

ALARA RESOURCES LIMITED

ABN 27 122 892 719

Alara
resources

2012

ANNUAL REPORT

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CORPORATE DIRECTORY

BOARD

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H. Shanker Madan	Managing Director
Douglas H. Stewart	Non-Executive Director
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ASX CODE

AUQ

AUDITORS

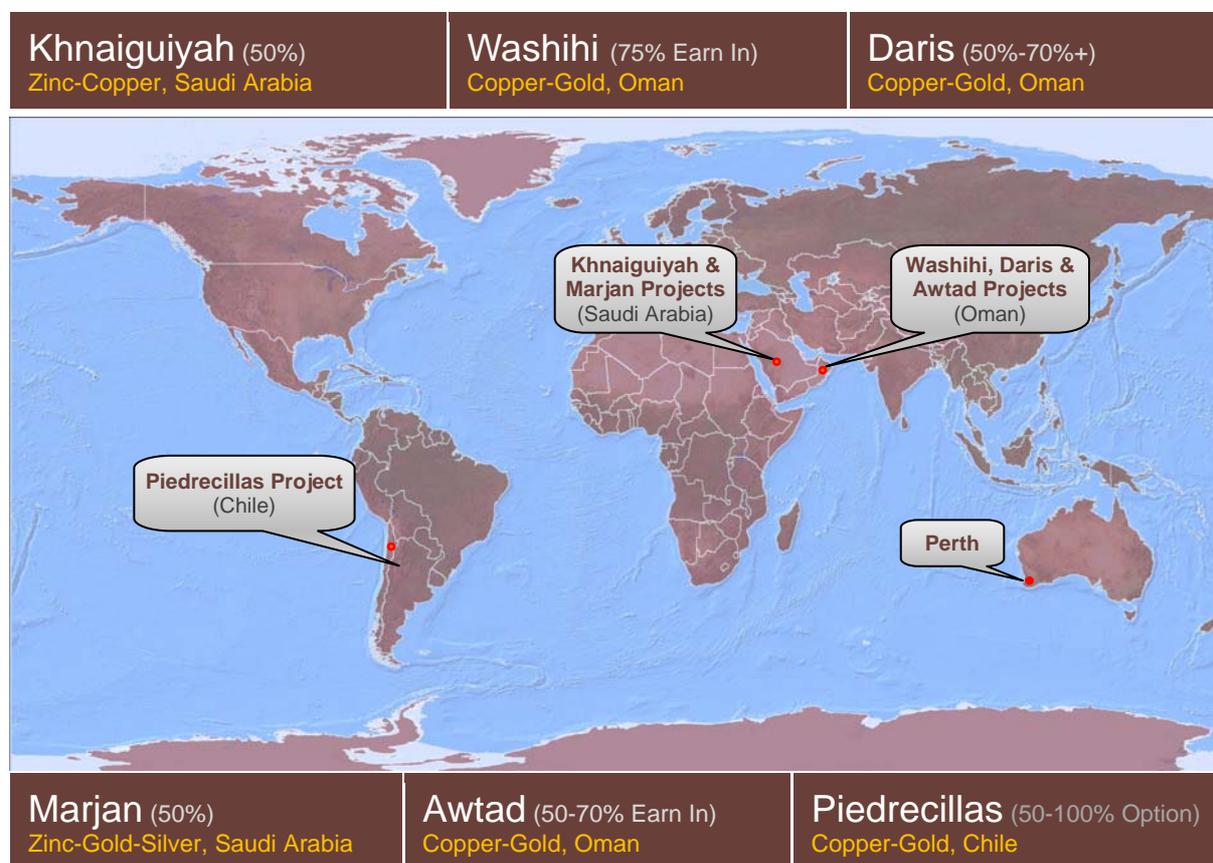
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COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian-based minerals exploration and development company. Alara has a current portfolio of advanced development and early stage exploration projects in Saudi Arabia, Oman and Chile as follows:

PROJECTS	LOCATION	STATUS
(1) Khnaiguiyah Zinc-Copper ¹	Saudi Arabia	DFS
(2) Washihi-Mullaq- Al Ajal Copper-Gold Project ²	Oman	Exploration
(3) Daris Copper-Gold Project ³	Oman	Exploration
(4) Awtad Copper-Gold Project ⁴	Oman	Exploration
(5) Piedrecillas Copper-Silver Project	Chile	Exploration
(6) Marjan Precious and Base Metals ⁵	Saudi Arabia	Exploration

Alara is moving towards establishing itself as a base metals development company with a strong pipeline of advanced and early stage projects.



1 Refer Alara market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

2 Refer Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman](#)"

3 Refer Alara market announcement dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

4 Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)"

5 Refer Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)"

PROJECT LOCATIONS

SAUDI ARABIA

The **Khnaiguiyah Zinc Copper Project** (Alara 50%) is located adjacent to a bitumen road ~200km west of Riyadh, the capital of Saudi Arabia, near the major Riyadh to Jeddah highway. The project comprises the Khnaiguiyah Mining Licence, 3 Exploration Licences and 5 Exploration Licence applications pending grant, totalling ~380km². Alara has a 50% interest in joint venture company, Khnaiguiyah Mining Company (**KMC**), which will hold these mineral licences (after transfers have been processed by relevant authorities).

The **Marjan Precious and Base Metals Project** (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project, comprising 3 Exploration Licences (totalling 260km²), is prospective for gold, silver, copper and zinc. Alara will have a 50% interest in a new joint venture company to be formed (Marjan Mining Company), which will hold these licences (after Alara has completed a minimum US\$1 million funding and transfers have been processed by relevant authorities).



Figure 1

OMAN

The **Daris Copper Gold Project** (Alara 50%) is located ~150km west of Muscat, the capital of Oman, and comprises a mineral excavation licence of ~587km². Alara has a 50% interest (with a right to increase this to 70%+) in a joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

The **Awtad Copper Gold Project** (Alara - right to earn-in 70%) is located immediately adjacent to the Daris Project and comprises a mineral excavation licence of ~497km². Alara has a right to earn an initial 10% interest (increasing to 50-70%+) in the concession owner, Awtad Copper LLC.

The **Washihi-Mullaq-Ai Ajal Copper-Gold Project** (Alara – right to earn-in up to 75%) is located ~80-160km east and southeast of Alara’s Daris Copper-Gold Project and Awtad Copper-Gold Project and comprises 3 exploration licences of ~80km². Alara has a right to earn an initial 10% interest (increasing to 60-75%) in the concession owner, Pilatus Resources Oman LLC.

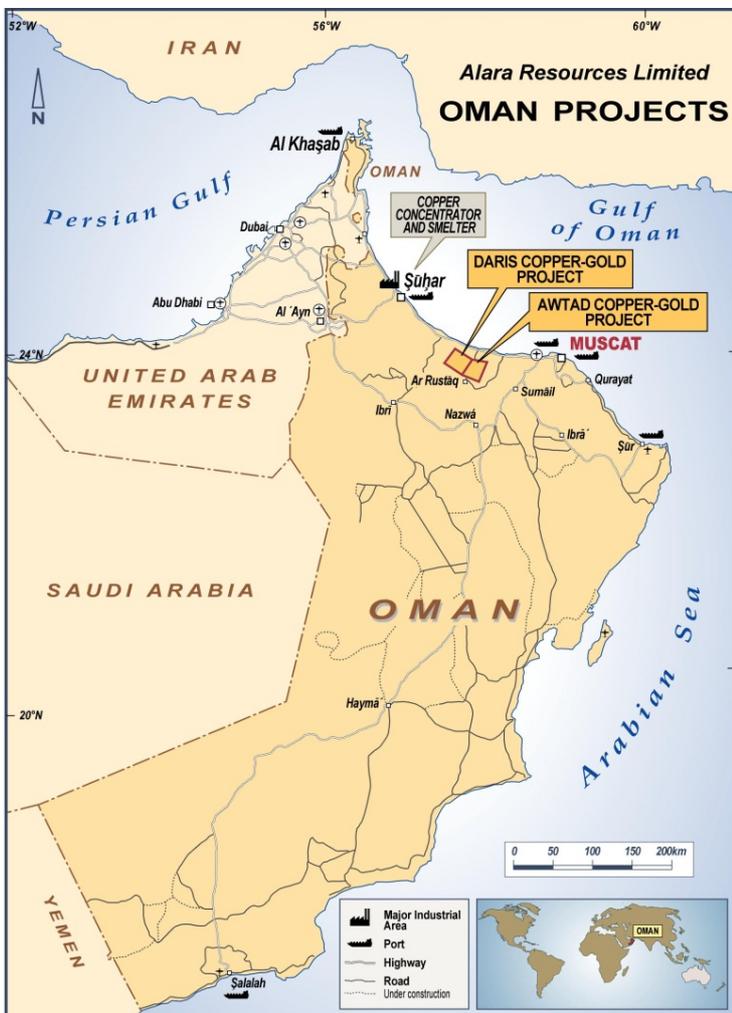


Figure 2

PROJECT LOCATIONS

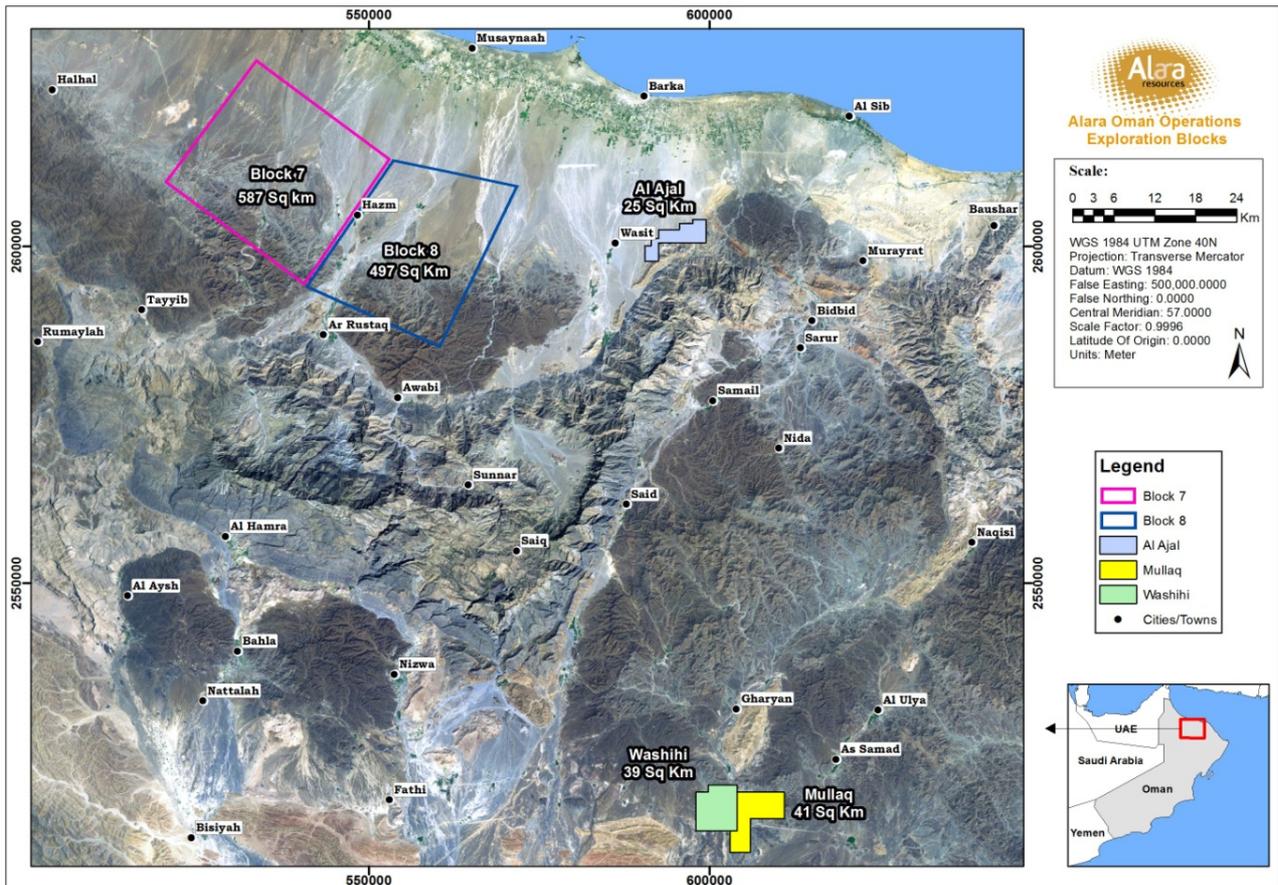


Figure 3



CHILE

The **Piedrecillas Copper-Silver Project** (Alara – option to acquire 50 to 100%) is located ~190km south of Santiago and 7km west of Santa Cruz. The project comprises 19 concessions covering a total area of ~40km².

Figure 4

COMPANY PROJECTS

1. Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

(Alara - 50%, United Arabian Mining Company (**Manajem**) - 50%, of Khnaiguiyah for Mining Company LLC (**KMC**))

Alara has a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia via a 50% shareholding interest in a local joint venture company, KMC.

The Khnaiguiyah Project is an advanced near production project having (at the time of acquisition by Alara) a historical non-JORC Code compliant estimated mineralisation⁶ assessed by BRGM⁷, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993, as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)".

The project is located ~200km west of Riyadh (the capital of Saudi Arabia) and is the second most advanced base metals project in the country after the Jabal Sayid Copper-Gold Project, previously held by Citadel Resources Group Limited (ASX: CGG), which was taken over by Equinox Minerals Limited (TSX and ASX: EQN) in January 2011, which itself was taken over by Barrick Gold Corporation (TSX and NYSE: ABX) in July 2011.

Previous drilling (of in excess of 45,000 metres in ~345 RC and diamond drill holes) at Khnaiguiyah by BRGM and Ma'aden (Saudi Arabian Mining Company) had outlined a substantial Zinc-Copper mineralisation in two zones - Zone 2 and Zone 3 - and significant additional mineralisation in Zone 1 and Zone 4 (refer *Figure 5*).

Alara's focus, upon securing the grant of a 30 year Mining Licence in December 2010, has been to delineate and extend the mineralisation from historical work, define a JORC Code compliant resource and complete a definitive feasibility study.

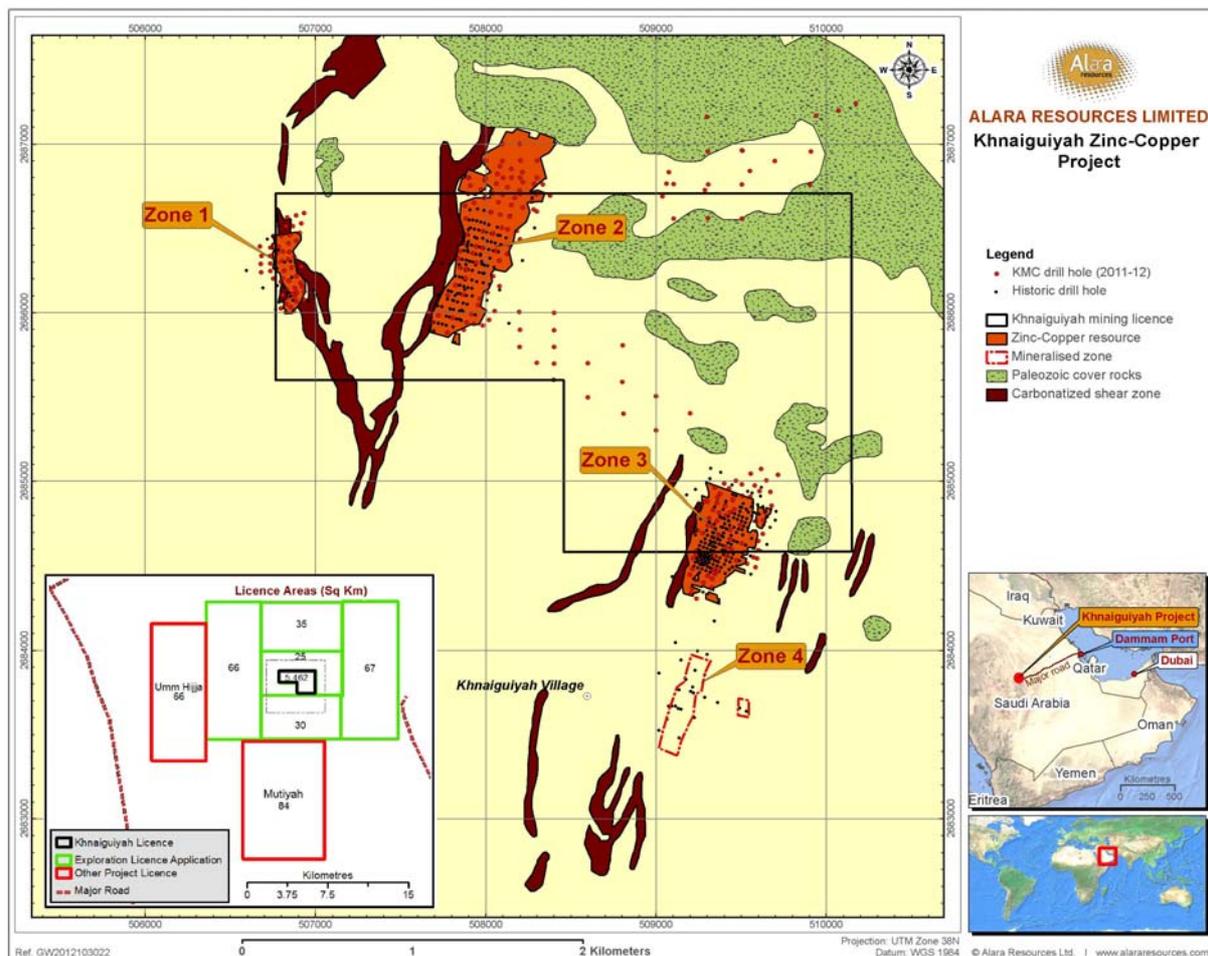


Figure 5: Khnaiguiyah Project Location, Licence Areas and Mineralised Zones

6 Source: BRGM Geoscientists, 1993, *Khnaiguiyah zinc-copper deposit – prefeasibility study – 1,2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photo plates*

7 Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (www.brqm.fr)

COMPANY PROJECTS

Project Development Achievements

- Khnaiguiyah Mining Licence issued in December 2010⁸ with 30 year exclusive term and no mineral royalties payable.
- Maiden JORC Resource Statement announced in February 2012⁹:
 - Measured and Indicated Resource of 20.09 Mt at 4.24% Zinc and 0.15% Copper¹⁰ within a global resource of 26.4 Mt at 3.9% Zinc and 0.12% Copper¹¹; and
 - 7.0 Mt at 0.8% Copper¹².
- Grant of approvals in July 2012¹⁵ from the Presidency of Meteorology and Environment in Saudi Arabia for construction and mining operations at the Khnaiguiyah Project.
- Draft Definitive Feasibility Study (DFS) from lead consultant, Ausenco, received in June 2012¹³; Alara identifies further work required to be completed (eg. finalising operating costs using local Saudi quotes and revising costs based on a focus on lower initial strip ratios that are likely to be available in adding mineralisation (from more recent drilling) from Zone 1 and Zone 2 extensions to the mining schedules).¹⁴
- Parameters of the DFS have also been upgraded to reflect an increase in the production profile from an annual throughput of 1.5 to 2 million tonnes per annum.¹⁵
- DFS for a 2Mtpa plant scheduled for completion in Q4 2012.
- Upgrade to JORC Resource Statement announced in October 2012¹⁶:
 - Measured and Indicated Zinc and Zinc/Copper Resource of 25.32 Mt at 4.03% Zn and 0.17% Cu; and¹⁷
 - Measured and Indicated Copper Resource of 8.53Mt at 0.64% Copper¹⁸.
- Since the commencement of the Khnaiguiyah drilling programme in February 2011, a total of 315 holes to ~36,961 metres has been completed.



8 Refer Alara market announcements dated 21 December 2010 and entitled "[Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia](#)"

9 Refer ASX market announcement dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#).

10 Comprising a Measured Resource of 11.63Mt at 4.72% Zn and 0.20% Cu and an Indicated Resource of 8.46Mt at 3.57% Zn and 0.08% Cu, as reported in the 21 February 2012 announcement (above)

11 Comprising a Measured and Indicated Resource of 20.09 Mt at 4.24% Zinc and 0.15% Copper (in Zones 2 and 3), an Inferred Resource of 4.32Mt at 2.90% Zn and 0.03% Cu (in Zone 4) and an Inferred Resource of 1.95Mt at 2.97% Zn and 0.07% Cu (in Zones 2 and 3), as reported in the 21 February 2012 announcement (above)

12 Comprising a Measured Resource of 1.93Mt at 0.78% Cu, an Indicated Resource of 3.00Mt at 0.77% Cu and an Inferred Resource of 2.03Mt at 0.92% Cu, as reported in the 21 February 2012 announcement (above)

13 Refer ASX market announcement dated 10 July 2012: [Definitive Feasibility Study Update – Khnaiguiyah Zinc-Copper Project](#).

14 Refer ASX market announcements dated 30 July 2012: [Update – Khnaiguiyah Zinc-Copper Project](#) and dated 3 September 2012: [Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project](#)

15 Refer ASX market announcement dated 12 October 2012: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#)

16 Refer ASX market announcements dated 12 October 2012: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#) and 30 October 2012: [JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)

17 Comprising a Measured Resource of 9.65Mt at 3.37% Zn and 0.16% Cu (in Zones 1 and 2), a Measured Resource of 6.37Mt at 5.28% Zn and 0.25% Cu (in Zone 3), an Indicated Resource of 3.12Mt at 4.45% Zn and 0.30% Cu (in Zones 1 and 2) and an Indicated Resource of 6.18Mt at 3.55% Zn and 0.05% Cu (in Zone 3), as reported in the 30 October 2012 announcement (above)

18 Comprising a Measured Resource of 4.70Mt at 0.72% Cu (in Zones 1 and 2), a Measured Resource of 1.07Mt at 0.63% Cu (in Zone 3), an Indicated Resource of 1.59Mt at 0.54% Cu (in Zones 1 and 2) and an Indicated Resource of 1.16Mt at 0.43% Cu (in Zone 3), as reported in the 30 October 2012 announcement (above)

COMPANY PROJECTS



Looking North from Khnaiguiyah Site Office Gate

Attributes – Country

- Tax – 20% corporate tax (nil personal tax rate)
- Royalties – nil
- Saudi Industrial Development Fund (SIDF) – supports local projects with financing (up to 75%) at sub-LIBOR rates and long 10 year tenure
- Foreign ownership – 100% permitted
- Profits and Capital – 100% repatriation. Nil import duties for CAPEX
- Tenure certainty – from exploration to mining
- Roads – bitumen highway and road to mine gate
- Power – 33KVA power line to site
- Water – 15km to aquifer (low salinity)
- Fuel – <US\$0.09/L (diesel)



Bedding at Khnaiguiyah



Geotech drilling



Water dipping measurements



Geologist and Engineer on Site

COMPANY PROJECTS

JORC Resource Statement

Alara notes that as reported in its maiden JORC Resource announcement of 21 February 2012¹⁹:

- The Khnaiguiyah deposit comprises four ore bodies/mineralised zones located within one to two kilometres from a central area and approximately three kilometres from each other (refer *Figure 5 above and Figure 6 below*).
- The mineralisation in Zones 1, 2, 3 and 4 is distributed as three distinct 'Domains':
 - “Domain 1” - has Zinc but no Copper;
 - “Domain 2” - has Zinc and Copper; and
 - “Domain 3” - has Copper but no Zinc.

The current JORC Zinc, Zinc/Copper and Copper Resources at Khnaiguiyah on an individual Measured, Indicated and Inferred basis across the four zones and three domains are as follows:

Table 1: Khnaiguiyah JORC Measured and Indicated Zinc (Doman 1) and Zinc/Copper (Domain 2) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Measured	1 and 2	1, 2	9.65	3.37	0.16	1.50
		3	6.37	5.28	0.25	1.50
Indicated		1, 2	3.12	4.45	0.30	1.50
		3	6.18	3.55	0.05	1.50
Measured and Indicated		1, 2 and 3	25.32	4.03	0.17	1.50

Table 2: Khnaiguiyah JORC Measured and Indicated Copper (Doman 3) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper %	Cu Cut-off (%)
Measured	3	1, 2	4.70	0.72	0.00
		3	1.07	0.63	0.00
Indicated		1, 2	1.59	0.54	0.00
		3	1.16	0.43	0.00
Measured and Indicated		1, 2 and 3	8.53	0.64	0.00

Table 3: Khnaiguiyah JORC Inferred Zinc (Doman 1) and Zinc/Copper (Domain 2) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Inferred	1 and 2	4	4.32	2.90	0.03	1.50

Refer *Figures 6, 7, 8, 9 and 10* below for the location of mineralised zones 1 to 4 (KZ1 to KZ 4), the resource outlines and drill hole locations.

Additional Mineralisation Potential

- Zone 1 – Mineralisation drilled on 50x25m grid; shallow with low strip ratio; extends for 600m long; generally 300m wide; average 8-10m thick and open to the north and south.
- Zone 2 – mineralisation extended a further 400m NE since maiden JORC Resource was calculated
- Zone 3 – mineralisation open to the south.
- Zone 4 – previously drilled by BRGM; pending drilling to upgrade former data.

