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ASX/MEDIA RELEASE

Tuesday, 30 April 2013

Positive Definitive Feasibility Study Confirms Khnaiguiyah Project as Technically and Financially Robust

Project Highlights

- Life of Mine (**LOM**) of 13 years at 2 million tonnes per annum (**Mtpa**) throughput with production forecast to commence in Q4, 2015 when zinc prices are expected to significantly strengthen.
- Project direct capital expenditure of US\$257 million (including owner's cost and contingency)
- Production of 1,410,000 tonnes (**t**) of zinc concentrate (775,000t of zinc metal) and 210,000t of copper concentrate (52,000t of copper metal) for LOM.
- First 7 years of full production show an average of 79,750t of zinc metal as concentrate and 5,750t of copper metal as concentrate with peak production at 99,000t of zinc metal and 8,250t of copper metal respectively as concentrates.

Financial Highlights

- Project revenue A\$2,074 million.
- EBITDA A\$873 million.
- Project NPV of A\$170 million at an IRR of 23%.
- Payback of 2.8 years
- LOM zinc operating costs including treatment and refining charges (**TC/RC**) of US\$0.50/pound (**lb**) after copper credits and US\$0.46/lb in the first 7 years with copper price assumed at an average of US\$6,114/t.
- First full year zinc production (2016) costs forecast (after copper credits) to be in the 2nd quartile of cash costs for the western world mines with copper costs forecast to be in the bottom quartile.

Future Growth and Opportunities

- The DFS is based on currently known JORC Proved and Probable Reserves of 26.1 million tonnes at 3.3% Zn and 0.24% Cu¹.
- All ore bodies are open along strike and depth. Significant upside exists for further discoveries along the host shear zones which have been mapped for several additional kilometres within the Exploration Licence Applications. Many ancient workings remain unexplored.
- Plant throughput rate is based on conservative assumptions. To access high grade ores in the first few years, the mining rate has been planned to be higher than the plant throughput rate of 2Mtpa. This means that in-pit mining will be completed in approximately 9 years and the last four year's production will be derived entirely from lower grade stockpiles. It is expected that some or most of this stockpile production may be brought forward with minimum additional expenditure.

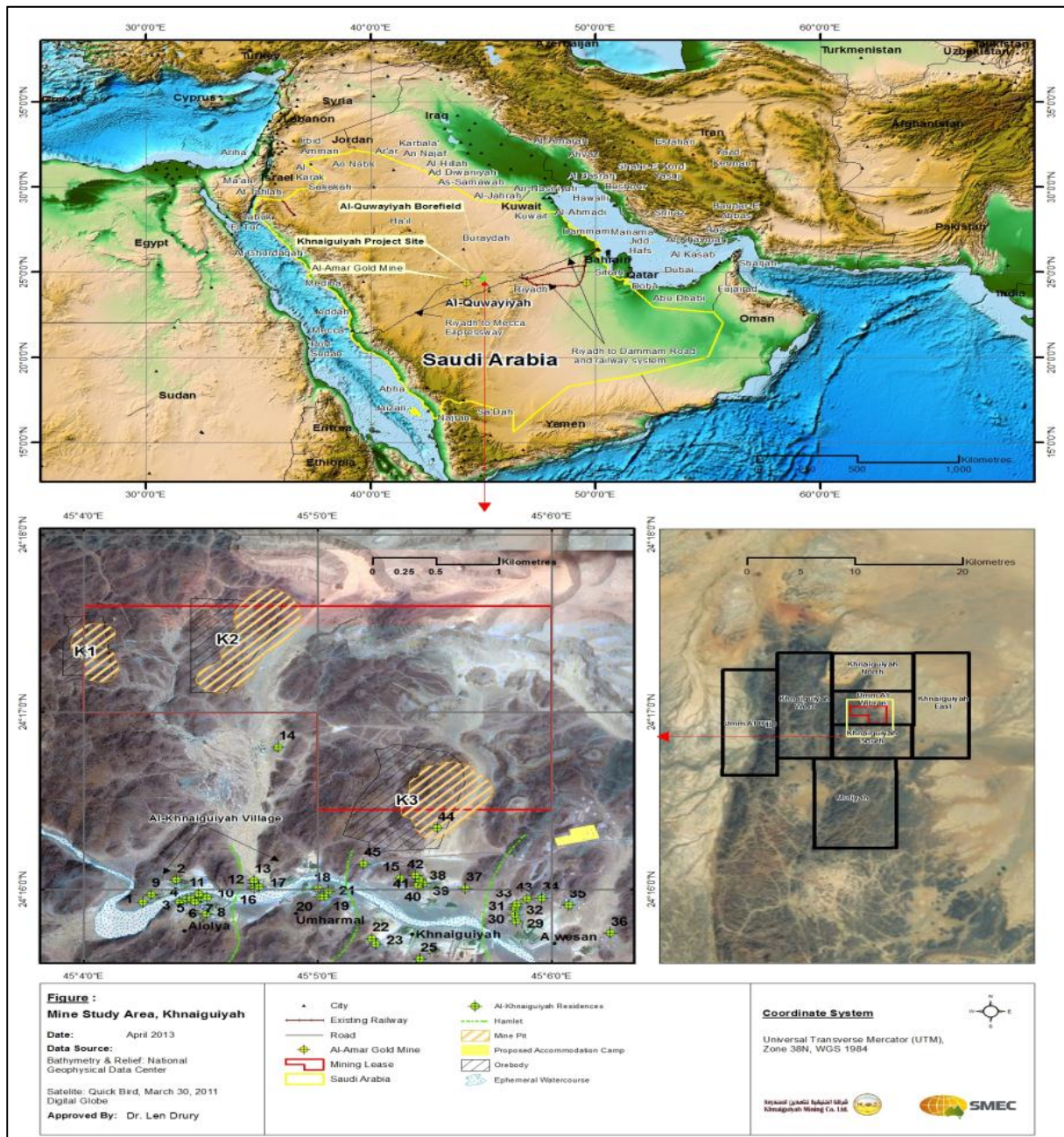
¹ Proved Ore Reserves of 17.7 Mt at 3.4% Zinc and 0.29% Copper and Probable Ore Reserves 8.4 Mt at 3.1% Zn and 0.13% Copper; refer Alara market announcement dated 18 April 2013 and entitled "[Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#)" (The cut-off values were estimated to be US\$17.24 per tonne for Domain 1, US\$17.87 per tonne for Domain 2 and US\$16.29 per tonne for Domain 3 on Net Smelter Return (NSR) basis). Metal prices used in determining NSR in the cash flow model are forecast LME prices for zinc and copper for 2015 by CRU Strategies (see Market Price, page 4).

Khnaiguiyah DFS Completion

Perth: Alara Resources Limited (ASX: AUQ) (**Alara**) is pleased to announce the completion of its Definitive Feasibility Study (DFS) for the Khnaiguiyah Zinc-Copper Project in Saudi Arabia (**Project**).

The Khnaiguiyah Project is operated by Khnaiguiyah Mining Company LLC (**KMC**) a 50:50 joint venture between Alara and United Arabian Mining Company LLC (**Manajem**), a privately owned Saudi Arabian mining company.

