Alara
Resources

2013
Annual Report

ABN 27 122 892 719

"Alara is transitioning from being a mineral resource developer to a mine builder and operator"

"Alara respect the Company's key assets are its Joint Venture Partners, resources and people"

"Alara will achieve its goals through open, collaborative and respectful working relationships with its employees, partners, shareholders and stakeholders"

Since its inception in 2007, Alara has been a resource development company that has looked throughout the world for suitable and attainable projects and ore bodies that could be taken forward by the Company into profitable production. As a result of the success of this approach and work, Alara is ready and poised to take its next step in its corporate development and plans.

The past year (2013 Financial Year) saw Alara focus on asset and resource development in the Middle Eastern countries of Saudi Arabia and Oman. As a result of this focus and effort, Alara completed its resource drilling programs and study work in these areas during the year and has advanced its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia through a successful Definitive Feasibility Study (DFS) and its early stage Daris/Washihi Copper-Gold Project through a successful Scoping Study. Both Projects are robust in their own right with considerable upside potential.

Going forward, Alara will focus its efforts and resources on taking the Khnaiguiyah Project though the finance stage and into construction while divesting some or all of the Oman Projects.

CORPORATE DIRECTORY

CONTENTS

Directors

Ian J Williams	Non-Executive Chairman
Philip H Hopkins	Managing Director
John D Hopkins	Non-Executive Director
His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud	Non-Executive Director

Secretary Victor P H Ho

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Shareholders wishing to receive copies of Alara Resources Limited ASX market announcements by email should register their interest by contacting the Company at info@alararesources.com.

CHAIRMAN'S LETTER

To Stakeholders and Shareholders

2013 was a year of progress and transition.

In July 2012, the Alara received a draft of the Definitive Feasibility Study (DFS) for the Khnaiguiyah Zinc-Copper Project in Saudi Arabia. Following an extensive internal review and enhancement, the study was completed and accepted in April 2013. This confirmed that the Project was commercially attractive and would provide a solid foundation on which to transition Alara from Explorer to Operating Miner.

In Oman, Alara's interests in three copper-gold projects was advanced with further drilling and in Q4 2012 a Scoping Study confirmed the potential for a small but profitable operation by combining the resources of the three projects.

Early drilling in Alara's projects in Chile showed little chance of success and in Q4, 2012 the decision was made to withdraw from the projects and cease activity in Chile and focus on Saudi Arabia and Oman. Subsequently, to preserve cash and maintain management focus on the Khnaiguiyah Project, the decision was also made to dispose of the Oman assets if a suitable sale could be arranged. This process is still ongoing. Despite this decision, the Company believes Oman has good project potential and a favourable environment for investment and we will maintain a watching brief for the future.

Following year end, Alara was successful with a Research and Development Tax Incentive Scheme refund from the Australian government in relation to the Khnaiguiyah DFS. The $2.75m received so far, with some $0.5 to $0.9 more to come, has secured Alara's cash position to underpin ongoing operations ahead of project funding. The sale of the Oman assets will provide an additional buffer.

Another aspect of the transition has been in the change in leadership of the Company. Shanker Madan, who led as Managing Director from the start, resigned in July 2013. Shanker was instrumental in identifying and developing through study phases, the projects which now provide the basis for a secure future. On behalf of all, I thank Shanker for his contribution. Similarly I also thank Non-Executive Director Doug Stewart, who retired in August 2013, for his substantial commercial and technical input. It is also opportune to thank William Johnson for his contribution. William, a Director in executive as well as non-executive capacities since 2009 will retire on 31 October.

To lead the Company into operation, Alara has been fortunate in attracting Philip Hopkins to the Managing Director role. Philip has strong operational and development experience and is well suited to lead Alara in what Directors believe will be an exciting and rewarding period.

Finally I would like to thank fellow Directors and all staff for their contribution. Considerable progress has been made but it hasn't always been easy. Nor has it been easy for shareholders and other stakeholders and I thank them for their patience and continuing support. Directors and staff are focused on ensuring that this patience is rewarded.

MANAGING DIRECTOR'S LETTER

Traditionally the Managing Director's letter in a typical public company Annual Report will speak primarily to the year past, the achievements, the challenges, shortfalls and the overall view of the year ahead as it relates to the prior year. Having joined the Board of Directors late last year (May) and then only officially taking over as Alara's Managing Director on the 1st July this year I felt it gave me the latitude to talk more about how FY2013 ended up but then focus my comments on what I feel is critical for the Company and **what I am passionate about… the way forward.**

Alara finished the year with great clarity of purpose and direction and with a number of changes in place or taking place that are the enablers for the planned activity in FY2014. As an overview position at year's end the Company confirmed to the market and all stakeholders that Alara's future was in the Middle East (Saudi Arabia and Oman) with a defined and distinct short to mid-term focus on the company's flagship Zn/Cu KMC Project in Saudi. In turn a strategy was put in place to partially or fully divest of the Oman assets in support of the KMC focus. It was also clear that the next steps going forward for this Project was the effective alignment with our Joint Venture Partner United Arabian Mining Company followed by Project finance and preparation for construction.

At year's end and into the new financial year there were several internal changes made (or being made) to help ensure the success of the FY2014 plans. Some of the key changes in this regard include my taking on the role of Managing Director and the transition of the previous Managing Director (S Madan) from the Company. There were also anticipated Board changes with the resignations of Doug Stewart and William Johnson allowing them to pursue their external commitments. In addition on the Management Team there was a change in the CFO role, the appointment of a new Country Manager for Oman (Justin Richard who also manages Saudi Arabia for Alara), the strengthening of the Perth office management staff and an upgrade of the corporate technical support skills. These personnel changes were concurrent with the Company's move to new and separate offices in West Perth (formerly using shared offices with the Queste/Bentley group of companies in downtown Perth). In alignment with the noted focus and strategy the Oman staff levels were reduced accordingly. Alongside these changes administrative enhancements were made relative to the upgrade of management reporting, Board reporting and presentation, management Team communication etc.

In a year-on-year step and stage approach the following notes the stages the Company is currently moving through relative to the KMC Project and transition to becoming a mine developer and operator:

- **FY2013 – Confirmation of the Project's viability (DFS completion) and Company/Team adjustments in order to be ready to move forward**
- **FY2014 – Project finance, EPC contract completion, construction Team secured and final arrangements to commence construction**
- **FY2015 – Project construction start up and final Project optimisation**

From a commercial, technical and growth perspective the development plan for Saudi Arabia has tremendous upside for the Company and its shareholders. Saudi Arabia is arguably the best commercial and economic region in which to start and grow a mining company with a low interest government funding vehicle, low tax rates, no government royalties and other benefits. Technically the location is ideal as much of the Arabian Shield has had preliminary exploration work completed on it confirming its heavy endowment of potentially economic resources but few mines actually having been built. And finally, from a political standpoint there is a very stable government overseen by the King with his succession plan in place and well accepted. Possibly most important is the government support and interest in developing a strong mining industry as Saudi Arabia is highly motivated to diversified its industrial future as they are keen to have a transition plan if and when the oil & gas production lessens.

The Company is very well situation from a future production perspective as Zinc is the only base metal forecasted to grow in real value over the period of the planned mine construction and commissioning. Based on a number of international forecasts the zinc price is predicted to hit 20 year real price highs in 2016-19 when the mine is coming on line.

It is a terrific advantage to be in the correct region for company growth and development and then to have a robust project with strong financial outcomes as defined by a successful DFS. The key then becomes how you will pull these factors together and ensure the delivery of the planned and communicated commercial results? The answer to this is the true heart and soul of Alara's way forward and planned success. The key is to have the right people and Teams in place and then to ensure everyone is able to work in an open, collaborative, supportive environment while sharing a set of aligned mutual outcomes. This will be the core to what Alara does and where they focus in the years ahead.

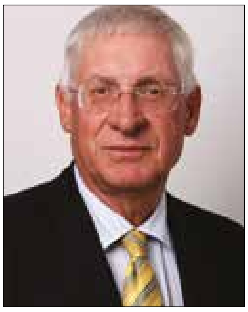
BOARD OF DIRECTORS

Ian J Williams, AO
Non-Executive Chairman
BE(Elec), FAus IMM, FIE Aust

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.

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, one of the largest zinc mines in the world.

Ian's diverse experience includes executive management of open cut and underground mining operations, brownfield expansions and new major mining projects.



John D Hopkins
Non-Executive Director
LLB, FAICD

Mr Hopkins has 23+ years' experience on the board or as chairman of more than 20 public listed companies (in Australia, UK and Canada) and as such has been involved in the financing and development (and subsequent M&A activities) of many gold, base metal, energy (coal and oil and gas), mineral sands and other resources projects in Australia, Africa, Asia, Europe and North America as well as industrial and manufacturing companies.

More recently, John (as Chairman) oversaw the transition of Adamus Resources Limited (ASX : ADU) gold operations in Ghana from explorer to producer culminating in its merger with Endeavour Mining Corporation (TSX : EDV, ASX: EVR). He is currently Chairman of developing tungsten and tin producer Wolf Minerals Limited (ASX : WLF) and South African based coal producer Universal Coal Plc (ASX: UNV) which companies have recently secured major debt funding.

Philip H Hopkins
Managing Director
BSc (Mining Engineering), MBA, P.Eng, MAusIMM, MCIM

Mr Hopkins has +30 years' international experience in the mining industry in leadership roles across operations, projects, commercial and executive matters.

His career has included work with Cominco Limited, Falconbridge Limited, Placer Dome Inc., BHP Billiton Limited and St Barbara Limited and has included international postings in Canada, Papua New Guinea, South Africa, Brazil and Australia. Mr Hopkins has mining experience in base metals (copper and nickel), gold and iron ore.

His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud
Non-Executive Director
BEng. (Industrial) (Hons), MEng.

HRH Prince Abdullah is a prominent self-made Saudi businessman and industrialist and the Chairman of The Saudi Paper Manufacturing Company (SPM) which he established in 1989 and floated on the Saudi Stock Exchange in 2006 – SPM has one of the largest waste paper collection, recycling, manufacturing and converting (consumer tissue paper products) operations in the Middle East.

HRH Prince Abdullah is keen to be a part of and to assist in the advancement of Alara's flagship Khnaiguiyah Project in Saudi Arabia. HRH feels the development of this Project is of strategic importance to the country in terms of support of the nation's mining industry as well as for local industry, expertise and workforce.

MANAGEMENT TEAM

MANAGEMENT TEAM

Atmavireshwar Sthapak

Exploration Manager

20+ years' exploration and feasibility experience in and Australia. Received "Discoverer of the Year" award, Rio Tinto 2010.

Justin Richard

Country Manager, Saudi Arabia & Oman

20+ years' experience, including Corporate Counsel and head of legal for UGL Limited's resources division, Senior Commercial Officer / Contracts Specialist with Bateman Engineering (Australia) and Managing Director of Irrigate Australia a private enterprise providing water management solutions.

Chirag Patel

Accountant

10+ years' accounting and finance experience in construction, banking, exploration and mining.

Tina Ahern

Office Manager

12+ years' administration, finance and project experience including Brikmakers, Shell Australia, WA Gas Networks and BHP Billiton.

Ganesh Krishnamurthy

General Manager, Exploration (Oman)

20+ years' experience, with 4 years in exploration and development in Oman, and 8 years with Rio Tinto Iron in Australia

Victor Ho

Company Secretary

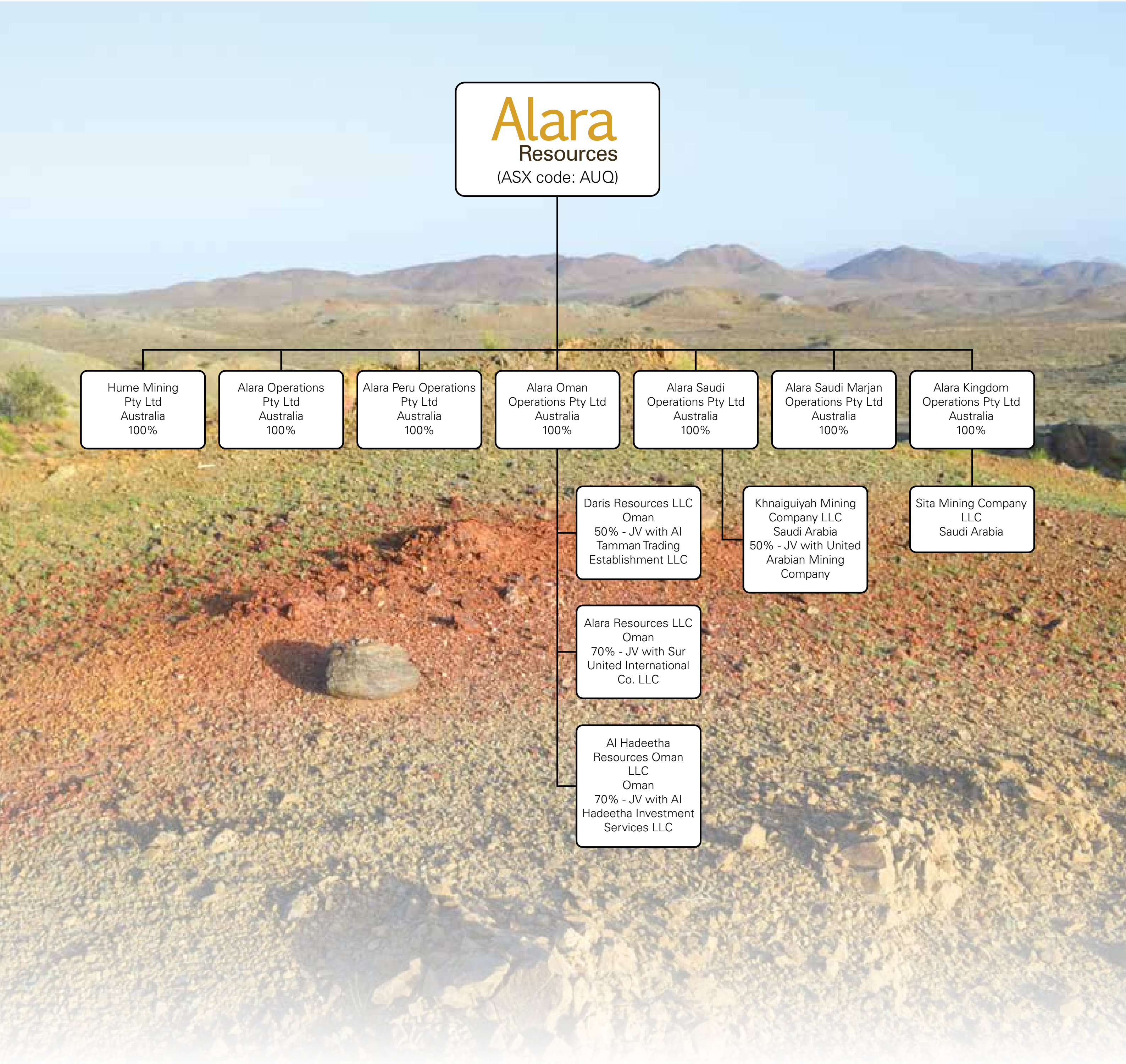
13+ years' experience with number of public listed companies as a Director and Company Secretary.

Julian Tambyrajah

Acting CFO

20+ years' financial, corporate and commercial experience, CFO roles at Strike Resources, Crescent Gold, Central Petroleum, DRDGOLD, and held management and accounting roles for Hills Industries, Brown & Root, Woodside and Normandy Mining.

ALARA ORGANISATIONAL STRUCTURE



OUR PEOPLE

Perth Management

His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud	Non-Executive Director
Chirag Patel	Accountant
Deborah Skolnik	Office Administrator
Ian Williams	Non-Executive Chairman
John Hopkins	Non-Executive Director
Julian Tambyrajah	Acting Chief Financial Officer
Philip Hopkins	Chief Executive Officer; Managing Director
Tina Ahern	Office Manager
Victor Ho	Company Secretary

Saudi Arabia

Atef Musfer Al Qahtani	Site Security Guard
Fahad Al Baheli	Government Relations Officer
Fahad Saad Al-Qahtani	Site Security Guard
Faisal Medwid Al Qahtani	Office Assistant
Hamd Elshemi Al-Qahtani	Site Security Guard
Justin Richard	Country Manager, Saudi Arabia & Oman
Kamal Hassan	Office Assistant
Manahi Abdul Hadi	Site Security Guard
Mohammed Ansar Ahmed	Corporate Services Manager
Mukhezem Faleh Wisam Al Qahtani	Site Security Guard
Mukhezem Fuhaid Al Qahtani	Site Security Guard
Muthwed Falef Al Qahtani	Site Supervisor
Suhaim Munir Al Qahtani	Site Security Guard
Zahar Bin Majid Bin Mubarak Al Qahtani	Site Security Guard

Oman

Atmavireshwar Sthapak	Exploration Manager
Badar Marhoon Al Rahbi	Public Relations Officer
Ganesh Krishnamurthy	General Manager, Exploration
Rexin Kamilas	Accountant
Majid Al Minji	Government & Community Relations Manager

OUR JOINT VENTURE PARTNERS

Alara acknowledges and expresses appreciation to each of our joint venture partners:

United Arabian Mining Company LLC – KHNAIGUIYAH ZINC-COPPER PROJECT (Kingdom of Saudi Arabia);

Al Hadeetha Investment Services LLC – WASHIHI-MULLAQ-AL AJAL COPPER-GOLD PROJECT (Sultanate of Oman); and

Al Tamman Trading Establishment LLC - DARIS COPPER-GOLD PROJECT (Sultanate of Oman).

May we continue together to progress these and future projects for the benefit of all stakeholders, including our respective shareholders, employees and the communities where we operate, In Sha'Allah.

OUR SUPPORT CONTRACTORS

Contractors	Country
ALS Ammtec	Australia
Ausenco	Australia
Bedrock Minerals Resources (BMRC)	United Arab Emirates
Burns Consulting	Australia
CSA Global	Australia
Dassalult Systemes (Gemcom)	Australia
GEOWISDOM	United Kingdom
Gulf Geotechnical Services	Oman
IndiGeo Consultants	India
Kamel Establishment	Oman
Megabest	Australia
Mining and Cost Engineering	Australia
Petra Capital	Australia
Shiva Analytical Labs	India
SMEC	Australia
South West Pinnacle	India
SRK Consulting	Australia
Warner Consulting Australia	Australia

A BRIEF LOOK AT FINANCIAL YEAR 2013

If you had to summarise the past year for Alara and its shareholders in what is often called "an elevator speech" you might describe the last twelve months as a year of consolidation of the Company focus, completion of the field drilling programs and following Project studies on both the Company's main assets and internal change and realignment for the next stage of the Company's growth and strategic plan. In short it was a year of overall successes that has set up the group to move forward in becoming a mine operator and concentrate producer.

Now if your elevator got stuck for a few minutes longer you would be able to explain some of the details of the past year. This extended discussion would note that Alara defined its overall focus both regionally and on two specific asset bases or Projects. Namely and respectively, the Middle East (Saudi Arabia and Oman) and the Saudi Arabian KMC Zn/Cu Project and the Oman Daris/Washihi Cu Project's. In both countries and on both Projects the field drilling work was completed, the JORC compliant Mineral Resource was completed and signed off and the relevant mine development studies successfully finished. This work left the Company with a robust DFS on the KMC Project that is now ready for finance and construction while the earlier stage successful scoping study on Daris/Washihi has added value to this asset and will support its full or partial divestment. Although the Daris/Washihi Project is robust in its own right Alara will partially or fully divest this asset to allow its full focus to go to the KMC Project in Saudi Arabia while not inadvertently "slowing up" the Daris/Washihi project itself. In addition to this technical work toward the end of the year the Company made internal changes to its Board of Directors and Management Team in order to be ready to take on its next stage of growth and the advancement of the KMC Project.

The key for Alara is that FY2013 has effectively and successfully set the Company up to progress its strategy to move the Company into being a profitable mine operator and concentrate producer in one of the world's most commercially and technically attractive and sustainable locations.

"If you had to summarise the past year for Alara and its shareholders in what is often called 'an elevator speech'"

FINANCIAL YEAR 2013 MILESTONES

Completed KMC drill program	**November 2011**
Completed Daris/Washihi JORC Mineral Resource	**October 2012**
Fund raising of $ 7.875m	**October 2012**
Closed overseas subsidiary EL Quillay	**October 2012**
Completed Daris Drill program	**December 2012**
Completed Daris/ Washihi Scoping Study	**February 2013**
Completed Washihi drill program	**March 2013**
Completed KMC JORC Ore Reserve	**April 2013**
Completed KMC DFS	**April 2013**
Transitioned previous Managing Director from the Company	**June 2013**
Appointed new Managing Director	**June 2013**
Moved to new and separate offices (previously with the Queste/Bentley Group of Companies)	**July 2013**
Retirement of Shanker Madan from the Alara Board	**July 2013**
Updated Washihi JORC Mineral Resource	**July 2013**
Announcement of the Board retirements of Doug Stewart and William Johnson	**August 2013**

FINANCIAL SUMMARY

- Full year total comprehensive loss was A$7m compared to A$3.2m in 2012.
- The increase in total comprehensive loss from 2012 is primarily the result of the Consolidated Entity writing off the carrying value of the Awtad Copper-Gold Project in Oman and the El Quillay Copper Project in Chile, which were relinquished during the financial year (as described in Review of Operations below). As a result, an impairment loss of A$3m was recognised in the 2013 results, compared to A$432k in 2012.
- Interest income revenue was significantly reduced compared to 2012 as a result of lower cash balances held during 2013.
- Corporate, administration, personnel and occupancy costs have decreased marginally in 2013 mainly due to no performance options being issued to Directors or employees in 2013. Also a reduction in staff and consultants following completion of the DFS.
- During October 2012, the Consolidated Entity issued 31.5m shares @ $0.25c to raise A$7.8m.
- The Consolidated Entity had a closing cash balance as at 30 June 2013 of A$4.5m.
- Consolidated net cash outflows in 2013 (and 2012) were driven mainly by significant exploration and evaluation work carried out on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and across a number of copper-gold exploration projects in Oman.

