

ASX/MEDIA RELEASE

31 March 2016

FEASIBILITY STUDY UPDATE AL HADEETHA COPPER-GOLD PROJECT

Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) is pleased to announce positive preliminary findings of its Feasibility Study which concludes the Al Hadeetha Copper-Gold Project in Oman supports a financially viable project.

1. Key Financials

The Study findings conclude financial returns on **Base Case** as follows:

- **Revenue of AUD\$ 586.5 million¹** over 10 years
- **EBITDA** over the same period of **AUD\$ 191.9 million²**
- **Capital Expenditure** (including contingency and working capital) of **AUD\$66.6 million**
- Free Cash flow (**FCFF**) of **AUD\$ 109.5 million**
- Project **NPV** of **AUD\$ 37.8 million**
- Project **IRR** of **21%**

The Base Case includes following assumptions:

- Copper price has been conservatively based on the lower of two reputable price projections until 2019, ranging from US\$ 5,190 to US\$ 5,593 per tonne. Thereafter, the copper price is fixed at US\$ 5,593 per tonne, which is the lowest price point forecasted at any time in the remaining period.
- Gold price of US\$ 1,200 per ounce. The current price of gold at the time of this report was US\$ 1,265 per ounce.
- Copper treatment charges of US\$ 80 per tonne and refining charges of US 0.08c/lb with 96.5% payable.
- Gold refining charges of US\$ 5 per ounce with 90% payable.

¹ Based on exchange rate of AUD\$1 to US\$0.74

² Net of US\$22 million in mining royalties

2. Comparison of Market, Base & Low cases

The assumptions used in the financial modelling produced a Base Case, Market Case and Low Case.

The variable parameters in each case relate primarily to copper prices. The gold price and treatment charges are fixed entities in each case.

A summary of financial returns for Base Case, Market Case and Low Case are summarised below.

Table 1 Financial comparison between cases

Case Scenario In US\$ millions	Total Revenue	Opex (excludes royalty)	EBITDA	NPV	IRR
Market Case	492	270	198	52	27%
Base Case	434	270	142	28	21%
Low Case	406	270	116	13	15%

Copper price assumptions for the Market Case are based on the World Bank price projections to 2025 and flat thereafter.

Copper price assumptions for the Low Case are a flat price of US\$5,190/t, the projected copper price by World Bank for 2017.

The Base Case financial model has taken the more conservative approach of using the lower of the World Bank and Economist Intelligence Unit projections until 2019, ranging from US\$ 5,190 to US\$ 5,593. Thereafter, the copper price is fixed at US\$ 5,593, being well below the World Bank's 2025 forecast of US\$ 7,000.

In all cases, the gold price has been assumed at US\$1,200 per ounce for the life of the Project. Likewise, a flat treatment charge has been assumed in all cases.

