



**Alara Resources Limited**

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**ASX/MEDIA RELEASE**

Friday, 22 November 2013

**Presentation at 2013 AGM**

**Perth:** Alara Resources Limited (ASX: AUQ) (**Alara**) is pleased to attach a copy of the presentation to be made at the Company's 2013 Annual General Meeting scheduled to commence at 11:00 am (Perth time) on 22 November 2013.

– ENDS –

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**Managing Director**

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**About Alara Resources**

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and mine development company with a diverse portfolio of projects in Saudi Arabia and Oman. Alara has recently completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and a Scoping Study (SS) on its Daris/Washihi Copper-Gold Projects in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company.

For more information, please visit: [www.alararesources.com](http://www.alararesources.com).

ASX Code | **AUQ**





# 2013 Annual General Meeting

## Managing Director's Report to Shareholders

Perth, Western Australia  
22 November 2013

**Moving from Explorer to Producer  
Change & the Way Forward**

# Presentation Agenda



Camel herder at the Saudi Project site

Company Changes

Company Status

Oman Update

Saudi Arabia Focus

Way Forward

*“Alara is transitioning from being a mineral resources developer to a mine builder and operator.”*

*“Alara will achieve its goals through open, collaborative and respectful working relationships with its employees, partners, shareholders, and stakeholders.”*



Site Security Chief, Driver & Country Manager

**Board of Directors**

**Management Team**

**JV Relationship**

**Focus**

**Market Relationship**

## Former Board of Directors

**Ian Williams AO**  
Non-Executive Chairman  
Current

**H. Shanker Madan**  
Managing Director  
Resigned

**Douglas Stewart**  
Non-Executive Director  
Retired

**William Johnson**  
Non-Executive Director  
Retired

## Current Board of Directors



**Ian Williams AO**  
Chairman

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



**Philip Hopkins**  
Managing Director

- 30+ years' mining experience
- South American Ferro Metals, BHP Billiton and St Barbara Mines



**John Hopkins**  
Director

- 30+ years' legal and mining experience
- Adamus Resources, Universal Coal Plc , Wolf Minerals



**HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud**  
Director

- 25+ years' business and sports management experience
- Highly regarded Saudi Arabian and International Businessman

## Former Management Team

**H. Shanker Madan**  
Managing Director  
Resigned

**Elvio Ruggiero**  
Chief Financial Officer  
Resigned

**Ganesh Krishnamurthy**  
Oman Lead  
Resigned

**Justin Richard**  
Lead Counsel  
Promoted

**Victor Ho**  
Company Secretary  
Current

**Jason Williams**  
Technical Services Manager  
Transitioned



**Philip Hopkins**  
Managing Director



**Justin Richard**  
Country Manager – Saudi Arabia & Oman



**Julian Tambyrajah**  
Chief Financial Officer



**Elle Macdonald**  
Corporate Affairs Manager



**Victor Ho**  
Company Secretary



**A.V. Sthapak**  
Oman Lead



**Leanne Cureton**  
Technical Services Manager



## **JV Relationship**

- Open and trustful
- Business based
- Follow up & closure

## **Focus**

- Saudi Zn Project
- Equity position
- Transition to production
- Oman optimisation

## **Market Relationship**

- Realistic
- Open and frank
- Balanced
- Accessible



As of close of business Wednesday 20 November

## On this day...

- ASX “speeding ticket”
- Market down +2%
- Alara **up** 10%

## In the Market

- Resources are flat/declining
- Metal prices declining
- Limited funds for juniors

## Where is Alara?

- Robust Projects
- Market looking for these!
- Board and Management
- Right location
- Right metal