Key Financial Numbers

Consolidated Profit & Loss Summary	2013 $'000	2012 $'000
Total revenue	283	1,726
Total expenses	(7,186)	(4,975)
Loss before tax	(6,903)	(3,250)
Income tax benefit	-	-
Other comprehensive income	(125)	(37)
Total comprehensive loss	(7,028)	(3,250)

Consolidated EPS	2013	2012
Basic loss per share (cents)	(2.84)	(1.50)
Diluted loss per share (cents)	(2.84)	(1.50)
Weighted average ordinary shares	231,392,432	210,507,500

- Cash flow Investing activities includes A$10.3m spend on exploration and evaluation activities.
- Cash flow from Financing activities includes A$7.8m proceeds from issue ordinary shares.
- Net cash outflows for the year were A$6.5m.

Consolidated Balance Sheet Summary	2013 $'000	2012 $'000
Total assets	41,046	41,680
Total liabilities	(3,595)	(4,159)
Net assets	37,451	37,521
Total equity	37,451	37,521

Consolidated Cash Flow Summary	2013 $'000	2012 $'000
Operating Activities	(3,577)	(1,497)
Investing Activities	(10,309)	(19,919)
Financing Activities	7,481	-
Opening Cash	10,950	32,241
Net Cash Movement	(6,491)	(21,290)
Closing Cash	4,459	10,950

SAUDI ARABIA

Khnaiguiyah Zinc-Copper Project:

- Alara's 50% interest held via joint venture company, Khnaiguiyah Mining Company (KMC);
- Located adjacent to bitumen road ~200km west of Riyadh (capital city) near major Riyadh to Jeddah highway;
- Comprises Mining Licence (issued in December 2010 with exclusive 30 year term and no mineral royalties), 3 Exploration Licences and 5 Exploration Licence applications, totalling ~380km2 pending completion of transfer to KMC;
- JORC Reserves (Proved and Probable) of 26.08MT at 3.3% Zn and 0.24% Cu;
- 2Mtpa DFS completed in Q2 2013 with projected US$257M capex, 2.8 year pay-back, A$2.074B LOM revenues and A$0.873B LOM EBITDA (at base case Zn/Cu prices);
- Application for Saudi Industrial Development Fund (SIDF) project financing (up to 75%) underway with target completion in Q2 2014.

COMPANY PROJECTS OVERVIEW

OMAN

Washihi Copper-Gold Project

- Alara's 70% (with right to 75%+) is held via joint venture company, Al Hadeetha Resources LLC
- Located ~80-160km east of Alara's Daris Copper-Gold Project and comprises 3 exploration licences totalling ~ 105km^2 applications for 3 mining licences totalling 5.5km^2
- JORC Resource: Indicated 6.84Mt at 0.90% Cu and 0.17%g/t Au and 7.27Mt Inferred at 0.71% Cu and 0.20g/t Au

Daris Copper Gold Project

- Alara's 50% (with right to 70%+) is held via joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence
- Located ~150km west of Muscat (capital city) and comprises a mineral excavation licence of ~ 587km^2 and applications for 2 mining licences totalling 4.5km^2
- JORC Resource (Measured and Indicated) of 240,024t sulphides at 2.37% Cu and183,365t oxides at 0.72% Cu

COMPANY PROJECTS OVERVIEW

Alara has completed a 500,000tpa Scoping Study centering on the Washihi prospect with inputs from the Daris, Mullaq and Al Ajal prospects.

After a strategic review, Alara is seeking to divest (partially or in full) its Oman Projects to focus on its more advanced flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

COMPANY MINERAL RESOURCES

SAUDI ARABIA

Khnaiguiyah Zinc-Copper Project

JORC Measured and Indicated Zinc (Domain 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

JORC Measured and Indicated Copper (Domain 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

JORC Inferred Zinc (Domain 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

** Based on JORC Code, 2004 edition*

Notes:

Khnaiguiyah contains four mineralised zones located within 1 to 2kms from a central area and ~3kms from each other. Within the Mineralised Zones 1, 2 and 3 resource modeling has established3 distinct 'Domains' as follows:

- "Domain 1" - has Zinc but no Copper
- "Domain 2" - has Zinc and Copper
- "Domain 3" - has Copper but no Zinc

A total of 315 holes totalling ~36,961m have been drilled by Alara; historically, ~345 holes have been drilled totalling 45,000+ metres by BRGM and Ma'aden

Mineralisation is open in Zones 1, 2 and 3 and remains to be tested fully in Zone 4

For the location of mineralised zones 1 to 4 (KZ1 to KZ 4), the resource outlines and drill hole locations

OMAN

Washihi Copper-Gold Project

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0.00	7.16	0.87	0.17	7.77	0.67	0.20
0.25	6.84	0.90	0.17	7.27	0.71	0.20
0.50	5.66	1.01	0.18	5.00	0..85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1.00	2.39	1.37	0.20	1.24	1.31	0.27

** Based on JORC Code, 2004 edition*

Notes:

Based on 69 holes totalling 10,668m (diamond core – 8,685m, RC - 898m and core-cum-RC – 1,085m) comprising 35 holes totalling 6,206m (diamond core – 4,223m, RC - 898m and core-cum-RC – 1,085m) drilled by Alara and verified historic drilling data from 34 holes totalling 4,462m (diamond core).

For an outline the distribution of the Inferred and Indicated Resource at Washihi together with key drill intersections utilised in the estimation of the JORC Resource.

Daris Copper-Gold Project

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

** Based on JORC Code, 2004 edition*

Notes:

A total of 21 rotary (624m) and 41 diamond core (4,654m) holes totalling 5,278m have been drilled by Alara to test shallow oxide mineralisation and to locate massive sulphide and stringer zones beneath the oxide cap at the Daris-East prospect, and to test geophysical targets in the vicinity.

In addition historic drilling data from 44 holes totalling 4,353m have been included in the resource database.

COMPANY MINEABLE RESERVES

SAUDI ARABIA

Khnaiguiyah Zinc-Copper Project

JORC Ore Reserves

Mineralised Zone	Proved			Probable			Proved + Probable		
	Mt	Zn%	Cu%	Mt	Zn%	Cu%	Mt	Zn%	Cu%
K1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
K2	8.75	2.6	0.32	1.20	3.8	0.44	9.95	2.7	0.34
K3	8.21	4.1	0.27	6.08	2.7	0.05	14.28	3.5	0.17
Total (All Pits)	17.73	3.4	0.29	8.35	3.1	0.13	26.08	3.3	0.24

** Based on JORC Code, 2004 edition*

Notes:

Ore Reserve assessed using the Net Smelter Return (NSR) method to generate an economic cut-off. This method was considered to provide the best representation of value contained within the Mineral Resources. The NSR cut-off was estimated on a mine gate sale basis and accounts for pricing assumptions, process plant recovery, transport costs, TC/RC and smelter deductions.

Refer Alara's ASX market announcement dated 18 April 2013: Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project for further information on the estimation and reporting criteria under the JORC Code (2004 edition).

KHNAIGUIYAH PROJECT

Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

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

Khnaiguiyah Project – At a Glance

- Alara has a 50% interest in its advanced flagship Khnaiguiyah Zinc-Copper Project (Definitive Feasibility Study (DFS) completed) located in Saudi Arabia via a 50:50 ownership with local partner, Manajem, in joint venture company, KMC
- Mining Licence issued with 30 year (2040) exclusive term and no mineral royalties payable
- DFS confirms a technically and financially robust mining operation with a mine life of 13 years at 2Mtpa throughput with production potentially to commence in 2016 when zinc forecasted prices are expected to significantly higher:
  - Project direct capital expenditure of US$257 million (including owner's cost and contingency)
  - Production of 1,410,000t of zinc concentrate (775,000t of zinc (Zn) metal) and 210,000t of copper (Cu) concentrate (52,000t of copper metal) for Life of Mine
  - First 7 years of full production show an average of 79,750t of zinc metal as concentrate and 5,750t of copper metal as concentrate with peak production at 99,000t of zinc metal and 8,250t of copper metal respectively as concentrates
  - Project revenue A$2,074 million (LOM)
  - EBITDA A$873 million (LOM)
  - Project NPV of A$170 million at an IRR of 23%
  - Payback of 2.8 years
  - Life of Mine inc operating costs including treatment and refining charges (TC/RC) of US$0.50/lb after copper credits and US$0.46/lb in the first 7 years with copper price assumed at an average of US$6,114/t
  - First full year zinc production (2016) costs forecast (after copper credits) to be in the 2nd quartile of cash costs for the western world mines with copper costs forecast to be in the bottom quartile
- Maiden JORC Ore Reserve Statement:
  - Proved Ore Reserves of 17.7 Mt at 3.4% Zinc and 0.29% Copper
  - Probable Ore Reserves 8.4 Mt at 3.1% Zn and 0.13% Copper
- Upgraded JORC Mineral Resource Statement:
  - Measured & Indicated Zinc and Zinc/Copper Resource of 25.32 Mt at 4.03% Zn and 0.17% Cu
  - Measured & Indicated Copper Resource of 8.53Mt at 0.64% Copper
- Alara has drilled 315 holes totalling 36,961 metres; historically, 345 holes have been drilled totalling 45,000+ metres by BRGM and Ma'aden
- Pursuing 75% project financing with the Saudi Industrial Development Fund (SIDF)
- Construction is targeted to commence in Q3 2014 and take 24 months

KHNAIGUIYAH PROJECT

Project Development Summary and Milestones

- Alara secures 50% interest in advanced Khnaiguiyah Project in October 2010 - previous drilling (of in excess of 45,000 metres in ~345 RC and diamond drill holes) by BRGM and Ma'aden (Saudi Arabian Mining Company) had outlined a substantial zinc-copper mineralisation in Zone 2 and Zone 3 and significant additional mineralisation in Zone 1 and Zone 4 (see figure below)
- Khnaiguiyah Mining Licence issued in December 2010 with 30 year exclusive term and no mineral royalties payable. Some mineral extraction fees do apply.
- Maiden JORC Resource Statement announced in February 2012 and Resource Upgrade announced in October 2012
- Since the commencement of Alara's Khnaiguiyah drilling programme in February 2011, a total of 315 holes to ~36,961 metres has been completed
- Grant of approvals in July 2012 from the Presidency of Meteorology and Environment in Saudi Arabia for construction and mining operations at the Khnaiguiyah Project
- Initial draft DFS (July 2012) was based on a 1.5Mpta process throughput; this was subsequently updated and enhanced to a 2Mtpa plant in light of upgraded JORC Resource, optimisation studies and metallurgical test work
- Maiden JORC Ore Reserve Statement announced in April 2013
- Completion of positive DFS on 2Mtpa operation announced in April 2013
- Submission of 75% project finance application to the Saudi Industrial Development Fund (SIDF) possible in Q4 2013 (with 8 – 9 month turn around)
- Commencement of negotiation of commodity off-take agreements commencing in Q4 2013
- Recruitment of project workforce in Saudi Arabia, including Project Director, to commence in Q1/Q2 2014
- Commencement of Project construction targeted for Q3 2014 (to take 24 months)
- 2014 timetable subject to review as the details of the EPC mine development and joint venture partner and management matters are advanced

Definitive Feasibility Study (DFS) Summary

- Completion of a positive DFS announced on 30 April 2013
- Production highlights:
    - Life of Mine (LOM) of 13 years at 2Mtpa throughput with production potentially to commence in Q3, 2016 when zinc prices are expected to significantly strengthen
    - Project direct capital expenditure of US$257 million (including owner's cost and contingency)
    - Production of 1,410,000t of zinc concentrate (775,000t of zinc metal) and 210,000t of copper concentrate (52,000t of copper metal) for LOM
    - First 7 years of full production show an average of 79,750t of zinc metal as concentrate and 5,750t of copper metal as concentrate with peak production at 99,000t of zinc metal and 8,250t of copper metal respectively as concentrates

KHNAIGUIYAH PROJECT

Financial highlights:

- LOM Project revenue A$2,074 million
- LOM EBITDA A$873 million
- Project NPV of A$170 million at an IRR of 23%
- Payback of 2.8 years
- LOM zinc operating costs including treatment and refining charges (TC/RC) of US$0.50/pound (lb) after copper credits and US$0.46/lb in the first 7 years with copper price assumed at an average of US$6,114/t
- First full year zinc production (2017) costs forecast (after copper credits) to be in the 2nd quartile of cash costs for the western world mines with copper costs forecast to be in the bottom quartile

Future growth and opportunities:

- DFS is based on currently known JORC Proved and Probable Reserves of 26.1 million tonnes at 3.3% Zn and 0.24% Cu (refer table below)
- All ore bodies are open along strike and depth. Significant upside exists for further discoveries along the host shear zones which have been mapped for several additional kilometres within the Exploration Licence Applications. Many ancient workings remain unexplored
- Plant throughput rate is based on conservative assumptions. To access high grade ores in the first few years, the mining rate has been planned to be higher than the plant throughput rate of 2Mtpa. This means that in-pit mining will be completed in approximately 9 years and the last 4 year's production will be derived entirely from lower grade stockpiles. It is expected that some or most of this stockpile production may be brought forward with minimum additional expenditure.

Khnaiguiyah DFS Financial Summary

Definitive Feasibility Study Financial Summary			
	Tonnes		
Zinc Production LOM	775,000		
Copper Production LOM	52,000		
Average Annual Production LOM	Zinc concentrate 108,000 dry metric tonnes Copper concentrate 16,000 dry metric tonnes		
Average first 7 Years of Full Production	Zinc concentrate 145,000 dry metric tonnes (79,750t of zinc metal) Copper concentrate 23,000 dry metric tonnes (5,750t of copper metal)		
LOM Project Revenue Using Base Case Zn/Cu Pricing	A$2,074 million		
Forecast LOM EBITDA Using Base Case Zn/Cu Pricing	A$873 million		
	Base Case	High Case	Market Price*
Zn price	US$2,315/t	US$2,373/t	US$2,335/t
Cu price	US$6,114/t	US$7,070/t	US$7,070/t
TC/RC	US$180/t	US$180/t	US$203/t
NPV	A$170 million	A$255 million	A$120 million
IRR	23%	31%	18%
Assumed A$ to US$ over LOM	A$0.90 to US$1.00	A$0.90 to US$1.00	A$1.00 to US$1.00

* Market Price based on Forecast LME Price for 2015

KHNAIGUIYAH PROJECT

Khnaiguiyah DFS Production Summary

Definitive Feasibility Study Production Summary			
Ore Reserves	Tonnes	Zn	Cu
Proved Reserves	17,730,000	3.4%	0.29%
Probable Reserves	8,350,000	3.1%	0.13%
Total Proved and Probable	26,080,000	3.3%	0.24%
	The average grade of the feed to the process plant for the first 7 years is expected to be 4.36% Zinc and in the first 9.5 years approximately 3.95% Zinc		
Mining Method	Open Cut - consisting of three pits (KZ1, KZ2 and KZ3)		
Mining operation	Drill and Blast, Excavator and Dump Truck Haulage: • 90t Excavator – Ore • 160t Excavator – Waste & Ore • 90t Off highway Dump Trucks – Ore, Waste and Tailings		
Pit Depths	KZ1 Pit: 95 metres KZ2 Pit: 155 metres KZ3 Pit: 220 metres		
Process	Conventional Differential Floatation including Crushing, Grinding, Floatation, Thickening and Filter press		
Civil and Engineering Works	Infrastructure: • Fencing and security. Accommodation Village, Run of Mine (ROM) pads and Low Grade Stockpiles (LGS) • Buildings include Workshops, Offices, Prayer rooms, Training crib rooms, Security and Medical facilities Process Plant: • 2Mt per annum throughput Process Plant including crushers, grinding circuit, floatation circuits, thickeners and filtration units for copper and zinc, conveyors, modern integrated fibre optics based real time communication system and control room, weighbridge, laboratory Power Generation: • Diesel Power Plant: 12 x 1.825 MW Water production and delivery: • Bores, pumping station, 15 km pipeline and water storages Mining: • Development of the KZ1, KZ2 and KZ3 Pits • Tailings and waste disposal will be a Co-disposal facility (CDF)		
Employment	Construction workforce – Total = 325: • Owners Team – 25 • Construction work force – 300 (Peak) supplied under EPC contracting terms Permanent work force – Total = 475: • Mining – 184 (Peak) • Process – 112 • Management and Admin and support staff – 114 Site Services: • Village catering and cleaning - 40 • Village Maintenance – 12 • Power and bore fields – 13		

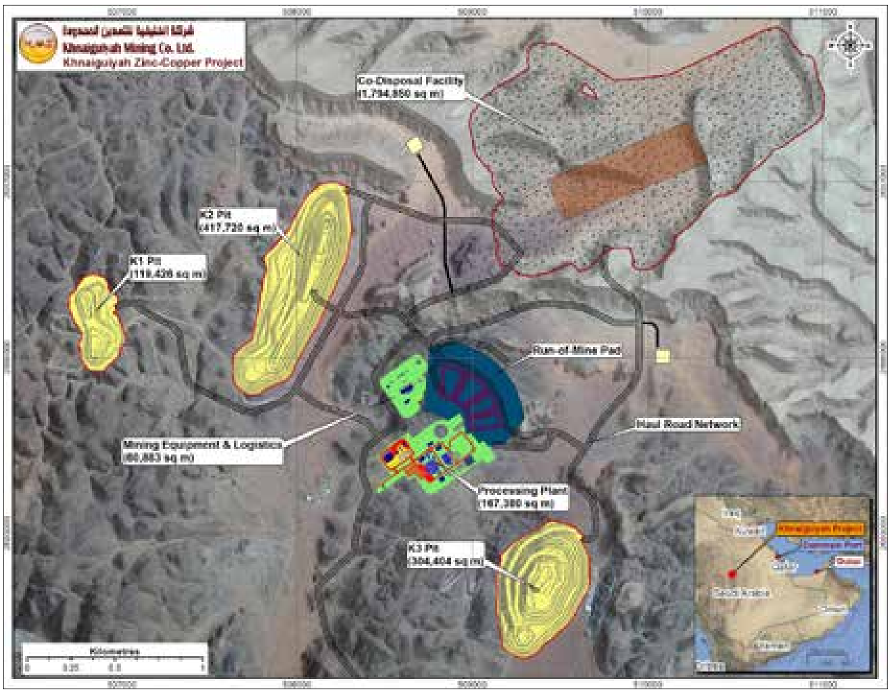
KHNAIGUIYAH PROJECT

Definitive Feasibility Study Production Summary	
Volume Extracted	TOTAL: 160 Mt comprising (approx.): • 20 Mtpa (for Years 1, 2, 3, 7) • 14 Mt (Year 4) • 17 to 18 Mtpa (for Years 5, 6, 8, 9), decreasing to 0.3 Mtpa (Year 10) Processing stockpiles occurs from Years 10 to 13
Total Ore Processed	26.08 Mt
Processing	2mpta years 1 – 9 direct feed from ROM 2mpta years 10 – 13 direct feed from LGS
Tailings	25 Mt / LOM
Waste Rock	134 Mt / LOM
Volume in Co-Disposal	13 year waste rock and tailings totalling 159 Mt
Construction and Commissioning, Mine Development	Construction – 24 months consisting of: • 18 months – Engineering, Procurement and Construction • 4 months – Commissioning including wet commissioning Mine Development: • 6 months – Mining Ramp up. Commencing 16 months into the construction cycle First production is forecast for Q4 2015
Life-of-Mine	Mining (Years 1 to 9) Stockpile Processing (Years 10 to 14) 2 year rehabilitation: • Rehabilitation to start at the end of mining: – Pits – 18 months – Co-Disposal Facility (CDF) – 6 months
Waste to Ore Ratio	5.2:1
Mining Equipment	• 2 x 160t excavators for waste • 1 x 90t excavator for ore • 1 x 50t excavator for batter scaling • 23 x 90t dump trucks of which 2 are planned for haulage of dry tails • 5 drill machines for drill and blast Other equipment includes graders, dozers, wheel loaders, water carts and tyre handlers

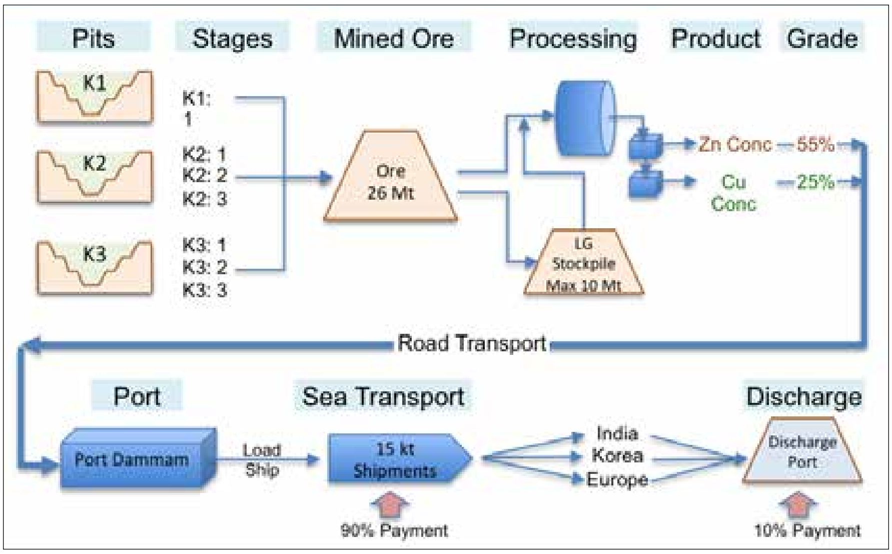
Mine operations - three open cut pits (KZ1, KZ2 and KZ3) within 3 km distance of each other and a centrally located ROM pad and processing facility. It is envisaged that 100% drill and blasting for ore and waste will occur with truck and shovel operation occurring on an owner operator basis

