

## 30 SEPTEMBER 2013 QUARTERLY ACTIVITIES REPORT

### Quarterly Highlights

#### Board Changes

- Board of Director retirements:
  - Shanker Madan retired as Non-Executive Director (previously Managing Director until 30 June) on 25 July.
  - Douglas Stewart retired as Non-Executive Director on 31 August.
  - William Johnson retiring as Non-Executive Director on 31 October.
- New Board appointments:
  - John Hopkins appointed as Non-Executive Director on 16 October – with extensive corporate and Board experience coupled with his strong hands-on international mining experience, John will be a great asset to Alara going forward as it transitions to production at Khnaiguiyah.
  - His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud appointed Non-Executive Director on 28 October - a commercially experienced and highly regarded Saudi Arabian national and member of the Royal family. Alara hopes to draw upon HRH Prince Abdullah's local expertise to advise and assist the Khnaiguiyah Joint Venture, provide in-country advice and to assist with Government and regional relationships.

#### Management Team and Personnel

- Justin Richard (KMC CEO/Managing Director and Saudi Arabia Country Manager based in Riyadh) appointed Country Manager for Oman in September.
- In alignment with the focus on Khnaiguiyah and the Oman divestment strategy, Oman staff levels have been rationalised with a retained core technical and support team to facilitate the divestment process, manage the process for the grant of mining licences and to assist with the upgrading of the Washihi/Daris Scoping Study.
- Alara currently recruiting for a new CFO with international project financing and operational experience.
- Alara recognises that the key success factor for all the work the Company undertakes and moves forward on will be the Alara Team - at Board, management and operational levels. This will require the attainment of new skills and the application of forward looking best practices - this transition is currently underway and progressing successfully.

#### Corporate

- Cash reserves of AUD \$6.04M as at 30 September 2013 (30 June 2013: \$4.46M) – with a \$1.49M net cash inflow for the quarter.
- \$3.11M received under R&D Tax Incentive Scheme in relation to portion of costs incurred on Khnaiguiyah DFS for 2011/2012 financial year. A claim will also be lodged for the 2012/13 financial year in November 2013 with a net refund of ~\$0.5M to \$0.9M expected within 6 – 8 weeks thereafter.
- With a sustainable average monthly cash spend of ~\$280k, Alara has sufficient working capital for 20+ months as the Khnaiguiyah Project progresses through its finance phase.

#### Saudi Arabia

- Alara is productively engaged and working with Khnaiguiyah/KMC joint venture partner, Manajem, to take the relationship to the next level as required to move the Project smoothly through project finance, regulatory approvals, mine site and infrastructure construction, mining operations and product sales and marketing. The JV parties recognise the need for these issues to be resolved prior to progressing the SIDF project financing application and to advance the development of the Project as quickly as possible to bring the mine into production in time for the expected up cycle in zinc metal prices in 2016-2019.
- Alara, with the assistance of KMPG in Saudi Arabia, has initiated preparation of the project finance application to SIDF (up to 75%) with completion and lodgement planned for Q4 2013 and an expected review/approval time of 6 to 8 months.

#### Oman

- The Washihi/Daris Scoping Study is currently being updated to incorporate, amongst other matters, the significant upgrade in the Washihi Mineral Resource (announced in July 2013) and recent positive results of further metallurgical test-work. This work will increase throughput from 0.5 Mtpa to 1.0 Mtpa and form the basis of the next stage of study to the feasibility study level. Five mining licence applications are also being progressed to provide flexibility for future development.
- The Washihi/Daris Copper-Gold Project divestment process is on-going. The Projects now have the largest copper resource in the country and Alara is in discussions with a number of interested parties. Site visits have/are being coordinated as part of their due diligence processes.

31 October 2013

#### FOR FURTHER INFORMATION:

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## Introduction

Alara started the new financial year with a clarity of purpose and direction and with a number of changes in place or taking place that are the enablers for the planned activities in the next 12 months - to recap:

- Alara confirmed to the market and all stakeholders that the Company's future was in the Middle East (Saudi Arabia and Oman) with a defined short to mid-term focus on Alara's flagship Khnaiguiyah Zinc-Copper Project in Saudi;
- In turn, a strategy was put in place to partially or fully divest Alara's Oman Copper-Gold Projects – to preserve operating capital and maintain management focus on the Khnaiguiyah Project;
- It was also clear that the next steps going forward for the Khnaiguiyah Project was the effective alignment with 50% joint venture partner Manajem followed by securing project finance and making preparations for construction.

Alara has had a disciplined and positive September quarter (including a \$3.1m cash injection under the Australian Government R&D Tax Incentive Scheme), moving forward with the continued and sharpened focus on advancing the Khnaiguiyah Project and transitioning the Company into a mining and production group.

