



**Alara Resources Limited**  
A.B.N. 27 122 892 719  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000

Telephone | +61 8 9214 9787  
Facsimile | +61 8 9322 1515  
Web | [www.alararesources.com](http://www.alararesources.com)  
Email | [info@alararesources.com](mailto:info@alararesources.com)

**Wednesday, 19 October 2011**

# **MARKET ANNOUNCEMENT**

## **Investor Update Presentation**

Alara Resources Limited is pleased to attach a copy of an Investor Update presentation.

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### **Further information:**

Shanker Madan  
Managing Director  
T | + 61 8 9214 9787  
E | [smadan@alararesources.com](mailto:smadan@alararesources.com)

### **NOTE:**

*The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian 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 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.*

ASX Code | **AUQ**



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# Alara Resources Limited

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## Investor Update

October 2011



ASX: AUQ



# Investor Update – October 2011

## 1. INTRODUCTION

- The Company: Management, Structure and Share Price Performance

## 2. SAUDI ARABIA

- Khnaiguiyah: Targeting DFS completion Q1 2012
- Marjan: New concessions nearby Khnaiguiyah

## 3. OMAN

- Daris and Awtad: Helicopter-borne VTEM Survey completed

## 4. CHILE

- El Quillay: Planning, geophysics and mapping program

## 5. SUMMARY

- Recent accomplishments and the way forward



# Company Profile

## Directors

### Ian Williams AO Chairman

- 40+ years mining experience
- Hamersley Iron, Rio Tinto, Century Zinc & Pasminco
- Awarded Order of Australia for services to Indigenous communities

### Shanker Madan Managing Director

- 35+ years mining industry experience
- BHP, Rio Tinto & Hamersley Iron

### Doug Stewart

- 35+ years mining industry and capital markets advisory experience
- Territory Iron, Teck Corporation, NM Rothschild and Sons, Australia

### Farooq Khan

- 20+ years capital markets experience
- Management of ASX-listed companies
- Corporate law background

### William Johnson

- 20+ years experience in senior management and executive roles in public companies in Australia, New Zealand and S.E. Asia

## General Manager, Projects

### Eduardo Valenzuela

- 30+ years experience in mine operations, project management, technical services and project financing

## Stock

<b>ASX Code</b>	<b>AUQ</b>
<b>Market Cap (14 October 2011)</b>	<b>\$ 62.1M</b>
<b>Issued Capital</b>	
- Shares	<b>210.5M</b>
- Options	<b>42.2M</b>
<b>Cash (30 June 2011)</b>	<b>\$ 32.2M</b>

