

Investor Update

From the Managing Director

Inaugural Issue – Alara Investor Update

On behalf of Alara Resources Limited, I am pleased to provide to our stakeholders, shareholders and the general public this inaugural issue of the Alara Investor Update.

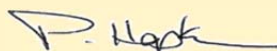
Alara is committed to becoming a mid-tier mineral producer with a focus on mineral deposits and projects in the Middle East region, and to deliver maximum shareholder value through profitable growth, development of low cost operations and through stability and sustainability over time. All activities and decisions within the Company are referenced against these core objectives and relevant communications with our key audiences are integral to this process.

It is intended that this regular publication will allow Alara, beyond the various compliance requirements, ASX announcements and corporate reports, to showcase and provide an insight into the environments in which the Company is operating; the key people and organisations involved; and the Company's overall culture and philosophy.

Alara is currently working through a difficult impasse for its Khnaiguiyah Zinc-Copper Project in Saudi Arabia with tremendous focus and effort being exerted in order to achieve a positive outcome for the Project in the very positive current Zinc market cycle.

Multiple opportunities and options for our Copper-Gold Projects in Oman have been identified and are under review to crystallise the best way forward.

This is a phase of development for the Company requiring effort, patience and perseverance and the application of specialised expertise to produce the most positive outcomes for the Projects, for Alara and for its key stakeholders and the Company intends to keep all stakeholders as informed as possible along the way.



Philip Hopkins
Managing Director

Issue 1 | August, 2014

In this issue

- > From the Managing Director
- > Khnaiguiyah Zinc-Copper Project
- > Opportunities in the Kingdom
- > Zinc Market News
- > Alara Directors Visit Saudi Arabia
- > Developing Mining Focus in Oman

Highlights

- > Alara fostering relationships in the region
- > Zinc concentrate price on a steady positive trend
- > Alara attending Saudi Mining & Minerals Symposium in Riyadh
- > Preparatory activity continues for Khnaiguiyah Project



ASX : AUQ

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Investor Update



Dammam's King Abdul Aziz Sea Port is the largest port on the Persian Gulf. Its import-export traffic is second only to Jeddah Seaport.

Opportunities in the Kingdom

Creation of a more transparent and predictable environment for trade and foreign investment

The Kingdom of Saudi Arabia's fast-growing economy is creating opportunities for both exporters and investors. These are further boosted by economic reform, market liberalisation, a growing private sector and moves to diversify the economy away from dependence on oil and gas. Steps have also been taken in recent years to encourage greater private sector involvement in the development of the mining sector. These include incentives for investment by both foreign and domestic companies, and support services intended to facilitate development of mining of the Kingdom's significant mineral reserves.

As part of its effort to attract foreign investment, Saudi Arabia joined the WTO in December 2005 after many years of negotiations. This committed the country to further liberalisation of its trading regime and the creation of a more transparent and predictable environment for trade and foreign investment, in accordance with WTO rules.

The Saudi population is one of the fastest growing in the world and it is expected that there will be 29 million Saudis in 2020 - some 50% of Saudis are under 25 years old.

Significant investment will be required to meet the needs of this growing population, creating extensive investment opportunities. Major projects in power, water, oil & gas, petrochemicals, communications, transport, mining, construction and social infrastructure add up to an estimated USD \$1,000 billion of investment opportunity over the next 20 years.

Source: www.saudiarabia.doingbusinessguide.co.uk



Khnaiguiyah Zinc-Copper Project

Further appropriate preparatory activity for Project activation is continuing despite JV impasse

Despite the current impasse with the Khnaiguiyah Project JV partners the Company continues to work toward a solution with various options being explored and progressed.

Technical and financial enhancement studies have progressed on schedule with positive results and, whilst restraint is being exercised with the expenditure of funds, further appropriate preparatory activity for Project activation is continuing in the areas of human resources planning, funding options analysis, offtake options, licences and permits requirements, EPC contract providers, as well as expansion and development of relationships with key stakeholders; government agencies; local authorities and communities.