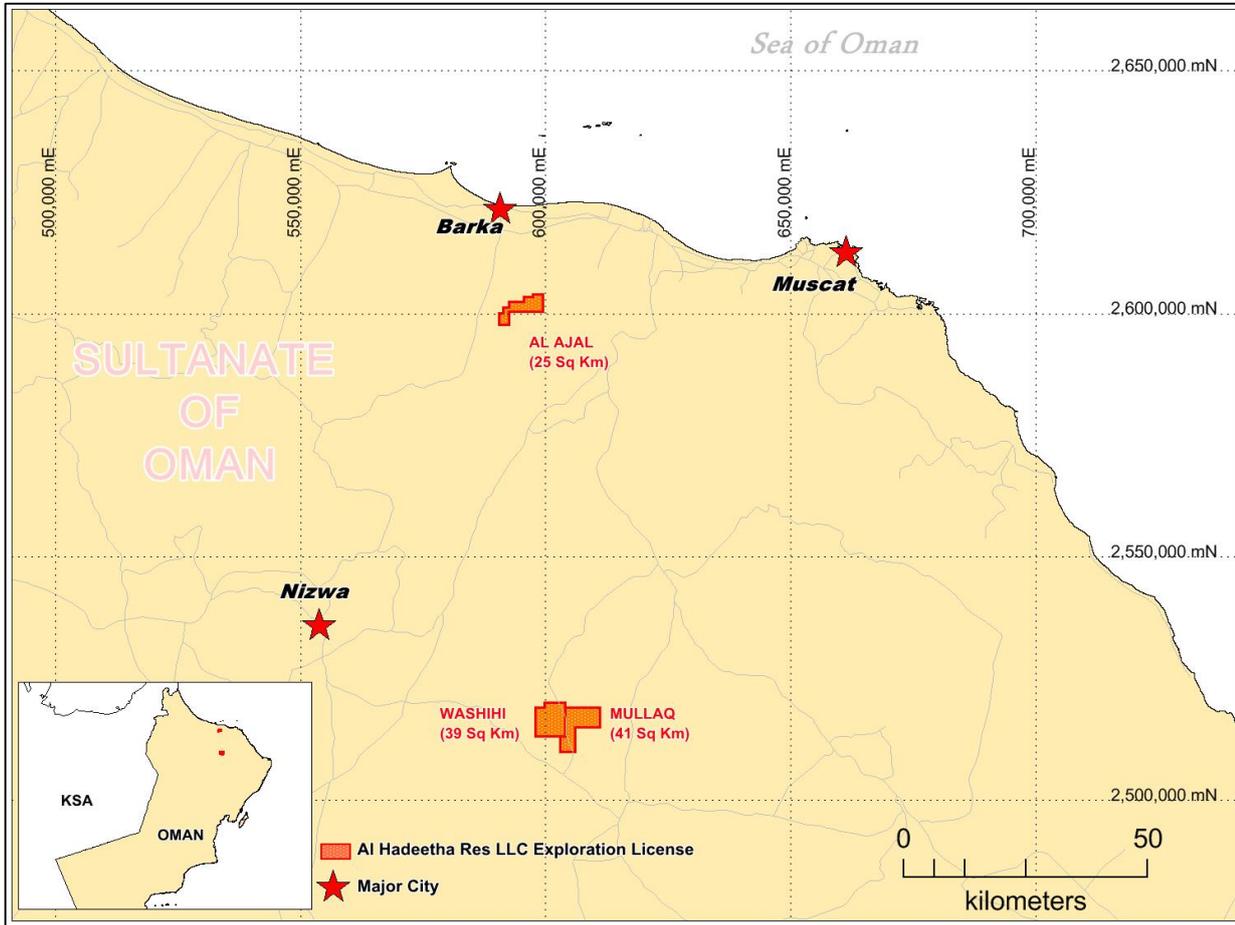
TC / RC prices are not usually forecast. However, current market trends have been sourced from a substantial copper producer.

The Base Case NPV is most sensitive to copper prices, followed by copper grade and recovery.

3. Project Description & Key Parameters

The Project licences are held by Al Hadeetha Resources LLC, a 70/30 Joint Venture (the 'JV') between Alara Oman Operation Pty Ltd (a wholly owned subsidiary of Alara Resources Ltd) and Al Hadeetha Investment Services LLC (a privately owned Omani Company). Al Hadeetha Investment Services are associated with the well-known Al Naba group, owned by Sayyid Khalid Al Busaidi and his family. The JV was formed in 2011 for the purpose of exploring and developing the Washihi, Mullaq and Al Ajal copper and gold concessions and surrounding regions. Figure 1 shows locations of all Alara JV held exploration licenses in Oman.

