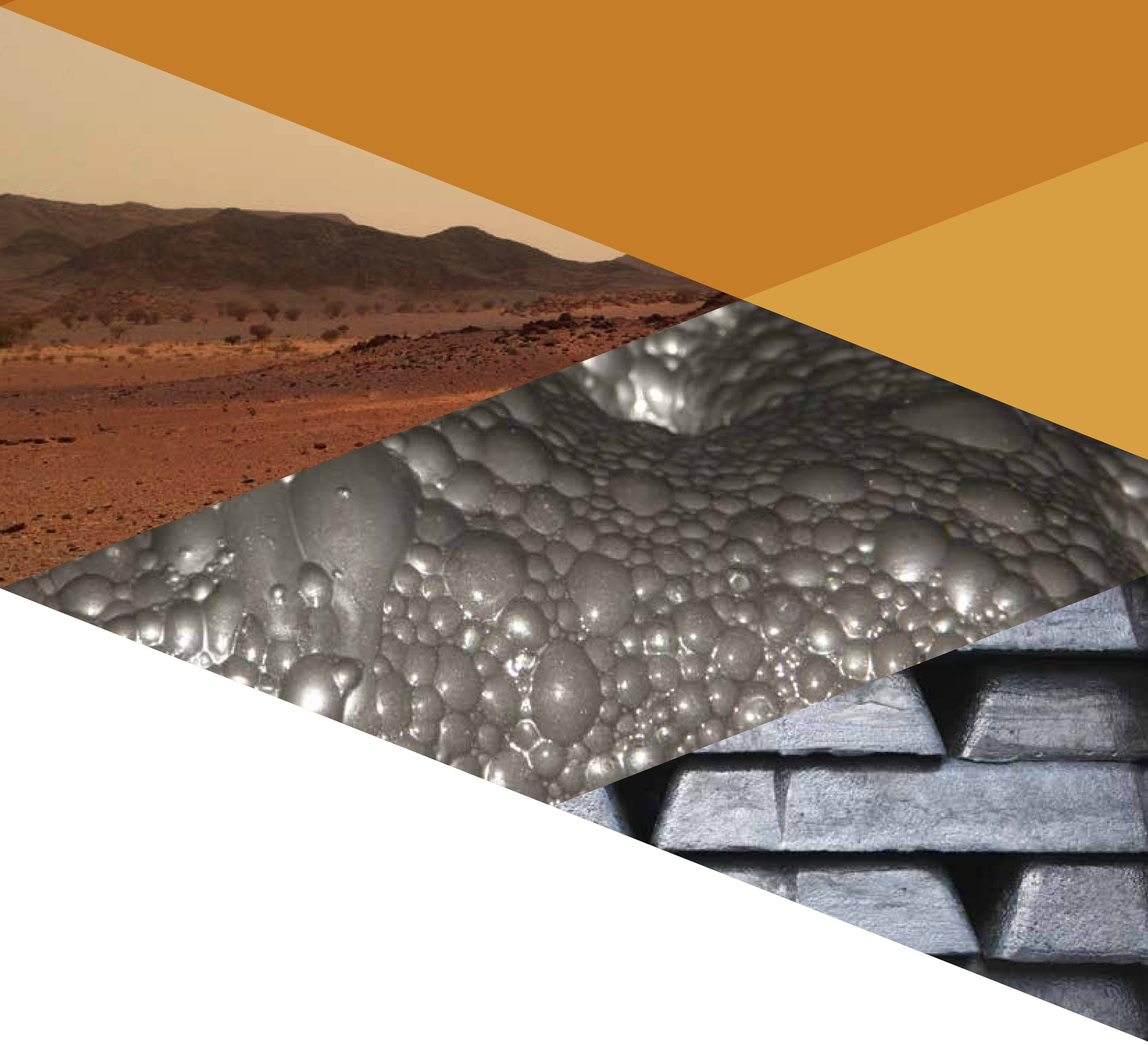
Alara
Resources



2014 ANNUAL REPORT

CONTENTS

www.alararesources.com

ABN 27 122 892 719

Mission Statement

To become a mid-tier mineral producer with a focus on mineral deposits and projects in the Middle East region.

Alara will deliver maximum shareholder value through profitable growth, development of low cost operations and through stability and sustainability over time.