19 Refer ASX market announcement dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#)

COMPANY PROJECTS

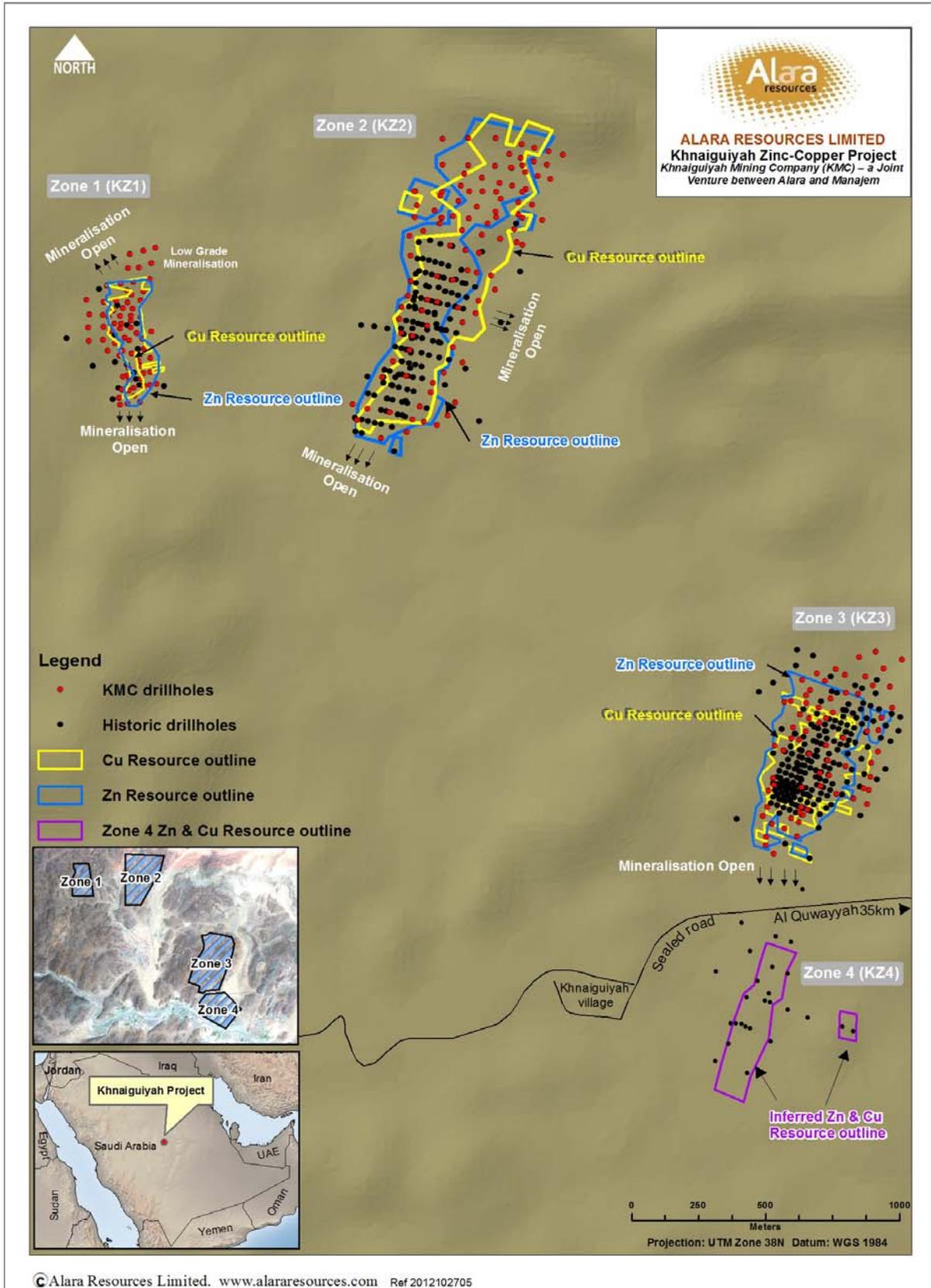


Figure 6
 Location of Mineralised Zones 1 to 4 (KZ1 to KZ 4), Resource Outlines and Drill Hole Locations

COMPANY PROJECTS

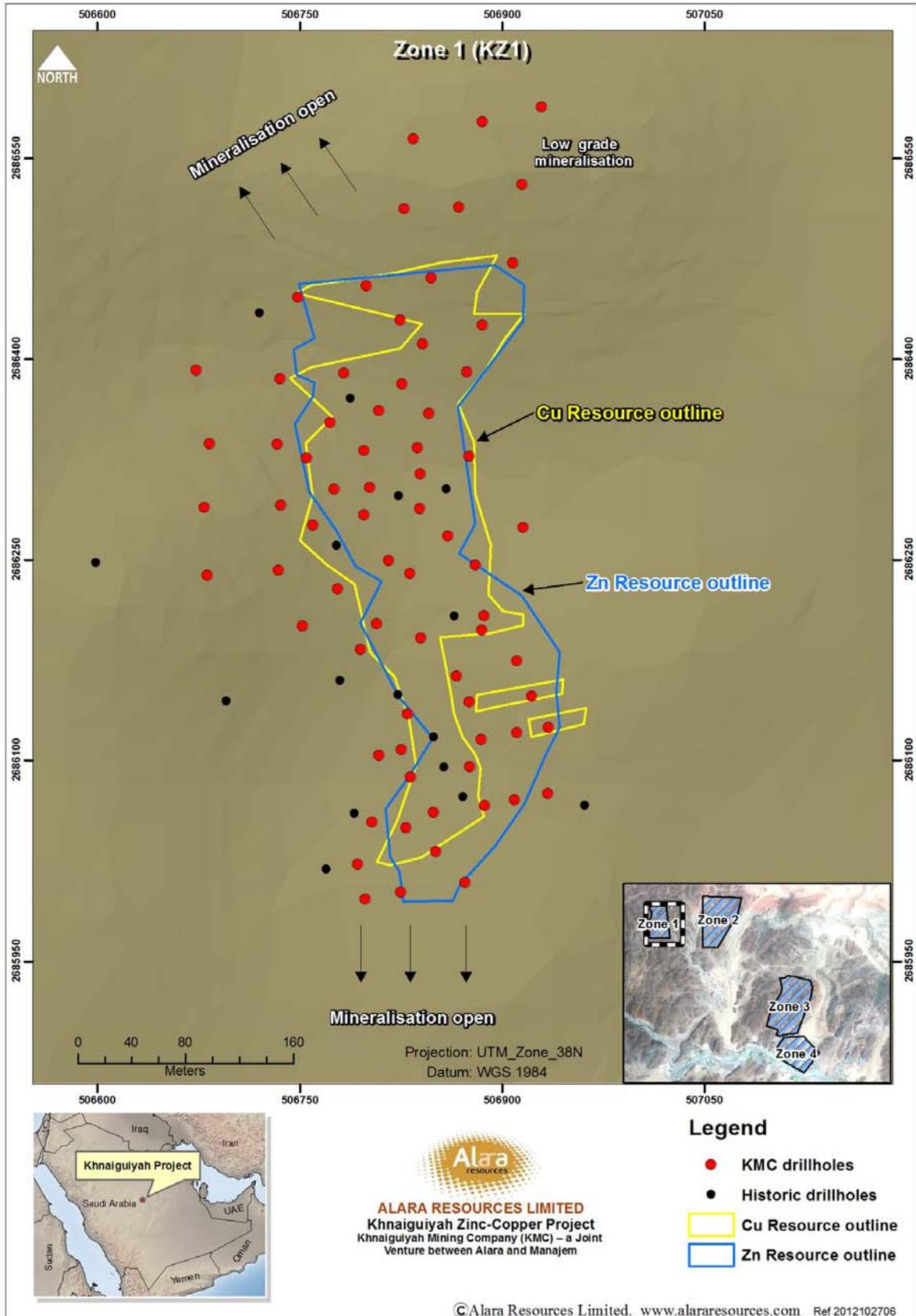


Figure 7
Zone 1(KZ 1) Resource Outlines and Drill Hole Locations

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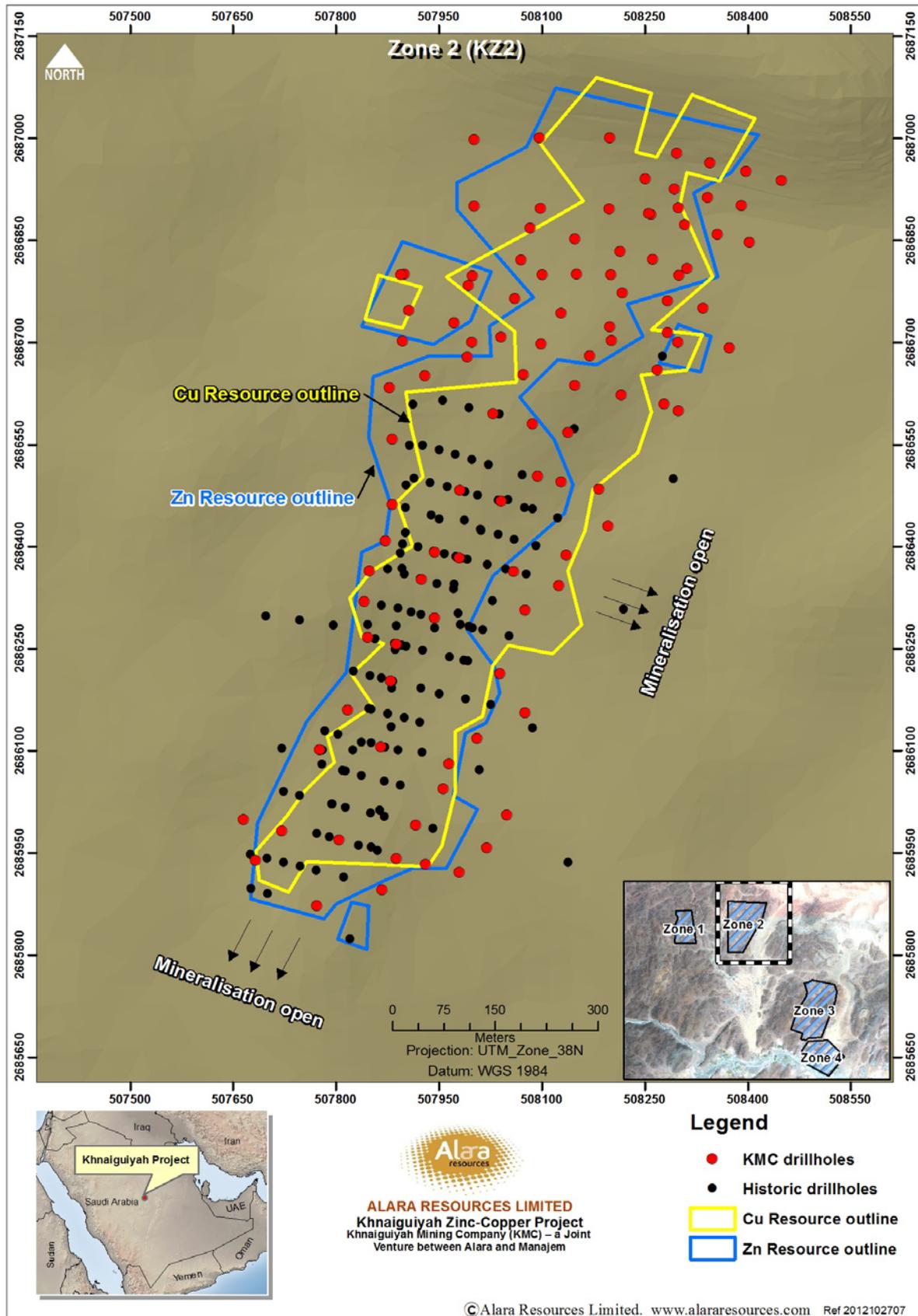


Figure 8
Zone 2 (KZ2) Resource Outlines and Drill Hole Locations

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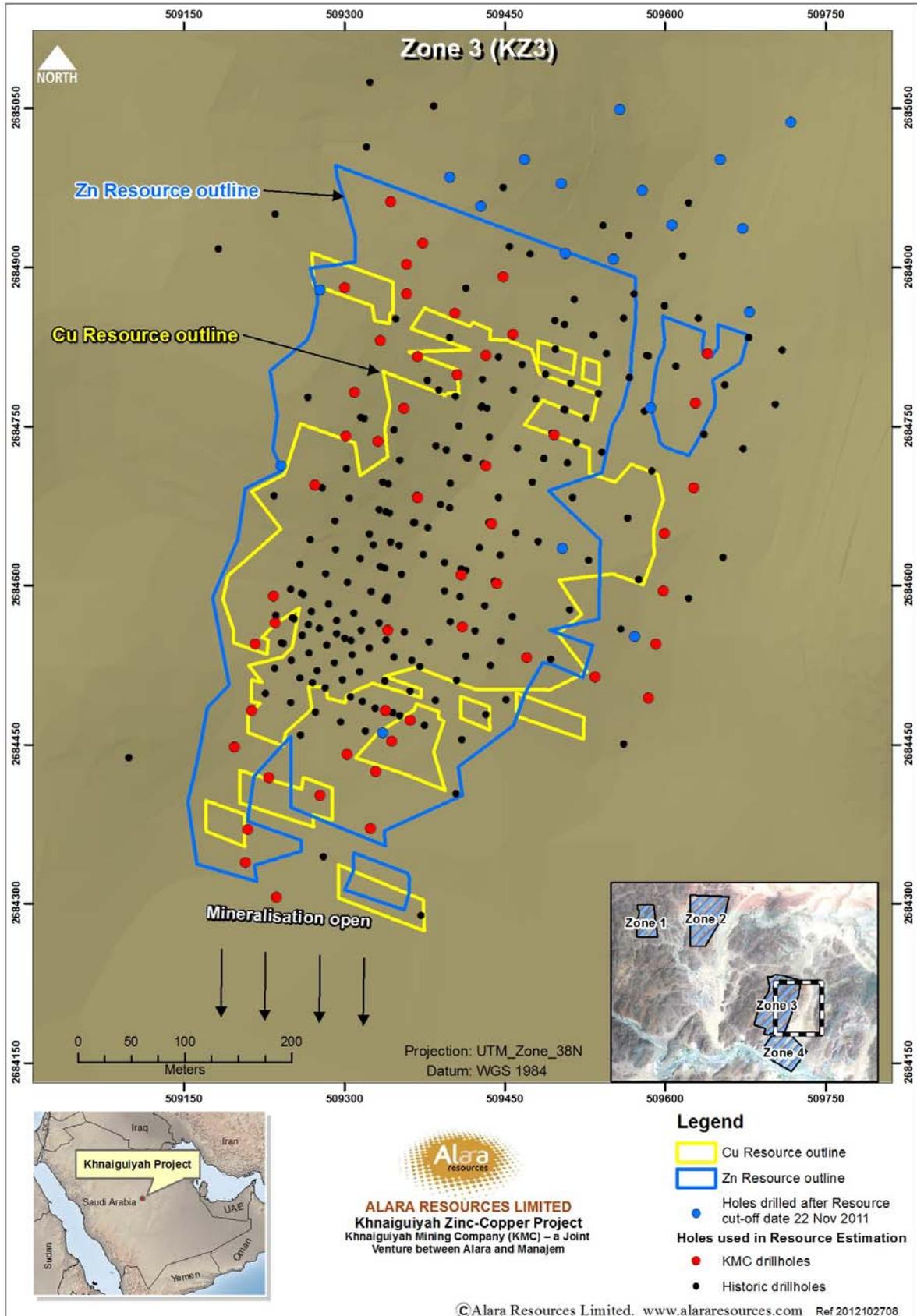


Figure 9
Zone 3 (KZ3) Resource Outlines and Drill Hole Locations

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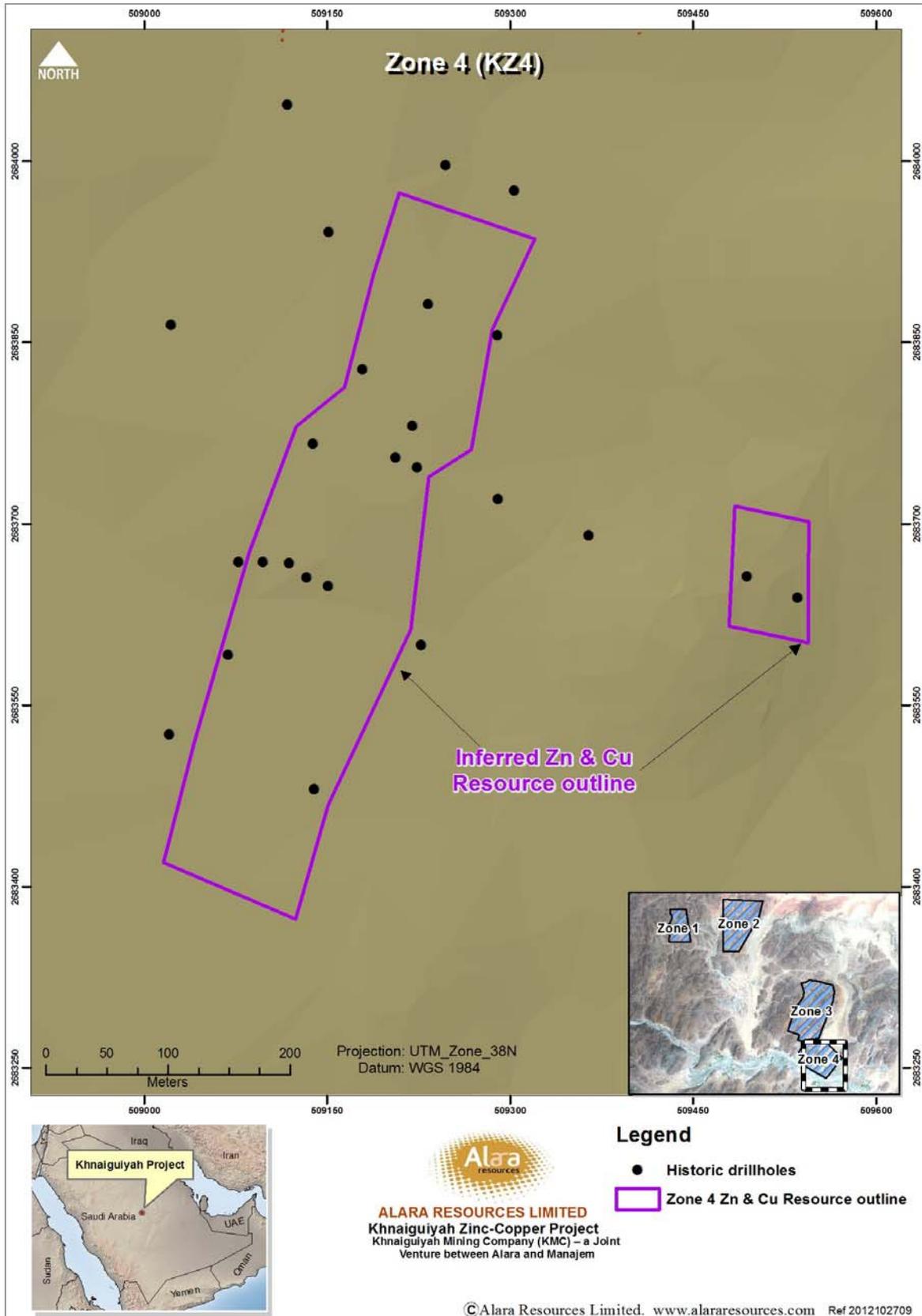


Figure 10
Zone 4 (KZ4) Mineralisation Outline and Drill Hole Locations

COMPANY PROJECTS

Definitive Feasibility Study (DFS)

- The initial DFS was based on a 1.0 Mt/year and 1.5 Mt/year process throughput from two open pits located within Zones 2 and 3 located ~1.5km apart followed by crushing, grinding and conventional floatation circuits with the 1.5 Mt/year operation as the base case.
- The engineering team that have worked on the DFS comprises the following members:
 - Ausenco Limited (ASX: AAX), a well-known worldwide minerals consulting and engineering design and construction group, are the “Lead Engineers” for the DFS;
 - SRK Consulting, a global mining industry consultancy, has responsibility for geology modelling, resource estimation, mining studies and pit optimisation; and
 - SMEC, an Australian professional consulting engineering group, have conducted the Environmental and Social Studies in conjunction with several Saudi Arabian consulting groups and university academics, including conducting an assessment of tailings dam sites, water resources, mine hydrogeology, fauna, flora, air, noise, soil, social and archaeological surveys.
- A draft DFS report was received in June 2012, comprising 17 volumes and approximately 3,000 line items of bill of quantities.
- An initial review of the draft DFS indicates that:
 - Plant, equipment and mine designs are fundamentally sound;
 - Mine scheduling requires further optimisation, including the potential to add mineralisation (from more recent drilling) from Zone 1 and Zone 2 extensions to the mine schedule to reduce lower initial strip ratios;
 - Much of the ‘costing estimates’ were based on Australian and other international cost structures with only a small portion based on actual Saudi Arabian inputs.
- Whittle optimisation studies on Zones 1, 2 and 3 indicate that the upgraded JORC Measured and Indicated Resource (which was announced on 12 October 2012) will have a high likelihood of conversion to a JORC Reserve status confirming project economics based on:
 - Lower operating cost working environment in Saudi Arabia;
 - Technical sophistication and planning backed up by extensive metallurgical test work reflected in low processing costs; and
 - Lower strip ratios than previously envisaged.
- Given this significant Measured and Indicated Resource, the parameters of the DFS have been upgraded to reflect an increase in the production profile from an annual throughput of 1.5 to 2 million tonnes per annum.
- This increased throughput is likely to result in an increased annualised production profile to approximately 80,000 tonnes of zinc metal and 6,000 tonnes of copper metal.
- The DFS is currently being reviewed and finalised to address above issues, including finalising operating costs using local Saudi quotes and revising costs based on a focus on lower initial strip ratios that are likely to be available in adding mineralisation from Zone 1 and Zone 2 extensions to the mining schedules).
- The final DFS for a 2Mtpa plant is scheduled for completion in Q4 2012.



COMPANY PROJECTS

2. Oman Projects

Alara has joint venture interests in five exploration licences in Oman (prospective for copper and gold) extending over 1,188km² (refer Figure 11).

Alara's strategy in Oman is to build a critical mass of mineralisation across its projects/prospects to support a feasibility study for development of a copper-gold mining operation in the country.

The Daris (Block 7) Project is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq prospects are located ~100km south-southeast of Daris. Both projects/prospects are located on or very close to high quality bitumen roads.

Alara's objective is to delineate a core resource at the Washihi prospect and high grade satellite deposits that can be trucked to a central process plant, taking advantage of low fuel costs in Oman.

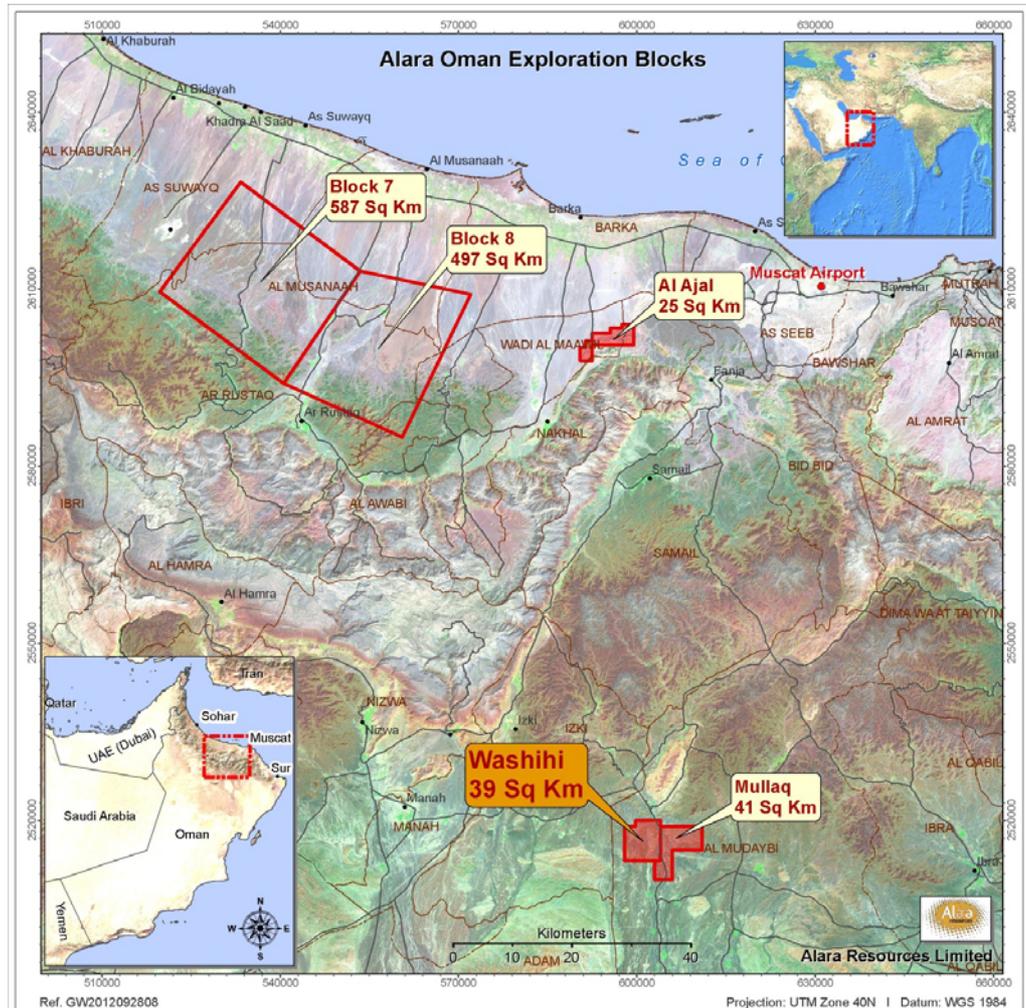


Figure 11: Location Map of Alara's Exploration Licence Areas in Oman

Scoping Study

On 20 June 2012²⁰, Alara announced that a scoping study had been initiated for an integrated mining and processing facility to develop the Washihi, Mullaq, Al Ajal and Daris (Block 7) copper-gold prospects/projects.

Local Environmental and Hydrogeology consultants have also been engaged to contribute towards the study.

A Scoping Study based on a 500,000 Mtpa throughput mining operation (with a 8 year mine life) at Washihi and incorporating copper-gold mineralisations delineated at the Daris (Block 7), Mullaq and Al-Ajal prospects has been completed and is currently being reviewed by Alara. Alara notes that:

- A preliminary review indicates the potential for a robust project with relatively low capital investment and an early payback of capital development costs.
- The study was initiated in Q2 2012 at which time the full extent of the current Washihi JORC Resource incorporating the recently encountered thick intersections and additional mineralisation was not included.
- Alara believes that the incorporation of recently completed drilling and the resource estimates since the Scoping Study kick-off date will significantly enhance the economics and scope of the project.

20 Refer ASX market announcement dated 20 June 2012: [Washihi Copper-Gold Project - Alara intersects 72m at 1.3% Copper](#)

COMPANY PROJECTS

Further details of the Scoping Study and Alara's next development steps in Oman will be announced once fully reviewed by Alara.

Summary of JORC Resources

Washihi Prospect

- 6.9Mt Inferred Resource at 0.76% copper and 0.16g/t gold; and
- 2.1Mt Indicated Resource at 0.70% copper and 0.17g/t gold.

Daris-East Prospect

Ore type	Cut-off grade Cu%	Measured		Indicated		Measured and Indicated		Inferred	
		Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%
Sulphides	0.5	129,155	2.48	110,870	2.24	240,024	2.37	30,566	2.25
Oxides	0.5	96,526	0.77	86,839	0.66	183,365	0.72	1,712	0.61



General Manager, Exploration (second from left) with Drilling Crew on Washihi Site

COMPANY PROJECTS

2.1. Washihi-Mullaq-AI Ajal Copper-Gold Project (Oman)

(Alara – right to subscribe for 10% and earn up to 60 to 75% of Pilatus Resources Oman LLC)

The Washihi, Mullaq and AI Ajal Project comprises 3 prospects/exploration licences totalling ~80km² located ~80-160km east and southeast of Alara's Daris Copper-Gold Project and Awtad Copper-Gold Project (refer *Figure 11*).

A 478 line kilometre high resolution ground geophysical magnetic survey has been completed over the Washihi-Mullaq prospects.

Washihi Prospect

On 15 October 2012²¹, Alara announced an initial JORC Resource at the Washihi prospect as follows:

- 6.9Mt Inferred at 0.76% Cu and 0.16g/t Au; and
- 2.1Mt Indicated at 0.70% Cu and 0.17g/t Au.

Figure 12 outlines the distribution of the Inferred and Indicated Resource at Washihi together with key drill intersections utilised in the estimation of the JORC Resource.

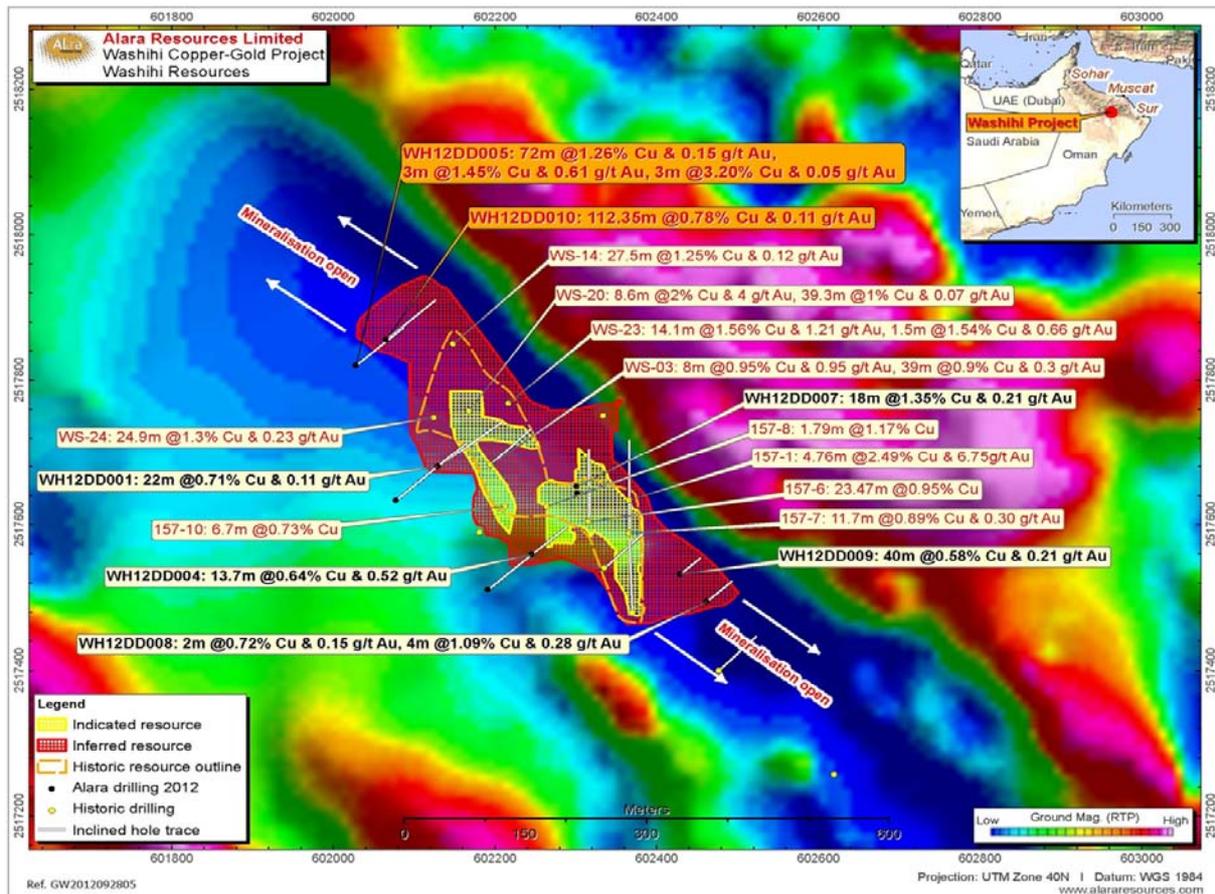


Figure 12: Washihi Datamine Block Model for JORC Resource Estimation

Drilling at Washihi is continuing, to test the recently encountered extensions of very high thickness intersections including 112m @ 0.78% Cu and 0.11 g/t Au (core hole WH12DD010) and 72m @ 1.26% Cu and 0.15 g/t Au (core hole WH12DD005) and high potential geophysical targets.