## Implementing change in preparation for the next stage of Khnaiguiyah Project development

At 2012/13 year's end and into the new financial year, there were a number of internal changes made (or being made) to help ensure the success of Alara's focus and plans for 2013/14:

- Philip Hopkins taking on the role of Managing Director on 30 June and the transition of the previous Managing Director (Shanker Madan) from the Company on 25 July.
- The appointment of a new Country Manager for Oman - Justin Richard, who relocated to Riyadh, Saudi Arabia earlier in the year as the KMC CEO/Managing Director and Country Manager for Alara.
- Managing anticipated Board changes with the resignations of Non-Executive Directors, Douglas Stewart (who retired on 31 August) and William Johnson (who retires on 31 October) to allow them to pursue their external commitments leading to the appointment of John Hopkins as Non-Executive Director on 16 October.
- John Hopkins' extensive corporate and Board experience coupled with his very strong hands-on international mining experience will be a great asset to Alara going forward as it embarks on its plan to transition to becoming a production based company. For avoidance of doubt, John is no relation to Managing Director, Philip Hopkins.
- The appointment of His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud as Non-Executive Director on 28 October was the culmination of Alara's endeavours to appoint a commercially experienced and highly regarded Saudi Arabian national to the Board in order to strengthen its presence in Saudi Arabia. Alara is very fortunate to have such a trusted local advocate on the Board to represent the Company's interests in Saudi Arabia and advise the Board and Management Team overall. Alara hopes to draw upon HRH Prince Abdullah's local expertise to advise and assist the Khnaiguiyah joint venture generally, provide in-country advice, assist with Government approvals and further assist with Government and regional relationships.
- The strengthening of the Perth office management team and an upgrade of the corporate technical support skills concurrent with Alara's move to new office premises in West Perth in July (out of shared office arrangement in the Perth CBD). In turn, Alara is also looking to recruit a new CFO with international project financing and operational experience.
- In alignment with the noted focus on the Khnaiguiyah Project and the Oman divestment strategy (above), Oman staff levels have been rationalised – Alara continues to maintain a technical and support team in Oman to facilitate the divestment process, manage the process for the grant of mining licences and to facilitate the upgrading of the Washihi/Daris Scoping Study.
- Alongside these management changes and administrative enhancements, a number of processes have been refined and upgraded in relation to improving management reporting, Board reporting, investor relations and presentations and management team communications.

**Focused on priorities**

For the immediate future (2013/2014 underway) and the following year, Alara will look to advance the Khnaiguiyah Project to the point where 2014/2015 is a full construction year.

In turn, the focus in Oman will be on determining the best way forward for the Daris/Washihi Project in order to realise value from Alara's investment, including a full or partial divestment.

Alara also recognises the need to define the Khnaiguiyah Joint Venture (KMC) relationship such that it will move the Project smoothly through project finance, regulatory approvals, mine site and infrastructure construction, mining operations and product sales and marketing and is working with Manajem to take this relationship to the next level. In this regard:

- Alara and Manajem have been productively engaged to address KMC joint venture management and operational matters interrelated to the development of the Khnaiguiyah Project overall; and
- The JV parties understand that any outstanding issues will need to be resolved prior to progressing the SIDF project financing application and to advance the development of the Khnaiguiyah Project as quickly as possible. The JV's focus remains to bring the mine into production in time for the expected up cycle in zinc metal prices in 2016-2019 (source: CRU Strategies marketing report for the DFS).

Alara has held a number of discussions with potential providers of project finance for the Khnaiguiyah Project. In turn, a component of the Project finance strategy includes the application for funds from the Saudi Industrial Development Fund (SIDF) up to a maximum level of 75% of the total capital required for the Project at rates below international finance markets. Alara, with the assistance of KMPG in Saudi Arabia, has initiated preparation of the application to SIDF - the completion and lodgment of this SIDF loan application (planned for Q4 2013) is dependent on the successful conclusion of the current discussions with Manajem. Once the application has been lodged with the SIDF, the expected review/approval time is 6 to 8 months. Prior to final SIDF funding approval, KMC will be required to complete the 25% balance of project finance required and have this funding in place as the KMC joint venture partner's equity contribution towards the project finance.

Whilst Alara is focussed on cost management across its operations in Perth Head Office, Oman and Saudi Arabia, it recognises that the key success factor for all the work the Company undertakes and moves forward on will be the Alara Team - at Board, management and operational levels. This will require the attainment of new skills and the application of forward looking best practices and as described above, the transition is being successfully implemented.

**Manageable working capital**

In order to maintain efficient working capital, the Company has maintained strict controls over its cash as a priority. A number of cost reduction strategies have been enacted and these included a review of personnel (in each geographic location) as well as relocating its Perth head office to West Perth from the Perth CBD.

In September 2013, Alara received a refund of \$2.75m<sup>1</sup> (net of fees) under the Federal Government's Research and Development (R&D) Tax Incentive Scheme in relation to eligible expenditure on the Khnaiguiyah Project's DFS for the 2011/12 financial year. A claim will also be lodged for the 2012/13 financial year in November 2013 with a net refund of ~\$0.5m to \$0.9m expected within 6 – 8 weeks thereafter.

With a sustainable average monthly cash spend of ~\$280k, Alara's existing cash reserves of ~\$6.038m (as at 30 September 2013) provides working capital for 20+ months as the Khnaiguiyah Project progresses through its finance phase.

In relation to project financing for Khnaiguiyah, Alara is also pursuing discussions with supplier and off-take partners to provide additional levels of project financing, further reducing the amount of equity which Alara may be required to raise itself to fund KMC.

