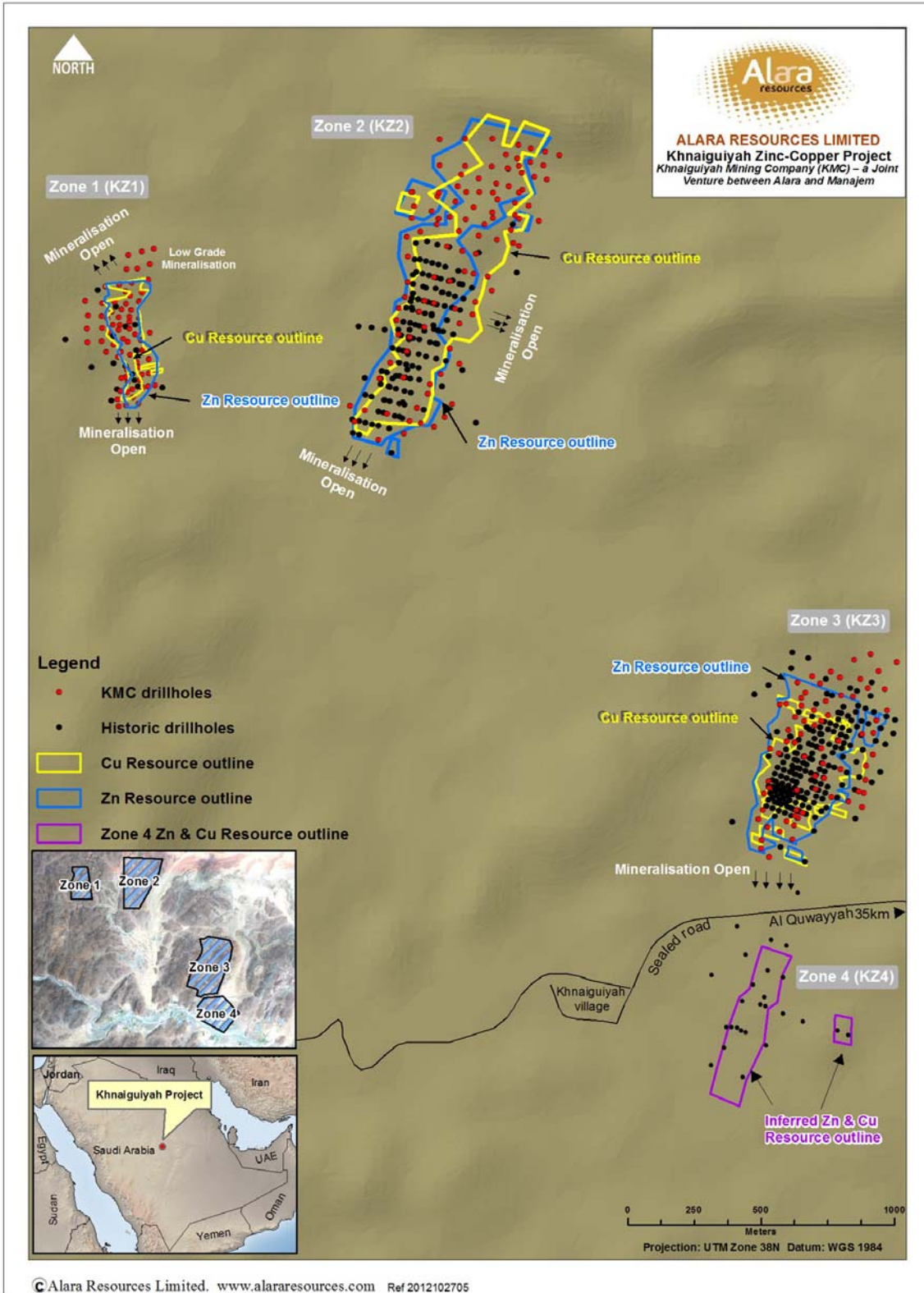
- Zone 1 – Mineralisation drilled on 50x50m grid; shallow with low strip ratio; extends for 600m long; generally 300m wide; average 8-10m thick and open to the north and south.
- Zone 2 – mineralisation extended a further 400m NE since maiden JORC Resource was calculated
- Zone 3 – mineralisation open to the south.
- Zone 4 – previously drilled by BRGM; pending drilling to upgrade former data.

