Alara Resources

# Quarterly Activities Report

## March 2017

ASX Code: AUQ

**DIRECTORS**

James Phipps
Non-Executive Chairman

Justin Richard
CEO

Atmavireshwar Sthapak
Executive Director

Vikas Jain
Non-Executive Director

Ian Gregory
Alternate Director

**COMPANY SECRETARY**

Ian Gregory

**CAPITAL STRUCTURE (AS AT 31 MARCH 2016)**

**Shares:** 592,506,073
**Options:** 233,804,321
**Share Price:** $0.19 (as at 31 Mar)
**Market Cap:** $11m


**CONTACT DETAILS**

Level 11, 216 St Georges Tce
West Perth WA 6000
Australia

PO Box 1227
West Perth WA 6872

Telephone +61 8 9322 3383
Facsimile | +968 2449 2491

www.alararesources.com
ABN: 27 122 892 719


**31 March 2017**

## Summary


- Offtake Agreement signed for Al Hadeetha Copper Gold Project
- MOU signed for Al Hadeetha Copper Gold Project
- Oman Mining Licence application updates
- Project updates
- Alara presents at the Oman Minerals and Mining Conference and Exhibition



**For further information, please contact:**

| | |
|---|---|
| Justin Richard<br>**Managing Director** | **T \|** +61 8 9322 3383<br>**E \|** jrichard@alararesources.com |
| Ian Gregory<br>**Company Secretary** | **T \|** +61 8 9322 3383<br>**E \|** cosec@alararesources.com |




# Al Hadeetha Copper-Gold Project (Oman)

## OFFTAKE AGREEMENT

Alara Oman Operations Pty Ltd (a wholly owned subsidiary of Alara Resources Ltd) signed an off-take agreement for the supply of copper concentrate from the Al Hadeetha Project, Washihi Reserve.

After considering offtake proposals from several competing companies, the Company entered an agreement with Statdrome PTE Ltd. Statdrome has over 15 years' experience in non-ferrous concentrates trading, including copper sales in and out of Oman.

Under the agreement, copper concentrate will be shipped at regular intervals from the Sohar port. There also exists the possibility of supplying the material to the Omani smelter in the case that it restarts.

The agreement forms part of the project financing suite and was concluded in discussion with bank representatives.

## MOU

Previous Company announcements and other public reports[1] referred to the establishment of Mining Development Oman ('MDO') and its objectives, including the development of copper mining in Oman[2]. During the period, Alara and MDO finalised a Memorandum of Understanding in connection with these objectives (the 'MOU").

Alara's discussions with other interested parties (including potential project equity partners) continue subject to the terms of the MOU.

## Al HADEETHA – WASHIHI MINING LICENCE APPLICATION

The Company held several meeting with the Public Authority of Mining and other Government authorities during the period. Overall, strong support was shown for advancing the project despite the application progressing slowly.

[1] For example: Times of Oman, 20 September 2016 "*Mining Development Oman…*", Reuters, 5 January 2016 "*Oman sovereign fund, others plan $260m mining venture*" and http://www.tanmia.om/view-news.php?id=MQ

[2] See http://www.omanminingexpo.com/industry-news.php for further details on MDO's objectives.

Following the Company's submission of a landscape enhancement plan for a park near the project site, the Public Authority for Mining advised that a no objection letter had been received from the Ministry of Tourism and that it would continue to follow through with the Ministry of Environment on any other outstanding issues.

The project timeline previously released was based on the mining licence being issued during the period. Given this has not occurred, the commencement of mine construction is expected to shift accordingly.

**<u>Al HADEETHA PROJECT FINANCIALS</u>**

During the period, the LME cash price for copper rose from ~$5,600/t to over $5,800/t, including a high of more $6,000/t. The Project's financial models consider copper price forecasts from leading institutions. The models shows good financial returns[3] even when a flat price of $5,593 is used over the life mine i.e. a price that is below all the forecasts that were considered[4].