Location of the Khnaiguiyah Zinc-Copper Project

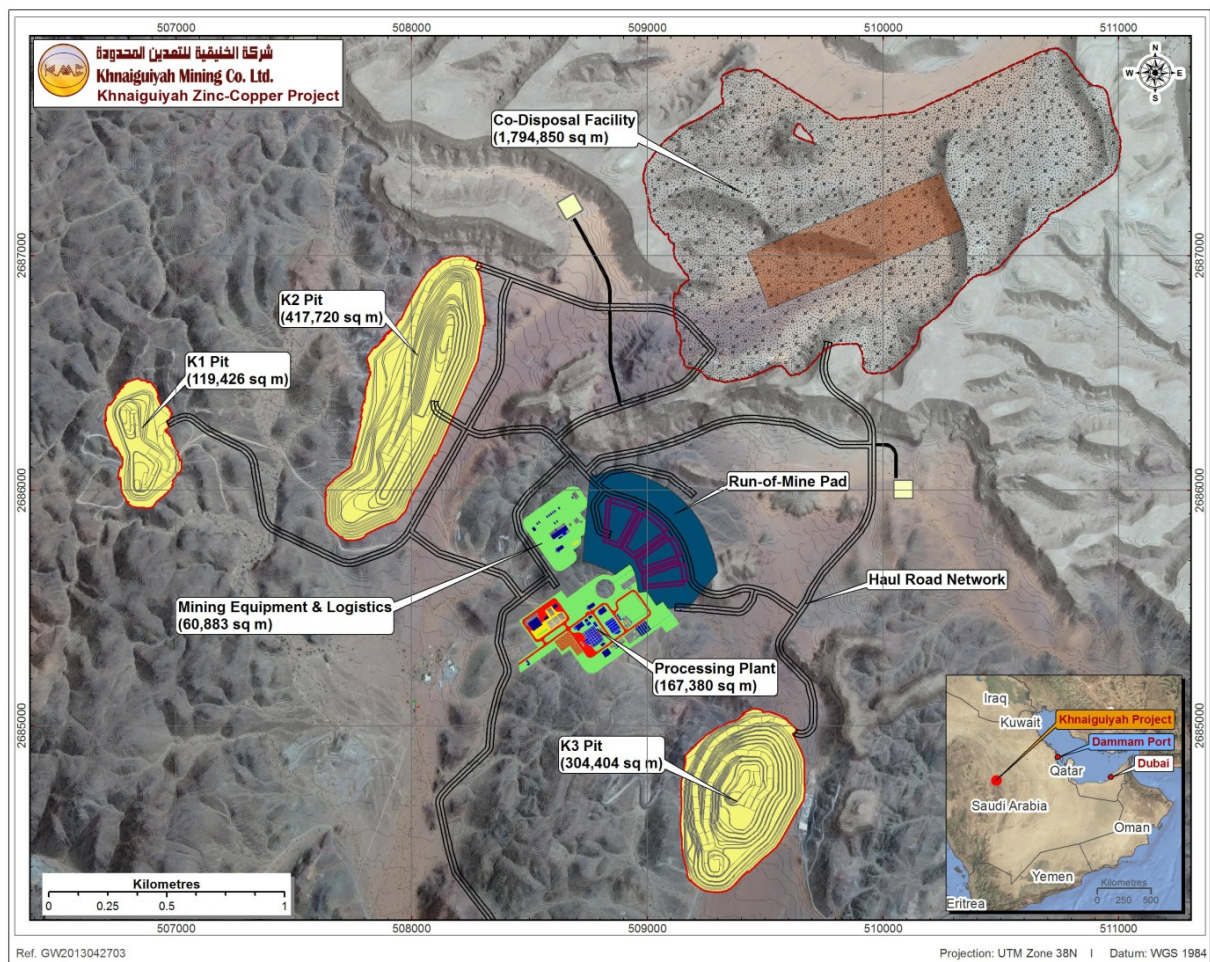


The DFS has defined a 13 year mine life producing approximately 1,462,000t of zinc concentrate (775,000t of zinc metal) and 210,000t of copper concentrate (52,500t of copper metal) for the LOM with average annual concentrate production of 108,000t of zinc and 16,000t of copper delivering a LOM EBITDA of A\$873 million.

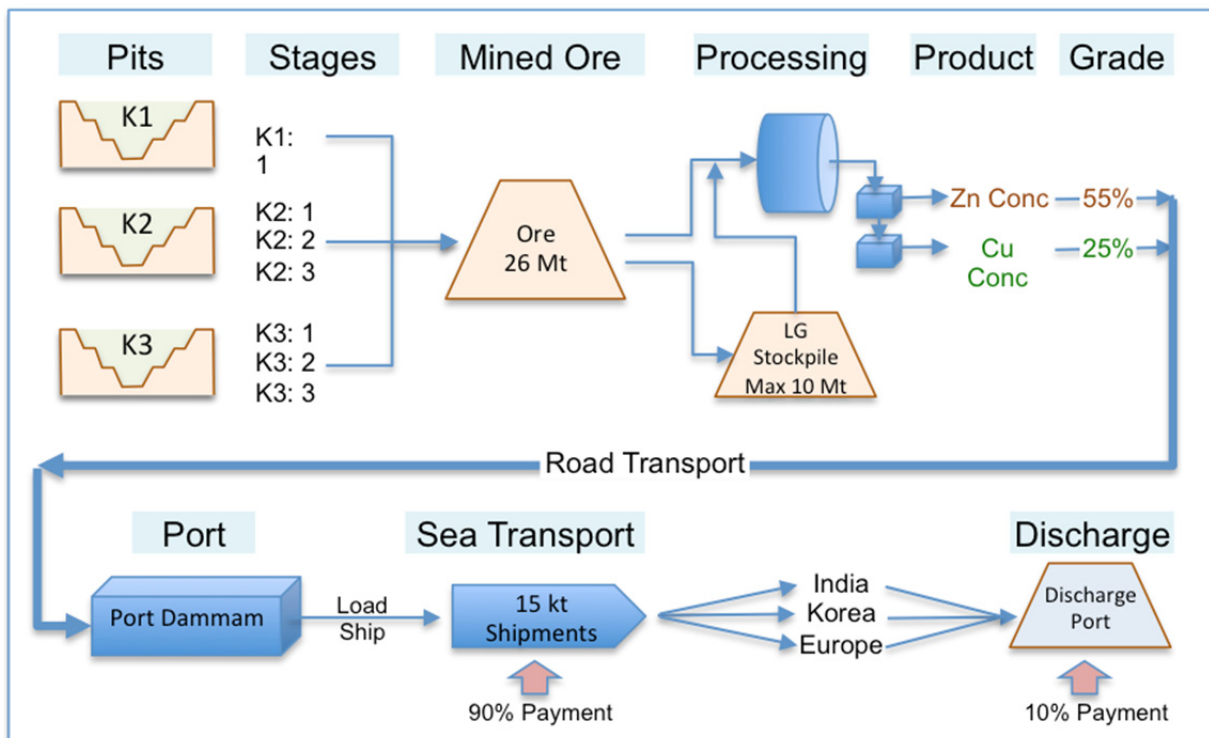
Commenting on the completion of the DFS, Managing Director Shanker Madan stated:

"The Khnaiguiyah Project DFS has confirmed a technically and financially robust mining operation with a mine life of 13 years at 2Mtpa throughput. With all ore bodies open along strike and depth and the host shear zones mapped for several kilometres along strike in a mineral rich tectonic belt, the Khnaiguiyah Project offers further significant value growth potential for Alara shareholders and may well prove to be the beginning of a new era of prosperity and opportunities for the people and the region".

Khnaiguiyah Zinc–Copper Project Surface Layout



Khnaiguiyah Zinc–Copper Project from Pit to End User



A summary of the key results of the DFS are outlined in the tables below.