Core Values

Excellence

Alara will pursue excellence and will strive for relevant best practice combined with a fit-for-purpose approach through continuous improvement and teamwork in all aspects of our business.

To achieve our goals we will ensure our employees and business partners have the appropriate skills and resources to perform their work effectively and efficiently. We will foster an open and supportive environment in all activities and relationships.

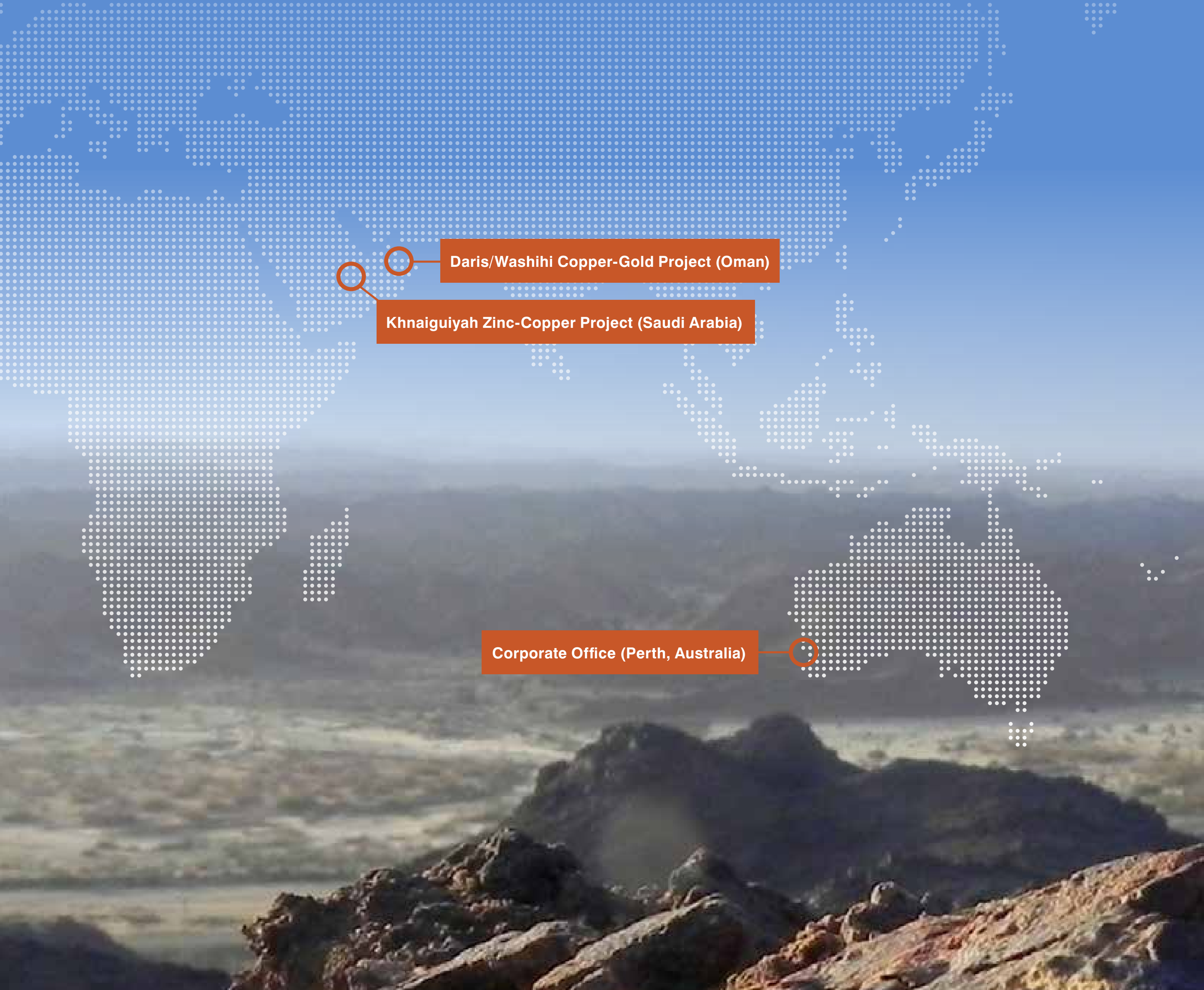
Respect

Alara will show consideration for and value our employees, our Joint Venture and other business partners, our customers, our suppliers, our communities and governments, and the social and physical environment in which we operate.