21 Refer ASX market announcement dated 15 October 2012: [Initial JORC Resource – Washihi Project in Oman](#)

COMPANY PROJECTS

15 Core and 5 RC holes have been drilled to date totalling 3,738 metres (refer Figure 13).

Drilling highlights include²²:

- Hole WH12DD010 - intersected 112m @ 0.78% copper and 0.11 g/t gold from 113m (including 67m @ 1.0% copper from 113m)
- Hole WH12DD005 – intersected 72m @ 1.3% copper and 0.15g/t gold (from 160m)
- Hole WH12DD007 – intersected 18m @ 1.4% copper and 0.21g/t gold (from 62m)
- Hole WH12DD009 – intersected 40m @ 0.6% copper and 0.21g/t gold (from 52m)
- Holes WH12DD005, WH12DD007, WH12DD009 and WH12DD010 are all located within a magnetic anomaly which indicates the potential for extensive sulphide mineralisation open to the north-west, south-east and at depth.
- The mineralised zone lies within the magnetic low which extends for a strike distance of approximately 1600m and has an average width of approximately 250m.
- Mineralisation is essentially true width and increasing in thickness as the mineralised zone trends to the north-west. The large thicknesses are expected to deliver a modest strip ratio.

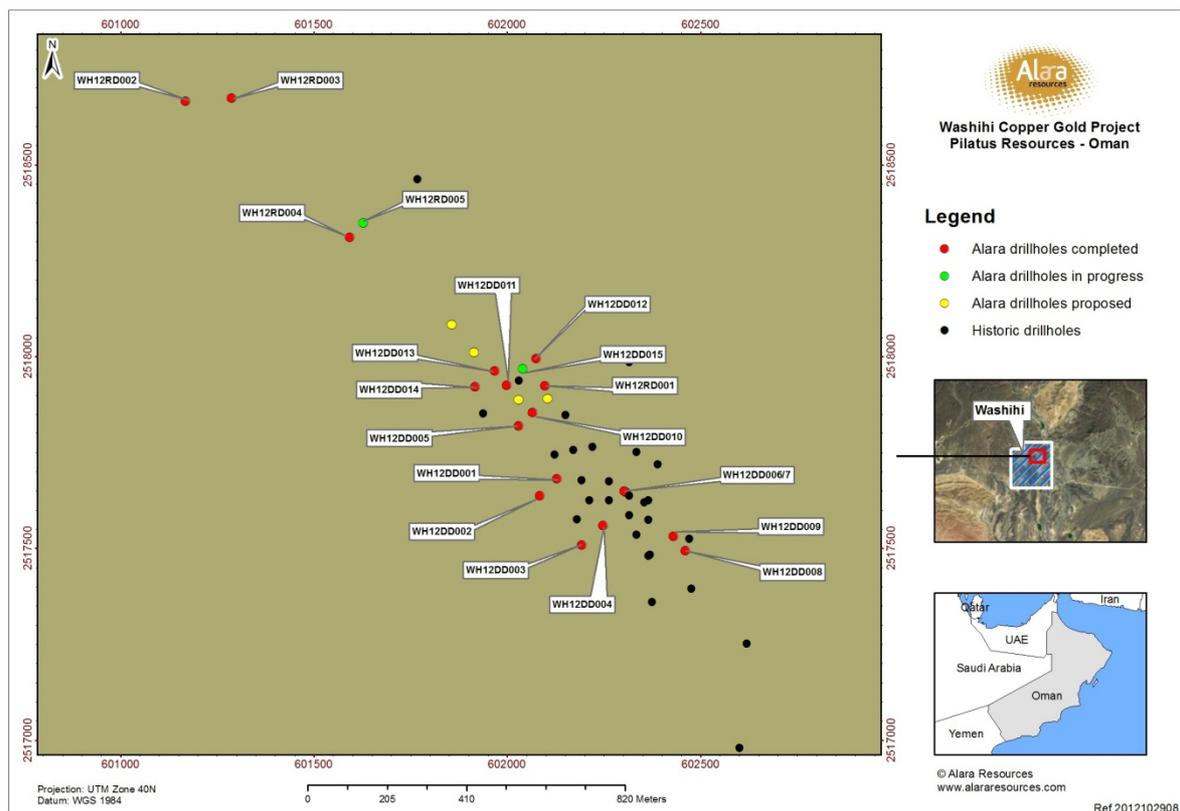


Figure 13: Washihi Drill hole Location Map

²² Refer ASX market announcement dated 20 June 2012: [Washihi Copper-Gold Project - Alara intersects 72m at 1.3% Copper](#) and 23 August 2012: [Substantial Copper Discovery - 112m at 0.8% Cu and 72m at 1.3% Cu - Washihi Project in Oman](#)

COMPANY PROJECTS

A tabulation of significant intersection results assayed to date is detailed below:

Table 4: Washihi Significant Intersection Results from Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS - WASHIHI PROSPECT						
Drill Hole	Intersections	Significant Mineralisation			Mineralised Zone	
		From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
WH12DD001	Primary	137	159	22	0.71	0.11
	<i>Inclusion</i>	144	153	9	1.08	0.15
WH12DD004	Primary	120.3	134	13.7	0.64	0.52
	<i>Inclusion</i>	120.3	127	6.7	0.78	0.93
	<i>Inclusion</i>	126	128	2	1.16	0.61
WH12DD005	Primary	160	232	72	1.26	0.15
	<i>Inclusion</i>	168	169	1	3.57	0.21
	<i>Inclusion</i>	187	188	1	4.66	0.08
	Primary	206	209	3	1.45	0.61
	Primary	229	232	3	3.20	0.05
WH12DD007	Primary	62	80	18	1.35	0.21
	<i>Inclusion</i>	62	66	4	2.26	0.12
	<i>Inclusion</i>	77	78	1	1.26	0.51
WH12DD008	Primary	74	76	2	0.72	0.15
	Primary	82	86	4	1.09	0.28
	<i>Inclusion</i>	84	85	1	3.19	0.48
WH12DD009	Primary	52	92	40	0.58	0.21
	<i>Inclusion</i>	55	58	3	1.08	0.27
WH12DD010	Primary	112.65	225	112.35	0.78	0.11
	<i>Inclusion</i>	112.65	180	67.35	1.00	0.13
	<i>Inclusion</i>	105.25	118	12.75		
WH12DD011	Primary	155	165	10	1.63	0.89
	<i>Inclusion</i>	159	165	6	2.60	0.86
WH12DD012	Primary	43	52.5	9.5	0.22	0.13

Notes:

- The cut-off grade is 0.2% Cu.
- Drill intercepts are reported as drilled; true thicknesses will be calculated at the interpretation and resource modelling stage. The drill intersections are approximately perpendicular to mineralisation and no significant difference is expected in true and intersection thickness.
- WH12DD002 and WH12DD003 intersected no significant mineralisation.
- WH12DD006 was abandoned at 61.7m due to technical reasons and WH12DD007 is a re-drill at the same location.
- WH12DD011 was abandoned at 165m due to technical reasons.



COMPANY PROJECTS

Mullaq Prospect

A high resolution ground EM and nano-TEM geophysical survey has been completed to accurately delineate the EM anomaly (identified from a high resolution ground geophysical magnetic survey over the Washihi-Mullaq prospects) for drill testing.

9 core drill holes totalling 922m have been completed to date.

A drill hole location map (refer *Figure 14*) and tabulation of the significant intersection results (refer *Table 5*) are below.

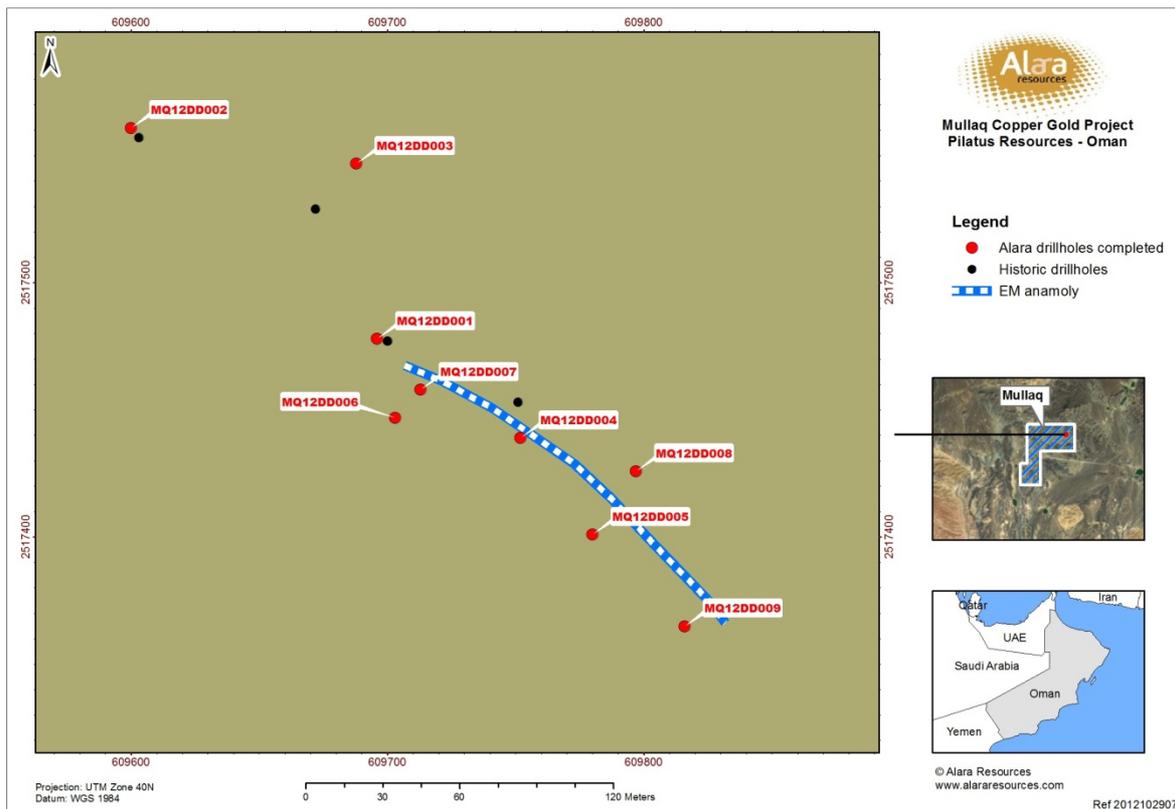


Figure 14: Mullaq Drill hole Location Map

Table 5: Mullaq Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS - MULLAQ PROSPECT						
Drill Hole	Intersections	Significant Mineralisation			Mineralised Zone	
		From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
MQ12DD004	Primary	33	36	3	0.60	-
	Primary	75	78	3	4.68	-
	Inclusion	76	78	2	6.91	-
MQ12DD005	Primary	64	65.75	1.75	0.89	0.48
	Inclusion	65.25	65.75	0.5	2.53	1.66
	Primary	76.6	79	2.4	1.46	0.96
MQ12DD006	Primary	69.6	73	3.4	2.50	0.25
	Inclusion	69.6	70.75	1.15	3.75	0.52
	Primary	100	107	7	0.99	0.09
	Inclusion	102	103	1	1.91	0.30

Notes:

- The cut-off grade is 0.2% Cu.
- Holes MQ12DD001, MQ12DD002, MQ12DD003 and MQ12DD009 did not intersect any significant mineralisation.

COMPANY PROJECTS

2.2. Daris Copper-Gold Project (Oman)

(Alara – 50% with right to increase to 70%+, Al Tamman Trading Establishment LLC – 50%, of Daris Resources LLC)

The Daris Project comprises one exploration licence (Block 7) of ~587km² located adjacent (contiguous) to the Awtad Copper-Gold Project (refer *Figure 11*).

Extensive geophysical surveys (1,200 line kilometres of helicopter-borne electromagnetic VTEM survey, 163 line kilometres of ground magnetic surveys and 20 line kilometres of ground IP and EM survey) have been completed over prospective areas within the Daris Project.

Mineralisation has been confirmed by Alara drilling at the following two prospects (refer *Figure 15*):

- **Daris East prospect** – 21 rotary and 40 diamond core holes have been drilled to date totalling 5,146m to test shallow oxide mineralisation and to locate massive sulphide and stringer zones beneath the oxide cap; and
- **Daris 3A-5 prospect** located ~10 kilometres north-west of Daris East – 10 diamond core holes have been drilled to date totalling 857m to test shallow sulphide mineralisation around a known gossan.

Two Mining Licence applications covering 3.2 km² and 1.3 km² have recently been filed over the Daris East and Daris 3A-5 prospects.

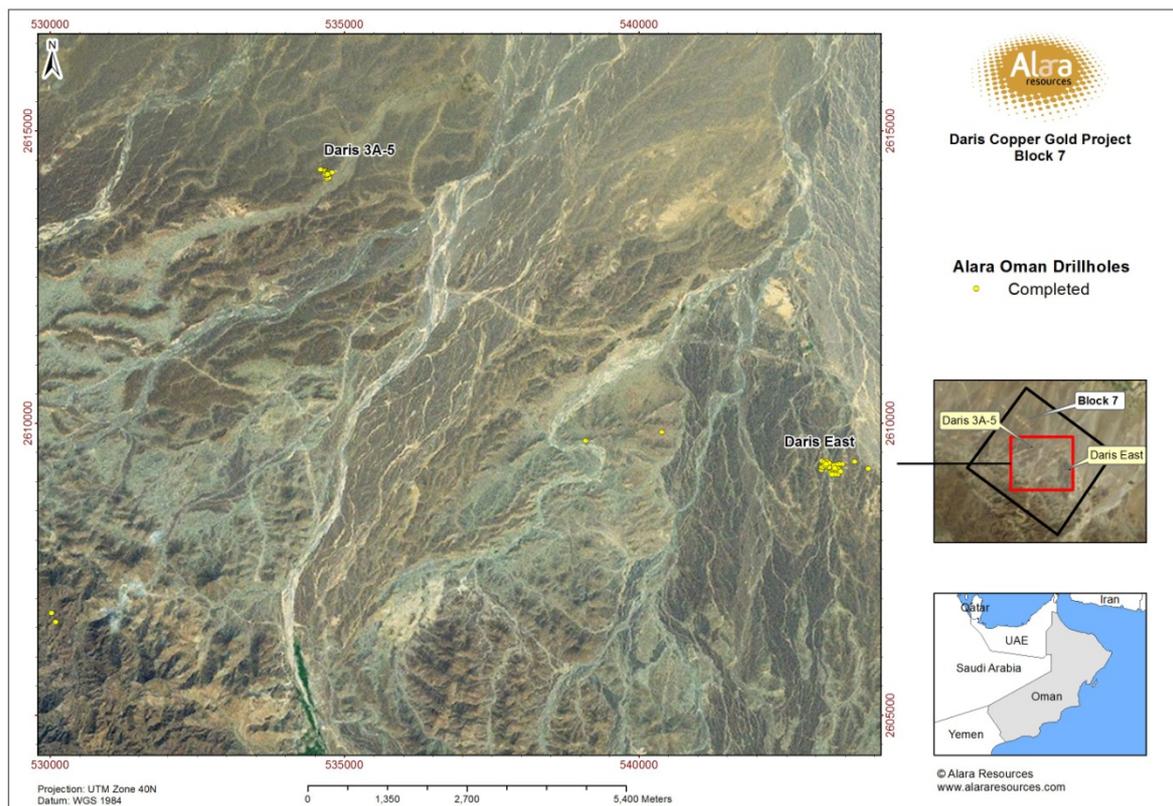


Figure 15: Daris (Block 7) Copper-Gold Project – Daris-East and Daris 3A-5 Prospects Location Map on Satellite Image

COMPANY PROJECTS

JORC Resource at Daris-East Prospect

Resource modelling and estimation has recently been completed based on 5,146m of exploration and definition drilling completed at the Daris-East prospect:

Ore type	Cut-off grade Cu%	Measured		Indicated		Measured and Indicated		Inferred	
		Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%
Sulphides	0.5	129,155	2.48	110,870	2.24	240,024	2.37	30,566	2.25
Oxides	0.5	96,526	0.77	86,839	0.66	183,365	0.72	1,712	0.61

A drill hole location map (refer *Figure 16*) and tabulation of the significant intersection results for Daris-East (refer *Table 6*) are below.

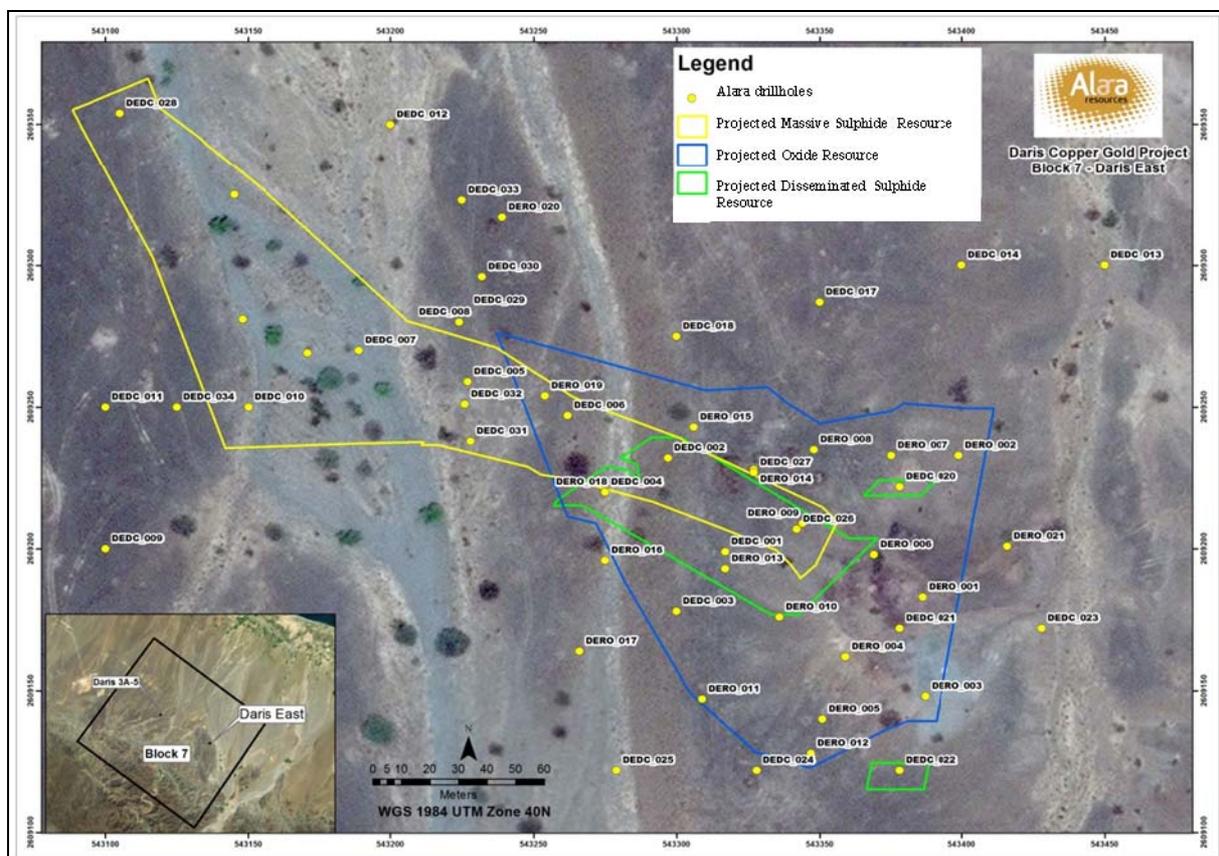


Figure 16: Daris-East Drill hole Location and Resource Outlines

COMPANY PROJECTS

Table 6: Daris East Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS – DARIS EAST PROSPECT						
Drill Hole	Significant Mineralisation				Mineralised Zone	
	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
DEDC_001	Primary	25	35	10	1.12	0.02
	<i>Inclusion</i>	27.85	33	5.15	1.89	0.00
DEDC_002	Primary	2.3	15	12.7	0.32	0.00
	<i>Inclusion</i>	5	6.5	1.5	0.88	0.00
	Primary	31.85	52	20.15	4.04	0.21
	<i>Inclusion</i>	37	43.25	6.25	9.38	0.55
DEDC_003	Primary	1	21	20	0.87	0.03
	<i>Inclusion</i>	13	21	8	1.05	0.02
	Primary	23.5	37	13.5	0.55	0.01
	<i>Inclusion</i>	23.5	25.5	2	1.18	0.00
DEDC_004	Primary	15	25	10	2.11	0.03
	Primary	45	49	4	0.37	0.03
DEDC_005	Primary	49.25	60	10.75	2.90	0.58
	<i>Inclusion</i>	52.3	56	3.7	5.88	0.97
DEDC_006	Primary	3.15	14	10.85	0.62	0.00
	<i>Inclusion</i>	10	12	2	1.70	0.01
	Primary	50.45	56	5.55	1.67	0.49
	<i>Inclusion</i>	54	55.1	1.1	4.15	0.59
DEDC_007	Primary	30.65	33.5	2.85	4.48	0.27
DEDC_008	Primary	56	62.5	6.5	3.06	0.50
	<i>Inclusion</i>	57	59	2	6.41	0.73
DEDC_010	Primary	12	25	13	1.03	0.40
	<i>Inclusion</i>	15.9	18	2.1	3.67	1.51
DEDC_011	Primary	16	18	2	0.24	0.00
DEDC_013	Primary	6	9	3	0.23	0.00
DEDC_020	Primary	0	18	18	0.33	0.02
	<i>Inclusion</i>	12	15	3	0.52	0.04
	Primary	51	53	2	0.65	0.01
DEDC_021	Primary	0	27	27	0.67	0.02
	<i>Inclusion</i>	6	12	6	1.19	0.01
DEDC_022	Primary	78	83	5	0.60	0.01
	<i>Inclusion</i>	79	81	2	1.22	0.02
	Primary	95	96	1	0.71	0.01
DEDC_023	Primary	60	61	1	5.27	0.02
DEDC_026	Primary	3	52	49	1.15	0.06
	<i>Inclusion</i>	35.2	37.45	2.25	12.01	0.85
DEDC_027	Primary	15	21	6	0.76	0.01
	Primary	33	53	20	1.82	0.09
	<i>Inclusion</i>	40.4	42.5	2.1	7.19	0.60
DEDC_029	Primary	68.6	69.8	1.2	1.06	0.35
DEDC_032	Primary	34	36	2	0.96	0.47
	Primary	41	45	4	2.33	0.41
DEDC_037	Primary	47	53.7	6.7	2.82	0.58
DEDC_038	Primary	25	44	19	0.37	0.16
	<i>Inclusion</i>	25	27	2	1.29	1.23
DEDC_039	Primary	15	31	16	2.68	0.35
	<i>Inclusion</i>	18	22	4	5.37	0.31

Notes:

- The cut-off grade is 0.2% Cu.
- Oxide and sulphide zone intersections are combined for the purpose of this table.

COMPANY PROJECTS

Daris 3A-5 Prospect

A drill hole location map (refer *Figure 17*) and tabulation of the significant intersection results for Daris 3A-5 (refer *Table 7*) are below.

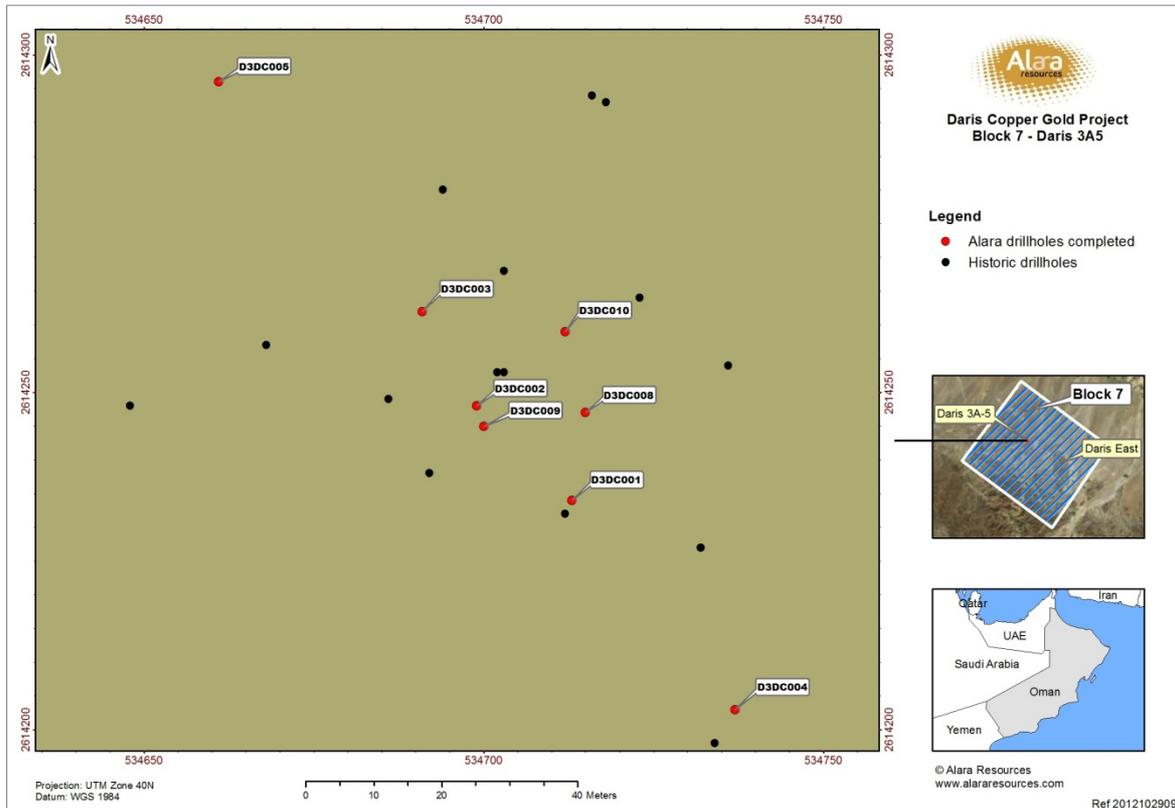


Figure 17: Daris 3A-5 Prospect Drill hole Location Map

Table 7: Daris 3A-5 Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS – DARIS 3A5 PROSPECT							
Drill Hole	Significant Mineralisation				Mineralised Zone		
	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)
D3DC001	Primary	15	37.65	22.65	1.61	3.39	50.68
	Inclusion	30	37.65	7.65	4.69	3.71	77.95
D3DC002	Primary	28.4	46.25	17.85	3.85	2.61	22.51
	Inclusion	34.35	46.25	11.9	5.74	2.06	24.07
	Primary	50.6	59	8.4	4.45	1.36	20.34
	Inclusion	50.6	54.05	3.45	10.28	3.10	46.79
D3DC003	Primary	41	71.75	30.75	4.69	1.56	16.75
	Inclusion	51.5	68.7	17.2	8.05	2.67	28.95
D3DC008	Primary	23	35.8	12.8	0.74	6.62	31.11
	Inclusion	33.5	35.8	2.3	3.92	5.20	106.37
D3DC009	Primary	21	31	10	0.07	3.34	5.41
	Inclusion	23	25	2	0.06	7.13	23.67
	Primary	36	39	3	0.85	0.01	1.23
D3DC010	Primary	57	67	10	5.62	1.16	17.82
	Inclusion	59.35	65.7	6.35	8.58	1.78	27.48

Notes:

- The cut-off grade is 0.2% Cu in respect of intersections within the copper-rich zone.
- The drill intercepts are reported as drilled. True thickness will be calculated at the interpretation and resource modelling stage.

