

ASX/MEDIA RELEASE

Monday, 17 August 2020

PROJECT UPDATE

PERTH: Alara Resources Limited (ASX: AUQ) (**Alara** or **Company**) is pleased to report updates on the Al Hadeetha Copper Project in Oman.

Project construction

Following a short pandemic-related hiatus, the Wash-hi Copper Project Management Consultancy Agreement with Progesys has been reactivated.

Progesys will work with the Al Hadeetha Project team to oversee and direct the engineering, procurement and construction (**EPC**) of a 1Mtpa copper concentrator¹ on the project site in the Sultanate of Oman.

The project development agreement with Progesys is based on the FIDIC Model Services Agreement and covers the entire project period through to commissioning. The contract value is within the amount budgeted and includes payments in cash and shares. Under the agreement, any shares issued to Progesys will be held in escrow until the contract is completed.

Debisikha Associates, India (**Debisikha**) have been engaged for:

- Review of the existing and new metallurgical test reports
- Completion of FEED and preparation of technical specifications for all bought out items
- Technical review of vendor bids and recommendations
- Review of final vendor drawings submitted
- Completion of detailed engineering for plant and infrastructure facilities (excluding geo-technical studies)
- Preparation of technical bid documents for the onsite construction work
- Technical bid analysis for the construction works
- Expediting the vendor manufacturing process and delivery schedule
- Inspection and co-ordination of any items to be sourced from India
- Commissioning assistance for 3 months.

Debisikha is an experienced consulting engineering company. Debisikha has worked on various EPC projects in India, Europe and the USA in the field of mineral processing and base metal mining.

Debisikha is engaged under a fixed-price contract with a monthly payment schedule which allows for resource loading throughout the project development schedule.

The key commercial terms of the Debisikha agreement are:

- Fixed price contract
- General contract terms – FIDIC Plant and Design-Build Contract 2nd Ed (2017 Yellow Book)
- Time frame for completing the FEED is 4 months following new test work reports
- Local approvals are not included in the work scope
- Early termination clause with cost for termination

¹ Alara's ASX Announcement dated 24 January 2017 contains the information required by ASX Listing Rule 5.16 regarding the stated production target. All material assumptions underpinning the production target as announced on that date continue to apply and have not materially changed.

- English governing law with Dubai arbitration.

Drilling

The planned drilling program performed by Alara Resources LLC is now complete. Over 3400m was drilled in 22 diamond core holes to generate sufficient drill core from the Wash-hi deposit for metallurgical test work and other project-related requirements.