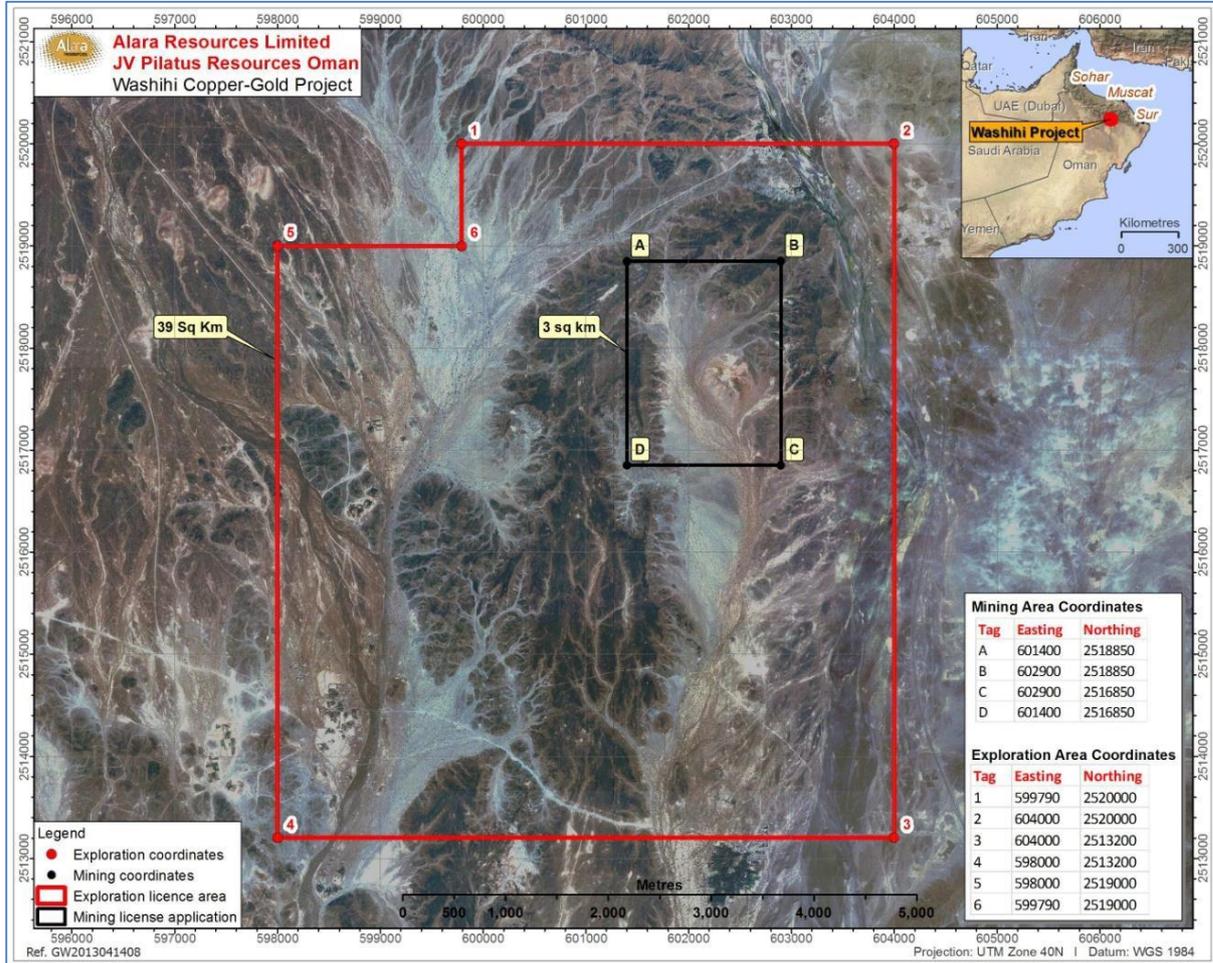
Figure 1: Al Hadeetha Resources LLC Exploration Licenses in Oman



The Al Hadeetha Copper-Gold Project is currently based around the 'Washihi' copper-gold deposit.

The Washihi exploration licence covers an area of 39 sq km encompassing a 3 sq km mining licence application. A JORC compliant Mineral Resource estimate has been completed for Washihi. The license area and an application of a mining license within area shown in the figure below.

Figure 2: Washihi License Areas



Key Project parameters are summarised in Table 2 and following.

Table 2

	FS Fundamentals
Pre-production Capex (includes contingency & working capital)	\$49.39 million
Mining method	Open pit, 10.3 years
Project construction	1 year
First production	Q3 CY 2017
Final production	2028
Processing rate	1 Mtpa
Average annual concentrate production	34,000 (wmt)
Total tonnes copper metal production	77,000 (t)
Total gold ounces	18,500 oz

Unit Operating Costs (\$US/ t of processed material)	\$26.71/ tonne of processed material
Cash Cost	US\$3,507 per tonne of Copper or US\$1.59/lb of Copper
5% Government Royalty over 10 years	US\$22 million

Drilling:

- Total drilling: 10,668m in 69 drill holes of which 58 were diamond core, 6 RC and 5 diamond core / RC holes.
- Additional 8 water monitoring holes for 800m.
- Further drilling scheduled for April.

Specific Gravity:

- 181 Specific Gravity determinations on samples from various parts of the mineralised material were made. The values vary from 2.60 to 3.96 with a mean of 2.93.
- 86 determinations were made in the waste rock. These varied from 2.15 to 3.96 with a mean of 2.64.

Surveying:

A 10m control point survey of the deposit and the immediate surrounding area was carried out. The area was contoured at 0.20m intervals.

QA/QC:

Extensive Quality Assurance and Quality Control (QA / QC) regime in sampling and analysis was employed by Alara at all stages of sampling. Suitable standards were added and duplicates were collected and analysed. Statistical validation of analyses was carried out and where wanting, the entire batches were reanalysed.