Definitive Feasibility Study Financial Summary			
	Tonnes		
Zinc Production LOM	775,000		
Copper Production LOM	52,000		
Average Annual Production LOM	Zinc concentrate 108,000 dry metric tonnes Copper concentrate 16,000 dry metric tonnes		
Average first 7 Years of Full Production	Zinc concentrate 145,000 dry metric tonnes (79,750t of zinc metal) Copper concentrate 23,000 dry metric tonnes (5,750t of copper metal)		
LOM Project Revenue Using Base case Zn/Cu Pricing	A\$2,074 million		
Forecast LOM EBITDA Using Base case Zn/Cu Pricing	A\$873million		
	Base Case	High Case	Market Price
Zn	US\$2,315/t	US\$2,373/t	US\$2,335/t
Cu	US\$6,114 /t	US\$7,070/t	US\$7,070/t
TC/RC	US\$180/t	US\$180/t	US\$203/t
NPV	A\$170 million	A\$255 million	US\$120 million
IRR	23%	31%	18%
Currency A\$ to US\$ over LOM	0.90 A\$ to US\$1.00	0.90 A\$ to US\$1.00	1.00 A\$ to US\$1.00

* Market Price based on Forecast LME Price for 2015

Definitive Feasibility Study Production Summary			
Ore Reserves	Tonnes	Zn	Cu
Proved Reserves	17,730,000	3.4%	0.29%
Probable Reserves	8,350,000	3.1%	0.13%
Total Proved and Probable	26,080,000	3.3%	0.24%
	<i>The average grade of the feed to the process plant for the first 7 years is expected to be 4.36% Zinc and in the first 9.5 years approximately 3.95% Zinc</i>		
Mining Method	Open Cut - consisting of three pits (K1, K2 and K3)		
Mining operation	Drill and Blast, Excavator and Dump Truck Haulage 90t Excavator – Ore 160t Excavator – Waste & Ore 90t Off highway Dump Trucks – Ore, Waste and Tailings		
Pit Depths	K1 Pit: 95 metres; K2 Pit: 155 metres; K3 Pit: 220 metres.		
Process	Conventional Differential Flotation including Crushing, Grinding, Flotation, Thickening and Filter press		
Civil and Engineering Works	Infrastructure - Fencing and security. Accommodation Village, Run of Mine (ROM) pads and Low Grade Stockpiles (LGS) - Buildings include Workshops, Offices, Prayer rooms, Training crib rooms, Security and Medical facilities Process Plant: 2Mt per annum throughput Process Plant including crushers, grinding circuit, flotation circuits, thickeners and filtration units for copper and zinc, conveyors, modern integrated fibre optics based real time communication system and control room, weighbridge, laboratory. Power Generation - Diesel Power Plant: 12 x 1.825 MW Water production and delivery: - Bores, pumping station, 15 km pipeline and water storages. Mining: - Development of the K1, K2 and K3 Pits, - Tailings and waste disposal will be a Co-disposal facility (CDF)		

Definitive Feasibility Study Production Summary	
Employment	Construction workforce – Total = 325 • Owners Team – 25 • Construction work force – 300 (Peak) supplied under EPC contracting terms Permanent work force – Total = 475 • Mining – 184 (Peak) • Process – 112 • Management and Admin and support staff – 114 Site Services • Village catering and cleaning - 40 • Village Maintenance – 12 • Power and bore fields – 13
Volume Extracted	TOTAL: 160 Mt comprising (approx.): • 20 Mtpa (for Years 1, 2, 3, 7), • 14 Mt (Year 4), • 17 to 18 Mtpa (for Years 5, 6, 8, 9), decreasing to 0.3 Mtpa (Year 10). • Processing stockpiles occurs from 10 to 13.
Total Ore Processed	26.08 Mt
Processing	2mtpa years 1 – 9 direct feed from ROM 2mtpa years 10 – 13 direct feed from LGS
Tailings	25 Mt / LOM
Waste Rock	134 Mt / LOM
Volume in Co-Disposal	13 year waste rock and tailings totalling 159 Mt
Construction and Commissioning, Mine Development	Construction – 24 months consisting of: • 18 months – Engineering, Procurement and Construction • 4 months – Commissioning including wet commissioning Mine Development: • 6 months – Mining Ramp up. Commencing 16 months into the construction cycle. • First production is forecast for Q4 2015.
Life-of-Mine	Mining (Years 1 to 9), Stockpile Processing (Years 10 to 14), 2 year rehabilitation. • Rehabilitation to start at the end of mining ○ Pits – 18 months ○ Co-Disposal Facility (CDF) – 6 months
Waste to Ore Ratio	5.2:1
Mining Equipment	• 2 x 160t excavators for waste • 1 x 90t excavator for ore • 1 x 50t excavator for batter scaling • 23 x 90t dump trucks of which 2 are planned for haulage of dry tails • 5 drill machines for drill and blast Other equipment includes graders, dozers, wheel loaders, water carts and tyre handlers

Capital Cost Estimate

The capital cost estimate for the Project has been calculated at US\$257 million as outlined in the following table:

Cost Centre	US\$ Millions
Process Plant	158
Infrastructure	66
Services • Bore field 6 • CDF 4 • Fuel Farm 1 • Mob/Demob 1	12
Owners Team / Contingency	21
Total	257

The estimate is based principally on a fixed price lump sum (Q3, 2013 base) tender submission received by KMC under the internationally accepted FIDIC (International Federation of Consulting Engineers) Silver Book, First Edition 1999, EPC/Turnkey General Conditions contracting model which covers the engineering design, procurement, construction and commissioning of the following areas of the Khnaiguiyah Project:

- Process Plant
- Site infrastructure which includes:
 - Bulk Earthworks
 - Office buildings
 - Medical and Security
 - Explosive Storage
 - Workshops: Fixed and Mobile Plant
 - Power Generation
 - Permanent Accommodation Village
- Concentrate Handling Storage / transport containers

The party providing the fixed price tender has prior experience in building and operating under contract a copper zinc mine and plant in Saudi Arabia and KMC consultants have visited the base country operations of the tender party as well as visiting a current project being operated by the party in Saudi Arabia. Due diligence of the facilities by KMC consultants and engineers impressed KMC with the capabilities and performance of the party.

KMC believes the EPC model suits the conditions of work in Saudi Arabia based upon the following factors:

- Tried and tested processing techniques associated with the floatation of zinc and copper production
- Stable weather patterns
- Low seismic activity
- Ability to utilise third country nationals as work force
- Single site head contractor

The tender quote for the Process plant, Site Infrastructure and Concentrate Handling is US\$223m. A further US\$24m has been added for other capital costs taking the estimated total project cost to US\$257m.

This is based upon a plant design of 2Mtpa and includes construction and commissioning of the 2Mtpa process plant, 24MW power station, mine village and water bore field.

Operating Costs Estimate

Operating Cost Summary		
Unit Operating Costs		
	US\$/t ore	LOM Total US\$/Million
Waste mining	7.89	206
Ore mining	1.42	37
Additional ore mining costs*	2.83	74
Processing cost (variable)	7.33	191
Processing cost (fixed)	5.53	144
Transport, TC / RC (variable)	18.20	475
Total operating cost	43.20	1,127

**Management, Grade Control, Rehandle, Tailings*

The amounts incorporated in the table above include treatment and refining (TC/RC) charges. These costs will likely vary over time and are partly correlated to zinc prices quoted on the London Metals Exchange (**LME**).

Total operating costs over the LOM including sustaining capital and mining equipment leasing costs have therefore been estimated at US\$43.20 (+/- 15% accuracy) per tonne of ore using conservative equipment availability and productivity estimates.

Marketing Studies

CRU Strategies (an international marketing and market forecasting firm on long term zinc, copper and TC/RC charges) was engaged by KMC to prepare a marketing report on zinc and copper markets during the life cycle of the Khnaiguiyah Zinc–Copper Project.

