

ASX Code: AUQ

TUESDAY, 29 APRIL 2014

DIRECTORS

Ian Williams
Non-Executive Chairman

Philip Hopkins
Managing Director

John Hopkins
Non-Executive Director

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

MANAGEMENT TEAM

Justin Richard
Country Manager, Saudi & Oman

Elle Macdonald
Corporate Affairs Manager

AV Sthapak
Corporate Exploration Manager

Victor Ho
Company Secretary

CAPITAL STRUCTURE

As at 24 April 2014

Shares: 242,007,500

Options: 36,750,000

Share Price: \$0.10

Market Cap: \$24,200,750m

Cash as at 31 March 2014 - \$4.9m

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

Level 3, 35 Havelock Street
West Perth WA 6005
Australia

PO Box 1890
West Perth WA 6872

Telephone: +61 8 6323 5900

Facsimile: +61 8 6323 5999

www.alararesources.com

ABN: 27 122 892 719

Highlights

- A Heads of Agreement ('HoA') and subsequent amended Shareholders' Agreement ('Amended SHA') were achieved with Alara's Saudi Arabian Joint Venture ('JV') partner, United Arabian Mining Company LLC ('Manajem'), allowing Alara's equity position in the Khnaiguiyah Zinc-Copper Project to increase from 50% to 60%. Final arrangements for the equity transfer are being completed.
- The Amended SHA (above) has allowed the Khnaiguiyah Project to progress into the finance stage.
- Independent peer review completed on the Definitive Feasibility Study ('DFS') confirming the Study's outcomes as well as optimisation opportunities.
- Two of the five defined DFS opportunity studies (above) were initiated, with the remainder to follow in the current quarter.
- Khnaiguiyah Project schedule outlined with targeted first production in Q1 2017.
- Heavy Media Separation ('HMS') technology breakthrough defined for the Oman Project – this has been included in the Options Analysis Study.
- Oman Daris/Washihi Project Options Analysis Study completed, which has identified two robust project opportunities for advancement.
- External interest in the Daris/Washihi Project has continued, with various parties undertaking reviews/due diligence programmes.
- Alara increasing its communication to the wider market place with work underway on a defined Investor Relations Programme.
- Strong commercial response to Alara's recent progress and achievement of milestones has seen the share price increase by 34.6% during the quarter.



DGPS Survey – Khnaiguiyah Project

* Refer to JORC Statements at page 9

Introduction

The third quarter of the 2014 Financial Year has been the most active (and for that matter the most material) quarter for Alara Resources Limited ('Alara' or 'Company') in the Company's recent history and certainly for over a year. Significant progress and in turn, key milestones were achieved in the areas of:

- The Saudi Arabian Khnaiguiyah Project JV;
- The Oman Daris/Washihi Project study work; and
- Alara's overall commercial progress.

Key to this overall progress was the achievement of a new equity arrangement between Alara and its Saudi Arabian JV partner, Manajem.

On 14 March 2014, a HoA was announced between Alara and Manajem whereby Alara would move from a 50% to a 60% equity position in the Khnaiguiyah Project, thus effectively enabling Alara to progress the Khnaiguiyah Project forward into the finance and mine construction phases. This HoA was converted into an Amended SHA and ancillary agreements which were subsequently executed by the parties' authorised representatives and then announced to the market on 4 April 2014.

As a result of this Amended SHA, work has begun on various financial and technical aspects of the Khnaiguiyah Project and the timeline for commencement of construction has been targeted for Q1 2015.

Saudi Arabia

KHNAIGUIYAH ZINC-COPPER PROJECT

On 14 March 2014¹, a HoA was announced between Alara and Manajem whereby Alara would move from a 50% to a 60% equity position in the Khnaiguiyah Project, thus effectively enabling Alara to progress the Khnaiguiyah Project forward into the finance and mine construction phases. This agreement was ratified under Saudi law and announced to the market on 4 April 2014².

There are a series of milestones and associated payments that are in progress to conclude this equity transition within the June quarter. The HoA and the subsequent Amended SHA have allowed Alara to begin to take the next steps in the Khnaiguiyah Project's pathway toward full operations (targeted for early 2017).

During the quarter an independent peer review was conducted on the DFS against the following defined objectives:

- Confirm the validity of the DFS and the associated assumptions;
- Evaluate the Khnaiguiyah Project's risks and comment on same;
- Determine if the Khnaiguiyah Project had any 'fatal flaws';
- Review/comment/validate the five areas of DFS optimisation outlined to the peer group; and
- Determine if further material upside existed that had not be identified to date.