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<sup>1</sup> Refer market announcement dated 16 September 2013 '[Research and Development Tax Incentive Scheme Refund](#)'.

Whilst the Company has no current intention to undertake a capital raising during 2013/14, it will review its capital management as matters are advanced in Saudi Arabia in relation to the Khnaiguiyah joint venture and project financing.

### **Divesting in Oman**

Although Oman continues to be a very prospective and attractive location for Alara and has synergies with its Middle East staff and skill set, for the short to mid-term Alara has declined its activity in this region to focus its energy on the rapid and successful development of its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

As a result of the significant upgrade in the Washihi Mineral Resource (announced in July 2013) and recent positive preliminary metallurgical test results coupled with the positive economic outcome of the Scoping Study, Alara is now strategically looking to divest its Oman Copper-Gold Projects (in whole or in part) or seek other joint venture partners to fund the next phases of their development.

Alara believes that one of the strongest aspects of the Oman Projects is the joint venture partners and it will seek to ensure that the divestment moves the projects forward as rapidly as possible.

The Scoping Study is currently being updated to incorporate, amongst other matters, the additional resources and results of recent further metallurgical test-work and to form the basis of the next stage feasibility study. This study upgrade will increase throughput rates from 0.5 Mtpa to 1.0 Mtpa and further increase the financial return expected from the Project. Five mining licence applications are also being progressed to provide flexibility for future development.

The divestment process is on-going. The Projects now have the largest copper resource in the country and Alara is in discussions with a number of interested parties; site visits have/are being coordinated as part of their due diligence processes. Alara is at advanced stages of negotiation on a potential commercial deal with several parties and others are entering the due diligence process.

### **2013/2014 Milestones**

- Define the KMC JV relationship that will move the Project through finance, construction and operations in Q4 2013
- Set up key and critical influential relationships and support in Saudi Arabia – 2013/2014
- Build and enhance Alara's internal capability in order to move into construction and operations - 2013/2014
- Complete the update of the Oman JORC Mineral Resource and Scoping Study in Q4 2013
- Submission of the project finance application to SIDF in Q4 2013
- Commence non-SIDF project/equity financing initiatives in Q4 2013
- Commence negotiation of commodity off-take agreements in Q4 2013
- Finalise the partial/complete divestment of Oman assets in Q4 2013
- Recruitment of project workforce in Saudi Arabia, including Project Director to commence in Q1 2014 and definition of the Owner's Team in Q2 2014
- Complete EPC contract for Khnaiguiyah in Q2 2014
- Complete project finance arrangements for Khnaiguiyah in Q2 2014
- Project construction is targeted to begin in Q2 2014 and take 18 months
- Implement or initiate all required systems, protocols and procedures required to commence Khnaiguiyah construction in Q2 2014

In alignment with the SIDF funding schedule, the Khnaiguiyah Project start date remains targeted for July 2014. This start date remains under review as the details of the EPC mine development and joint venture partner matters are being advanced. This start date will still allow the joint venture partners to bring the mine into production in time for the expected up cycle in zinc metal prices in 2016-2019 (source: CRU Strategies marketing report).

**Closing**

Alara Managing Director, Philip Hopkins, offers the following closing remarks:

*"In a year-on-year step and stage approach the following notes the stages Alara is currently moving through relative to the Khnaiguiyah Project and the Company's transition to becoming a mine developer and operator:*

- *FY2013 Confirmation of Khnaiguiyah's viability (upon DFS completion) and implementing Company/Team adjustments in order to be ready to move forward*
- *FY2014 Project finance, EPC contract completion, construction Team secured and final arrangements to commence construction*
- *FY2015 Project construction start up and final Project optimisation*

*From a commercial, technical and growth perspective, the development plan for Saudi Arabia has tremendous upside for Alara and its joint venture partner. Saudi Arabia is arguably one of the best commercial and economic regions in which to start and grow a mining company with a low interest government funding vehicle (ie. SIDF), low tax rates, no government royalties and other benefits. Technically, the location is ideal as much of the Arabian Shield has had preliminary exploration work completed on it confirming its heavy endowment of potentially economic resources but few mines actually having been built. And finally, possibly the most important is the government support and interest in developing a strong mining industry as Saudi Arabia is highly motivated to diversify its industrial future as they are keen to have a transition plan if and when oil & gas production lessens.*

*Khnaiguiyah is also very well positioned from a future production perspective as Zinc is the one of the few base metals forecasted to grow in real value over the period of the planned mine construction and commissioning. Based on a number of international forecasts, the Zinc price is predicted to hit 20 year real price highs in 2016-19 when the mine is coming on line.*

*It is a terrific advantage to be in the correct region for company growth and development and then to have a robust project with strong financial outcomes as defined by a successful DFS."*

## New Directors

The Board welcomes the appointment of two new Non-Executive Directors in October 2013.



**John D Hopkins**  
LLB, FAICD  
Age 63

**Non-Executive Director**  
Appointed 16 October 2013

Mr Hopkins has 23+ years' experience on the board or as chairman of more than 20 public listed companies (in Australia, UK and Canada) and as such has been involved in the financing and development (and subsequent M&A activities) of many gold, base metal, energy (coal and oil and gas), mineral sands and other resources projects in Australia, Africa, Asia, Europe and North America as well as industrial and manufacturing companies.