Integrity

Alara and its employees are committed to fairness and honesty and will operate with transparency and accountability at all levels of the business.

About Us

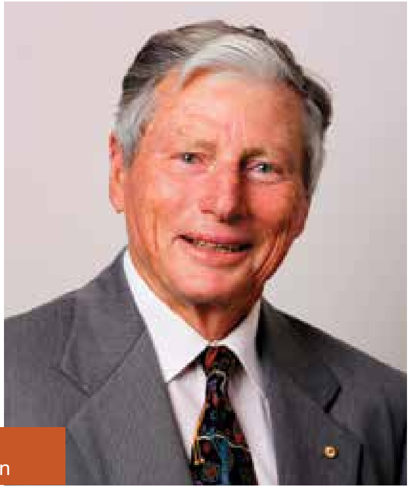


Alara has demonstrated its capability as a mineral resource developer.

With a completed Definitive Feasibility Study on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and an advanced and comprehensive Scoping Study for its Daris/Washihi Copper-Gold Project in Oman the Company is poised to transition to a mine builder and operator.

Chairman's Letter

The 2014 financial year has been a mixed period of overall frustration offset by progress on project optimisation, consolidation and costs management for Alara as it prepares itself for the transition to becoming a mine developer and operator.



Ian J Williams, AO
Non-Executive Chairman

Dear Shareholder

In the first instance FY 2014 was one of frustration as the company continued with its efforts to move the Khnaiguiyah Zinc-Copper Project forward. Despite extensive negotiations and an agreed Heads of Agreement (HoA) with our Saudi Arabian Joint Venture partners they did not transfer the mining licence to the joint venture company Khnaiguiyah Mining Company as was required by the HoA. Efforts to overcome the impasse are continuing as we receive ongoing strong support and advice from His Royal Highness Prince Abdullah and his principle advisor Mr Jim Phipps on both the impasse itself, as well as alternative ways of moving the Project forward.

Despite this project delay in Saudi Arabia and the inherent frustration, the Company moved forward with its internal preparations at the corporate level, with the restructuring of the Board through the key appointments of Mr Philip Hopkins as Managing Director, and Mr John Hopkins and HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud as Non-Executive Directors. Throughout the year a small but effective management team has also been assembled and consolidated to meet the challenges and opportunities ahead.

Alara's cash position was materially enhanced during the year by two successful applications under the Australian Federal Government's Research and Development Tax Incentive Scheme for refunds amounting to a total of AU$4.39m received in September 2013 (for 2012 financial year) and January 2014 (for the 2013 financial year). As a result of focused cost conservation initiatives the last half of the year also saw reductions in monthly operating expenditure. Additionally, the company flagged the possibility of divesting its interest in the Oman copper assets and has held discussions with several interested parties. Technical review, analysis and innovation have improved the value of these assets and the final decision for this project has been deferred pending the outcome of the current market review and assessment.

Low key optimisation studies have been conducted throughout the year for the Khnaiguiyah Project particularly in areas of finance options, technical enhancement and risk reduction. With this work and the strengthening zinc price the Project economics have been enhanced.

Whilst the current environment creates short-term development and cost management challenges, the Company expects to progress the Khnaiguiyah Project and continues to evaluate ways to extract value from our remaining project portfolio in a financially prudent manner. The Company is well placed to move into the next phase of financing and mine development.

On behalf of the Board, I would like to thank our shareholders, employees and other stakeholders for their continued support, dedication and commitment to Alara. We look forward to continuing to work towards attaining our objectives and delivering value to our shareholders over the next 12 months.

Ian J Williams, AO
Non-Executive Chairman

Managing Director's Letter

It has been a year of contrasting realities for Alara and the 2015 financial year will be an important one for the Company

Philip H Hopkins
Managing Director

Dear Shareholder

Our Chairman has touched on the Company's frustration with its inability to progress our Khnaiguiyah Zinc-Copper Project in Saudi Arabia, despite having a completed and robust Definitive Feasibility Study (DFS) in hand. Set alongside this was the further definition of potential significant upsides in each of Alara's two projects, while the Board and Management Team were also restructured, and the staff structure and systems adjusted to prepare to progress both of our projects to their next stages of development.

There have been a number of "hidden gems" or "silver linings" from the past year that are also worth reflecting on.