The peer review was undertaken on 20-21 March 2014 and returned positive support for the DFS with a note to:

- Further review the hydrology component of the study to ensure the security of water supply; and
- Validate five outlined areas of possible DFS upside namely (in no specific order):
 1. Hydrology & Water Review (both a risk and an opportunity);
 2. HMS addition to the process flow sheet;
 3. Shipping bulk concentrates vs "containerised" concentrate;
 4. Replacement of the SAG mill with two smaller cone style crushers; and
 5. Application of a coarser grind size.

¹ Refer to 14 March 2014 ASX Announcement – [Alara Moving to 60% Interest in the Khnaiguiyah Project](#)

² Refer to 4 April 2014 ASX Announcement – [Completion of Agreements for Updated Khnaiguiyah Project Joint Venture](#)

All five of these opportunity areas have had a scope of work developed for them and a suitable contractor/consultant selected for the follow up detailed analysis. At the time of writing, studies 1 & 2 have commenced with the remaining studies soon to follow.

Noted below in the Commercial overview is a reference to two recent Alara presentations (Mines & Money, Hong Kong and 6th International Zinc Conference, Dubai). In addition to the potential DFS upsides outlined above, during these conferences Alara began communicating some of the Khnaiguiyah Project risk mitigation measures that have been, or are being, undertaken to ensure the Khnaiguiyah Project's overall success through the finance, construction and ultimately operational stages.

These risk mitigation factors will not be covered in this report in detail but it is noted that significant attention is being focused on the 'learnings' from other similar company transitions into construction and operation in order to reduce the risk of time and cost overruns, while also ensuring the delivery of a top quality project in the end.

It is important to note that one of the 'flagged' DFS upsides is the possible addition of a HMS circuit to the front end of the process plant (and flow sheet). A HMS plant would allow a relatively coarsely crushed ore feed (4-7 mm diameter) to be processed up front and as a result of this pre-treatment of the ore the lighter (non-metallic) silica material could be inexpensively separated from the Zinc-Copper bearing rock. The effect is a 70-90% upgrade in the effective ore grade being fed to the processing plant.

This test work is at the lab or bench scale stage at this time however, should the test work currently underway prove this unit operation to be successful for the Khnaiguiyah ores, then there will be an option for the JV to advance the Khnaiguiyah Project on one of two paths:

1. Maintain the 2Mtpa ore feed as per the DFS, however have this go through the HMS first. This will allow the remainder of the processing plant to be downsized to 1.0-1.5Mtpa thus reducing the complexity and capital cost of the plant; or alternatively
2. Increase the front end feed to the HMS to 4Mtpa and retain the back end of the process plant throughput at 2Mtpa but due to the upgrade in ore grade, produce up to 1.5-1.8 times the metal in concentrate.

As a result of the agreement of the terms of the Amended SHA, it is possible to set the target Khnaiguiyah Project overview timeline as follows:

	<i>Project Activity</i>	2014				2015				2016				2017			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	SHA Completion																
2	Project Finance																
3	Project Construction																
4	Commissioning																

Oman

The quarter has been a very full and productive one for the Daris/Washihi Project in Oman. At the start of the quarter an updated Scoping Study was in progress in parallel with the ongoing review of a possible Daris/Washihi Project divestment. Early in the quarter it was recognised that various alternative options or opportunities with this project had not been explore. As a result, the updated Scoping Study was placed on hold pending a full Options Analysis Study.

This Options Analysis Study evaluated the following six project options:

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

This study was substantially completed in the quarter and at the time of writing is undergoing final review to be followed by an announcement of the outcomes. During the early stages of this study, test work was undertaken regarding the application of a HMS circuit to this flow sheet. This test work proved successful³ and the HMS circuit was added to Options 2 & 3 (see above). The application of the HMS circuit to the Daris/Washihi Project was deemed a material uplift or 'breakthrough' as it effectively increased the grade of the material to be processed from 0.9% Cu to 1.5-2.0% Cu.

Given the success of this test work and the subsequent superior economic outcomes of Options 2 & 3, these Cases or Options have been adopted into the updated Scoping Study (previously placed on hold) and the Scoping Study has been reactivated. The updated Scoping Study will be completed during the June quarter.

The Daris/Washihi Project is underpinned by the largest copper resource (JORC qualified)⁴ in Oman. This fact, coupled with the Daris/Washihi Project's location, logistics, JV partners and other project parameters, has made this project attractive to outside groups. Several of these external parties are reviewing the assets and the Daris/Washihi Project to determine if they wish to become involved. At the end of the quarter this work was underway, along with the evaluation of additional and associated commercial opportunities.

Commercial

In keeping with the progress and milestones achieved with the projects in Saudi Arabia and Oman (see above) there was a similar move forward in the commercial aspects of Alara's activities during the quarter.