Excerpts from the report are as follows:

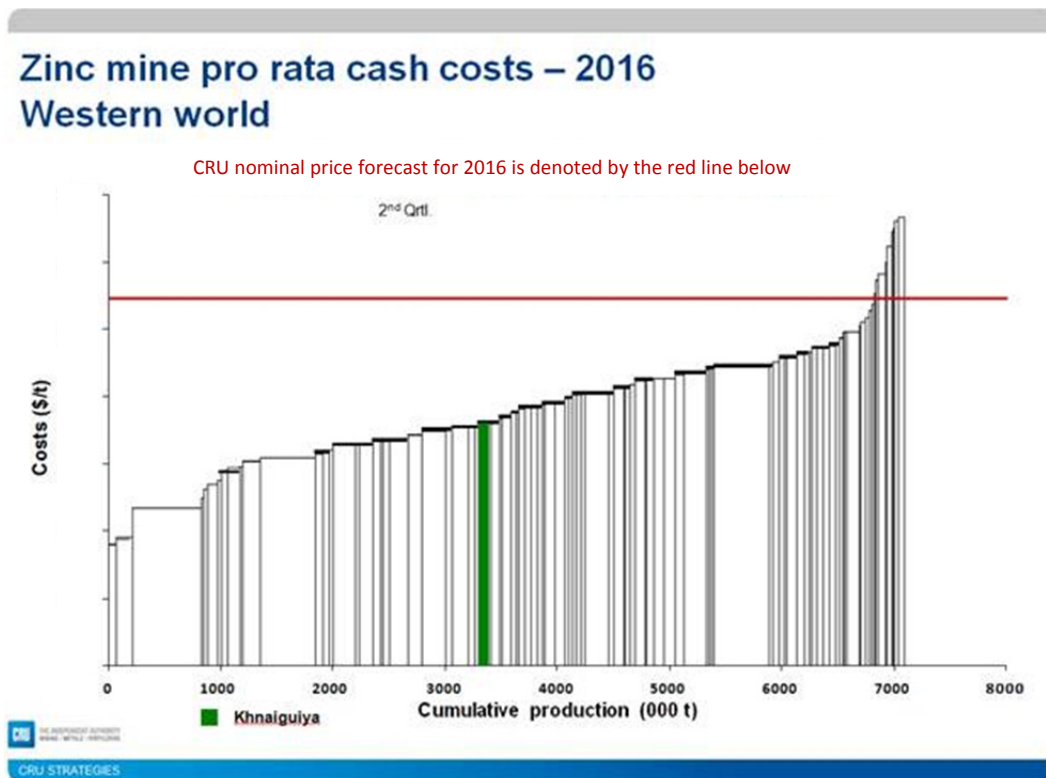
- *"Zinc consumption is forecast to increase from 12.4 Mt zinc in 2011 to 15.8 Mt in 2016, reaching 23.2 Mt by 2030."*
- *"We forecast (zinc) prices will first reach an annual average peak of US\$3,822/t in 2017 before dropping."*
- *"From 2018 we expect new supply capacity to put downward pressure on prices which we expect to trend around the Long Range Marginal Cost (**LRMC**), which in 2020 is forecast to be US\$2,454/t rising to US\$3,356 by 2030".*

Estimates of TC/RC for zinc and copper have been adopted from the report commissioned from CRU Strategies and adjusted to recognize discounts available to spot market participants.

Cash Costs

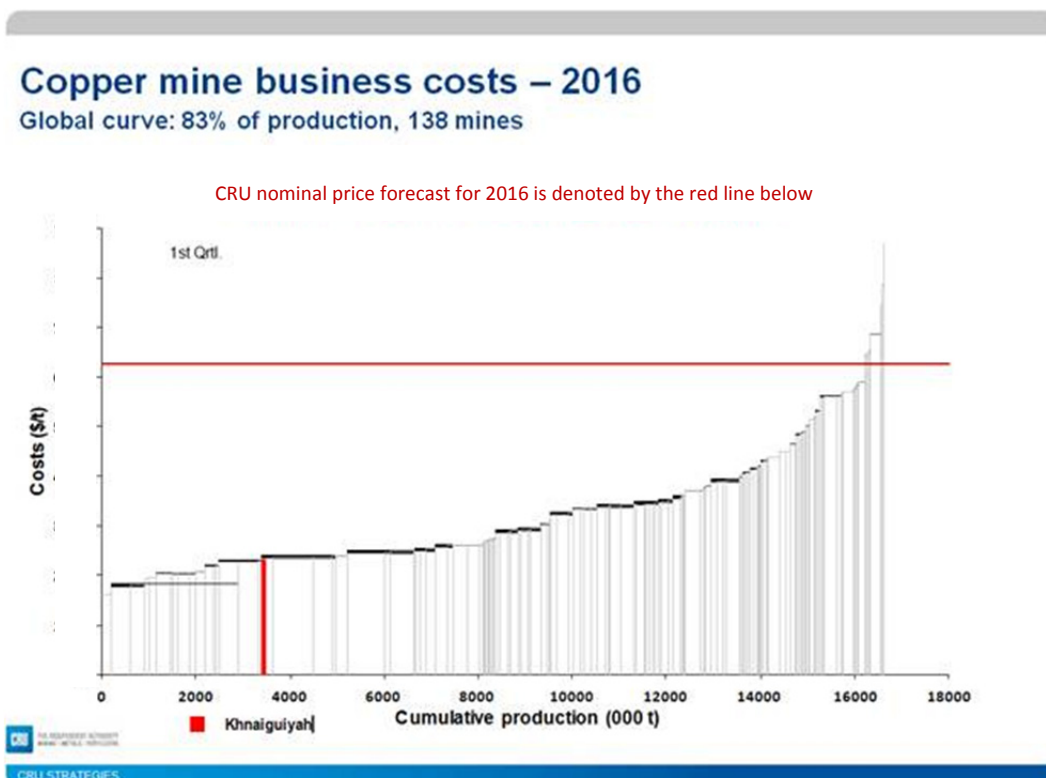
The prorated zinc cash costs for the Khnaiguiyah Project for the year 2016, being the first full scheduled production year are forecast to be in the low 2nd quartile of cash costs for mines in the western world.

The chart below based on CRU analysis illustrates the relative Khnaiguiyah Project cash cost profile for Zinc.



The prorated copper cash costs for the Khnaiguiyah Project for the year 2016, being the first scheduled full production year are forecast to be in the bottom quartile of cash costs for mines in the western world.

The chart below based on CRU analysis illustrates the relative Khnaiguiyah Project cash cost profile for Copper.



Financial Analysis

Based upon the analysis conducted by CRU together with further data from other sources relating to both long term Zinc and Copper price forecasts and associated treatment and refining costs, the financial analysis undertaken in the DFS has confirmed the Khnaiguiyah Project as providing a financially robust mining operation

The following key assumptions used in the preparation of a financial model for the project include a:

- (a) Base Case; and
- (b) two scenarios in which the Base Case assumptions are changed to reflect different assumptions on Zinc and Copper pricing and treatment and refining costs (TC/RC).

The variable parameters used in each case reflecting Zinc and Copper prices and well as TC/RC are as follows:

Pricing and Refining/Treatment Assumptions for Life of Mine						
Case Scenarios	Assumptions	Zn US\$/t	Cu US\$/t	Zn TCRC/US\$/t	Cu TC/US\$/t	Cu RC US c/lb
High	Use CRU Prices, for Zn. Adjust Cu Prices and TC/RC	2373	7,070	180	64	6.4
Base	Use Consensus Prices for Zn and Cu, Adjust TCRC	2,315	6,114	180	64	6.4
Market Price	LME 2015 Prices for Zn and Cu and TC/RC as Forecast by CRU Strategies	2,335	7,070	203	64	6.4

For Zinc, the DFS developed a consensus price based on the CRU estimate and estimates from BDO and Morgan Stanley.

For Copper, the DFS developed a consensus price based on the CRU estimate and estimates from BDO, JP Morgan and Morgan Stanley.