More recently, John (as Chairman) oversaw the transition of Adamus Resources Limited's (ASX:ADU) gold operations in Ghana from explorer to producer culminating in its merger with [Endeavour Mining Corporation](#) (TSX:EDV, ASX:EVR). He is currently Chairman of developing tungsten and tin producer [Wolf Minerals Limited](#) (ASX:WLF) and South African based coal producer [Universal Coal Plc](#) (ASX:UNV) which companies have recently secured major debt funding.

In the not for profit sector, Mr Hopkins is Chairman of Golf Australia (the national governing body for golf) and represents the national body at the international level.



**His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud**  
BEng. (Industrial) (Hons), MEng.  
Age 47

**Non-Executive Director**  
Appointed 28 October 2013

HRH Prince Abdullah is a prominent self-made Saudi businessman and industrialist and the Chairman of [The Saudi Paper Manufacturing Company](#) (SPM) which he established in 1989 and floated on the Saudi Stock Exchange ([Tadawul](#)) in 2006 – [SPM](#) has one of the largest waste paper collection, recycling, manufacturing and converting (consumer tissue paper products) operations in the Middle East.

HRH Prince Abdullah is keen to be a part of and to assist in the advancement of Alara's flagship Khnaiguiyah Project in Saudi Arabia. HRH feels the development of this Project is of strategic importance to the country in terms of support of the nation's mining industry as well as for local industry, expertise and workforce.

The Company has also reinstated base Non-Executive Director fees to \$50,000 per annum from 1 October 2013 after a voluntary 30% reduction from 1 July 2013 as a cost saving measure.

## Retired Directors

The following Directors have retired from the Board since the last quarterly report:

- Non-Executive Director, Mr Douglas Stewart retired as a Director 31 August 2013<sup>2</sup> (appointed 30 November 2010). Alara acknowledges Doug's invaluable contribution to the Board and Management Team across a range of leadership, strategic, technical and commercial matters.
- Non-Executive Director, Mr William Johnson, retired as a Director 31 October 2013 (appointed 26 October 2009). Alara wishes to record its appreciation for William's contribution across a diverse range of business and investment opportunities and corporate transactions.

## Cash Position

Alara's cash position as at 30 September 2013 was \$6.038 million (30 June 2013: \$4.459 million).

Alara's current cash position is \$5.45 million (as at 25 October 2013).

## Expenditure

Alara's September 2013 Quarterly Cash Flow Report is attached.

A summary of material cashflow items during the September quarter are as follows:

- \$1.492 million net cash inflow for the quarter;
- \$3.11 million received under R&D Tax Incentive Scheme in relation to portion of costs incurred on Khnaiguiyah DFS for 2011/2012 financial year<sup>1</sup>;
- \$0.15 million exploration and evaluation costs;
- \$0.72 million personnel costs;
- \$0.47 million payments to consultants.

## Proposed Issue of New Options to Directors

- 10,000,000 unlisted options (with a term of 3 years) are proposed to be issued to Managing Director, Philip Hopkins (subject to approval at the 2013 AGM) as part of a Long Term Incentive (LTI) options package under his employment agreement with the Company, as follows:
  - Tranche 1 Options - 3,333,334 options each with an exercise price of \$0.15 which will vest (i.e. able to be exercised) upon the attainment of 'Milestone 1' on or before 31 March 2014;
  - Tranche 2 Options - 3,333,333 options each with an exercise price of \$0.15 which will vest upon the attainment of 'Milestone 2' on or before 31 December 2014; and
  - Tranche 2 Options - 3,333,333 options each with an exercise price of \$0.20 which will vest upon the attainment of 'Milestone 3' on or before 31 December 2015.

Further details in relation to the Managing Director's proposed LTI options package are disclosed in the Remuneration Report section of the 2013 Annual Report and in the 2013 AGM documentation.

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<sup>2</sup> Refer Alara ASX market announcement dated 26 August 2013 and entitled "[Retirement of Director](#)"

- The Board has also approved (subject to approval at a general meeting to be convened, most likely in December 2013) the issue of 20,000,000 options (with a term of 2 years) to Non-Executive Director HRH Prince Abdullah in two tranches/classes, as follows
- Tranche 1 Options – 10,000,000 options each with an exercise price of \$0.10 which will vest upon the attainment of 'Milestone 1' on or before 31 March 2014; and
  - Tranche 2 Options - 10,000,000 options each with an exercise price of \$0.15 which will vest upon the attainment of 'Milestone 2' on or before 31 December 2014.

'Milestone 1' means the securing of licences in respect of the Khnaiguiyah Project, including the transfer of the Khnaiguiyah Mining Licence from Manajem to KMC and the issue of a water licence that satisfies the requirements defined within the Khnaiguiyah DFS.

'Milestone 2' means the 'Commencement of Construction' in respect of the Khnaiguiyah Project on or before 1 July 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) and the completion of 'Total Financing'.