COMPANY PROJECTS

2.3. Awtad Copper-Gold Project (Oman)

(Alara – right to subscribe for 10% initially with right to increase to 51% and subsequently to 70%+, existing local shareholders - the balance of shareholding interests, of Awtad Copper LLC)

The Awtad Project is located immediately adjacent to the Licence Area No. 7 (Block 7) comprising the Daris Copper-Gold Project and comprises a mineral excavation licence (Block 8) of ~497km.

A summary of exploration undertaken on the project is as follows:

- Extensive geophysical surveys have been completed - 86 line kilometres of airborne VTEM, 14 line kilometres of ground IP, 169 line kilometres of ground magnetics and 202 line kilometres of high resolution ground magnetics;
- 76 RAB drill holes totalling 1,747m and 11 core drill holes totalling 299m have been completed;
- Drilling results (including over the Al Mansur Prospect) were low grade in general and inconclusive;
- Rock chip samples collected 250m southeast of Hole AM12DD002 from oxidized, hematitic altered basalt (Gossan) having malachite stains returned a multi-elemental enrichment in the rocks of up to 2.68% Copper, 2.4ppm Silver, 0.1% Zinc and 48ppm arsenic indicating potential base metal deposit below (refer Figure 18).

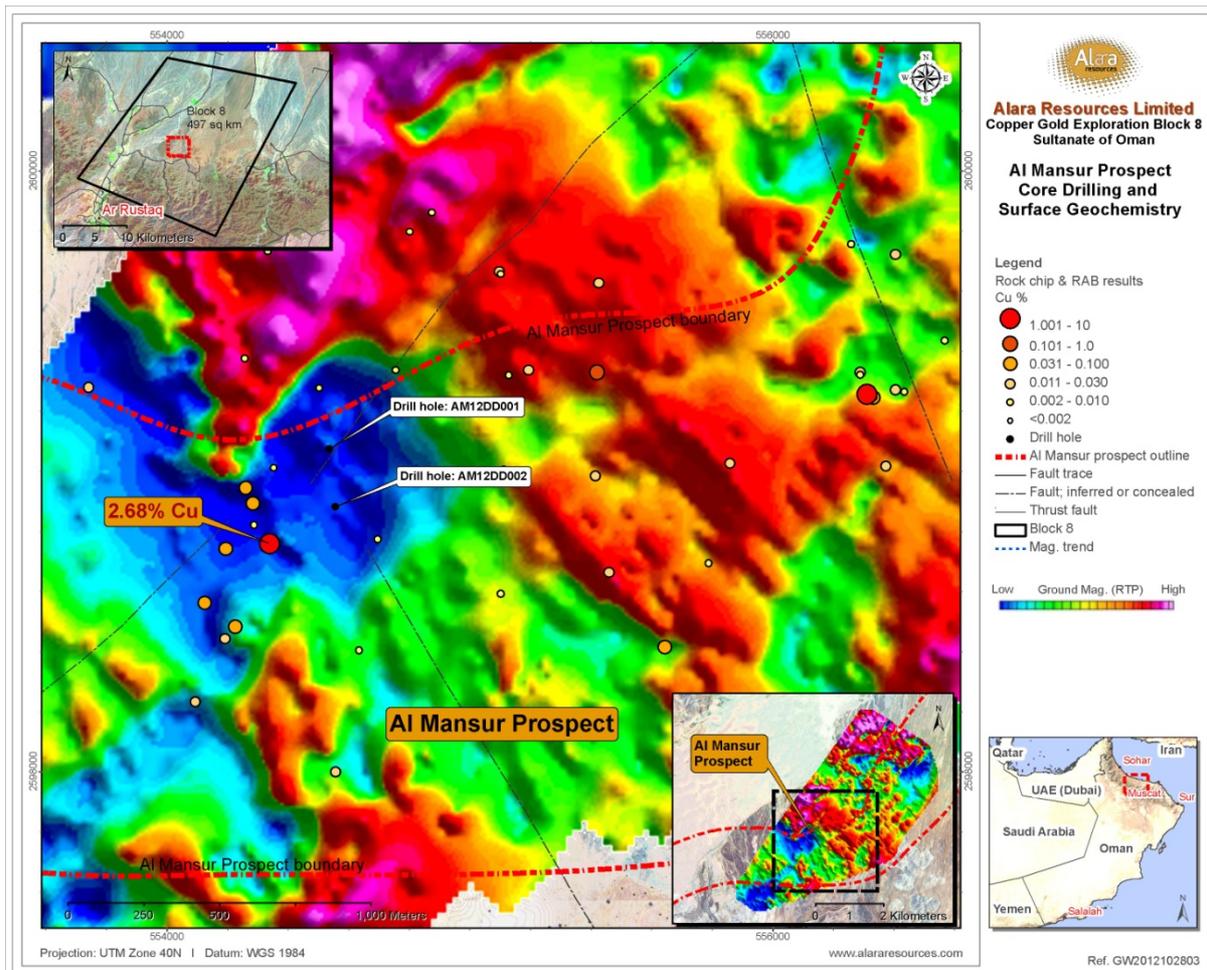


Figure 18: Al Mansur Prospect Drill hole Location Map on Ground Magnetics RTP Image

COMPANY PROJECTS

3. Marjan Precious and Base Metals Project (Saudi Arabia)

(Alara - 50%, Manajem - 50%, of "Marjan Mining Company LLC" (MMC) (to be incorporated))

The Marjan Project comprises 3 exploration licences (predominantly gold prospects with associated silver, zinc and copper) of ~260km² located ~30km south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project.

A summary of the Marjan Project is as follows:

- Predominantly gold prospect with associated silver, zinc and copper.
- Historical drilling in the Marjan Project area has returned values up to 7g/t Au, 31.3 g/t Ag, 4.7% Zn, and 1.6% Pb over 3m.
- Grab samples from the Marjan Project area have returned values of up to 0.7% Cu, 22.4% Zn, 100g/t Ag, 2.18g/t Au and 5.4% Pb.

Alara has undertaken mapping and preliminary reconnaissance drilling in high priority areas targeting gold, silver and zinc mineralization. Assay results confirm previously identified and drilled mineralisation.

4. Piedrecillas Copper-Silver Project (Chile)

(Alara – option to acquire an initial 50% and subsequently up to 100% of Alara Piedrecillas SCM)

The Piedrecillas Project is located ~190km south of Santiago and 7km west of Santa Cruz and comprises 19 exploration concessions covering a total area of ~40km².

The project area has good access to key project infrastructure requirements including water, power, roads, ports and favourably located close to towns and cities

Historical sampling taken in outcroppings both at surface and from small underground mining works show grades between 0.30% Cu to 3.30% Cu with up to 77g/t Ag, 0.15g/t Au and 0.001% Mo.

DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **AUQ**) and its controlled entities (the **Consolidated Entity** or **Alara**) for the financial year ended 30 June 2012 (**Balance Date**).

The Company is a company limited by shares which is incorporated in Western Australia and has been listed on the Australian Securities Exchange (**ASX**) since May 2007 (ASX Code: AUQ).

Alara has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were the on-going exploration, evaluation and development of its resource projects in Saudi Arabia, Oman and Chile.

REVIEW OF OPERATIONS

1. Company Projects

Alara is an Australian-based minerals exploration and development company. Alara has a current portfolio of advanced development and early stage exploration projects in Saudi Arabia, Oman and Chile as follows:

PROJECTS	LOCATION	STATUS
(1) Khnaiguiyah Zinc-Copper ¹	Saudi Arabia	DFS
(2) Al Ajal-Washihi-Mullaq Copper-Gold Project ²	Oman	Exploration
(3) Daris Copper-Gold Project ³	Oman	Exploration
(4) Awtad Copper-Gold Project ⁴	Oman	Exploration
(5) El Quillay Copper-Gold Project ⁵	Chile	Exploration
(6) Piedrecillas Copper-Silver Project ⁶	Chile	Exploration
(7) Marjan Precious and Base Metals ⁷	Saudi Arabia	Exploration

2. Saudi Arabia Projects

(a) Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

(Alara - 50%, United Arabian Mining Company (Manajem) – 50%, of Khnaiguiyah Mining Company LLC (KMC))

The Khnaiguiyah Project is an advanced near production project having (at the time of acquisition by Alara) a historical non-JORC Code compliant estimated mineralisation⁸ assessed by BRGM⁹, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993, as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)".

Alara's focus, upon securing the grant of a 30 year Mining Licence in December 2010, has been to delineate and extend the mineralisation from historical work, define a JORC Code compliant resource and complete a definitive feasibility study.

1 Refer Alara market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

2 Refer Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman](#)"

3 Refer Alara market announcement dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

4 Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition - Awtad Copper-Gold Project in Oman](#)"

5 Refer Alara market announcement dated 24 October 2011 and entitled "[Project Acquisition - El Quillay Copper Gold Project in Chile](#)"

6 Refer Alara's [30 June 2012 Quarterly Activities Report dated 31 July 2012](#)

7 Refer Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)"

8 Source: *BRGM Geoscientists, 1993, Khnaiguiyah zinc-copper deposit – prefeasibility study – 1, 2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photo plates*

9 Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (www.brgm.fr)

DIRECTORS' REPORT

JORC Resource: The current JORC Resource Statement for the Khnaiguiyah Zinc-Copper Project announced in February 2012 is¹⁰:

- Measured and Indicated Resource of 20.09 Mt at 4.24% Zinc and 0.15% Copper within a global resource of 26.4 Mt at 3.9% Zinc and 0.12% Copper; and
- 7.0 Mt at 0.8% Copper.

Additional Mineralisation: The cut-off date for compiling drilling data for the above JORC Resource Statement was in November 2011 (based on drilling completed in September 2011). Since September 2011, 10,000 metres of additional drilling in Zones 1 and 2 have been completed. Assay results from this 10,000m backlog of drilling confirm additional mineralisation in Zones 1 to 3. These results have been progressively announced on 11 April 2012¹¹, 16 May 2012¹² and 12 July 2012¹³, which include a complete tabulation of intersection results along with maps indicating the location of these holes in Zones 1, 2 and 3. As results of the balance of samples are received, collated and analysed, Alara will continue to provide regular updates to the market. Since the commencement of the Khnaiguiyah drilling programme in February 2011, a total of 315 holes to ~36,961 metres has been completed.

Definitive Feasibility Study (DFS): On 10 July 2012¹⁴, Alara announced that it had received a draft copy of the DFS report from Ausenco, the lead consultant for the DFS. On 30 July 2012¹⁵, Alara announced that it had reviewed the draft report and identified a number of significant components, outstanding issues and trade-off opportunities that require further work to deliver a final DFS to the satisfaction of the Company. On 3 September 2012¹⁶, Alara announced that the DFS was progressing well and on track for completion in Q4 2012.

Work on expanding the entire plant to 2Mtpa from 1.5Mtpa (instead of only the crushing and milling circuit at 2Mtpa as originally envisaged) is being undertaken. Concurrently with the review of operating costs, the scope of work will use local quotes for services and maintenance (rather than estimates) and also focus on lower initial strip ratios that are likely to be available in adding mineralisation (from more recent drilling) from Zone 1 and Zone 2 extensions, to the mining schedules. Most capital expenditure estimates have now been completed and Alara continues to finalise operating cost estimates using in-country price quotes. Based on the work completed to date, the Khnaiguiyah Zinc-Copper Project is continuing to confirm Alara's expectations of low operating costs and modest capital costs, which is consistent with other recent mineral development projects in Saudi Arabia.

Environmental Approvals: On 30 July 2012¹⁵, Alara announced that its joint venture partner, Manajem, has received confirmation. The approvals require the commencement of construction within one year.

Alara's ASX market announcements released in relation to the Khnaiguiyah Project are as follows:

Date	Announcement Title
3 September 2012	Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project
30 July 2012	Update - Khnaiguiyah Zinc-Copper Project
12 July 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
10 July 2012	Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project
16 May 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
11 April 2012	Drilling Update Khnaiguiyah Zinc-Copper Project
13 March 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
21 February 2012	Maiden JORC Resource - Khnaiguiyah Zinc-Copper Project
24 January 2012	Environmental Approval - Khnaiguiyah Zinc-Copper Project, Saudi Arabia
10 January 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
29 November 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
20 October 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
5 September 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
29 July 2011	Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc-Copper Project

10 Refer ASX market announcement dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#).

11 Refer ASX market announcement dated 11 April 2012: [Drilling Update – Khnaiguiyah Zinc-Copper Project](#).

12 Refer ASX market announcement dated 16 May 2012: [Drilling Update – Khnaiguiyah Zinc-Copper Project](#).

13 Refer ASX market announcement dated 12 July 2012: [Drilling Update – Khnaiguiyah Zinc-Copper Project](#).

14 Refer ASX market announcement dated 10 July 2012: [Definitive Feasibility Study Update – Khnaiguiyah Zinc-Copper Project](#).

15 Refer ASX market announcement dated 30 July 2012: [Update – Khnaiguiyah Zinc-Copper Project](#).

16 Refer ASX market announcement dated 3 September 2012: [Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project](#)

DIRECTORS' REPORT

Date	Announcement Title
29 June 2011	Drilling Rig Update - Khnaiguiyah Project in Saudi Arabia and Daris Project in Oman
16 June 2011	Operations Update - Khnaiguiyah Project
26 May 2011	Drilling Update - Khnaiguiyah Zinc Copper Project, Saudi Arabia
10 March 2011	Commencement of Drilling – Khnaiguiyah Zinc Copper Project, Saudi Arabia
24 January 2011	Conditions Precedent Now Met in Saudi Arabia for advancing Khnaiguiyah Zinc-Copper Mining Project
21 December 2010	Award of Mining Licence – Khnaiguiyah Zinc Copper Project, Saudi Arabia
6 October 2010	Project Acquisition – Khnaiguiyah Zinc Copper Project in Saudi Arabia

(b) Marjan Precious and Base Metals Project (Saudi Arabia)

(Alara - 50%, Manajem - 50%, of "Marjan Mining Company LLC" (MMC) (to be incorporated))

The Marjan Project comprises 3 exploration licences (predominantly gold prospects with associated silver, zinc and copper) of ~260km² located ~30km south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project.

The key terms of the joint venture shareholders agreement (dated 17 April 2011) executed with the same Khnaiguiyah Project vendor, Manajem, are outlined in an Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)".

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, the incorporation and registration of a new joint venture company ("Marjan Mining Company LLC") (currently pending completion) and the execution of ancillary agreements arising therein (currently pending execution upon the incorporation of MMC).

3. Oman Projects

Alara's strategy in Oman is to build a critical mass of mineralisation across its 3 projects (below) to support a feasibility study for development of a copper-gold mining operation in the country.

In this regard, on 20 June 2012¹⁷, Alara announced that as part of its broader strategic objectives in Oman, a Scoping Study had been initiated for an integrated mining and processing facility to develop the Washihi, Mullaq, Al Ajal and Daris (Block 7) prospects. Local Environmental and Hydrogeology consultants have also been engaged to contribute towards the study, which is expected to be completed in Q4 2012.

(a) Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman)

(Alara – right to subscribe for 10% and earn up to 60 to 75% of Pilatus Resources Oman LLC)

The Al Ajal, Washihi and Mullaq Project comprises 3 exploration licences of ~80km² located ~80-160km east and southeast of Alara's Daris Copper-Gold Project and Awtad Copper-Gold Project.

The key terms of the joint venture shareholders' agreement (dated 23 November 2011) are outlined in Alara's market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman.](#)"

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, Pilatus settling all liabilities with vendor shareholders (which is currently pending completion).

17 Refer ASX market announcement dated 20 June 2012: [Washihi Copper-Gold Project - Alara intersects 72m at 1.3% Copper](#)

DIRECTORS' REPORT

Alara's ASX market announcements released in relation to the Al Ajal, Washihi and Mullaq Project are as follows:

Date	Announcement Title
23 August 2012	Substantial Copper Discovery - 112m at 0.8% Cu and 72m at 1.3% Cu Washihi Project Oman
20 June 2012	Washihi Copper-Gold Project Alara intersects 72m at 1.3% Copper
8 December 2011	Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman

(b) Daris Copper-Gold Project (Oman)

(Alara – 50% with right to increase to 70%+, Al Tamman Trading Establishment LLC – 50%, of Daris Resources LLC)

The Daris Project comprises one exploration licence (Block 7) of ~587km² located adjacent (contiguous) to the Awtad Copper-Gold Project.

The key terms of the joint venture shareholders' agreement (dated 28 August 2010) are outlined in Alara's market announcement dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)".

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, the execution of a management agreement and ancillary loan agreement (which are currently pending execution by the parties).

Alara's ASX market announcements released in relation to the Daris Project are as follows:

Date	Announcement Title
29 June 2011	Drilling Rig Update - Khnaiquiyah Project in Saudi Arabia and Daris Project in Oman
19 April 2011	Massive Sulphide Copper Mineralisation - Daris Project in Oman
16 March 2011	Commencement of Phase 2 Drilling - Daris East Copper Project in Oman
13 December 2010	Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman
6 December 2010	Commencement of VTEM Electromagnetic Survey - Daris Copper Project in Oman
26 October 2010	Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman
6 October 2010	High Grade Copper-Gold Mineralisation - Daris Project Copper Project in Oman
14 September 2010	Daris Project Drilling Update
30 August 2010	Project Acquisition - Daris Copper Project in Oman

(c) Awtad Copper-Gold Project (Oman)

(Alara – right to subscribe for 10% initially with right to increase to 51% and subsequently to 70%+, existing local shareholders - the balance of shareholding interests, of Awtad Copper LLC)

The Awtad Project is located immediately adjacent to the Licence Area No. 7 (Block 7) comprising the Daris Copper-Gold Project and comprises a mineral excavation licence (Block 8) of ~497km.

The key terms of the joint venture shareholders' agreement (dated 24 April 2011) are outlined in Alara's market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)".

DIRECTORS' REPORT

4. Chile Projects

(a) El Quillay Copper-Gold Project (Chile)

(Alara – 70% of El Quillay SpA (ELQ), which has an option to acquire 100% of SCM Antares)

The El Quillay Project is located ~350km north of Santiago, the capital of Chile and comprises 88 concessions totalling ~205km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

The key terms of the joint venture agreements (dated 21 October 2011) are referred to in Alara's market announcement dated 24 October 2011 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile.](#)"

Alara's ASX market announcements released in relation to the El Quillay Project are as follows:

Date	Announcement Title
1 May 2012	Drilling Update – El Quillay Project Chile
24 October 2011	Project Acquisition – El Quillay Copper Gold Project in Chile
25 August 2010	Project Acquisition - El Quillay Copper Gold Project in Chile

(b) Piedrecillas Copper-Silver Project (Chile)

(Alara – option to acquire an initial 50% and subsequently up to 100% of Alara Piedrecillas SCM)

The Piedrecillas Project is located ~190km south of Santiago and 7km west of Santa Cruz and comprises 19 concessions covering a total area of ~40km².

The key terms of the joint venture agreements (dated 8 May 2012) are referred to in Alara's June 2012 Quarterly Reported dated 31 July 2012.

5. Australian Projects

(a) Bigrlyi South Uranium Project (Northern Territory) Farm-Out Venture

(Alara 30% with Thundelarra Exploration Ltd having a right to earn-in 70%)

Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licences EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration Licence application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant. EL 24879, 24928 and 24929 are each subject to a 50% reduction in area at the time of their renewal in August 2012.

Thundelarra has tenements contiguous with Alara's tenements in the Bigrlyi South project area, located ~350 kilometres north-west of Alice Springs in the Northern Territory of Australia and adjacent to tenements surrounding the Bigrlyi uranium deposit (being developed by Energy Metals Limited – ASX Code: "EME").

(b) Termination of Canning Well Project (Western Australia) Manganese Farm-Out

Alara has not renewed Exploration Licence EL 46/629 upon expiry on 21 August 2012. This tenement was subject to a farm-out agreement¹⁸ with Process Minerals International Pty Ltd (PMI), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN), who was unable to identify any prospective targets for manganese that warranted giving notice to commence mining operations under the terms of the farm-out agreement. PMI has been released from its obligations under the agreement.

¹⁸ Under an agreement dated March 2010, Process Minerals International Pty Ltd (PMI) were to determine the feasibility of a manganese mining operation on EL 46/629. If the operation was feasible, PMI were to acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI were liable pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

DIRECTORS' REPORT

6. Future Capital Raising

The Directors contemplate that the Company may undertake a capital raising within the next 12 months to fund the Consolidated Entity's share of equity/project financing obligations in relation to its resource projects and for general working capital purposes.

FINANCIAL POSITION

Consolidated Entity	2012	2011
	\$	\$
Cash	10,950,432	32,240,581
Financial assets held at fair value through profit and loss	393,128	875,603
Receivables	982,484	506,182
Resource projects	25,666,040	7,200,540
Other assets	3,688,176	1,865,060
Total assets	41,680,260	42,687,966
Payables	(3,865,407)	(2,137,489)
Provisions	(293,398)	(114,663)
Total liabilities	(4,158,805)	(2,252,152)
Net assets	37,521,455	40,435,814
Issued capital	53,477,409	53,477,409
Reserves	1,859,695	1,847,665
Accumulated losses	(18,061,494)	(14,978,442)
Parent interest	37,275,610	40,346,632
Non-controlling interest	245,845	89,182
Total equity	37,521,455	40,435,814

OPERATING RESULTS

Consolidated	2012	2011
	\$	\$
Total revenue	1,725,912	299,516
Total expenses	(4,975,449)	(4,789,223)
Loss before tax	(3,249,537)	(4,489,707)
Income tax benefit	-	-
Net loss after tax attributable to members	(3,249,537)	(4,489,707)

LOSS PER SHARE

Consolidated	2012	2011
Basic loss per share (cents)	(1.5)	(3.84)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	210,507,500	116,058,185

DIRECTORS' REPORT

DIVIDENDS

No dividends have been paid or declared during the financial year.

SECURITIES IN THE COMPANY

1. Current Issued Capital

The Company had the following total securities on issue as at 24 September 2012:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	210,507,500
\$0.35 (16 September 2013) Unlisted Options ¹⁹	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options ¹⁹	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options ²⁰	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ²⁰	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options ²¹	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options ²²	-	500,000	500,000
\$0.60 (25 May 2014) Unlisted Options ²¹	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options ²¹	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options ²³	-	400,000	400,000
Total	210,507,500	24,850,000	235,357,500

2. Summary of Unlisted Options Issued/Lapsed

During the financial year, the Company issued the following unlisted options to nominees of senior employees as part of their terms of remuneration pursuant to the Company's Employee Share Option Plan (ESOP)²⁴:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
200,000	2 September 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue
125,000	2 September 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue
125,000	2 September 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue
200,000	22 December 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue
125,000	22 December 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue
125,000	22 December 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue

¹⁹ Terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an ASX [Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

²⁰ Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

²¹ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

²² Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

²³ Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

²⁴ Approved by shareholders at the 2008 Annual General Meeting; refer Alara [Notice of Annual General Meeting and Explanatory Statement dated 1 October 2008](#)

DIRECTORS' REPORT

The Company did not issue any unlisted options to Directors during or subsequent to the end of the financial year.

During and subsequent to the end of the financial year, the following unlisted options previously held by Company personnel lapsed without being exercised:

No. of Lapsed Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
200,000	30 September 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014
125,000	30 September 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014
125,000	30 September 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014
500,000	26 July 2012	\$0.55 (26 Jul 2012) Options	\$0.55	26 Jul 2012
300,000	12 August 2012	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014
300,000	12 August 2012	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014
300,000	12 August 2012	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014

FUTURE DEVELOPMENTS

In the opinion of the Directors, it may prejudice the interests of the Consolidated Entity to provide additional information (beyond that reported in this Directors' Report) in relation to future developments and the business strategies and operations of the Consolidated Entity and the expected results of those operations in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In the course of its mineral exploration, evaluation and development activities, the Consolidated Entity adheres to mineral tenement/concession licence conditions and environmental regulations imposed upon it by various authorities. The Consolidated Entity has complied with all licence conditions and environment requirements up to the date of this report. There have been no material breaches of the Consolidated Entity's licence conditions and environmental regulations.

The Consolidated Entity notes the reporting requirements of both the *Energy Efficiency Opportunities Act 2006 (EEOA)* and the *National Greenhouse and Energy Reporting Act 2007 (NGERA)*. The *Energy Efficiency Opportunities Act 2006* requires affected companies to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the company intends to take as a result. The *National Greenhouse and Energy Reporting Act 2007* requires affected companies to report its annual greenhouse gas emissions and energy use.

The Consolidated Entity has determined that it does not operate a recognised facility requiring registration and reporting under the NGERA and in any event, it would fall under the threshold of greenhouse gas emissions required for registration and reporting. Similarly, the Consolidated Entity's energy consumption would fall under the threshold required for registration and reporting under the EEOA.

The Consolidated Entity notes that it is not directly subject to the *Clean Energy Act 2011 (Cth)*.

The Consolidated Entity is not otherwise subject to any particular or significant environmental regulation under either Australian Commonwealth or State legislation. To the extent that any environmental regulations may have an incidental impact on the Consolidated Entity's operations, the Directors are not aware of any breach by the Consolidated Entity of those regulations.