The Base Case adopts:

- **Zinc price** of US\$2,315 average for mine life based on forward LME 2015 prices for zinc. Most analysts forecast rising prices to 2018 with falls thereafter
- **Copper price** of US\$6,114 average for mine life.
- **Zinc Concentrate TC/RC** weighted average of US\$180/t assuming a reduction of US\$23/t over LOM from the LME Forecast Negotiated TC/RC for Zinc for 2015 of US\$203/t (source CRU Strategies). The price differential between spot and contract prices for recent years has also been taken into account. (Source: Teck, Boliden)
- **Copper Concentrate Treatment Charge** reduced for Spot discounted to weighted average US\$64/dmt. It is also in line with LME futures forecast for 2015 (Source: CRU Strategies)
- **Copper Concentrate Refining Charge** reduced for Spot and in line with LME futures forecast for 2015 (Source: CRU Strategies) discount to average US6.4 cents/payable lb

Using the Base Case parameters, the Project financials² could be as follows:

- **EBITDA of A\$873 million or generate sufficient cash flow to repay all the CAPEX associated with construction in 2.8 years.**
- **NPV of A\$170 million at weighted average cost of capital (WACC) of 9.10% (taking into account the low cost of capital in Saudi Arabia).**

Using the High Case and the lower Market Price Case scenarios, the Project shows:

- A payback of CAPEX between 2.0 and 3.8 years respectively.
- NPV of between A\$255m (High Case) to US\$120m (Market Price assuming A\$ parity with US\$) respectively.

² Assuming an average US\$ to A\$ conversion of A\$0.90 to US\$1.00 over LOM

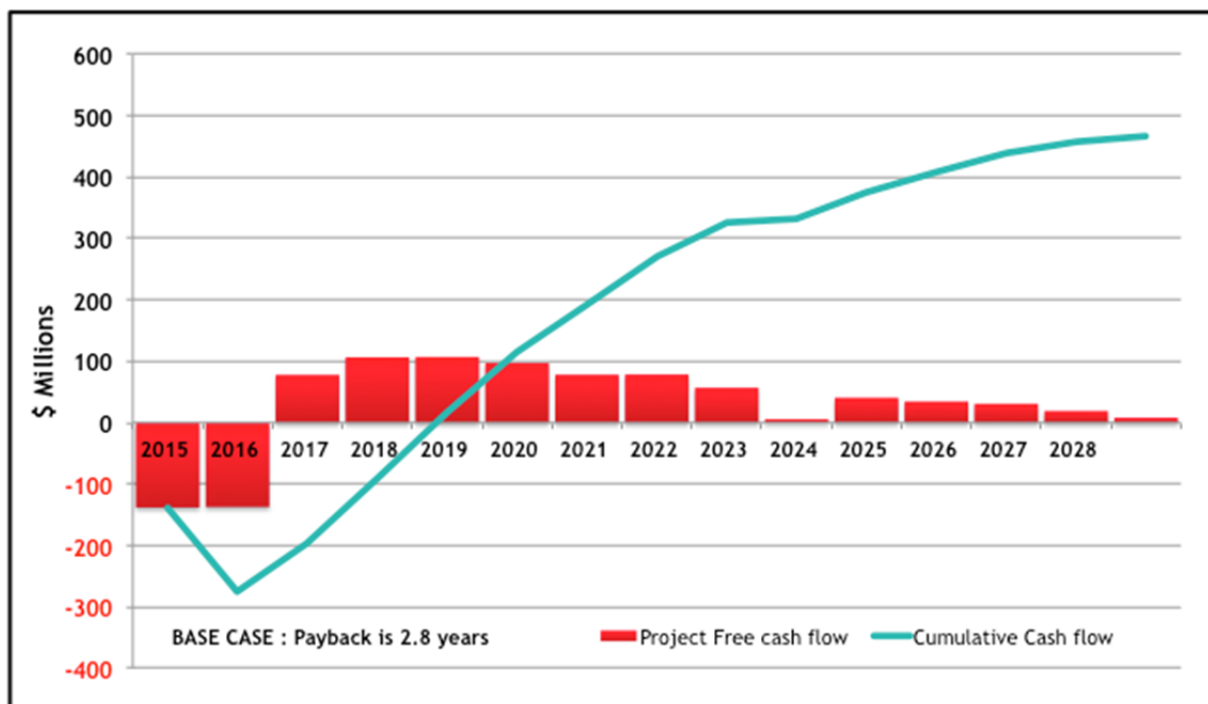
Summary of NPV given variable Zinc and Copper price and treatment charges:

Pricing Assumptions for Life of Mine					
Case	Assumptions	EBITDA A\$ million	NPV A\$ million	IRR	Payback years
High	Use CRU Prices, for Zn. Adjust Cu Prices and TC/RC	1,004	255	31%	2.0
Base	Use Consensus Prices for Zn and Cu, Adjust TCRC	873	170	23%	2.8
Market Price (Based on Forecast LME Prices)	LME 2015 Prices for Zn and Cu and TC/RC as Forecast by CRU Strategies (Assume A\$ parity with US\$)	791	120	18%	3.8

Summary of Project Revenues across various cases:

Revenue Assumptions for Life of Mine				
Case	Assumptions	Revenue A\$ million	Cost A\$ million	EBITDA Yr 1 to 7 of Full Production
High	Use CRU Prices, for Zn. Adjust Cu Prices and TCRC	2,205	1,201	831
Base	Use Consensus Prices for Zn and Cu, Adjust TCRC	2,074	1,201	696
Market Price	LME 2015 Prices for Zn and Cu and TC RC as Forecast by CRU Strategies (Assume A\$ parity with US\$)	1,899	1,107	609