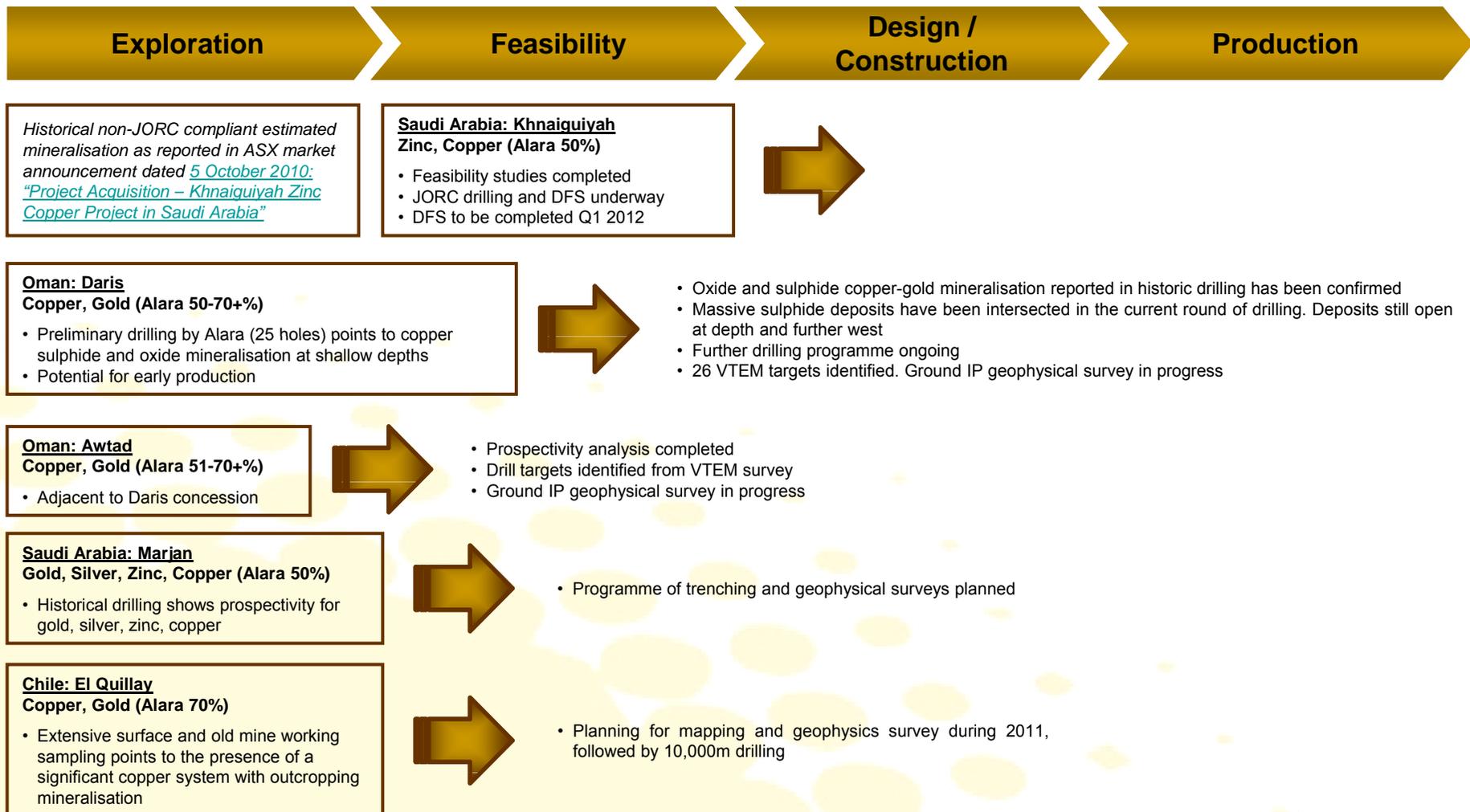
## Top Shareholders

Colonial	13.8%
Aviva	10.0%
Northcape	9.0%
Kinetic	7.4%
Contango	5.7%

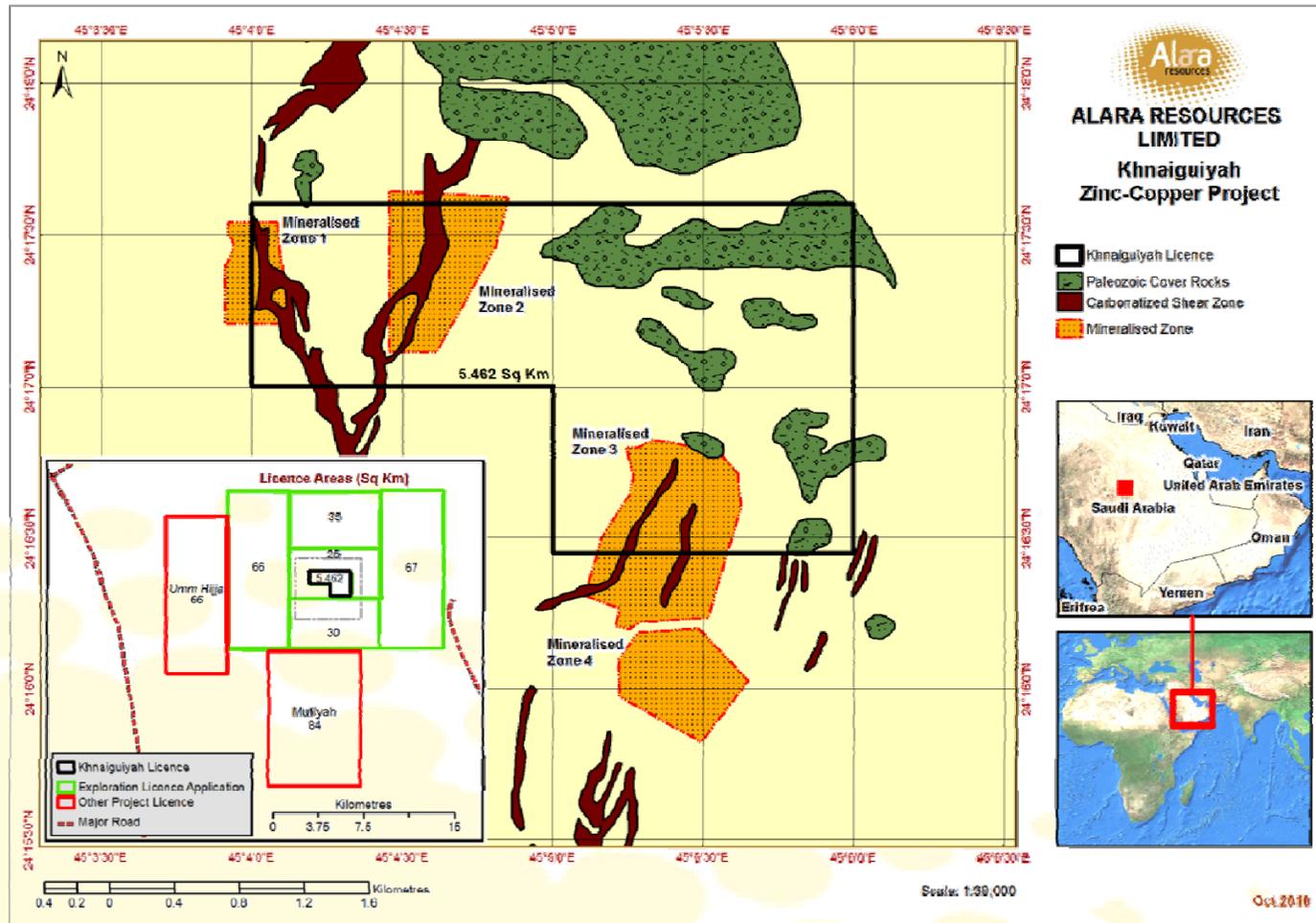


# Pipeline

## Alara has a strong pipeline of base metal development projects



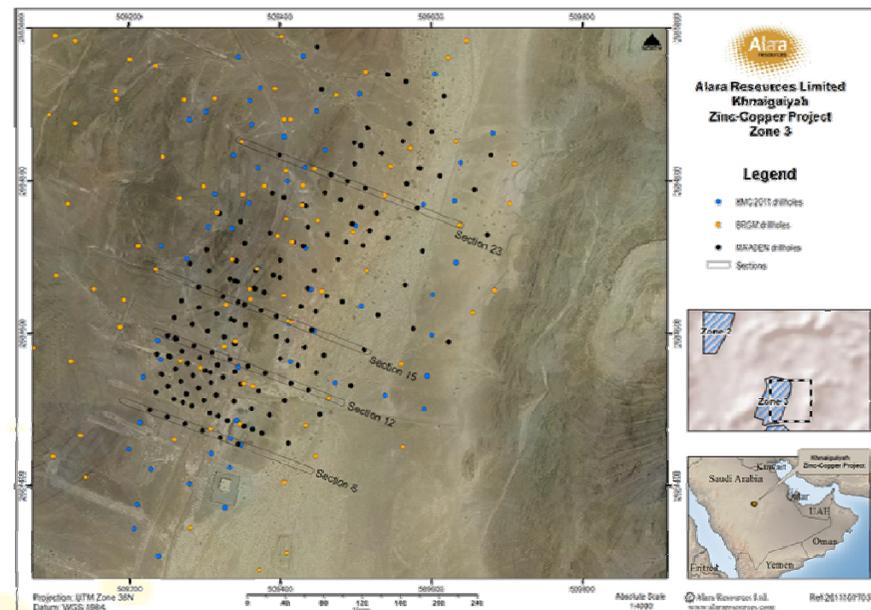
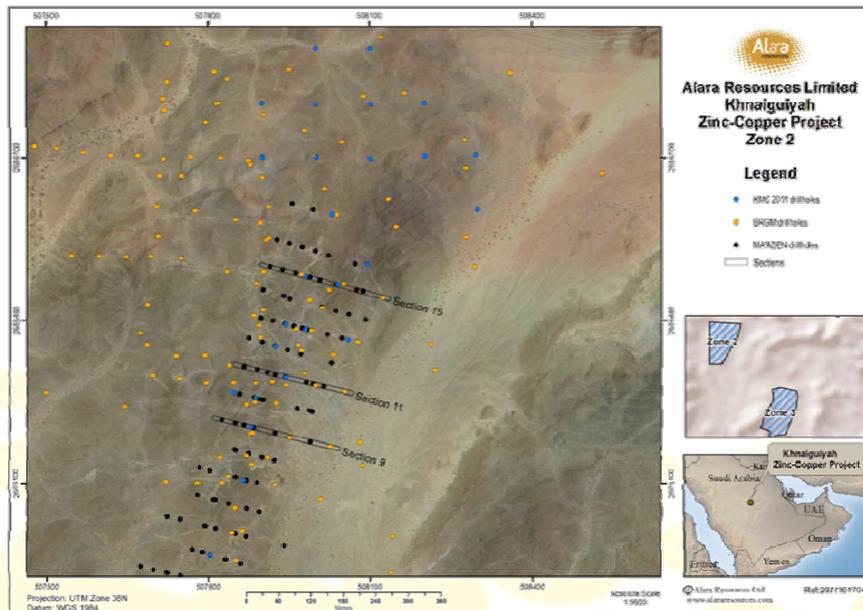
# Saudi Arabia Operations



# Saudi Arabia: The Khnaiguiyah Project



The Khnaiguiyah Project comprises a Mining Licence (granted), 2 Exploration Licences and 5 Exploration Licence Applications covering 380 sq. km



Recent drilling validates historic results and shows potential for additional zinc and copper mineralisation.

Results summarised in Slide 15.