COMPANY PROJECTS

Saudi Arabia (cont...)

Khnaiguiyah Zinc-Copper Project

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





COMPANY PROJECTS

Saudi Arabia (cont...)

Khnaiguiyah Zinc-Copper Project (cont...)

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

Definitive Feasibility Study (DFS)

A draft DFS report for a 1.5Mtpa operation was delivered in July 2012. A review of the draft report identified a number of areas where the opportunity for further optimisation was likely to result in significant operating efficiencies together with reductions in capital and operating costs.

Furthermore, Alara decided that the inclusion of additional mineral resources that had subsequently been delineated by KMC but not included in the draft DFS (including Mineralised Zone K1) would also have a positive impact on the overall Project and so should be included as part of the DFS. In particular, the additional resource supports the increase in the plant throughput from 1.5Mtpa to 2Mtpa.²

Capital Cost Estimate²

Based upon a plant design of 2Mtpa, including construction and commissioning of the 2Mtpa process plant, 24MW power station, mining equipment and fleet, mine village and water bore field, the capital cost estimate for the Project has been calculated at US\$257 million. A review of contingency costs, owners' costs and infrastructure costs is currently being finalised with a view to reducing these costs from previous estimates.

Alara is considering opportunities to lease, rather than own, major capital items such as the mining fleet, which could reduce the overall capital costs significantly.

Operating Costs Estimate²

The total expected cash operating costs for the Project averaged over the life of mine are US\$52 per tonne of ore, including pre-strip, mining, processing, transport, treatment and refining.

Project Financing

Alara has held a number of discussions with potential providers of project finance. In particular, representatives from the Saudi Industrial Development Fund (**SIDF**) have indicated that this organisation may be prepared to advance up to 75% of the total capital required for the Project.

Discussions with potential supplier and off-take partners has also given Alara confidence that additional levels of non-equity financing may also be available from these parties, further reducing the amount of equity which Alara will be required to raise to advance the Project. In addition, Alara is reviewing leasing arrangements for items such as earth moving gear, which represents US\$37 million of the total capital costs.

Marjan Precious and Base Metals Project

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

No work was completed during the quarter.

² Refer ASX market announcement dated 14 December 2012: [Capital and Operating Cost Estimates - Khnaiguiyah Zinc-Copper Project Feasibility Study](#)

COMPANY PROJECTS

Oman

Summary

Alara has joint venture interests in five exploration licenses in Oman extending over 1,188 km² (refer Figure 2).

Alara's objective in Oman is to delineate a core project at Washihi and a series of satellite high grade deposits that can be trucked to a central process plant, taking advantage of low fuel costs in Oman

Scoping Study

On 20 June 2012³, Alara announced that a scoping study had been initiated for an integrated mining and processing facility to develop the Washihi, Mullaq, Al Ajal and Daris (Block 7) copper-gold prospects/projects.

Local Environmental and Hydrogeology consultants have also been engaged to contribute towards the study.

A Scoping Study based on a 500,000 Mtpa throughput mining operation (with a 8 year mine life) at Washihi and incorporating copper-gold mineralisations delineated at the Daris (Block 7), Mullaq and Al-Ajal prospects has been completed and is currently being reviewed by Alara. Alara notes that:

- A preliminary review indicates the potential for a robust project with relatively low capital investment and an early payback of capital development costs.
- The study was initiated in Q2 2012 at which time the full extent of the current Washihi JORC Resource incorporating the recently encountered thick intersections and additional mineralisation was not included.
- Alara believes that the incorporation of recently completed drilling and the resource estimates since the Scoping Study kick-off date will significantly enhance the economics and scope of the project.