KMC Site Camp



Riyadh at night

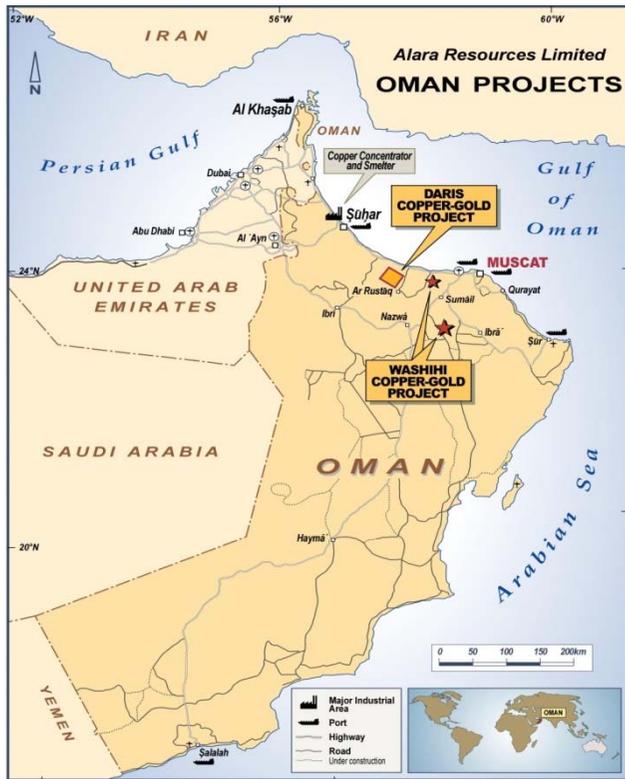
## Oman Daris/Washihi Project

- Highly prospective Project
- Largest Oman Cu Resource
- New 1 Mtpa Scoping Study (+value)
- Optimise for Alara and JV Partners
- Dual divestment strategy options
  - Divest partially
  - Divest fully
- Other options being evaluated

## Saudi Khnaiguiyah Project

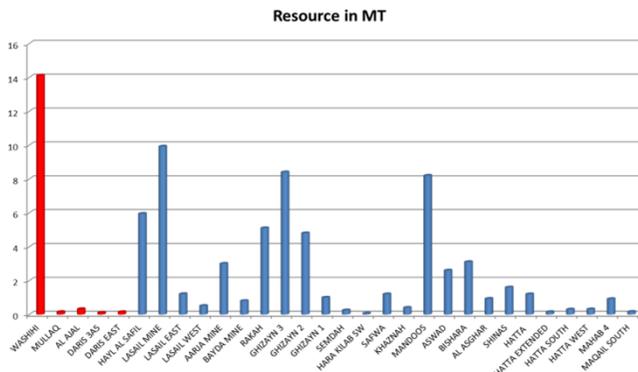
- Completed & robust DFS (+170m NPV)
- Require JV equity adjustment
- Ready to finance (high levels of interest)
- Ready to tender for EPC
- EPC firms have built in Saudi prior
- Mine operability being prepared

**Middle East Project Advancement Focus!**



## Daris/Washihi Project Overview

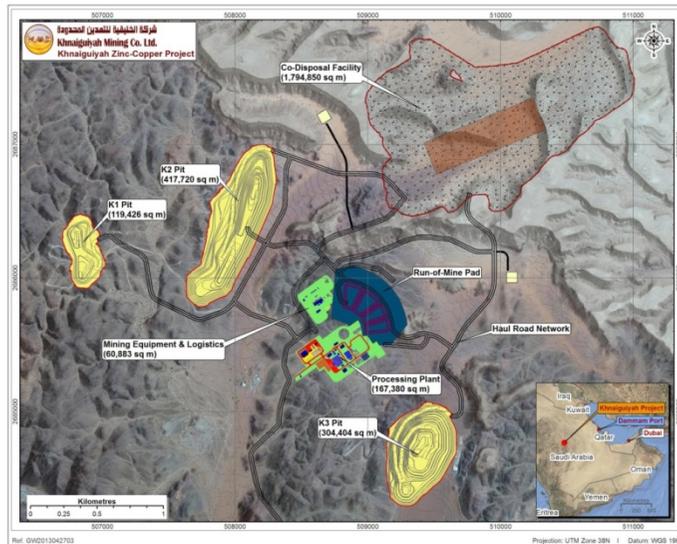
- Remains a highly attractive Project
- Largest copper resource in Oman (see below)
- Considerable upside remains
- New 1Mtpa Scoping Study 90% complete
- Have begun divestment work
  - Partial – retain 51% and progress as such
  - Full – exit project with a possible minority stake
- Other options available/being evaluated