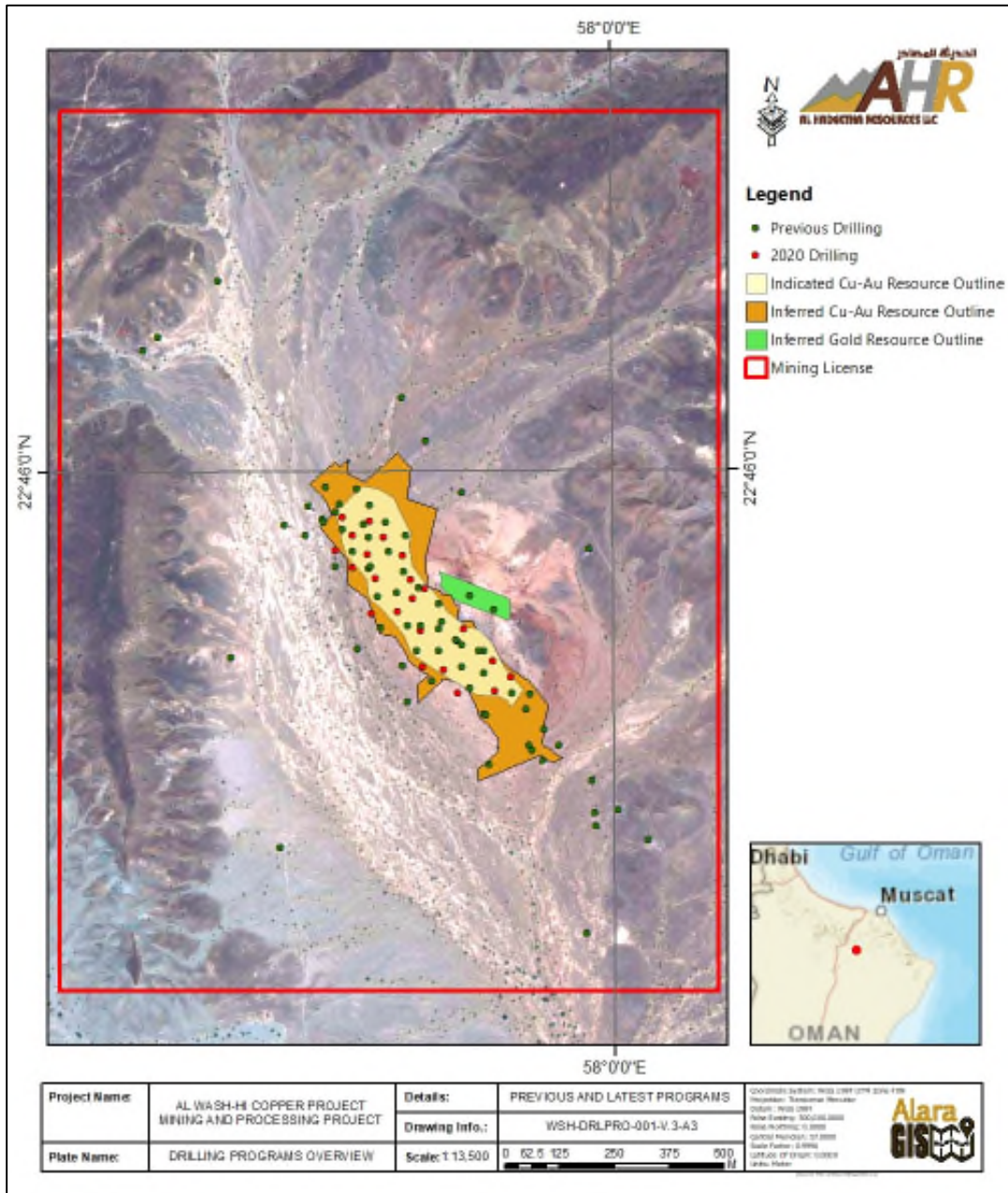


Figure 1: Wash-hi - Majaza Mining License with outlines of Indicated and Inferred resource boundaries and drill hole locations

Metallurgical test work

Previous metallurgical test work carried out as a part of the Feasibility Study² produced positive results. It was also planned at the time that additional test work would be conducted at a later date,

2 Refer Alara's Feasibility Study Update ASX announcement dated 31 March 2016 and Maiden Ore Reserve ASX Announcement dated 15 December 2016.

to revalidate the earlier findings and to provide additional inputs for the detailed engineering design phase.

Mr. Gary Patrick, MAusIMM, CP (Met) has been appointed to oversee the metallurgical test work program, to be carried out by Wardell Armstrong International, UK. ALS Labs has been engaged to conduct the assays on the core intervals to enable selection and preparation of the metallurgical composites. Results of the test work program are expected to be available by next quarter, in time to be utilised by the engineering consultant Debisikha for detailed plant engineering design, and for preparing the procurement bid packages for the major equipment packages; including crushing, grinding and flotation equipment.