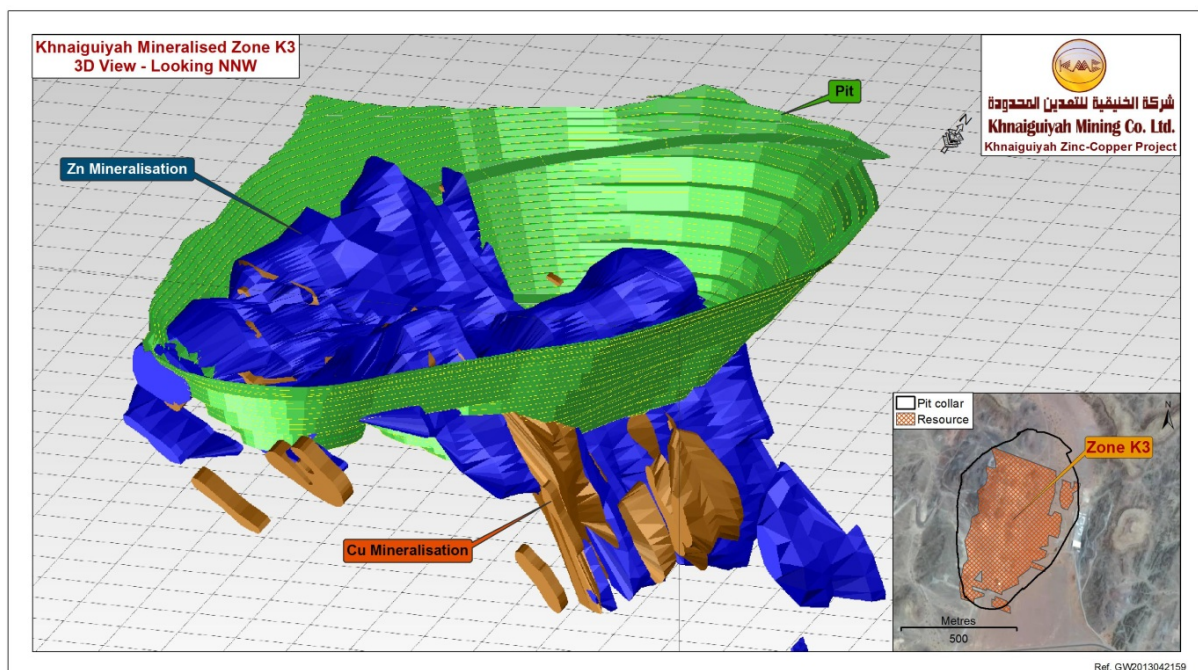
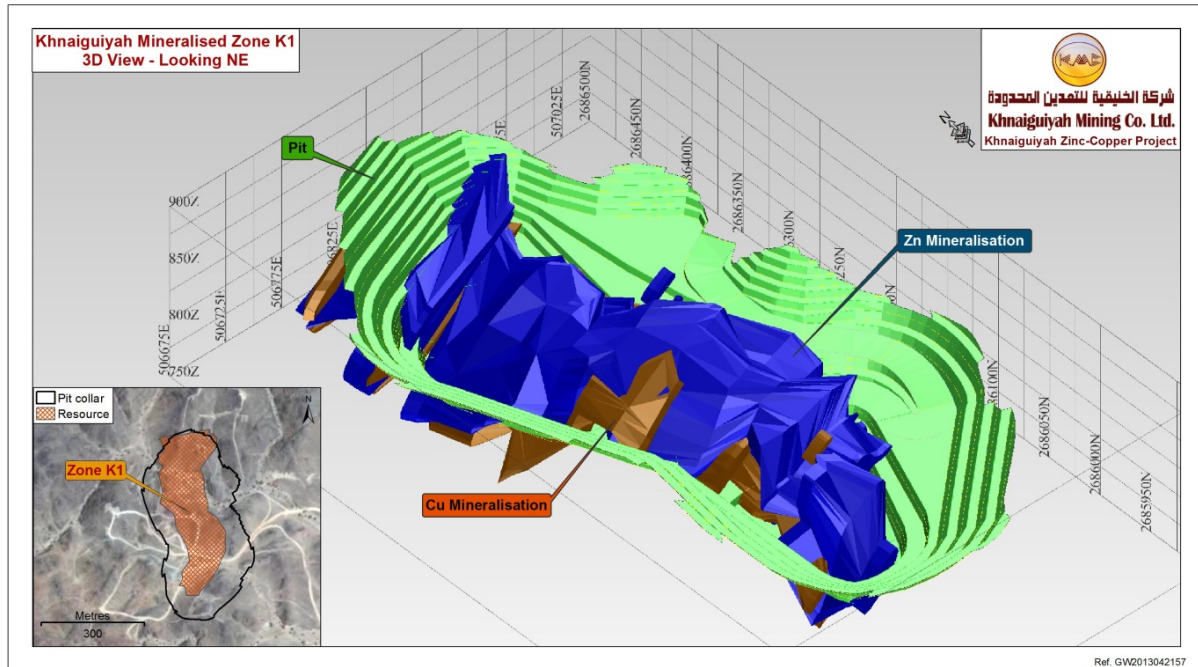
Base Case Cash Free Cash Flow and Payback



Mine Operations

The DFS contemplates three open cut pits (K1, K2 and K3) within 3 km distance of each other and a centrally located ROM pad and processing facility. It is envisaged that 100% drill and blasting for ore and waste will occur with truck and shovel operation occurring on an owner operator basis.

3D visuals models of the K2 and K3 Pits and the distribution of Mineralisation are shown below:



Mining Schedule

The DFS contemplates that mining will be completed in 9 years with mill feed from years 10 to 13 coming from stockpiled ore.

Strategic scheduling studies have occurred to maximise NPV within the first 4 years of production.

Pit depths planned for each ore body are as follows:

- K1: 95 metres
- K2: 155 metres
- K3: 220 metres

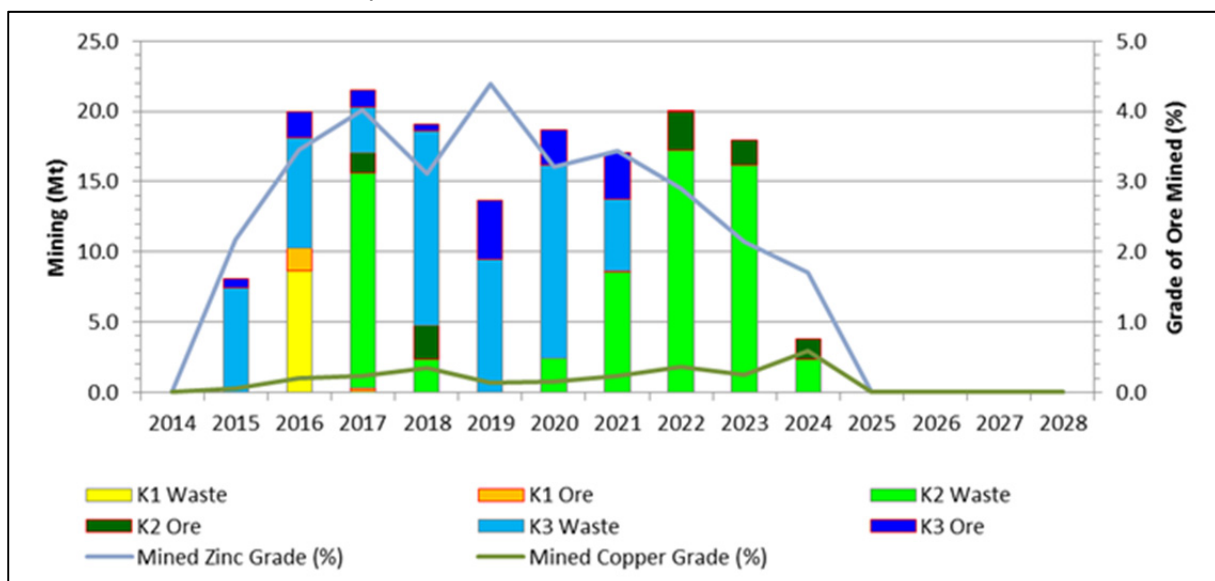
Tactical scheduling has included a LOM schedule with a detailed quarterly schedule for the first four years of mine life assuming a six month mining ramp up schedule commencing in the sixth quarter of the eight quarter construction and commissioning cycle.

Planned mining equipment includes:

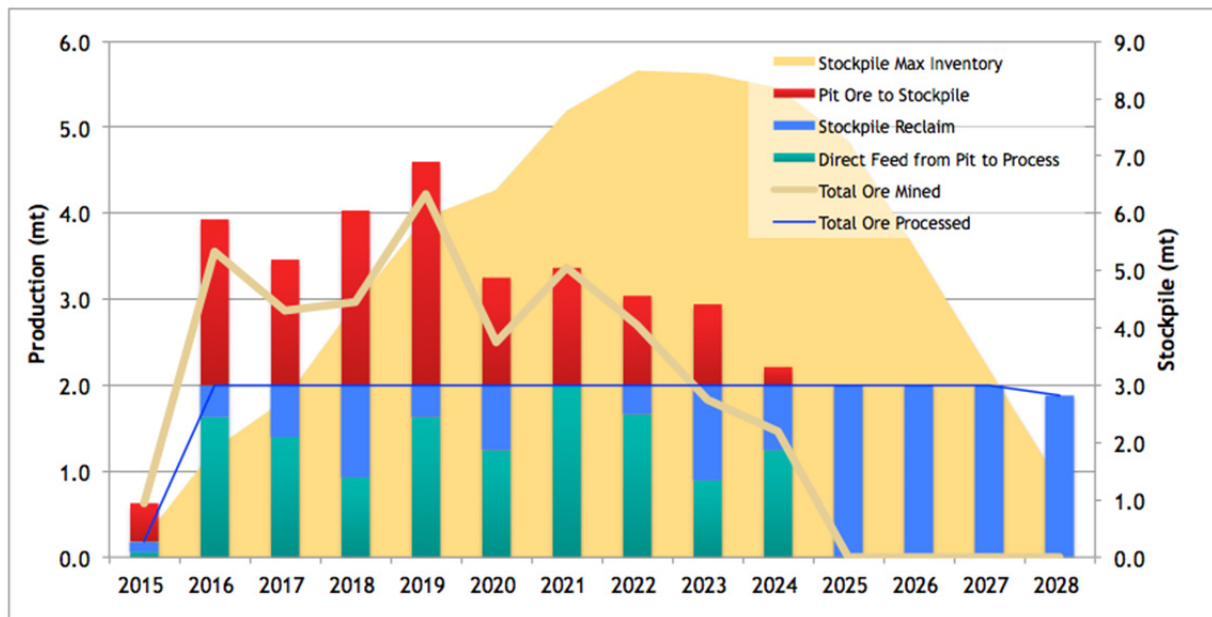
- 2 x 160t excavators for waste
- 1 x 90t excavator for ore
- 1 x 50t excavator for batter scaling
- 23 dump trucks of which 2 are planned for haulage of dry tails
- 5 drill machines for drill and blast