# Previous Studies

## Previous Khnaiguiyah studies have confirmed the potential for commercial development of the project

- Historical non-JORC compliant estimate<sup>2</sup> as reported in Alara ASX market announcement dated [5 October 2010](#)<sup>1)</sup>
- The PFS (1990's) indicates the project was commercially viable at a price assumption for Zinc of US\$1,200 per tonne – considerably lower than today's price of ~USD\$1,900 per tonne<sup>3</sup>
- Mineralised Zones 1, 2 and 4 may be mined by open cut method and Zone 3 may be mined partly by open cut and the rest by underground methods
- Fresh water is available in a large aquifer at Kuff 25km away
- 33KVA power line is available on site
- Direct sealed road access

1 Refer: Alara ASX market announcement dated [5 October 2010](#) and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

2 Source: BRGM Geoscientists 1993, Khnaiguiyah Zinc- Copper deposit – pre-feasibility study – 1,2 and 3, Saudi Arabian Directorate General of Mineral Resources Technical Report BRGM TR 13-4, 651p, 209 figs, 171 tables, 78 appendices and 23 photo plates

3 LME Zinc cash price as at 17 October 2011 (<http://www.lme.com/zinc.asp>)



# Previous Work and Studies

## **Alara's Definitive Feasibility Study (DFS) scheduled for completion in Q1 2012 is building on a considerable amount of previous work**

- Exploration and Pre-feasibility Study conducted by BRGM and further studies conducted by Manajem (the Vendor) include the following works:
  - Total drilling in excess of 45,000m in 345 core and percussion holes, across four mineralised zones within 3km<sup>2</sup>
  - BRGM completed 25,193m of percussion and core drilling in 192 drill holes on profiles 100m x 25m / 50m
  - Additional infill drilling on profiles 50m x 25m / 12.5m grid spacing confirms the structure and the mineralisation (Manajem in-house feasibility study)
  - Other works done include two deep shafts for bulk sample, test work on a 15t bulk sample, pit design and financial modelling

# Access, Camp and Drilling Activities



The Khnaiguiyah Zinc-Copper Project has excellent road power and camp infrastructure



# Alara Board visits Khnaiguiyah



Alara Board members at the Khnaiguiyah core yard



Core examination at Khnaiguiyah Zone 3 drill site



High grade zinc and copper intersections in Drill Hole K3DD11\_032 at Zone 3

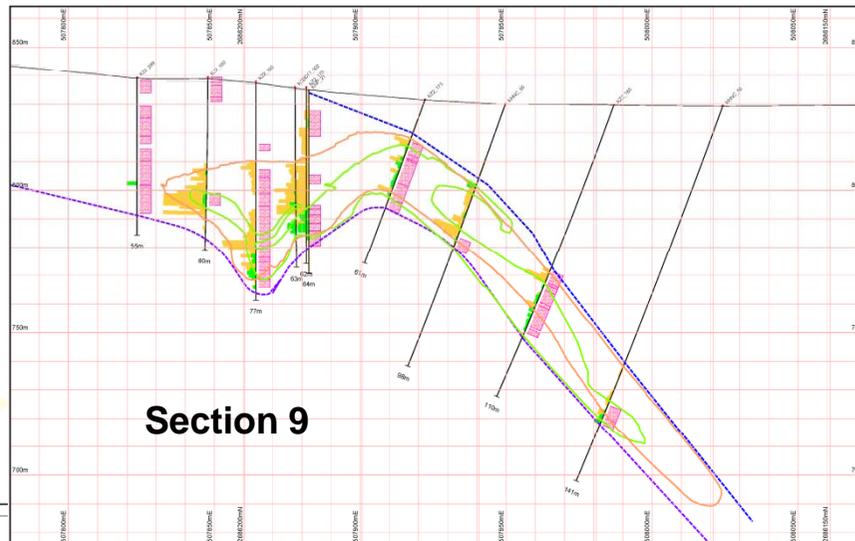


Drill Hole core from Zone 3 showing chalcopyrite veins

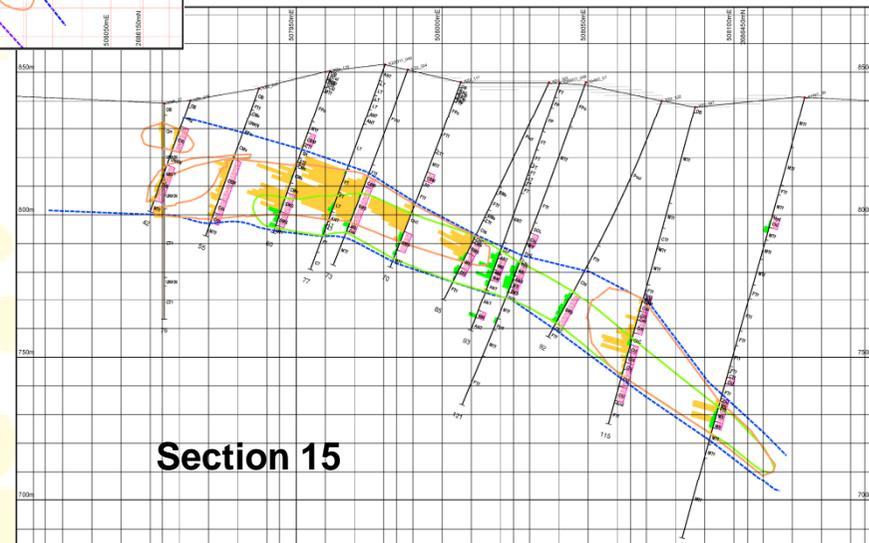
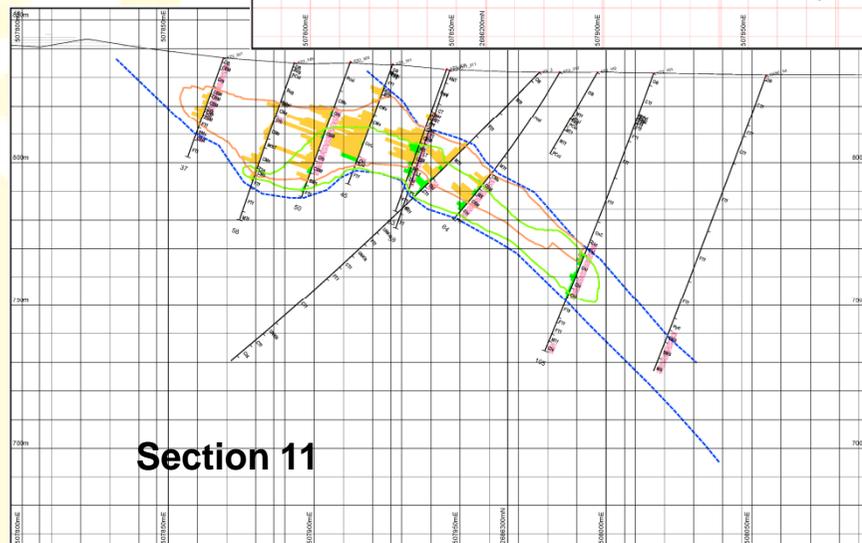
# Mineralisation



