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ASX/MEDIA RELEASE

Monday, 18 February 2013

Update on Capital and Operating Cost Estimates Khnaiguiyah Zinc-Copper Project Feasibility Study

Highlights

- 2Mtpa Capex estimate reduced from US\$298M to US\$257M
- Projected mine life of 14 years
- Cash costs US\$52/t for years 1 to 9 and US\$41/t for LOM.
- First four years cash costs of US40c/lb of payable zinc after copper credits at current copper price
- Potential for up to 75% project finance reduces expected equity requirement

Update

Perth: Alara Resources Limited (ASX: AUQ) (**Alara**) is pleased to provide an update regarding the capital and operating costs estimated as part of the Definitive Feasibility Study (**DFS**) for the Khnaiguiyah Zinc-Copper Project in Saudi Arabia (**Project**) due for completion in Q1, 2013.

Capex update

In December 2012¹, Alara forecast a Capex estimate of US\$298M including contingencies. These Capex estimates were based on preliminary estimates received on tender documents distributed in September 2012 for the construction of the plant and forward estimates on infrastructure and the mining fleet.

We are pleased to report that based on its model of a fixed price lump sum turnkey EPC contract on FIDIC Silver Book standard international terms and conditions, Alara has received tender bids to build the Project.

Alara is also pleased to report that at least one of the bidders has considerable Saudi Arabian experience. This company has built a similar and successfully operating copper zinc project within the last few years and has recently been awarded another tender to build a gold project.

Based on tender bids received the Capex estimate is summarised as follows:

	US\$'Million
Process plant from ROM to Tailings Disposal	157
Diesel Power Plant	15
Accommodation Village	12
Site Infrastructure, including workshops and buildings	15
Concentrate containers	9
Bore field	6
Mobile plant (non-mining)	4
Earthwork	7
Subtotal	225
Owners Cost and Pre-start	15
Contingencies	17
Total	257

¹ Refer ASX market announcement dated 14 December 2012: [Capital and Operating Cost Estimates - Khnaiguiyah Zinc-Copper Project Feasibility Study](#)

Operating Costs Estimate

The total cash operating costs for the Project averaged over the Life of Mine (LOM) are expected to be US\$41 per tonne of ore, including mining, processing, transport, treatment and refining. Over the first 9 years when all of the ore will be mined out and either processed or stockpiled, the average cost will be US\$52 per tonne of ore.

These costs are based upon a 2Mtpa ore throughput.

In the first four years of production, with an average annual production of 90,000 tonnes of zinc metal and 6,250 tonnes of copper metal as concentrate, the cash costs are expected to be US40c/lb of payable zinc after copper credits at the current copper price.

Based upon a report commissioned from CRU Strategies as part of the DFS, these operating costs should (subject to costing adjustments related to final quarterly mine schedule) place the Project within or close to the lowest quartile with regard to costs of zinc mines currently operating in the western world. The main factors that contribute towards the operating costs being relatively low are the availability of cheap diesel (approximately US 9c per litre delivered to mine site) and low cost labour in Saudi Arabia.

Project Financing

Alara has held a number of discussions with potential providers of project finance. In particular, representatives from the Saudi Industrial Development Fund (**SIDF**) have indicated that this organisation may be prepared to advance up to 75% of the total capital required for the Project.

Discussions with potential supplier and off-take partners has also given Alara confidence that additional levels of non-equity financing may also be available from these parties, further reducing the amount of equity which Alara will be required to raise to advance the Project.

“The DFS team has worked hard over the last few months to bring the capital cost in line with expectations. The low level operating costs demonstrate that the mine should operate with a competitive advantage compared to other zinc mines around the world. Furthermore, the potential for a relatively high level of project financing from the SIDF together with opportunities for off-take finance may reduce considerably the amount of equity which Alara will need to raise to advance this Project”.
Shanker Madan, Managing Director.

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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.