*Saudi Arabia is accelerating its mineral resources development plan in an initiative that will facilitate the development of its mining sector. "The aim is to establish mining and its support services as the third pillar of the Saudi Arabian economy after hydrocarbons and petrochemicals," said Sultan bin Jamal Shawli, Deputy Minister for Mineral Resources at Saudi Arabia's Petroleum & Mineral Resources Ministry. "We have the minerals, the market and the potential to explore them. We are now turning to the private sector in the Kingdom and the world outside to help us achieve our ambitious goals."

"Mineral deposits in Saudi Arabia are widespread and of many types, ranging from metallic and non-metallic to lightweight aggregate," said Dr Zohair A Nawab, President, Saudi Geological Survey.

Country Manager (Saudi Arabia & Oman) Justin Richard will be attending MEED's inaugural Saudi Mining & Minerals 2014 Symposium (<http://www.saudi-mining.com>) in Riyadh in November 2014. Working in partnership with Ma'aden, and hosted under the auspices of the Deputy Ministry for Mineral Resources (DMMR), this expert mining forum has been tailored to provide a platform for examining the enormous potential of the fast growing Saudi Mining sector for local, regional and international mining companies, suppliers and investors. Speakers include HRH Prince Faisal Bin Turki Bin Abdul Aziz, Adviser to the Ministry of Petroleum and Mineral Resources; HE Ali bin Ibrahim Al-Naimi, Minister, Ministry of Petroleum and Mineral Resources; Sultan bin Jamal Shawli,; and Dr Zohair A Nawab, President.

Alara continues to enjoy the support of many key stakeholders in the Kingdom including Emir Khalid Al Qahtani (President of Khnaiguiyah), Mr Sulaiman Al Jebreen (Chairman) and the members of the Al-Quwayyah Chamber of Commerce as well as a number of other key parties, and their ongoing assistance and offers of support for the Khnaiguiyah Project are appreciated.

*Source: www.zawya.com

NOTE TO INVESTORS

Please visit our website:

www.alararesources.com to
subscribe for regular email updates

Investor Update

Zinc Market News

Zinc concentrate price continues its upward trend

The price of Zinc concentrate continues its steady upward trend closing at US\$1.04/lb on 14 August 2014 (having spiked at US\$1.10 in late July) – up 25% since September 2013. CRU is predicting a Zinc price of \$2/lb for 2016-2017. During the last Zinc supply deficit cycle starting in 2003 through until 2006 the Zinc price peaked at US\$2.00/lb (see chart at top right of page). Alara's flagship Khnaiguiyah Zinc-Copper Project (Saudi Arabia) Definitive Feasibility Study was established using a base line Zinc price of US\$1.05/lb.

Demand for Zinc continues to outpace supply in the near term fuelled by the impending closures of a number of large mines as they reach the end of their mine life. Zinc stock levels held by the London Metal Exchange have also declined and are down 46% since Jan 2013.

The recovering global economy has led to increased activity in the construction and automobile industries which are major zinc consumers. Continuing economic growth in Asian countries, particularly China, is fuelling the expansion of these industries and is contributing to the rise in demand.

With demand anticipated to exceed supply by some 0.12m tonnes in 2014, Zinc prices are likely to be shaped by how quickly new supply comes online to replace the lost supply and by the continued growth in demand.

These indicators augur well for Alara's Khnaiguiyah Project once it moves into production.

Alara Directors Visit Saudi Arabia

Building relationships with key stakeholders and local authorities

Members of the Alara Board and Executive undertook a three day visit to Saudi Arabia during May 2014. The busy itinerary included visits to the Khnaiguiyah Project site and nearby Khnaiguiyah village; Khnaiguiyah Dam; as well as Dammam's King Abdul Aziz Sea Port on Saudi Arabia's Eastern seaboard.

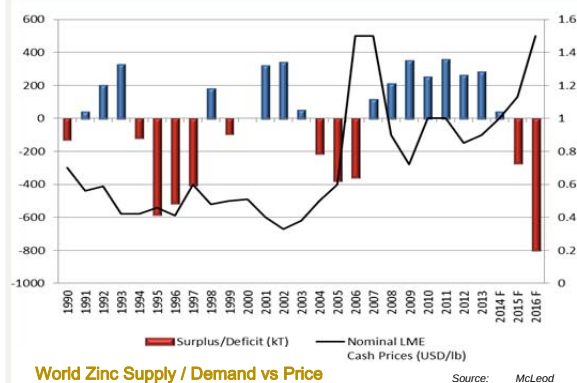
Meetings to both foster and progress relationships with key stakeholders and local authorities were held with representatives of United Arabian Mining Company LLC (Manajem); Al Quwayiyah Chamber of Commerce; Dammam Port Authority; the Australian Embassy; and Ma'aden Saudi Arabian Mining Company.