Mineralisation in Zone 2 is flat lying and shallow

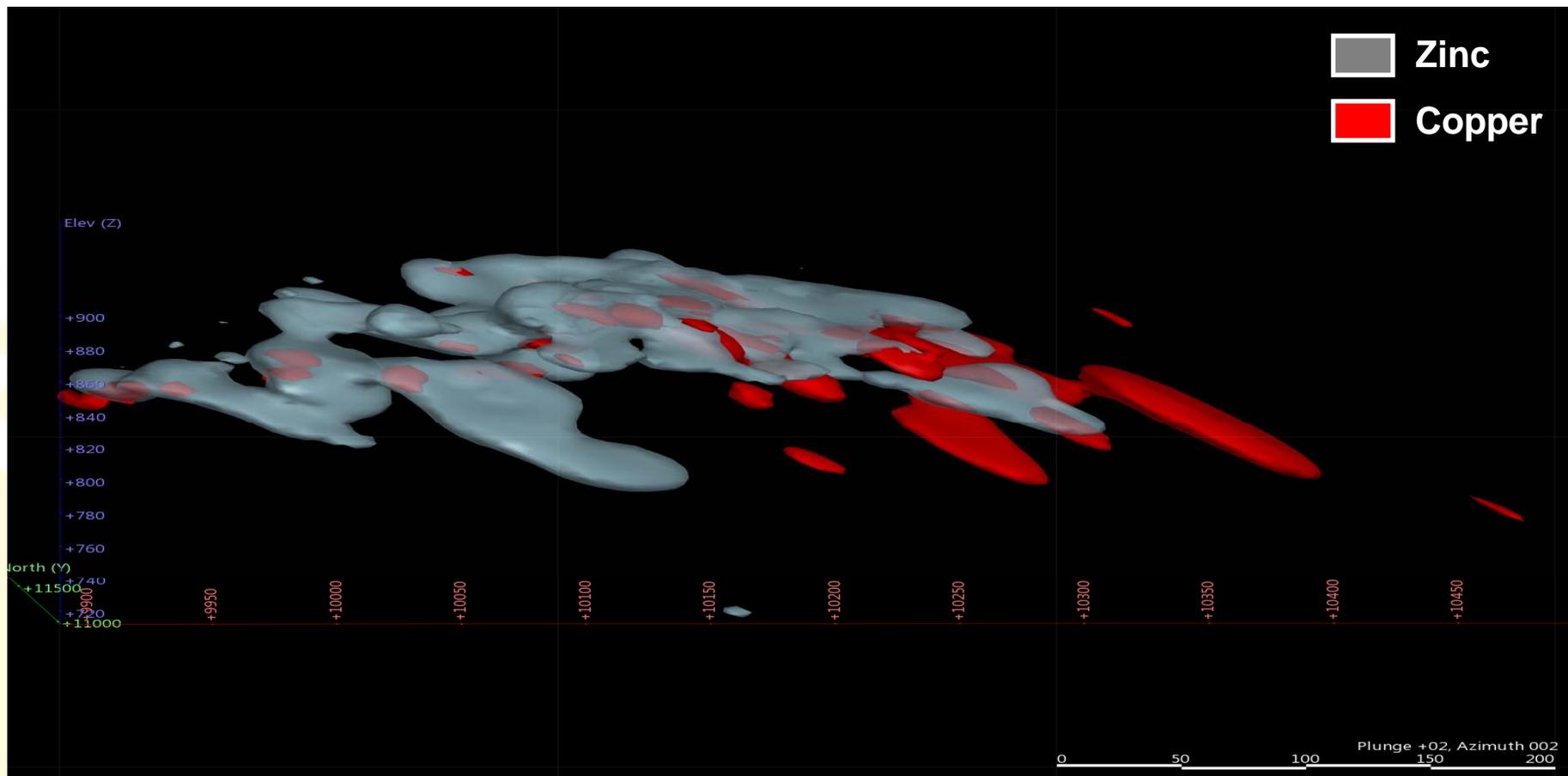


- Copper grade
- Zinc grade
- Mineralised body
- Hanging wall / footwall



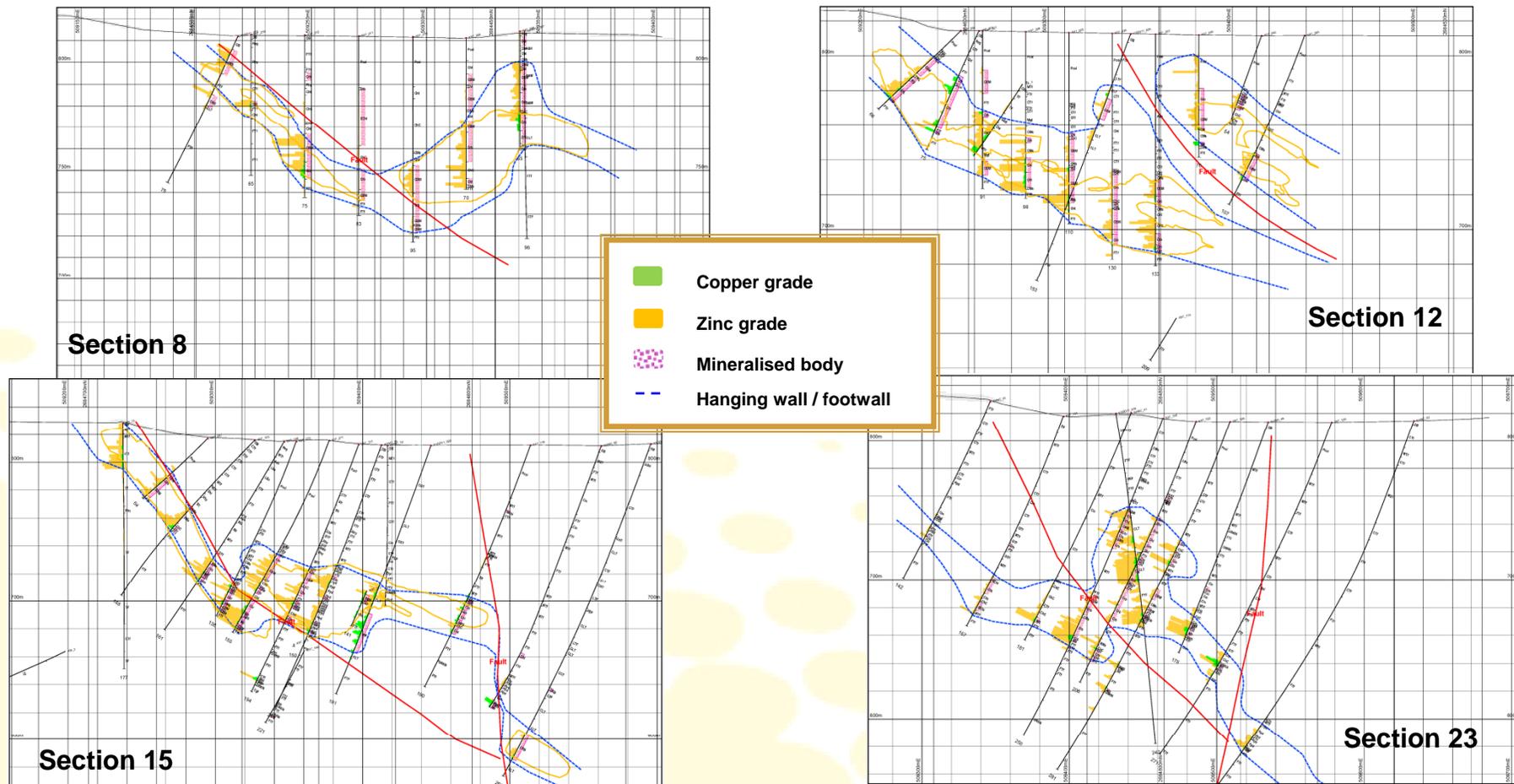
# Mineralisation

Recent drilling aimed at copper mineralisation and strike extensions  
 A stacked 3D model of Mineralised Zone 2 shows the flat and shallow disposition of the mineralisation