DIRECTORS' REPORT

BOARD OF DIRECTORS

Information concerning Directors and Officers in office during or since the financial year is as follows:

Ian J. Williams AO	Non-Executive Chairman
<i>Appointed</i>	30 November 2010; Chairman since 10 May 2011
<i>Qualifications</i>	BE (Elec), FAusIMM, FIEAust
<i>Experience</i>	<p>Mr Williams was awarded an Officer of the Order of Australia (AO) in June 2010 for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programmes providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives.</p> <p>As Managing Director of Century Zinc Ltd, Ian was responsible for planning and bringing on stream the Century lead/ zinc mine in north western Queensland. Producing some 7% of the world's demand for zinc concentrate, the Century mine is one of the largest zinc mines in the world. Mr Williams was, until July 2011, Chairman of the Port Hedland Port Authority.</p> <p>His diverse experience includes executive management of open cut and underground mining operations, brownfield expansions and new major mining projects. He was responsible for the establishment of two iron ore mines and associated infrastructure for Hamersley Iron. He has also assisted the West Australian Government in the facilitation of a major new port and rail infrastructure project in the State's Mid-West Region.</p>
<i>Special Responsibilities</i>	Chairman of the Board, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
<i>Relevant interest in securities</i>	Unlisted \$0.60 (25 May 2014) Options – 250,000
<i>Other current directorships in listed entities</i>	Non-Executive Director of Bougainville Copper Limited (ASX Code: BOC) (since 8 May 2008)
<i>Former directorships in other listed entities in past 3 years</i>	Brandrill Limited (former ASX Code: BDL) (1 August 2006 to 16 December 2009) (merged with Ausdrill Limited (ASX Code: ASL) on 16 December 2009 and delisted)

H. Shanker Madan	Managing Director
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	<p>Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group.</p> <p>Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits.</p> <p>He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.</p>
<i>Relevant interest in securities</i>	Shares – 508,527 ²⁵ Unlisted \$0.35 (16 September 2013) Options – 8,200,000
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	Strike Resources Limited (ASX Code: SRK) (26 September 2005 to 3 February 2011)

25 Held jointly: Mr H. Shanker Madan & Mrs Anupam S. Madan <The AS and HS Madan S/F A/C>

DIRECTORS' REPORT

Douglas H. Stewart	Non-Executive Director
<i>Appointed</i>	30 November 2010
<i>Qualifications</i>	BSc, FAusIMM, FAIG
<i>Experience</i>	<p>Mr Stewart has 40 years technical and commercial experience in the resources sector in a broad range of consulting, senior technical and operational roles in Australia and overseas.</p> <p>Mr Stewart was the Founding Managing Director of Territory Resources Limited where he played a principal role in managing the company through IPO and into iron ore production at its Frances Creek Iron Ore project in the Northern Territory. Mr Stewart was also a director of Grange Resources Limited prior to its takeover by Chinese steel interests.</p> <p>Mr Stewart has worked as a senior mining and geological consultant focused largely on mine planning and optimisation. He was Chief Engineer, Open Pit Mines, for Cassiar Mining and Teck Corporation in Canada. As Senior Planning Officer, he headed an underground mine design team for block caving operations in Africa and has been Chief Geologist for several mines where he was responsible for ore resources and reserves estimations.</p> <p>As well as acting as an independent consultant for various banks and fund managers on potential investments in Australian and international mining projects, Doug spent eight years as an Associate Director with NM Rothschild & Sons Australia.</p>
<i>Special Responsibilities</i>	Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee
<i>Relevant interest in securities</i>	Nil
<i>Other current directorships in listed entities</i>	Non-Executive Director of Vital Metals Ltd (ASX Code: VML) (since 30 May 2011)
<i>Former directorships in other listed entities in past 3 years</i>	<p>(1) Conquest Mining Limited (ASX Code: CQT) (30 November 2007 to 18 October 2011)</p> <p>(2) Grange Resources Limited (ASX Code: GRR) (1 November 2007 to 2 January 2009)</p>

William M. Johnson	Non-Executive Director
<i>Appointed</i>	26 October 2009 (as Executive Director); Non- Executive Director since 1 July 2011
<i>Qualifications</i>	MA (Oxon), MBA
<i>Experience</i>	<p>Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.</p>
<i>Special Responsibilities</i>	Member of the Audit Committee
<i>Relevant interest in securities</i>	<p>Shares – 27,000²⁶</p> <p>Unlisted \$0.60 (25 October 2014) Options – 1,000,000</p> <p>Unlisted \$0.35 (25 October 2014) Options – 2,000,000</p>
<i>Other current directorships in listed entities</i>	<p>Current Executive Director of:</p> <p>(1) Orion Equities Limited (ASX Code: OEQ) (since 28 February 2003)</p> <p>(2) Bentley Capital Limited (ASX Code: BEL) (since 13 March 2009)</p> <p>Current Non-Executive Director of:</p> <p>(3) Strike Resources Limited (ASX Code: SRK) (14 July 2006)</p>
<i>Former directorships in other listed entities in past 3 years</i>	None

26 Held jointly: Mr William M. Johnson & Mrs Joanne D. Johnson <WIJOA SUPER FUND A/C>

DIRECTORS' REPORT

Mr Farooq Khan resigned as a Director of the Company with effect on 31 August 2012.

Farooq Khan	Former Non-Executive Director
<i>Period of Office</i>	18 May 2007 (appointed as Executive Director); Non-Executive Director between 1 July 2011 and 31 August 2012
<i>Qualifications</i>	BJuris, LLB. (UWA)
<i>Experience</i>	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Special Responsibilities during Office</i>	Member of the Remuneration and Nomination Committee
<i>Relevant interest in securities</i>	Shares – 98,242 Unlisted \$0.35 (16 September 2013) Options – 8,200,000
<i>Other current directorships in listed entities</i>	Current Executive Chairman and Managing Director of: (1) Queste Communications Ltd (ASX Code: QUE) (since 10 March 1998) Current Executive Chairman of: (2) Orion Equities Limited (ASX Code: OEQ) (since 23 October 2006) (3) Bentley Capital Limited (ASX Code: BEL) (director since 2 December 2003)
<i>Former directorships in other listed entities in past 3 years</i>	(1) Yellow Brick Road Holdings Limited (ASX Code: YBR) (27 April 2006 to 18 March 2011) (2) Strike Resources Limited (ASX Code: SRK) (3 September 1999 to 3 February 2011)

COMPANY SECRETARY

Victor P. H. Ho	Company Secretary
<i>Appointed</i>	4 April 2007
<i>Qualifications</i>	BCom, LLB (UWA)
<i>Experience</i>	Mr Ho has been in company secretarial/executive roles with a number of public listed companies since 2000. Previously, Mr Ho had 9 years' experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has extensive experience in the structuring and execution of commercial and corporate transactions, capital raisings, capital management matters, public company administration, corporations law and stock exchange compliance and shareholder relations.
<i>Special Responsibilities</i>	Secretary of Audit Committee and Secretary of Remuneration and Nomination Committee
<i>Relevant interest in securities</i>	Unlisted \$0.35 (16 September 2013) Options – 700,000 Unlisted \$0.60 (25 October 2014) Options – 1,000,000 Unlisted \$0.35 (25 October 2014) Options – 1,650,000
<i>Other positions held in listed entities</i>	Current Executive Director and Company Secretary of: (1) Orion Equities Limited (ASX Code: OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003) Current Company Secretary of: (2) Bentley Capital Limited (ASX Code: BEL) (since 5 February 2004) (3) Queste Communications Ltd (ASX Code: QUE) (since 30 August 2000)
<i>Former positions in other listed entities in past 3 years</i>	Strike Resources Limited (ASX Code: SRK) (secretary between 9 March 2000 and 30 April 2010 and director between 12 October 2000 and 25 September 2009)

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (excluding Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Board		Audit Committee		Remuneration Committee	
	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings
H. Shanker Madan	10	10	-	-	-	-
William Johnson	10	10	3	3	-	-
Ian Williams	10	10	3	3	1	1
Douglas Stewart	10	10	3	3	1	1
Farooq Khan	10	10	-	-	1	1

Board Committees

Audit Committee

The Audit Committee was established on 9 December 2010 and comprises Non-Executive Directors, Messrs Douglas Stewart (as Chairman), Ian Williams and William Johnson.

The Audit Committee has a formal charter to prescribe its objectives, duties and responsibilities, access and authority, composition, membership requirements of the Committee and other administrative matters. Its function includes reviewing and approving the audited annual and reviewed half-yearly financial reports, ensuring a risk management framework is in place, reviewing and monitoring compliance issues, reviewing reports from management and matters related to the external auditor. The [Audit Committee Charter](#) may be viewed and downloaded from the Company's website.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established on 9 December 2010 and comprises Non-Executive Directors, Messrs Ian Williams (as Chairman), Douglas Stewart and Farooq Khan (until his resignation as a Director on 31 August 2012).

The Remuneration and Nomination Committee has a formal charter to prescribe its purpose, key responsibilities, composition, membership requirements, powers and other administrative matters. The Committee has a remuneration function (with key responsibilities to make recommendations to the Board on policy governing the remuneration benefits of the Managing Director and Executive Directors, including equity-based remuneration and assist the Managing Director to determine the remuneration benefits of senior management and advise on those determinations) and a nomination function (with key responsibilities to make recommendations to the Board as to various Board matters including the necessary and desirable qualifications, experience and competencies of Directors and the extent to which these are reflected in the Board, the appointment of the Chairman and Managing Director, the development and review of Board succession plans and addressing Board diversity). The [Remuneration and Nomination Committee Charter](#) may be viewed and downloaded from the Company's website.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior managers with authority and responsibility for planning, directing and controlling the major activities of the Company or Consolidated entity, directly or indirectly) (**Key Management Personnel**) of the Consolidated Entity.

The information provided under headings (1) to (8) below has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

(1) Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Directors and Company Executives (being a company secretary or senior manager specified below) (**Key Management Personnel**) having regard to the Consolidated Entity's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature within the resources sector in which the Company operates), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

Fixed Remuneration: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid within a shareholder approved maximum aggregate base remuneration of \$275,000 per annum inclusive of minimum employer superannuation contributions where applicable.

During the financial year, the applicable fixed annual remuneration for Key Management Personnel was as follows:

- (a) Mr Ian Williams (Non-Executive Chairman – a base Director's fee of \$75,000 plus employer superannuation contributions;
- (b) Mr H. Shanker Madan (Managing Director) – a base salary of \$375,000 plus employer superannuation contributions; in addition, Mr Madan is entitled to receive a travel allowance of up to \$25,000 per annum;
- (c) Mr Farooq Khan ((Non-Executive Director and General Manager, Corporate and Finance) - a base Director's fee of \$50,000 and a base salary of \$125,000 plus employer superannuation contributions; Mr Khan resigned as Director on 31 August 2012; Mr Khan's base salary was amended to \$155,000 with effect from 1 September 2012;
- (d) Mr William Johnson (Non-Executive Director and General Manager, Commercial and Joint Ventures) - a base Director's fee of \$50,000 and a base salary of \$65,000 plus employer superannuation contributions;
- (e) Mr Douglas Stewart (Non-Executive Director) - a base Director's fee of \$50,000 plus employer superannuation contributions; and
- (f) Mr Victor Ho (Company Secretary) – a base salary of \$90,000 plus employer superannuation contributions.

Where applicable, Key Management Personnel may also (subject to reaching agreement with the Company) "sacrifice" their base fees/salary and have them paid wholly or partly as further employer superannuation contributions, benefits exempt from fringe benefits tax or other benefits subject to fringe benefits tax (with an appropriate adjustment to reflect any fringe benefits tax payable by the Company).

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is entitled to receive:

- (a) Payment for the performance of extra services or the undertaking of special exertions at the request of the Board and for the purposes of the Company.
- (b) Payment for reimbursement of all reasonable expenses (including traveling and accommodation expenses) incurred by a Director for the purpose of attending meetings of the Company or the Board, on the business of the Company, or in carrying out duties as a Director.

DIRECTORS' REPORT

Long Term Benefits: Other than early termination benefits disclosed in "Service Agreements" (Section (4)) below, Key Management Personnel have no right to termination payments save for payment of accrued unused leave (where applicable).

Post Employment Benefits: Other than employer contributions to nominated complying superannuation funds of Key Management Personnel (where applicable), the Company does not presently provide retirement benefits to Key Management Personnel.

Performance Related Benefits/Variable Remuneration: Other than performance related benefits/variable remuneration disclosed in "Service Agreements" (Section (4)) below, the Company does not presently provide short or long incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses and the current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance. No performance related benefits/variable remuneration were paid to Key Management Personnel during the year.

Financial Performance of Company: There is no relationship between the Company's current remuneration policy and the Company's performance save that options are granted to Key Management Personnel as equity based benefits and their value is linked to the Company's share price performance.

Equity Based Benefits: The Company has not provided any equity based benefits (eg. grant of shares or options) to Key Management Personnel during the financial year. The Company has previously granted unlisted options to Key Management Personnel; these options were issued without any vesting conditions or performance hurdles on these options as, in the Company's view at the time, the setting of the exercise price at a significant premium to the Company's ASX volume weighted average share price at the time of issue, together with the (relatively short) 3 year term, acted as an appropriate performance incentive for the Key Management Personnel. The Company expects that unlisted options that may be issued to Key Management Personnel in the future will have defined performance hurdles attached to the options.

Disclosure of Consequences of Company Performance on Shareholder Wealth: In considering the Company's performance and benefits for shareholder wealth, the Board have regard to the following information in relation to the current financial year and the previous four financial years:

	2012	2011	2010	2009	2008
Basic loss per share (cents)	(1.5)	(3.84)	(2.24)	(11.01)	(4.81)
Dividend (cents per share)	-	-	-	-	-
Net Profit/(Loss) attributable to members (\$'000)	(3,151,331)	(4,450,971)	(2,100,889)	(8,864,354)	(3,872,045)
Volume weighted average share price (VWAP) (cents)	32	36	8	5	8

DIRECTORS' REPORT

(2) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel of the Company paid or payable by the Consolidated Entity during the financial year are as follows:

Key Management Person	Perform-ance related %	Options related %	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	Total
			Cash payments		Non-cash benefit	Superannuation	Long service leave	Options	
			Director's fees	Salary and allowances					
2012									
Executive Director:									
Shanker Madan	-	-	-	367,250	-	50,000	-	-	417,250
Non-Executive Directors:									
Ian Williams	-	-	37,467	-	-	44,282	-	-	81,749
Douglas Stewart	-	-	44,230	-	-	10,270	-	-	54,500
Farooq Khan	-	-	49,326	124,326	-	15,628	-	-	189,280
William Johnson	-	-	50,000	65,537	-	10,398	-	-	125,935
Company Secretary									
Victor Ho	-	-	-	90,000	-	8,100	-	-	98,100

Key Management Person	Perform-ance related %	Options related %	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	Total
			Cash payments		Non-cash benefit	Superannuation	Long service leave	Options	
			Director's fees	Salary and allowances					
2011									
Executive Directors:									
Shanker Madan	-	-	-	251,720	-	50,995	-	-	302,715
Farooq Khan	-	-	-	161,538	-	16,355	-	-	177,893
William Johnson	-	-	-	87,892	-	7,910	-	-	95,802
Non-Executive Directors:									
Ian Williams (appointed 30 November 2010)	-	52.6%	30,865	-	-	2,778	-	37,300	70,943
Douglas Stewart (appointed 30 November 2010)	-	52.6%	37,712	-	-	3,394	-	37,300	78,406
Company Secretary									
Victor Ho	-	-	-	93,462	-	8,411	-	-	101,873

The value of Equity Based Benefits are based on the fair value of options vested as at balance date; this is described in further detail in the Remuneration Report for the previous financial year ended 30 June 2011.²⁷

27 Refer Section (3) of the Remuneration Report at pages 53 and 54 of the Company's [Annual Report 2011](#)

DIRECTORS' REPORT

(3) Equity Based Benefits - Options

The Company has not provided any equity based benefits (eg. grant of shares or options) to Key Management Personnel during the financial year.

There were no shares issued as a result of the exercise of options previously issued to Key Management Personnel during the financial year (2011: Nil shares).

The Company granted unlisted options to Key Management Personnel during the previous financial year (as approved by shareholders at a general meeting), as follows:

Name of Key Management Personnel	No. options granted during the year		No. options cancelled during the year		No. options vested during the year	
	2012	2011	2012	2011	2012	2011
H. Shanker Madan	-	-	-	-	-	-
Ian Williams	-	250,000 \$0.60 (26 May 2014) Directors' Options ^{28,29}	-	-	-	250,000 \$0.60 (26 May 2014) Directors' Options ²⁸
Douglas Stewart	-	250,000 \$0.60 (26 May 2014) Directors' Options ^{28, 29}	-	-	-	250,000 \$0.60 (26 May 2014) Directors' Options ²⁸
Farooq Khan	-	-	-	-	-	-
William Johnson	-	-	-	-	-	-
Victor Ho	-	-	-	-	-	-

The Company has also issued unlisted options to other personnel (not regarded as a Company Executives/Key Management Personnel) during the financial year, as detailed in the Directors' Report under Securities in the Company - Summary of Unlisted Options Issued/Lapsed.

During the financial year, unlisted options (previously issued to other personnel (not regarded as a Company Executives/Key Management Personnel)) lapsed without being exercised, as detailed in the Directors' Report under Securities in the Company - Summary of Unlisted Options Issued/Lapsed.

(4) Service Agreements

Details of the material terms of service agreements entered by the Company with Key Management Personnel are as follows:

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
H. Shanker Madan (as Managing Director)	28 June 2011 (date of employment agreement); 18 May 2007 (commencement date, being the date of appointment as Managing Director); 11 May 2011 (date of effect of remuneration)	\$375,000 plus 9% employer superannuation contributions	<ul style="list-style-type: none"> Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the <i>Corporations Act 2001</i>, pay out an amount equivalent to the balance of entitlements due for the term.

28 Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

29 Granted to a nominee of the Key Management Personnel

DIRECTORS' REPORT

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
			<ul style="list-style-type: none"> Short-term incentive (STI) cash bonuses payable on attainment of defined milestones (related to completion of the Khnaiguiyah Zinc-Copper Project bankable feasibility study and project financing and the delineation of an economically minable copper resource in Oman) have not been triggered during the financial year. STI's for the 2012/2013 financial year have not yet been set pending completion of the Khnaiguiyah bankable feasibility study.
<p>Farooq Khan (as General Manager, Corporate and Finance) (in addition to his role as Non-Executive Director until his resignation as Director on 31 August 2012)</p>	<p>28 June 2011 (date of employment agreement); 18 May 2007 (commencement date, being the date of appointment as Director); 1 July 2011 (date of effect of remuneration)</p>	<p>\$125,000 (in addition to \$50,000 Non-Executive Director fees payable with effect from 1 July 2011 until his resignation as Director on 31 August 2012) (amended to \$155,000 from 1 September 2012) plus 9% employer superannuation contributions</p>	<ul style="list-style-type: none"> Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the <i>Corporations Act 2001</i>, pay out an amount equivalent to the balance of entitlements due for the term.
<p>William Johnson (as General Manager, Commercial and Joint Ventures) (in addition to his role as Non-Executive Director)</p>	<p>28 June 2011 (date of employment agreement); 26 October 2009 (commencement date, being the date of appointment as Director); 1 July 2011 (date of effect of remuneration)</p>	<p>\$65,000 (in addition to \$50,000 Non-Executive Director fees payable with effect from 1 July 2011) plus 9% employer superannuation contributions</p>	<ul style="list-style-type: none"> Not prohibited from also concurrently performing the role of director of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement. Entitlement to performance related cash bonuses as agreed with the Company from time to time – as at the date of this report, no bonus scheme has been established.
<p>Victor Ho (as Company Secretary)</p>	<p>28 June 2011 (date of employment agreement); 4 April 2007 (commencement date, being the date of appointment as Company Secretary); 1 July 2011 (date of effect of remuneration)</p>	<p>\$90,000 plus 9% employer superannuation contributions</p>	<ul style="list-style-type: none"> Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the <i>Corporations Act 2001</i>, pay out an amount equivalent to the balance of entitlements due for the term. Not prohibited from also concurrently performing the role of director or company secretary of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement. Entitlement to performance related cash bonuses as agreed with the Company from time to time – as at the date of this report, no bonus scheme has been established.

DIRECTORS' REPORT

The Company notes that under recent amendments to the *Corporations Act 2001*³⁰, shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

(5) Employee Share Option Plan

The Company has an Employee Share Option Plan (the **ESOP**) which was approved by shareholders at the 2008 annual general meeting held on 6 November 2008. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of Alara. Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares to those personnel. A summary of the terms of ESOP is set out in Annexure A to Alara's [Notice of Annual General Meeting and Explanatory Statement dated 1 October 2008](#). The Company will seek shareholder approval at the 2012 AGM for the re-adoption of the ESOP pursuant to the ASX Listing Rules (which requires approval every 3 years).

(6) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

(7) Securities Trading Policy

The Company has a [Securities Trading Policy](#) (dated 31 December 2010), a copy of which is available for viewing and downloading from the Company's website.

(8) Voting and Comments on the Remuneration Report at the 2011 Annual General Meeting (AGM)

At the Company's most recent (2011) AGM, a resolution to adopt the prior year (2011) Remuneration Report was passed by a majority (72.4%) of votes cast but 27.6% "no" votes were received. As the "no" votes exceed 25%, this constitutes a "first strike" under the new executive remuneration related provisions of the Corporations Act.

The Board has considered feedback from relevant stakeholders and reviewed and updated the Company's remuneration policy (as outlined in (1) above). In particular, the Board notes that the Company has previously granted unlisted options to Key Management Personnel without any vesting conditions or performance hurdles on these options. The Company has not granted any equity based benefits during the financial year to Key Management Personnel but the Board expects that unlisted options that may be issued to Key Management Personnel in the future will now have defined performance hurdles attached to the options.

The Board believes that the Company's remuneration structure and practices are appropriate as detailed in this Remuneration Report.

(9) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants during the year. The Board has established a policy that Ian Williams and Doug Stewart (as Non-Executive Directors and Members of the Remuneration and Nomination Committee) be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management.

This concludes the audited Remuneration Report.

30 *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009 (Act)*, which came into effect on 24 November 2009

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

The Directors have not included details of the nature of the liabilities covered or the amount of premiums paid in respect of a Directors and Officers liability and legal expenses' insurance contract, as such disclosure is prohibited under the terms of the contract.

DIRECTORS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- (a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act); and
- (b) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

AUDITOR

Details of the amounts paid or payable to the Company's auditors (Grant Thornton Audit Pty Ltd) for audit and non-audit services (paid to a related party of Grant Thornton Audit Pty Ltd) provided during the financial year are set out below:

Audit and Review Fees \$	Fees for Other Non-Audit Services \$	Total \$
36,000	10,950	46,950

The Board is satisfied that the provision of non audit services by the auditors during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327B of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 46. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY (DERIVATIVE ACTIONS)

No person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings. The Consolidated Entity was not a party to any such proceedings during and since the financial year.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 24), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

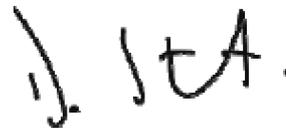
Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Shanker Madan
Managing Director

Perth, Western Australia

28 September 2012



Douglas Stewart
Director

Grant Thornton Audit Pty Ltd
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**Auditor's Independence Declaration
To the Directors of Alara Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alara Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 28 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	3 (a)	1,725,912	299,516
Net loss on financial assets held at fair value through profit or loss	3 (b)	(482,475)	(910,657)
Impairment of exploration expenditure	3 (b)	(432,610)	(41,469)
Personnel	3 (b)	(2,076,140)	(1,443,877)
- Options remuneration (non-cash)	3 (b)	(117,217)	(299,629)
Occupancy costs	3 (b)	(480,089)	(222,808)
Foreign exchange movement	3 (b)	-	(363,550)
Finance expenses	3 (b)	(21,573)	(12,652)
Borrowing costs	3 (b)	(30,293)	(443)
Corporate expenses	3 (b)	(87,736)	(118,810)
Administration expenses	3 (b)	(1,247,316)	(1,375,328)
LOSS BEFORE INCOME TAX		(3,249,537)	(4,489,707)
Income tax benefit	4	-	-
LOSS FOR THE YEAR		(3,249,537)	(4,489,707)
Other comprehensive income			
Exchange differences on translation of foreign operations		(36,908)	56,094
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		(36,908)	56,094
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,286,445)	(4,433,613)
Loss attributable to:			
Owners of Alara Resources Limited		(3,151,331)	(4,450,971)
Non-controlling interest		(98,206)	(38,736)
Total comprehensive loss for the year attributable to:		(3,249,537)	(4,489,707)
Owners of Alara Resources Limited		(3,188,239)	(4,394,877)
Non-controlling interest		(98,206)	(38,736)
		(3,286,445)	(4,433,613)
Basic and diluted loss per share (cents)	7	(1.50)	(3.84)

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	2012	2011
Note	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	8 10,950,432	32,240,581
Trade and other receivables	9 982,484	506,182
Other current assets	10 108,726	20,846
TOTAL CURRENT ASSETS	<u>12,041,642</u>	<u>32,767,609</u>
NON CURRENT ASSETS		
Financial assets held at fair value through profit and loss	11 393,128	875,603
Property, plant and equipment	12 314,390	181,833
Resource projects	13 25,666,040	7,200,540
Other non-current asset	14 3,265,060	1,662,381
TOTAL NON CURRENT ASSETS	<u>29,638,618</u>	<u>9,920,357</u>
TOTAL ASSETS	<u>41,680,260</u>	<u>42,687,966</u>
CURRENT LIABILITIES		
Trade and other payables	15 2,356,612	628,695
Provisions	16 293,398	114,663
TOTAL CURRENT LIABILITIES	<u>2,650,010</u>	<u>743,358</u>
NON CURRENT LIABILITIES		
Trade and other payables	15 1,508,795	1,508,795
TOTAL NON CURRENT LIABILITIES	<u>1,508,795</u>	<u>1,508,795</u>
TOTAL LIABILITIES	<u>4,158,805</u>	<u>2,252,152</u>
NET ASSETS	<u>37,521,455</u>	<u>40,435,814</u>
EQUITY		
Issued capital	17 53,477,409	53,477,409
Reserves	18 1,859,695	1,847,665
Accumulated losses	(18,061,494)	(14,978,442)
Parent interest	37,275,610	40,346,632
Non-controlling interest	245,845	89,182
TOTAL EQUITY	<u>37,521,455</u>	<u>40,435,814</u>

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interest	Total
Balance as at 1 July 2010		14,754,059	1,510,655	12,516	(10,558,701)	-	5,718,529
Foreign currency translation reserve		-	-	56,094	-	-	56,094
Net income and expense recognised directly in equity		-	-	56,094	-	-	56,094
Loss for the year		-	-	-	(4,450,971)	(38,736)	(4,489,707)
Total comprehensive loss for the year		-	-	56,094	(4,450,971)	(38,736)	(4,433,613)
Transactions with owners in their capacity as owners:							
Share placement		40,820,000	-	-	-	-	40,820,000
Share placement costs		(2,096,650)	-	-	-	-	(2,096,650)
Options lapsed during the year		-	(31,230)	-	31,230	-	-
Options issued during the year		-	299,630	-	-	-	299,630
Non-controlling interests of the new subsidiary		-	-	-	-	127,918	127,918
Balance as at 30 June 2011		53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814
Balance as at 1 July 2011		53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814
Foreign currency translation reserve		-	-	(36,908)	-	-	(36,908)
Net income and expense recognised directly in equity		-	-	(36,908)	-	-	(36,908)
Loss for the year		-	-	-	(3,151,331)	(98,206)	(3,249,537)
Total comprehensive loss for the year		-	-	(36,908)	(3,151,331)	(98,206)	(3,286,445)
Transactions with owners in their capacity as owners:							
Options lapsed during the year	18	-	(68,279)	-	68,279	-	-
Options issued during the year	18	-	117,217	-	-	-	117,217
Non-controlling interests of the new subsidiary		-	-	-	-	254,869	254,869
Balance as at 30 June 2012		53,477,409	1,827,993	31,702	(18,061,494)	245,845	37,521,455

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	2012	2011
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(2,828,510)	(3,275,114)
Interest received	1,331,701	229,443
Interest paid	-	(443)
	<hr/>	<hr/>
NET CASHFLOWS USED IN OPERATING ACTIVITIES	8 b (1,496,809)	(3,046,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation activities	(19,668,054)	(7,253,916)
Payments for plant and equipment	(251,262)	(185,153)
Proceeds from disposal of plant and equipment	-	100
	<hr/>	<hr/>
NET CASHFLOWS USED IN INVESTING ACTIVITIES	(19,919,316)	(7,438,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing ordinary shares	-	40,820,000
Costs of issuing ordinary shares	-	(2,096,650)
	<hr/>	<hr/>
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES	-	38,723,350
	<hr/>	<hr/>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD	(21,416,125)	28,238,267
Cash and cash equivalents at beginning of the financial year	32,240,581	4,309,770
Effect of exchange rate changes on cash	125,976	(307,456)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8 10,950,432	32,240,581

The accompanying notes form part of this consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

The financial report includes the financial statements for the Consolidated Entity consisting of Alara Resources Limited and its controlled and jointly controlled entities. Alara Resources Limited is a company limited by shares, incorporated in Western Australia, Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

1.1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretation, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Alara Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Consolidated Entity, Alara Resources Limited, also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern Assumption

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Consolidated Entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Consolidated Entity. The Directors are confident that sufficient funding can be secured if required to enable the Consolidated Entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Alara Resources Limited as at 30 June 2012 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity. Information on the controlled entities is contained in Note 2 to the financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.3. Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated (i.e. capitalised) in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 "Exploration for and Evaluation of Mineral Resources", if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Consolidated Entity must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

1.4. Operating Segments

The Consolidated Entity has applied AASB 8: Operating Segments which requires that segment information be presented on the same basis as that used for internal reporting purposes.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the management to make decisions on allocation of resources to the relevant segments and assess performance. Unallocated items comprise mainly share investments, corporate and office expenses. The Consolidated Entity's segment reporting is contained in Note 20 of the notes to the financial statements.