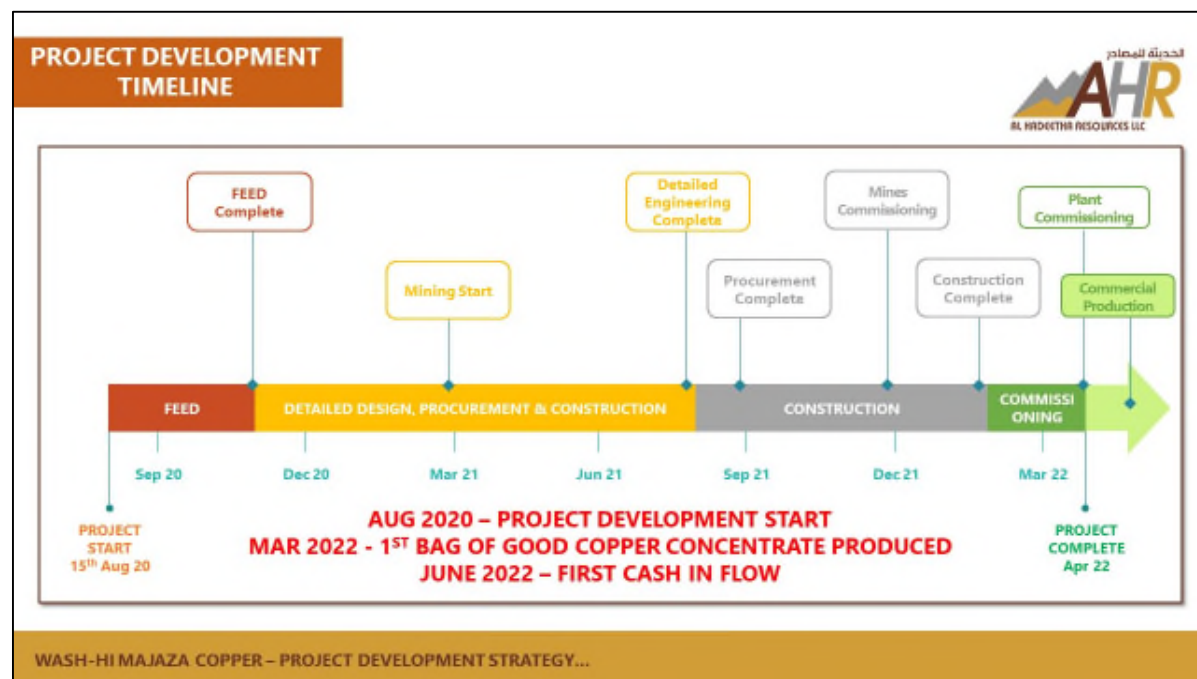
Mine construction

Al Hadeetha Resources LLC has executed a mine operation and ore grade management service agreement with Bedrock Mineral Resources Consulting (**BMRC**). BMRC will provide key resources and software required for all day to day mine management activities related to ore and waste production, mine planning, grade control and statutory JORC reporting.

Mr Ravi Sharma, Managing Director of BMRC, is a Chartered Member of the Australasian Institute of Mining and Metallurgy. Mr Sharma was a principal consultant to Alara Resources in the definition of the Wash-hi copper deposit.

Project Development Timeline

Progesys has also been engaged to commence preparation of a detailed project plan and schedule – incorporating all project engineering, procurement and plant and other infrastructure construction. A high-level project timeline is set out below, showing the expected timeframe for completion of the FEED through to the first production of copper concentrate.



Despite the challenges associated with the global pandemic, the Company continues to move the Al Hadeetha project forward. Alara looks forward to providing further regular updates as work progresses.

Managing Director's remuneration

The Company has set the following remuneration package for newly appointed Managing Director Mr Atmavireshwar Sthapak:

| | |
|----------------------|---|
| Base salary: | AUD 307,580 p.a. ³ |
| Housing allowance: | Up to AUD 43,000 p.a. ⁴ |
| Vehicle allowance: | Up to AUD 20,475 p.a. plus running costs. |
| Long-term incentive: | 5 million options each exercisable within one year after vesting, with an exercise price of AUD 0.03 each, to vest upon the Company achieving the first production of saleable copper concentrate by 31 March 2022 ⁵ . |

The Board is yet to determine two proposed additional components to Mr Sthapak's long-term incentive remuneration. These components are expected to consist of the issue of two further tranches of options, each to vest upon attainment of separate milestones to be set relating to other aspects of the Company's future development. A further announcement will be made when these elements of his remuneration are finalised.

ENDS

This announcement is authorised by:

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For further information, please contact the abovenamed.

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.

³ The monetary elements of the package are payable in Omani Rial (**OMR**). The amounts shown here have been converted into Australian dollars at an exchange rate of OMR: AUD 1:3.64.

⁴ If Mr Sthapak's accommodation has a lower cost, only the actual cost will be paid.

⁵ The issue of options is subject to shareholders' approval under ASX Listing Rules.