During the 2014 financial year Alara achieved a number of important operational milestones, most notably we were able to negotiate a "solution" or agreement with our Saudi Arabian Joint Venture (JV) partners for the Khnaiguiyah Project that dealt with all the historic "liabilities" and also outlined an equity solution to move forward from an untenable 50/50 equity agreement between the parties to a 60/40 arrangement. Although our JV partners have not in the end honoured this agreement, it did give the Company a very definitive and clear picture of where were are at with the Khnaiguiyah Project and thus allowed us to plan an alternative and appropriate approach to progress the Project beyond this impasse.

We took this period of delay to investigate some of the opportunities and upsides in the Project itself while simultaneously gaining further clarity on the two material risks: water access; and mining and exploration licencing. We also further expanded our in-country stakeholder relationships and support in the Kingdom of Saudi Arabia.

Concurrently, in Oman we took the previous assessment work on the Daris/Washihi Project and expanded this into a full Options Analysis which was then progressed to an advanced and comprehensive Scoping Study. As a result, this project is now ready to move to the next phase of development once financial support is in place.

The 2015 financial year will be an important one for Alara. Some short-term delays on the Khnaiguiyah Project are anticipated, but the Project upside and potential for the future continues to compel the Company to strive to achieve the most appropriate solution to bring the Project to fruition. Through good fortune and solid technical work we have a robust zinc mine project heading into a 10 year high zinc price cycle in a market that has high quality Project Directors and EPC firms ready to take on their next project.

In turn the work on the Oman projects to date has been to a very high level and has set us up very well to possibly move the combined Daris/Washihi Project into the Pre-Feasibility (PFS) phase and beyond. The Company is very focused and ready to take these next steps in both projects.

The success of any Company, and thus its projects, and the resulting benefits to its shareholders is dependent on the people associated with it. Alara has a dedicated team of professionals in Australia, Saudi Arabia and Oman. Our Board, Management and Staff are of the highest standard and bring with them the skills, experience and motivation to take the Company through its transformation from a mineral resource explorer to a mine builder and operator.

Externally we have been exceptionally fortunate and are very appreciative of our strong and supportive set of key shareholders, as well as critical in-country stakeholder support and encouragement.

The true strength of Alara lies in the combination of its two high quality projects, its Board and staff, in association with these other key individuals and groups. The net result is what we envisage will be a "breakout year" for Alara in FY2015!

Philip H Hopkins
Managing Director

Board of Directors

Ian J Williams, AO

Non-Executive Chairman

BE (Elec), FAusIMM, FIEAust

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, Mr Williams 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. He was, until July 2011, Chairman of the Port Hedland Port Authority.

Mr Williams's 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.

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

Philip H Hopkins

Managing Director

BSc (Mining Engineering), MBA, P.Eng, MAusIMM, MCIM

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 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 domestically and abroad.

Mr Hopkins' 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. He has mining experience in base metals (copper and nickel), gold and iron ore.

John Hopkins

Non-Executive Director

LLB, FAICD

Mr Hopkins has almost 30 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 Merger and Acquisition 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.

He is currently Chairman of developing tungsten and tin producer Wolf Minerals Limited (ASX: WLF) where he has overseen significant debt and equity raisings to take the Hemerdon Project into full development and South African based coal producer Universal Coal Plc (ASX: UNV) which also recently secured major debt and equity funding.

Mr Hopkins is Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.

His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud

Non-Executive Director

BEng. (Industrial) (Hons), MEng

HRH Prince Abdullah is the Chairman of The Saudi Paper Manufacturing Company (SPM) which he established in 1989 and floated on the Saudi Stock Exchange (Tadawul) in 2006. SPM has one of the largest waste paper collection, recycling, manufacturing and converting (consumer tissue paper products) operations in the Middle East with SAR800m annual turnover and a SAR1.3b market capitalisation.

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 of is strategic importance to the country in terms of support of the nation's mining industry as well as for local industry, expertise and the workforce.

James D Phipps

Alternate Director for HRH Prince Abdullah

B.A. (Philosophy), J.D. (Law)

Mr Phipps is a strategic advisor, business executive, and lawyer with extensive international and Middle East experience.

Mr Phipps currently serves as Co-Chairman of Sheffield United Football Club, the first "United" and the first association football club worldwide and a founding member of the English Premiere League.

