

ASX/MEDIA RELEASE

Thursday, 1 March 2018

PROJECT ACQUISITION

PERTH: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) is pleased to report it has expanded its copper portfolio in Oman by acquiring an interest in the Awtad copper-gold Project located adjacent to the Daris copper-gold project.

Summary

- The Project contains known occurrence of copper mineralisation based upon previous exploration.
- The Project area adjoins one of Alara's existing JV projects in Oman (Daris Resources – Block 7) and bolsters the “hub and spoke” mining model considered in previous studies.
- Alara will have an initial 10% project interest, with the right to increase to a 70% shareholding in Awtad Copper LLC.

Awtad Copper Gold Project

The Awtad copper project (the ‘Project’) includes a copper exploration licence (Block 8) of 497km² granted to Awtad Copper LLC, and is contiguous with the Block 7 (587km²) which is part of another Alara joint venture with Al Tamman Trading Establishment (a wholly owned subsidiary of Muscat Overseas Group).

The Company has signed a binding Heads of Agreement granting Alara an initial 10% interest in the Project and a right to increase to a 70% shareholding in Awtad Copper LLC.

Alara first entered an agreement with Awtad Copper LLC in 2011. At that time, the Company had ten projects across four countries and three continents. In light of the limited progress that had been made on Block 8 relative to Alara's other projects (n.b. Alara was in the final stages of completing a Feasibility Study in Saudi Arabia), a decision was made to withdraw from the Project and focus on the zinc-copper project in Saudi.

More recently, Alara announced a maiden ore reserve for the Al Hadeetha copper-gold project in Oman, underpinned by a 1 Mtpa copper concentration plant over an initial 10-year mine life¹. This Project acquisition supports a broader copper strategy for Oman which aims to consolidate Alara's portfolio of copper projects and potentially other copper assets.

¹ Refer Alara's ASX Announcement dated 24 January 2017.

The Company previously reported rock chip samples from Block 8² had returned multi-elemental enrichment of up to 2.68% Copper, 2.4ppm Silver, and 0.1% Zinc indicating potential base metal deposit below. This led to a RAB drilling campaign. Based on that work some geophysical and geochemical targets were identified and these anomalies will now be revisited.

Previous studies³ considered transporting ore from Block 7 to a processing plant at Washihi, and/or heap leaching options. Adding Block 8 provides further upside and potential project synergies via a 'hub and spoke' mining operation developed around shared processing facilities.

Positive developments within Oman's mining sector, growing demand for copper, and the opportunity to create greater value through project collaboration, show the addition of Block 8 makes good sense for the Company and for copper mining in Oman.

Key Terms

- (1) Alara Oman Operations Pty Limited (a wholly owned subsidiary of Alara Resources Limited) has entered into an Agreement with the licence owner, Awtad Copper LLC (JVCo).
- (2) Alara is entitled to earn-in up to a 70% shareholding interest in JVCo by funding exploration and evaluation and completion of a definitive bank feasibility study.
- (3) Alara will secure an initial 10% shareholding interest in JVCo based on its previous contributions to the Project (~OMR246,000). Alara will then fund further exploration, evaluation and development costs. After Alara has invested a total of US\$1.5 million into JVCo, it will increase its shareholding in JVCo to 51%. This will increase to 70% upon the completion of a DFS.
- (4) Post completion of a DFS, the JVCo shareholders have to contribute any required equity funding or dilute in accordance with an industry standard dilution formula. If a shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholders in exchange for a 2% net smelter return.
- (5) Awtad Shareholders are entitled to a once-off election to maintain their interest at 49% (with Alara holding 51%) if a threshold resource of 20,000 or more tonnes of contained Copper has been delineated within the Project area (within a JORC Measured Copper Resource with a cut-off grade above 0.5% and an average grade above 2%) as at the date Alara has completed its 51% earn-in (prior to completion of a DFS). If the Awtad Shareholders exercise this election, on-going funding of JVCo (including to complete the DFS) will be pro-rata to JVCo's shareholding interest (ie. Alara 51% and Awtad Shareholders 49%).
- (6) JVCo will be governed by a 4 member Board with 2 nominees appointed by Alara and 2 by the local shareholders. Alara is entitled to appoint the Chairman, who has a casting vote, and also the Managing Director.
- (7) The agreement is also subject to conditions precedent, including JVCo renewing the exploration licence and settling any liabilities owed to its current shareholders.

² Collected 250m southeast of Hole AM12DD002 from oxidized, hematitic altered basalt (Gossan) having malachite stains – refer Alara's Half Year Report December 2012.

³ Refer Alara's ASX Announcements dated 13 June 2014 and 19 February 2015.