**<u>PROJECT MANAGEMENT</u>**

Last quarter Alara appointed Progesys as Project Management Consultants for the Project. Progesys are in the process of finalising the EPC contract documents, including the scope of work prior to EPC contract award.

Progesys are Canadian based industrial consultants with Middle East experience. Their project resumé includes project management, construction and commissioning services for some of the largest mining companies in the world.

# Other Activities

**<u>DARIS MINING LICENCE APPLICATION</u>**

Previous scoping studies considered the option of toll treating ore from Block 7 at another treatment plant, in addition to heap leaching and other options. The positive findings of the Al Hadeetha Feasibility Study also provide support for the Block 7 Mining Applications which can now be considered with the additional option of having high grade Daris ore treated at the Washihi Plant.

[3] Revenues of US$452m, Project NPV of US$39m and IRR of 26%, refer Alara's ASX Announcement dated 24 January 2017 for further details. The models include NPV varying from US$ 39 million to US$ 73 million, hence the Project may do much better than predicated if referenced copper price forecasts and the underlying supply deficits are realised.
[4] There is a growing consensus among analysts that copper prices will rise over coming years, as a major supply deficit begins to emerge in 2018/19.

## OMAN MINERALS AND MINING CONFERENCE

During the quarter, Mr Justin Richard delivered the Company's presentation on Alara's investment into Oman at the Oman Minerals & Mining Conference in Muscat. The conference was held in partnership with Oman's Public Authority for Mining and was directed toward leveraging the increasing demand for minerals, addressing issues relevant to the expansion of the industry, and attracting investment.

The "Project Opportunities" session of the conference was chaired by a representative of Mining Development Oman and included a vibrant question and answer session directed largely toward copper projects in Oman.

Alara board members Atmavireshwar Sthapak and Vikas Jain also attended the conference and met with H.E. Eng. Hilal Al Busaidi (CEO of the Public Authority for Mining) who was a guest of honour at an Indian Embassy function in Oman the same week.

The Sultanate's has a long history of copper mining and recent developments in the sector aim to re-establish mining as a pillar of the Omani economy.

## LEGAL PROCEEDINGS[5]

During the period, there were two hearings before the Board of Grievances in Saudi Arabia, one in January and one in March. The other party to proceedings ('Manajem') did not appear at the January hearing, but representatives from both parties were in attendance at the hearing in March when the judge requested further information and scheduled another hearing for Sunday April 30, 2017.

The Company maintains that Manajem's allegations are baseless, but will leave others to draw their own inference from the fact that Manajem has repeatedly failed to appear at hearings and further delayed proceedings by continuing to seek extensions of time and challenging the appointment of Alara's lawyer rather than addressing the substantive issues of the case.

## OPERATING COSTS

Overhead burden is being reduced through tight administrative management and cost sharing arrangements with joint venture partners.

[5] Refer Alara's ASX Announcement dated 3 May 2016 for an overview of the Project, including an outline of the rise and fall of the earlier joint venture with United Arabian Mining Company.

## NEXT QUARTER

Management attention over the next quarter will be directed towards issuance of one or more Mining Licences, appointment of an EPC contractor in Oman, and continuing to pursue other developments in both Oman and Saudi that can deliver greater value to shareholders.

# Securities Information

as at 31 March 2017

## Issued Securities

| | Quoted on ASX | Unlisted | Total |
|---|---|---|---|
| Fully paid ordinary shares | 592,506,073 | – | 592,506,073 |
| $0.02 (30 April 2017) Listed Options | 233,804,321 | – | 233,804,321 |
| $0.04 (9 March 2020) Unlisted Options | – | 3,000,000 | 3,000,000 |
| **Total** | **826,310,394** | **3,000,000** | **829,310,394** |