Further details in relation to the proposed options issue will be disclosed in the meeting documentation.

## Lapse of Unlisted Options

During and subsequent to the end of the September quarter, unlisted options (previously issued to Directors and employees) lapsed without being exercised, as detailed below:

Holder	No of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Date of Issue	Original Expiry Date
D Stewart (ex Director)	250,000	31 Aug 2013	\$0.60 (25 May 2014) Directors' Options <sup>3</sup>	\$0.60	26 May 2011	25 May 2014
S Madan (ex MD)	8,200,000	16 Sep 2013	\$0.35 (16 Sep 2013) Options <sup>4</sup>	\$0.35	16 Sep 2008	16 Sep 2013
F Khan (ex Director)	8,200,000	16 Sep 2013	\$0.35 (16 Sep 2013) Options <sup>4</sup>	\$0.35	16 Sep 2008	16 Sep 2013
Employees	1,000,000	16 Sep 2013	\$0.35 (16 Sep 2013) Options <sup>5</sup>	\$0.35	16 Sep 2008	16 Sep 2013
Employee	200,000	22 Oct 2013	0.50 (25 May 2014) Options <sup>6</sup>	\$0.50	23 Dec 2011	25 May 2014
	125,000	22 Oct 2013	\$0.60 (25 May 2014) Options <sup>6</sup>	\$0.60	23 Dec 2011	25 May 2014
	125,000	22 Oct 2013	\$0.70 (25 May 2014) Options <sup>6</sup>	\$0.70	23 Dec 2011	25 May 2014

## Shareholder Information

As at 30 September 2013, Alara had 2,136 shareholders (30 June 2013: 2,117) and 242,007,500 listed ordinary fully paid shares on issue (30 June 2013: 242,007,500) with 7,200,000 unlisted options on issue (30 June 2013: 24,850,000).

<sup>3</sup> Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

<sup>4</sup> Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

<sup>5</sup> Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

<sup>6</sup> Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)



**Khnaiguiyah Zinc-Copper Project (Saudi Arabia)**

(Alara - 50%, United Arabian Mining Company LLC (**Manajem**) - 50%, of Khnaiguiyah Mining Company LLC (**KMC**))

- Located adjacent to bitumen road ~200km west of Riyadh (capital city) near major Riyadh to Jeddah highway
- Comprises Mining Licence (issued in December 2010 with exclusive 30 year term and no mineral royalties), 2 Exploration Licences (pending renewal) and 5 Exploration Licence applications (pending grant), totalling ~380km<sup>2</sup> pending completion of transfer to KMC
- DFS<sup>7</sup> confirms a technically and financially robust mining operation with a mine life of 13 years at 2Mtpa throughput with production potentially to commence in 2016 when zinc forecasted prices are expected to significantly higher:
  - Project direct capital expenditure of US\$257 million (including owner's cost and contingency)
  - Production of 1,410,000t 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
  - Project revenue A\$2,074 million (LOM)
  - EBITDA A\$873 million (LOM)
  - Project NPV of A\$170 million at an IRR of 23%
  - Payback of 2.8 years
  - Life of Mine (LOM) zinc operating costs including treatment and refining charges (TC/RC) of US\$0.50/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 2<sup>nd</sup> quartile of cash costs for the western world mines with copper costs forecast to be in the bottom quartile
- Application for Saudi Industrial Development Fund (SIDF) project financing (up to 75%) underway with target completion in Q2 2014
- Commencement of negotiation of commodity off-take agreements targeted for Q4 2013
- Recruitment of project workforce in Saudi Arabia, including Project Director, to commence in Q1/Q2 2014
- Commencement of Project construction targeted for Q3 2014 (to take 24 months)
- 2014 timetable subject to review as the details of the EPC mine development and joint venture partner and management matters are advanced

**Khnaiguiyah JORC Ore Reserves<sup>8</sup>**

Mineralised Zone	Proved			Probable			Proved + Probable		
	Mt	Zn%	Cu%	Mt	Zn%	Cu%	Mt	Zn%	Cu%
1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
2	8.75	2.6	0.32	1.20	3.8	0.44	9.95	2.7	0.34
3	8.21	4.1	0.27	6.08	2.7	0.05	14.28	3.5	0.17
<b>Total (All Pits)</b>	<b>17.73</b>	<b>3.4</b>	<b>0.29</b>	<b>8.35</b>	<b>3.1</b>	<b>0.13</b>	<b>26.08</b>	<b>3.3</b>	<b>0.24</b>

\* Based on JORC Code, 2004 edition

<sup>7</sup> Refer Alara's ASX market announcement dated 30 April 2013: [Positive DFS Confirms Khnaiguiyah Project as Technically and Financially Robust](#)

<sup>8</sup> Refer Alara's ASX market announcement dated 18 April 2013: [Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#)

**Khnaiguiyah JORC Measured and Indicated Resource - Zinc (Domain 1) and Zinc/Copper (Domain 2)<sup>9</sup>**

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Measured	1 and 2	1, 2	9.65	3.37	0.16	1.50
		3	6.37	5.28	0.25	1.50
Indicated		1, 2	3.12	4.45	0.30	1.50
		3	6.18	3.55	0.05	1.50
Measured and Indicated		1, 2 and 3	25.32	4.03	0.17	1.50