# Mineralisation

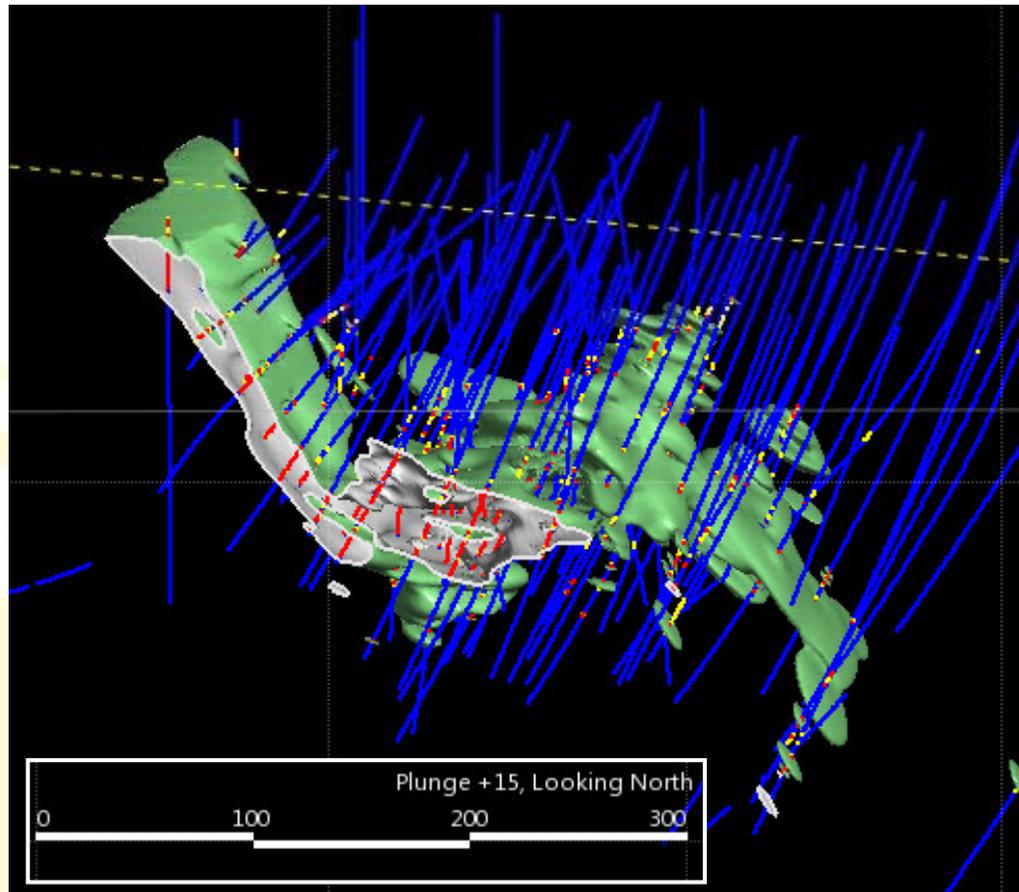
**Mineralisation is thick, high grade, open and has good continuity**  
**Mineralised Zone 3 is thicker and close to the surface on the east limb but generally**  
**Copper rich and towards the west**



# Mineralisation

## Structural continuity demonstrated

A stacked 3D model of Mineralised Zone 3 shows structural continuity



## Highlights of recent drilling

Assay results from recently completed drill-holes in Zone 3 continue to correlate with historic holes, confirming historically reported high grade zinc-copper mineralisation:

### **K3DD11\_022**

- 7m @ 5.45% Zn and 0.22% Cu from 107m
- 21m @ 2.32% Cu from 132m

### **K3DD11\_028**

- 21m @ 10.18% Zn and 0.58% Cu from 18m

### **K3DD11\_030**

- 54m @ 8.33% Zn and 0.39% Cu from 82m, including 9m @ 20.19 % Zn and 1.52 % Cu
- 13m @ 7.39% Zn and 1.27% Cu from 168m, including 6m @ 2.06 % Cu

### **K3DD11\_031**

- 9m @ 8.68% Zn and 0.47% Cu from 155m, including 6m @ 11.75 % Zn and 0.59 % Cu

### **K3DD11\_032**

- 65m @ 9.86% Zn and 1.24% Cu from 122m, including 12m @ 15.31 % Zn and 3.09 % Cu

### **K3DD11\_035**

- 35m @ 7.65 % Zn and 0.18 % Cu from 84m, including 3m @ 38.6 % Zn and 0.87 % Cu
- 21m @ 7.03 % Zn and 0.16 % Cu from 125m, including 1m @ 44.4 % Zn and 0.78 % Cu

### **K3DD11\_039**

- 84 m @ 13.3 % Zn and 0.39 % Cu from 71m, including 19m @ 30.39 % Zn and 0.95 % Cu

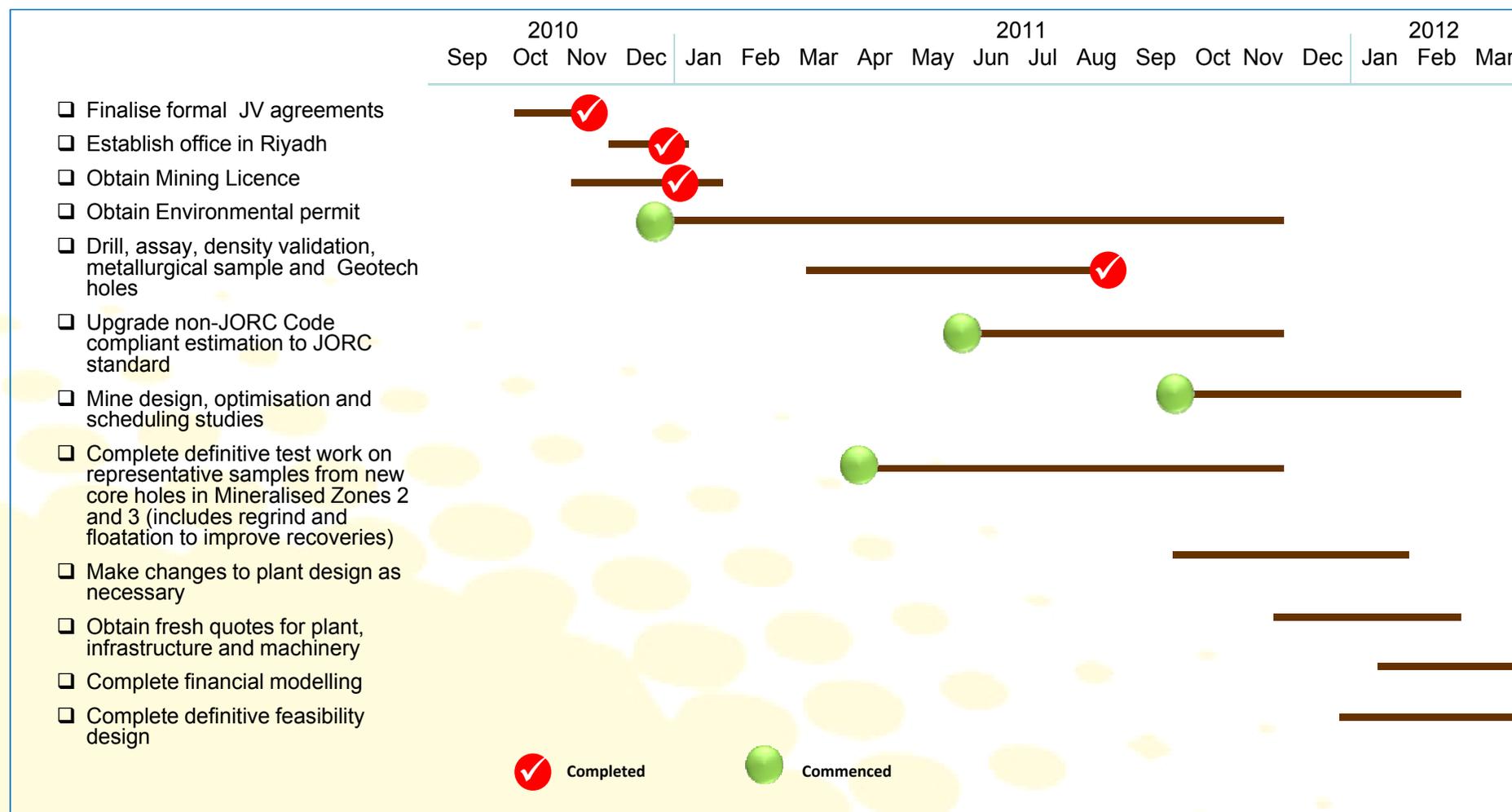
### **K3DD11\_067**

- 37m @ 1.92% Cu from 28m

# DFS Completion



## Alara is targeting completion of Khnaiguiyah DFS in Q1 2012



# DFS Progress

## Highlights of Metallurgical Test Work

- Initial locked cycle flotation test work results from the metallurgical test-work program, on Zone 2 master composite, based on a relatively coarse primary grind product size of P80 < 106µm, delivered recoveries of 87% for Cu and 91.5% for Zn, at concentrate grades of around 30% for Cu and 57% for Zn.
- Comminution data shows moderate hardness of the order of 14kWh/t energy requirement during grinding.
- It is anticipated that in the next few weeks grinding and flotation process design criteria will be delivered to Ausenco Engineering thereby commencing the plant process design process.