## Khnaiguiyah Project Focus & Highlights

- Springboard to a production base
- Robust DFS
  - \$US 170 m NPV & IRR 23%
  - 2.8 year payback
- Ready to move to Project finance stage
- Focused on successful Project execution

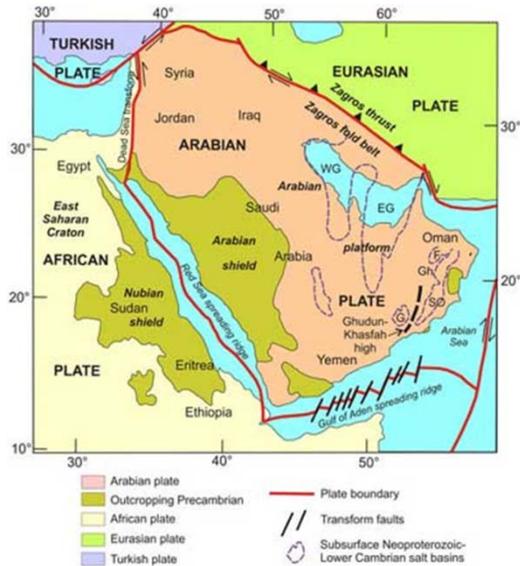


Right Board & Management Team.

Right Country.

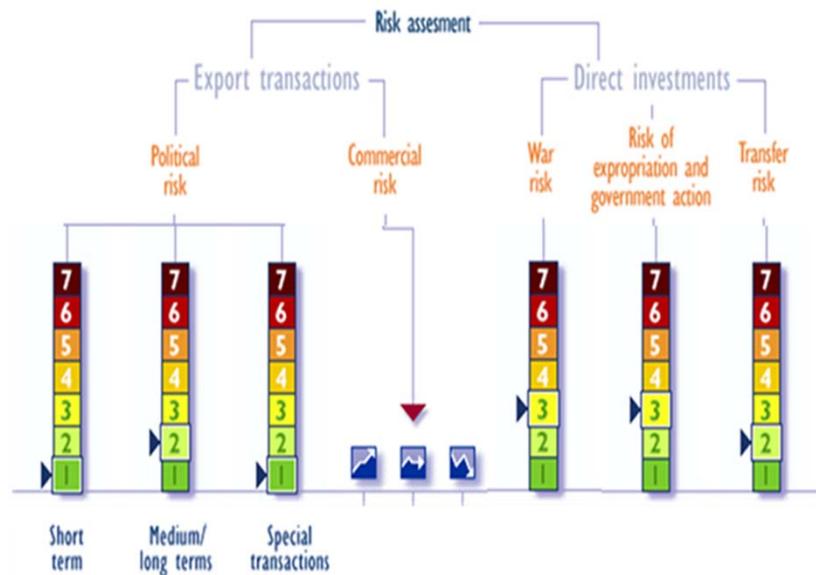
Right Metal.

Right time.



- 1970's BRGM did full review – 5300 deposits
- Saudi Geological Survey
- DMMR (mines department) - +4,000 maps
- New mining code 2004 – ease of operation
- Resource Potential in the Arabian Shield
  - I. 40 fully identified resources
  - II. 15 ready to progress
  - III. 9 mines **only** at this time
- Shipping ports – Europe & South East Asia
- Sealed roads & good land transport

- 2012 Saudi mining budget – largest to date
- Saudi government focus
  - I. Petroleum
  - II. Mining
  - III. Financial services
- 20% Corporate tax (nil personal)
- Royalties – nil
- SIDF – 75% debt available (low rates)
- Ownership – 100% permitted
- Profits & Capital – 100% repatriation
- Nil import duties for mining (5% other)
- Tenure certainty – exploration to mining
- Fuel - \$0.13/litre – trucking options
- Member G20
- Member WTO (2005)
- #1 in Middle East for business – #12 world<sup>1</sup>