Geological Assessment:

- Geological interpretation based on detailed logging.
- Mineralisation wireframes are based on interpreted geology.

Resource estimation utilised:

- Variography
- Parent block size 20m x 20m x 5m
- Minimum block size 2.5m x 2.5m x 2.5m
- Ordinary Kriging (OK) was used for block grade estimation.
- Validation of estimates was through comparing composites, block means, Kriging variances, and regression slopes.

Mineral resources (JORC 2012) at a cut of 0.25% Cu

- **Indicated: 6.84 Mt @ 0.90% Cu and 0.17g/t Au**

- **Inferred: 7.27Mt @ 0.71% Cu and 0.20 g/t Au**

Resource classification:

Based on geological and geo-statistical analysis including regression slope (quality of estimate), search volume, distance of block from nearest composite, number of composites and holes used to estimate blocks.

Pit depth: 245m

Waste material:

- Total 52 Mt.
- Waste to Ore Ratio 5.14:1.

In Pit JORC Resources 0.35% cut off

- **Indicated: 5.74Mt @ 0.92% Cu and 0.17g/t Au**
- **Inferred: 4.37Mt @ 0.73% Cu and 0.21g/t Au**

The cut off for In Pit Mineral Inventory has been determined by Whittle optimization.

4. Geology & Location

The Oman copper deposits occur in extrusive sequences of the Semail Ophiolite comprised of a sheet of Cretaceous seafloor 600km long, 100 – 150km wide, and 10km thick along the Gulf of Oman that was thrust over basement sediments of the Arabian shield.

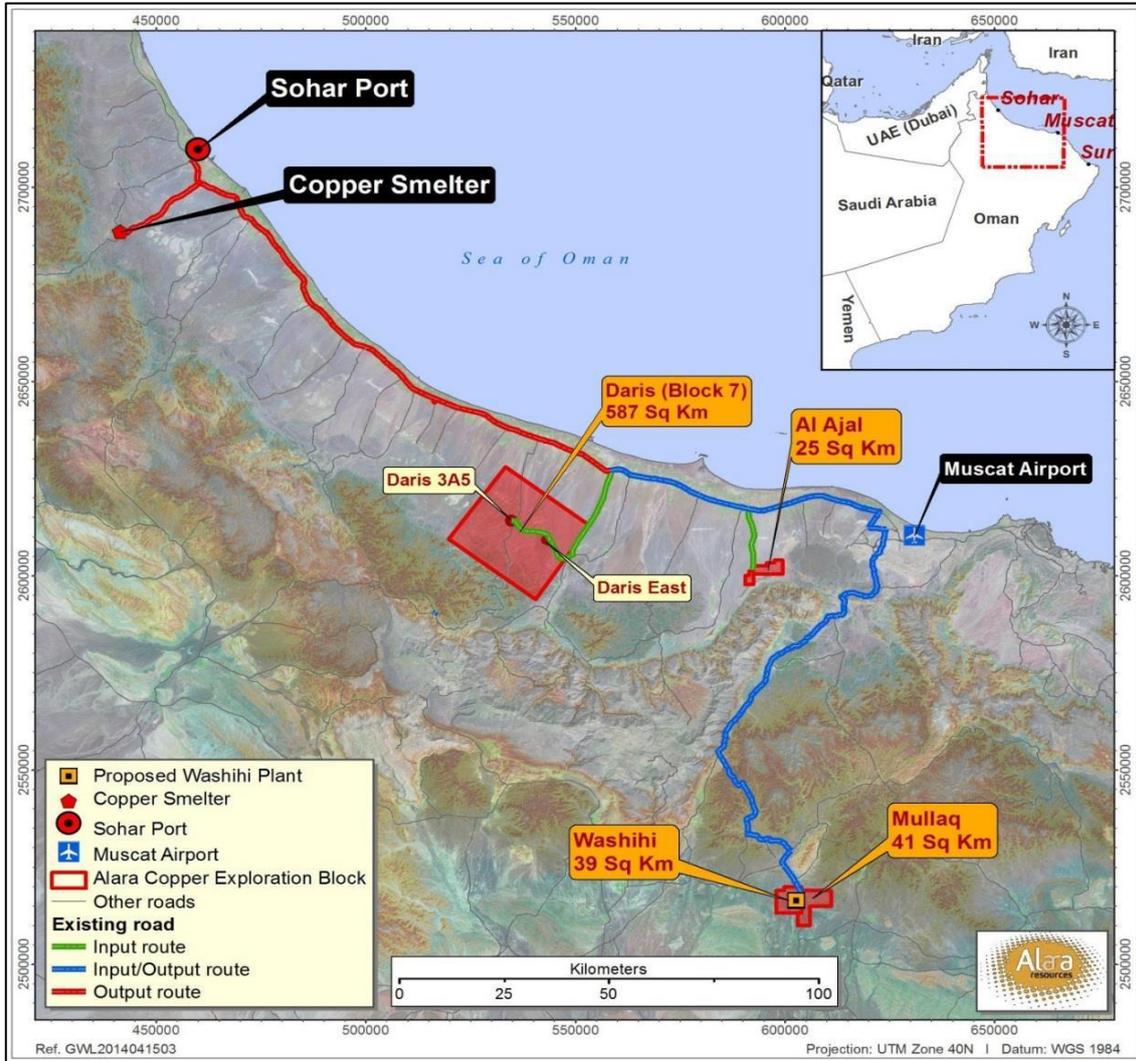
Volcanic Massive Sulphide (VMS) type deposits typically occur at the interface between the sheeted dyke complex and the volcanic sequences, more specifically at the contact between the Lower Volcanics unit (Geotimes Unit) and the Upper Volcanics unit (Lasail Unit).