## Highlights of Environmental Studies

- 17 species of birds and 16 species of reptiles were found but none of the species are endangered. The area is not part of a wild life sanctuary.
- 44 species of flora were found but none is rare or endangered.
- There are no rehabilitation issues and the Project is seen as positive for the region.
- Sterilisation of tailings dam is complete. No mineralisation was found in the selected area.

# DFS Progress

## Resource Modelling and Mining Studies

- QA / QC of historic data has taken longer than envisaged but to date the results are encouraging and BRGM data is well documented. Distribution of Ma'aden data matches very well with the 2011 data from recent drilling.
- Interpretation of Zone 2 has been completed and has been handed over to the mining engineers for Mining Studies.

## Highlights of Hydrological, Geotechnical and Transportation Studies

- Mine water drilling has commenced and drilling completed to date shows mine water is unlikely to be an issue.
- All geotechnical drilling has been completed. Logging is in progress . Rocks appear to be hard and quite competent.
- Infrastructure and transportation studies have commenced. Both rail road transport options for transporting concentrate are being considered.

## Highlights of water resource

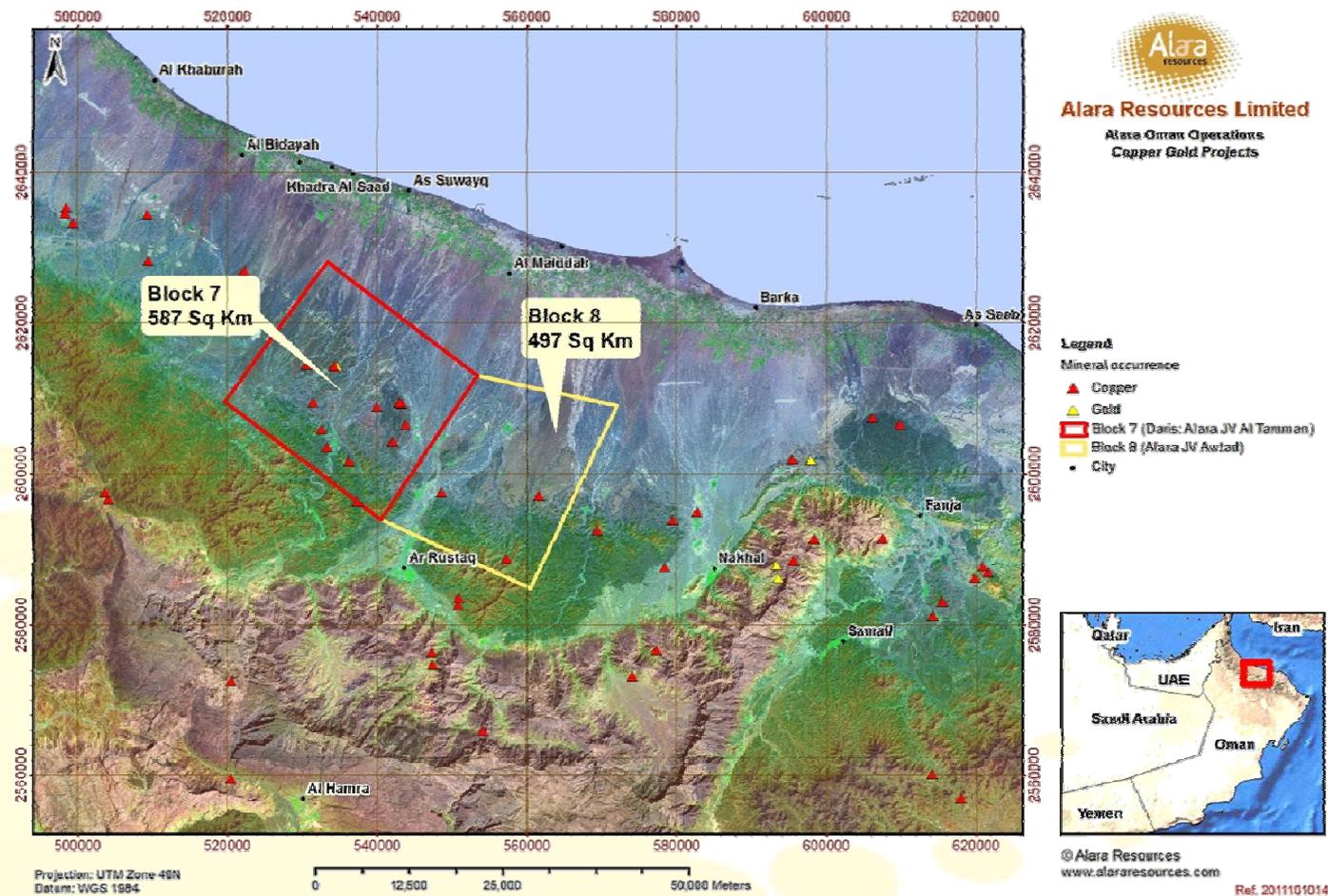
- Land has been purchased to source water supply for the project. Geophysical survey is in progress. Drilling for water and pump tests are planned.



# Oman: Daris Project



The Daris Project is located in a region with several examples of VMS Copper Deposits in the Oman Ophiolites and a nearby Copper Smelter