The commercial 'headliner' was the 36.4% share price increase over this quarter. In turn, the largest purchaser of shares in Alara in this quarter was from the Middle East. It is felt that this latter fact is an indication of the interest and support from regional investors in the JV and in the Khnaiguiyah Project. The continued positive movement in Alara's share price (quarter on quarter) appears to be the product of the achievement of the Amended SHA with Manajem and the successive achievement of milestones over the period.

The new equity agreement for the Khnaiguiyah JV and subsequent progress on the Khnaiguiyah Project have made it possible to ramp up Alara's Investor Relations activity. In this light, presentations were made at the Mines & Money conference in Hong Kong (25 March 2014)⁵ and the 6th International Zinc Conference in Dubai (7 April 2014). To date, Alara and its projects have largely been 'off the radar' of many institutional and retail investors as well as the market in general. An 18 month Investor Relations Programme is currently being prepared and will focus on the needs of Alara's projects specifically and of the Company in general.

³ Refer to 18 February 2014 ASX Announcement – [Oman Project HMS Breakthrough](#)

⁴ Refer to 16 July 2013 ASX Announcement – [Upgrade to JORC Resources at Washihi Copper-Gold Project in Oman](#)

⁵ Refer to 25 March 2014 ASX Announcement – [Mines and Money Hong Kong Presentation – March 2014](#)

Alara now plans to take a broader and more proactive approach to informing the market of the progress of its projects (in both Saudi Arabia and Oman) and the next stages or milestones to look out for. The conferences above resulted in a high level of interest in Alara, its projects and specifically the future production of zinc in what is deemed an upward moving market for this metal.

A further review of the various forecasts for zinc for the period when the Khnaiguiyah Project enters production (2017) indicates a zinc price range from US\$1.40-\$2.00/lb (Glencore-CRU). The DFS was based on a US\$1.05/lb zinc price and as such this is one of the risk mitigation factors (financial risk) noted above.

During the quarter, Alara's bridge finance needs were defined. Bridge finance will be required to cover the cost areas of:

- Payments under the recent JV HoA;
- Operating costs to the end of construction (end 2016); and
- Project ramp-up costs to the end of 2014.

A financial adviser has been selected to lead this bridge finance and work has commenced on this process.

Corporate & Finance

OPTIONS

Non-Executive Director, His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, was issued 20 million unlisted options on 16 January 2014, following shareholder approval of the same at Alara's General Meeting on 16 January 2014^{6,7}.

Tranche 1 of the options issued to the Managing Director, Philip Hopkins (3,333,334 options with an exercise price of \$0.15 and expiring on 21 November 2016⁸) and HRH Prince Abdullah (10,000,000 options with an exercise price of \$0.10 and expiring on 15 January 2016⁶) vested on 31 March 2014 in accordance with their respective terms.

R&D TAX INCENTIVE CLAIM – 2012/2013

Alara received its second (2nd year) refund under the Government's R&D Tax Incentive Scheme (\$1.64 million) in January.

CASH POSITION

Alara's cash position as at 31 March 2014 was \$4.938 million (31 December 2013: \$4.473 million).



⁶ Refer to 16 January 2014 ASX Announcement – [New Issue Announcement – 20M Unlisted Options](#)

⁷ Refer to 12 December 2013 ASX Announcement – [Notice of General Meeting and Explanatory Statement](#)

⁸ Refer to 28 November 2013 ASX Announcement – [New Issue Announcement - 10M Unlisted Options](#)

Conclusion

It was a very active, progressive and positive quarter for Alara, with success and milestones achieved in all aspects of the business (Saudi Arabia, Oman and commercially). At the core to the success of the quarter was the announcement of an Amended SHA associated with the Khnaiguiyah Project in Saudi Arabia. This in turn has allowed the Khnaiguiyah Project to progress to the DFS optimisation and finance stages.

Concurrent to the Khnaiguiyah Project progress in Saudi Arabia, there was a technological breakthrough with the Daris/Washihi Project in Oman with the addition of a HMS circuit to the process flow sheet. This flow sheet amendment effectively increased the feed grade to the process plant by 1.5-2.0 times.

These project advancements were matched with commercial success, with a 36.4% increase in the share price in the quarter and a wider exposure and understanding of Alara and its projects in the market place.



Next Quarter Planned Activities

- Completion of the equity transfer associated with the Amended SHA
- Progress of the DFS optimisation studies and completion of same
- Progress and possible completion of Alara's bridge finance plan and securement of funds
- Initiation of the Khnaiguiyah Project EPC contract review and tender preparation
- Closure and subsequent announcement of the results from the Options Analysis Study
- Completion of the Daris/Washihi Project updated Scoping Study and definition of the Daris/Washihi Project's way forward
- Finalisation of Alara's 18 month Investor Relations approach and programme

INTERESTS IN MINING AND EXPLORATION LICENCES

KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI ARABIA)

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

The Khnaiguiyah Project comprises one mining licence (issued in December 2010 with an exclusive 30 year term and no mineral royalties), 2 exploration licences and 5 exploration licence applications, totalling approximately 380km² currently held by Manajem pending completion of transfer to KMC.