## Distribution of Listed Ordinary Fully Paid Shares

| Spread of Holdings | Number of Holders | Number of Units | % of Total Issued Capital |
|---|---|---|---|
| 1 – 1,000 | 903 | 308,155 | 0.05% |
| 1,001 – 5,000 | 299 | 701,735 | 0.12% |
| 5,001 – 10,000 | 151 | 1,261,415 | 0.21% |
| 10,001 – 1,000,000 | 394 | 16,029,385 | 2.71% |
| 1,000,001 – and over | 307 | 574,205,383 | 96.91% |
| **Total** | **2,054** | **592,506,073** | **100.00%** |

## Top 20 Listed Ordinary Fully Paid Shareholders

| Rank | Shareholder | Shares held | % Issued Capital |
|---|---|---|---|
| 1. | Ms Meng Meng | 38,521,027 | 6.50% |
| 2. | Mr Vikas Jain | 34,285,230 | 5.79% |
| 3. | Metals Corners Holding Co | 30,500,000 | 5.15% |
| 4. | Citicorp Nominees Pty Limited | 28,990,045 | 4.89% |
| 5. | Mr Vikas Malu | 28,571,025 | 4.82% |
| 6. | Mr Mul Chand Malu | 28,571,025 | 4.82% |
| 7. | Justin Richard | 26,107,143 | 4.41% |
| 8. | Mr Jay Hughes + Mrs Linda Hughes <Inkese Super A/C> | 26,000,000 | 4.39% |
| 9. | Mr Piyush Jain | 22,856,820 | 3.86% |
| 10. | Whitechurch Developments Pty Ltd <Whitechurch S/F A/C> | 20,575,550 | 3.47% |
| 11. | Hsbc Custody Nominees (Australia) Limited | 16,514,760 | 2.79% |
| 12. | Mr Tyrone James Giese | 11,141,054 | 1.88% |
| 13. | Mr Warren William Brown + Mrs Marilyn Helena Brown | 10,628,572 | 1.79% |
| 14. | Mr Brian Joseph Flannery + Mrs Peggy Ann Flannery <Flannery Family S/F A | 10,085,464 | 1.70% |
| 15. | Mr Peter Kelvin Rodwell | 9,142,858 | 1.54% |
| 16. | Abn Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C> | 7,493,801 | 1.26% |
| 17. | Baron Nominees Pty Ltd | 6,860,397 | 1.16% |
| 18. | Ferguson Superannuation Pty Ltd <Ferguson Superfund A/C> | 6,000,000 | 1.01% |
| 19. | Thorpe Road Nominees Pty Ltd <Ian Tregoning Family 2 A/C> | 5,622,858 | 0.95% |
| 20. | Dr Paul Charles Burnett | 5,000,000 | 0.84% |
| **Total** | | **373,467,629** | **63.02%** |

**Disclaimer**

This report contains “forward-looking statements” and “forward looking information”, including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral resources, and studies. Often, but not always, forward looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “is expecting”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide readers with information about management’s expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Alara and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of gold and copper, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns. Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Alara believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Alara does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

**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 ore reserve. 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.

*Rule 5.5*

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

**Name of entity**

| |
|---|
| **ALARA RESOURCES LIMITED** |

| ABN | Quarter ended ("current quarter") |
|---|---|
| 27 122 892 719 | 31 March 2017 |

| Consolidated statement of cash flows | | | Current quarter $A'000 | Year to date (Quarterly cashflow months) $A'000 |
|---|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | | |
| 1.1 | Receipts from customers | | – | – |
| 1.2 | Payments for | | | |
| | (a) | exploration & evaluation | (115) | (383) |
| | (b) | development | – | – |
| | (c) | production | – | – |
| | (d) | staff costs | (89) | (266) |
| | (e) | administration and corporate costs | (124) | (697) |
| 1.3 | Dividends received (see note 3) | | – | – |
| 1.4 | Interest received | | 22 | 43 |
| 1.5 | Interest and other costs of finance paid | | – | – |
| 1.6 | Income taxes paid | | – | – |
| 1.7 | Research and development refunds | | – | 301 |
| 1.8 | Other (provide details if material) | | – | – |
| **1.9** | **Net cash from / (used in) operating activities** | | **(306)** | **(1,002)** |