Source: Belgian Export Credit Agency Saudi Arabia risk assessment

<sup>1</sup> World Bank Rating



Photo – AMEK Al Masane Plant – Saudi Arabia

- Project revenue: A\$2,074M
- Project costs : A\$1,201M
- EBITDA: A\$873M
- Cash flow (post Capex): A\$467M
- Capex: US\$257M
- Project NPV: A\$170M
- IRR: 23%
- Weighted Avg cost of capital 9.1%
- Payback: 2.8 years
- Average production of 80ktpa Zn and 5.8ktpa Cu (years 1-7)
- Peak production 99kt Zn and 8.3kt Cu (year 4)
- Cash costs (including TC/RC) of US\$0.46/lb in the first 7 years, US\$0.50/lb LOM after copper credits
- Assumptions: Zinc price US\$2,315/t (US\$1.05/lb)  
Copper price US\$6,114/t (US\$2.77/lb),  
Zinc TC/RCs US\$180/t (A\$:US\$ = 0.90)

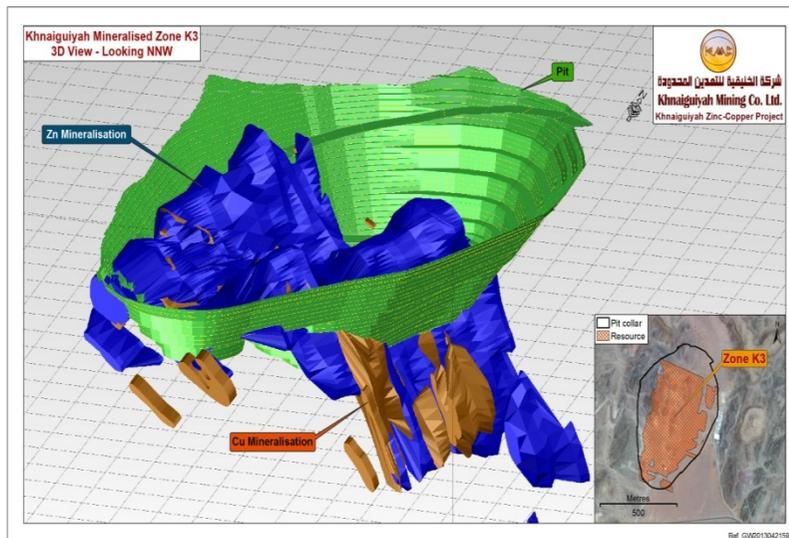


## What Makes this Project Stand Out?

- The Project itself (see prior slides)
- The Country (see prior slides)
- The fiscal regime (see prior slides)

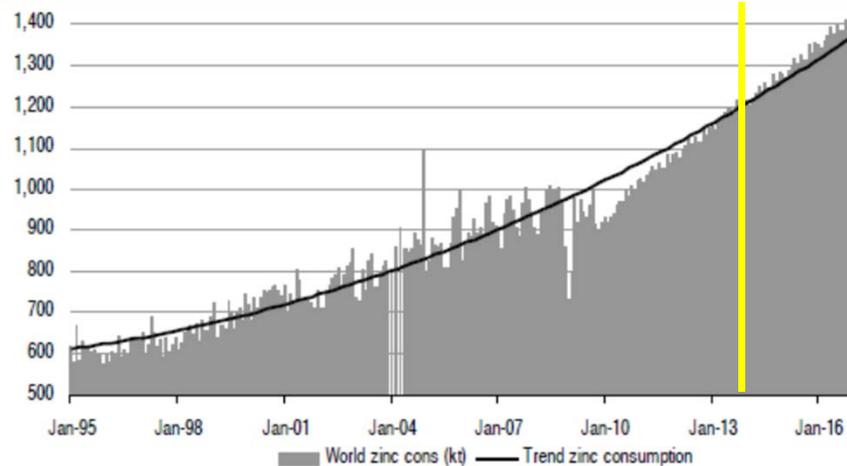
**But in addition the key here is ...**

- Eliminated risk through balanced plan
- Zinc supply falls off
- Zinc demand continues upward
- Thus Zinc price outstrips all other metals
- Project cash cost lower quartile



