

ASX/MEDIA RELEASE

Tuesday, 24 January 2017

Oman Activities Update

Alara Resources Limited (ASX: AUQ) (Alara or Company) provides updates on the recent Oman Minerals and Mining Conference held in Muscat, and also the Al Hadeetha feasibility study findings previously announced.

Oman Minerals & Mining Conference & Exhibition

Oman Minerals & Mining Conference & Exhibition was held in Muscat last week. The conference was held in partnership with Sultanate of Oman Public Authority for Mining and was directed toward leveraging the increasing demand for minerals, discussing and addressing topics and issues relevant to the expansion of the industry, and attracting investment.

Alara's CEO, Mr Justin Richard, delivered a presentation on Alara's project investments, including the Al Hadeetha Copper Gold Project in Oman, the potential to reignite the Sultanates' 4000+ year history of copper mining, and re-establish the mining sector as a pillar of the Omani economy (see Annexure A).



Above: Alara's CEO, Mr Justin Richard presents to the Oman Minerals & Mining Conference in Muscat.

The "Project Opportunities" session was chaired by a representative of Mining Development Oman, and also included presentations from Gulf Mining Group (Gold Sponsor), Savannah Resources, Kunooz Oman Holding (Main Sponsor) and Oman Mining Company other presentation was followed by other Mining Investment Middle East & Central Asia Conference in Muscat. The session

was very well attended and followed by an enthusiastic question answer session which revealed a keen interest in copper.

Alara board members Atmavireshwar Sthapak and Vikas Jain also attended the conference and meetings with key figures, including H.E. Eng. Hilal Al Busaidi, Chief Executive Officer, Public Authority for Mining, who was a guest of honour at an Indian Embassy function the same week.

Feasibility Study Update

Further to the Al Hadeetha feasibility study findings previously announced¹, this update takes account of 1) the new mining schedule prepared following the last mineral resource upgrade², 2) the maiden ore reserve statement³, and 3) copper price forecast trends.

Key Financials

Base Case financial modelling on the Feasibility study for the Al Hadeetha Copper Gold Project ("the Project") indicate robust returns as follows:

- Forecast **Revenue US\$ 452 million over 10.4 years.**
- Forecast **EBITDA** over the same period **US\$ 159 million**
- Pre-Start Capital Expenditure of **US\$ 49.74 million**
- **FCFF** – Free Cash flow available in 10.4 years **US\$ 96 million**
- **Project NPV of US\$ 39 million**
- Forecast IRR over the same period **26%**

Resource Base

The Project findings are underpinned by Mineral Inventory, comprising in-pit JORC Probable Reserves which account for 96.5% of the in pit Resource. An additional 3.5% of Inferred Resources that is mined during the process of accessing the Reserves has been included for financial projections, but does not have a material impact on the value of the Project.

A summary of the In-Pit Mineral Reserves and Resources are given in Table 14.1 below.

¹ Refer Alara's ASX Announcement dated 31 March 2016.

² Refer Alara's ASX Announcement dated 19 September 2016.

³ Refer Alara's ASX Announcement dated 15 December 2016.

Table 14.1 In Pit Mineral Inventory

In Pit Resources JORC 2012 Category	Tonnes millions	Cu %	Au g/t
Probable Reserves	9.70	0.88	0.22
Inferred Resource	0.35	0.65	0.22
Total	10.05	0.87	0.22

Project Fundamentals

The Al Hadeetha Project study has concluded a technically feasible and financially robust mining operation. 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 a-month ramp up period is envisaged to reach full capacity. Project life is anticipated to be 10.4 years. Key Project parameters are summarised in Table 14.2 below.

Table Error! No text of specified style in document..1: Key Parameters

DFS Fundamentals	
Pre-production Capex	\$49.74 million
Mining method	Open pit, 10.4 years
Project construction	1 year
First production	Q4 CY 2017
Final production	2028
Processing rate	1 Mtpa
Average annual concentrate production	35,000 (wmt)
Total Tonnes Copper metal production	79,297(t)
Total Gold ounces	21,825 ounces
Unit Operating Costs (\$US/ t of processed material)	\$26.95/ tonne of processed material
Cash Cost	US\$3,428.25 per tonne of Copper or US\$1.56/lb of Copper

Financial Modelling Assumptions

The assumptions used for financial modelling produce a:

- Base Case;
- Market Case; and
- High Case.