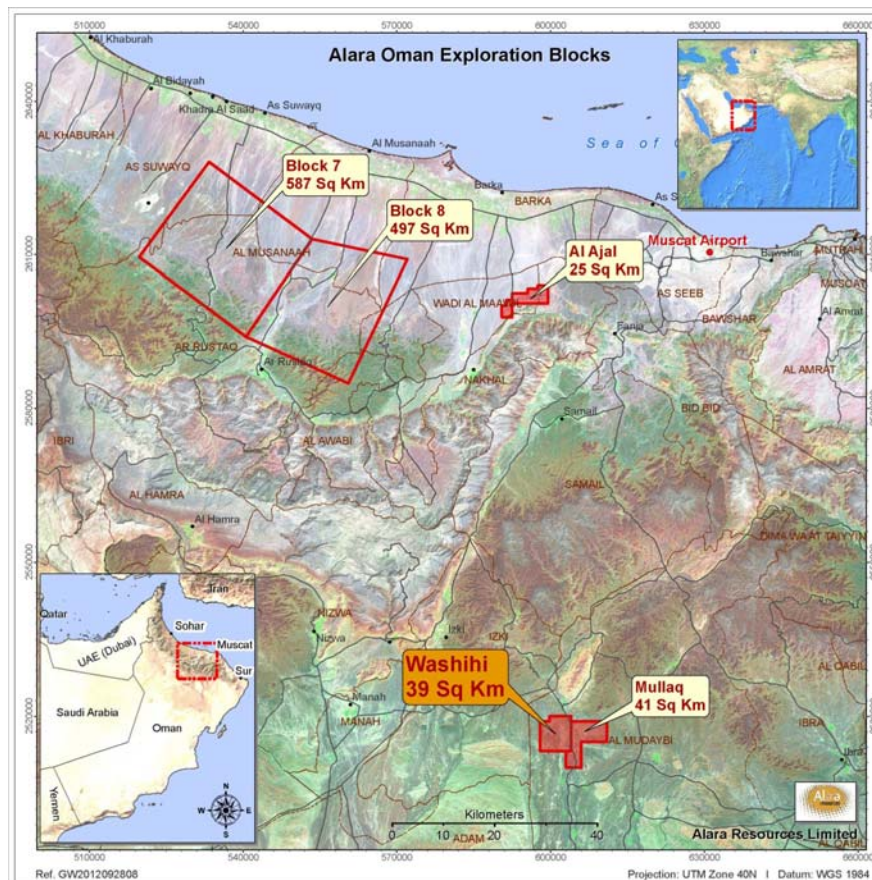


Figure 2: Location Map of Alara's Exploration Licence Areas in Oman

³ Refer ASX market announcement dated 20 June 2012: [Washihi Copper-Gold Project - Alara intersects 72m at 1.3% Copper](#)



COMPANY PROJECTS

Oman (cont...)

Washihi-Mullaq-Al Ajal Copper- Gold Project

(Alara - right to subscribe for 10% and earn up to 60% to 75% of Pilatus Resources Oman LLC)

Washihi Prospect

Initial JORC Resource

On 15 October 2012⁴, Alara announced an initial JORC Resource at its Washihi Copper-Gold Project as follows:

- 6.9Mt Inferred @ 0.76% Cu and 0.16g/t Au; and
- 2.1Mt Indicated @ 0.70% Cu and 0.17g/t Au.

Since the above resource estimate, an additional 2,886m in 16 drill holes (7 core and 9 RC, including those reported here) have been drilled, targeting further extensions of mineralisation to the northwest and southeast. The northwest extension drilling results are very exciting in that they include large intersections of high grade copper mineralisation, confirming the continued expansion of the mineralisation in that direction.

Assay results from the ongoing drilling programme confirm further expansion of thick high grade mineralisation in the Northwest extension at Washihi and include⁵:

- 88 m @ 1.75% Cu and 0.19 g/t Au (WH12DD016) from 67m (includes 30m @ 2.99% Cu from 77m); and
- 18.7 m @ 1.99 % Cu and 1.92 g/t Au (WH12DD015) from 116m.

⁴ Refer ASX market announcement dated 15 October 2012: [Initial JORC Resource – Washihi Project in Oman](#)

⁵ Refer ASX market announcement dated 9 January 2013: [Washihi Copper Mineralisation Continues To Expand](#)

COMPANY PROJECTS

The drill hole location map (Figure 3) and a tabulation of significant intersection results assayed to date (Table 4), are below.