| | | | | |
|---|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | | |
| 2.1 | Payments to acquire: | | | |
| | (a) | property, plant and equipment | – | (1) |
| | (b) | tenements (see item 10) | – | – |
| | (c) | investments | – | – |
| | (d) | other non-current assets | – | – |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (Quarterly cashflow months) $A'000 |
|---|---|---|---|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | – | – |
| | (b) tenements (see item 10) | – | – |
| | (c) investments | – | – |
| | (d) other non-current assets | – | – |
| 2.3 | Cash flows from loans (to) / from other entities | 130 | 130 |
| 2.4 | Dividends received (see note 3) | – | – |
| 2.5 | Other (provide details if material) | – | – |
| **2.6** | **Net cash from / (used in) investing activities** | **130** | **129** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of shares | | 1,446 |
| 3.2 | Proceeds from issue of convertible notes | – | – |
| 3.3 | Proceeds from exercise of share options | – | 284 |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | – | (145) |
| 3.5 | Proceeds from borrowings | – | – |
| 3.6 | Repayment of borrowings | – | – |
| 3.7 | Transaction costs related to loans and borrowings | – | – |
| 3.8 | Dividends paid | – | – |
| 3.9 | Other (provide details if material) | – | – |
| **3.10** | **Net cash from / (used in) financing activities** | **–** | **1,585** |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (Quarterly cashflow months) $A'000 |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,250 | 1,366 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (306) | (1,002) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 130 | 129 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | – | 1,585 |
| 4.5 | Effect of movement in exchange rates on cash held | (4) | (8) |
| **4.6** | **Cash and cash equivalents at end of period** | **2,070** | **2,070** |

| **5.** | **Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | **Current quarter $A'000** | **Previous quarter $A'000** |
|---|---|---|---|
| 5.1 | Bank balances | 577 | 613 |
| 5.2 | Call deposits | 1,493 | 1,637 |
| 5.3 | Bank overdrafts | – | – |
| 5.4 | Other (provide details) | – | – |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **2,070** | **2,250** |

| **6.** | **Payments to directors of the entity and their associates** | **Current quarter $A'000** |
|---|---|---|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 161 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | – |

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| |
|---|
| Directors' salaries, fees and entitlements |

| 7. | **Payments to related entities of the entity and their associates** | **Current quarter $A'000** |
|---|---|---|
| 7.1 | Aggregate amount of payments to these parties included in item 1.2 | – |
| 7.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | – |

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

| 8. | **Financing facilities available** *Add notes as necessary for an understanding of the position* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 8.1 | Loan facilities | – | – |
| 8.2 | Credit standby arrangements | – | – |
| 8.3 | Other (please specify) | – | – |

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

N/A

| 9. | **Estimated cash outflows for next quarter** | **$A'000** |
|---|---|---|
| 9.1 | Exploration and evaluation | 88 |
| 9.2 | Development | – |
| 9.3 | Production | – |
| 9.4 | Staff costs | 98 |
| 9.5 | Administration and corporate costs | 88 |
| 9.6 | Other (provide details if material) | – |
| **9.7** | **Total estimated cash outflows** | **274** |

| **10.** | **Changes in tenements** (items 2.1(b) and 2.2(b) above) | **Tenement reference and location** | **Nature of interest** | **Interest at beginning of quarter** | **Interest at end of quarter** |
|---|---|---|---|---|---|
| 10.1 | Interest in mining tenements and petroleum tenements lapsed, relinquished or reduced | N/A | N/A | N/A | N/A |
| 10.1 | Interests in mining tenements and petroleum tenements acquired or increased | N/A | N/A | N/A | N/A |

## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ............................................ Date: 28 April 2017
(Director)

Print name: Justin Richard

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.