KHNAIGUIYAH PROJECT

Khnaiguiyah Zinc–Copper Project Surface Layout



Khnaiguiyah Zinc–Copper Project from Pit to End User



KHNAIGUIYAH PROJECT

Capital Cost Estimate – based principally on a fixed price lump sum (Q3, 2013 base) tender submission under the internationally accepted FIDIC (International Federation of Consulting Engineers) Silver Book (First Edition 1999) EPC/Turnkey General Conditions contracting model which covers the engineering design, procurement, construction and commissioning for a 2Mtpa process plant, 24MW power station, mine village and water bore field:

Capital Cost Estimate

Cost Centre		US$ Millions
Process Plant		158
Infrastructure		66
Services:		12
Bore field	6	
Co-disposal facility	4	
Fuel Farm	1	
Mobilisation/Demobilisation	1	
Owner's Team / Contingency		21
Total		257

Operating Cost Estimate – includes capital and mining equipment leasing costs using conservative equipment availability and productivity estimates and treatment and refining (TC/RC) charges (will likely vary over time and are partly correlated to zinc prices quoted on the London Metals Exchange (LME)):

Operating Costs Estimate

Operating Cost Summary		
Unit Operating Costs		
	US$/t ore	LOM Total US$/Million
Waste mining	7.89	206
Ore mining	1.42	37
Additional ore mining costs*	2.83	74
Processing cost (variable)	7.33	191
Processing cost (fixed)	5.53	144
Transport, TC / RC (variable)	18.20	475
Total operating cost (+/- 15%)	43.20	1,127

*Management, Grade Control, Rehandle, Tailings

Financial Analysis:

- Based on report from CRU Strategies (an international marketing and market forecasting firm) and other data on long term Zinc and Copper price forecasts and associated TC/RC, the financial analysis has confirmed Khnaiguiyah as providing a financially robust mining operation
- Key assumptions used in the financial model include a Base Case and a further 2 scenarios in which the Base Case assumptions are changed to reflect different variables on Zinc and Copper pricing and TC/RC:
  - Zinc consensus price based on the CRU estimate and estimates from BDO and Morgan Stanley
  - Copper consensus price based on the CRU estimate and estimates from BDO, JP Morgan and Morgan Stanley

The variable parameters used in each case reflecting Zinc and Copper prices and TC/RC are:

Pricing and Refining/Treatment Assumptions for Life of Mine

Pricing and Refining/Treatment Assumptions for Life of Mine							
Case Scenarios	Assumptions	Zn US$/t	Cu US$/t	Zn TC/RC per US$t	Cu TC per US$t	Cu RC per US c/lb
High	Use CRU Prices, for Zn; Adjust Cu Prices and TC/RC	2,373	7,070	180	64	6.4
Base	Use Consensus Prices for Zn and Cu; Adjust TC/RC	2,315	6,114	180	64	6.4
Market Price	LME 2015 Prices for Zn and Cu and TC/RC as forecast by CRU	2,335	7,070	203	64	6.4

On these parameters, the Base Case under the financial model shows:

- EBITDA of A$873 million which will generate sufficient cash flow to repay Capex in 2.8 years
- NPV of A$170 million at weighted average cost of capital (WACC) of 9.10% (taking into account the low cost of capital in Saudi Arabia)

Summary of Revenue, EBITDA, NPV, IRR and Payback Period

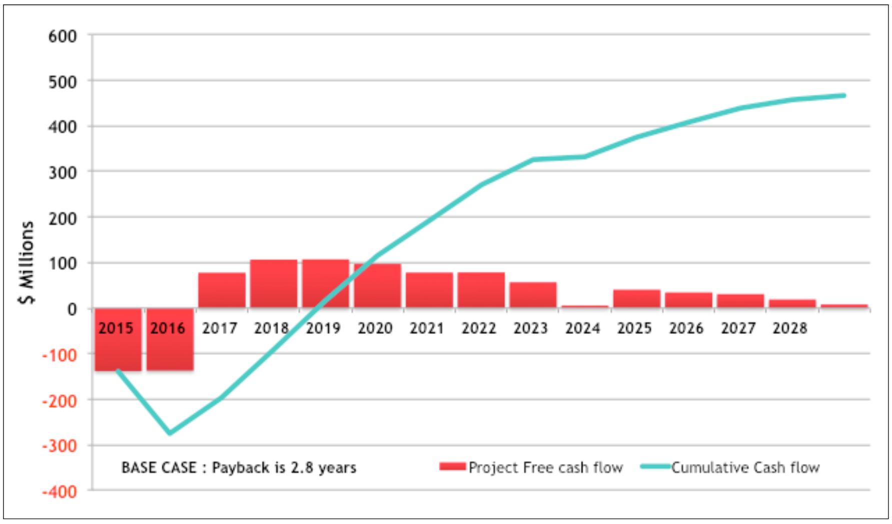
Pricing and Revenue Assumptions for Life of Mine								
Case	Assumptions	Revenue A$ million	Cost A$ million	EBITDA Yr 1 to 7 of Full Production	EBITDA A$ million	NPV A$ million	IRR	Payback years
High1	Use CRU Prices, for Zn; Adjust Cu Prices and TC/RC	2,205	1,201	831	1,004	255	31%	2.0
Base1	Use Consensus Prices for Zn and Cu; Adjust TC/RC	2,074	1,201	696	873	170	23%	2.8
Market Price2	LME 2015 Prices for Zn and Cu and TC/RC as forecast by CRU Strategies	1,899	1,107	609	791	120	18%	3.8

Notes:

1. Assuming an average US$ to A$ conversion of A$0.90 to US$1.00 over LOM
2. Assuming an average US$ to A$ conversion of A$1.00 to US$1.00 over LOM

KHNAIGUIYAH PROJECT

Base Case Cash Free Cash Flow and Payback



Project Financing

- The Saudi Industrial Development Fund (SIDF) has the mandate and capacity to provide loans for local Saudi projects of up to 75% of the capital cost of mine development at sub-LIBOR rates
- SIDF has indicated to Alara that it would be interested in providing such financing for development of the Khnaiguiyah Project
- Riyadh office of KPMG is advising and assisting KMC on the SIDF loan application process with planned lodgement in Q4 2013 and a 8 – 9 month turn-around
- Also pursuing discussions with supplier and off-take partners to provide additional levels of project financing, further reducing the amount of equity which Alara will be required to raise itself to fund KMC

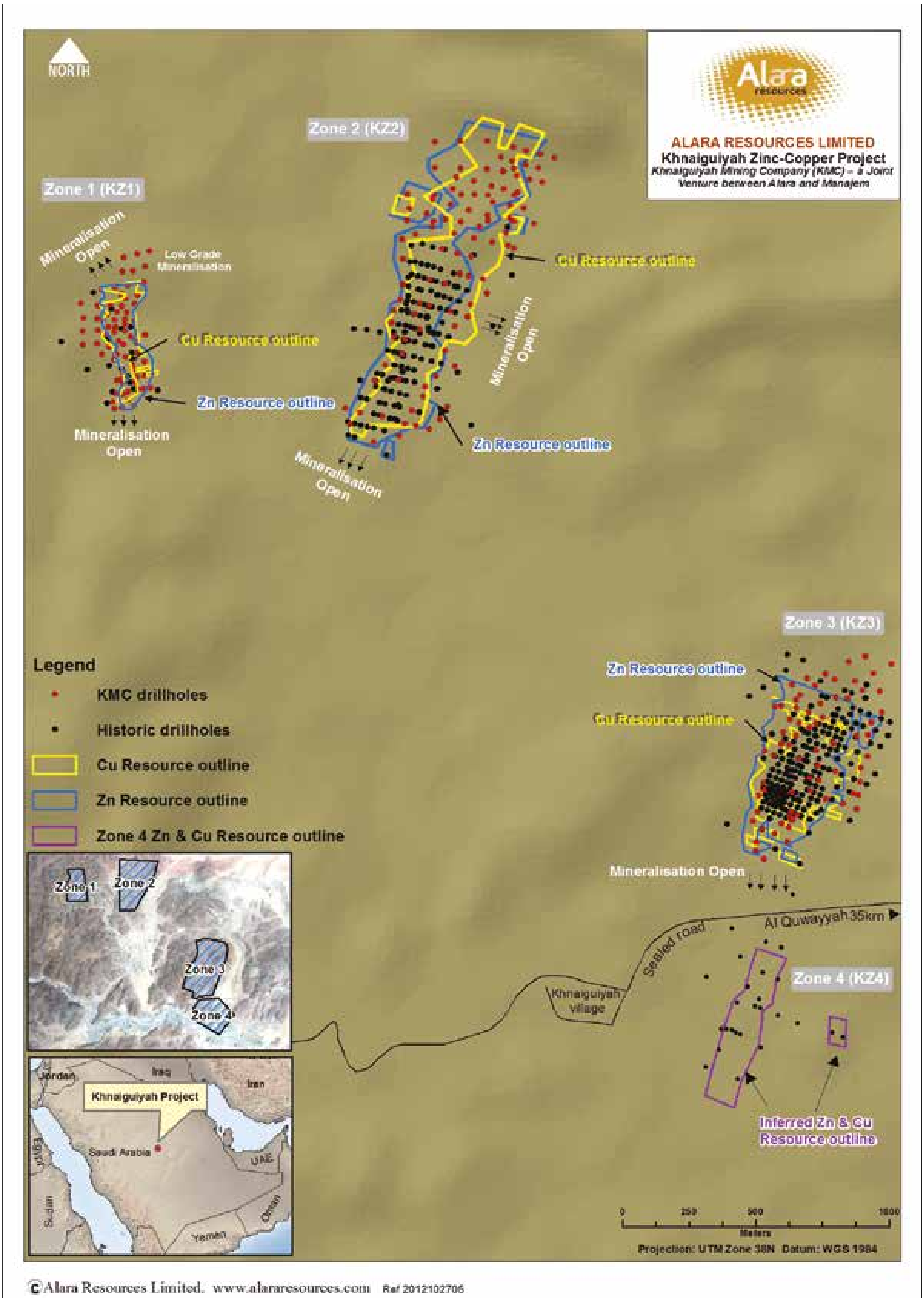
JORC Reserve Statement

JORC Ore Reserves

Mineralised Zone	Proved			Probable			Proved + Probable		
	Mt	Zn%	Cu%	Mt	Zn%	Cu%	Mt	Zn%	Cu%
KZ1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
KZ2	8.75	2.6	0.32	1.20	3.8	0.44	9.95	2.7	0.34
KZ3	8.21	4.1	0.27	6.08	2.7	0.05	14.28	3.5	0.17
Total (All Pits)	17.73	3.4	0.29	8.35	3.1	0.13	26.08	3.3	0.24

* Based on JORC Code, 2004 edition

KHNAIGUIYAH PROJECT



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

Notes:

Ore Reserve assessed using the Net Smelter Return (NSR) method to generate an economic cut-off. This method was considered to provide the best representation of value contained within the Mineral Resources. The NSR cut-off was estimated on a mine gate sale basis and accounts for pricing assumptions, process plant recovery, transport costs, TC/RC and smelter deductions.

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JORC Resource Statement

JORC Measured and Indicated Zinc (Domain 1) and Zinc/Copper (Domain 2) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Measured	1 and 2	KZ1, KZ2	9.65	3.37	0.16	1.50
		KZ3	6.37	5.28	0.25	1.50
Indicated		KZ1, KZ2	3.12	4.45	0.30	1.50
		KZ3	6.18	3.55	0.05	1.50
Measured and Indicated		KZ 1, 2 and 3	25.32	4.03	0.17	1.50

JORC Measured and Indicated Copper (Domain 3) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper %	Cu Cut-off (%)
Measured	3	KZ1, KZ2	4.70	0.72	0.00
		KZ3	1.07	0.63	0.00
Indicated		KZ1, KZ2	1.59	0.54	0.00
		KZ3	1.16	0.43	0.00
Measured and Indicated		KZ 1, 2 and 3	8.53	0.64	0.00

JORC Inferred Zinc (Domain 1) and Zinc/Copper (Domain 2) Resource

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

* Based on JORC Code, 2004 edition

Notes:

Maiden JORC Resources announced on 21 February 2012 and upgraded on 12 and 30 October 2012

Khnaiguiyah contains four mineralised zones located within 1 to 2kms from a central area and ~3kms from each other. Within Mineralised Zones 1, 2 and 3, resource modeling has established 3 distinct ‘Domains’ as follows:

- “Domain 1” - has Zinc but no Copper
- “Domain 2” - has Zinc and Copper
- “Domain 3” - has Copper but no Zinc

A total of 315 holes totalling ~36,961m have been drilled by Alara; historically, 345 holes have been drilled totalling 45,000+ metres by BRGM and Ma’aden

Mineralisation is open in Zones 1, 2 and 3 and remains to be tested fully in Zone 4

For the location of Mineralised Zones 1 to 4 (KZ1 to KZ4), the JORC Resource outlines and drill hole locations

Additional Mineralisation Potential

KZ1 – Mineralisation drilled on 50x25m grid; shallow with low strip ratio; extends for 600m long; generally 300m wide; average 8-10m thickness and significantly, open at both ends to the north and south along strike

KZ2 – mineralisation extended a further 400m NE since maiden JORC Resource was calculated

KZ3 – mineralisation open to the south

KZ4 – previously drilled by BRGM; to be drilled to upgrade historical data

Joint Venture Management and Transfer of Mining Licence

- Under the KMC joint venture shareholders agreement **(SHA)**, Manajem will transfer the Khnaiguiyah Mining Licence (and other exploration licences) to KMC
- After the formation of KMC, Alara and Manajem entered into a further Mining Rights Agreement **(MRA)** in recognition that the transfer of the licences was in progress and to provide that until such time as they have been transferred to KMC, KMC shall be contractually entitled to develop the project consistent with the joint venture contemplated under the SHA
- The Mining Licence and related Exploration Licences are pending completion of transfer to KMC and are currently before the Saudi Department of Mines and Mineral Resources **(DMMR)**
- SIDF project financing will be provided (upon approval) to the relevant mining licence holder
- Other relevant regulatory approvals and permits required for the development of the project are also (generally) required to be filed in the name of the mining licence holder. Alara announced on 21 May 2013 that it had formally given notice to Manajem to request that they comply with their obligations under the SHA and rectify the matter of transfer of the Mining Licence (insofar as it relates to their involvement to facilitate the process). Alara has the option, inter alia, to suspend its obligations under the SHA. Due to the discussions and resulting outcomes from the parties there was no further action by either party. Alara has reserved its rights to do so if the matter of the transfer of the Mining Licence is not been resolved in due course
- Alara and Manajem have since been productively engaged to resolve outstanding issues in this regard and to address other KMC joint venture management and operational matters interrelated to the development of the Khnaiguiyah Project overall
- Alara acknowledges the assistance of all internal and external contributors in advancing the Khnaiguiyah Project to completion of a positive DFS in a relatively short period of two and a half years since the formation of the joint venture. Earlier in the year, Alara relocated Mr Justin Richard (Alara's General Counsel / Legal & Commercial Manager) to Riyadh to assume the Managing Director / CEO role for the KMC joint venture specifically and to represent Alara's interests in the Middle East region generally.

About Saudi Arabia

- Saudi Arabia considered to be a favourable investment destination, ranked 22nd in 2012 by the World Bank out of 185 countries in terms of "ease of doing business" and ranked 1st in the Middle East region (source: World Bank, Doing Business Project)
- Country benefits from developed infrastructure including roads and ports, low cost energy and in-country construction expertise
- SIDF supports local projects with financing (up to 75%) at sub-LIBOR rates and long 10 year tenure
- Tax – 20% corporate tax (nil personal tax rate)
- Royalties – nil
- 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$0.13/L (diesel)

OMAN PROJECTS

Alara has joint venture interests in four (copper-gold) exploration licenses in Oman extending over 692km^2, 5 mining licences pending grant totalling 10km^2 and 10 (base and precious metals) exploration licence applications pending grant totalling 2,677km^2.

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

Strategy

Alara's strategy in Oman has been 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.

Value add achievements:

- A core mineral resource has been discovered and delineated at the Washihi prospect and a smaller (high grade) satellite resource identified at the Daris-East prospect.
- A Scoping Study has been completed based on a central process plant at the main Washihi resource with inputs from the Daris, Mullaq and Al-Ajal prospects trucked in to take advantage of low fuel costs in Oman.
- To provide flexibility for future development, 5 mining licence applications have been lodged covering all 5 prospects across the Washihi and Daris Projects – Washihi (3km^2), Mullaq (3km^2), Al Ajal (1.5km^2), Daris-East (3.2km^2) and Daris 3A-5 (1.3km^2).
- To support these mining licence applications, key studies have been completed including scoping metallurgical test work on drill core samples, environment impact assessment studies, ground water monitoring programme and process water supply options study.

Although Oman continues to be a very prospective and attractive location for Alara and has synergies with its Middle East staff and skill set, for the short to mid-term the Company has and will decline its activity in this region to focus its energy on the rapid and successful development of the Khnaiguiyah Zinc-Copper Project in Saudi Arabia.

As a result of the significant upgrade in the Washihi Mineral Resource (announced in July 2013) and recent positive preliminary metallurgical test results coupled with the positive economic outcome of the Scoping Study, Alara is now strategically looking to divest its Oman Projects (in whole or in part) or seek other joint venture partners to fund the next phases of their development.

OMAN PROJECT

Scoping Study

A Scoping Study has been completed based on a 500,000 Mtpa throughput mining operation (with a 7 year mine life) with a central process plant at the core Washihi prospect. Alara notes that:

- The study indicates the potential for a robust project with relatively low capital investment and an early payback of capital development costs.
- The study was first initiated in mid-2012 at which time the full extent of the current Washihi JORC Resource was not known.
- The results of recently completed metallurgical test-work on drill-hole cores are encouraging and confirm the copper and gold recovery assumptions used in the study.
- The study is currently being updated to incorporate, amongst other matters, the additional resources and results of metallurgical test-work and to form the basis of the next stage feasibility study.

Washihi Copper-Gold Project

(Alara – 70% and right to earn up to 75% of Al Hadeetha Resources LLC, the holder of the mineral licences)

The Washihi Project comprises 3 prospects/exploration licences (Washihi, Mullaq and Al Ajal) totalling ~105km2 located approximately 80 to 160km east and southeast of Alara's Daris Copper-Gold Project. 3 Mining Licence applications covering 3 km2 at Washihi, 1 km2 at Mullaq and 1.5 km2 at Al Ajal have been filed.

JORC Mineral Resources

	Indicated Resource			Inferred Resource		
Cu % Cut off	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0.00	7.16	0.87	0.17	7.77	0.67	0.20
0.25	6.84	0.90	0.17	7.27	0.71	0.20
0.50	5.66	1.01	0.18	5.00	0..85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1.00	2.39	1.37	0.20	1.24	1.31	0.27

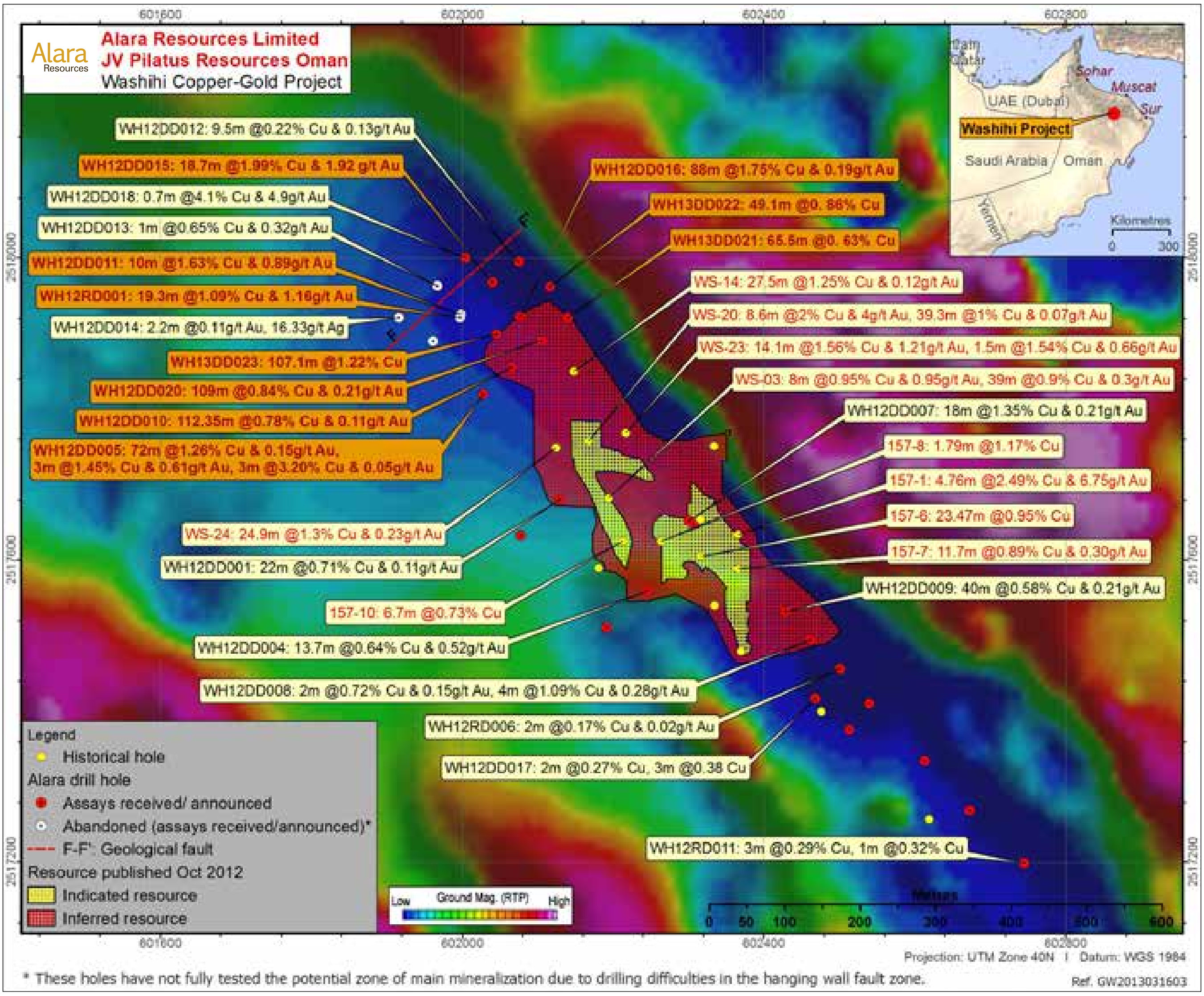
** Based on JORC Code, 2004 edition*

Notes:

Based on 69 holes totalling 10,668m (diamond core – 8,685m, RC - 898m and core-cum-RC – 1,085m) comprising 35 holes totalling 6,207m (diamond core – 4,224m, RC - 898m and core-cum-RC – 1,085m) drilled by Alara and verified historic drilling data from 34 holes totalling 4,461m (diamond core).