Alara Chairman, Ian Williams, AO presented an original Aboriginal artwork by a Queensland artist to the Al Quwayiyah Chamber of Commerce during a civic reception for the Alara visitors. Original artworks were also presented to Ma'aden and the President of Khnaiguiyah. These gifts were very well received.

The tour included discussions around various water supply options for the Khnaiguiyah Project as well as visits to view and better understand some of these options.

The visit was generally appreciated by local stakeholders and community representatives and positive foundations have been established for future interactions.

It is intended that, where and when it is feasible, Alara's Board will endeavour to undertake similar focus visits on an annual basis.



Alara Directors, Executives and in-country staff visit Khnaiguiyah Project site in Saudi Arabia.



Alara Directors and Executives met with Emir Khalid Al Qahtani (President of Khnaiguiyah), Mr Sulaiman Al Jebreen (Chairman) and members of the Al Quwayiyah Chamber of Commerce at a civic reception at Al Quwayiyah on the occasion of the Alara Board visit to Saudi Arabia in May 2014.



Country Manager (Saudi Arabia & Oman), Justin Richard (C) discusses water licensing with Alara Director John Hopkins (L) and Alara Chairman, Ian Williams, AO (R) during a visit to Khnaiguiyah Dam.

Investor Update



Board & Management

Ian Williams, AO
Non-Executive Chairman

Philip Hopkins
Managing Director

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

John Hopkins
Non-Executive Director

James Phipps
Alternate Director

Justin Richard
*Country Manager, Saudi
Arabia & Oman*

John Watkins
Chief Financial Officer

Elle Macdonald
Corporate Affairs Manager

Victor Ho
Company Secretary

Developing Mining Focus in Oman

Oman's mineral industry is expected to continue to grow significantly

In modern times, the hydrocarbon (petroleum and natural gas) industry has dominated Oman's economy. In its bid to diversify the foundations of its national economy, the Sultanate of Oman has opened the door to private investment in its mining sector.

Although mining activity had been ongoing in Oman since the Bronze Age more than 4,000 years ago, the country's vast mineral resources are still relatively untapped. This resource cache is predominantly contained in the mountains which span an area 700 kilometres by 150 kilometres in the north of Oman, and contains mineable minerals such as chromite, dolomite, zinc, limestone, gypsum, silica, copper, gold, cobalt and iron. Gold in particular has great potential in Oman, which is the only Gulf country with substantial gold reserves other than Saudi Arabia.

The Sultanate has also conducted a number of surveys and continues to build a geological infrastructure and a database which can be used by investors.

The production volume of minerals and rocks has seen a quantum leap in Oman in recent years with production increasing eightfold since the mid 90's. Thanks to recently revised legislation in the Sultanate, mining is an increasingly attractive proposition in Oman, allowing foreign investors and the private sector to invest in mineral industries and explore for minerals.

The Sultanate has attracted experienced international firms such as Rauch Ft of Austria, Timminco of Canada, Tata Chemicals, and Tata Iron & Steel Co (TISCO) of India, and Eastern Energy of Thailand, to name only a few.

The mineral industry of Oman is expected to continue to grow significantly in the future as international investors make use of the country's strategic geographic location as a distribution centre to Africa, Asia, and Europe. Despite the various challenges within the region and in the country, Oman's economy is set on the right path of sustainable growth, development, diversification and progress.

Courtesy:

NortonRoseFulbright.com; www.mondaq.com; U.S. Geological Survey Minerals Yearbook 2011
Refer to Alara's website www.alararesources.com for details of our Projects in Oman.

Capital Structure (AUQ)

Issued Capital

– Ordinary Shares ⁽¹⁾	242m
– Unlisted Options ⁽¹⁾	36m
Share Price ⁽¹⁾	\$0.047
Market Cap. ⁽¹⁾	\$11.4m
Cash ⁽²⁾	\$3.1m
Debt	Nil

(1) as at 14 August 2014

(2) as at 30 June 2014



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