

ASX Code: AUQ

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

Julian Tambyrajah
Chief Financial Officer

Justin Richard
Country Manager, Saudi & Oman

Elle Macdonald
Corporate Affairs Manager

AV Sthapak
Corporate Exploration Manager

Victor Ho
Company Secretary

CAPITAL STRUCTURE

Shares: 242,007,500

Options: 36,750,000

Share Price: \$0.09

Market Cap: \$21.78m

Cash - \$5.7m

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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Highlights

- **Board of Directors Restructure:** John Hopkins and HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud joined the Board as non-executive directors.
- **Management Team Appointments:** Julian Tambyrajah appointed as CFO, Elle Macdonald appointed as Corporate Affairs Manager and Justin Richard appointed as Country Manager, Saudi Arabia and Oman.
- **Khnaiguiyah Project:** Discussions progressed with Joint Venture partner Manajem toward establishing an arrangement that will allow the finance stage (inclusive of Saudi Investment Development Fund) to commence.
- **Oman Project Update:**
 - Heavy media test work commenced for Washihi deposit
 - Updated scoping study on hold pending test work outcomes
 - Project options analysis of new scenarios commenced
 - Full/partial divestment work progressing with good interest
 - Exploration licences renewed - mining licences progressing
- **Research & Development Tax Incentive Scheme 2012/2013 Refund:** Alara received a \$1.64 million refund (January 2014)



Camel Herder near the Khnaiguiyah Project Site

* Refer JORC Statement at page 10

Corporate

COMPLETION OF BOARD RESTRUCTURE

In July 2013 the restructure of the Alara Resources Limited (Alara) Board commenced with the appointment of Philip Hopkins as Managing Director. During the quarter the Board was further enhanced as John Hopkins (no relation to the Managing Director) was appointed as a non-executive director in October and His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud then joined the board also as a non-executive director at the end of the year in December 2013.

John Hopkins is a very experienced Australian public company director and although his original formal training is in the legal profession his skills include the active leadership of Australian based mining companies as well as roles in the not-for-profit arena. John's unique combination of technical and professional experience coupled with his hands-on mining background are a great addition to the Alara Board as it moves forward toward construction and operations in the Middle East.

His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud is a self-made international business person. He has a keen interest in the growth of the industrial sector in the Kingdom and the mining industry in particular and has joined the Board with a joint view to helping ensure the Company is successful in the country and region and that the Saudi Arabian mining industry continues to grow.

The Board of Directors is now complete for the time being and has been structured in direct alignment with the strategy and objectives of Alara as it moves from being a resource developer into a mining company in the Middle Eastern region.

ISSUE OF OPTIONS

Mr Philip Hopkins (Managing Director) was issued 10 million options on 22 November 2013, pursuant to the terms of his employment contract and following shareholder approval at the Company's Annual General Meeting (AGM) on 22 November 2013. The options represent a Long Term Incentive (LTI) and vest over the period to 31 December 2015 in three equal tranches and are based on milestone events (see below).

His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud was issued 20 million options on 16 January 2014, following shareholder approval of the same at the Company's General Meeting (GM) on 16 January 2014. The options represent an incentive or recognition of HRH's active support in the operations of the Company in the Kingdom of Saudi Arabia and the Middle East Region and vest over the period 31 December 2014 in two equal tranches and are based on milestone events (see below).

The first two tranches of the Managing Director's options and HRH Prince Abdullah's options are fully aligned and as such are based on the same milestone events namely:

- Tranche 1 - Securing the licenses for the Khnaiguiyah Project on or before 31 March 2014;
Tranche 2 - Commencement of construction on the Khnaiguiyah Project on or before 31 December 2014.

Further details in relation to the Managing Director's proposed options package are outlined in the Remuneration Report section of the [2013 Annual Report](#) and in the [2013 AGM documentation](#) while details in relation to HRH Prince Abdullah's options are outlined in the [Notice of General Meeting](#) announced to the market on 12 December 2013.

Of note was the positive response from shareholders at both the [AGM \(22 November 2013\)](#) and [GM \(16 January 2014\)](#) with the successful resolutions being passed by a strong majority of shareholders with 99.91%, and on a show of hands (but with proxy votes indicating 79.3% support) respectively.