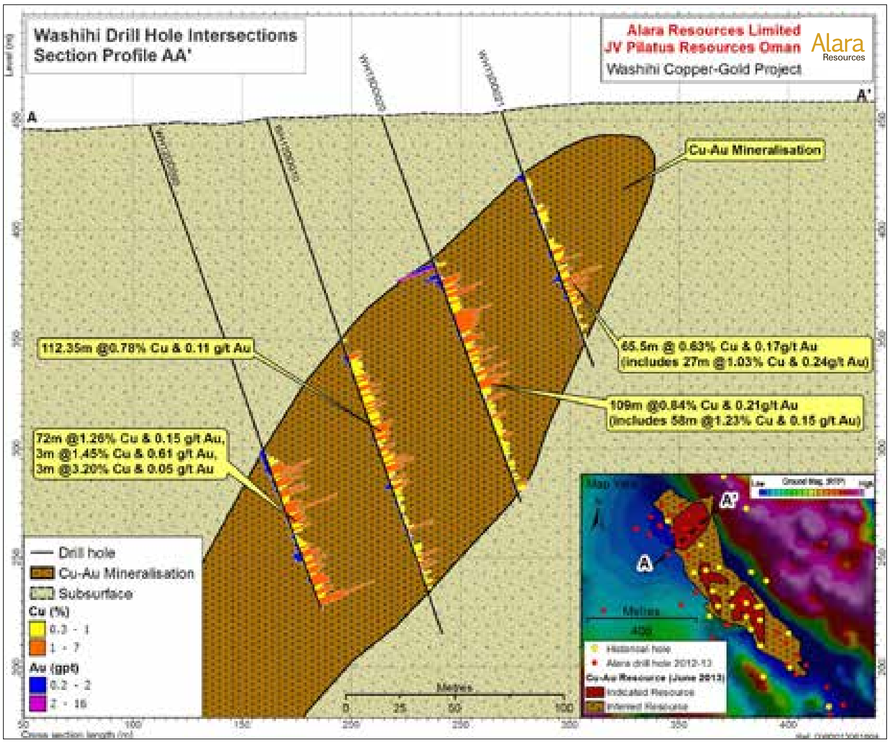
Refer Alara's ASX market announcement dated 16 July 2013: Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset for further information on the resource estimation methodology under the JORC Code (2004 edition).

OMAN PROJECT



Washihi Datamine Block Model over RTP ground magnetics image

OMAN PROJECT



Washihi drill-hole intersections along the discovery section

A total of 35 holes totalling 6,207m have been drilled by Alara across the 3 prospects/exploration licences on the Washihi Project since February 2012.

Highlights of key intersections encountered at the Washihi prospect are:

Washihi Significant Intersection Results from Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS - WASHIHI PROSPECT						
	Significant Mineralisation				Mineralised Zone	
Drill Hole	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
WH12DD010	Primary	112.65	225	112.35	0.78	0.11
	Inclusion	112.65	180	67.35	1.00	0.13
WH12DD015	Primary	116	134.7	18.7	1.99	1.92
	Inclusion	129	131	2	4.14	1.60
WH12DD016	Primary	67	155	88	1.75	0.19
	Inclusion	77	107	30	3.00	0.22
WH12DD020	Primary	71	180	109	0.84	0.21
	Inclusion	79	137	58	1.23	0.15
\WH13DD021	Primary	45.5	111	65.5	0.63	0.17
	Inclusion	66	93	27	1.03	0.24
WH13DD022	Primary	63.5	112.6	49.1	0.86	0.18
	Inclusion	78	107	29	1.15	0.20
WH13DD023	Primary	109.7	216.8	107.1	1.22	0.18
	Inclusion	140	145	5	2.10	0.22

Notes:

The cut-off grade is 0.2% Cu. In addition to cut-off, a natural break in assay (a marked change in grade) was also considered in calculation of intersections. Assays less than 0.2% Cu within primary interval are included as internal dilution.

Drill intercepts are reported as drilled; true thicknesses will be calculated at the interpretation and resource modeling stage. The drill intersections are approximately perpendicular to mineralisation and no significant difference is expected in true and intersection thicknesses.

The mineralisation in the north-western part is still open, albeit affected by the presence of a complex growth fault displacing mineralisation and associated with clay rich alteration zone saturated in ground water as observed in the holes WH12DD011 and WH12RD001 which had to be abandoned in mineralisation due to drilling difficulties.

The southeast extension drilling results appears to have defined the limit of significant mineralisation in that direction, where several RC holes have returned thin and low grade Cu-Au intersections.

Daris Copper-Gold Project

(Alara - 50% and the right to earn up to 70%+ of Daris Resources LLC, which has the right to commercially exploit the mineral licence)

The Daris Project comprises one exploration licence (Block 7) of ~587km2. 2 Mining Licence applications covering 3.2 km2 at the Daris East and 1.3 km2 at the Daris 3A-5 prospects have been filed.

JORC Mineral Resources

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

** Based on JORC Code, 2004 edition*

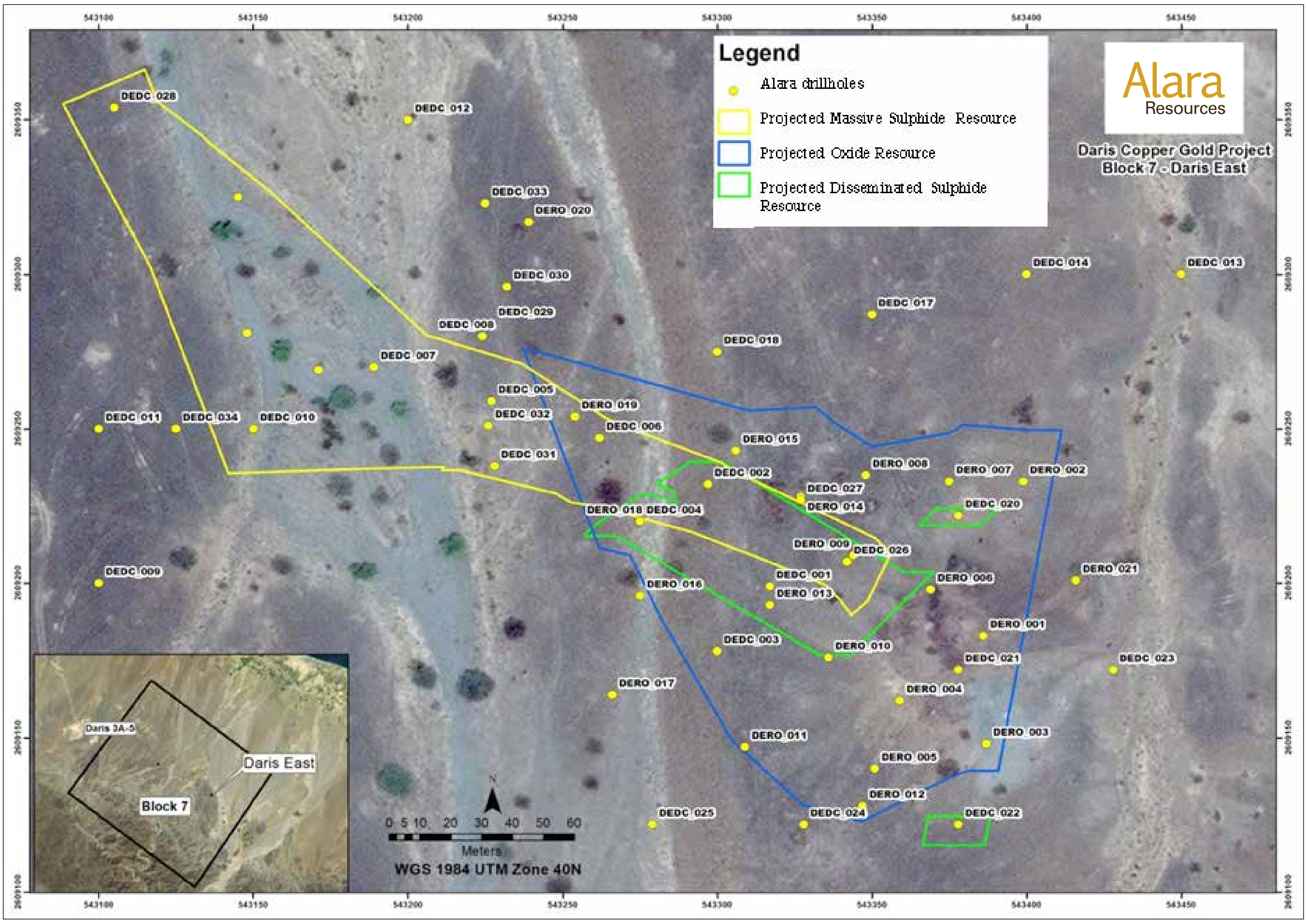
Notes:

A total of 21 rotary (624m) and 41 diamond core (4,654m) holes totalling 5,278m have been drilled by Alara to test shallow oxide mineralisation and to locate massive sulphide and stringer zones beneath the oxide cap at the Daris-East prospect, and to test geophysical targets in the vicinity.

In addition historic drilling data from 44 holes totalling 4,353m have been included in the resource database.

Refer Drillhole location figure for an outline of the distribution of the sulphide and oxide copper resource at the Daris East prospect with drill intersections utilised in the estimation of the JORC Resource.

OMAN PROJECT



Daris-East Drill hole Location and Resource Outlines

Mineralisation has been confirmed by Alara drilling at the two Daris prospects:

- Daris East prospect – 21 rotary and 41 diamond core holes have been drilled by Alara totalling 5,278m to test shallow oxide mineralisation and geophysical targets in the vicinity 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 by Alara totalling 857m to test shallow sulphide mineralisation around a known gossan.

Daris East Significant Intersections from Alara Core Drilling

Highlights of key intersections encountered at the Daris East prospect are:

Mineralised Zone - Significant Intersections – Daris East Prospect						
	Significant Mineralisation				Mineralised Zone	
Drill Hole	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
DEDC_001	Primary	25	35	10	1.12	0.02
	Inclusion	27.85	33	5.15	1.89	0.00
DEDC_002	Primary	2.3	15	12.7	0.32	0.00
	Inclusion	5	6.5	1.5	0.88	0.00
	Primary	31.85	52	20.15	4.04	0.21
	Inclusion	37	43.25	6.25	9.38	0.55
DEDC_003	Primary	1	21	20	0.87	0.03
	Inclusion	13	21	8	1.05	0.02
	Primary	23.5	37	13.5	0.55	0.01
	Inclusion	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
	Inclusion	52.3	56	3.7	5.88	0.97
DEDC_006	Primary	3.15	14	10.85	0.62	0.00
	Inclusion	10	12	2	1.70	0.01
	Primary	50.45	56	5.55	1.67	0.49
	Inclusion	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
	Inclusion	57	59	2	6.41	0.73
DEDC_010	Primary	12	25	13	1.03	0.40
	Inclusion	15.9	18	2.1	3.67	1.51
DEDC_021	Primary	0	27	27	0.67	0.02
	Inclusion	6	12	6	1.19	0.01
DEDC_023	Primary	60	61	1	5.27	0.02
DEDC_026	Primary	3	52	49	1.15	0.06
	Inclusion	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
	Inclusion	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
	Inclusion	25	27	2	1.29	1.23
DEDC_039	Primary	15	31	16	2.68	0.35
	Inclusion	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.

Highlights of key intersections encountered at the Daris 3A-5 prospect are:

Daris 3A-5 Significant Intersections from Alara Core Drilling

Mineralised Zone - Significant Intersections – Daris 3A-5 Prospect							
	Significant Mineralisation				Mineralised Zone		
Drill Hole	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.

LOOKING FORWARD

PLANNED FY2014 MILESTONES

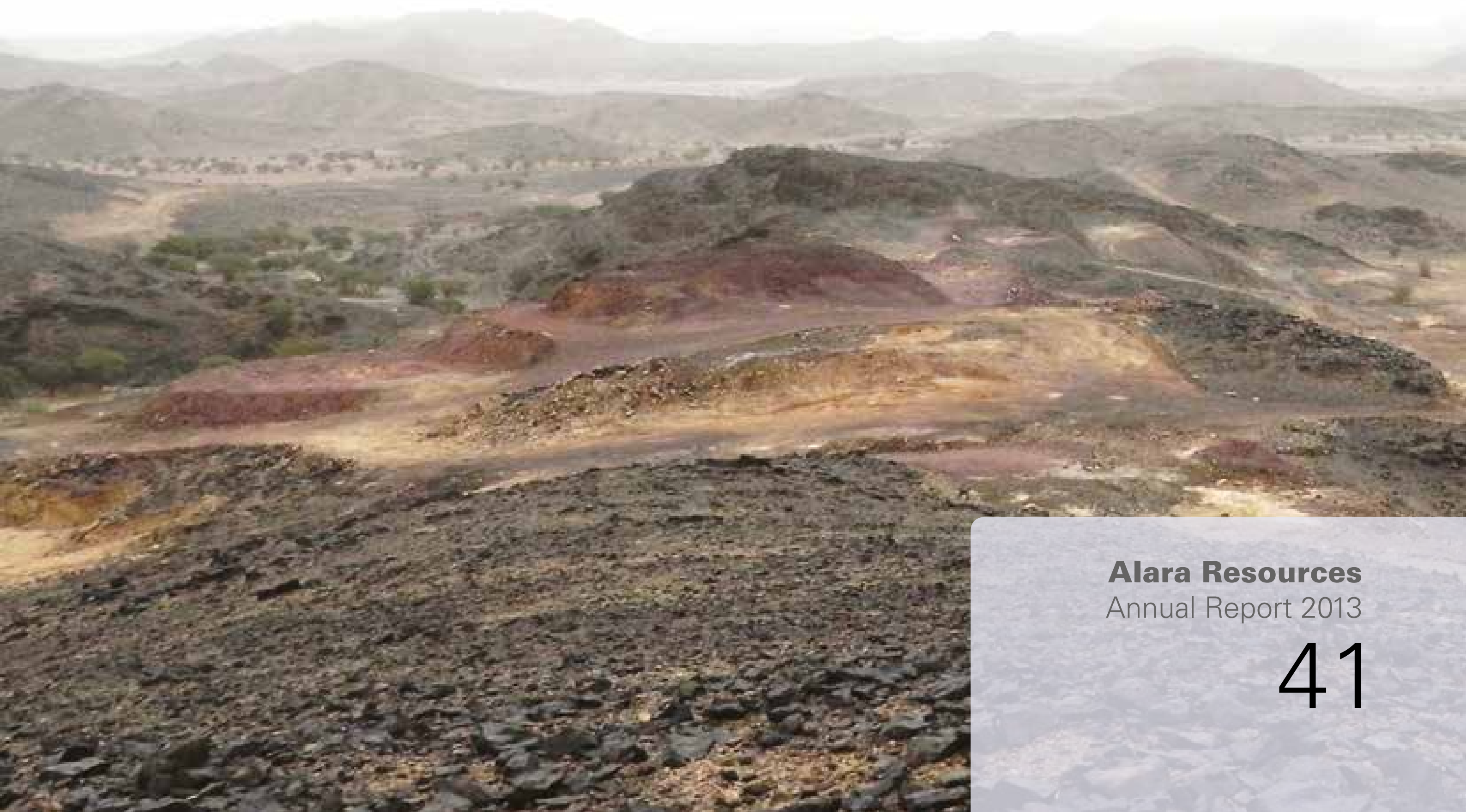
Board of Directors Restructure	July - January
Develop and then implement an Investor relations strategy and plan moving forward	August - December
Appoint a new Country Manager for Oman	September
Define the KMC JV relationship that will move the Project through finance, construction and operations	October - December
Develop and implement the staff development program and inaugural plan	October - December
Complete the update of the Oman JORC Mineral Resource and Scoping Study	November
Lodge SIDF (Saudi Industrial Development Fund) Project Finance Application	November
Finalise the partial/complete divestment of Oman assets	December
Joint Venture approval of KMC Project Director	January - March
Define the Owner’s team for the KMC Project	February - June
Possible early minor KMC project construction	April
Complete EPC contract for the KMC Project	April - May
Complete finance arrangements for KMC Project	June
Implement or initiate all required systems. Protocols and procedures required to commence KMC construction	June
Put in place KMC Project finance	January - June
Set up key and critical influential relationships and support in Saudi Arabia	July - December
Build and enhance Alara internal capability in order to move into construction and operations	January - December

CLOSING PAGES

"Alara is transitioning from being a mineral resource developer to a mine builder and operator"

"Alara respect the Company's key assets are its Joint Venture Partners, resources and people"

"Alara will achieve its goals through open, collaborative and respectful working relationships with its employees, partners, shareholders and stakeholders"



The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and the entities it controlled at the end of or during the financial year ended 30 June 2013 (the **Consolidated Entity** or **Group**).

REVIEW OF OPERATIONS

Review of Full Year's Activity

FY2013 – Successful Project Advancement and Progress towards Production

The past year for Alara was one of both successful completion of key study milestone stages (Definitive Feasibility Study and Scoping Study) in each of its key Middle East base metal Projects as well as the commencement of the transition from a resource developer to a mine operator toward the end of the year.

Although delayed due to a full review process being implemented, the Saudi Arabian Khnaiguiyah Zinc-Copper Project completed a successful definitive feasibility study for a 2Mtpa throughput open pit operation and announced these findings in April 2013. In turn the resource definition/expansion project on the combined Oman Daris/Washihi Copper-Gold Project was completed early in the year and subsequently the Project's 500ktpa Copper open mine operation scoping study was then finalised in Q3 FY2013. Both Projects showed positive and strong Project economics with both having significant Project mineralisation and economic upsides. It is worthy to note that both Projects are based on JORC Code (2004 edition) compliant Mineral Resources.

At year end the Khnaiguiyah Project was under Joint Venture review with the intent to move to the next stage of Project finance while the Daris/Washihi Project was being evaluated in regard to next steps. Given the advanced stage of the Khnaiguiyah Project and its material economic scope this Project is the core focus for the Company relative to its pending transition to a producer.

In addition to the Project and technical advancements the Company also made several executive/managerial changes in preparation for the transition to a mine producer. At year end Mr Shanker Madan moved from the role of Managing Director (MD) and transitioned out of the Company while Mr Philip Hopkins (with over 30 years international experience) has taken up the MD responsibility and begun preparing Alara Resources for their next stage of development. In turn the Company moved to sole or single occupied offices (from a shared office arrangement with non-mining companies). The Company is also amending its Board of Directors due to planned resignations.

The year underway for Alara Resources will be one of transition both internally and externally as the group prepares for construction of the Khnaiguiyah Project and explores the full potential of the Daris/Washihi Project.

Milestones and Achievements – 2013 in review

During the year ended 30 June 2013, Alara:

- Announced a maiden JORC reserve for the Khnaiguiyah Zinc/Copper Project on 18 April 2013.
- Completed a successful Scoping Study on the combined Daris/Washihi Project.
- Announced an upgraded JORC Mineral Resource on Washihi.
- Successfully completed the Definitive Feasibility Study (DFS) on the Khnaiguiyah Zinc/Copper Project.
- Increased the Company's interest in the Washihi Copper-Gold Project to 70%.
- Made the decision to withdraw from exploration projects in Chile on the basis that planned explorations programs had not returned sufficient geological results to continue.
- Relinquished Australian exploration tenements.
- Appointed a new Managing Director on 30 June 2013
- Initiated a strategic review of its Oman assets with a view to divestment or to maintain a strategic interest in these projects while effecting an equity sell down.

Milestones and achievements – 2014 forward looking

- Refund of $2.75 million (net of fees) received in September 2013 under the Federal Government's Research and Development (R&D) Tax Incentive Scheme for 2011/2012. 2012/2013 R&D claim anticipated to be between approximately $0.50 to $0.90 million (net of estimated fees).
- Submission of the project finance application to the Saudi Industrial Development Fund (SIDF) at the end of November 2013.
- Commence non-SIDF project/equity financing initiatives at the end of November 2013.
- Negotiation of commodity off-take agreements commencing in October 2013.
- Recruitment of project workforce in Saudi Arabia, including Project Director to commence in March 2014.
- Project construction is targeted to begin in July 2014 and take 18 months.
- Update of scoping study on the Daris and Washihi projects in Oman.
- Conclude the total/partial divestment in Oman.