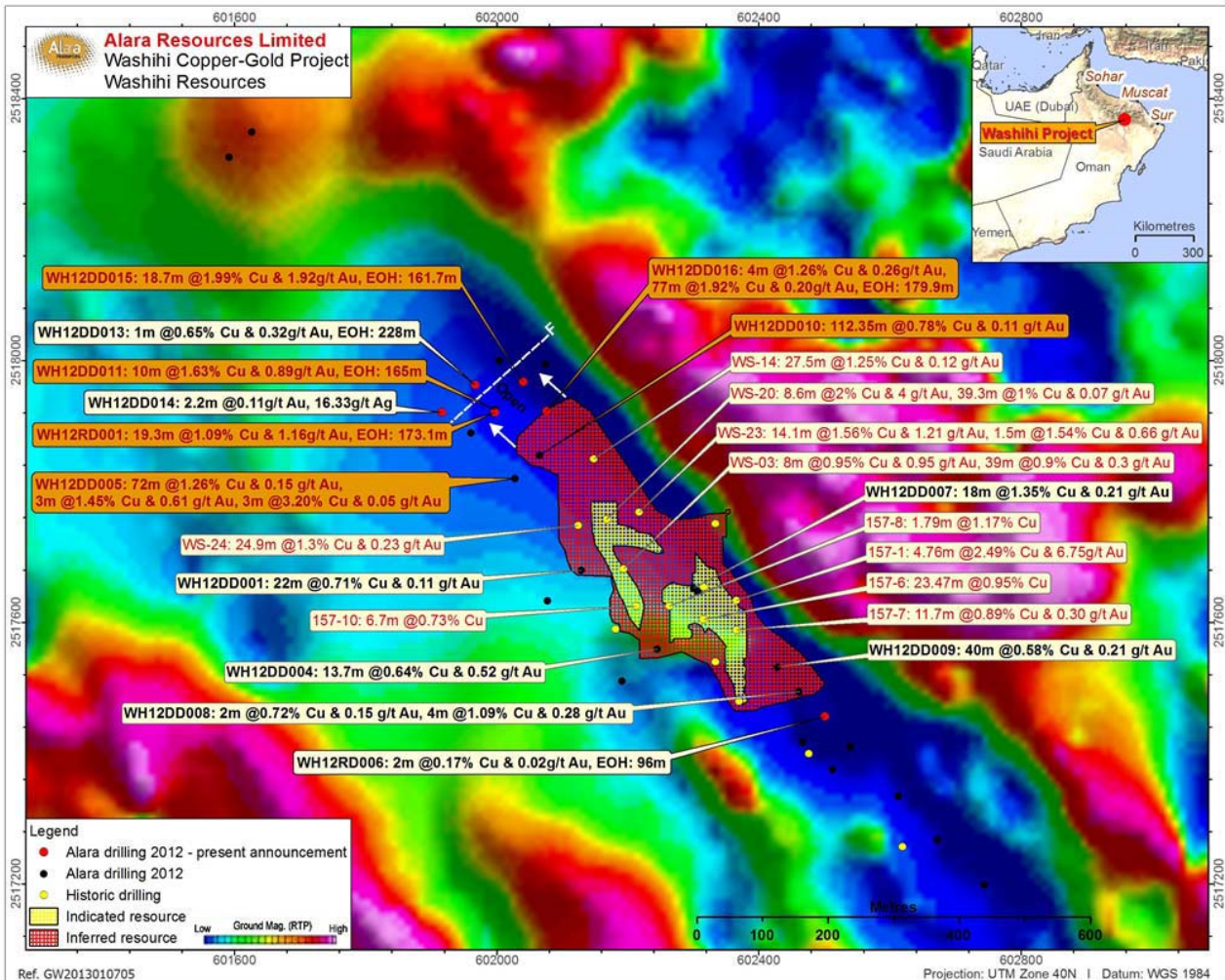


Figure 3: Drill hole locations at the Washihi Copper Gold Prospect

Table 4: Washihi Prospect – Significant Intersection Results from Alara Drilling

| MINERALISED ZONE - SIGNIFICANT INTERSECTIONS - WASHIHI PROSPECT | | | | | | |
|---|----------------------------|----------|--------|------------|------------------|----------|
| Drill Hole | Significant Mineralisation | | | | Mineralised Zone | |
| | Intersections | From (m) | To (m) | Length (m) | Cu (%) | Au (g/t) |
| WH12DD011 (abandoned in mineralisation) | Primary | 155 | 165 | 10 | 1.63 | 0.89 |
| | Inclusion | 159 | 165 | 6 | 2.60 | 0.86 |
| WH12DD015 | Primary | 116 | 134.7 | 18.7 | 1.99 | 1.92 |
| | Inclusion | 129 | 131 | 2 | 4.14 | 1.60 |
| WH12DD016 | Primary | 67 | 155 | 88 | 1.75 | 0.19 |
| | Inclusion | 77 | 107 | 30 | 3.00 | 0.22 |
| WH12RD001 (abandoned in mineralisation) | Primary | 151 | 170.3 | 19.3 | 1.09 | 1.16 |
| | Inclusion | 151 | 165 | 14 | 1.41 | 1.16 |
| WH12RD008 | Primary | 48 | 64 | 16 | 0.32 | 0.05 |
| | Inclusion | 54 | 56 | 2 | 1.24 | 0.01 |



COMPANY PROJECTS

Notes to Table 4:

- WH12DD011 and WH12RD001 were drilled at the same location and abandoned in mineralisation due to drilling difficulties.
- WH12DD012, WH12DD013, WH12RD004, WH12RD005, WH12RD007 and WH12RD009 did not intersect any significant mineralisation.
- WH12DD014 was abandoned in mineralisation after intersecting relatively anomalous Au, Ag and Zn values at 279m depth.
- WH12DD017, WH12RD006, WH12RD010 and WH12RD011 intersected low grade mineralisation.
- Drill holes WH12DD001 to WH12DD010 along with intersections of historic drilling were announced by Alara on 20 June 2012 ([Washihi Copper-Gold Project Alara intersects 72m at 1.3% Copper](#)) and 23 August 2012 ([Substantial Copper Discovery - 112m at 0.8% Cu and 72m at 1.3% Cu Washihi Project Oman](#)).
- Drill intercepts are reported as drilled; true thicknesses will be calculated at the interpretation and resource modelling stage. The drill intersections are approximately perpendicular to mineralisation and no significant difference is expected in true and intersection thicknesses.
- The cut-off grade is 0.2% Cu. In addition to cut-off, a natural break in assay (a marked change in grade) was also considered in calculation of intersections. Assays less than 0.2% Cu within primary interval are included as internal dilution.