MANAGEMENT TEAM RESTRUCTURE

In alignment with the completion of the restructuring of the Board of Directors (above) and in line with the strategy and objectives of the Company as it moves from being a resource developer into a mining company, the management team was restructured accordingly during the quarter. The management team restructure was a combination of a definition of role, replacement of an existing team member and a new appointment as follows (in order):

APPOINTMENT OF COUNTRY MANAGER, SAUDI AND OMAN

On 23 December 2013 the company announced the appointment of Mr Justin Richard as Country Manager for Saudi Arabia and Oman. Mr Richard has been the Company's General Counsel since 2011. Early last year he took up residence in Riyadh as Alara's Country Manager for Saudi Arabia. The Company has now expanded his role to include Oman.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

On 15 December 2013 Mr Julian Tambyrajah took up the vacated role of Chief Financial Officer. Following this appointment Julian has also taken the role as Co-Company Secretary in cooperation with Victor Ho (Company Secretary).

APPOINTMENT OF CORPORATE AFFAIRS MANAGER

On 9 December 2013 Elle Macdonald took up the inaugural Alara Resources role of Corporate Affairs Manager. Elle is uniquely skilled to take on the joint responsibilities of this role namely; corporate administration management, investor relations and human resources. This role is fully aligned with Alara's view that their employees are their key stakeholders and that investor relations forms a very key focus for the whole management team.

The Company is very pleased to have been able to bring this highly skilled and dedicated team together in preparation for its move into the area of mine construction and operations. Notwithstanding the planned addition of a Project Director for the Khnaiguiyah Project at a later date as and when suitable, the management team is now complete and set in preparedness to move the Company to its next phase.

Saudi Arabia

KHNAIGUIYAH ZINC-COPPER PROJECT

Khnaiguiyah Mining Company (KMC) is a 50:50 joint venture company between Alara and the United Arabian Mining Company (Manajem), a privately owned Saudi Arabian mining company. The Khnaiguiyah Project is located approximately 170Km south-west of the capital city Riyadh and currently has JORC Reserves (Proved and Probable) of 26.08Mt at 3.3% Zn and 0.24% Cu*.

In April 2013 the results of a successful Definitive Feasibility Study (DFS) (2Mtpa plant throughput) was announced and defined a Project with a required US\$257 million Capex, 2.8 year pay-back, A\$2,074 million Life of Mine (LOM) revenues and A\$873 million LOM EBITDA (at base case Zn/Cu prices).

KMC - PROGRESS OVER THE QUARTER

Late in the first quarter FY2014 it was confirmed with the Joint Venture (JV) partner Manajem that finance (followed by construction and operations) of the Khnaiguiyah Project would require an amendment to the current agreement between the parties. This review also included feedback from the country's internal industrial funding ministry (Saudi Investment Development Fund – SIDF). As such the parties undertook to review the options for the parties. The discussions progressed successfully through the quarter and included other outstanding matters under the JV.

Due to the positive progress made in these discussions, early in the quarter the JV partners formulated an approach or framework that dealt with the JV legacy matters as well as defined a suitable way forward for Khnaiguiyah Project finance, construction and operations. Further discussions progressed on this framework

* Refer JORC Statement at page 10

throughout the quarter with significant advancement on all terms and conditions being made by the end of December 2013. Although these discussions were not concluded by year's end (as hoped) they did surpass their original scope and as such have successfully dealt with many of the detailed issues that would be required under a possible new arrangement. As such, and should these discussions be concluded at some point in the near future, this additional detailed work will have already been put in place.

At the end of the quarter both parties to the JV were fully engaged in these discussions with both groups intensely keen to see the Khnaiguiyah Project move forward as soon as possible. The Alara and Manajem management teams have continued to work toward closure in this matter in the current quarter with HRH Prince Abdullah commencing his support of both groups (as an interested/invested but neutral party) in order to ensure the mine's development progresses for the benefit all involved and for the Kingdom of Saudi Arabia.

KMC - WAY FORWARD

Detailed and definitive additional work on advancing the Khnaiguiyah Project is currently on hold pending the outcome of the current JV discussions (above) however the next key or critical steps have been defined and include:

- Project Finance of US\$257 million through a combination of SIDF and gap finance (TBA);
- Final Tender for an EPC contract to build the mine; and
- Owner's Team Selection for the mine construction period (when appropriate).

Alara remains focused on a conclusion to the current JV discussions with the intent post this close out to work closely and collaboratively with Manajem on the above areas to help ensure the Project's success.