Most deposits occur within centres of upper volcanism where enhanced heat flow has generated localised areas of hydrothermal activity and associated seafloor deposition of VMS-type deposits.

Deposits commonly form in clusters with pyritic copper-rich seafloor mounds containing gold bearing gossans overlying lower grade feeder vein systems within the footwall basalts.

The Washihi deposit is located approximately 160 kilometres south-east of Muscat (Capital of Oman) via sealed road (see Fig 3 below). It can be reached either from the Muscat-Nizwa highway, 40 km to the northwest, or from the Muscat-Ibra highway, 45 km north along the Wadi Andam valley.

Figure 3 Project Location – Regional



The Washihi deposit is 5 kilometres north of Washihi village and less than 2 kilometres west of a paved highway (see Figure 4). The nearby settlement at Khadra Bin Daffa is a power distribution hub on the electricity grid for the State's electricity supply company.

Figure 4 Project Location – Local



5. Mineral Inventory

The feasibility study is based on the following in pit mineral inventory.

Table 3 In Pit Mineral Inventory

In Pit Resources JORC Category	Tonnes Millions	Cu %	Au g/t
Indicated	5.74	0.92	0.17
Inferred	4.37	0.73	0.21
Total	10.11	0.84	0.19

From this mineral inventory, 313,423 dry metric tonnes of copper concentrate containing 77,102 tonnes of copper metal and 18,151 ounces of contained gold, with an average annual concentrate production of 30,402 tonnes of copper containing 1,762 ounces of gold has been estimated.

While ~60% of the mining inventory is already in the indicated resource category, 40% of the material in the mine plan is classified as inferred and cannot yet be converted into a reserve.

The Company will complete further RC drilling at the Washihi site during the month of April. This program will help determine the extent to which further inferred resources may be brought into the indicated category.

The JORC Resources will not be classified as a JORC Ore Reserve until after the mining licence is issued.

6. Future Exploration & Resource Upgrade

Potential to further expand the existing resource base remains strong. In June 2014, Alara released an estimate of exploration potential for its Omani JV projects. Table 4 below summarises only those assets where mineralisation has been intersected in drill holes, or where there is sufficient reason to believe that existing mineralisation is likely to extend on account of geophysical and geological continuity.