Mr Phipps co-chairs Blades Leisure Limited, which holds SUFC and other operating companies, including security and event management companies. He chairs Shout TV, Inc., a Lindon, Utah, based sports entertainment business and serves as principal advisor to His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, providing strategic advice relative to a worldwide portfolio of businesses, properties and investments. He sits on the board of the publicly listed Saudi Paper Manufacturing Company (Tadawul: 2300), the leading manufacturer of tissue paper products in the Gulf Region.

Mr Phipps has experience in corporate turnarounds and has served as chief executive or general manager at a number of companies in a turn-around capacity. He brings experience to the board in the context of Alara's Middle East and G.C.C. endeavours.

Management Team

Justin Richard
Executive Director for Alara's Saudi & Oman operations

LLB (UWA), Grad Dip Corporate Governance FGIA, FCIS, MAICD

Mr Richard is an accomplished corporate lawyer and business manager who has played a key role in helping build and maintain Alara's international joint venture relationships. He has been the Company's General Counsel since 2011 and in 2013 took up residence in Riyadh as Alara's Country Manager for Saudi Arabia. The Company later expanded his role to include management of Alara's joint venture companies in Oman.

Prior to joining Alara, Mr Richard worked as Senior Commercial Officer & Contracts Specialist with Bateman Engineering (Australia), Corporate Counsel and head of legal for UGL Limited's resources division and as a lawyer in Minter Ellison's Construction, Engineering and Infrastructure group.

Before entering the legal profession, Mr Richard enjoyed a successful career in private enterprise as Managing Director of Irrigate Australia.

John Watkins
Chief Financial Officer

BA, Dip GeoSc, MAppFin CPA, FAusImm, FFin

Mr Watkins holds both Commercial and GeoScience qualifications and has 30 years' of international executive experience in the resource industry both at corporate level and at operating mine sites.

He has held senior roles with companies and joint ventures (A$100m to US$1b+ in size) in mineral trading, mineral exploration, petroleum production, zinc/lead/silver mining/concentrate export, gold/silver mining, nickel mining/concentrate export and project development in Australia, PNG, Canada, Mexico and Brazil.

Mr Watkins' extensive experience covers all aspects of company strategy and direction as a board member and includes fund raising, company promotion, project management, mine management and operations, metal refining and offtake contracts, construction and capital reporting, financial reporting, treasury, currency/metal price hedging, human resources, supply chain, risk management and community/sustainability obligations.

Formerly Commercial Director of Mirabela Mineração Do Brasil Ltda, Executive Director/CFO Kula Gold Ltd and Commercial Manager with Barrick Gold Niuigini Ltd.

Elle Macdonald
Corporate Affairs Manager

RNZAF Command Training School – Commissioned Officer

Ms Macdonald is a highly experienced corporate affairs administrator with over 25 years' experience across a diverse range of organisations and industries including military, media, indigenous affairs, education, manufacturing, legal, finance and investment, as well as mining and resources, with a number of these being ASX and NZX listed entities.

Ms Macdonald is a graduate of the Royal New Zealand Air Force Command Training School, Officer Training Course (Flying Officer).

Ms Macdonald's comprehensive experience includes executive support at the Board and Executive Management level, Company Secretarial and ASX compliance, legal, marketing and investor relations, human resources, policies and procedure implementation and staff development.

Technical & Compliance

AV Sthapak
Corporate Exploration Manager

BSc & M.Tech, App Geo; Earth Sciences

Sthapak has more than 22 years' experience as a multi commodity exploration geologist, manager and operator and has extensive multinational experience in resource exploration and mining project feasibility studies.

Soon after joining Alara's Oman operations in 2011 in Muscat, Sthapak led Alara's in-country exploration activity which resulted in the discovery of one of Oman's largest copper deposits at Washihi (2012-13).

Sthapak has previously held various technical and senior management roles with Rio Tinto including Project Director and member of the Rio Tinto's Global Diamonds Senior Leadership team.

Sthapak was Awarded 'Discoverer of the Year' by Rio Tinto in 2010.

Victor Ho
Company Secretary

BCom, LLB *(Western Australia)*, CTA

Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years' experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and stock exchange compliance and shareholder relations.