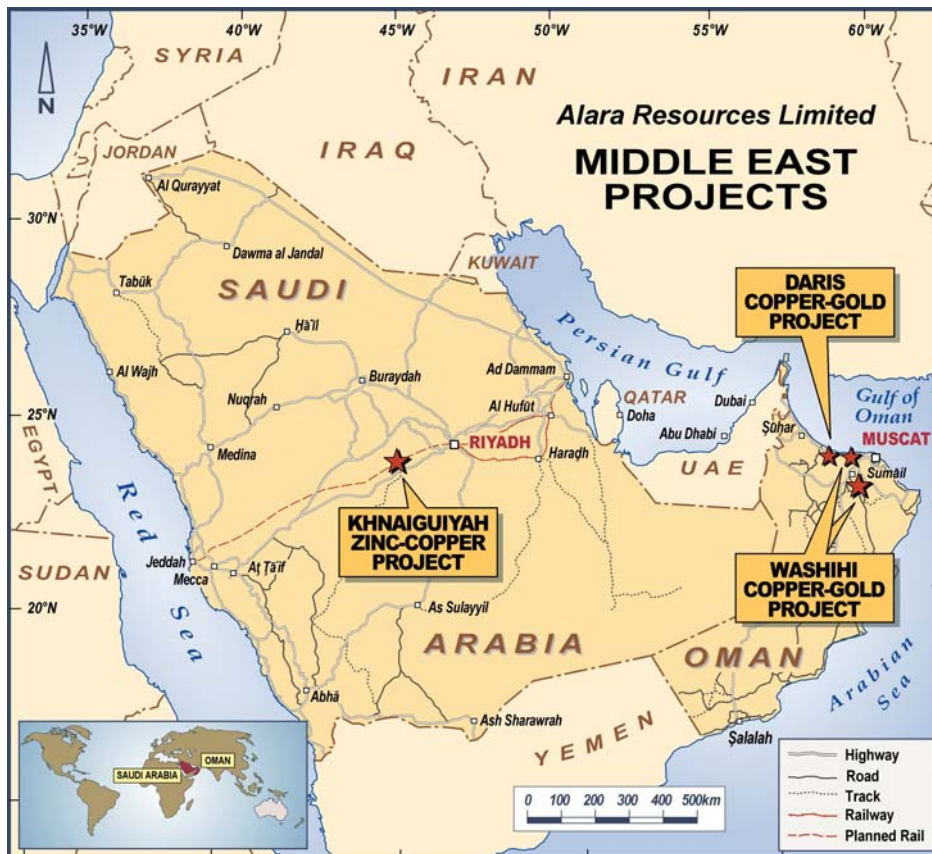
**Khnaiguiyah JORC Measured and Indicated Resource - Copper (Domain 3)**

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper %	Cu Cut-off (%)
Measured	3	1, 2	4.70	0.72	0.00
		3	1.07	0.63	0.00
Indicated		1, 2	1.59	0.54	0.00
		3	1.16	0.43	0.00
Measured and Indicated		1, 2 and 3	8.53	0.64	0.00

**Khnaiguiyah JORC Inferred Resource - Zinc (Domain 1) and Zinc/Copper (Domain 2)**

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Inferred	1 and 2	4	4.32	2.90	0.03	1.50

\* Based on JORC Code, 2004 edition



<sup>9</sup> Refer ASX market announcements dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#), dated 12 October 2012: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#) and dated 30 October 2012: [JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)

**Washihi-Mullaq-AI Ajal Copper- Gold Project (Oman)**

(Alara 70%, Al Hadeetha Investments LLC 30%, of Al Hadeetha Resources LLC)

- Comprises 3 prospects/exploration licences (Washihi, Mullaq and Al Ajal) totalling ~105km<sup>2</sup> located ~80 to 160km east and south-east of Alara’s Daris Copper-Gold Project
- 3 Mining Licence applications covering 3km<sup>2</sup> at Washihi, 1km<sup>2</sup> at Mullaq and 1.5km<sup>2</sup> at Al Ajal have been filed

**Washihi JORC Mineral Resources<sup>10</sup>**

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0.00	7.16	0.87	0.17	7.77	0.67	0.20
<b>0.25</b>	<b>6.84</b>	<b>0.90</b>	<b>0.17</b>	<b>7.27</b>	<b>0.71</b>	<b>0.20</b>
0.50	5.66	1.01	0.18	5.00	0.85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1.00	2.39	1.37	0.20	1.24	1.31	0.27

\* Based on JORC Code, 2004 edition

**Daris Copper-Gold Project (Oman)**

(Alara 50% with right to increase to 70%+, Al Tamman Trading Establishment LLC 50%, of Daris Resources LLC)

- Located ~150km west of Muscat (capital city) and comprises one exploration licence (Block 7) of ~587km<sup>2</sup>
- 2 Mining Licence applications covering 3.2 km<sup>2</sup> at the Daris East and 1.3 km<sup>2</sup> at the Daris 3A-5 prospects have been filed