Projects

Khnaiguiyah Zinc-Copper Project — Saudi Arabia

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

Background

During the year, the Company announced its Maiden JORC Reserve on its flagship Khnaiguiyah Zinc-Copper Project (KMC) in Saudi Arabia (Project).

In addition, the Company also successfully completed a Definitive Feasibility Study (DFS) on this Project. The DFS confirmed both the technical and financial robustness of the KMC Project.

The Company has refined its strategy and thus focus with the successful completion of this DFS.

This Project has now became the primary focus for Alara in the mid to short term.

JORC Ore Reserve Statement

On 18 April 2013, Alara announced its Maiden JORC Ore Reserve Statement which is summarised in the following table.

	Proved Reserve			Probable Reserve			Proved + Probable Reserve		
Mineralised Zone	**Mt**	**Zn %**	**Cu %**	**Mt**	**Zn %**	**Cu %**	**Mt**	**Zn %**	**Cu %**
K1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
K2	8.75	2.6	0.32	1.20	3.8	0.44	9.95	2.7	0.34
K3	8.21	4.1	0.27	6.08	2.7	0.05	14.28	3.5	0.17
Total (All Pits)	17.73	3.4	0.29	8.35	3.1	0.13	26.08	3.3	0.24

*Based on JORC Code, 2004 edition

The Ore Reserves were determined using the Net Smelter Return (NSR) method to generate an economic cut-off. This method was considered to provide the best representation of value contained within the Mineral Resources. The NSR cut-off was estimated on a mine gate sale basis and accounts for pricing assumptions, process plant recovery, transport costs, TC/RC and smelter deductions.

The Ore Reserves were estimated from within practical mining shapes designed from economic mining envelopes produced from Whittle pit optimisation software. Only regions within the Mineral Resource that were classified as Measured or Indicated and were above the NSR cut-off were included. No downgrading of classification was applied.

Completion of Positive DFS

On 30 April 2013, Alara announced the completion of a positive Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia (Project). A summary of the key results of the DFS are outlined in the table below:

Definitive Feasibility Study Financial Summary			
Zinc Production LOM			775,000 tonnes
Copper Production LOM			52,000 tonnes
Capex			US$257 million
Payback			2.8 years
LOM Project Revenue Using Base Case Zn/Cu Pricing			A$2,074 million
Forecast LOM EBITDA Using Base Case Zn/Cu Pricing			A$873 million
	Base Case	**High Case**	**Market Price**
Zn price	US$2,315/t	US$2,373/t	US$2,335/t
Cu price	US$6,114/t	US$7,070/t	US$7,070/t
TC/RC	US$180/t	US$180/t	US$203/t
NPV	A$170 million	A$255 million	A$120 million
IRR	23%	31%	18%
Assumed A$ to US$ over LOM	A$0.90 to US$1.00	A$0.90 to US$1.00	A$1.00 to US$1.00

Permits and Licences

Approvals currently granted to Manajem (JV partner) include the Mining Licence (ML) and Environmental Licence (EL). Also in place is the defined Water Pipeline Route. The Quantities of Water for the Mining Village permit is also approved however the qualities are yet to be specified.

The transfer of licenses for exploration and exploitation of the resource is covered by a Shareholders' Agreement (SHA) between Alara and Manajem as well as a Mining Rights Agreement between Alara, KMC and Manajem. The latter, among other things, contemplates KMC's rights to exploit the ML and its extensions as if these permits are held by KMC.

Approvals that are currently pending include the Exploration Licence Applications (areas of which cover parts of the proposed pit for Ore bodies K1, K2 and K3 defined under the DFS), the expansion of the ML and Industrial Water Extraction Rights. Approvals still to be applied for include the Environmental Certificate (Ports), Export License and Explosives Permits.

Way Forward

Project Financing

Alara has held a number of discussions with potential providers of project finance. In particular, representatives from the Saudi Industrial Development Fund (SIDF) have indicated that this organisation may be prepared to advance up to 75% of the total capital required for the Project at rates well below international finance markets.

Preparation of the SIDF loan application has begun. Lodgement of this SIDF application is planned for the end of November 2013 and it is anticipated that there will be a further 8–9 months thereafter before the final SIDF funding approval. Prior to final SIDF funding approval KMC will be required to complete the final 25% project finance and have this funding in place as the KMC joint venture partner's equity.

In alignment with the SIDF funding schedule, the amended Project start date is 1 July 2014. This start date remains under review as the details of the EPC mine development and joint venture partner matters are being advanced. This start date will still allow the joint venture partners to bring the mine into production in time for the expected up cycle in zinc metal prices in 2016–2019 (source: CRU Strategies marketing report).

Future Growth and Opportunities

There are several potentially material upside elements that relate to the planned mine and its construction and a review of these elements has commenced.

The DFS is based on currently known Mineral Resources which were limited by the extent of the drill program (limited by available exploration time and funds). All ore bodies are open along strike and depth. Significant upside exists for further discoveries along the host shear zones that have been mapped for several additional kilometres within the Exploration Licences. In turn many ancient workings remain unexplored.

With the completion of the DFS, the Company is now focused on both the finance and construction relating to the Khnaiguiyah Project as well as risk mitigation and opportunity capture within the project.

Washihi-Mullaq-Al Ajal Copper- Gold Project — Oman

(Alara 70%, Al Hadeetha Investments LLC 30%, of Al Hadeetha Resources LLC -formerly known as Pilatus Resources Oman LLC)

Background

The Washihi Project comprises three exploration licences of ~105km^2 located ~80–160km east and southeast of Alara's Daris Copper-Gold Project.

In connection with Alara increasing its interest to 70%, the joint-venture company holding the exploration licences changed its name from Pilatus Resources Oman LLC to Al Hadeetha Resources LLC.

A scoping study level of metallurgical test-work on drill-hole cores from Washihi was completed in July 2013. The test results are encouraging and confirm the copper and gold recovery assumptions used in Alara's Scoping Study.

JORC Mineral Resource Statement

The upgraded JORC Resource for the Washihi Prospect is outlined below:

	Indicated Resource			Inferred Resource		
Cut-off grade Copper %	Tonnes (million)	Copper %	Gold g/t	Tonnes (million)	Copper %	Gold g/t
0.00	7.16	0.87	0.17	7.77	0.67	0.20
0.25	**6.84**	**0.90**	**0.17**	**7.27**	**0.71**	**0.20**
0.50	5.66	1.01	0.18	5.00	0.85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1.00	2.39	1.37	0.20	1.24	1.31	0.27

*Based on JORC Code, 2004 edition

Daris Copper-Gold Project — Oman

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

Background

The Daris Project comprises one exploration licence (Block 7) of ~587km^2 located ~150km west of the capital city Muscat in Oman. The application for annual renewal of the exploration licence is pending along with two Mining Licence applications filed over Daris East and Daris 3A–5 prospects within the exploration licence.

A scoping study level of metallurgical test-work was completed in July 2013. The test results are encouraging and confirm the copper and gold recovery assumptions used in Alara's Scoping Study report.

JORC Mineral Resource Statement

The current JORC Resource for the Daris-East Prospect is outlined below:

		Measured		Indicated		Measured and Indicated		Inferred	
Ore type	Cut-off grade Copper %	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

*Based on JORC Code, 2004 edition

Way Forward

The recent JORC Resource upgrade relating to the Company's Washihi Project has provided the Company with a basis to complete a scoping study for both the Daris and Washihi Projects. It was intended that the Company will seek a divestment of these Projects however as a result of preliminary discussions with a number of interested parties the potential exists for Alara to retain an interest in its Oman Projects and continue on a 'project management basis' whereby Alara's involvement is funded by an external party.

The Company has commenced negotiations with a number of interested parties for its partial or full participation in Oman assets.

Status of Other Projects

Awtad Copper-Gold Project — Oman

(Alara right to subscribe for 10% initially with right to increase to 51% and subsequently 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; and
- Drilling results (including over the Al Mansur prospect) were low grade in general and inconclusive.

During the year, based on an assessment of the exploration work conducted to date and the exploration prospects for the Awtad Copper-Gold Project relative to Alara's other projects in Oman, a decision was made to withdraw from the project.

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 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 ~140km^2 and 22 applications for concessions covering a total area of 65km^2 across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

On 22 October 2012, the Company announced that it had 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. As such, the Company will exit the Project and relinquish its tenements.

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 ~40km^2. 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.

Based on an assessment of the exploration prospects for the Piedrecillas Copper-Silver Project relative to Alara's other projects in Saudi Arabia and Oman, the Company did not advance the next tranche (US$100,000) of option fee due to the vendors in May 2013 and thus the option on the Project was allowed to lapse.

Bigrlyi South Uranium Project Farm-Out Venture — Northern Territory

In June 2013, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) withdrew from its joint venture with Alara to earn a 70% interest in the Project.

Based on an assessment of the exploration prospects for the above tenements relative to Alara's other projects in Saudi Arabia and Oman, Alara has relinquished these tenements in August 2013.

Canning Well Project Manganese Farm-Out — Western Australia

Alara has not renewed Exploration Licence EL 46/629 upon expiry on 21 August 2012. This tenement was subject to a farm-out agreement 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.

DIRECTORS' REPORT

Board Changes

During the course of 2013, a number of Board changes were made.

Mr Philip Hopkins was appointed Managing Director of Alara on 30 June 2013 in line with the shift in the Company's focus from 'explorer and resource developer' to 'miner and producer'.

The Board wishes to thank former Managing Director Mr Shanker Madan (who retired on 25 July 2013) for his contribution to Alara since the Company's IPO in 2007.

The Board also wishes to thank Mr Farooq Khan (who retired on 31 August 2012) and Mr Doug Stewart (who retired on 31 August 2013) for their contributions to the Company as Directors.

In line with its renewed focus on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia, the Board is actively seeking to appoint a Director from Saudi Arabia whom has significant influence in Saudi Arabia.

Challenges

During the year, the Company felt it necessary to give notice of its intention to suspend its obligations as a joint venture partner in the Khnaiguiyah Zinc-Copper Project. Whilst it reserves its rights under the Shareholders Agreement it has with its joint venture partner (the United Arabian Mining Company LLC), the Company has decided not to suspend at this stage, but retains the right to pursue all avenues open to it under the Shareholders' Agreement.

Instead, the Company has sought to redeem the spirit of this Shareholders' Agreement and intends to continue on this path while progress is being made.

Corporate Review

In order to maintain efficient working capital, the Company recognises that maintaining strict controls over its cash is a priority.

A number of cost reduction strategies were enacted during the year and these included a review of personnel (in each geographic location) as well as relocating its corporate head office.

The Company is well prepared to maintain sufficient working capital for the next 20+ months.

Closing Statement

For the immediate future (FY2014 underway) and FY2015 the Company will look to advance the Saudi Arabian Khnaiguiyah Project to the point where FY2015 is a full construction year.

In turn in Oman the focus will be on determining the best way forward for the Daris/Washihi Project in order to realise value from the Company's investment.

The key success factor for all the work Alara Resources undertakes and moves forward will be the Company's Team at both the Board and Team levels. This will require the attainment of new skills and the application of forward looking best practices.

The Middle East and in specific the current Project pipe line is well suited and positioned to support Alara Resources transition from a resource developer to a mine development and operations company. Once both advanced Projects have met the next set of key milestones the Company will look to advance their overall project pipeline with similar ilk projects in the region.

STATUTORY INFORMATION

Corporate Information

Alara is a company limited by shares that is incorporated and domiciled in Australia.

Principal Activities

The principal activities of entities within the Consolidated Entity during the year were the ongoing exploration, evaluation and development of its mineral resource projects in Saudi Arabia and Oman.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Entity other than those listed in Review of Operations above.

Summary of Results

Full year total comprehensive loss was $7,027,795 (2012: $3,286,445 loss).

The increase in total comprehensive loss from 2012 is primarily the result of the Consolidated Entity writing off the carrying value of the Awtad Copper-Gold Project in Oman and the El Quillay Copper Project in Chile, which were relinquished during the financial year (as described in Review of Operations above). As a result, an impairment loss of $3,064,537 was recognised in the 2013 results (2012: $432,610).

Interest income revenue was significantly reduced compared to 2012 as a result of lower cash balances held during 2013.

Corporate, administration, personnel and occupancy costs have decreased marginally in 2013 mainly due to no performance options being issued to Directors or employees in 2013.

Consolidated net cash outflows in 2013 (and 2012) were driven mainly by significant exploration and evaluation work carried out on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and across a number of copper-gold exploration projects in Oman. These activities were critical to the Company's value potential.

Operating Results

Consolidated	2013	2012
	$	$
Total revenue	283,074	1,725,912
Total expenses	(7,186,322)	(4,975,449)
Loss before tax	(6,903,248)	(3,249,537)
Income tax benefit	-	-
Loss after tax	(6,903,248)	(3,249,537)

Loss per Share

Consolidated	2013	2012
Basic and Diluted loss per share (cents)	(2.84)	(1.50)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	231,392,432	210,507,500

Financial Position

Outlined below is the Consolidated Entity's Financial Position and prior year comparison.

Consolidated Entity	2013	2012
	$	$
Cash	4,459,176	10,950,432
Financial assets held at fair value through profit or loss	142,956	393,128
Trade and other receivables	1,213,762	982,484
Resource projects	29,306,309	25,666,040
Other assets	5,923,885	3,688,176
Total assets	**41,046,088**	**41,680,260**
Trade and other payables	(3,385,495)	(3,865,407)
Provisions	(209,161)	(293,398)
Total liabilities	**(3,594,655)**	**(4,158,805)**
Net assets	**37,451,433**	**37,521,455**
Issued capital	60,958,659	53,477,409
Reserves	1,510,810	1,859,695
Accumulated losses	(24,777,812)	(18,061,494)
Parent interest	37,691,658	37,275,610
Non-controlling interest	(240,225)	245,845
Total equity	**37,451,433**	**37,521,455**

Dividends

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

Securities in the Company

Capital Raising

In October 2012, the Company completed a capital raising of $7.875 million through the placement of 31.5 million shares at $0.25 per share to professional and institutional investors (Placement). The Placement was managed by Petra Capital Pty Ltd and was within the Company's 15% placement capacity under the ASX Listing Rules.

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 towards the development of the Khnaiguiyah Project;
- Exploration, evaluation and development costs across the Consolidated Entity's other resource projects; and
- General working capital purposes.

Current Issued Capital

Fully paid ordinary shares and unlisted options on issue in the Company as at the date of this report are as follows:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
$0.35 (25 October 2014) Unlisted Options[1]	-	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[1]	-	2,000,000	2,000,000
$0.50 (25 May 2014) Unlisted Options[2]	-	400,000	400,000
$0.60 (25 May 2014) Unlisted Directors' Options[3]	-	250,000	250,000
$0.60 (25 May 2014) Unlisted Options[2]	-	250,000	250,000
$0.70 (25 May 2014) Unlisted Options[2]	-	250,000	250,000
$0.35 (22 August 2015) Unlisted Options[4]		400,000	400,000
Total	**242,007,500**	**7,200,000**	**249,207,500**

1 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.

2 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 27 May 2011.

3 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.

4 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 23 August 2010.

Summary of Unlisted Options Issued/Lapsed

The Company did not issue any unlisted options during or subsequent to the end of the financial year (up to the date of this report).

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

No. of Lapsed Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
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
500,000	16 September 2012	$0.55 (16 September 2012) Options	$0.55	16 September 2012
250,000	31 August 2013	$0.60 (25 May 2014) Unlisted Directors' Options	$0.60	25 May 2014
1,000,000	16 September 2013	$0.35 (16 September 2013) Options	$0.35	16 September 2013
16,400,000	16 September 2013	$0.35 (16 September 2013) Options	$0.35	16 September 2013

Unlisted options are proposed to be issued to the Managing Director (subject to approval at the upcoming 2013 annual general meeting of the Company) as outlined in the Remuneration Report below.

Likely Developments and Expected Results

The Consolidated Entity intends to continue its exploration, evaluation and development activities in relation to its mineral resource projects in future years. The results of these activities depend on a range of technical and economic factors and also industry, geographic and company specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the results of exploration and evaluation activities, the future course of markets or the forecast of the likely results of the Consolidated Entity's activities.

Environmental Regulation and Performance

The Consolidated Entity holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities of the various countries in which the Group operates. These licences, Acts and Regulations specify limits and regulate the management of discharges to the air, surface waters and groundwater associated with exploration and mining operations as well as the storage and use of hazardous materials. There have been no significant known breaches of the Consolidated Entity's licence conditions or of the relevant Acts and Regulations.

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.

Board of Directors

The names and details of the directors of the Company in office during the financial year and until the date of this report are as follows.

Names, qualifications, experience and special responsibilities of current Directors

Ian J Williams, AO — Non-Executive Chairman (since 10 May 2011)

BE(Elec), FAus IMM, FIE Aust — Appointed 30 November 2010 (as Non-Executive Director)

Experience

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.

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. 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.

Special Responsibilities

Mr Williams is Chairman of the Board, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

Other Directorships in Listed Companies in Past 3 Years

- Bougainville Copper Limited (ASX Code: BOC) (8 May 2008 to 8 April 2013)

DIRECTORS' REPORT

Philip H Hopkins — **Managing Director** (since 30 June 2013)

BSc (Mining Engineering), MBA, P.Eng, MAusIMM, MCIM — **Appointed 2 May 2013 (as Non-Executive Director)**

Experience

Mr Hopkins has +30 years' experience in the mining industry in leadership roles across operations, projects, commercial and executive matters. Mr Hopkins is a mining engineer and a graduate of the Banff School of Advance Management. He is also a registered professional engineer in Canada, South Africa, Papua New Guinea and Australia and a Competent Person under the JORC Code. He also holds a First Class Mine Manager status in several jurisdictions internationally.

His career has included work with Cominco Limited, Falconbridge Limited, Placer Dome Inc., BHP Billiton Limited and St Barbara Limited and has included international postings in Canada, Papua New Guinea, South Africa, Brazil and Australia. Mr Hopkins has mining experience in base metals (copper and nickel), gold and iron ore.

Other Directorships in Listed Companies in Past 3 Years

- South American Ferro Metals Limited (ASX Code: SFZ) (16 November 2011 to 5 March 2013)

William M Johnson — **Non-Executive Director** (since 1 July 2011)

MA (Oxon), MBA — **Appointed 26 October 2009 (as Executive Director)**

Experience

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.

Special Responsibilities

Mr Johnson is a Member of the Audit Committee.

Other Directorships in Listed Companies in Past 3 Years

- Strike Resources Limited (ASX Code: SRK) (since 14 July 2006)
- Bentley Capital Limited (ASX Code: BEL) (since 13 March 2009)
- Orion Equities Limited (ASX Code: OEQ) (28 February 2003 to 3 May 2013)

Retired Directors

The following Directors retired during or subsequent to the end of the financial year (up to the date of this report):

- Douglas Stewart (BSc, FAusIMM, FAIG) – Retired on 31 August 2013; appointed Non-Executive Director on 30 November 2010).
- Shanker Madan (Honours and Masters Science degrees in Applied Geology) – Retired on 25 July 2013; appointed Managing Director on 18 May 2007; transitioned to Non-Executive Director on 30 June 2013; and
- Farooq Khan (BJuris, LLB (UWA)) – Retired on 31 August 2012; appointed Executive Director on 18 May 2007; transitioned to Non-Executive Director on 1 July 2011.

Company Secretary

Victor P H Ho

BCom, LLB (UWA), CTA — Appointed 4 April 2007

Experience	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 Taxation 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.
Special Responsibilities	Mr Ho is Secretary of the Audit Committee and Remuneration and Nomination Committee.

Directors' Interests in Shares and Options

As at the date of this report, the relevant interests of the Directors in shares and options held in the Company are:

	Fully Paid Ordinary Shares	Options
Ian Williams	-	250,000 ($0.60, 25 May 2014)
Philip Hopkins	1,000,000	-
William Johnson	27,000	2,000,000 ($0.60, 25 October 2014) 1,000,000 ($0.35, 25 October 2014)
	1,027,000	**3,250,000**

Directors' Meetings

The number of meetings and resolutions of directors (including meetings of committees of directors) held during the year and the number of meetings (or resolutions) attended by each director were as follows:

	Board		Audit Committee		Remuneration Committee	
Name of Director	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings
Ian Williams	14	15	3	3	1	1
Shanker Madan	14	15	-	-	-	-
Douglas Stewart	15	15	3	3	1	1
William Johnson	14	15	1	3	1	1
Philip Hopkins	3	3	-	-	-	-
Farooq Khan	2	2	-	-	-	-

Audit Committee

The Audit Committee was established on 9 December 2010 and currently comprises Non-Executive Directors, Messrs Ian Williams and William Johnson. Mr Douglas Stewart was a member (as Chairman) until his retirement as a Director on 31 August 2013.

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 REPORT

The following information has been audited.

This remuneration 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.

Key Management Personnel

Directors	
Ian Williams	Non-Executive Chairman
Philip Hopkins	Managing Director (since 30 June 2013; appointed Director on 2 May 2013)
William Johnson	Non-Executive Director
Douglas Stewart	Non-Executive Director (retired on 31 August 2013)
Shanker Madan	Non-Executive Director (Managing Director between 18 May 2007 and 30 June 2013; retired on 25 July 2013)
Farooq Khan	Non-Executive Director (retired on 31 August 2012)
Executives	
Victor Ho	Company Secretary
Farooq Khan	General Manager, Corporate and Finance (ceased on 30 June 2013)
William Johnson	General Manager, Commercial and Joint Ventures (resigned on 25 March 2013)

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established on 9 December 2010 and currently comprises Non-Executive Directors, Mr Ian Williams (as Chairman) and Mr William Johnson. Mr Farooq Khan was a member until his retirement as a Director on 31 August 2012 and Mr Douglas Stewart was a member until his retirement as a Director on 31 August 2013.

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.

Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all 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.