Our People

PERTH

Ian Williams	**Non-Executive Chairman**
John Hopkins	**Non-Executive Director**

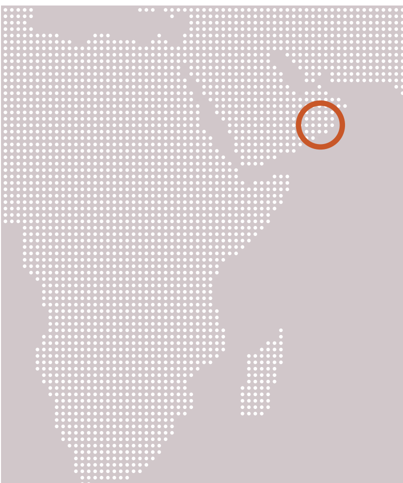
Philip Hopkins	**Chief Executive Officer; Managing Director**
John Watkins	**Chief Financial Officer**
Elle Macdonald	**Corporate Affairs Manager**
Tina Newbon	**Corporate Services Coordinator**
Victor Ho	**Company Secretary**

SAUDI ARABIA

HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud	**Non-Executive Director**
James Phipps	**Alternate Director for HRH Prince Abdullah**

Justin Richard	**Executive Director Saudi & Oman Operations**
Fadi Zenaty	**Technical Officer**
Mohammed Ansar Ahmed	**Administration Officer**
Faisal Muthwed	**Government Relations Officer**
Kamal Hassan	**Administration Assistant & Driver**

OMAN



Atmavireshwar Sthapak	**Corporate Exploration Manager**
Rexin Kamilas	**Administration Assistant**
Badar Marhoon Al Rahbi	**Government Relations Officer**
Sheikh Khaleefa Al Shirjee	**Community Relations Officer**

Company Projects Overview

SAUDI ARABIA

1 Khnaiguiyah Zinc-Copper Project

Alara's 50% interest held via joint venture company, Khnaiguiyah Mining Company (KMC)

Heads of Agreement (HoA) signed with United Arabian Mining Company LLC (Manajem) to increase Alara's interest from 50% to 60% ownership of 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), 2 Exploration Licences (granted, pending renewal) and 5 Exploration Licence applications, totalling ~380km^2 pending completion of transfer to KMC

JORC Reserves (Proved and Probable) reported to JORC 2004 standard of 26.08MT at 3.3% Zn and 0.24% Cu

2Mtpa Definitive Feasibility Study (DFS) completed in Q2 2013 with projected US$257M capex, 2.8 year pay-back, A$2.074B Life of Mine (LOM) revenues and A$0.873B LOM EBITDA (at base case Zn/Cu prices)

Saudi Industrial Development Fund (SIDF) project financing pending submission – potentially up to 75% of construction costs.

ABOUT SAUDI ARABIA

Saudi Arabia is considered to be a favourable investment destination, ranked 26th in 2013 by the World Bank out of 189 countries in terms of "ease of doing business" and ranked 2nd in the Middle East region after the UAE (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%), low LIBOR equiv. margin and long loan 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 DFS identified Project water source – 2 further alternative water supply options identified

Fuel – <US$0.13/L (diesel)

Riyadh to Jeddah Highway is in close proximity to the Khnaiguiyah Project and joins the Dammam Highway east from Riyadh.

Dammam's King Abdul Aziz Sea Port is the largest on the Persian Gulf. The Khnaiguiyah Project DFS assumes concentrates will be exported from here. Alternative ports on the Red Sea include Jeddah and Yanbu' al Bahr.