Table 4 Exploration Potential

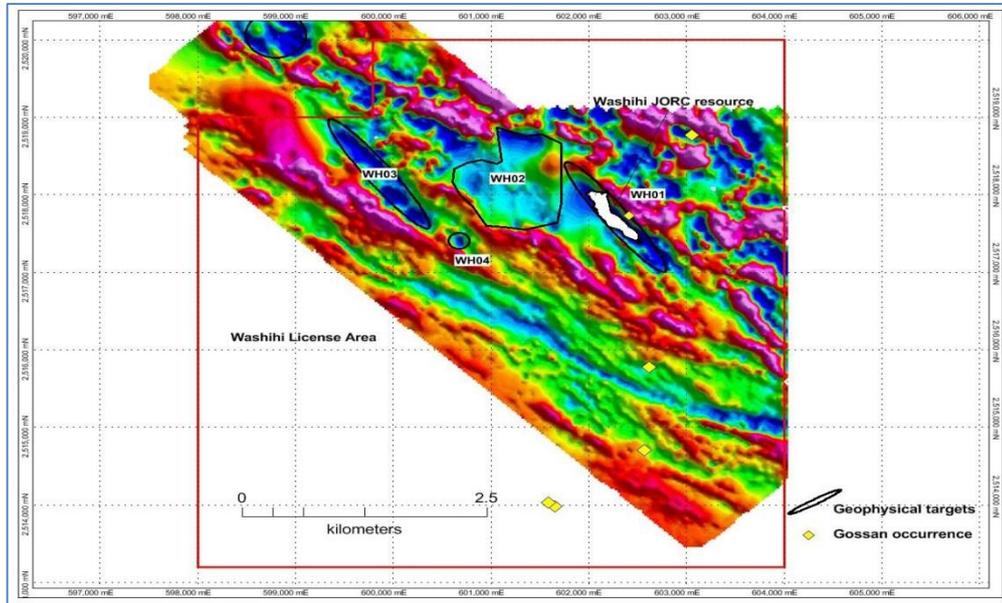
Prospect / Licence Area	Target	Estimated Tonnage Range (million tonnes)	Estimated Cu Grades (%)	Estimated Gold Grades (g/t)
Washihi (39km²)*	WH-01	3 – 4	0.9 -1.1	0.1 – 0.3
Mullaq (41km ²)	MQT-1	0.25 – 1	1.0 – 3.0	0.09 - 1.2
Daris 3A-5	B7T-1	0.25- 0.5	1.0 – 5.0	0.1 – 0.5
Daris (587km ²)	B7T-2	0.25 – 1	1.0 – 2.5	0.1 – 0.5
Al Ajal (25km ²)	AJT-1	1 – 2	0.9 – 1.5	0.5 – 1.5

**See Figure 3 above for the location of Mullaq, Daris and Al Ajal license areas. JORC Code Cautionary Statement: The potential quantity and grade of an Exploration Target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of a JORC Mineral Resource (per JORC Code (2012 Edition)).*

In addition to the exploration potential above, the Company has identified large and significant geophysical anomalies which for all intents look similar to that at the Washihi deposit. No drilling or detailed ground investigations were undertaken in these areas during the Feasibility Study. However, should these areas convert to mineral resources, these anomalies could double the total resource for the Project.

WSH 02 and WSH 03 come in this category and are shown in the Figure 5 below.

Figure 5: Washihi Exploration Targets

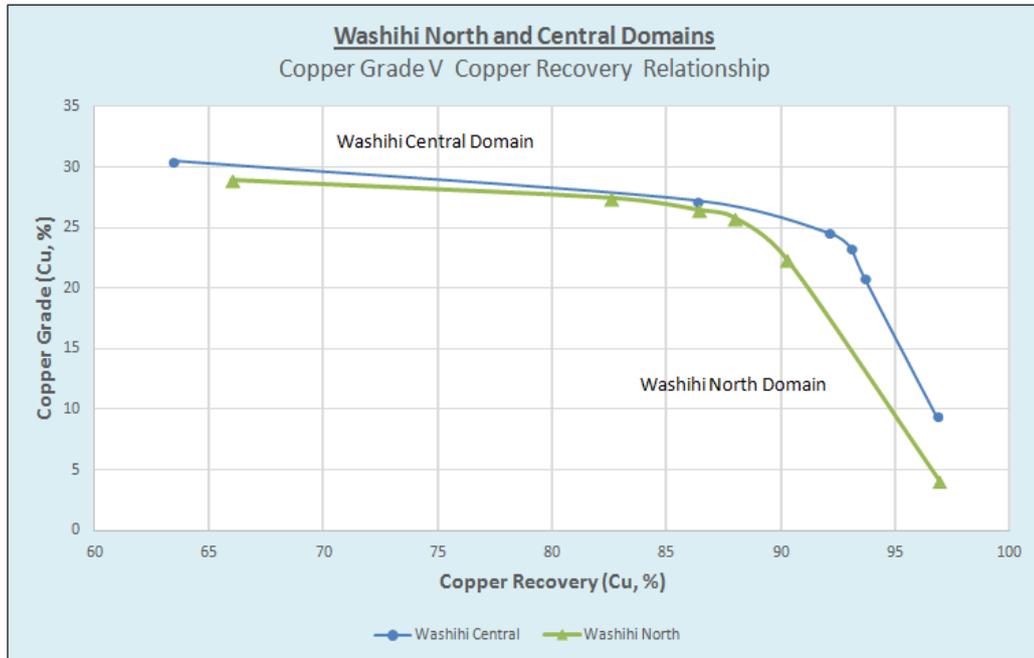


7. Metallurgy & Processing

Metallurgy is based on:

- The mineralised material, mainly brecciated basalt with stockwork veins of quartz pyrite and chalcopryrite and pyrite, is free milling.
- The deposit is divided into three domains mainly based on grades and thicknesses which generally decrease from north to south.