The Board recognises that the performance of the Company depends upon the quality of its Directors and Executives. To achieve its financial and operating objectives, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre Executives.
- Structure remuneration at a level that reflects the Executive's duties and accountabilities and is competitive within Australia.

Remuneration Structure

The structure of non-executive director and senior executive (including the Managing Director) remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration (for non-executive directors) at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 26 May 2011 where shareholders approved an aggregate remuneration of $275,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each non-executive director receives a fee for being a director of the Company and for sitting on relevant board committees. The fee size is commensurate with the workload and responsibilities undertaken.

Managing Director and Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration is competitive by market standards.

Formal employment contracts are entered into with the Managing Director and senior executives. Details of these contracts are outlined later in this report.

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:

	2013	2012	2011	2010	2009
Basic loss per share (cents)	(2.84)	(1.50)	(3.84)	(2.24)	(11.01)
Dividend (cents per share)	-	-	-	-	-
Net Profit/(Loss) attributable to members	(6,579,965)	(3,151,331)	(4,450,971)	(2,100,889)	(8,864,354)
Volume weighted average share price (VWAP) (cents)	17	32	36	8	5

Fixed Remuneration

During the financial year, the Key Management Personnel of the Company are paid a fixed base salary/fee per annum plus applicable employer superannuation contributions, as detailed below (Details of Remuneration Provided to Key Management Personnel).

Performance Related Benefits/Variable Remuneration

Performance related benefits/variable remuneration payable to Key Management Personnel are disclosed in 'Employment Contracts' below. The Managing Director is paid a travel allowance (variable based on days of travel up to a capped amount per annum). No performance related benefits were paid to Key Management Personnel during the financial year.

Special Exertions and Reimbursements

Pursuant to the Company's Constitution, each Director is entitled to receive:

- 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.
- Payment for reimbursement of all reasonable expenses (including travelling 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.

Post-Employment Benefits

Other than employer contributions to nominated complying superannuation funds of Key Management Personnel (where applicable) and entitlements to accrued unused annual and long service leave (where applicable), the Company does not presently provide retirement benefits to Key Management Personnel.

The Company notes that 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.

Long Term Benefits

Other than early termination benefits disclosed in 'Employment Contracts' below, Key Management Personnel have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable).

Details of Remuneration Provided to Key Management Personnel

			Short-Term Benefits			Post-Employment Benefits	Other Long-Term Benefits	Equity Based Benefits	
			Cash Payments						
Key Management Person	Performance Related	Options Related	Directors' Fees	Salary and Allowances	Non-Cash Benefit	Superannuation	Long Service Leave	Options	Total
2013	%	%	$	$	$	$	$	$	$
Executive Directors:									
Shanker Madan(i)	-	-	-	382,038	-	33,793	-	-	415,831
Philip Hopkins(ii)	-	-	19,166	-	-	1,725	-	-	20,891
Non-Executive Directors:									
Ian Williams	-	-	55,979	-	-	25,875	-	-	81,854
Douglas Stewart	-	-	50,064	-	-	4,505	-	-	54,569
Farooq Khan(iii)	-	-	8,311	136,814	-	13,061	-	-	158,186
William Johnson(iv)	-	-	45,148	49,166	-	7,810	-	-	102,124
Company Secretary:									
Victor Ho	-	-	-	91,195	-	8,207	-	-	99,402

Notes: (i) Mr Madan transitioned from Managing Director to Non-Executive Director on 30 June 2013 and retired as a Director on 25 July 2013.

(ii) Mr Hopkins was appointed as Non-Executive Director on 2 May 2013 and transitioned to Managing Director on 30 June 2013.

(iii) Mr Khan resigned as a Non-Executive Director on 31 August 2012. His employment contract as General Manager, Corporate and Finance expired on 30 June 2013.

(iii) Mr William Johnson resigned from his position as General Manager, Commercial and Joint Ventures on 25 March 2013.

Details of Remuneration Provided to Key Management Personnel (continued)

			Short-Term Benefits			Post-Employment Benefits	Other Long-Term Benefits	Equity Based Benefits	
			Cash Payments						
Key Management Person	Performance Related	Options Related	Directors' Fees	Salary and Allowances	Non-Cash Benefit	Superannuation	Long Service Leave	Options	Total
2013	%	%	$	$	$	$	$	$	$
Executive Directors:									
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	-	-	-	91,195	-	8,100	-	-	98,100

Equity Based Benefits

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

The Company has previously granted unlisted options to Key Management Personnel (refer 'Details of Options Held By Key Management Personnel' below).

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

The Company proposes to seek shareholder approval at the upcoming 2013 annual general meeting to issue options to the newly appointed Managing Director, Philip Hopkins. This relates to a Long Term Incentive (LTI) options package under his employment agreement comprising a total of 10,000,000 unlisted options, each to acquire a share in the Company and with a term expiring three (3) years after the date of issue with exercise prices, as follows:

- Tranche 1 Options – 3,333,334 options each with an exercise price of $0.15 which will vest (i.e. able to be exercised) upon the attainment of Milestone 1 on or before 31 March 2014;
- Tranche 2 Options – 3,333,333 options each with an exercise price of $0.15 which will vest upon the attainment of Milestone 2 on or before 31 December 2014; and
- Tranche 2 Options – 3,333,333 options each with an exercise price of $0.20 which will vest upon the attainment of Milestone 3 on or before 31 December 2015.

Milestone 1 means the securing of licences in respect of the Khnaiguiyah Project (including the transfer of the Khnaiguiyah Mining Licence from Manajem to KMC and the issue of a water licence that satisfies the requirements defined within the Khnaiguiyah DFS).

Milestone 2 means the 'Commencement of Construction' in respect of the Khnaiguiyah Project on or before 1 June 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) after:

- A 'Decision to Mine' has been made by the Company; and
- The completion of 'Total Financing'.

Milestone 3 means the securing of a new mineral resources project for the Company with:

- Such project advanced to at least a preliminary feasibility study (pre-feasibility study) level; and
- The Board determining (in its unfettered discretion) to undertake a feasibility study on the project.

Further details in relation to the proposed options package will be disclosed in the AGM documentation as required under the Corporations Act and ASX Listing Rules.

DIRECTORS' REPORT

During and subsequent to the end of the financial year, unlisted options (previously issued to Key Management Personnel) lapsed without being exercised, as detailed below:

Name of KMP	No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Date of Issue	Original Expiry Date
D Stewart	250,000	31 Aug 2013	$0.60 (25 May 2014) Unlisted Directors' Options[3]	$0.60	26 May 2011	25 May 2014
S Madan	8,200,000	16 Sep 2013	$0.35 (16 Sep 2013)[5]	$0.35	16 Sep 2008	16 Sep 2013
F Khan	8,200,000	16 Sep 2013	$0.35 (16 Sep 2013) Unlisted Options[5]	$0.35	16 Sep 2008	16 Sep 2013
V Ho	700,000	16 Sep 2013	$0.35 (16 Sep 2013) Unlisted Options[6]	$0.35	16 Sep 2008	16 Sep 2013

5 Terms and conditions of issue are set out in a Notice of 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.

6 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.

Details of Options Held By Key Management Personnel

2013	Directors						Executive
	P. Hopkins	I. Williams	H.S. Madan	F. Khan	W. Johnson	D. Stewart	V. Ho
Options type		Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted
Balance at start of year	-	250,000	8,200,000	8,200,000	3,000,000	250,000[4]	3,350,000
Granted during year as compensation	-	-	-	-	-	-	-
Exercised during year	-	-	-	-	-	-	-
Lapsed during year	-	-	-	-	-	-	-
Acquired during year	-	-	-	-	-	-	-
Balance at 30 June 2013	-	250,000	8,200,000	8,200,000	3,000,000	250,000	3,350,000
Granted and vested during year	-	-	-	-	-	-	-
Vested and exercisable at 30 June 2013	-	250,000[7]	8,200,000[8]	8,200,000[8]	3,000,000[9]	250,000[7]	3,350,000[9]

2012	Directors					Executive
	I. Williams	H. S. Madan	F. Khan	W. Johnson	D. Stewart	V. Ho
Options type	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted
Balance at start of year	250,000	8,200,000	8,200,000	3,000,000	250,000	3,350,000
Granted during year as compensation	-	-	-	-	-	-
Exercised during year	-	-	-	-	-	-
Lapsed during year	-	-	-	-	-	-
Acquired during year	-	-	-	-	-	-
Balance at 30 June 2012	250,000	8,200,000	8,200,000	3,000,000	250,000	3,350,000
Granted and vested during year	-	-	-	-	-	-
Vested and exercisable at 30 June 2012	250,000	8,200,000	8,200,000	3,000,000	250,000	3,350,000

7 $0.60 (25 May 2014) Unlisted Directors' Options : 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.

8 $0.35 (16 September 2013) Unlisted Options : 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.

9 $0.35 (25 October 2014) Unlisted Options and $0.60 (25 October 2014) Unlisted Options : 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.

Employment Contracts

Newly appointed Managing Director, Philip Hopkins, is employed under an employment agreement dated 25 July 2013. His employment commenced on 30 June 2013 and there is no fixed term/termination date. The material terms are as follows:

- An annual base salary of $400,000 plus employer superannuation contributions and car parking; and
- A travel allowance of $250 per day (capped at $25,000 per annum) for travel away from home on company approved work related business.
- An Annual Short Term Incentive (STI) bonus scheme in respect of the 2013/2014 financial year defined as follows:

Milestone To Be Achieved	Cash Bonus Amount Payable	Milestone Achievement Date
‘Commencement of Construction’ after: (a) ‘Decision to Mine’ has been made by the Company; and (b) the completion of ‘Total Financing’ (i.e. project financing at the KMC level and equity or debt financing at the Alara company level), in respect of the Company’s Khnaiguiyah Zinc-Copper Project in Saudi Arabia held via joint venture company, Khnaiguiyah Mining Company LLC (**KMC**).	$200,000	On or before 1 May 2014
	$175,000	Between 2 May and 1 June 2014
	$150,000	Between 2 June and 1 July 2014
	$125,000	Between 2 July and 1 August 2014
	$100,000	Between 2 August and 1 September 2014
	$75,000	Between 2 September and 1 October 2014
	$50,000	Between 2 October 2014 and 30 June 2015
	No bonus is payable if this milestone is achieved after 30 June 2015	

- A Long Term Incentive (LTI) options package (subject to receipt of prior shareholder approval at the 2013 AGM) as detailed above (Equity Based Benefits).
- Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.
- Mr Hopkins may resign from his position and thus terminate this contract by giving one month’s written notice.
- The Company may terminate this employment agreement (without cause) by providing three month’s written notice. The Company may terminate the employment without notice if the Managing Director commits any act of serious misconduct in the discharge of his duties.

Details of the material terms of employment agreements entered by the Company with other 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); 30 June 2013 (date of expiry of agreement)	$375,000 annual base salary; A travel allowance of $250 per day (capped at $25,000 per annum) for travel away from home on company approved work related business; Employer superannuation contributions.	• 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. The agreement expired and Mr Madan ceased his role as Managing Director on 30 June 2013. He continued from 1 July 2013 as Non-Executive Director until his retirement on 25 July 2013. • 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 Corporations Act 2001, pay out an amount equivalent to the balance of entitlements due for the term. • Short-term incentive (STI) cash bonuses payable on attainment of defined milestones (related to completion of project and equity financing for the Khnaiguiyah Zinc-Copper Project) have not been triggered during the financial year and expired on 30 June 2013.
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)	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); 30 June 2013 (date of expiry of agreement)	$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); Employer superannuation contributions	• 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. Mr Khan's agreement expired and Mr Khan ceased his employment on 30 June 2013. • 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 Corporations Act 2001, pay out an amount equivalent to the balance of entitlements due for the term. • 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 – no bonus scheme has been established.
William Johnson (as General Manager, Commercial and Joint Ventures) (in addition to his role as Non-Executive Director)	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); 25 March 2013 (date of voluntary resignation)	$65,000 (in addition to $50,000 Non-Executive Director fees payable with effect from 1 July 2011); Employer superannuation contributions	

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
Victor Ho (as Company Secretary)	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)	$90,000; Amended to $92,160 (in December 2012); Employer superannuation contributions	• 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. The agreement expired on 30 June 2013; Mr Ho continues in his role as Company Secretary from 1 July 2013 on the same remuneration terms pending the execution of a fresh service agreement. • 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 Corporations Act 2001, 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 – no bonus scheme has been established.

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.

Employee Share Option Plan

The Company has an Employee Share Option Plan (the ESOP) which was last approved by shareholders at the 2011 annual general meeting held on 4 November 2011. 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 4 October 2011.

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.

Voting and Comments on the Remuneration Report at the 2011 Annual General Meeting

At the Company's most recent (2012) Annual General Meeting (AGM), a resolution to adopt the prior year (2012) Remuneration Report was put to a vote on a poll called by the Chairman and 76.90% of votes were cast in favour of adopting the Remuneration Report. No comments were made on the Remuneration Report at the 2012 AGM.

Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants during the year. The Board has established a policy that the Non-Executive Directors on 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.

Directors' and Officers' Insurance

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed 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:

- 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*).
- 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
$	$	$
28,000	10,950	38,950

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 73. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

Events Subsequent to Reporting 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:

Ian Williams
Chairman

Philip Hopkins
Managing Director

Perth, Western Australia

27 September 2013

AUDITORS' INDEPENDENCE DECLARATION

Grant Thornton

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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 2013, 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, 27 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Note	2013 $	2012 $
Revenue	3 (a)	283,074	1,725,912
Net loss on financial assets held at fair value through profit or loss	3 (b)	(250,172)	(482,475)
Impairment of exploration expenditure	3 (b)	(3,064,537)	(432,610)
Personnel	3 (b)	(2,128,383)	(2,076,140)
- Options remuneration (non-cash)	3 (b)	-	(117,217)
Occupancy costs	3 (b)	(574,350)	(480,089)
Foreign exchange movement	3 (b)	-	-
Finance expenses	3 (b)	(18,346)	(21,573)
Borrowing costs	3 (b)	(1,476)	(30,293)
Corporate expenses	3 (b)	(103,723)	(87,736)
Administration expenses	3 (b)	(1,045,335)	(1,247,316)
LOSS BEFORE INCOME TAX		**(6,903,248)**	**(3,249,537)**
Income tax benefit	4	-	-
LOSS FOR THE YEAR		**(6,903,248)**	**(3,249,537)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(124,547)	(36,908)
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		(124,547)	(36,908)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7,027,795)**	**(3,286,445)**
Loss attributable to:			
Owners of Alara Resources Limited		(6,579,965)	(3,151,331)
Non-controlling interest		(323,283)	(98,206)
		(6,903,248)	(3,249,537)
Total comprehensive loss for the year attributable to:			
Owners of Alara Resources Limited		(6,704,512)	(3,188,239)
Non-controlling interest		(323,283)	(98,206)
		(7,027,795)	(3,286,445)
Basic loss per share (cents)	7	(2.84)	(1.50)
Diluted loss per share (cents)	7	(2.84)	(1.50)

The accompanying notes form part of this consolidated financial statement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	4,459,176	10,950,432
Trade and other receivables	9	1,213,762	982,484
Other current assets	10	121,379	108,726
TOTAL CURRENT ASSETS		5,794,317	12,041,642
NON CURRENT ASSETS			
Financial assets held at fair value through profit or loss	11	142,956	393,128
Property, plant and equipment	12	242,998	314,390
Resource projects	13	29,306,309	25,666,040
Other non-current asset	14	5,559,508	3,265,060
TOTAL NON CURRENT ASSETS		35,251,771	29,638,618
TOTAL ASSETS		41,046,088	41,680,260
CURRENT LIABILITIES			
Trade and other payables	15	1,575,422	2,356,612
Provisions	16	209,161	293,398
TOTAL CURRENT LIABILITIES		1,784,583	2,650,010
NON CURRENT LIABILITIES			
Financial liabilities	15	1,810,072	1,508,795
TOTAL NON CURRENT LIABILITIES		1,810,072	1,508,795
TOTAL LIABILITIES		3,594,655	4,158,805
NET ASSETS		37,451,433	37,521,455
EQUITY			
Issued capital	17	60,958,659	53,477,409
Reserves	18	1,510,810	1,859,695
Accumulated losses		(24,777,812)	(18,061,494)
Parent interest		37,691,658	37,275,610
Non-controlling interest		(240,225)	245,845
TOTAL EQUITY		37,451,433	37,521,455

The accompanying notes form part of this consolidated financial statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2013

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest	Total
		$	$	$	$	$	$
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:							
Share placement	17	-	-	-	-	-	-
Share placement costs	17	-	-	-	-	-	-
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
Balance as at 1 July 2012		53,477,409	1,827,993	31,702	(18,061,494)	245,845	37,521,455
Foreign currency translation reserve		-	-	(124,547)	-	-	(124,547)
Net income and expense recognised directly in equity		-	-	(124,547)	-	-	(124,547)
Loss for the year		-	-	-	(6,579,965)	(323,283)	(6,903,248)
Total comprehensive loss for the year		-	-	(124,547)	(6,579,965)	(323,283)	(7,027,795)
Transactions with owners in their capacity as owners:							
Share placement	17	7,875,000	-	-	-	-	7,875,000
Share placement costs	17	(393,750)	-	-	-	-	(393,750)
Options lapsed during the year	18	-	(224,338)	-	224,338	-	-
Options issued during the year	18	-		-	-	-	-
Transactions with non-controlling interests		-	-	-	(360,690)	(162,787)	(523,477)
Balance as at 30 June 2013		60,958,659	1,603,655	(92,845)	(24,777,812)	(240,225)	37,451,433

The accompanying notes form part of this consolidated financial statement.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2013

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(3,861,639)	(2,828,510)
Interest received		284,911	1,331,701
NET CASHFLOWS USED IN OPERATING ACTIVITIES	8b	(3,576,728)	(1,496,809)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(17,503)	(251,262)
Payments for exploration and evaluation activities		(10,291,391)	(19,668,054)
NET CASHFLOWS USED IN INVESTING ACTIVITIES		(10,308,894)	(19,919,316)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing ordinary shares		7,875,000	-
Costs of issuing ordinary shares		(393,750)	-
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES		7,481,250	-
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(6,404,372)	(21,416,125)
Cash and cash equivalents at beginning of the financial year		10,950,432	32,240,581
Effect of exchange rate changes on cash		(86,884)	125,976
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	4,459,176	10,950,432

The accompanying notes form part of this consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

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 be focused on meeting the Consolidated Entity's business objectives and is mindful of the funding requirements to meet these objectives. The Directors consider the basis of going concern to be appropriate for the following reasons:

- Subsequent to the reporting date the Company has received a refund of $2.75 million (net of fees) under the Federal Government's Research and Development (R&D) Tax Incentive Scheme. The Company will also be lodging a claim in respect of eligible R&D expenditure incurred for the 2012/2013 financial year after the completion of its 2013 audited accounts which is expected to lead to an R&D refund of between approximately $0.50 to $0.90 million (net of estimated fees) (refer Note 24);
- Subsequent to the reporting date the Company is considering a full or part divestment of its Oman assets (refer Note 24) - the proceeds from any divestment will be used to supplement working capital;
- The current cash and liquid investments of the Consolidated Entity relative to its fixed and discretionary commitments;
- The contingent nature of certain of the Consolidated Entity's project expenditure commitments (refer Note 23);
- The ability of the Consolidated Entity to terminate certain of its agreements without any further on-going obligation beyond what has accrued up to the date of termination (refer Note 23);
- The underlying prospects for the Company to raise funds from the capital markets; and
- The fact that future exploration and evaluation expenditure are generally discretionary in nature (ie. at the discretion of the Directors having regard to an assessment of the progress of works undertaken to date and the prospects for the same) pursuant to relevant joint venture agreements and may be slowed or suspended as part of the management of the Consolidated Entity's working capital and other forecasted commitments.

The Directors are confident that the Consolidated Entity can 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 2013 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.

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 profit or loss and other comprehensive income.

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 LLC (Manajem). Pursuant to the shareholders' agreement a joint venture entity, Khnaiguiyah Mining Company LLC (KMC) (in which the Consolidated Entity has a 50% shareholding interest) was established and Manajem are required to transfer legal title to the mining licence and exploration licences over the Khnaiguiyah Project to KMC. As at 30 June 2013, these licences are pending completion of transfer to KMC. The Consolidated Entity has obtained independent advice confirming that valid and legally enforceable rights exist for KMC to commercially exploit the Khnaiguiyah Project. The financial statements have been prepared on this basis (refer notes 13, 22 and 23 for further disclosures). Should these legal rights not be enforceable, the carrying value of Resource Projects (Note 13) attributable to the Khnaiguiyah Project (approximately $24.2 million) would be impaired.

The Consolidated Entity has a valid and legally enforceable contractual right to commercially exploit the Daris Project held by Daris Resources LLC (in which the Consolidated Entity has a 50% shareholding interest) and does not hold the legal title to the mineral exploration licence (which is held by the other 50% shareholder of Daris Resources LLC. The financial statements have been prepared on this basis (refer notes 14 and 23 for further disclosures). Should these legal rights not be enforceable, the carrying value of Other Non-Current Assets (Note 14) attributable to the Daris Project (approximately $1.3 million) would be impaired.

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.

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.

1.7 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

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 statement of financial position 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 the reporting 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 include 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 statement of financial position.

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 or 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 or 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

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 reporting 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 or 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 profit or loss 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 profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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 profit or loss, 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 profit or loss.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

(a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

(b) income and expenses are translated at average exchange rates for the period; and

(c) 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 statement of financial position. These differences are recognised in profit or loss 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 profit or loss and other 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.

1.23 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 profit or loss and other 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 reporting 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.