**Daris-East JORC Mineral Resource**

Ore type	Cut-off grade Cu%	Measured		Indicated		Measured and Indicated		Inferred	
		Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%
Sulphides	0.5	129,155	2.48	110,870	2.24	240,024	2.37	30,566	2.25
Oxides	0.5	96,526	0.77	86,839	0.66	183,365	0.72	1,712	0.61

\* Based on JORC Code, 2004 edition

**Oman Strategy**

- Alara has completed a 500,000tpa Scoping Study centering on the Washihi prospect with inputs from the Daris, Mullaq and Al Ajal prospects. The study is currently being updated to incorporate, amongst other matters, the additional resources and results of metallurgical test-work and to form the basis of the next stage feasibility study.
- To provide flexibility for future development, 5 mining licence applications have been lodged covering all 5 prospects across the Washihi and Daris Projects – in support of these mining licence applications, key studies have been completed including scoping metallurgical test work on drill core samples, environment impact assessment studies, ground water monitoring programme and process water supply options study.
- Although Oman continues to be a very prospective and attractive location for Alara and has synergies with its Middle East staff and skill set, for the short to mid-term the Company has and will decline its activity in this region to focus its energy on the rapid and successful development of the Khnaiguiyah Zinc-Copper Project in Saudi Arabia.
- As a result of the significant upgrade in the Washihi Mineral Resource (announced in July 2013) and recent positive preliminary metallurgical test results coupled with the positive economic outcome of the Scoping Study, Alara is now strategically looking to divest its Oman Projects (in whole or in part) or seek other joint venture partners to fund the next phases of their development.

<sup>10</sup> Refer Alara’s ASX market announcement dated 16 July 2013: [Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset](#)

- (1) The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) was compiled by Mr Geoff Davidson, who is a Fellow of the Australian Institute of Mining and Metallurgy and a consultant to Khnaiguiyah Mining Company LLC (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' (**JORC Code, 2004 edition**). In assessing the appropriateness of the Ore Reserve estimate, Mr Davidson 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 Project 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 has given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears. Refer also to Table 5 in Alara Resources Limited's ASX market announcement dated 18 April 2013: Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project for further information in relation to the Ore Reserve estimate for the Khnaiguiyah Project.
- (2) The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) is based on information compiled by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal 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, 2004 edition. Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- (3) The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zones 1, 2 and 4 in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia), Mineral Resources in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) and other Exploration Results is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. Mr Sharma was a principal consultant to Alara Resources Limited. 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, 2004 edition. Mr Sharma consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**ISSUED SECURITIES**

Class of Security	Listed Shares	Unlisted Options	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.50 (25 May 2014) Unlisted Options <sup>11</sup>	-	200,000	200,000
\$0.60 (25 May 2014) Unlisted Directors' Options <sup>12</sup>	-	250,000	250,000
\$0.60 (25 May 2014) Unlisted Options <sup>11</sup>	-	125,000	125,000
\$0.70 (25 May 2014) Unlisted Options <sup>11</sup>	-	125,000	125,000
\$0.35 (25 October 2014) Unlisted Options <sup>13</sup>	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options <sup>13</sup>	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options <sup>14</sup>	-	400,000	400,000
<b>Total</b>	<b>242,007,500</b>	<b>6,750,000</b>	<b>248,757,500</b>

\* as at 31 October 2013

**SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS**

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>15</sup>	No. of Options
26 Oct 2009	\$0.60 (25 October 2014) Options	\$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	\$0.60 (25 May 2014) Directors' Options	\$0.60	25 May 2014	100% on date of issue	250,000
23 Dec 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue	200,000
23 Dec 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue	125,000
23 Dec 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue	125,000

\* as at 31 October 2013

<sup>11</sup> Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 5 September 2011](#)

<sup>12</sup> Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

<sup>13</sup> Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

<sup>14</sup> Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

<sup>15</sup> Options which have vested may be exercised at any time thereafter, up to their expiry date

**DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES**

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	1,034	372,339	0.154
1,001	-	5,000	327	790,820	0.327
5,001	-	10,000	194	1,666,267	0.689
10,001	-	100,000	415	16,260,663	6.719
100,001	-	and over	166	222,917,411	92.112
<b>Total</b>			<b>2,136</b>	<b>242,007,500</b>	<b>100.00%</b>

\* as at 30 September 2013

**TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS**

Rank	Shareholder	Shares Held	Total % Issued Shares	Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C> J P MORGAN NOMINEES AUSTRALIA LIMITED	13,168,915 <u>44,134,814</u>		
		Sub-total	57,303,729	23.678
2	NATIONAL NOMINEES LIMITED		42,739,198	17.660
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - <NT-COMNWLTH SUPER CORP A/C> HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,300,081 3,172,000 <u>10,586,299</u>		
		Sub-total	15,058,380	6.222
4	ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD		10,100,000	4.173
5	GWYNVILL TRADING PTY LTD		7,671,468	3.170
6	CITICORP NOMINEES PTY LIMITED		5,746,784	2.168
7	MRS FELICITY CLAIRE KOEKOEK		4,000,000	1.653
8	MR PETER KELVIN RODWELL		4,000,000	1.653
9	MS MENG HENG		3,931,024	1.624
10	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>		3,588,083	1.483
11	HGT INVESTMENTS PTY LTD		3,000,000	1.240
12	BNP PARIBAS NOMS PTY LTD <DRP>		2,995,434	1.238
13	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN <WWB INVESTMENTS P/L S/F A/C>		2,500,000	1.0330
14	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>		2,460,000	1.016
15	HOUVAN PTY LTD		2,000,000	0.826
16	MR ANDREW BRUCE RICHARDS		1,900,000	0.785
17	SURFLODGE PTY LTD		1,629,000	0.673
18	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING <TREG TRAILERS DIS S/F A/C>		1,568,491	0.648
19	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY <FLANNERY FAMILY S/F A/C>		1,500,000	0.620
20	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C> RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	3,365 <u>1,335,373</u>		
		Sub-total	1,338,738	0.553
<b>Total</b>			<b>175,030,329</b>	<b>72.116%</b>