Other equipment includes graders, dozers, wheel loaders, water carts and tyre handlers.

Proposed Mine Schedule for various ore bodies

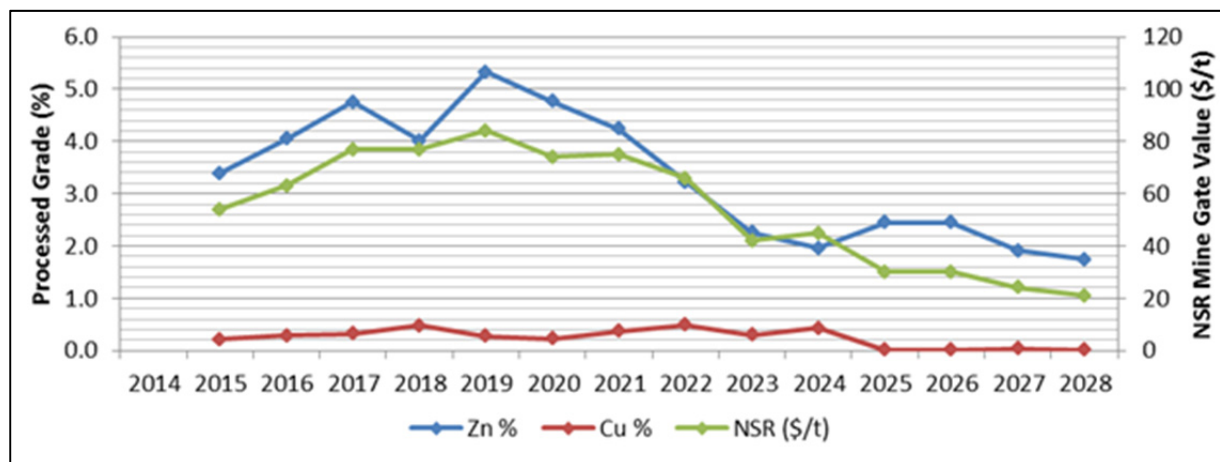


Ore Production and Stockpiling schedule



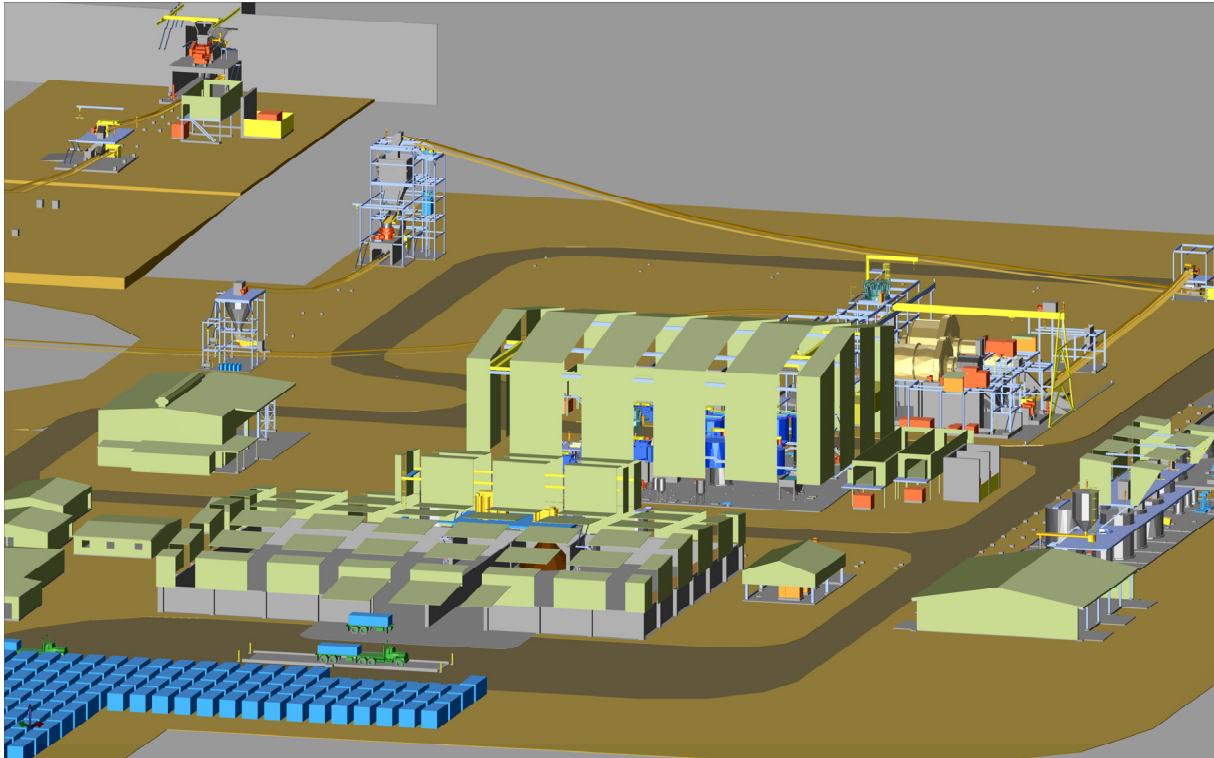
Mill Feed Grade

Total mill feed grade will be in accordance with the table below with peak grades being estimated at 5.33% Zn. The seven year average Zn grade is likely to be 4.36% Zn.



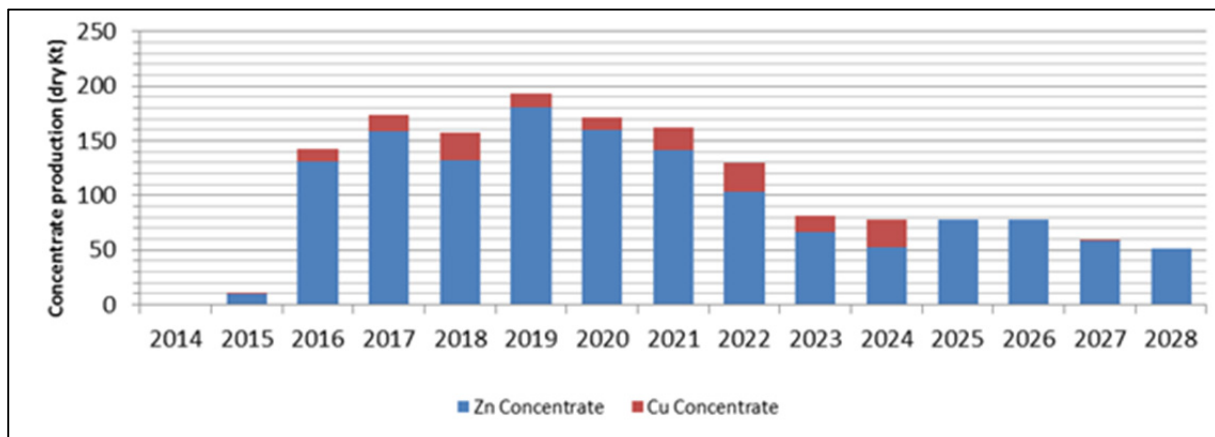
Process Plant

The Khnaiguiyah process plant will be a conventional differential copper-zinc flotation plant.