The variable parameters used in each case are Copper prices. The gold price is fixed at \$1,200/oz for all three cases.

Table 14.3 Variable copper prices used for Base Case, Market Case and High Case

Case Scenario		Cu US\$/t	Au US\$/oz
Base Case	World Bank forecast copper metal price (nominal) for 2019 fixed for Life of Mine. This is below current copper price.	5,593 for Life of Mine	\$1,200/oz
Market Case	Economist Intelligence Unit forecast price for Copper until 2019 and thereafter flat.	Minimum 5,907 and maximum 6,171	\$1,200/oz
High Case	Higher of Economist Intelligence Unit and World Bank Copper price forecast until 2025, thereafter flat for remaining Project life	Minimum 5,593 and maximum 7,000	\$1,200/oz

A summary of financial returns for each of the above three cases is summarised below.

Table 14.4 Financial Summary of Base Case, Market Case and High Case.

Case Scenario	Total Revenue US\$ millions	Total Opex US\$ millions	EBITDA US\$ millions	NPV* US\$ millions	IRR
Base Case	452	271	159	39	26%
Market Case	479	271	186	55	33%
High Case	521	271	228	73	37%

**NPV is based on a discount rate of 8.92%*

The relative NPV between the Base Case, Market and the High Case (varying from US\$ 39 million to US\$ 73 million) show the Project may do much better than predicated if referenced copper price forecasts are the underlying supply deficits are realised.

Going Forward

The Company set itself an ambitious target to commence construction in Q4 2016. Construction was unable to proceed absent the mining licence. However, recent positive feedback from the mining authority provided sufficient assurance on the licence application for the Company to announce a maiden reserve statement last month.

The project implementation schedule provides for production ramp up nine months after construction begins, and six months before reaching full production in 2018.

A number of recent media reports have covered the new mining law, drafted by the Public Authority for Mining (PAM), which is expected to be announced soon. It is also understood the new law will include provisions aimed at making the application process more streamlined. The Company welcomes these improvements and based on feedback from the mining authority, does not expect the introduction of the new law to be the cause of delay for the Al Hadeetha mining application.

Competent Person Statements

The information in this announcement that relates to the feasibility study of the Al Hadeetha Copper-Gold project is based on information compiled by Mr Shanker Madan, who is a Member of the Australasian Institute of Mining and Metallurgy, and consultant to Alara Resources. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2012 edition. Mr Madan consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to JORC Resources of the Al Hadeetha Copper-Gold Project (Oman) is based on, and fairly represents, information and supporting documentation prepared by Mr Ravi Sharma, who is a Chartered Member of The Australasian Institute of Mining and Metallurgy, and a consultant to Alara Resources. 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, 2012 edition. Mr Sharma approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Ore Reserve of the Al Hadeetha Project was compiled by Mr Harry Warries, who is a Fellow of the Australasian Institute of Mining and Metallurgy, and a consultant to Alara Resources. Mr Warries 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 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' In assessing the appropriateness of the Ore Reserve estimate, Mr Warries 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 Al Hadeetha Project Feasibility Study. These reports are understood to be compiled by persons considered by Alara to be competent in the field on which they have reported. Mr Warries consents to the inclusion in the report of the information in the form and context in which it appears.

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian minerals exploration company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, an Advanced Scoping Study on the Daris and Al Hadeetha Copper-Gold Projects in Oman and a Feasibility Study for the Al Hadeetha Project, Washihi deposit. The Company is transitioning to establish itself as a base and precious metals mine development and production company. For more information, please visit: www.alararesources.com

APPENDIX A – Oman Minerals & Mining Conference, 17 January 2017



2017 Alara MD Presentation at Oman Minerals and Mining (Final) (2).pdf