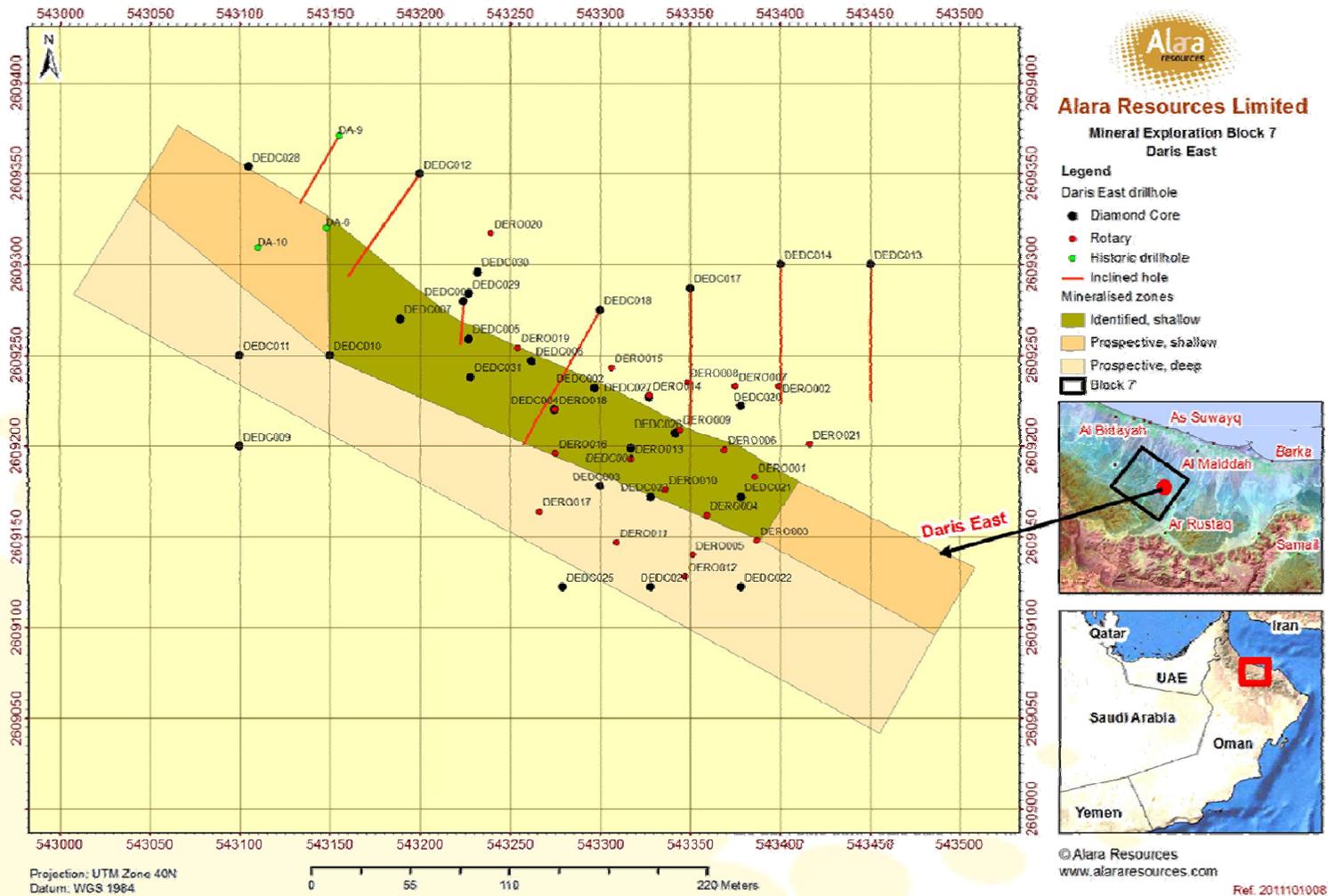
## Alara is targeting discovery and development of Copper-Gold in Oman

- Alara earlier completed a 25 drill hole programme in 2 of 12 known prospects in the project area. Results received from one of these prospects, where 3 core holes were drilled to test previously indicated massive sulphide mineralisation around a known gossan are promising:
  - 17.20m at 8.05% Copper, as Copper Sulphides and 2.67 g/t Gold, from 51.50m including several intersections between 10% to 14.7% Copper (D3DC003)
  - 11.90m at 5.74% Copper, from 34.35m and 3.45m at 10.28% Copper (including 1m at 16.0% Copper), from 50.60m, as Copper Sulphides, together with 17.85m at 2.61 g/t Gold from 28.40m and 3.45m at 3.10 g/t Gold from 50.60m (D3DC002)
  - 6.10m at 5.81% Copper, as Copper Sulphides from 31.55m, together with 18.65m at 3.80 g/t Gold from 19.0m (D3DC001)
- **Drilling has expanded sulphide mineralisation at Daris East; further drilling results are expected in early to mid November.**
- Helicopter-borne VTEM geophysical survey outlined 26 anomalies. Ground survey has confirmed new conductors. A detailed IP survey is 75% complete.
- Concurrently the Company is in the process of finalising further acquisitions in Oman with a view to rapidly building a critical mass.

# Daris East: Block 7

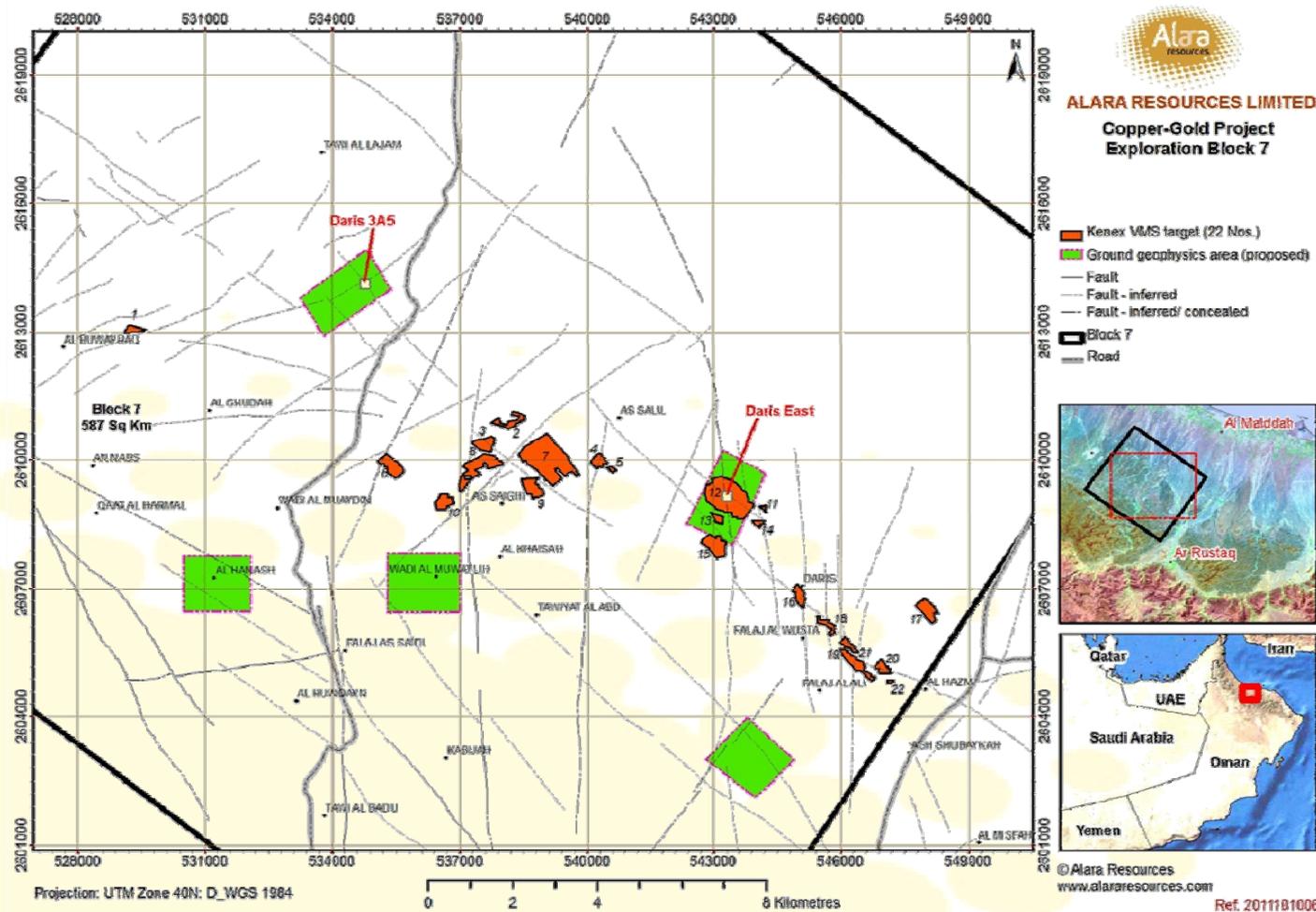


## Recent Drilling



# Mineralisation

**A helicopter-borne VTEM survey has been completed over Daris and the adjoining Awtad areas. New targets have been identified**



- Drilling has been completed.
- VTEM survey and reconnaissance has confirmed 26 new conductors.
- Drilling has been completed on one conductor, awaiting results.
- Reconnaissance and IP survey on some of the remaining conductors is ongoing.