1.24 Summary of accounting standards issued not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the current reporting period. The Consolidated Entity's assessment of the likely impact (where applicable) of relevant new pronouncements is as follows:

New/ revised pronouncement	Superseded pronouncement	Nature of change	Application date	Likely impact on initial application
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. 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: (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. (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. (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. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit or loss. 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. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: Classification and measurement of financial liabilities; and De-recognition requirements for financial assets and liabilities. Consequential amendments arising from AASB 9 are contained in AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures.	1 January 2015	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. 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. The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2015 and that the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

1.24 Summary of accounting standards issued not yet adopted (continued)

New/ revised pronounce-ment	Superseded pronounce-ment	Nature of change	Application date	Likely impact on initial application
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 Consolidated and Separate Financial Statements and AASB Interpretation 112 Consolidation – Special Purpose Entities. 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.	1 January 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. When this standard is first adopted for the year ended 30 June 2014, there is likely to be no material impact on the transactions and balances recognised in the financial statements.
AASB 11 Joint Ar-rangements	AASB 131 AASB Int 113	AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. 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 for liabilities 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.	1 January 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

1.24 Summary of accounting standards issued not yet adopted (continued)

New/ revised pronouncement	Superseded pronouncement	Nature of change	Application date	Likely impact on initial application
AASB 12 Disclosure of Interests in Other Entities	AASB 127 (in part) AASB 128 (in part) AASB 131 (in part)	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.	1 January 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. As this is a disclosure standard only, there is likely to be no material impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.
AASB 128 Investments in Associates and Joint Ventures	AASB 128 Investments in Associates	As a consequence of issuing AASB 10, AASB 11 and AASB 12, a revised version of AASB 128 has also been issued. AASB 128 incorporates the requirements in Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and guidance relating to the equity method for associates and joint ventures.	1 January 2013	When these revised standards are adopted for the first time for the financial year ending 30 June 2014, there is likely to be no material impact on the financial statements because they introduce no new requirements.
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 guidance on how to determine fair value when fair value is required or permitted by other Standards. 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.	1 January 2013	AASB 13 has been issued to: establish a single source of guidance for all fair value measurements; clarify the definition of fair value and related guidance; and 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). The entity is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there is likely to be no material impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

1.24 Summary of accounting standards issued not yet adopted (continued)

New/revised pronouncement	Superseded pronouncement	Nature of change	Application date	Likely impact on initial application
AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	None	AASB 2012-6 amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. It also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition from AASB 139 to AASB 9 in some circumstances.	1 January 2013	The entity will be able to provide transition disclosures, instead of restating comparatives, upon initial application of AASB 9.
AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments	None	AASB 2012-10 clarifies the transition guidance in AASB 10 Consolidated Financial Statements. It also provides additional transition relief in AASB 10, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities by limiting the requirement to provide adjusted comparative information only to the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, AASB 2012-10 removes the requirement to present comparative information for any periods beginning before the first annual reporting period for which AASB 12 is applied. Furthermore, AASB 2012-10 defers the mandatory effective date of AASB 10, AASB 11, AASB 12, AASB 127 Separate Financial Statements (August 2011) and AASB 128 Investments in Associates and Joint Arrangements (August 2011) for not-for-profit entities from 1 January 2013 to 1 January 2014.	1 January 2013	When these amendments are first adopted for the year ended 30 June 2014, they are unlikely to have any significant impact on the entity given that they are largely clarification of existing transitional provisions.
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	None	These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.	1 January 2014	When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

2. Parent Entity Information

The following information provided relates to the Company, Alara Resources Limited, as at 30 June 2013.

	2013 $	2012 $
Statement of Financial Position		
Current assets	4,251,774	7,570,744
Non-current assets	33,787,455	31,425,573
Total assets	38,039,229	38,996,317
Current liabilities	587,796	479,930
Non-current liabilities	-	-
Total liabilities	587,796	479,930
Net assets	37,451,433	38,516,387
Issued capital	60,958,659	53,477,409
Options Reserve	1,603,655	1,827,993
Accumulated losses	(25,110,883)	(16,789,015)
Total equity	37,451,433	38,516,387
Loss for the year	(8,546,205)	(2,509,370)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(8,546,205)	(2,509,370)

Notes to the Statement of Financial Position

(a) Current assets

(i) Cash and cash equivalents

Cash at bank	1,661,356	1,033,994
Term Deposits	2,527,807	6,417,677
	4,189,163	7,451,671

(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 the reporting 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.

Amounts owed by controlled entities	42,633,715	34,209,799
Provision for impairment	(6,162,416)	(3,352,651)
	36,471,299	30,857,148
Movement in loans to controlled entities		
Opening balance	34,209,799	13,654,524
Loans advanced	8,423,916	20,555,275
Closing balance	42,633,715	34,209,799
Movement in provision for impairment of receivables		
Opening balance	(3,352,651)	(3,352,651)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

2. Parent Entity Information (continued)

The following information provided relates to the Company, Alara Resources Limited, as at 30 June 2013.

	2013 $	2012 $
Provision for impairment recognised during the year	(2,809,765)	-
Provision for impairment on amounts receivable	(6,162,416)	(3,352,651)

Investment in Controlled Entities	Country of Incorporation	Date of Incorporation	Jun-13	Jun-12
Hume Mining Pty Limited	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%	100%
Alara Saudi Holdings Pty Limited (ASH)	Australia	5-Jun-13	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%
Al Hadeetha Resources LLC (formerly Pilatus Resources Oman LLC) (controlled entity of AOO)	Oman	6-Feb-07	75%	75%
Awtad Copper LLC (controlled entity of AOO) (was controlled entity of AOO)	Oman	24-Sep-09	Nil	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%	70%
Inversiones Alara Chile Limitada (IAC) (controlled entity of ACO)	Chile	31-Aug-11	100%	100%
El Quillay SpA (controlled entity of IAC)	Chile	21-Oct-11	100%	70%
Alara Resources Ghana Limited (subsidiary of AUQ)	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:

	2013 $	2012 $
(a) Revenue		
Interest	245,410	1,265,530
Foreign exchange movement	37,664	460,382
	283,074	1,725,912
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	250,172	482,475
Impairment of exploration expenditure	3,064,537	432,610
Personnel		
- cash remuneration	2,120,782	1,853,046
- options remuneration (non-cash)	-	117,217
- employee benefits	7,601	223,094
Occupancy expenses	574,350	480,089
Foreign exchange movement	-	-
Finance expenses	18,346	21,573
Borrowing cost - interest paid	1,476	30,293
Corporate expenses	103,723	87,736
Administration expenses		
- Communications	44,830	73,613
- Consultancy fees	103,348	90,793
-Travel, accommodation and incidentals	291,222	485,633
- Professional fees	296,041	247,722
- Insurance	58,195	29,384
- Depreciation	88,897	118,705
- Fixed assets written down	-	-
- Net loss on disposal of fixed assets	(1,359)	-
- Other administration expenses	164,161	201,466
	7,186,322	4,975,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

4. Income tax expense

	2013	2012
	$	$
(a) Income tax expense		
Current tax	-	-
Current year	-	-
Total income tax expense/(benefit) per statement of profit or loss and other comprehensive income	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(6,903,248)	(3,249,537)
Tax at the Australian tax rate of 30% (2012: 30%)	(2,070,974)	(974,861)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	132,611	311,923
Other deductible expenses	-	-
Other non-assessable income	(9,762)	(128,834)
Tax losses not brought to account	1,948,125	791,772
Income tax expense/(benefit) attributable to operating profit	-	-
Under/(over) provision in respect to prior years	-	-
Income tax expense/(benefit)	-	-
(c) Deferred tax liabilities not brought to account at 30%		
Other	(1,771,999)	(1,771,999)
Potential tax liability at 30%	(1,771,999)	(1,771,999)
(d) Deferred tax assets not brought to account at 30%		
Revenue losses	2,773,265	2,178,725
Other	541,355	496,416
Potential tax benefit at 30%	3,314,620	2,675,141

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.

Prior period error adjustment
In 2012 the Financial Statements disclosed an amount of unrecognised deferred tax liabilities of $8,690,783 and unrecognised deferred tax assets of $13,397,382 (net of 30% tax rate). The Company does not consider capitalised exploration and evaluation expenditure to be eligible for a tax deduction in Australia and as such has not recognised deferred tax assets/liabilities in relation to these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

5. Key management personnel disclosures

(a) Key management personnel compensation	2013	2012
	$	$
Directors		
Short-term employee benefits - cash fees and bonus and allowance	746,686	738,136
Post-employment benefits - superannuation	86,769	130,578
	833,455	868,714
Other key management personnel		
Short-term employee benefits - cash fees, bonus and allowance	91,195	90,000
Post-employment benefits - superannuation	8,207	8,100
	99,402	98,100

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report for the year ended 30 June 2013.

(b) Shareholdings of key management personnel	Balance at start of year	Balance at appointment/ cessation	Net changes	Balance at end of year
2013				
Directors				
Ian Williams	-	-	-	-
H. Shanker Madan	508,257	-	-	508,257
Farooq Khan	98,242	-	-	98,242
William Johnson	27,000	-	-	27,000
Douglas Stewart	-	-	-	-
Philip Hopkins (appointed 2 May 2013)	-	-	-	-
Other key management personnel				
Victor Ho (Company Secretary)	18,413	-	(18,143)	-
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

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.

5. Key management personnel disclosures (continued)

(d) Unlisted option holdings of key management personnel	Balance at appointment/ start of year	Granted as compensation	Net changes	Balance at cessation/ end of year	Vested and exercisable
2013					
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
Philip Hopkins (appointed 2 May 2013)	-	-	-	-	-
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000
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

* 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

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:

	2013 $	2012 $
Grant Thornton Audit Pty Ltd - Auditors of the Consolidated Entity (Audit and review of financial reports)	28,000	36,000
Grant Thornton Australia Limited - related practice of Grant Thornton Audit Pty Ltd (Taxation services)	10,950	10,950
Moore Stephens Chartered Accountants - Auditors of Oman controlled entities (Audit and review of financial reports)	12,600	4,459
	51,550	51,409

7. Loss per share

	2013 $	2012 $
Basic loss per share (cents)	(2.84)	(1.50)
Diluted loss per share (cents)	(2.84)	(1.50)
Loss used to calculate loss per share ($)	6,579,966	3,151,332
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	231,392,432	210,507,500

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. Refer Note 18 for details of options on issue at reporting date.

Diluted loss per share is not different to basic loss per share as it does not increase the loss per share.

8. Cash and cash equivalents

	2013 $	2012 $
Cash in hand	67,742	41,296
Cash at bank	1,730,935	2,431,796
Term deposits	2,660,499	8,477,340
	4,459,176	10,950,432

Cash at bank includes USD$0.9 million (AUD$0.983 million) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of $130,600 (2012: $130,600) which has not been called up as at the reporting 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 4.15% (2012: 5.22%) with an average maturity of 85 days.

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	2013 $	2012 $
Loss after income tax	(6,903,248)	(3,249,537)
Net gain/(loss) on financial assets held at fair value through profit or loss	250,172	482,475
Impairment of exploration expenditure	3,064,537	432,610
Directors' and Employee options	-	117,217
Foreign exchange movement	(36,213)	(460,382)
Depreciation	88,897	118,705
(Increase)/Decrease in Assets:		
Trade and other receivables	41,322	(719,762)
Other current assets	(12,652)	(87,880)
Increase/(Decrease) in Liabilities:		
Trade and other payables	(3,273)	1,691,013
Provisions	(66,269)	178,732
Net cashflows used in from operating activities	(3,576,728)	(1,496,810)

(c) Non-cash financing and investing activities

Share based payments (Refer to Note 19)	-	48,938

9. Trade and other receivables

Current	2013 $	2012 $
Amounts receivable from:		
Sundry debtors	1,173,152	881,370
Goods and services tax recoverable	40,610	62,936
Other receivables	-	38,178
	1,213,762	982,484

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

10. Other current assets

	2013 $	2012 $
Prepayments	121,379	108,726

11. Financial assets held at fair value through profit or loss

	2013 $	2012 $
Listed investments at fair value	142,956	393,128

Net gains in the fair value of "financial assets at held fair value through profit or 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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

12. Property, plant and equipment

	Motor Vehicles	Office Equipment	Plant and Equipment	Total
At 1 July 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)
	50,568	152,761	111,061	314,390
At 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
Year ended 30 June 2013				
Carrying amount at beginning	50,568	152,761	111,061	314,390
Additions	707	1,945	27,811	30,463
Disposal	-	(2,137)	-	(2,137)
Depreciation expense	(21,389)	(41,382)	(36,947)	(99,718)
	-			-
Closing amount at reporting date	29,886	111,187	101,925	242,998
Year ended 30 June 2013				
Cost or fair value	98,010	212,956	191,022	501,988
Accumulated depreciation	(68,124)	(101,769)	(89,097)	(258,990)
				-
Net carrying amount	29,886	111,187	101,925	242,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

13. Resource projects

	2013	2012
	$	$
Opening balance	25,666,040	7,200,540
- Excess of consideration of resource projects acquired	-	-
- Exploration and evaluation expenditure	6,704,806	18,898,110
- Impairment of exploration and evaluation expenditure	(3,064,537)	(432,610)
Closing balance	29,306,309	25,666,040

As a result of the decision to withdraw from the El Quillay Project (Chile) and the Awtad Project (Oman) during the financial year, the Consolidated Entity has written-off capitalised exploration and evaluation expenditure of $3,603,177 in relation to these projects.

The Consolidated Entity has granted a number of security bonds totalling $132,690 (2012: $32,000) which has not been called up as at the reporting date.

14. Other non-current Assets

	2013	2012
	$	$
Excess of consideration of resource projects acquired	341,112	341,112
Costs incurred in relation to resource projects	5,218,396	2,923,948
	5,559,508	3,265,060

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 held by these entities have been classified as Other Non-Current Assets and not as Non-Current Assets (Resource Projects) as, at reporting date, the conditions precedent under the shareholder's agreements for the above entities were still outstanding.

15. Trade and other payables

	2013 $	2012 $
Current		
Trade payables	975,744	1,929,197
Other payables	599,678	427,415
	1,575,422	2,356,612
Non-Current		
Financial liabilities - owed to shareholders	1,810,072	1,508,795
	3,385,494	3,865,407

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

Financial liabilities relate to amounts owed to shareholders of controlled entities - Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia) owes USD$3 million to 50% shareholder, United Arabian Mining Company LLC (Manajem) with $1,508,795 being recognised (representing the element of this liability (50%) which has not been eliminated on consolidation) and Al Hadeetha Resources LLC (Oman) owes $301,277 to minority shareholders.

(a) Risk exposure

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

16. Provisions

	2013 $	2012 $
Current		
Employee benefits – annual leave	209,161	293,398
Closing balance	209,161	293,398

Amounts not expected to be settled within the next 12 months

The entire annual leave obligation is presented as current as 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 their accrued leave within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

17. Issued capital

	2013 No.	2012 No.	2013 $	2012 $
Fully paid ordinary shares	242,007,500	210,507,500	60,958,659	53,477,409

2012	No.	$
Balance as at 1 July 2011	210,507,500	53,477,409
- Share movement during the 2012 financial year	-	-
Balance as at 30 June 2012	210,507,500	53,477,409

2013	No.	$
Balance as at 1 July 2012	210,507,500	53,477,409
- Share placement at $0.25 per share	31,500,000	7,875,000
- Share placement costs	-	(393,750)
Balance as at 30 June 2013	242,007,500	60,958,659

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.

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

	2013 $	2012 $
Foreign currency translation reserve	(92,845)	31,702
Options reserve	1,603,655	1,827,993
	1,510,810	1,859,695

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 de-recognised when the investment is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

18. Reserves (continued)

Options reserve

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

	Grant date	Number of options	2013 $	2012 $
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	-	-	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	276,366	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	-	-	48,395
Unlisted options exercisable at $0.60; expiring 25 May 2014	26-May-11	-	-	44,757
Unlisted options exercisable at $0.70; expiring 25 May 2014	26-May-11	-	-	41,687
Unlisted options exercisable at $0.50; expiring 25 May 2014	02-Sep-11	200,000	33,072	33,072
Unlisted options exercisable at $0.60; expiring 25 May 2014	02-Sep-11	125,000	19,001	19,001
Unlisted options exercisable at $0.70; expiring 25 May 2014	02-Sep-11	125,000	17,594	17,594
Unlisted options exercisable at $0.50; expiring 25 May 2014	23-Dec-11	200,000	22,887	22,887
Unlisted options exercisable at $0.60; expiring 25 May 2014	23-Dec-11	125,000	12,908	12,908
Unlisted options exercisable at $0.70; expiring 25 May 2014	23-Dec-11	125,000	11,753	11,753
		24,850,000	1,603,655	1,827,993

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

(i) 500,000 lapsed unlisted $0.55 (16 September 2012) Options amounted to $89,500.
(ii) 300,000 lapsed unlisted $0.50 (25 May 2014) Options amounted to $48,395.
(iii) 300,000 lapsed unlisted $0.60 (25 May 2014) Options amounted to $44,757.
(iv) 300,000 lapsed unlisted $0.70 (25 May 2014) Options amounted to $41,687.

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 that were issued for nil consideration.

Equity based remuneration (refer to Note 19)

During the year, no options were issues to employees or directors.

19. Share based payments

During the year, no options were issued to employees or directors.

A total of 1,400,000 unlisted options lapsed during the year being 500,000 unlisted (16 September 2012) options and 900,000 unlisted (25 May 2014) options.

			Movement during the year					As at 30 June 2013	
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Lapsed**	**Closing balance**	**Vested and exercisable**	**Fair value $**
Directors									
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
Employees									
27-Jul-07	16-Sep-12	$0.55	500,000	-	-	(500,000)	-	-	-
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	276,366
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	300,000	-	-	(300,000)	-	-	-
26-May-11	25-May-14	$0.60	300,000	-	-	(300,000)	-	-	-
26-May-11	25-May-14	$0.70	300,000	-	-	(300,000)	-	-	-
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
Weighted average exercise price			26,250,000	-	-	(1,400,000)	24,850,000	24,850,000	1,603,655
Weighted average exercise price			0.39	-	-	0.39	0.38	0.38	

The weighted average balance of the contractual term of the options outstanding at the reporting date was 1.0 year.

There were no shares issued as a result of the exercise of any options during the year (2012: 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.

19. Share based payments (continued)

Date of issue	Description of unlisted options	Vesting criteria	Share price at grant date	Risk free rate	Price volatility
17-Sep-08	$0.35 (16 Sep. 2013) Options	75% on grant and 25% on 16 Sep. 2009	$0.07	5.46%	95%
17-Sep-08	$0.35 (16 Sep. 2013) Options	50% on 16 Mar. 2009, 25% on 16 Sep. 2009 and 16 Mar. 2010	$0.07	5.46%	95%
26-Oct-09	$0.60 (24 Oct. 2014) Options	Vested at the date of the issue of the options	$0.24	5.57%	95%
26-Oct-09	$0.35 (24 Oct. 2014) Options	Vested at the date of the issue of the options	$0.24	5.57%	95%
30-Nov-09	$0.60 (24 Oct. 2014) Options	Vested at the date of the issue of the options	$0.19	4.95%	95%
30-Nov-09	$0.35 (24 Oct. 2014) Options	Vested at the date of the issue of the options	$0.19	4.95%	95%
30-Nov-09	$0.35 (24 Oct. 2014) Options	Vested at the date of the issue of the options	$0.19	4.95%	95%
23-Aug-10	$0.35 (22 Aug. 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 2013

20. Segment information

The Board has considered the activities/operations and geographical perspective within the operating results and have determined that the Consolidated Entity operates in the resource exploration, evaluation and development sector within geographic segments - Australia, Saudi Arabia, Oman, Chile and Peru.

	Resource Projects Australia	Oman	Saudi Arabia	Peru	Chile	Total
2013	**$**	**$**	**$**	**$**	**$**	**$**
Total segment revenues	-	-	-	-	-	-
Total segment loss before tax	(5,898,065)	(542,601)	(554,953)	(8,973)	101,344	(6,903,248)
Total segment assets	25,244,950	5,907,784	9,686,129	56,831	7,438	40,903,132
Total segment liabilities	(1,261,140)	(448,845)	(1,884,670)	-	-	(3,594,655)
2012						
Total segment revenues	-	-	-	-	-	-
Total segment loss before tax	(2,105,176)	(285,407)	(338,613)	(458,031)	(62,310)	(3,249,537)
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)

(a) Reconciliation of segment information	2013	2012
	$	$
(i) Total segment revenues		
Interest	245,410	1,265,530
Foreign exchange movement	37,664	460,382
Total Revenue as per Statement of Profit or Loss and Other Comprehensive Income	283,074	1,725,912
(ii) Total segment assets	40,903,132	41,287,132
Financial assets at held fair value through profit or loss	142,956	393,128
Total Assets as per Statement of Financial Position	41,046,088	41,680,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2013

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, evaluation and development. The main risks arising from the Consolidated Entity's financial instruments are market (which includes price, interest rate and foreign exchange risks), credit 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:

Financial assets	**2013**	**2012**
	$	**$**
Cash and cash equivalents	4,459,176	10,950,432
Trade and other receivables	1,213,762	982,484
Financial assets at fair value through profit or loss	142,956	393,128
	5,815,894	12,326,044
Financial liabilities at amortised cost		
Trade and other payables	(3,385,495)	(3,865,407)
	(3,385,495)	(3,865,407)
Net Financial Assets	2,430,399	8,460,637

(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 comprises shares in Strike Resources Limited (ASX code: SRK) at reporting 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.

21. Financial risk management (continued)

(a) Market Risk

(i) Price risk (continued)

	2013 $	2012 $
Change in profit		
Increase by 15%	21,443	58,969
Decrease by 15%	(21,443)	(58,969)
Change in equity		
Increase by 15%	21,443	58,969
Decrease by 15%	(21,443)	(58,969)

(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 4.15% (2012: 5.22%).