1.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax ("**GST**") except where the amount of GST incurred is not recoverable from the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

Interest Revenue - Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other Revenues - Other revenues are recognised on a receipts basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.6. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

Tax consolidation legislation

The Consolidated Entity implemented the tax consolidation legislation. The head entity, Alara Resources Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1.7. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.8. Employee Benefits

Short term obligations - Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the Consolidated Entity in accordance with statutory obligations and are charged as an expense when incurred.

Other long term employee benefit obligations - The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

1.9. Director/Employee Options

The fair value of options granted by the Company to directors and employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured as at grant date and is expensed in full as at their date of issue where they are 100% vested on grant and otherwise over their vesting period (where applicable). The fair value at grant date is determined using the Black-Scholes valuation model that takes into account the exercise price, the term of the option, the vesting criteria, the unlisted nature of the option, the share price at grant date and the expected price volatility of the underlying shares in the Company, and the risk-free interest rate for the term of the option. Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

1.10. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.11. Receivables

Trade and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

1.12. Financial Instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Subsequent to initial recognition, these instruments are measured as set out below

Financial assets at fair value through profit and loss - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the profit or loss.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit and loss".

1.13. Fair value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments

and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as a "financial assets at fair value through profit and loss" and is carried at fair value based on the quoted last bid prices at reporting date (refer to Note 11).

1.14. Property, Plant and Equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	15-37.5%
Motor Vehicles	33.3%
Plant and Equipment	15-33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.15. Impairment of Non Financial Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.16. Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.17. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

1.18. Earnings Per Share

Basic Earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted Earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

1.19. Foreign Currency Translation and Balances

Functional and presentation currency

The functional currency of each entity within the Consolidated Entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Consolidated entity

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1.20. Investments in Joint Ventures

The Company undertakes a number of business activities through joint ventures. Joint ventures are those arrangements over whose activities the Consolidated Entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Alara Oman Operations Pty Limited (a wholly owned Australian subsidiary) gained a 50% shareholding interest in a joint venture entity, Daris Resources LLC (Oman), on 1 December 2010. Alara Saudi Operations Pty Limited (a wholly owned Australian subsidiary) gained a 50% shareholding interest in a joint venture entity, Khnaiguiyah Mining Company LLC (Saudi Arabia), on 10 January 2011. The principal activity of these joint venture entities is exploration, evaluation and development of mineral licences in their respective countries.

The Consolidated Entity has applied AASB131 "Interests in Joint Ventures" from 1 July 2010 under which interests in jointly controlled entities are accounted for using the proportionate consolidation method whereby the Company's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is combined line by line with like items within the Consolidated Entity's financial statements (or reported as separate line items where combination is not applicable or appropriate). Thus, the Consolidated Entity's statement of financial position includes its share of the assets controlled jointly and its share of the liabilities that it is jointly responsible for and the Consolidated Entity's statement of comprehensive income will include its share of the income and expenses of each joint venture entity.

1.21. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

1.22. Comparative Figures

Certain comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.24. Critical accounting judgements and estimates

The preparation of the Consolidated Financial Statements requires Directors to make judgements and estimates and form assumptions that affect how certain assets, liabilities, revenue, expenses and equity are reported. At each reporting period, the Directors evaluate their judgements and estimates based on historical experience and on other various factors they believe to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities (that are not readily apparent from other sources, such as independent valuations). Actual results may differ from these estimates under different assumptions and conditions.

Exploration and evaluation expenditure

The Consolidated Entity's accounting policy for exploration and evaluation expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of comprehensive income.

Impairment of goodwill and intangibles

The Consolidated Entity determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. At this balance date there has been no requirement to impair goodwill.

Share-based payments transactions

The Consolidated Entity measures the cost of equity-settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes options valuation model, taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in Note 19. The accounting estimates have no impact on the carrying amounts of assets and liabilities but will impact expenses and equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.25. Summary Of Accounting Standards Issued Not Yet Adopted

Management anticipates that all of the relevant pronouncements will be adopted in the Consolidated Entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Consolidated Entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Consolidated Entity's financial statements.

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <p>(i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and</p> <p>(ii) The remaining change is presented in profit or loss.</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <p>(a) Classification and measurement of financial liabilities; and</p> <p>(b) Derecognition requirements for financial assets and liabilities.</p>	<p>31 December 2015</p> <p>Note that the IASB deferred the mandatory effective date from annual periods beginning on or after 1 January 2013 to annual periods beginning on or after 1 January 2015.</p>	<p>AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only.</p> <p>Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
		Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10.		
AASB 10 Consolidated Financial Statements	AASB 127 AASB Int 112	AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB Interpretation 112 <i>Consolidation – Special Purpose Entities</i> . The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group.	31 December 2013	It introduces a revised definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.
AASB 11 Joint Arrangements	AASB 131 AASB Int 113	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and AASB Interpretation 113 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i> . AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	31 December 2013	Entities with existing joint arrangements or that plan to enter into new joint arrangements will be affected by the new standard. These entities will need to assess their arrangements to determine whether they have interests in a joint operation or a joint venture upon adoption of the new standard or upon entering into the arrangement. Entities that have been accounting for their interest in a joint venture using proportionate consolidation will no longer be allowed to use this method; instead they will account for the joint venture using the equity method. In addition, there may be some entities that previously equity-accounted for investments that may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement.
AASB 12 Disclosure of Interests in Other Entities	AASB 127 AASB 128 AASB 131	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	31 December 2013	AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.
AASB 13 Fair Value Measurement	None	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides	31 December 2013	AASB 13 has been issued to: (a) establish a single source of guidance for all fair value measurements;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
		<p>guidance on how to determine fair value when fair value is required or permitted by other Standards. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>		<p>(b) clarify the definition of fair value and related guidance; and</p> <p>(c) enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).</p>
AASB 127 Separate Financial Statements	AASB 127 (Consolidated and Separate Financial Statements)	As a result of the issuance of AASB 10, AASB 127 has been restructured and reissued to only deal with separate financial statements.	31 December 2013	AASB 127 (August 2011) will now solely address separate financial statements, the requirements for which are substantially unchanged from the previous version of the Standard.
AASB 2010-8 Amendments to Australian Accounting Standards –Deferred Tax: Recovery of Underlying Assets [AASB 112]	AASB Int 121	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate AASB Interpretation 121 <i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	31 December 2012	<p>The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140 <i>Investment Property</i>.</p> <p>Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.</p>
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	None	The Standard deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	30 June 2014	The Standard makes amendments to remove the individual key management personnel disclosure requirements, as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report.
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	None	This Standard makes consequential amendments to various Australian Accounting Standards arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).	31 December 2013	This Standard gives effect to many consequential changes arising from the issuance of the new Standards. For example, references to AASB 127 <i>Consolidated and Separate Financial Statements</i> are amended to AASB 10 <i>Consolidated Financial Statements</i> or AASB 127 <i>Separate Financial Statements</i> , and references to AASB 131 <i>Interests in Joint Ventures</i> are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	None	Amendments to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments, e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses). Name changes of statements in AASB 101 as follows: (a) One statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' (b) Two statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.	30 June 2013	The main change will be the separation and classification of components within other comprehensive income between reclassification adjustments to profit or loss and those that will not be reclassified.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	None	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	31 December 2013	AASB 2012-2 principally amends AASB 7 to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	31 December 2014	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	None	These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments follow the issuance of Annual Improvements to IFRSs 2009–2011 Cycle issued by the International Accounting Standards Board in May 2012.	31 December 2013	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: (a) repeat application of AASB 1 is permitted (AASB 1); and (b) clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Alara Resources Limited as at 30 June 2012.

	2012	2011
	\$	\$
Statement of Financial Position		
Current assets	7,570,744	30,129,714
Non current assets	31,425,573	11,272,090
Total assets	<u>38,996,317</u>	<u>41,401,804</u>
Current liabilities	479,930	493,263
Non current liabilities	-	-
Total liabilities	<u>479,930</u>	<u>493,263</u>
Net assets	<u>38,516,387</u>	<u>40,908,541</u>
Issued capital	53,477,409	53,477,409
Reserves	1,827,993	1,779,056
Accumulated losses	(16,789,015)	(14,347,924)
Total equity	<u>38,516,387</u>	<u>40,908,541</u>
Loss for the year	(2,509,370)	(4,147,959)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(2,509,370)</u>	<u>(4,147,959)</u>

Notes to the Statement of Financial Position

(a) Current assets

(i) Cash and cash equivalents

Cash at bank	1,033,994	2,665,038
Term Deposits	6,417,677	27,136,984
	<u>7,451,671</u>	<u>29,802,022</u>

(b) Non-current assets

(i) Loan to controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in (b)(ii) below. The amounts owed remain outstanding at balance date. Provision for impairment on amounts receivable has been raised in relation to any outstanding balances amounts owed by controlled entities. Interest is not charged on such outstanding amounts.

	2012	2011
	\$	\$
Amounts owed by controlled entities	34,209,799	13,654,524
Provision for impairment	(3,352,651)	(3,352,651)
	<u>30,857,148</u>	<u>10,301,873</u>
Movement in loans to controlled entities		
Opening balance	13,654,524	2,825,020
Loans advanced	20,555,275	10,829,504
Closing balance	<u>34,209,799</u>	<u>13,654,524</u>
Movement in provision for impairment of receivables		
Opening balance	(3,352,651)	(2,695,125)
Provision for impairment recognised during the year	-	(657,526)
Provision for impairment on amounts receivable	<u>(3,352,651)</u>	<u>(3,352,651)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. PARENT ENTITY INFORMATION (continued)

Percentage of Ownership

(b) Non-current assets (ii) Investment in Controlled Entities	Country of Incorporation	Date of Incorporation	Ownership	
			2012	2011
Hume Mining Pty Ltd	Australia	29-Mar-94	100%	100%
Alara Operations Pty Ltd (AOP)	Australia	5-Feb-07	100%	100%
Alara Peru Operations Pty Ltd (APO)	Australia	9-Mar-07	100%	100%
Alara Saudi Operations Pty Ltd (ASO)	Australia	4-Aug-10	100%	100%
Alara Chile Operations Pty Ltd (ACO)	Australia	28-Oct-09	100%	100%
Alara Saudi Marjan Operations Pty Limited	Australia	14-Feb-11	100%	100%
Alara Oman Operations Pty Limited (AOO)	Australia	28-Jun-10	100%	100%
Alara Kingdom Operations Pty Limited (AKO)	Australia	5-Sep-11	100%	-
Alara Resources LLC (controlled entity of AOO)	Oman	2-Oct-10	70%	70%
Daris Resources LLC (jointly controlled entity of AOO)	Oman	1-Dec-10	50%	50%
Pilatus Resources Oman LLC (controlled entity of AOO)	Oman	6-Feb-07	75%	-
Awtad Copper LLC (controlled entity of AOO)	Oman	24-Sep-09	70%	-
Khnaiguiyah Mining Company LLC (KMC) (jointly controlled entity of ASO)	Saudi Arabia	10-Jan-11	50%	50%
Sita Mining LLC (controlled entity of AKO)	Saudi Arabia	16-May-11	70%	-
Inversiones Alara Chile Limitada (IAC) (subsidiary of ACO)	Chile	31-Aug-11	100%	-
El Quillay SpA (controlled entity of IAC)	Chile	21-Oct-11	70%	-
Alara Resources Ghana Limited	Ghana	8-Dec-09	100%	100%
Alara Peru S.A.C (subsidiary of APO)	Peru	1-Mar-07	100%	100%

3. LOSS FOR THE YEAR

The operating loss before income tax includes the following items of revenue and expense:

	2012	2011
	\$	\$
(a) Revenue		
Interest	1,265,530	299,516
Foreign exchange movement	460,382	-
	<u>1,725,912</u>	<u>299,516</u>
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	482,475	910,657
Impairment of exploration expenditure	432,610	41,469
Personnel		
- cash remuneration	1,853,046	1,396,016
- options remuneration (non-cash)	117,217	299,629
- employee benefits	223,094	47,861
Occupancy expenses	480,089	222,808
Foreign exchange movement	-	363,550
Finance expenses	21,573	12,652
Borrowing cost - interest paid	30,293	443
Corporate expenses	87,736	118,810
Administration expenses		
- Communications	73,613	99,642
- Consultancy fees	90,793	168,233
- Travel, accommodation and incidentals	485,633	396,768
- Professional fees	247,722	380,804
- Insurance	29,384	21,687
- Depreciation	118,705	39,009
- Fixed assets written down	-	4,339
- Net loss on disposal of fixed assets	-	156
- Other administration expenses	201,466	264,690
	<u>4,975,449</u>	<u>4,789,223</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

4. INCOME TAX EXPENSE

	2012 \$	2011 \$
(a) Income tax expense		
Current tax	-	-
Current year	-	-
Total income tax expense/(benefit) per statement of comprehensive income	<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	<u>(3,249,537)</u>	<u>(4,489,707)</u>
Tax at the Australian tax rate of 30% (2011: 30%)	(974,861)	(1,346,912)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	311,923	275,270
Other deductible expenses	-	-
Other non assessable income	(128,834)	-
Tax losses not brought to account	791,772	1,071,642
Income tax expense/(benefit) attributable to operating profit	<u>-</u>	<u>-</u>
Under/(over) provision in respect to prior years	<u>-</u>	<u>-</u>
Income tax expense/(benefit)	<u>-</u>	<u>-</u>
(c) Deferred tax liabilities not brought to account at 30%		
Other	<u>(8,690,783)</u>	<u>(2,690,181)</u>
Potential tax liability at 30%	<u>(8,690,783)</u>	<u>(2,690,181)</u>
(d) Deferred tax assets not brought to account at 30%		
Revenue losses	12,895,219	5,066,879
Other	502,163	312,800
Potential tax benefit at 30%	<u>13,397,382</u>	<u>5,379,679</u>

The Deferred Tax Asset not brought to account for the period will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) the Company is able to meet the continuity of ownership and/or continuity of business tests under tax legislation.

The Consolidated Entity has elected to consolidate for taxation purposes and has entered into a tax sharing and funding agreement in respect of such arrangements.

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

	2012 \$	2011 \$
(a) Key management personnel compensation		
Directors		
Short-term employee benefits - cash fees and bonus and allowance	738,136	569,727
Post-employment benefits - superannuation	130,578	81,432
Equity based payments	-	74,600
	<u>868,714</u>	<u>725,759</u>
Other key management personnel		
Short-term employee benefits - cash fees, bonus and allowance	90,000	93,462
Post-employment benefits - superannuation	8,100	8,411
	<u>98,100</u>	<u>101,873</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report for the year ended 30 June 2012.

(b) Shareholdings of key management personnel

	Balance at start of the year	Balance at appointment/ cessation	Net Changes	Balance at end of the year
2012				
Directors				
Ian Williams	-		-	-
H. Shanker Madan	508,257		-	508,257
Farooq Khan	98,242		-	98,242
William Johnson	27,000		-	27,000
Douglas Stewart	-		-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503		(171,090)	18,413
2011				
Ian Williams (appointed 30/11/10)			-	-
H. Shanker Madan	508,257		-	508,257
Farooq Khan	939,168		(840,926)	98,242
William Johnson (appointed 26/10/09)	27,000		-	27,000
Douglas Stewart (appointed 30/11/10)			-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503		-	189,503

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

(c) Options, rights and equity instruments provided as remuneration

Details of options provided as remuneration are disclosed in the Remuneration Report section of the Directors' Report. There were no shares issued on the exercise of these options during the financial year. There were no options issued to Key Management Personnel during the year.

(d) Unlisted option holdings of key management personnel

	Balance at appointment/ start of the year	Granted as compensation	Net Changes	Balance at cessation/ end of the year	Vested & Exercisable
2012					
Directors					
Ian Williams	250,000	-	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart	250,000	-	-	250,000	250,000
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000
2011					
Directors					
Ian Williams		250,000	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart		250,000	-	250,000	250,000
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000

* Net Change Other refers to net options that have been cancelled, forfeited or transferred during the year

Details of options held by Key Management Personnel are disclosed in the Remuneration Report section of the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Loans to key management personnel

There were no loans to key management personnel during the financial year.

(f) Other transactions with key management personnel

There were no other transactions with key management personnel during the financial year.

6. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditors to the Consolidated Entity, their related practices and non-audit related firms:

	2012	2011
	\$	\$
Grant Thornton Audit Pty Ltd - Auditors of the Consolidated Entity	36,000	30,500
Audit and review of financial reports		
Grant Thornton Australia Limited - related practice of Grant Thornton Audit Pty Ltd	10,950	10,754
Taxation services		
Moore Stephens Chartered Accountants - Auditors of Oman controlled entities	4,459	2,573
Audit and review of financial reports		
Aldar Audit Bureau, Abdullah Al Bas & Co - Auditors of Saudi Arabian controlled entity	-	4,403
Audit and review of financial reports	51,409	48,230

7. LOSS PER SHARE

	2012	2011
Basic loss per share (cents)	(1.50)	(3.84)
Diluted loss per share (cents)	n/a	n/a
Loss used to calculate earnings per share (\$)	(3,151,331)	(4,450,971)
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	210,507,500	116,058,185

Under AASB 133 "Earnings per share", potential ordinary shares such as options will only be treated as dilutive when their conversion to ordinary shares would increase loss per share from continuing operations.

Diluted loss per share is not calculated as it does not increase the loss per share.

8. CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Cash in hand	41,296	41,107
Cash at bank	2,431,796	5,048,490
Term Deposits	8,477,340	27,150,984
	10,950,432	32,240,581

Cash at bank includes USD\$1.830 million (AUD\$1.814 million) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of \$130,600 (2011: \$130,600) which has not been called up as at balance date. A total of \$32,000 of the security bond is in relation to its Australian tenements.

The effective interest rate on short-term bank deposits was 5.22% (2011: 6.05%) with an average maturity of 85 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

8. CASH AND CASH EQUIVALENTS (continued)

(a) Risk exposure

The Consolidated Entity's exposure to interest rate and foreign exchange risk is discussed in Note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow from Operations

	2012	2011
	\$	\$
Loss after income tax	(3,249,537)	(4,489,707)
Net gain/(loss) on financial assets held at fair value through profit or loss	482,475	910,657
Impairment of exploration expenditure	432,610	
Directors' and Employee options	117,217	299,629
Foreign exchange movement	(460,382)	363,550
Depreciation	118,705	39,009
Write off/down-Fixed assets	-	4,339
Net reversal of prior year unrealised loss/unrealised loss on financial assets fair value through profit or loss	-	156
(Increase)/Decrease in Assets:		
Trade and other receivables	(719,762)	(361,054)
Resource projects	-	27,707
Other current assets	(87,880)	(18,955)
Increase/(Decrease) in Liabilities:		
Trade and other payables	1,691,013	131,893
Provisions	178,732	46,662
Net cashflows used in from operating activities	<u>(1,496,809)</u>	<u>(3,046,114)</u>

(c) Non-cash financing and investing activities

Share based payments (Refer to Note 19)	48,938	268,400
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9. TRADE AND OTHER RECEIVABLES

	2012	2011
	\$	\$
Current		
Amounts receivable from		
Sundry debtors	881,370	212,046
Goods and services tax recoverable	62,936	189,787
Other receivables	38,178	104,349
	<u>982,484</u>	<u>506,182</u>

(a) Risk exposure

Information about the Consolidated Entity's exposure to credit risk, foreign exchange risk and interest rate risk is in Note 21.

(b) Impaired receivables

None of the above receivables are impaired or past due.

10. OTHER CURRENT ASSETS

	2012	2011
	\$	\$
Prepayments	108,726	20,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

11. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2012	2011
	\$	\$
Listed investments at fair value	393,128	875,603

Net gains in the fair value of "financial assets at held fair value through profit and loss" are recorded as Income (refer to Note 3(a) where applicable) and net loss on the "fair value of financial assets held at fair value through profit and loss" are recorded as an Expense (refer to Note 3(b) where applicable). The fair value of listed shares has been determined directly by reference to published price quotations in an active market.

Risk exposure

Information about the Consolidated Entity's exposure to price risk is in Note 21.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles \$	Office Equipment \$	Plant and Equipment \$	Total \$
At 1 July 2010				
Cost or fair value				
Accumulated depreciation	-	3,008	76,496	79,504
Net carrying amount	-	(569)	(38,651)	(39,220)
	-	2,439	37,845	40,284
Year ended 30 June 2011				
Carrying amount at beginning		2,439	37,845	40,284
Additions	61,495	72,726	50,932	185,153
Disposal	-	(3,090)	(1,505)	(4,595)
Depreciation expense	(5,083)	(14,995)	(18,931)	(39,009)
	56,412	57,080	68,341	181,833
At 30 June 2011				
Cost or fair value	61,495	72,644	125,923	260,062
Accumulated depreciation	(5,083)	(15,564)	(57,582)	(78,229)
	-	-	-	-
Net carrying amount	56,412	57,080	68,341	181,833
Year ended 30 June 2012				
Carrying amount at beginning	56,412	57,080	68,341	181,833
Additions	36,367	140,793	74,101	251,261
Disposal	-	-	-	-
Depreciation expense	(42,211)	(45,112)	(31,381)	(118,704)
	-	-	-	-
Closing amount at balance date	50,568	152,761	111,061	314,390
Year ended 30 June 2012				
Cost or fair value	98,010	213,016	173,854	484,880
Accumulated depreciation	(47,442)	(60,255)	(62,793)	(170,490)
	-	-	-	-
Net carrying amount	50,568	152,761	111,061	314,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

13. RESOURCE PROJECTS

	2012	2011
	\$	\$
Opening balance	7,200,540	-
Excess of consideration of resource projects acquired	-	3,582,558
Exploration and evaluation expenditure	18,898,110	3,659,451
Impairment of exploration and evaluation expenditure	(432,610)	(41,469)
Closing balance	<u>25,666,040</u>	<u>7,200,540</u>

The excess of consideration for resource projects acquired relate to the Consolidated Entity's investment in jointly controlled joint venture entity Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia) (50%) whereby the Consolidated Entity contributed 100% of the initial share capital on incorporation. The excess value comprises 50% of the value of the initial share capital invested in KMC plus 100% of the vendor payments made to Manajem (refer Note 23(a)) for details of the vendor payments pursuant to a joint venture shareholders' agreement).

In accordance with AASB 136: Impairment of Assets, an impairment loss of \$432,610 (2011: \$41,469) has been recognised for the year in relation to the Consolidated Entity's capitalised exploration and evaluation expenditure that have been written-off.

The Consolidated Entity has granted a security bond to the value of \$32,000 (2011: \$14,000), which has not been called up as at balance date.

14. OTHER NON-CURRENT ASSETS

	2012	2011
	\$	\$
Excess of consideration of resource projects acquired	341,112	321,167
Costs incurred in relation to resource projects	2,923,948	1,341,214
	<u>3,265,060</u>	<u>1,662,381</u>

The excess of consideration for resource projects acquired relates to the Consolidated Entity's investment in jointly controlled joint venture entity, Daris Resources LLC (Oman) (50%) and controlled joint venture entity, Alara Resources LLC (Oman) (70%) whereby the Consolidated Entity contributed 100% of the initial share capital on incorporation. The excess value comprises 50% and 30% of the value of the initial share capital invested in Daris Resources LLC and Alara Resources LLC respectively. The amounts incurred in relation to resource projects have been classified as Other Non-Current Assets and not as Non-Current Assets (Resource Projects) as, at balance date, the conditions precedent under the shareholder's agreements for the above entities were still outstanding.

15. TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Current		
Trade payables	1,929,197	394,953
Other payables	427,415	233,741
	<u>2,356,612</u>	<u>628,694</u>
Non Current		
Loan owed to joint venture partner	1,508,795	1,508,795
	<u>3,865,407</u>	<u>2,137,489</u>

Due to the short term nature of the trade and other payables, their carrying value is assumed to approximate their fair value.

Loan owed to joint venture partner comprise a loan owed by Khnaiguiyah Mining Company LLC (KMC) to 50% shareholder, United Arabian Mining Company LLC (Manajem). The loan to KMC from Manajem amounts to USD\$3 million. At 30 June 2012, an amount of \$1,508,795 has been recognised representing the element of this liability (50%) which has not been eliminated on consolidation.

(a) Risk exposure

Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

16. PROVISIONS

	2012	2011
	\$	\$
Current		
Employee benefits - annual leave	293,398	114,663
Non Current		
Employee benefits - long service leave	-	-
	<u>293,398</u>	<u>114,663</u>

(a) Movement in provision for employee benefits - annual leave

Opening balance	114,663	56,034
Additional/(Reversal) of provision	178,735	58,629
Closing balance	<u>293,398</u>	<u>114,663</u>

Amounts not expected to be settled within the next 12 months

The entire annual leave obligation is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. However based on past experience, the Consolidated Entity does not expect all employees to take the full amount of the accrued leave within the next 12 months. The non-current provision for long service leave is a provision towards the future entitlements of employees who have completed the required period of long service. The following amounts reflect a provision for leave that is not expected to be taken or paid within the next 12 months.

(b) Movement in provision for employee benefits - long service leave

	2012	2011
	\$	\$
Opening balance	-	11,967
Additional/(Reversal) of provision	-	(11,967)
Closing balance	<u>-</u>	<u>-</u>

The Consolidated Entity has provided for pro-rata long service leave notwithstanding no employee has an entitlement in this regard. Accordingly, the entire provision is presented as non-current as no payments are expected to be made within the next 12 months.

17. ISSUED CAPITAL

	Number of Shares		2012	2011
	2012	2011		
Fully paid ordinary shares			\$	\$
	210,507,500	210,507,500	53,477,409	53,477,409

30 Jun 11

	Date of issue	Number of shares	\$
At 1 July 2011		210,507,500	53,477,409
At 30 June 2012		<u>210,507,500</u>	<u>53,477,409</u>

No share movement during the 30 June 2012 financial year

30 June 11

At 1 July 2011	210,507,500	53,477,409
At 30 June 2012	<u>210,507,500</u>	<u>53,477,409</u>

Each fully paid ordinary share carries one vote per share and the right to participate in dividends. Ordinary shares have no par value and the Company does not have a limit on the amount of its capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

17. ISSUED CAPITAL (continued)

Capital risk management

The Consolidated Entity's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders. The Board will consider capital management initiatives as is appropriate and in the best interests of the Consolidated Entity and shareholders from time to time, including undertaking capital raisings to fund its commitments and working capital requirements. The Consolidated Entity has no external borrowings. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

The Directors contemplate that Consolidated Entity may undertake a capital raising within the next 12 months to fund the Consolidated Entity's share of equity/project financing obligations in relation to its resource projects and for general working capital purposes.

18. RESERVES

	2012	2011
	\$	\$
Foreign currency translation reserve		
Options reserve	31,702	68,610
	1,827,993	1,779,055
	1,859,695	1,847,665

Foreign currency translation reserve

Exchange differences arising on translation of a foreign controlled entity's financial results and position are taken to the foreign currency translation reserve. The reserve is recognised when the investment is disposed of.

Options Reserve

The number of unlisted options outstanding over unissued ordinary shares at balance date is as follows:

	Grant date	Number of options	2012	2011
			\$	\$
Directors' Options				
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	16,400,000	569,080	569,080
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	247,317
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	106,698
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-11	500,000	74,601	74,601
Employees' Options				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	500,000	89,500	89,500
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,000,000	43,159	43,159
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	276,365
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	147,306
Unlisted options exercisable at \$0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	21,913
Unlisted options exercisable at \$0.50; expiring 25 May 2014	26-May-11	300,000	48,395	80,643
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-11	300,000	44,757	63,411
Unlisted options exercisable at \$0.70; expiring 25 May 2014	26-May-11	300,000	41,687	59,062
Unlisted options exercisable at \$0.50; expiring 25 May 2014	02-Sep-11	200,000	33,072	-
Unlisted options exercisable at \$0.60; expiring 25 May 2014	02-Sep-11	125,000	19,001	-
Unlisted options exercisable at \$0.70; expiring 25 May 2014	02-Sep-11	125,000	17,594	-
Unlisted options exercisable at \$0.50; expiring 25 May 2014	23-Dec-11	200,000	22,887	-
Unlisted options exercisable at \$0.60; expiring 25 May 2014	23-Dec-11	125,000	12,908	-
Unlisted options exercisable at \$0.70; expiring 25 May 2014	23-Dec-11	125,000	11,753	-
		26,250,000	1,827,993	1,779,055

During the year, the following cancelled and lapsed option were transferred from the Options Reserve to Accumulated Losses pursuant to AASB 2 "Share based payments":

- (i) 200,000 lapsed unlisted \$0.50 (25 May 2014) Options amounted to \$32,249.
- (ii) 125,000 lapsed unlisted \$0.60 (25 May 2014) Options amounted to \$18,655.
- (iii) 125,000 lapsed unlisted \$0.70 (25 May 2014) Options amounted to \$17,375.