Oman

DARIS/WASHIHI PROJECT

The Daris/Washihi deposits (approximately 185Km apart) together form the basis for what is currently termed the Daris/Washihi Project. Each deposit is defined under a separate JV agreement as follows:

- Daris - Alara holds 50% (rights to 70%) of shares in JV Company Daris Resources LLC
- Washihi - Alara holds 70% (rights to 75%) of shares in JV Company Al Hadeetha Resources LLC

SCOPING STUDY UPDATE

Although the Daris/Washihi Project had completed a successful scoping study for a 0.5 Mtpa (plant throughput) conventional Copper/Gold operation the positive outcomes from both the Washihi resource upgrade (note the prior announcement here) and detailed metallurgical test work prompted the commencement of an upgrade to this study that would include an overall updated view of the Project as well as an increase in throughput to 1.0 Mtpa. This updated scoping study was put on hold in November 2013 due to a potential technology breakthrough associated with the Washihi deposit namely the possible application of heavy media separation (HMS) to the Daris/Washihi Project's flow sheet. Test work to confirm or otherwise this process plant change is underway and if successful could effectively increase the mill feed grade from the Washihi deposit from 0.9% Cu to 1.4-1.8% Cu or above. Once the HMS test work is completed the scoping study will be recommenced with/without the circuit amendment as appropriate.

The updated scoping study will be completed by the end of March 2014.

OPTIONS ANALYSIS STUDY

In addition to the scoping study work (above) and in parallel to this study upgrade the Company has gone back and commissioned an Options Analysis Study. This new and preliminary overview study has come about as new ore processing options have come to light that require formal assessment. The new ore treatment options have been enjoined with the current processing options covered in the scoping study work (above) in order to ensure an "apples-to-apples" review or assessment is made.

There are six case studies included in this work as follows:

1. 1Mtpa conventional floatation option;
2. HMS plant followed by a 1Mtpa conventional floatation circuit;
3. HMS plant followed by a 0.5Mtpa conventional floatation circuit;
4. Off-site toll treatment option;
5. On-site heap conventional leach option; and
6. On-site contained/vat leach option.

Each option outlined above will be evaluated in the following areas:

- Risk Profile;
- Timing to execute the option to cash flow stage;
- Value (NPV, IRR, EBITA, Payback Period etc.);
- “Do-ability” or probability of success;
- Capex and/or up-front funding;
- Option fit for Alara (cost, timing, complexity etc.); and
- Outline of the next steps for each option in order to take it forward.

The Options Analysis will be completed by the end of February 2014.

UPDATE OMAN ASSETS FULL/PARTIAL DIVESTMENT

The Company previously announced its intention to evaluate a divestment of all or part of its Oman assets in order to ensure sufficient working capital for its focus on the flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia. Internal cost management efforts and further funds injection(s) into the Company have lessened this short term working capital imperative. The combination of this strengthened working capital situation and the further project optionality has provided the Company with the opportunity to progress the current full/partial divestment strategy in parallel with a project retention strategy. The retention strategy includes options for funding and managing the work programs under a pre-feasibility study next stage.

With regard to progress of this divestment work, since April 2013, a total of nineteen suitors have expressed interest in the Alara Oman assets. This investment interest has come from both local and international groups. In turn, seven confidentiality agreements have been executed in order to commence due diligence studies and two firm commercial offers have been received.

There has been strong and material interest for the Oman assets from very capable groups that could materially advance this Daris/Washihi Project with success and as such the consideration of divestment options will continue unimpeded. It is felt that this divestment work in conjunction with the review of a possible retention opportunity is key for the benefit of both Project partners and the Alara shareholder.

UPDATE ON EXPLORATION AND MINING LICENCES

The Director General of Minerals – Ministry of Commerce and Industry (MoCI) has confirmed the extension of the Daris/Washihi Project’s exploration licences and in turn is currently processing the mining licence applications. The Ministry has advised that the new exploration licences will be issued once further exploration work is ready to commence.

The Washihi exploration licence contains the largest JORC copper resources in Oman*.

* Refer JORC Statement at page 11

Financial

R&D TAX INCENTIVE CLAIM – 2012/2013

Alara recently received its second (2nd year) refund under the Government's R&D Tax Incentive Scheme. The full refund of \$1.64 million was received in January 2014 (see below).

CASH POSITION

Alara's cash position as at 31 December 2013 was \$4.473 million (30 September 2013: \$6.038 million).

Alara's current cash position is \$5.7 million (as at 31 January 2014) due to cash inflows of \$1.64 million from the R&D claim on 28 January 2014 (as above).

EXPENDITURE

Alara's December 2013 Quarterly Cash Flow Statement (Appendix 5B) is attached.

A summary of material cash flow items during the December quarter are as follows:

- \$1.56 million net cash inflow for the quarter;
- \$0.49 million exploration and evaluation costs;
- \$0.93 million personnel costs;
- \$0.09 million payments to consultants.