Mullaq Prospect

No work was undertaken during the quarter.

Daris Copper-Gold Project (Block 7)

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

No work was undertaken during the quarter. An initial JORC Resource is shown in Table 5 below.

JORC Resource Statement

Table 5: Daris-East Prospect JORC Resource

| Ore type | Cut-off grade Cu% | Measured | | Indicated | | Measured and Indicated | | Inferred | |
|-----------|----------------------|----------|------|-----------|------|------------------------|------|----------|------|
| | | Tonnes | Cu% | Tonnes | Cu% | Tonnes | Cu% | Tonnes | Cu% |
| Sulphides | 0.5 | 129,155 | 2.48 | 110,870 | 2.24 | 240,024 | 2.37 | 30,566 | 2.25 |
| Oxides | 0.5 | 96,526 | 0.77 | 86,839 | 0.66 | 183,365 | 0.72 | 1,712 | 0.61 |

Awtad Copper- Gold Project (Block 8)

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

During the Q4 2012 quarter, based on an assessment of the exploration work conducted to date and the exploration prospects for the Awtad Copper-Gold Project relative to Alara's other projects in Oman, a decision was made to withdraw from the project.



COMPANY PROJECTS

Chile

Piedrecillas Copper-Silver Project

(Alara – option to acquire 50 to 100%)

No activity was undertaken in the project area during the December quarter.

Based on an assessment of the exploration prospects for the Piedrecillas Copper-Silver Project relative to Alara's other projects in Saudi Arabia and Oman, a decision was made to withdraw from the project

Australia

Canning Well Base Metals/Uranium Project, Western Australia

| Status | Tenement | Grant / Application Date | Expiry Date | Area (Blocks) | Area (km ²) | Area (hectares) | Location / Property Name | State | Company's Interest |
|-------------|----------|--------------------------|-------------|---------------|-------------------------|-----------------|--------------------------|-------|--|
| Application | E 46/585 | 17/10/03 | N/A | 69 | 207 | 20,700 | Canning Well | WA | Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL) |

Based on an assessment of the exploration prospects for Exploration Licence EL 46/629 (application) relative to Alara's other projects in Saudi Arabia and Oman, Alara has determined not to pursue the grant of the tenement.