The Option Reserve records the consideration (net of expenses) received by the Company on the issue of listed options and the fair value of unlisted Directors' and Employees' options which were issued for nil consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

18. RESERVES (Continued)

Equity based remuneration (Refer to Note 19)

On 2 September 2011, the following unlisted options were granted to a nominee of an employee as part of his remuneration package: 200,000 \$0.50 (25 May 2014) options, 125,000 \$0.60 (25 May 2014) options and 125,000 \$0.70 (25 May 2014) options. On 23 December 2011, the following unlisted options were granted to a nominee of an employee as part of his remuneration package: 200,000 \$0.50 (25 May 2014) options, 125,000 \$0.60 (25 May 2014) options and 125,000 \$0.70 (25 May 2014) options.

19. SHARE BASED PAYMENTS

A total of 900,000 unlisted options (all expiring on 25 May 2014) were issued to nominees of employees as part of their remuneration package during the year (Refer to Note 18).

A total of 450,000 unlisted (25 May 2014) options lapsed during the year.

The reasons for the grant of these options to employees are as follows:

- (i) The number of options issued have been determined having regard to the level of salaries/fees being paid and is a cash free, effective and efficient way of providing an appropriate level of remuneration as well as providing ongoing equity based incentives for them to remain with the Company with a view to improving the future growth of the Company.
- (ii) The options issue was designed to act as an incentive to strive to achieve the Company's goals with the aim of enhancing shareholder value.
- (iii) The options provide an equity holding opportunity which is linked to the Company's share price performance.
- (iv) Based on the option exercise price and the rate at which the options vest, the exercise of the options is potentially only likely to occur if there is sustained upward movement in the Company's share price.
- (v) As an exploration company with much of its available funds dedicated or committed to its resource projects and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges within the industry in which it operates.

Options granted to Directors and employees carry no dividend or voting rights.

Grant date	Expiry date	Exercise price	Movement during the year				As at 30 June 2012		
			Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested and exercisable	Fair value \$
17-Sep-08	16-Sep-13	\$0.35	16,400,000				16,400,000	16,400,000	569,080
30-Nov-09	25-Oct-14	\$0.35	2,000,000				2,000,000	2,000,000	247,317
30-Nov-09	25-Oct-14	\$0.60	1,000,000				1,000,000	1,000,000	106,698
26-May-11	26-May-14	\$0.60	500,000				500,000	500,000	74,601
27-Jul-07	16-Sep-12	\$0.55	500,000				500,000	500,000	89,500
17-Sep-08	16-Sep-13	\$0.35	1,000,000				1,000,000	1,000,000	43,159
26-Oct-09	25-Oct-14	\$0.35	1,650,000				1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	\$0.60	1,000,000				1,000,000	1,000,000	147,306
23-Aug-10	22-Aug-15	\$0.35	400,000				400,000	400,000	21,913
26-May-11	25-May-14	\$0.50	500,000			(200,000)	300,000	300,000	48,395
26-May-11	25-May-14	\$0.60	425,000			(125,000)	300,000	300,000	44,757
26-May-11	25-May-14	\$0.70	425,000			(125,000)	300,000	300,000	41,687
			-				-	-	-
02-Sep-11	25-May-14	\$0.50	-	200,000			200,000	200,000	33,072
02-Sep-11	25-May-14	\$0.60	-	125,000			125,000	125,000	19,001
02-Sep-11	25-May-14	\$0.70	-	125,000			125,000	125,000	17,594
			-				-	-	-
23-Dec-11	25-May-14	\$0.50	-	200,000	-	-	200,000	200,000	22,887
23-Dec-11	25-May-14	\$0.60	-	125,000	-	-	125,000	125,000	12,908
23-Dec-11	25-May-14	\$0.70	-	125,000	-	-	125,000	125,000	11,753
			25,800,000	900,000	-	(450,000)	26,250,000	26,250,000	1,827,993
Weighted average exercise price			0.39	0.58		0.58	0.39	0.39	1,827,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

19. SHARE BASED PAYMENTS (continued)

The weighted average balance of the contractual term of the options outstanding at the balance date was 1.9 years.

There were no shares issued as a result of the exercise of any options during the year (2011: nil).

The fair value of these options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using the Black-Scholes options valuation model that takes into account the exercise price, the term of the option, the underlying share price as at date of grant, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option. The Company is required to expense the fair value of options granted, on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option. The model inputs for assessing the fair value of options granted during the period are as follows:

- (a) options are granted for no consideration and vest as detailed in the table below;
- (b) exercise price is as detailed in the table above;
- (c) grant or issue date is as detailed in the table above;
- (d) expiry date is as detailed in the table above;
- (e) share price is based on the last bid price on ASX as at date of grant, as detailed in the table below;
- (f) expected price volatility of the Company's shares has been assessed independently as described in the table below;
- (g) expected dividend yield is nil; and
- (h) risk-free interest rate is based on the 3/5 year Commonwealth bond yield, as detailed in the table below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

19. SHARE BASED PAYMENTS (continued)

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk free rate	Price volatility
27-Jul-07	\$0.55 (26 July 2012) Options	1/3 on 26 January 2008, 1/3 on 26 July 2008 and 1/3 on 26 January 2009	\$0.27	6.29%	95%
17-Sep-08	\$0.35 (16 September 2013) Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	\$0.07	5.46%	95%
26-Oct-09	\$0.60 (24 October 2014) Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
26-Oct-09	\$0.35 (24 October 2014) Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
30-Nov-09	\$0.60 (24 October 2014) Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
23-Aug-10	\$0.35 (22 August 2015) Options	vested at the date of the issue of the options	\$0.10	4.50%	95%
26-May-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.50 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.70 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
02-Sep-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
02-Sep-11	\$0.70 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
02-Sep-11	\$0.50 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.50 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.70 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

20. SEGMENT INFORMATION

Management has considered the activities/operations and geographical perspective within the operating results and have determined that the Consolidated Entity operates in Australia, Saudi Arabia, Oman and Chile within one major segment - the resource exploration, evaluation and development sector. Unallocated items comprise share investments, corporate assets, office expenses and income tax assets and liabilities.

	Resource Projects						Total
	Australia	Oman	Saudi Arabia	Peru	Chile	Unallocated	
Year ended 30 June 2012	\$	\$	\$	\$	\$	\$	\$
Total segment revenues	-	-	-	-	-	-	-
Total segment loss before tax	(3,348,613)	(285,407)	(338,613)	(458,031)	(62,310)	-	(4,492,974)
Total segment assets	13,676,474	3,586,572	21,778,557	69,749	2,175,781	-	41,287,133
Total segment liabilities	(485,649)	(120,507)	(3,158,009)	(19,682)	(124,958)	-	(3,908,805)
Year ended 30 June 2011							
Total segment revenues	-	-	-	-	-	-	-
Total segment loss before tax	(3,095,898)	(151,297)	(260,495)	(48,373)	-	-	(3,556,063)
Total segment assets	32,513,393	1,529,291	7,659,673	110,006	-	-	41,812,363
Total segment liabilities	(499,690)	(16,819)	(1,727,278)	(8,365)	-	-	(2,252,152)

(a) Reconciliation of segment information

(i) Total segment revenues

	2012	2011
	\$	\$
Interest	1,265,530	299,516
Foreign exchange movement	460,382	-

Total Revenue as per Statement of Comprehensive Income

1,725,912	299,516
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(ii) Total segment loss before tax

(4,492,974)	(3,556,063)
Interest	1,265,530
Net loss on financial assets held at fair value through profit or loss	(482,475)
Foreign exchange movement	460,382

Total Net Loss before Tax as per Statement of Comprehensive Income

(3,249,537)	(4,489,707)
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(iii) Total segment assets

41,287,132	41,812,363
Financial assets at held fair value through profit and loss	393,128
875,603	875,603

Total Assets as per Statement of Financial Position

41,680,260	42,687,966
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21. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, and investments in a listed security. The principal activity of the Consolidated Entity is resource exploration and evaluation. The main risks arising from the Consolidated Entity's financial instruments are price (which includes interest rate and market risk), credit, foreign currency and liquidity risks.

Risk management is carried out by the Board of Directors. The Board evaluates, monitors and manages the Consolidated Entity's financial risk in close co-operation with its operating units.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board.

The Consolidated Entity holds the following financial instruments:

	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	10,950,432	32,240,581
Trade and other receivables	982,484	506,182
Financial assets at fair value through profit or loss	393,128	875,603
	<u>12,326,044</u>	<u>33,622,366</u>
Financial liabilities at amortised cost		
Trade and other payables	(3,865,407)	(2,137,489)
	<u>(3,865,407)</u>	<u>(2,137,489)</u>
Net Financial Assets	<u>8,460,637</u>	<u>31,484,877</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

21. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Price risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the statement of financial position at fair value through profit or loss. The Consolidated Entity is not directly exposed to commodity price risk.

The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. The Consolidated Entity does not manage this risk through entering into derivative contracts, futures, options or swaps. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

The Consolidated Entity has performed a sensitivity analysis on its exposure to equity securities price risk which comprise shares in Strike Resources Limited (ASX code: SRK) at balance date. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The SRK shares was utilised as the benchmark for the portfolio at fair value through profit or loss.

	2012	2011
	\$	\$
Change in profit		
Increase by 15%	58,969	131,340
Decrease by 15%	(58,969)	(131,340)
Change in equity		
Increase by 15%	58,969	131,340
Decrease by 15%	(58,969)	(131,340)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The average interest rate applicable to funds held on deposit during the year was 5.22% (2011: 6.05%).

	2012	2011
	\$	\$
Cash at bank	2,431,796	5,048,490
Term deposits	8,477,340	27,150,984
	<u>10,909,136</u>	<u>32,199,474</u>

The Consolidated Entity has no borrowings and no liability exposure to interest rate risk. It has therefore not been included in the sensitivity analysis. However the revenue exposure to interest rate risk is material in terms of the possible impact on profit or loss or total equity. It has therefore been included in the sensitivity analysis below:

	2012	2011
	\$	\$
Change in profit		
Increase by 3%	328,513	967,217
Decrease by 3%	(328,513)	(967,217)
Change in equity		
Increase by 3%	328,513	967,217
Decrease by 3%	(328,513)	(967,217)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

21. FINANCIAL RISK MANAGEMENT (continued)

(iii) Foreign exchange risk

The Consolidated Entity is not materially exposed to foreign currency risk in cash held in Omani Rials (OMR) and Saudi Riyals (SAR) by the Consolidated Entity's foreign controlled entity, foreign resource project investment commitments and exploration and evaluation expenditure on foreign resource projects. The primary currency giving rise to this risk is US dollars (USD). The Consolidated Entity has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk. The Consolidated Entity's exposure to foreign currency risk at reporting date was as follows:

	2012	2011
	USD	USD
Cash and cash equivalents	1,833,716	3,681,288
Trade and other receivables	-	85,546
Trade and other payables	(32,448)	(8,849)
	<u>1,801,268</u>	<u>3,757,985</u>

The Consolidated Entity's exposure to foreign exchange risk is mitigated by having comparable asset and liability balances in US dollars. Therefore a sensitivity analysis has not been performed.

(b) Credit risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults. This financial year there was no necessity to obtain collateral.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2012	2011
	\$	\$
Cash and cash equivalents		
AA	10,909,135	32,182,124
A	-	27,847
BBB	-	-
C+	-	-
No external credit rating available	41,296	41,107
	<u>10,950,431</u>	<u>32,251,078</u>
Trade and other receivables (due within 30 days)		
No external credit rating available	982,484	506,182
	<u>982,484</u>	<u>506,182</u>

The Consolidated Entity measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Consolidated Entity's maximum exposure to credit risk. All receivables noted above are due within 30 days. None of the above receivables are past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

21. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no borrowings. There is sufficient cash and cash equivalents and the non-cash investments can be realised to meet accounts payable arising in the normal course of business. The financial liabilities maturity obligation is disclosed below:

	less than 6 months \$	6 - 12 months \$	1 - 5 years \$	Total \$
2012				
Financial assets				
Cash and cash equivalents	10,950,431		-	10,950,431
Trade and other receivables	982,484	-	-	982,484
	<u>11,932,915</u>	<u>-</u>	<u>-</u>	<u>11,932,916</u>
Financial liabilities				
Trade and other payables	2,356,612	-	1,508,795	3,865,407
Net inflow/(outflow)	<u>14,289,527</u>	<u>-</u>	<u>1,508,795</u>	<u>15,798,323</u>
2011				
Financial assets				
Cash and cash equivalents	22,240,581	10,000,000	-	32,240,581
Trade and other receivables	506,182	-	-	506,182
	<u>22,746,763</u>	<u>10,000,000</u>	<u>-</u>	<u>32,746,763</u>
Financial liabilities				
Trade and other payables	(628,694)	-	-	(628,694)
Net inflow/(outflow)	<u>22,118,069</u>	<u>10,000,000</u>	<u>-</u>	<u>32,118,069</u>

(d) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in Note 1. The aggregate fair value and carrying amount of financial assets at balance date are set out in Note 9 and Note 11. The financial liabilities at balance date are set out in Note 15.

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2012.

	Level 1	Level 2	Level 3	Total
2012				
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	393,128	-	-	393,128
2011				
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	875,603	-	-	875,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

22. COMMITMENTS

	2012	2011
	\$	\$
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Not longer than one year	-	112,512
	<u> </u>	<u> </u>
 (b) A condition of the Mining Licence pertaining to the Khnaiguiyah Zinc-Copper Project in Saudi Arabia issued by the Ministry of Petroleum and Mineral Resources in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (SAR) (approximately A\$5.1 million based on a current exchange rate of A\$1.00/3.90 SAR) over the 30 year term of the licence. KMC has not yet submitted a training programme and plan to the Ministry for approval and it is not possible to establish a time frame around this commitment as at the date of this report. The Mining Licence is also pending transfer from United Arabian Mining Company LLC (Saudi Arabia) (Manajem) to the joint venture company, Khnaiguiyah Mining Company LLC (Saudi Arabia) (KMC) (Alara: 50% and Manajem: 50%).		
 (c) A condition of the Khnaiguiyah Mining Licence is the payment of a nominal annual surface rental based on the area of the mining licence.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities exist in relation to certain resource projects of the Consolidated Entity subject to the continued development and advancement of the same, as described below.

- (a) **Shareholders' Agreement - Khnaiguiyah Mining Company - Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** - On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining ("Manajem" in Arabic) Company (**Manajem**) pursuant to which Alara will pay a total of US\$7.5 million to Manajem in stages subject to completion of project milestones and the parties forming a new joint venture company, Khnaiguiyah Mining Company LLC (**KMC**), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. KMC was incorporated in Saudi Arabia on 10 January 2010. Alara has paid Manajem a total of US\$3.558 million (including advance payments of US\$2.042 million in respect of the tranches payable Under the Shareholders Agreement with US\$3.942 million payable (US\$1.932 million payable in cash and US\$2.01 million to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.287 per share based on the current A\$1.00/US\$1.045 exchange rate) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to completion of the transfer of the Mining Licence from Manajem to KMC). A 'Resource Bonus' is also payable to Manajem (based on Manajem's shareholding interest in KMC at the relevant time) calculated at the rate of US 0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade). Alara is entitled to fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project (**shortfall**) shall be met by the parties as follows; Alara is entitled firstly to provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US\$15 million plus 25% of the project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by KMC shareholders, Alara is entitled to contribute its half share of the shortfall (being 25% of the project capital costs) and will also fund a maximum of US\$15 million of Manajem's contribution towards the shortfall. The balance of the shortfall (and subsequent funding calls by KMC) shall be satisfied by each shareholder (pro-rata to their respective shareholding interests) providing additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price. Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US\$3 million from Manajem, shall be repayable from KMC's net profits. KMC is currently managed by a Board of Directors with 2 nominees from each of Alara and Manajem.
- (b) **Introduction Fee - Net Profit Royalty Obligation - Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** - A 0.5% net profit royalty is due and payable to the individual who introduced the Khnaiguiyah Zinc Copper Project (Saudi Arabia) to Alara, based on Alara's share of net profits from KMC.
- (c) **Shareholders' Agreement - Daris Resources LLC - Daris Copper-Gold Project (Oman)** - On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. DarisCo was incorporated in Oman on 1 December 2010 (Alara 50%:ATTE 50%). Alara is entitled to advance US\$3 million as equity during a 3 year period. Thereafter, Alara is entitled to advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be further formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession. The shareholders' agreement is subject to conditions precedent, including, amongst other matters, the execution of a management agreement and ancillary loan agreement (which are currently pending execution by the parties). DarisCo is governed by a 6 member board of directors with 3 nominees from Alara and 3 nominees from ATTE. Alara's Managing Director is currently the Chairman of DarisCo.

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for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES (continued)

- (d) **Shareholders' Agreement - Alara Resources LLC (Oman)** – On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) will be established to identify, secure and commercially exploit other resource projects in Oman introduced to AlaraCo by SUR. AlaraCo was incorporated in Oman in 2 October 2010. Alara contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000 at that time) for its 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Alara is entitled to advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends). SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit. The shareholders agreement is subject to conditions precedent including, amongst other matters, the execution of an ancillary loan agreement (which is currently pending execution by the parties) and an exploration licence being granted to AlaraCo – AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR (which are currently pending grant by the Oman Government). AlaraCo is governed by a 5 member board of directors with 3 nominees from Alara and 2 nominee from SUR. Alara's Managing Director is currently the Chairman of AlaraCo.
- (e) **Introduction Fees - Net Smelter Return Royalty and Bonus Obligation – Oman Projects** - A 0.5% Net Smelter Return (NSR) royalty is due and payable to the individual who introduced the prospects the subject of exploration licence applications by Alara Resources LLC (Oman). A US\$25,000 cash bonus is also due and payable to the same individual upon commencement of production from the Daris Copper-Gold Project (Oman).
- (f) **Option and Shareholders' Agreements - El Quillay Copper-Gold Project (Chile)** – On 21 October 2011, a series of agreements were entered into giving Alara the right to secure a 70% interest in the El Quillay Copper-Gold Project in Chile. Inversiones Alara Chile Limitada (**IAC**), a Chilean subsidiary entity of Alara Chile Operations Pty Ltd (a wholly owned subsidiary of the Company), entered into a shareholders' agreement with the vendors in relation to a newly formed Chilean joint venture company, El Quillay SpA (**ELQ**), in which IAC has a 70% shareholding interest with the vendors holding the balance of 30%. ELQ also entered into an option agreement with the vendors to acquire 100% of the shares in a Chilean mining company, SCM Antares. SCM Antares holds the mining rights and mineral concessions in relation to the project. The option fee of US\$10 million is payable by ELQ to the vendors in tranches over 3 years (also the option term). US\$0.5 million has been paid upon execution of the option agreement with \$1 million, \$3 million and \$5.5 million payable on the first, second and third anniversaries thereafter. ELQ has an obligation to pay the vendors a variable 'Resource Bonus' payment, calculated at the rate of US\$0.03 for each pound of 'Copper Resource' (grading, on average, at or above 0.7% and being economically mineable) discovered in the project attributable to Alara's pro-rata economic share in the project (70%), in excess of a threshold 250,000 tonnes of 'Copper Resource'. Alara is entitled to fund payment of the option fee and manage and sole fund the project's planned exploration programme up to and including the completion of one or more definitive bankable feasibility studies (in respect of each mine proposed to be developed within the project area), including a minimum 20,000 metres of drilling over 2 years (with a minimum of 10,000 metres of drilling in the first year). Future funding into ELQ may take the form of shareholder loans (at LIBOR plus 2% interest per annum) or shareholders will be asked to contribute cash calls in proportion to their respective interests or be diluted in accordance with an agreed or independently determined price. Alara has agreed to advance loan funds of up to US\$10 million to the vendors (at LIBOR plus 2% interest per annum) to fund the vendors' share of equity cash calls into ELQ – this loan will be repaid to Alara out of the vendors' share of dividends from ELQ. ELQ is governed by a 3 member board of directors with 2 nominees from Alara and one nominee from the vendors. Alara's Managing Director is currently the Chairman of ELQ.
- (g) **Shareholders' Agreement – "Marjan Mining Company LLC" (pending formation) – Marjan Base and Precious Metals Project (Saudi Arabia)** – On 17 April 2011, Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with United Arabian Mining Company (Manajem) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company ("Marjan Mining Company" LLC (**MMC**)), which will receive transfer of the project licences from Manajem and in which Alara will have a 50% shareholding interest. Alara is entitled to fund (as loan capital to MMC repayable out of MMC's net profits) all exploration, evaluation and development costs up to a "decision to mine" (supported by a BFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective interests in MMC or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set at the capital costs defined under the DFS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES (continued)

The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US\$1 million funding into MMC (within a 2 year term). A 'Resource Bonus' is also payable to Manajem calculated at the rate of US\$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the project area. MMC will be managed by a board of directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. A condition precedent to the shareholders agreement is the incorporation and registration of MMC (currently pending completion) and the execution of ancillary agreements arising therein (currently pending execution upon the incorporation of MMC). MMC will be governed by a 4 member board of directors with 2 nominees from Alara and 2 nominees from Manajem. Alara's Managing Director will be the Chairman of MMC.

- (h) **Shareholders' Agreement - Awtad Copper LLC (Oman)** - On 24 April 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with holder on 3 mineral exploration licences, Awtad Copper LLC (**Awtad**), and the local shareholders of Awtad (**Awtad Shareholders**). Alara is entitled to earn-in up to a 70% shareholding interest in Awtad by funding exploration and evaluation and completion of a definitive bank feasibility study (DFS) over a 5 year term. Alara is entitled to secure an initial 10% shareholding interest in Awtad by contributing US\$0.5 million equity capital into Awtad (which has been contributed progressively in stages). Alara is entitled to fund all on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$2.5 million into Awtad during the first 3 years, it will increase its shareholding interest in Awtad to 51%. This will increase to 70% upon the completion of a DFS (funded by Alara) within the balance of the term. Post completion of DFS, the Awtad 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. 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 Awtad (including completing the DFS) will be pro-rata to Awtad's shareholding interest (ie. Alara 51% and Awtad Shareholders 49%). Awtad is governed by a 4 member board of directors with 2 nominees appointed by Alara and the Awtad Shareholders. Alara's Managing Director is the Chairman and Managing Director of Awtad.
- (i) **Shareholders Agreement - Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman)** - On 23 November 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with the concession holder, Pilatus Resources Oman LLC (**Pilatus**) and the existing shareholders of Pilatus (**Pilatus Shareholders**). Alara is entitled to secure an initial 10% shareholding interest in Pilatus by contributing US\$1 million equity capital into Pilatus (which has been contributed progressively in stages). Alara is entitled to fund on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$3 million into Pilatus during a period of up to four years, it will be entitled to increase its shareholding in Pilatus to 60%. Post completion of a definitive feasibility study, the Pilatus Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If the existing Pilatus Shareholders decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay Pilatus the amount which the Pilatus Shareholders were required to contribute under their payment notice and Alara shall increase its economic interest in Pilatus to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of the Pilatus Shareholders until such time that 25% of the total amount required under the payment notices is repaid to Alara. If a Pilatus shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by Pilatus. Pilatus is governed by a 4 member board of directors with 2 nominees appointed by Alara and, for so long as the existing Pilatus Shareholders own at least 40% of the issued share capital of Pilatus, 2 nominees jointly appointed by the Pilatus Shareholders. Alara's Managing Director is the Chairman and Managing Director of Pilatus. The Shareholders Agreement is subject to conditions precedent, including, amongst other matters, Pilatus settling all liabilities with the Pilatus Shareholders (which is currently pending completion).
- (j) **Option and Shareholders' Agreements - Piedrecillas Copper-Silver Project (Chile)** - On 8 May 2012, a series of agreements were entered into giving Alara the right to secure up to a 100% interest in the Piedrecillas Copper-Silver Project in Chile. Inversiones Alara Chile Limitada (**IAC**), a Chilean subsidiary entity of Alara Chile Operations Pty Ltd (a wholly owned subsidiary of the Company), entered into a shareholders' agreement with the vendors in relation to a newly formed Chilean joint venture company, Alara Piedrecillas SCM (**Piedrecillas**), in which IAC has an initial 0.01% shareholding interest with the vendors holding the balance of 99.99%. IAC has also entered into an option agreement with the vendors to acquire up to 100% of Piedrecillas. Piedrecillas will hold the mining rights and mineral concessions in relation to the project (after transfer from the vendors). IAC is entitled to purchase an initial 50% interest in Piedrecillas through the payment of option fees totalling US\$500,000 over a 3 year period (US\$75,000 has been paid upon execution of the option agreement with \$100,000, \$100,000 and \$225,000 payable on the first, second and third anniversaries respectively thereafter) and undertaking exploration and evaluation works, including a minimum of 15,000 metres of drilling. IAC may increase its interest in Piedrecillas from 50% up to and including 100%, in 12.5% increments, by making further option payments to the vendors, such payments being calculated according to a prescribed formula.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES (continued)

- (k) **Royalty Obligation to Orion Equities Limited** – The Consolidated Entity is liable to pay a royalty of 2% of gross revenues (exclusive of goods and services tax) to Orion Equities Limited from any commercial exploitation of any minerals from various Australian tenements - EL 24879, 24928 and 24929 and ELA 24927 (the Bigryi South Project tenements in the Northern Territory), and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the remaining Canning Well Project tenement in Western Australia), pursuant to the acquisition of these tenements.
- (l) **Directors' Deeds** - The Company has entered into deeds of indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as directors/officers of the Consolidated Entity. As at balance date, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

24. SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial period that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial periods.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 47 to 81, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of their performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. The Remuneration Report disclosures set out (within the Directors' Report) on pages 38 to 43 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;
4. The Directors have been given the declarations by the Managing Director (the person who performs the chief executive function) and the Company Secretary (the person who, in the opinion of the Directors, performs the chief financial officer equivalent function); and
5. The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

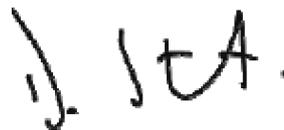
This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.



Shanker Madan
Managing Director

Perth, Western Australia

28 September 2012



Douglas Stewart
Director

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report To the Members of Alara Resources Limited

Report on the financial report

We have audited the accompanying financial report of Alara Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Alara Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 16 to 21 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Alara Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 28 September 2012

CORPORATE GOVERNANCE

Compliance with Corporate Governance Council's Principles

The extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition, August 2007) is as follows:

Principle	Compliance	CGS References / Comments
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
Companies should establish and disclose the respective roles and responsibilities of board and management		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	2, 3.3, 4.1, 4.2
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	3.13
1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1. The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> an explanation of any departure from Recommendations 1.1, 1.2 or 1.3; and whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed. A statement of matters reserved for the board or the board charter or the statement of areas of delegate authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	Yes (as applicable)	Annual Reports Website CGS
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
Companies should have a board of an effective composition size and commitment to adequately discharge its responsibilities and duties		
2.1 A majority of the board should be independent directors.	No (Note: the majority of the Board are Non-Executive Directors)	3.5, 3.7
2.2 The chair should be an independent director.	Yes	3.2, 3.7
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	3.2, 3.3 Note: the Company has a Managing Director but not a Chief Executive Officer
2.4 The board should establish a nomination committee.	Yes	4.2 Remuneration and Nomination Committee Charter Website
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	3.13
2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2. The following material should be included in the corporate governance statement in the annual report: <ul style="list-style-type: none"> the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report; the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds; the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships; 	Yes (as applicable)	Annual Reports Website CGS

CORPORATE GOVERNANCE

Principle	Compliance	CGS References / Comments
<ul style="list-style-type: none"> a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company; the period of office held by each director in office at the date of the annual report; the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out; whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and an explanation of any departure from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6. <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:</p> <ul style="list-style-type: none"> a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors; the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and the board's policy for the nomination and appointment of directors. 		
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING Companies should actively promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes	6 Code of Conduct Website
3.1.1 the practices necessary to maintain confidence in the company's integrity;		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes (in part)	3.18
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	
3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3. An explanation of any departures from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	Yes	Annual Reports Website CGS
<ul style="list-style-type: none"> any applicable code of conduct or a summary; and the diversity policy or a summary of its main provisions. 		
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING Companies should have a structure to independently verify and safeguard the integrity of their financial reporting		
4.1 The board should establish an audit committee.	Yes	4.2
4.2 Structure the audit committee so that it:	Yes	4.2
<ul style="list-style-type: none"> consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members. 		