Figure 6: Washihi Central and Washihi North Copper Recoveries

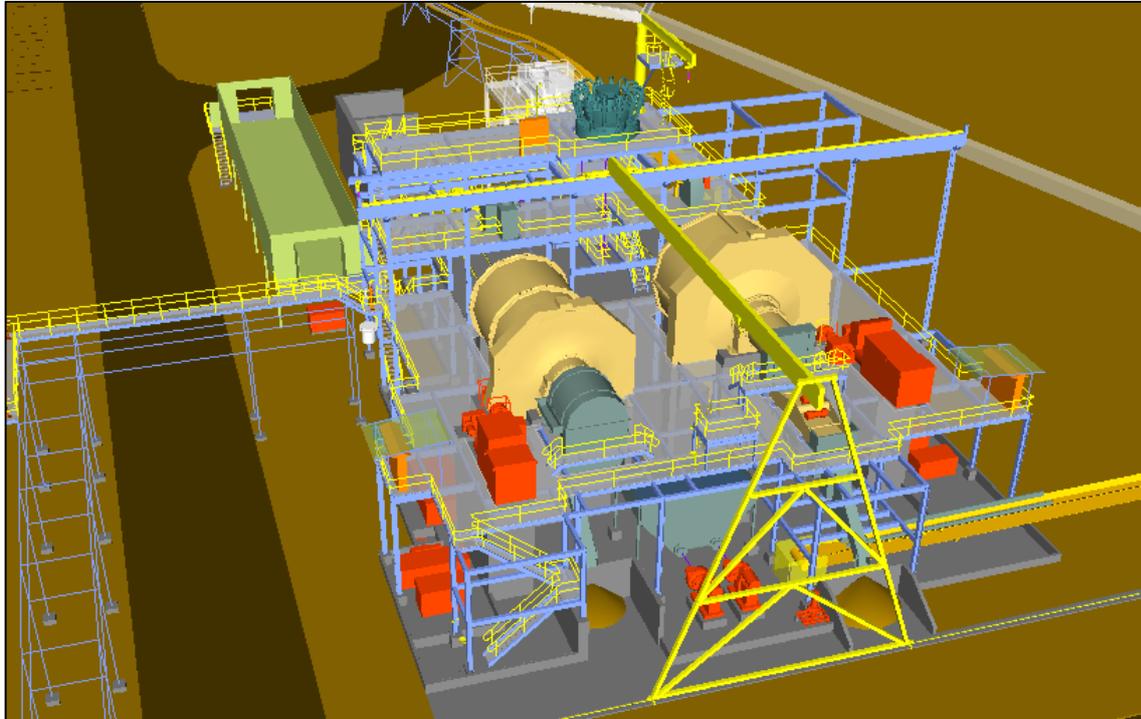


Copper concentrate has no deleterious elements and is expected to sell easily.

Process plant:

- The process plant is designed to process 1,000,000 tonnes of copper and gold bearing mineralised material per annum. A 12-month construction and 12-month ramp up period is envisaged to reach full capacity.
- Designed by Arya Engineering LLC includes primary crushing, grinding, hydro cyclones, rougher flotation, regrind and cleaner flotation, concentrate thickener, filtration and load out, as well as tailings slurry pumping to a tailings dam.
- Process working hours of 8,015 hours
- Primary crusher 269 tonnes per hour
- Process plant throughput rate 142 tonnes per hour
- Availability of grinding and flotation circuits and concentrate thickening, tailings thickening and tailings filtering 90%
- Equipment includes jaw crusher (110kwh), SAG mill (2,250 kwh) , ball mill (1,600kwh) , cone Crusher (90kwh), rougher scavenger flotation cells, regrind ball mill (400 kwh), cleaner flotation cells, concentrate thickener, filtration unit and drier. Heavy duty slurry pumps for pumping tailings to tailings dam.
- Modern computer network system, network communications with real time monitoring.
- Top of the range assay laboratory, reagent storage and mixing, workshops, plant office and safety shower and laundry facility.
- Utilities include: Compressed air, process water, potable water, lightening control, fire ring main and safety systems and plant lighting

Figure 7: Grinding Area



8. Capital Costs

Alara’s extensive Middle East experience has taught the Company to seek engineering advice from groups with contracting, project management and hands-on design and fabrication experience in the region and understand local wage structures and cost paradigms.