Bigrlyi South Uranium Project, Northern Territory

| Status | Tenement | Grant / Application Date | Expiry Date | Area (Blocks) | Area (km ²) | Area (hectares) | Location / Property Name | State | Company's Interest |
|-------------|----------|--------------------------|-------------|---------------|-------------------------|-----------------|--------------------------|-------|--|
| Granted | EL 24879 | 15/08/06 | 14/08/12 | 54 | 170 | 17,000 | Mount Doreen | NT | 100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest ⁶ |
| Application | EL 24927 | 12/09/05 | N/A | 338 | 998.7 | 99,870 | Haasts Bluff | NT | |
| Granted | EL 24928 | 24/08/06 | 23/08/12 | 12 | 28 | 2,800 | Mount Doreen | NT | |
| Granted | EL 24929 | 24/08/06 | 23/08/12 | 26 | 56.8 | 5,680 | Mount Doreen | NT | |

Thundelarra Exploration Ltd (ASX: THX) has provided the following update:

- In the December quarter, a ground gravity survey was completed within titles comprising the Alara Joint Venture (Bigrlyi South Farm-Out) in the north of the Ngalia Basin Project;
- A total of 847 stations along 82kms of transects were collected within a week;
- The transects were designed to cross features identified from a combined AEM and regional gravity image, which in our ground to the southeast were found to represent Tertiary palaeovalleys; and
- Initial processing and interpretation of the data appears to indicate that some of the features investigated conform with the geological and geophysical models for Tertiary palaeovalleys; and
- Follow up work is continuing

⁶ Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licenses EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration License application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant. Refer Alara market announcement dated 14 May 2010 and entitled "Bigrlyi South Uranium Joint Venture with Thundelarra"



COMPANY PROJECTS

COMPETENT PERSONS' STATEMENTS:

- (1) *The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zones 1 and 2 in relation to the Khnaiguiyah Project (Saudi Arabia) 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 is 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 they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Sharma consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*
- (2) *The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Project (Saudi Arabia) is based on information compiled 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 they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Guibal 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 Mineral Resources in relation to the Daris Project (Oman) and the Washihi prospect (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 is 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 they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr. Sharma has 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.*
- (4) *The information in this report that relates to other Exploration Results is based on information compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*



CORPORATE

Shareholder Information

As at 31 December 2012, Alara had **2,160** shareholders and **242,007,500** listed ordinary fully paid shares on issue with **24,850,000** unlisted options on issue.

Cash Assets

Alara's cash balance as at 31 December 2012 was A\$8.6 million.

Financing

Alara successfully raised A\$7.8 million on 25 October 2012 by issuing 31.5M shares at \$0.25 per share.

Expenditure

The Pro-forma Statement of Consolidated Cash Flows is provided in a separate report – Appendix 5B.

Appendix 5B Mining Exploration Entity Quarterly Report

Name of entity

Alara Resources Limited and controlled/jointly controlled entities

ACN or ARBN

122 892 719

Quarter Ended

31 December 2012

Consolidated statement of cash flows

| | Consolidated | |
|---|---|-------------------------------------|
| | Current Quarter December 2012 \$' 000 | Year to Date 6 months \$' 000 |
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for | | |
| (a) exploration and evaluation | (4,660) | (8,207) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (511) | (1,664) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 46 | 134 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | - |
| (a) Professional fees | - | - |
| Net operating cash flows | (5,125) | (9,737) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (7) | (8) |
| 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) | - | - |
| Share issue costs | (394) | (394) |
| Net investing cash flows | (401) | (402) |
| 1.13 Total operating and investing cash flows | (5,526) | (10,139) |
| Cash flows related to financing activities | | |
| 1.14 Proceeds from issues of shares, options, etc. | 7,875 | 7,875 |
| 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 | 7,875 | 7,875 |
| Net increase (decrease) in cash held | 2,349 | (2,264) |
| 1.20 Cash at beginning of quarter/year to date | 6,460 | 10,950 |
| 1.21 Exchange rate adjustments to item 1.20 | (172) | (49) |
| 1.23 Cash at end of quarter | 8,637 | 8,637 |

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

| | Current Quarter December 2012 \$' 000 |
|---|---|
| 1.24 Aggregate amount of payments to the parties included in item 1.2 | (159) |
| 1.25 Aggregate amount of loans to the parties included in item 1.10 | - |

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation for the quarter.