CORPORATE GOVERNANCE

Principle	Compliance	CGS References / Comments
4.3 The audit committee should have a formal charter.	Yes	Audit Committee Charter Website
<p>4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4.</p> <p>The following material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> • details of the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee or, where a company does not have an audit committee, how the functions of an audit committee are carried out; • the number of meetings of the audit committee and the names of the attendees; and • explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4. <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> • the audit committee charter; and • information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. 	Yes (as applicable)	Annual Reports Website CGS
<p>PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE</p> <p>Companies should promote timely and balanced disclosure of all material matters concerning the company</p>		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	7.1, 8.2
<p>5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.</p> <p>An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report.</p> <p>The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.</p>	Yes	Annual Reports Website CGS
<p>PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS</p> <p>Companies should respect the rights of shareholders and facilitate the effective exercise of those rights</p>		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	8.1
<p>6.2 Companies should provide the information indicated in Guide to Reporting on Principle 6.</p> <p>An explanation of any departures from best practice Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.</p> <p>The company should describe how it will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section.</p>	Yes	Annual Reports Website CGS
<p>PRINCIPLE 7: RECOGNISE AND MANAGE RISK</p> <p>Companies should establish a sound system of risk oversight and management and internal control</p>		
7.1 Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies.	Yes	7.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	7.1
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	7.1

CORPORATE GOVERNANCE

Principle	Compliance	CGS References / Comments
<p>7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7.</p> <p>The following material should be included in the corporate governance section of the annual report:</p> <ul style="list-style-type: none"> an explanation of any departures from best practice recommendations 7.1, 7.2, 7.3 or 7.4; whether the board has received the report from management under Recommendation 7.2; and whether the board has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3. <p>A summary of the company's policies on risk oversight and management of material business risks should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.</p>	Yes	Annual Reports Website CGS
<p>PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY</p> <p>Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear</p>		
8.1 The board should establish a remuneration committee.	Yes	4.2
<p>8.2 The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> consists of a majority of independent directors is chaired by an independent chair has at least three members 	Yes	4.2 Remuneration and Nomination Committee Charter Website
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Remuneration Report in the Directors' Report (within Annual Reports)
<p>8.4 Companies should provide the information indicated in the Guide to Reporting on Principle 8.</p> <p>The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> the names of the members of the remuneration committee and their attendance at meetings of the committee or, where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out; the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and an explanation of any departure from Recommendations 8.1, 8.2 or 8.3. <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. 	Yes (as applicable)	Annual Reports Website CGS

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CGS)

1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining high standards of corporate governance. Good corporate governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Corporate Governance Principles and Recommendations developed by the ASX Corporate Governance Council ("Council").

The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board.

The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of the Council's recommendations can be found on the ASX website at:

<http://www.asx.com.au/governance/corporate-governance.htm>

2. Board of Directors - Role and Responsibilities

In general the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company. Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the matters set out below, subject to delegation as specified elsewhere in this Statement or as otherwise appropriate:

- (1) formulation and approval of the strategic direction, objectives and goals of the Company;
- (2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- (3) the resourcing, review and monitoring of executive management;

- (4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (5) the identification of significant business risks and ensuring that such risks are adequately managed;
- (6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- (7) the establishment and maintenance of appropriate ethical standards; and
- (8) the Board takes advice from the Audit Committee and the Remuneration and Nomination Committee on matters within their respective Charters, however the Board retains final decision-making authority on those matters.

3. Board of Directors – Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the current size and the scale and nature of the Company's activities. The names of the Directors currently in office and their qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

3.1. Skills, Knowledge and Experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board recognises its need to contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration and Director-level business or corporate experience, having regard to the scale and nature of the Company's activities. A Director is initially appointed by the Board and retires (and may stand for re-election) at the next Annual General Meeting after their appointment.

3.2. Chairman

The Chairman leads the Board and has responsibility for ensuring that the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Non-Executive Chairman of the Company is Mr Ian Williams, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

3.3. Managing Director

The Managing Director is responsible and accountable to the Board for the Company's management. The Managing Director of the Company is Mr H. Shanker Madan, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

CORPORATE GOVERNANCE

3.4. Executive Directors

The Company does not have any Executive Directors (other than the Managing Director).

3.5. Non-Executive Directors

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs Ian Williams, Douglas Stewart and William Johnson are Non-Executive Directors of the Company, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

Mr Farooq Khan was a Non-Executive Director until his resignation on 31 August 2012.

3.6. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is Mr Victor Ho, whose qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

3.7. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

- (1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (2) within the last 3 years has not been employed in an Executive capacity by the Company or another group member;
- (3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the provision of material professional or consulting services;
- (4) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (5) has no material contractual relationship with the Company other than as a Director of the Company; and
- (6) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Messrs Ian Williams and Douglas Stewart are regarded as independent Non-Executive Directors.

Mr William Johnson is not regarded as an independent Non-Executive Director as he has held an Executive position in the Company within the last 3 years. Mr Farooq Khan (until his resignation as a Director on 31 August 2012) was not regarded as an independent Non-Executive Director for the same reason.

3.8. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

- (1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or his duties to any other parties and the interests of the Company in carrying out the activities of the Company; and
- (2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters to which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

3.9. Related-Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

3.10. Share Dealings and Disclosures

The Company has adopted a [Securities Trading Policy](#) (dated 31 December 2010), a copy of which is available for viewing and downloading from the Company's website.

3.11. Board Nominations

The Board (on recommendations received from the Remuneration and Nomination Committee) will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

3.12. Terms of Appointment as a Director

Mr Shanker Madan, as Managing Director, has a formal employment agreement with the Company (dated 28 June 2011) with a term expiring on 30 June 2013.

The other current Directors of the Company have not been appointed for fixed terms (as Directors).

CORPORATE GOVERNANCE

The constitution of the Company provides that a Director (other than any Managing Director) may not retain office for more than three calendar years or beyond the third Annual General Meeting following their election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (save for any Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

The initial appointment and last re-election dates of each current Director are listed below.

Director	Appointed	AGM Last Re-elected
H. Shanker Madan	18 May 2007	N/A (being the Managing Director)
William Johnson	26 October 2009	4 November 2011 (will stand for re-election at the 2012 AGM)
Ian Williams	30 November 2010	26 May 2011 (will stand for re-election at the 2012 AGM)
Douglas Stewart	30 November 2010	26 May 2011 (will stand for re-election at the 2012 AGM)

3.13. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively and that individual and collective performance is regularly and fairly reviewed. Directors are encouraged to attend director training and professional development courses, as required, at the Company's expense. New Directors will have access to all employees to gain full background on the Company's operations.

The Remuneration and Nomination Committee is responsible for reviewing the performance and remuneration of the Managing Director and Executive Directors and reporting to the Board on the results of their review and their recommendations arising therein.

3.14. Meetings of the Board

The Board holds regular meetings approximately monthly and holds additional Board meetings whenever necessary to deal with specific matters requiring attention. Directors' Circulatory Resolutions are also utilised where appropriate either in place of or in addition to formal Board meetings. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

3.15. Independent Professional Advice

Subject to prior approval by the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

3.16. Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to Company Executives. In accordance with legal requirements and agreed ethical

standards, Directors and Executives of the Company have agreed to keep confidential all information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.17. Directors' and Officer's Deeds

The Company has also entered into a deed with each of the current Directors and the Company Secretary to regulate certain matters between the Company and each officer, both during the time the officer holds office and after the officer ceases to be an officer of the Company (or of any of its wholly-owned subsidiaries). A summary of the terms of such deeds is contained within the Remuneration Report in the Directors' Report for the financial year ended 30 June 2012 and in the 2009 Notice of AGM dated 26 October 2009 (where shareholder approval was obtained to enter into deeds with each of Messrs Madan, Khan and Johnson) and Notice of Meeting for a 26 May 2011 general meeting (where shareholder approval was obtained to enter into the same deeds with each of Messrs Ian Williams and Douglas Stewart).

3.18. Board Diversity

The Board, senior management and workforce of the Company currently comprises individuals that are multiculturally diverse together with an appropriate blend of qualifications and skills.

The Company recognises the positive advantages of a diverse workplace and is committed to:

- (1) creating a working environment conducive to the appointment of well qualified employees senior management and Board candidates; and
- (2) identifying ways to promote a corporate culture which embraces diversity.

The Board has delegated the responsibility of monitoring and ensuring workplace diversity to the Managing Director.

Given the relatively small size of the Company workforce and the current nature and scale of the Company's activities at this time, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity.

The Board will monitor the progress and assess the effectiveness of diversity within the Company on an ongoing basis. The Board will further consider the establishment of objectives for achieving gender diversity as the Company develops and its circumstances change.

The Company does not currently have any women in senior executive roles or on the Board. 29% of the Company's current employees are female.

4. Management

4.1. Executives

The Company's executive team comprise the Managing Director (Shanker Madan), General Manager, Corporate and Finance (Farooq Khan) (also a Non-Executive Director until his resignation as Director on 31 August 2012), General Manager, Commercial and Joint

CORPORATE GOVERNANCE

Ventures (William Johnson) (also a Non-Executive Director), the Company Secretary (Victor Ho), General Counsel (Justin Richard) and the Chief Financial Officer (Elvio Ruggiero).

The Board has determined that the Managing Director is the appropriate person to make the Chief Executive Officer equivalent declaration in respect of the Company's accounts, as required under section 295A of the Corporations Act and recommended by the Council.

4.2. Board Committees

Audit Committee: On 9 December 2010, the Board established a 3 member Audit Committee comprised of the independent Non-Executive Directors, Messrs Douglas Stewart (appointed Chairman of the Audit Committee) and Ian Williams and Non-Executive Director, William Johnson. Their qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

The Audit Committee has a formal charter to prescribe its objectives, duties and responsibilities, access and authority, composition, membership requirements of the Committee and other administrative matters. Its function includes reviewing and approving the audited annual and reviewed half-yearly financial reports, ensuring a risk management framework is in place, reviewing and monitoring compliance issues, reviewing reports from management and matters related to the external auditor. The [Audit Committee Charter](#) may be viewed and downloaded from the Company's website.

Remuneration and Nomination Committee: On 9 December 2010, the Board established a 3 member Remuneration and Nomination Committee which currently comprises the independent Non-Executive Directors, Messrs Ian Williams (appointed Chairman of the Remuneration and Nomination Committee) and Douglas Stewart and Non-Executive Director, William Johnson. Their qualifications and experience are stated in the Directors' Report for the financial year ended 30 June 2012.

The Remuneration and Nomination Committee has a formal charter to prescribe its purpose, key responsibilities, composition, membership requirements, powers and other administrative matters. The Committee has a remuneration function (with key responsibilities to make recommendations to the Board on policy governing the remuneration benefits of the Managing Director and Executive Directors, including equity-based remuneration and assist the Managing Director to determine the remuneration benefits of senior management and advise on those determinations) and a nomination function (with key responsibilities to make recommendations to the Board as to various Board matters including the necessary and desirable qualifications, experience and competencies of Directors and the extent to which these are reflected in the Board, the appointment of the Chairman and Managing Director, the development and review of Board succession plans and addressing Board diversity). The [Remuneration and Nomination Committee Charter](#) may be viewed and downloaded from the Company's website.

5. Remuneration Policy

Details of the Company's remuneration policy are contained in the Remuneration Report within the Directors' Report for the financial year ended 30 June 2012. The Company currently does not have any unvested options on issue to Directors. If any options are issued to Directors in future that do not vest immediately, the Company's policy is to require the Director option holders not to enter into transactions in associated products which limit the economic risk of holding unvested options.

6. Code of Conduct and Ethical Standards

The Company has developed a formal [Code of Conduct](#), which may be viewed and downloaded from the Company's website. The Code sets and creates awareness of the standard of conduct expected of Directors, officers, employees and contractors in carrying out their roles.

The Company seeks to encourage and develop a culture which will maintain and enhance its reputation as a valued corporate citizen of the countries where it operates and an employer which personnel enjoy working for.

The Code sets out policies in relation to various corporate and personal behaviour including safety, discrimination, the environment, communities and heritage issues, respecting the law, anti-corruption, interpersonal conduct, conflicts of interest and alcohol and drugs.

7. Internal Control, Risk Management and Audit

7.1. Internal Control and Risk Management

The Board of Directors is responsible for (but takes advice from the Audit Committee in relation thereto) the overall internal control framework (which includes risk management) and oversight of the Company's policies on and management of risks that have the potential to impact significantly on operations, financial performance or reputation.

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably-qualified and experienced service providers and suitably-qualified and experienced management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board. On a day-to-day basis, managing the various risks inherent in the Company's operations is the responsibility of the Managing Director and the Company Secretary/General Counsel/Chief Financial Officer. Risks facing the Company can be divided into the broad categories of health and safety, operations, compliance and market risks.

Health and safety risk is one of the most important risks faced by a resources company. Apart from the inherent unacceptability of threats to life or health, safety incidents have the potential to seriously damage the Company's reputation and ability to operate its business. The Company takes a "zero tolerance" approach to any situation that might compromise the health or safety of staff, contractors or members of the community. This risk is addressed by comprehensive

CORPORATE GOVERNANCE

safety policies and training and a requirement that any safety incident or “near miss” is reported to the Board.

Operations risk refers to risks arising from day to day operational activities which may result in direct or indirect loss from inadequate or failed internal processes, decision-making, exercise of judgment, people or systems or external events. The Executive Directors have delegated responsibility from the Board for identification of operations risks generally, for putting processes in place to mitigate them and monitoring compliance with those processes. The Company has clear accounting and internal control systems to manage risks to the accuracy of financial information and other financial risks.

Compliance risk is the risk of failure to comply with all applicable legal and regulatory requirements and industry standards and the corresponding impact on the Company’s business, reputation and financial condition. The Company’s compliance risk management strategy ensures compliance with key legislation affecting the Company’s activities. A key principle of the Company’s compliance risk management strategy is to foster an integrated approach where line managers are responsible and accountable for compliance, within their job descriptions and within overall guidance developed by the Company Secretary assisted by the General Counsel. The Company’s compliance strategy is kept current with advice from senior external professionals and the ongoing training of Executives and other senior personnel involved in compliance management. The Company has policies on responsible business practices and ethical behaviour including conflict of interest and share trading policies to maintain confidence in the Company’s integrity and ensure legal compliance.

Market risk encompasses risks to the Company’s performance from changes in resource prices, currency exchange rates, capital markets and economic conditions generally. The Audit Committee regularly assesses the Company’s exposure to these risks and the Board (taking advice from the Audit Committee) sets the strategic direction for managing them.

The Company’s approach to risk management is not stationary; it evolves constantly in response to developments in operations and changing market conditions. The Board has determined that the Managing Director is the appropriate person to make the Chief Executive Officer equivalent declaration, on the risk management and internal compliance and control systems recommended by the Council. Management has reported to the Board as to the effectiveness of the Company’s management of its material business risks.

7.2. Audit

The Company’s external auditor (**Auditor**) is selected for its professional competence, reputation and the provision of value for professional fees. Within the audit firm, the partner responsible for the conduct of the Company’s audits is rotated every three years. The Auditor is invited to attend annual general meetings (in person or by teleconference) to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor’s report.

8. Communications

8.1. Market and Shareholder Communications

The Company is owned by shareholders. Increasing shareholder value is the Company’s key mission. Shareholders require an understanding of the Company’s operations and performance to enable them to see how that mission is being fulfilled. The Directors are the shareholders’ representatives. In order to properly perform their role, the Directors need to be able to ascertain the shareholders’ views on matters affecting the Company. The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders and the market through various means including:

- (1) the Annual Report which is distributed to shareholders if they have elected to receive a printed version and is otherwise available for viewing and downloading from the Company’s website;
- (2) the Annual General Meeting (**AGM**) and other general meetings called in accordance with the Corporations Act and to obtain shareholder approvals as appropriate. The Managing Director and Chairman (as appropriate) gives an address at the AGM updating shareholders on the Company’s activities;
- (3) Half-Yearly Directors’ and Financial Reports which are posted on the Company’s website;
- (4) Quarterly Activities and Cash Flow Reports which are posted on to the Company’s website; and
- (5) other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which is also posted on the Company’s website.

Shareholders communicate with Directors through various means including:

- (1) having the opportunity to ask questions of Directors at all general meetings;
- (2) the presence of the Auditor at Annual General Meetings to take shareholder questions on any issue relevant to their capacity as auditor;
- (3) the Company’s policy of expecting Directors to be available to meet shareholders at Annual General Meetings; and
- (4) the Company making Directors and selected senior employees available to answer shareholder questions.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company’s website and email. The Company’s reports and ASX announcements may be viewed and downloaded from its website: <http://www.alararesources.com> or the ASX website: asx.com.au under ASX code “AUQ”.

CORPORATE GOVERNANCE

The Company also maintains an email list for the distribution of the Company's announcements via email in a timely manner.

8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with ASX.

In accordance with the Corporations Act and ASX Listing Rule 3.1 the Company immediately notifies ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, subject to exceptions permitted by that rule. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

All staff are required to inform their reporting manager of any potentially price-sensitive information concerning the Company as soon as they become aware of it. Reporting managers are in turn required to inform the Executive Director to whom they report or, in their absence, another Executive Director of any potentially price-sensitive information.

In general, the Company will not respond to market speculation or rumours unless required to do so by law or by the ASX Listing Rules.

The Managing Director has general responsibility to speak to the media, investors and analysts on the Company's behalf. Other Directors or senior Executives may be given a brief to do so on particular occasions.

The Company may request a trading halt from ASX to prevent trading in its securities if the market appears to be uninformed. The Executive Directors are authorised to determine whether to seek a trading halt.

31 October 2012

MINERAL CONCESSIONS

KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway. The project comprises one Mining Licence (granted in December 2010), 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km².

Alara Saudi Operations Pty Limited has a 50% interest in a joint venture company, Khnaiguiyah Mining Company LLC (Saudi Arabia) (incorporated on 10 January 2011), which will hold these mineral licences (after transfers have been processed by relevant authorities).

Refer to Alara market announcements dated 5 October 2010 entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)." Also refer to page 78 of the Company's 2012 Annual Report for further information on the joint venture terms.

WASHIHI-MULLAQ-AL AJAL COPPER-GOLD PROJECT (OMAN)

The Washihi-Mullaq-Al Ajal Copper-Gold Project is located approximately 80-160km east and southeast of Alara's Daris Project and Awtad Project and comprises 3 exploration licences totalling 80km².

Alara Oman Operations Pty Limited has the right to subscribe for an initial 10% interest (with a right to increase this to 60% and subsequently to 75%+) in the concession owner, Pilatus Resources Oman LLC (Oman).

Refer to Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman](#)." Also refer to page 80 of the Company's 2012 Annual Report for further information on the joint venture terms.

DARIS COPPER-GOLD PROJECT IN OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprises a mineral excavation licence of ~587km². Alara Oman Operations Pty Limited has a 50% interest (with a right to increase this to 70%+) in a new joint venture company, Daris Resources LLC (Oman) (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

Alara Oman Operations Pty Limited also has a 70% interest in a separate joint venture company in Oman, Alara Resources LLC (Oman) (incorporated on 2 October 2010), which has lodged applications for exploration licences over several prospects.

Refer to Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)." Also refer to page 80 of the Company's 2012 Annual Report for further information on the Daris Resources LLC and Alara Resources LLC joint venture terms.

AWTAD COPPER-GOLD PROJECT IN OMAN

The Awtad Copper Gold Project is located immediately adjacent to the Daris Project and comprises a mineral excavation licence of ~497km².

Alara Oman Operations Pty Limited has the right to subscribe for an initial 10% interest (with a right to increase this to 51% and subsequently to 70%+) in the concession owner, Awtad Copper LLC (Oman).

Refer to Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition - Awtad Copper-Gold Project in Oman](#)". Also refer to page 80 of the Company's 2012 Annual Report for further information on the joint venture terms.

MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

The Marjan Precious and Base Metals Project (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project comprising 3 Exploration Licences (totalling 260km²) prospective for gold, silver, copper and zinc.

Alara Marjan Operations Pty Limited will have a 50% interest in a new joint venture company to be formed in Saudi Arabia ("Marjan Mining Company"), which will hold these licences (after Alara has completed a minimum US\$1 million funding and transfers have been processed by relevant authorities).

Refer to Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)". Also refer to pages 79 and 80 of the Company's 2012 Annual Report for further information on the joint venture terms.

MINERAL CONCESSIONS

PIEDRECILLAS COPPER-SILVER PROJECT IN CHILE

The Piedrecillas Copper-Silver Project in Chile is located ~190km south of Santiago and ~7km west of Santa Cruz. The project comprises 19 concessions covering a total area of 29km² and 7 applications for concessions covering total area of ~11km².

Alara Chile Operations Pty Ltd (through Alara Chile Limitada, a wholly owned Chilean subsidiary) has a 0.01% interest Alara Piedrecillas SCM, a Chilean mining company which holds mining rights and concessions in relation to the project, with an option to acquire 50% and subsequently up to 100%.

Refer to Alara's 30 June 2012 Quarterly Report dated 31 July 2012. Also refer to page 81 of the Company's 2012 Annual Report for further information on the joint venture terms.

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises 66 granted concessions covering a total area of ~140km² and 22 applications for concessions covering a total area of 65km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

Alara Chile Operations Pty Ltd (through Alara Chile Limitada, a wholly owned Chilean subsidiary) has a 70% interest in a Chilean joint venture company, El Quillay SpA (ELQ). ELQ had an option to acquire SCM Antares, a Chilean mining company which holds mining rights and concessions in relation to the project. Refer to Alara market announcement dated 24 October 2011 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)". Also refer to page 79 of the Company's 2012 Annual Report for further information on the joint venture terms.

On 22 October 2012, the Company announced that it has elected not to progress further with the El Quillay joint venture. The decision was made in advance of a US\$1 million option payment which was due to be paid to Alara's joint venture partner before 21 October 2012. As a consequence of not paying the option payment, the Company has relinquished all rights to the project. Whilst the project initially showed good prospects, with old artisanal workings, prospective geology and clear walk up drill targets, the 5,000 metres of targeted drilling undertaken in 2012 failed to confirm the presence of the mineralisation that the Company was expecting. Given these results, the Company considered that the project did not warrant paying the US\$1 million option fee, together with a commitment to a further 15,000 metres of drilling, to maintain its rights to the project for a further 12 months (until the next option payment). The Company's attempts to renegotiate the October 2012 tranche of option payment were not successful. Refer to Alara market announcement dated 22 October 2012 and entitled Relinquishment of Interest in El Quillay Project, Chile.

AUSTRALIAN MINERAL TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km ²)	Area (hectares)	Location/ Property Name	State	Company's Interest
Bigryli South Uranium Project, Northern Territory	Granted	EL 24879	15/08/06	14/08/12	27	85	8,500	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest ²³
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	6	14	1,400	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	13	28.4	2,840	Mount Doreen	NT	
Canning Well Base Metals / Uranium Project, Western Australia	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)

²³ Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licenses EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration License application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant. Refer Alara market announcement dated 14 May 2010 and entitled "[Bigryli South Uranium Joint Venture with Thundelarra Exploration](#)"

JORC CODE COMPETENT PERSONS' STATEMENTS

- (1) *The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zones 1, 2 and 4 in relation to the Khnaiguiyah Project (Saudi Arabia) is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. Mr Sharma is a principal consultant to Alara Resources Limited. Mr Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Sharma consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*
- (2) *The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Project (Saudi Arabia) is based on information compiled by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*
- (3) *The information in this report that relates to Mineral Resources in relation to the Daris Project (Oman) and the Washihi prospect (Oman) is based on information compiled by Mr. Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. Mr. Sharma is a principal consultant to Alara Resources Limited. Mr. Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr. Sharma has given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.*
- (4) *The information in this report that relates to other Exploration Results is based on information 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 report of the matters based on his information in the form and context in which it appears.*

ADDITIONAL ASX INFORMATION

as at 31 October 2012

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (16 September 2013) Unlisted Options ²⁴	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options ²⁴	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options ²⁵	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ²⁵	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options ²⁶	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options ²⁷	-	500,000	500,000
\$0.60 (25 May 2014) Unlisted Options ²⁶	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options ²⁶	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options ²⁸	-	400,000	400,000
Total	242,007,500	24,850,000	266,857,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEES' OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ²⁹	No. of Options
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	75% on grant, 25% on 17 September 2009	16,400,000
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	50% on 17 March 2009, 25% on 17 September 2009, 25% on 17 March 2010	1,000,000
26 Oct 2009	\$0.60 (25 October 2014) Options	\$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	\$0.60 (25 May 2014) Directors' Options	\$0.60	25 May 2014	100% on date of issue	500,000
2 Sept 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue	400,000
23 Dec 2011					
2 Sept 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue	250,000
23 Dec 2011					
2 Sept 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue	250,000
23 Dec 2011					

24 Terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

25 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

26 Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

27 Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

28 Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

29 Options which have vested may be exercised at any time thereafter, up to their expiry date

ADDITIONAL ASX INFORMATION

as at 31 October 2012

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,103	413,260	0.17%
1,001	-	5,000	350	860,126	0.36%
5,001	-	10,000	209	1,800,579	0.74%
10,001	-	100,000	383	13,488,601	5.57%
100,001	-	and over	127	225,444,934	93.16%
Total			2,172	242,007,500	100.00%

UNMARKETABLE PARCELS

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 1,999	1,269	658,094	0.27%

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 1,999 or less, being a value of \$500 or less in total, based upon the Company's closing share price on 31 October 2012 of \$0.25 per share.

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1*	JP MORGAN NOMINEES AUSTRALIA LIMITED JP MORGAN NOMINEES AUSTRALIA LIMITED - CASH INCOME A/C	48,829,077 <u>13,551,345</u> Sub-total	25.776
2*	NATIONAL NOMINEES LIMITED	40,060,129	16.553
3*	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - <NT-COMNWLTH SUPER CORP A/C> HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	21,305,255 3,172,000 8,385,984 <u>1,800,081</u> Sub-total	14.323
4*	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> CITICORP NOMINEES PTY LIMITED	2,377,801 <u>13,224,864</u> Sub-total	6.447
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - NMSMT A/C RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - BKCUST A/C RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - PISELECT A/C	3,365 2,455,329 4,841,204 Sub-total	3.016
6	MR PETER KELVIN RODWELL	4,000,000	1.653
7	BNP PARIBAS NOMS PTY LTD <DRP> BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	1,938,972 <u>1,875,970</u> Sub-total	1.576
8	GWYNVILL TRADING PTY LTD	3,682,021	1.521
9	DEEP INVESTMENTS PTY LTD	3,300,000	1.364
10	UBS NOMINEES PTY LTD <TP00014 15 A/C> UBS NOMINEES PTY LTD	1,762 <u>3,200,000</u> Sub-total	1.323
11	FLANNERY FOUNDATION PTY LTD	3,148,500	1.301
12	SANDHURST TRUSTEES LTD	2,758,136	1.140
13	THORPE ROAD NOMINEES PTY LTD	2,344,814	0.969
14	BRISLOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	1,973,719	0.816
15	SURFLODGE PTY LTD	1,629,000	0.673
16	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY	1,420,000	0.587
17	HGT INVESTMENTS PTY LTD	1,250,000	0.517
18	MR ANDREW BRUCE RICHARDS	1,200,000	0.496
19	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING	1,192,991	0.493
20	BLUEFLAG HOLDINGS PTY LTD	1,053,000	0.435
Total		195,975,319	81.797%

* Substantial shareholders

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