

ASX/MEDIA RELEASE
Thursday, 26 July 2018

COPPER PROJECT UPDATE

PERTH: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) provides this update on the Al Hadeetha Copper Project (**Project**) and other activities in Oman.

PROJECT FINANCE

After the licence award ceremony hosted by the Public Authority for Mining in Oman¹, a number of banks expressed interest in financing the Al Hadeetha Copper Project. This was in addition to the LOIs already received by the Company and stimulated by solid metrics underpinning the Project which caught the attention of local financiers.

One bank has completed the Due Diligence process with a financing application now completed and final approval pending. Other banks are in the process, or nearing completion, of internal review and approval procedures.

Strong financials underpinning the Project, including²:

- Forecast Revenue – US\$ 561 million (over 10.4 years)
- Forecast EBITDA – US\$ 252 million
- FCFF – US\$ 155 million
- Project NPV – US\$ 90 million
- Project IRR – 34%,

provide a sound basis for debt financing, with positive feedback being received from lenders.

ENGINEERING, PROCUREMENT AND CONSTRUCTION

Progesys has proposed a contracting strategy to further enhance project value and help ensure appropriate local content and labour levels are achieved. This strategy is being advanced in parallel with the original proposal so as to not cause undue delay to the construction schedule.

The capital infrastructure being established for Al Hadeetha Copper Project will serve as a common facility for other nearby exploration blocks (including Mullaq, which is the subject of another mining licence application) thereby offering significant capital savings to Alara and Al Hadeetha on future mining development.

1 Refer Alara's ASX Announcement dated 3 July 2018.

2 The case scenarios are based on current copper price forecasts; however, the project also maintains positive NPV figures based on earlier pricing scenarios. Despite short-term copper price fluctuations, forecast supply deficits are keeping upward pressure on copper prices in the medium to longer term, with copper futures still trading around \$7,000/t and reputable analyst reports showing price forecasts well above the World Bank forecast used for the Project's Base Case (e.g. Citibank \$8,000/t in 2022 and >\$9,000/t by 2028 see <https://www.bloomberg.com/news/articles/2018-07-18/prepare-for-copper-on-steroids-as-trump-slump-belies-shortage>). The forecast financial information in this announcement is summary information from the Company's 28 June 2018 ASX announcement titled: "Oman Copper Project Update – Base Case NPV at US\$90M". All material assumptions underpinning the forecast financial information in that announcement continue to apply and have not materially changed.

Rock samples with oxide mineralisation from different copper sites in Oman, including Alara's Daris Copper Project (Block 7) were recently shipped to a laboratory in Perth for testing. The test work will assess the amenability of samples to various leaching processes. These samples are in addition to the copper sulphides from the Al Hadeetha Project which will be treated at the Al Hadeetha processing plant.

Alara and Southwest Pinnacle have responded to RFPs and submitted a joint proposal for drilling and exploration work in Oman. Alara and Southwest are preparing the new JV for the growing pipeline of mineral exploration in Oman and have already placed their first order for two new drilling rigs.

Discussions with two potential equity partners in Oman have also advanced. These opportunities are being considered in light of the financial, technical and strategic benefits each of the parties may bring to add further value to the project/s.

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian minerals exploration company with a portfolio of projects in the Middle East. Alara has completed Bankable Feasibility Studies for the Al Hadeetha Copper Project in Oman and the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an Advanced Scoping Study on the Daris Copper-Gold Project in Oman. In June 2018, Al Hadeetha Resources became the first international joint venture company to be awarded a copper mining licence in the Sultanate of Oman. The Company is now establishing itself a mine developer and producer of base and precious metals. For more information, please visit: www.alararesources.com