## Think zinc! . . . The new iron ore?

Figure 1: Global zinc demand return to normality and trend to 2016E



Source: WBMS, Credit Suisse estimates



Source: Brook Hunt

## Zinc Production

Zinc supply is falling off

Zinc demand is rising

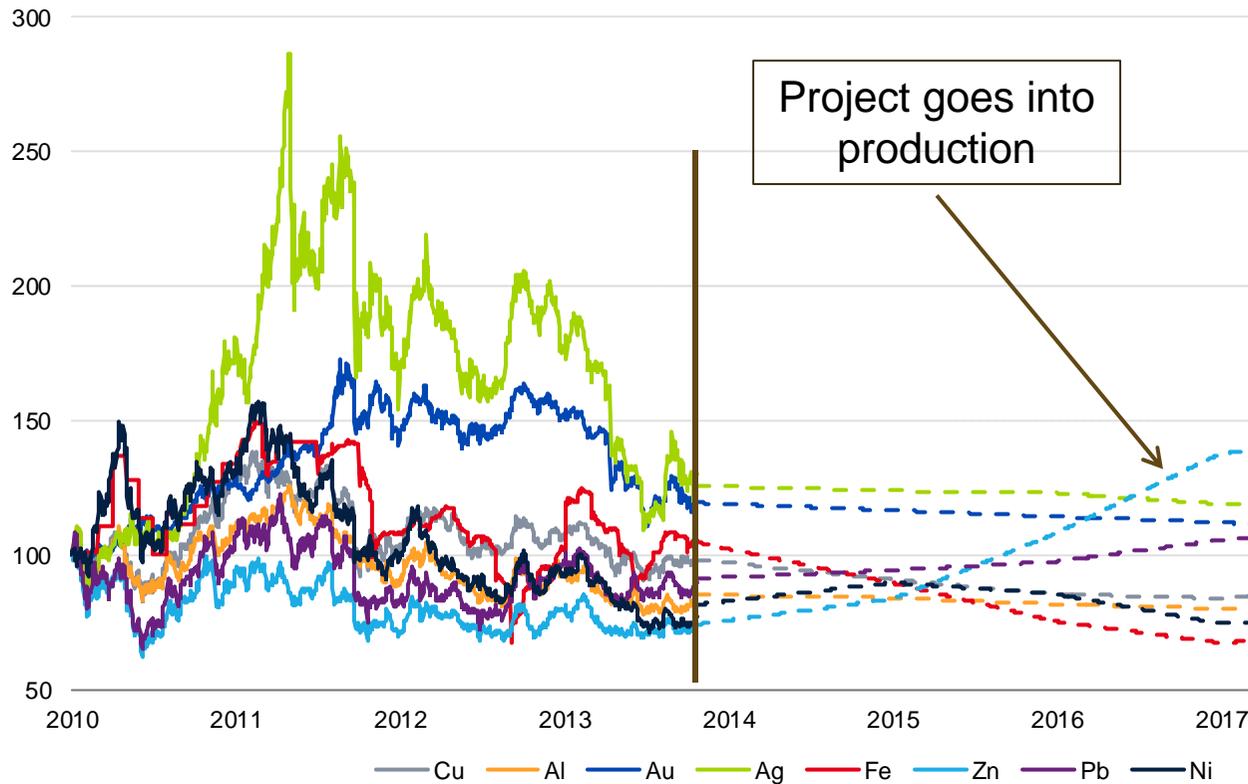
Wood Mackenzie quote:

*“Zinc will be the only metal to grow in unit value relative to its position in 2010 and will peak in 2016-2019”*