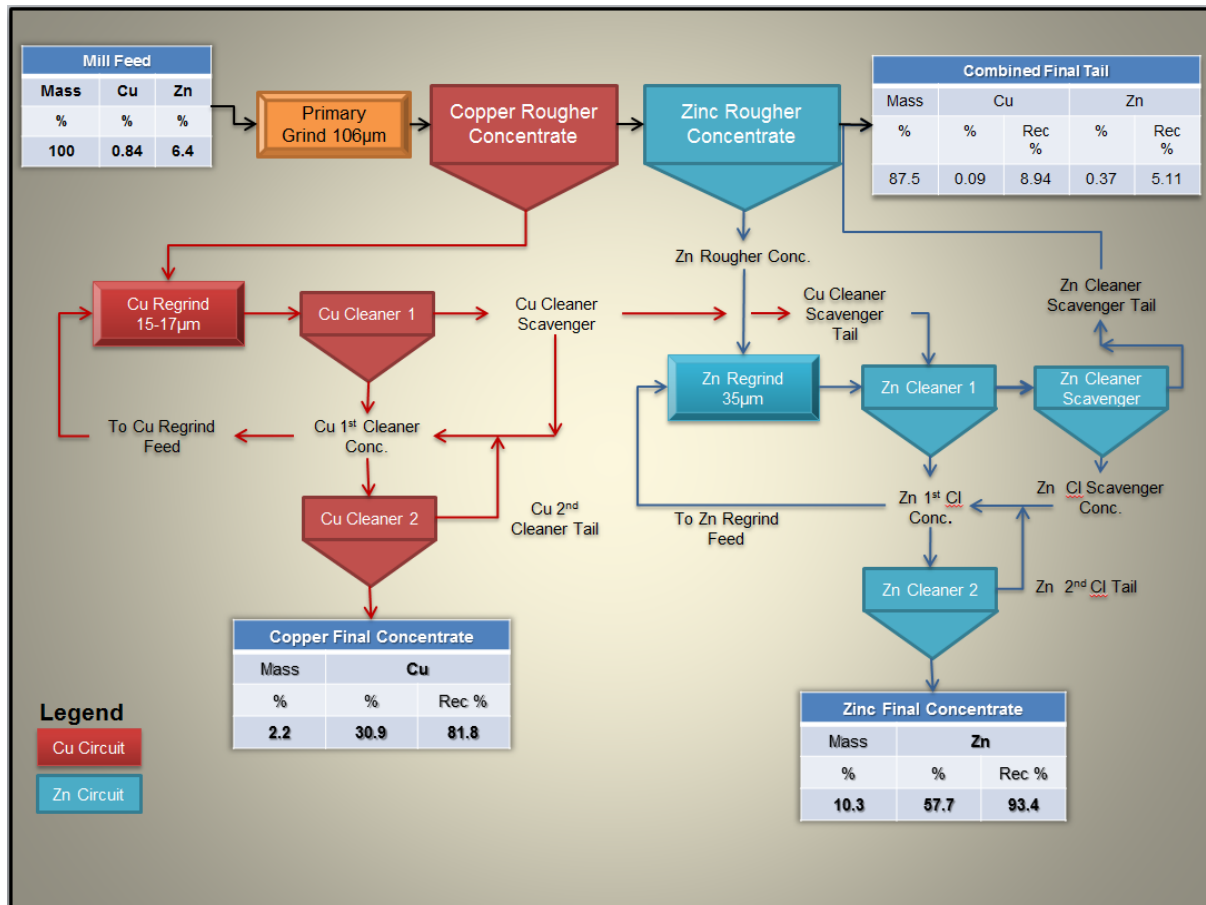
Concentrate Production

Total Concentrate production is planned in accordance with the following graph. An average of 145,000t zinc and 23,000t of copper concentrate will be produced every year for the first 7 years of full production. It is envisaged that the peak annual production will be approximately 180,000t of zinc and 33,000t of copper concentrate.



Plant Flow Sheet based on K2 Master Composite

(The basis for the plant design)



Human Resources

The DFS contemplates a total peak construction workforce of 325 persons comprising:

- Owners Team – 25
- Construction work force – 300 (Peak) supplied under EPC contracting terms

Post construction the permanent peak work force is envisaged at 475 persons comprising:

- Mining – 184 (Peak)
- Process – 112
- Management and Admin and support staff – 114
- Site Services:
 - Village catering and cleaning – 40
 - Village Maintenance – 12
- Power and bore fields – 13

Concentrate Transport

The DFS contemplates zinc and copper concentrate transport via half size containers each carrying a payload of 27t (wet with 10% moisture for zinc and 12.5% moisture for copper concentrates) on 30t flat bed trailers from mine to Dammam port on a 3 lane highway each way with a transport distance of 610km.

Concentrates will be loaded into HandiMax vessels with each load varying between 10,000t to 40,000t as necessary for onward shipment to destination ports.

Future Growth and Opportunities

- The DFS is based on currently known ore reserves.
- All ore bodies are open along strike and depth. Significant upside exists for further discoveries along the host shear zones which have been mapped for several additional kilometres within the Exploration Licences. Many ancient workings remain unexplored.
- Plant throughput rate is based on conservative assumptions. To access high grade ores in the first few years mining rate has been planned to be at a rate higher than the plant throughput rate of 2Mtpa such that mining will be completed in approximately 9 years and the last four year's production will be derived entirely from lower grade stockpiles. It is expected that some or most of this production may be brought forward with minimum additional expenditure.

DFS Contributors

The DFS is based upon extensive drilling, analysis, QA/QC analysis and review, geological modelling, mineralogical studies, metallurgical test work on core samples, geotechnical drilling and studies and mine planning studies.

Additional studies have been conducted on process water, environmental and social issues, legal approvals, land tenure and marketing.

The external organisations that contributed to the development of the DFS include:

- SMEC International Pty Ltd (SMEC)
- Gemcom AustralAsia
- Ausenco Services Pty Ltd (Ausenco)
- SRK Consulting (Australasia) Pty Ltd (SRK)
- CRU International Limited
- Mining & Cost Engineering Pty Ltd
- Burns Consulting Pty Ltd
- Kiandra Engineering
- Megabest Pty Ltd
- ALS Ammtec Pty Ltd
- George, Orr & Associates
- BDO
- Pinc Group Pty Ltd

– ENDS –

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and development company with a diverse portfolio of projects in Saudi Arabia and Oman.

With a strong pipeline of advanced and early stage projects, Alara is moving towards establishing itself as an emerging base and precious metals development company.

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

Competent Persons Statement

- (a) *The information in this announcement that relates to Ore Reserves has been compiled by Mr Geoff Davidson, who is a member of the Australian Institute of Mining and Metallurgy and a consultant to Khnaiguiyah Mining Company (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.'*

In assessing the appropriateness of the Ore Reserve estimate, the Competent Person 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 2013 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 consents to the inclusion in this announcement of the information in the form and context in which it appears.

- (b) *The information in this announcement that relates to Exploration Results has been compiled by Mr Hem Shanker Madan who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.*