	2013 $	2012 $
Cash at bank	1,730,935	2,431,796
Term deposits	2,660,499	8,477,340
	4,391,434	10,909,136

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 risks 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:

	2013 $	2012 $
Change in profit		
Increase by 3%	133,775	328,513
Decrease by 3%	(133,775)	(328,513)
Change in equity		
Increase by 3%	133,775	328,513
Decrease by 3%	(133,775)	(328,513)

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 reporting 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:

	2013 USD	2012 USD
Cash and cash equivalents	914,470	1,833,716
Trade and other receivables	-	-
Trade and other payables	(455)	(32,448)
	914,015	1,801,268)

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:

	2013 $	2012 $
Cash and cash equivalents		
AA	4,391,434	10,909,135
A	-	-
BBB	-	-
C+	-	-
No external credit rating available	67,742	41,296
	4,459,176	10,950,431
Trade and other receivables (due within 30 days)		
No external credit rating available	1,213,762	982,484

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.

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:

2013	Less than 6 months $	6-12 months $	1-5 years $	Total $
Financial assets				
Cash and cash equivalents	4,459,176	-	-	4,459,176
Trade and other receivables	1,213,762	-	-	1,213,762
	5,672,938	-	-	5,672,938
Financial liabilities				
Trade and other payables	(1,575,422)	-	(1,810,072)	(3,385,494)
Net inflow/(outflow)	4,097,516	-	(1,810,072)	2,287,444
2012				
Financial assets				
Cash and cash equivalents	10,950,431	-	-	10,950,431
Trade and other receivables	982,484	-	-	982,484
	11,932,915	-	-	11,932,915
Financial liabilities				
Trade and other payables	(2,356,612)	-	(1,508,795)	(3,865,407)
Net inflow/(outflow)	9,576,303	-	(1,508,795)	8,067,508

(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 reporting date are set out in Note 9 and Note 11. The financial liabilities at reporting 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).

21. Financial risk management (continued)

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value:

	Level 1	Level 2	Level 3	Total
2013	**$**	**$**	**$**	**$**
Financial assets held at fair value through profit or loss				
Listed investments at fair value	142,956	-	-	142,956
2012				
Financial assets held at fair value through profit or loss				
Listed investments at fair value	393,128	-	-	393,128

22. Commitments

	2013	2012
	$	**$**
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Not longer than one year	-	-

(b) On 15 July 2013, the Company entered into a non-cancellable operating lease commitment in respect of its office in West Perth, Western Australia. The commitment totals approximately $115,572 in the first 12 months (including outgoings and exclusive of GST). The lease is for a 5 year term expiring on 14 July 2018 and contains a fixed 4% rent review increase each year.

(c) 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$5.77 million based on a current exchange rate of A$1.00/3.47 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%).

(d) A condition of the Khnaiguiyah Mining Licence is the payment of a nominal annual surface rental based on the area of the mining licence.

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$3.654 million (including advance payments of US$2.22 million in respect of the tranches payable Under the Shareholders Agreement with US$3.846 million payable (US$1.836 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$0.32 per share based on the current A$1.00/US$0.92 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%).

23. Contingent assets and liabilities (continued)

To the extent that further funding is required, Alara is entitled to advance up to S$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.

DarisCo is governed by a 6 member board of directors with 3 nominees from Alara and 3 nominees from ATTE. Alara maintains the right to appoint the Chairman of DarisCo.

(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 nominees 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) 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. The project licenses' had an initial term of five years (ending on 29 October 2012) and are now subject to a renewal application by Manajem.

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. The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US$1 million funding into MMC within two years of the date of fulfilment of the conditions precedent.

23. Contingent assets and liabilities (continued)

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.

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 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. Alara's Managing Director will be the Chairman of MMC.

(g) 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, Al Hadeetha Resources LLC (formerly Pilatus Resources Oman LLC) ('Al Hadeetha') and the then shareholders of Al Hadeetha. An Amendment Agreement between Alara and Al Hadeetha Investments LLC dated 3 August 2013 acknowledges Alara now holds a 70% shareholding in Al Hadeetha and Al Hadeetha Investments LLC ('AHI') holds 30%.

Post completion of a definitive feasibility study, the Al Hadeetha Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If AHI decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay Al Hadeetha the amount which AHI were required to contribute under their payment notice and Alara shall increase its economic interest in Al Hadeetha to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of AHI until such time that 25% of the total amount required under the payment notices is repaid to Alara. If a Al Hadeetha 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 Al Hadeetha.

Al Hadeetha is governed by a 3 member board of directors with 2 nominees appointed by Alara and 1 nominee appointed by the Al Hadeetha Investments LLC (30% shareholder). Alara's Managing Director is the Chairman and Managing Director of Al Hadeetha.

(h) 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 the reporting 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

(a) The Company has received a refund of $2.75 million (net of fees) under the Federal Government's Research and Development (R&D) Tax Incentive Scheme. Under the scheme, the Company was entitled to a cash refund of 45 cents per dollar spent on eligible R&D expenditure. The Company's claim relates to a portion of costs incurred in relation to the Definitive Feasibility Study undertaken on the Khnaiguiyah Zinc-Copper Project for the 2011/2012 financial year. The Company will also be lodging a claim in respect of eligible R&D expenditure incurred for the 2012/2013 financial year after the completion of its 2013 audited accounts. The 2012/2013 claim (subject to processing by the Australian Taxation Office) is expected to lead to an R&D refund of approximately $0.50 to $0.90 million (net of estimated fees).

(b) As part of a strategic review to improve shareholder returns, the Company has entered into Confidentiality Agreements with a number of interested parties in respect of its Oman assets. As at the date of this report negotiations are ongoing. Alara is considering a full divestment or a part divestment of its Oman assets in which case it will seek to maintain an interest in the Oman projects and participate in future development.

(c) The Company will seek shareholder approval at the upcoming 2013 annual general meeting to issue 10 million unlisted options to the new Managing Director, Philip Hopkins (appointed 30 June 2013). Details of the terms of the proposed options to be issued are outlined in the Remuneration Report.

No other matter or circumstance have 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 Profit or Loss and Other 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 75 to 113, are in accordance with the Corporations Act 2001 and:
   (a) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   (b) Give a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 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 59 to 71 (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.

Ian Williams
Chairman

Philip Hopkins
Managing Director

Perth, Western Australia

27 September 2013

INDEPENDENT AUDITORS' REPORT

Grant Thornton

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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 2013, the consolidated statement of profit or loss and other 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. The Directors' responsibility also includes such internal control as the Directors determine 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.

INDEPENDENT AUDITORS' REPORT

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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.

Electronic presentation of audited financial report
This auditor's report relates to the financial report of Alara Resources Limited and controlled entities for the year ended 30 June 2013 included on Alara Resources Limited's web site. The Company's Directors are responsible for the integrity of Alara Resources Limited's web site. We have not been engaged to report on the integrity of Alara Resources Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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 2013 and of its performance for the year ended on that date;

  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 24 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of

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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 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 27 September 2013

COMPLIANCE WITH CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS

The extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (with 2010 Amendments) as at 25 October 2013 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: • 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 delegated 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 Report 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.	Yes	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

CORPORATE GOVERNANCE STATEMENT (CGS)

Principle	Compliance	CGS References / Comments
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: • 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; • 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; • a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board; • 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. The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section: • 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.	Yes (as applicable)	Annual Report Website CGS
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.		

CORPORATE GOVERNANCE STATEMENT (CGS)

Principle	Compliance	CGS References / Comments
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 and 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: • any applicable code of conduct or a summary; and • the diversity policy or a summary of its main provisions.	Yes	Annual Report Website CGS
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: • 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.	Yes (in part)	4.2
4.3 The audit committee should have a formal charter.	Yes	Audit Committee Charter Website
4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4. The following material should be included in the corporate governance statement in the annual report: 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 explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: 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 Report Website CGS

CORPORATE GOVERNANCE STATEMENT (CGS)

Principle	Compliance	CGS References / Comments
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE Companies should promote timely and balanced disclosure of all material matters concerning the company		
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
5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5. An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report. 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.	Yes	Annual Report Website CGS
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS Companies should respect the rights of shareholders and facilitate the effective exercise of those rights		
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
6.2 Companies should provide the information indicated in Guide to Reporting on Principle 6. An explanation of any departures from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report. 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.	Yes	Annual Report Website CGS
PRINCIPLE 7: RECOGNISE AND MANAGE RISK Companies should establish a sound system of risk oversight and management and internal control		
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 STATEMENT (CGS)

Principle	Compliance	CGS References / Comments
7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7. The following material should be included in the corporate governance section of the annual report: • 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. 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.	Yes	Annual Report Website CGS
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear		
8.1 The board should establish a remuneration committee.	Yes	4.2
8.2 The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members	Yes (in part)	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 the Annual Report)
8.4 Companies should provide the information indicated in the Guide to Reporting on Principle 8. 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: • 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. • The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • 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 Report Website CGS

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 ("**Recommendations**") developed by the ASX Corporate Governance Council ("**Council**").

The Company's practices are largely consistent with the Recommendations - the Board considers that the implementation of a small number of Recommendations is not appropriate, for the reasons set out below in relation to the items concerned.

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

Details of the Recommendations can be found on the ASX website at:

http://www.asxgroup.com.au/corporate-governance-council.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 and 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 its members, appropriate external advice may be taken and reviewed prior to a final decision being made.

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 an 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 Company's latest Annual Report. A Director is generally initially appointed by the Board and retires (and may stand for re-election) at the next Annual General Meeting after their appointment.

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 the need for Directors to have a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management, public company administration and Director-level business or corporate experience, having regard to the scale and nature of the Company's activities. The diverse skills and corporate backgrounds of the Directors, disclosed in the Company's latest Annual Report, reflect the mix that the Board considers appropriate.

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 Company's latest Annual Report.

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 Philip Hopkins (appointed 30 June 2013) whose qualifications and experience are stated in the Company's latest Annual Report. The previous Managing Director (since 18 May 2007), Mr H. Shanker Madan, transitioned to Non-Executive Director on 30 June 2013 and retired as a Director on 25 July 2013.

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. The Board has a majority of independent Non-Executive Directors. Messrs Ian Williams (also Chairman), John Hopkins (appointed October 2013) and William Johnson (retiring on 31 October 2013) are Non-Executive Directors of the Company, whose qualifications and experience are stated in the Company's latest Annual Report. Former Non-Executive Directors Mr Douglas Stewart retired on 31 August 2013 and Mr Farooq Khan retired 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 Company's latest Annual Report.

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 John Hopkins 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 (26 October 2009 to 30 June 2011). 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 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 Philip Hopkins, as Managing Director, has a formal employment agreement with the Company (dated 25 July 2013), the materials terms of which are outlined within the Remuneration Report in the Company's latest Annual Report.

The other current Non-Executive Directors of the Company have not been appointed for fixed terms.

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
Ian Williams	30 November 2010	30 November 2012 (standing for re-election at the 2013 AGM)
Philip Hopkins	2 May 2013 (as Managing Director form 30 June 2013)	N/A (standing for re-election at the 2013 AGM)
John Hopkins	16 October 2013	Will be re-appointed by the Board as Director on 22 November 2013 (the date of the 2013 AGM) and due to retire and eligible for election at the 2014 AGM
William Johnson	26 October 2009	30 November 2012 (retiring on 31 October 2013)

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 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 (where applicable) and reporting to the Board on the results of their review and their recommendations arising therein.

The Chairman also speaks to Directors individually regarding their role and performance as a Director.

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 a Director.

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 employees 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 Company's latest Annual Report and in the 2009 Notice of AGM dated 26 October 2009 (where shareholder approval was obtained to enter into deeds with each of Messrs William Johnson, H. Shanker Madan and Farooq Khan), the 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) and in the 2013 Notice of AGM dated on or about 10 October 2013 (where shareholder approval will be sought to enter into the same deed with Mr Philip Hopkins).

3.18 Diversity

The Board, senior management and workforce of the Company currently comprises individuals that are culturally diverse, together with possessing 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.

The small size of, and low turnover within, the Company's workforce are such that it cannot realistically be expected to reflect the degree of diversity of the general population. Given those circumstances, and the current nature and scale of the Company's activities, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity.

The Board will monitor the extent to which the level of diversity within the Company is appropriate on an ongoing basis and, where required, consider measures to improve it. 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. 7.4% of the Company's current employees are female.

4 Management

4.1 Executives

The Company's executive team comprise the Managing Director (Philip Hopkins), Country Manager (Saudi Arabia and Oman) and General Counsel (Justin Richard), the Chief Financial Officer (CFO) (position currently being filled) and the Company Secretary (Victor Ho).

The Board has determined that the Managing Director is the appropriate person to make the Chief Executive Officer equivalent declaration and the Company Secretary (in the absence of a CFO) is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the Company's accounts for the financial year ended 30 June 2013, as required under section 295A of the Corporations Act and the Recommendations.

4.2 Board Committees

Audit Committee: On 9 December 2010, the Board established an Audit Committee which currently comprises the independent Non-Executive Directors, Messrs John Hopkins (Chairman of the Audit Committee) and Ian Williams. William Johnson will retire as a member upon his retirement as Director on 31 October 2013. Their qualifications and experience are stated in the Company's latest Annual Report.

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 Remuneration and Nomination Committee which currently comprises the independent Non-Executive Directors, Messrs Ian Williams (as Chairman of the Remuneration and Nomination Committee) and John Hopkins. William Johnson will retire as a member upon his retirement as Director on 31 October 2013. Their qualifications and experience are stated in the Company's latest Annual Report.

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 Company's latest Annual Report. 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, conflict 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 in conjunction with the Company Secretary/General Counsel/Chief Financial Officer (as appropriate and applicable). 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 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 and the Company Secretary (in the absence of a CFO) is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the financial year ended 30 June 2013, on the risk management and internal compliance and control systems in the Recommendations.

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 five 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 be aware of how that mission is being fulfilled. The Directors are the shareholders' representatives. In order to properly perform their role, the Directors must 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 the Company making Directors and selected senior employees available to answer shareholder questions submitted by telephone, email and other means (where appropriate).

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: www.asx.com.au under ASX code "AUQ".

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 Managing 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 (where appropriate).

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.

24 October 2013

MINERAL LICENCES

Khnaiguiyah Zinc Copper Project (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 (pending annual renewals) and 5 Exploration Licence applications (pending grant) totalling ~380km2.

Alara Saudi Operations Pty Limited has a 50% interest in a newly established joint venture company, Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia) (incorporated on 10 January 2011), which will hold these mineral licences (after transfers have been processed by relevant authorities). That is, these Khnaiguiyah mineral licences are currently held by KMC joint venture partner, United Arabian Mining Company LLC (Manajem).

Refer to Note 23(a) of the Notes to the Consolidated Financial Statements for further information on the joint venture terms.

Also 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" for further background information.

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

The Washihi-Mullaq-Al Ajal Copper-Gold Project is located approximately 80-160km east of Alara's Daris Project and comprises 3 exploration licences totalling 105km2. Three mining licence applications covering 3 km2, 1 km2 and 1.5 km2 have been filed over the Washihi, Mullaq and Al Ajal prospects respectively.

Alara Oman Operations Pty Limited currently has a 70% interest (with a right to increase this to 75%+) in the existing licence holder, AL Hadeetha Resources LLC (formerly Pilatus Resources Oman LLC) (Oman).

Refer to Note 23(g) of the Notes to the Consolidated Financial Statements for further information on the joint venture terms.

Also refer to Alara market announcement dated 8 December 2011 and entitled "Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman" for further background information.

Daris Copper-Gold Project (Oman)

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprises an exploration licence of ~587km2. 2 mining licence applications covering 3.2 km2 and 1.3 km2 have been filed over the Daris East and Daris 3A-5 prospects.

Alara Oman Operations Pty Limited has a 50% interest (with a right to increase this to 70%+) in a newly established joint venture company, Daris Resources LLC (Oman) (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the mineral licence. The exploration licence and mining licences (pending grant) are held by joint venture partner Al Tamman Trading Establishment LLC.

Refer to Note 23(c) of the Notes to the Consolidated Financial Statements for further information on the Daris Project joint venture terms.

Also refer to Alara market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman" for further background information.

JORC CODE COMPETENT PERSONS' STATEMENTS

1. The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) was compiled by Mr Geoff Davidson, who is a Fellow of the Australian Institute of Mining and Metallurgy and a consultant to Khnaiguiyah Mining Company LLC (KMC). Mr Davidson 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code, 2004 edition). In assessing the appropriateness of the Ore Reserve estimate, Mr Davidson has relied on various reports, from both internal and external sources, in either draft or final version, which form part of or contribute to the Khnaiguiyah Project Detailed Feasibility Study. These reports are understood to be compiled by persons considered by KMC to be competent in the field on which they have reported. Mr Davidson 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. Refer also to Table 5 in Alara Resources Limited's ASX market announcement dated 18 April 2013: Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project for further information in relation to the Ore Reserve estimate for the Khnaiguiyah Project.
2. The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Zinc-Copper 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 he is undertaking to qualify as a Competent Person as defined in the 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 Zinc and Copper Mineral Resources within Mineralised Zones 1, 2 and 4 in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia), Mineral Resources in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) and other Exploration Results 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 was 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 he is undertaking to qualify as a Competent Person as defined in the 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.

ASX additional information is provided as at 24 October 2013.

Issued Securities

Class of Security	Listed Shares	Unlisted Options	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
$0.50 (25 May 2014) Unlisted Options[1]	-	200,000	200,000
$0.60 (25 May 2014) Unlisted Directors' Options[2]	-	250,000	250,000
$0.60 (25 May 2014) Unlisted Options[1]	-	125,000	125,000
$0.70 (25 May 2014) Unlisted Options[1]	-	125,000	125,000
$0.35 (25 October 2014) Unlisted Options[3]	-	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[4]	-	2,000,000	2,000,000
$0.35 (22 August 2015) Unlisted Options[4]	-	400,000	400,000
Total	**242,007,500**	**6,750,000**	**248,757,500**

Summary Of Unlisted Directors' And Employee Options

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	No. of Options
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	250,000
23 Dec 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue	200,000
23 Dec 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue	125,000
23 Dec 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue	125,000

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

1. each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
2. on a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote; and
3. on a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share.

1 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 5 September 2011

2 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

3 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

4 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 23 August 2010

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

Distribution Of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	1,029	369,585	0.153
1,001 - 5,000	325	785,968	0.325
5,001 - 10,000	196	1,685,151	0.696
10,001 - 100,000	416	16,178,179	6.685
100,001 - and over	166	222,988,617	92.141
Total	**2,132**	**242,007,500**	**100.00%**

Unmarketable Parcels

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1 - 8,333	1,423	1,643,348	0.68%
> 8,333	709	240,364,152	99.32%
Total	**2,132**	**242,007,500**	**100.00%**

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 8,333 or less, being a value of $500 or less in total, based upon the Company's closing share price on 24 October 2013 of $0.06 per share.

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	Total Shares	% Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	13,143,915		
	J P MORGAN NOMINEES AUSTRALIA LIMITED	44,134,814		
		Sub-total	57,278,729	23.668
2	NATIONAL NOMINEES LIMITED		42,739,198	17.660
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,300,081		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - <NT-COMNWLTH SUPER CORP A/C>	3,172,000		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,278,451		
		Sub-total	14,750,532	6.095
4	ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD		10,100,000	4.173
5	GWYNVILL TRADING PTY LTD		7,671,468	3.170
6	CITICORP NOMINEES PTY LIMITED		5,246,784	2.168
7	MRS FELICITY CLAIRE KOEKOEK		4,000,000	1.653
8	MR PETER KELVIN RODWELL		4,000,000	1.653
9	MS MENG HENG		3,931,024	1.624
10	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>		3,588,083	1.483
11	HGT INVESTMENTS PTY LTD		3,000,000	1.240
12	BNP PARIBAS NOMS PTY LTD <DRP>		2,995,434	1.238
13	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN <WWB INVESTMENTS P/L S/F A/C>		2,500,000	1.0330
14	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>		2,460,000	1.016
15	MR ANDREW BRUCE RICHARDS		2,400,000	0.992
16	HOUVAN PTY LTD		2,000,000	0.826
17	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN		1,650,000	0.682
18	SURFLODGE PTY LTD		1,629,000	0.673
19	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING <TREG TRAILERS DIS S/F A/C>		1,568,491	0.648
20	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY <FLANNERY FAMILY S/F A/C>		1,500,000	0.620
Total			**175,008,743**	**72.315%**

ASX ADDITIONAL INFORMATION

Substantial Shareholders	Registered Shareholder	Shares/Voting Shares Held	Voting Power
Antares Capital Partners Limited	National Nominees Limited	9,819,296	9.80%
	JP Morgan Nominees Australia Limited	13,907,352	
Acorn Capital Ltd	JP Morgan Nominees Australia Limited	10,313,319	9.52%
	HSBC Custody Nominees (Australia) Ltd <NT-Comnwlth Super Corp A/C>	3,172,000	
	HSBC Custody Nominees (Australia) Ltd	5,882,200	
	National Nominees Limited	3,670,000	
Northcape Capital Pty Ltd	JP Morgan Nominees Australia Limited	15,174,701	9.20%
	HSBC Custody Nominees (Australia) Ltd	2,443,629	
	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,335,373	
	National Nominees Limited	3,301,093	
Kinetic Investment Partners Limited	JP Morgan Nominees Australia Limited	1,892,445	6.76%
	National Nominees Limited	11,436,650	
	Citicorp Nominees Pty Ltd	1,839,814	
	BNP Paribas Nominees Pty Limited <DRP>	1,195,434	

Notes:

1. These results are based on responses to beneficial tracing notices issued by the Company as part of a quarterly analysis of its major registered shareholders as at 30 September 2013
2. Substantial shareholders disclosed above are investment managers – shares may be held for clients who are the beneficial owners

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