\* as at 30 September 2013

## Appendix 5B

### Mining Exploration Entity Quarterly Report

Name of entity

Alara Resources Limited and controlled/jointly controlled entities

ACN or ARBN

122 892 719

Quarter Ended

30 September 2013

**Consolidated statement of cash flows**

		<b>Consolidated</b>	
		Current Quarter September 2013 \$' 000	Year to Date 3 months \$' 000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(151)	(151)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,483)	(1,483)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	29	29
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Working Capital)	3,111	3,111
<b>Net operating cash flows</b>		<b>1,506</b>	<b>1,506</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(14)	(14)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Share issue costs	-	-
<b>Net investing cash flows</b>		<b>(14)</b>	<b>(14)</b>
<b>1.13</b>	<b>Total operating and investing cash flows</b>	<b>1,492</b>	<b>1,492</b>
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
		-	-
<b>Net financing cash flows</b>		<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>		<b>1,492</b>	<b>1,492</b>
1.20	Cash at beginning of quarter/year to date	4,459	4,459
1.21	Exchange rate adjustments to item 1.20	87	87
<b>1.23</b>	<b>Cash at end of quarter</b>	<b>6,038</b>	<b>6,038</b>

## Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current Quarter September 2013 \$' 000
1.24	Aggregate amount of payments to the parties included in item 1.2	(330)
1.25	Aggregate amount of loans to the parties included in item 1.10	-
1.26	Explanation necessary for an understanding of the transactions	
	Directors' fees, salaries and superannuation for the quarter.	

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.
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## Financing facilities available

		Amount available \$' 000	Amount used \$' 000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

		Next Quarter \$' 000
4.1	Exploration and evaluation	(100)
4.2	Development	-
4.3	Production	-
4.4	Administration	(750)
	<b>Total</b>	<b>(850)</b>

## Reconciliation of cash

		Consolidated	
Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows		Current Quarter \$' 000	Previous Quarter \$' 000
5.1	Cash on hand and at bank	1,815	1,799
5.2	Deposits at call	4,223	2,660
5.3	Bank overdraft	-	-
5.4	Other (Bank Bills)	-	-
	<b>Total: cash at end of quarter (item 1.22)</b>	<b>6,038</b>	<b>4,459</b>

## Changes in interests in mining tenements

Tenement reference	Nature of interest (note (4))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Quarterly Activities Report	
6.2	Interests in mining tenements acquired or increased	Refer to Quarterly Activities Report	



## Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (see note 5) (cents)	Amount paid up per security (see note 5) (cents)
7.1 Preference securities+				
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 Ordinary securities+	242,007,500	242,007,500	-	-
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 Convertible debt securities+				
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted \$0.35 (25 October 2014) Options	3,650,000	-	35 cents	25 October 2014
Unlisted \$0.60 (25 October 2014) Options	2,000,000	-	60 cents	25 October 2014
Unlisted \$0.50 (25 May 2014) Options	400,000	-	50 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Directors' Options	250,000	-	60 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Options	250,000	-	60 cents	25 May 2014
Unlisted \$0.70 (25 May 2014) Options	250,000	-	70 cents	25 May 2014
Unlisted \$0.35 (22 August 2015) Options	400,000	-	35 cents	22 August 2015
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled during quarter			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted \$0.35 (16 September 2013) Options	16,400,000	-	35 cents	16 September 2013
Unlisted \$0.35 (16 September 2013) Options	1,000,000	-	35 cents	16 September 2013
Unlisted \$0.60 (25 May 2014) Directors' Options	250,000	-	60 cents	25 May 2014
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes	-	-		

## Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- This statement does give a true and fair view of the matters disclosed.



**Victor Ho**  
Company Secretary

31 October 2013

### Notes:

The **Company** currently holds the following listed share investments:

Listed securities

	30-Sep-13 Market Value	30-Jun-13 Market Value
	\$225,155	\$142,956
	\$225,155	\$142,956

Share investments are regarded as **liquid assets to supplement the Company's cash reserves**.

+ See Chapter 19 for defined terms

## NOTES

- 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 wanting to disclose additional information is encouraged to do so, in a note
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- The Company holds foreign currencies denominated in US dollars, Omani Rials, Saudi Arabian Riyals and Chilean Pesos. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 30 September 2013.