Next Quarter Planned Activities

- Conclusion of the JV discussions on the KMC Project – if positive then:
 - Formal commencement of the Project finance strategy inclusive of:
 - Application for SIDF funding;
 - Conclusion of the DFS risks & opportunity review in preparation for:
 - Final Project EPC bid/tender; and
 - Discussions with Manajem in regard to Project discussion and Owner's Team approach.
- Completion of the Option Analysis on the Oman Daris/Washihi Project
- Re-commence upgraded Scoping Study (informed by the media separation test work results)



Khnaiguiyah Project Site

For further information, please contact:

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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 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: www.alararesources.com.

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 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.

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Km ²)	Location / Property Name	State / Country	Company's Interest
Khnaiguiyah Zinc-Copper Project	Granted	Mining Lease No 2. Qaaf	Dec 2010 dated 6/1/1432H	30 years	5.462Km ²	~170Km west of Riyadh	Saudi Arabia	50% KMC with 50% transfer of rights from Manajem
Khnaiguiyah Zinc-Copper Project	Three (2) Granted / pending renewal	Exploration Licence "Qaf"/101	Oct 2007 dated 17/10/1428H	N/A	84 + 66 Km ²	~170Km west of Riyadh	Saudi Arabia	50% KMC with 50% transfer of rights from Manajem
Khnaiguiyah Zinc-Copper Project	Five (5) Applications	Exploration Licence "Qaf"/99	Oct 2007 dated 17/10/1428H	N/A	24.99 + 66.71 + 65.52 + 34.65 + 30.08 Km ²	~170Km west of Riyadh	Saudi Arabia	50% KMC with 50% transfer of rights from Manajem

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

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

Alara holds 70% (with a right to 75%) 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 Washihi area of 3Km², Mullaq area of 1Km² and Al Ajal area of 1.5Km².

Current status of all licenses/applications for this project is presented in the table following

Block / Licence Name	License owner	Alara JV interests	Exploration License					Mining License 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 process
Mullaq	Al Hadeetha Resources LLC Oman	70%	41Km ²	Oct 2009	Oct 2012	Sep 2012	In process	1Km ²	Jan 2013	In process
Al Ajal	Al Hadeetha Resources LLC Oman	70%	25Km ²	Jan 2008	Jan 2013	Dec 2013	In process	1.5Km ²	Jan 2013	In process

Also refer to Alara 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 (Oman)

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 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 this 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.

Current status of all licenses/applications for this project is presented in the table below.

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

Block Name	License owner	License owner	Exploration License					Mining Licenses 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 process
								Daris 3A5 1.3Km ²	Dec 2012	Accepted in April 2013; in process

JORC STATEMENT

KHNAIGUIYAH ZINC-COPPER PROJECT (SAUDI ARABIA)

Khnaiguiyah JORC Ore Reserves¹

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

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

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

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.

¹ Refer Alara's ASX market announcement dated 18 April 2013: [Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#)

² Refer ASX market announcements dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#), dated 12 October 2012: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#) and dated 30 October 2012: [JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)

WASHIHI-MULLAQ-AL AJAL COPPER-GOLD PROJECT (OMAN)**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)**Daris-East JORC Mineral Resources**

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

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.

JORC CODE COMPETENT PERSONS STATEMENT**KHNAIGUIYAH ZINC-COPPER PROJECT – SAUDI ARABIA**

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 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 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 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.

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.

WASHIHI COPPER-GOLD PROJECT AND DARIS COPPER-GOLD PROJECT – OMAN

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 Washihi Copper-Gold Project (Oman) and the Daris 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.

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](#)

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 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter (December 2013) \$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	(490) - - (1,127)	(641) - - (2,610)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	3,111
Net Operating Cash Flows	(1,580)	(75)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - 21	- - 6
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	21	6
1.13 Total operating and investing cash flows (carried forward)	(1,559)	(68)

+ 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)	(1,559)	(68)
	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	(1,559)	(68)
1.20	Cash at beginning of quarter/year to date	6,038	4,459
1.21	Exchange rate adjustments to item 1.20	(6)	81
1.22	Cash at end of quarter	4,473	4,473

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	(155)
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	(360)
4.2 Development	-
4.3 Production	-
4.4 Administration	(740)
Total	(1,100)

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	973	1,815
5.2 Deposits at call	3,500	4,223
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,473	6,038

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

Print name: Julian Tambyrajah

+ 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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