November 2013

Zinc forecast to outperform other commodities in the long term

Commodity prices: historical and forecast – rebased to 100



## Zinc

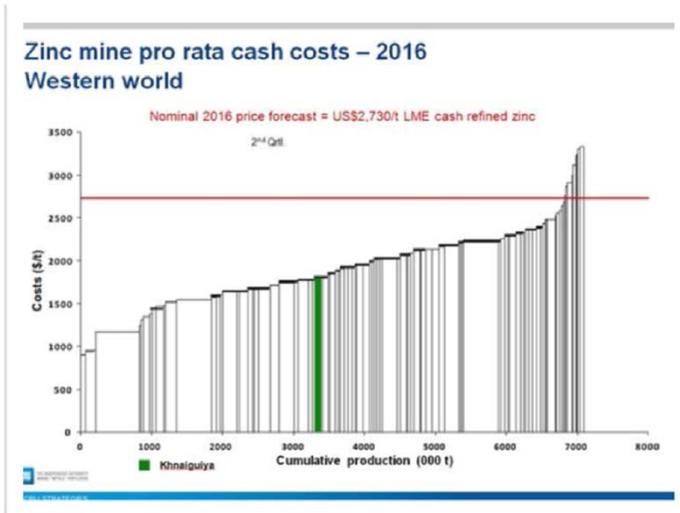
- Demand continues to grow
- Pb and Zn only metal to increase in value in next 5 years
- Forecast to hit 20 year high as Project comes on line

Source: Bloomberg, Industry consultants, Broker Consensus

**Notes**

1 Copper, aluminium, iron ore, zinc, lead and nickel price forecasts are based on Wood Mackenzie, gold and silver price forecasts are based on broker consensus

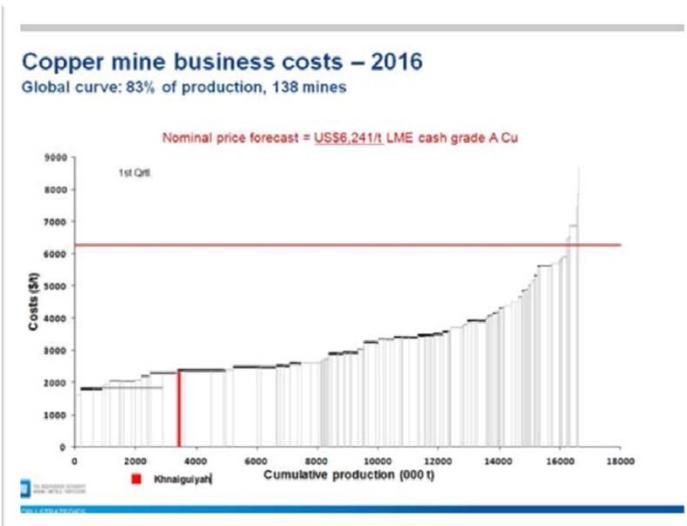
2 Values up to 2013 are nominal values, values from 2013 onwards are in 2013 dollars



## Zinc & Copper Production Costs

Zn bottom 50% of the cost curve

Cu bottom 25% of the cost curve



Cash costs remain to be optimised  
and expected to be in the bottom 30%  
of the cost curve upon production



Photo – AMEK Al Masane Plant – Saudi Arabia

## **DFS Review Underway**

- EPC (turn key) tender received
- Moving toward final bid process
- DFS Risk & Opportunity underway
- Focused on:
  - Project execution success (time & money)
  - Scheduled commissioning and ramp up
  - Capex reduction
  - Risk elimination/reduction/management
- Capex possibilities:
  - Crushing circuit – less ~\$US 16m
  - Concentrate shipping – less ~\$US 9m
  - Other opportunities

- Complete Management Team restructure
- Complete the updated Scoping Study on Daris/Washihi
- Finalise the considerations for Daris/Washihi assets
- Finalise way forward for Khnaiguiyah Project (KMC) – JV Partner equity position
- Complete finance stage for KMC
- Complete DFS Risk & Opportunity Review for KMC
- Commence the selection of the Project Director and Owner's Team for KMC
- Complete EPC contract for KMC construction
- Commence early construction works at the KMC site
- Commence full KMC production