Table 5 Capital Expenditure Summary

	\$US Millions
Process plant and bulk earthworks	23.71
Infrastructure	16.18
EPCM and Working Capital	6.31
Contingency	3.19
Total Pre-Production Capital	49.39

The Project is not sensitive to capex increases of up to 10%.

The financial model also includes US\$6.8m for sustaining capital and closure costs over the course of the Project life.

9. Operating Costs

Operating costs for the Project are underpinned by local costs, local operators and metallurgical test work results showing good recoveries with minimal quantities of reagents.

Table 6 *Unit Operating Cost Estimates*

	\$US /t. ore
Mining – Waste	7.22
Mining – Ore	1.58
Additional ore mining costs	1.78
Processing costs (variable)	5.34
Processing costs (fixed)	5.94
Transport, TC/RC (variable)	4.85
Total	26.7

10. Study Summary

The Study concludes a technically feasible and financially robust mining operation. The Study's findings are underpinned by Mineral Inventory comprising in-pit JORC indicated (60%) and inferred (40%) resources (refer section 5 above).

The JORC resources will not be classified as Reserves until after the mining licence is issued.

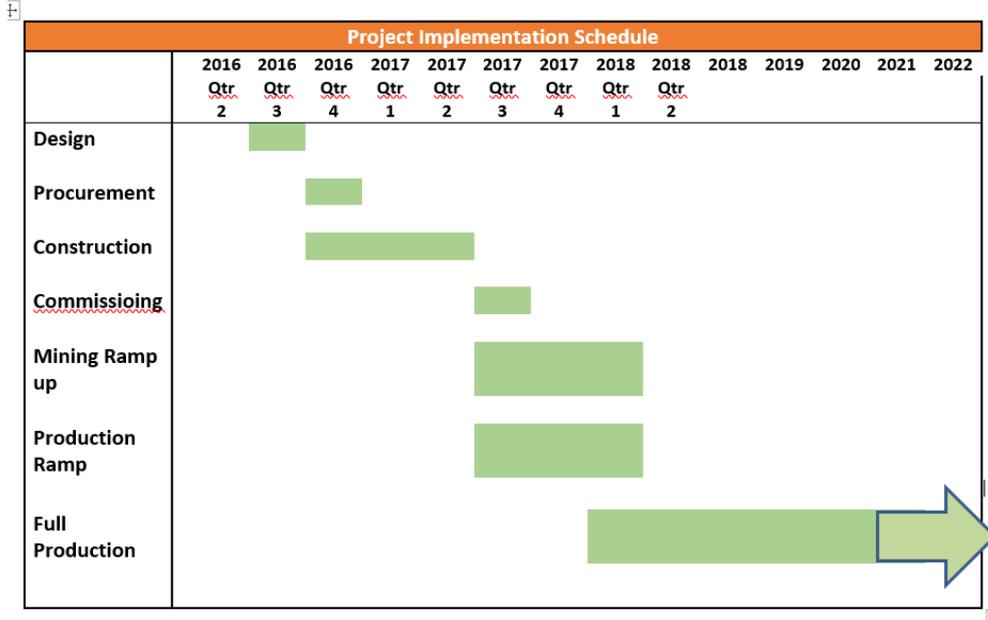
Further drilling for up-gradation of the inferred resource is underway. Rather than postponing, the Company decided to announce these positive preliminary findings (based on existing JORC resources within the Washihi licence area), with a further JORC update (2012) expected for release in mid-May, if not sooner, followed by a reserve announcement once the Washihi mining licence is issued.

11. Going Forward

The Company has set itself an ambitious target to advance the Project to a financial close as soon as possible within the next 6 months.

Regardless of the start, construction can be completed within 12 months as per the Project Implementation Schedule below.

Table 7 Project Implementation Schedule



Al Hadeetha’s mining licence application has already passed a number of ‘no objection’ hurdles from various government authorities and is able to further advance as a result of this Study.

Project financing options including discussions with appropriately qualified parties for vendor finance and equity investment at the project level are also underway.

Subject to a successful outcome on these matters, production from the Al Hadeetha Project is scheduled to commence in Q3 2017.

- End -