Non-cash financing and investing activities

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

None.

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

None.

Financing facilities available

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

Estimated cash outflows for next quarter

| | Next Quarter \$' 000 |
|--------------------------------|-------------------------|
| 4.1 Exploration and evaluation | (1,800) |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | (950) |
| Total | (2,750) |

Reconciliation of cash

| | Consolidated | |
|--|-------------------------------|--------------------------------|
| | Current Quarter \$' 000 | Previous Quarter \$' 000 |
| Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows | | |
| 5.1 Cash on hand and at bank | 1,005 | 2,328 |
| 5.2 Deposits at call | 7,633 | 4,132 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (Bank Bills) | - | - |
| Total: cash at end of quarter (item 1.22) | 8,638 | 6,460 |

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

| | Total number | Number quoted | Issue price per security (see note 5) (cents) | Amount paid up per security (see note 5) (cents) |
|---|--------------|---------------|--|--|
| 7.1 Preference securities+ | | | | |
| 7.2 Changes during quarter | | | | |
| (a) Increases through issues | - | - | - | - |
| (b) Decreases through returns of capital, buy-backs, redemptions | - | - | - | - |
| 7.3 Ordinary securities+ | 242,007,500 | 242,007,500 | - | - |
| 7.4 Changes during quarter | | | | |
| (a) Increases through issues | 31,500,000 | 31,500,000 | \$0.25 | Fully Paid |
| (b) Decreases through returns of capital, buy-backs | - | - | - | - |
| 7.5 Convertible debt securities+ | | | | |
| 7.6 Changes during quarter | | | | |
| (a) Increases through issues | - | - | - | - |
| (b) Decreases through securities matured, converted | - | - | - | - |
| 7.7 Options | | | <i>Exercise price</i> | <i>Expiry date</i> |
| Unlisted \$0.35 (16 September 2013) Options | 16,400,000 | - | 35 cents | 16 September 2013 |
| Unlisted \$0.35 (16 September 2013) Options | 1,000,000 | - | 35 cents | 16 September 2013 |
| Unlisted \$0.35 (25 October 2014) Options | 3,650,000 | - | 35 cents | 25 October 2014 |
| Unlisted \$0.60 (25 October 2014) Options | 2,000,000 | - | 60 cents | 25 October 2014 |
| Unlisted \$0.50 (25 May 2014) Options | 400,000 | - | 50 cents | 25 May 2014 |
| Unlisted \$0.60 (25 May 2014) Directors' Options | 500,000 | - | 60 cents | 25 May 2014 |
| Unlisted \$0.60 (25 May 2014) Options | 250,000 | - | 60 cents | 25 May 2014 |
| Unlisted \$0.70 (25 May 2014) Options | 250,000 | - | 70 cents | 25 May 2014 |
| Unlisted \$0.35 (22 August 2015) Options | 400,000 | - | 35 cents | 22 August 2015 |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Cancelled during quarter | - | - | - | - |
| 7.11 Debentures (totals only) | - | - | | |
| 7.12 Unsecured notes | - | - | | |

Compliance statement

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



Elvio Ruggiero
Chief Financial Officer

31 January 2013

Notes:

The **Company** currently holds the following listed share investments:

Listed securities

| 31-Dec-12 Market Value | 30-Sep-12 Market Value |
|---------------------------|---------------------------|
| \$571,822 | \$393,128 |
| \$571,822 | \$393,128 |

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

+ See Chapter 19 for defined terms

NOTES

- 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
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 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.
- The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- The Company holds foreign currencies denominated in US dollars, Omani Rials, Saudi Arabian Riyals and Chilean Pesos. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 31 December 2012.