Alara Saudi Operations Pty Limited has a 50% interest in the joint venture company, Khnaiguiyah Mining Company LLC ('**KMC**') (Saudi Arabia, incorporated on 10 January 2011). The Khnaiguiyah Project mineral licences are currently held by KMC joint venture partner, United Arabian Mining Company ('**Manajem**').

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	N/A	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%

DARIS/WASHIHI COPPER-GOLD PROJECT (OMAN)

Washihi-Mullaq-Al Ajal Copper-Gold Project

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

Alara holds 70% of the shares in the joint venture company, Al Hadeetha Resources LLC (Al Hadeetha). Al Hadeetha holds exploration licences over the Washihi area of 39km², the Mullaq area of 41km², and the Al Ajal area of 25km².

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

The joint venture entity has made applications for mining licences over the Washihi area of 3km², Mullaq area of 1km² and Al Ajal area of 1.5km².

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

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

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

Daris Copper-Gold Project

The Daris Copper-Gold Project is located approximately 150km west of Muscat, the capital of Oman, and comprises a mineral excavation licence of ~587km². The joint venture entity, Daris Resources LLC, has made applications for two mining licence applications covering 3.2km² and 1.3km² which have been filed over the Daris East and Daris 3A-5 prospects.

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

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

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

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

JORC STATEMENTS

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

Table 1 - Washihi JORC Mineral Resources⁹

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

DARIS COPPER-GOLD PROJECT (OMAN)

Table 2 - Daris-East JORC Mineral Resources

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

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

⁹ Refer to 16 July 2013 ASX Announcement: [Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset](#)

JORC STATEMENTS (CONTINUED)

KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI ARABIA)

Table 3 - Khnaiguiyah JORC Ore Reserves¹⁰

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 4 - Khnaiguiyah JORC Measured and Indicated Resource - Zinc (Domain 1) and Zinc-Copper (Domain 2)¹¹

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 5 - 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 6 - Khnaiguiyah JORC Inferred Resource - Zinc (Domain 1) and Zinc-Copper (Domain 2)

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

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

¹⁰ Refer to 18 April 2013 ASX Announcement: [Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#)

¹¹ Refer to 21 February 2012 ASX Announcement: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#), 12 October 2012 ASX Announcement: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#), and 30 October 2012 ASX Announcement: [JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)

JORC COMPETENT PERSONS STATEMENT

1. The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) was compiled by Mr Geoff Davidson, who is a Fellow of the Australian 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 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 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 he is undertaking to qualify as a Competent Person as defined in the 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 Zinc and Copper Mineral Resources within Mineralised Zones 1, 2 and 4 in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia), Mineral Resources in relation to the Daris/Washihi Copper-Gold Project (Oman) and other Exploration Results 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 report of the matters based on his information in the form and context in which it appears.

For further information, please contact:

Philip Hopkins Managing Director	T +61 8 6323 5900 E md@alararesources.com
Elle Macdonald Corporate Affairs Manager	T +61 8 6323 5900 E cam@alararesources.com

About Alara Resources

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

For more information, please visit: www.alararesources.com.

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 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter (March 2014) \$A'000	Year to date (9 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	(43) - - (1,159)	(554) - - (3893)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	103
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Refund)	1,642	4,754
Net Operating Cash Flows	478	410
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
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)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	478	410

+ 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)	478	410
	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	478	410
1.20	Cash at beginning of quarter/year to date	4,473	4,459
1.21	Exchange rate adjustments to item 1.20	(13)	69
1.22	Cash at end of quarter	4,938	4,938

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	(146)
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.

- 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	585
4.2 Development	265
4.3 Production	-
4.4 Administration	986
Total	1,836

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	1,688	973
5.2 Deposits at call	3,250	3,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,938	4,473

+ 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	No change		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	No change		

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)			<i>Exercise price</i>	<i>Expiry date</i>
		3,650,000		35 cents	25 October 2014
		2,000,000		60 cents	25 October 2014
		200,000		50 cents	25 May 2014
		250,000		60 cents	25 May 2014
		125,000		60 cents	25 May 2014
		125,000		70 cents	25 May 2014
		400,000		35 cents	22 August 2015
		6,666,667		15 cents	21 November 2016
		3,333,333		20 cents	21 November 2016
		10,000,000		10 cents	15 January 2016
		10,000,000		15 cents	15 January 2016
7.8	Issued during quarter (Unlisted Options)				
		10,000,000		10 cents	15 January 2016
		10,000,000		15 cents	15 January 2016
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter		-		-
			-		-
			-		-
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 April 2014
(Director/Company Secretary)

Print name: Victor Ho

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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