# Targets



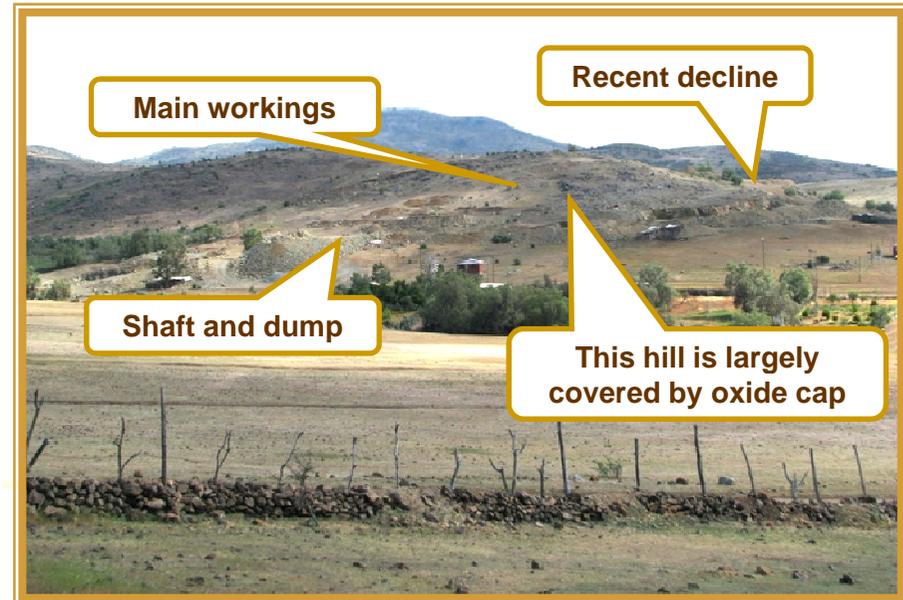
## In Chile, Alara is targeting Copper-Gold prospects in an area with extensive previous workings and walk up drill targets

- Definitive agreements with local partner due to be finalised by the end of October.
- Five Copper, Copper-Gold and Copper Molybdenum IOCG type and porphyry prospects.
- Deep workings along a 6km strike are located along a major fault system in andesitic lavas and in diorite
- Target mineralisation potential<sup>1</sup>:
  - 8 to 10Mt of oxide cap at 0.7% to 1.00% Copper to 30m depth, and 20Mt to 40Mt+ at 1.5% Copper equivalent as Copper Sulphides, Gold and Silver below oxide cap (based on surface widths and projections) (“**El Quillay**” Prospect)
  - 30Mt to 60Mt at 0.7% to 0.8% Copper equivalent in breccia pipes and porphyry (based on two drill holes, one of which intersected 180m at 0.70% Copper and up to 200ppm Molybdenum) (“**Lana and Corina**” prospect)
- Alara is earning a 70% interest over three years.
- **Technical and legal due diligence completed**
- **Definitive agreements with local partner due to be finalised by the end of October**

1. *The potential quantity and grade of the target mineralisation of Copper equivalent is conceptual in nature, based on 500+ surface samples conducted by the vendor’s geologist and a representative portion of which has since validated by Alara’s consultants. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of Copper equivalent in Copper and Gold. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of Copper equivalent in Copper and Gold.*

# Prospects

In the “El Quillay” Prospect, numerous workings exist over 1km strike and up to 85m depth. Outcrops and workings have been extensively sampled

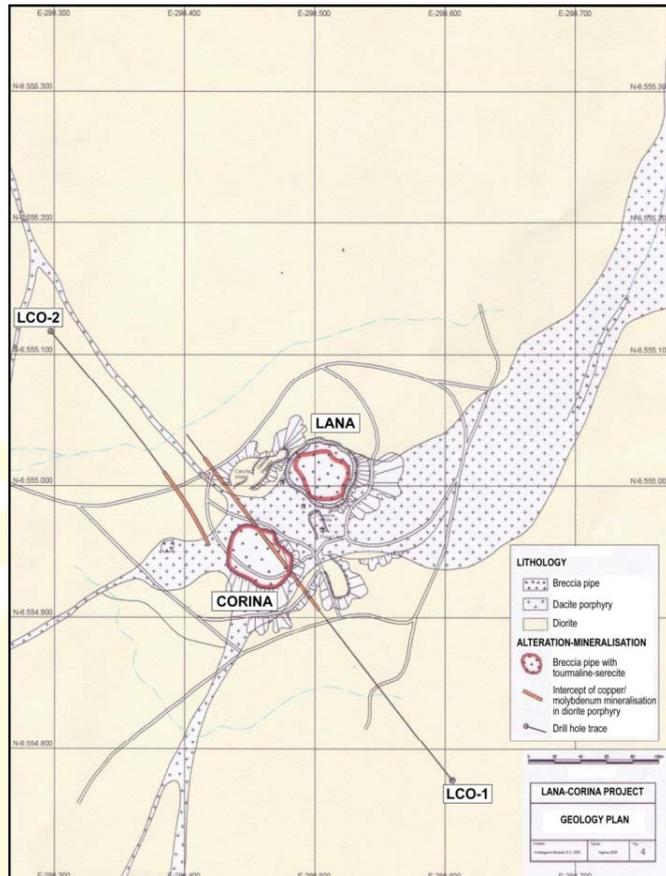


A half spiral decline dug in 2008 is wide enough to take regular trucks and loaders to sulphide mineralisation below the oxide cap which covers most of the hill

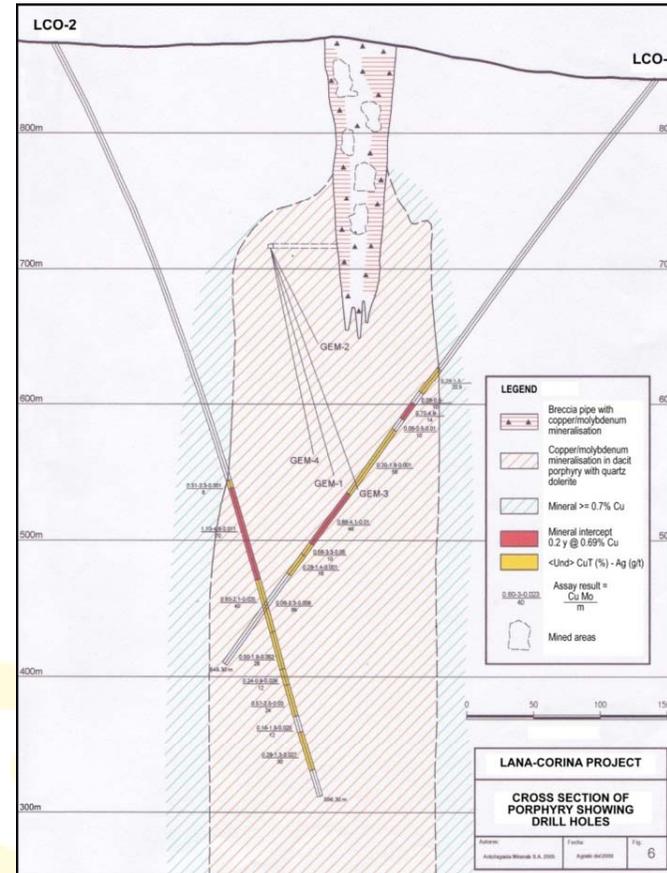


# Prospects

At “Lana and Corina” Prospect, significant drill intersections confirm the prospectivity of breccia pipes, with porphyry below



Lana-Corina Project Area Geology Plan



Lana-Corina Project Area Cross

Two drill holes intersected 180m and 130m of mineralisation respectively, at 0.70% Copper and up to 200ppm Molybdenum

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Facsimile: +61 8 9322 1515

[info@alararesources.com](mailto:info@alararesources.com)  
[www.alararesources.com](http://www.alararesources.com)

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