Company Projects Overview

OMAN

2 Washihi Copper-Gold Project

Alara's 70% 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

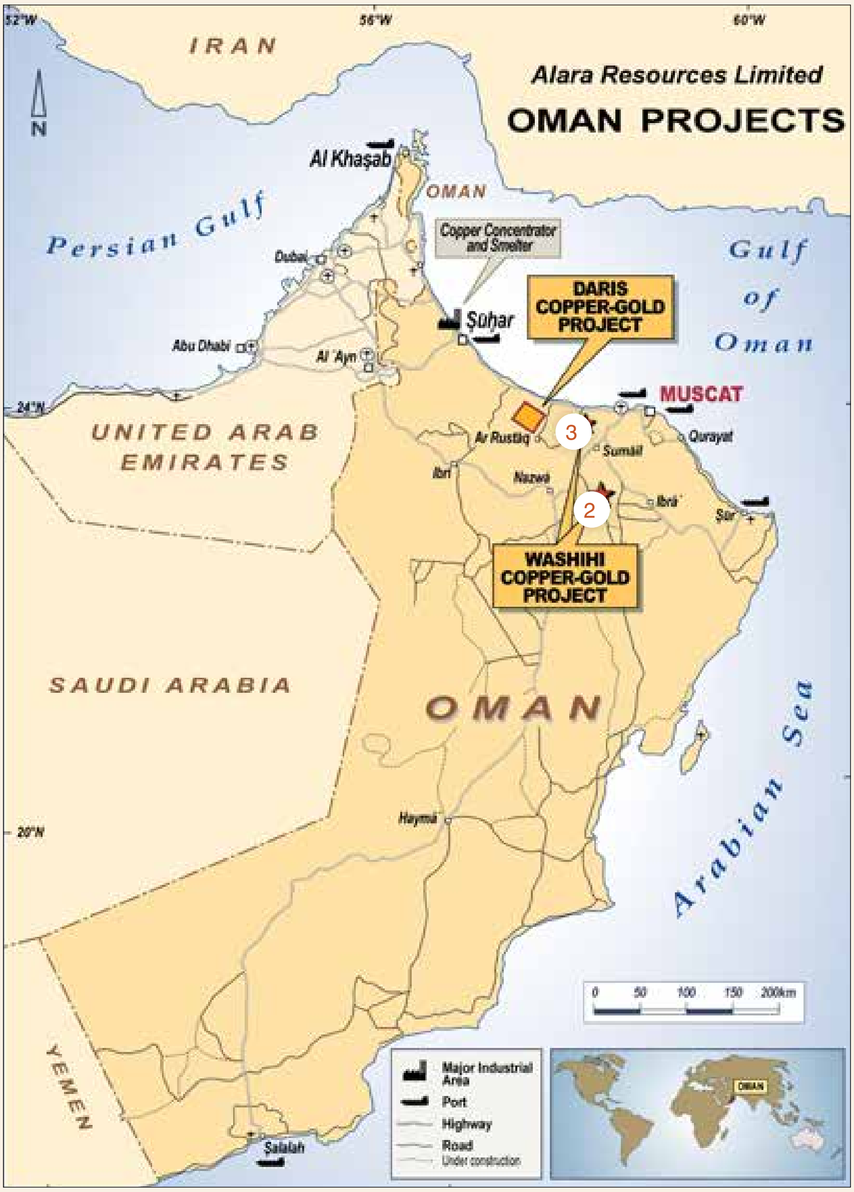
JORC Resource: Indicated 6.84Mt at 0.90% Cu and 0.17%g/t Au and 7.27Mt Inferred at 0.71% Cu and 0.20g/t Au.

3 Daris Copper Gold Project

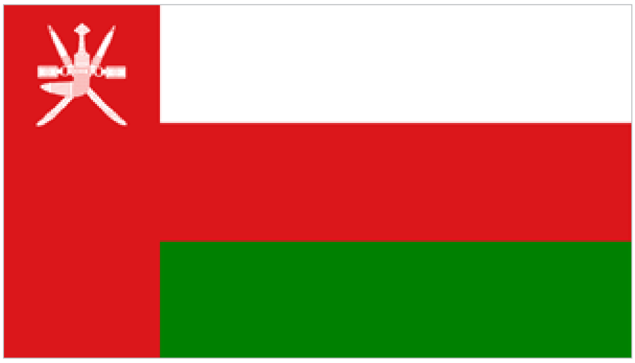
Alara's 50% (with right to 70%+) is held via joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

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 Mineral Resource Estimate (Measured and Indicated) of 240 kt sulphide ore at 2.37% Cu and 183 kt oxide ore at 0.72% Cu.



Alara has completed a Scoping Study centering on the Washihi prospect with inputs from the Daris, Mullaq and Al Ajal prospects. A revised Advanced Scoping Study has been completed.



ABOUT OMAN

Oman was ranked 47th in 2013 by the World Bank out of 189 countries in terms of "ease of doing business" and ranked 4th 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

Tax – 12% corporate tax (5+5 year tax holiday possible)

Royalties – Nil up to 5% (to be negotiated)

Foreign ownership – 100% permitted for existing licences, new laws may restrict to 30%

Profits and Capital – 100% repatriation

Tenure certainty – from exploration to mining

Roads – bitumen highway and road to Washihi project

Power – Grid power very close to Washihi ~US$0.047/kwHr

Water – 40km to aquifer (brackish) and other potential sources

Fuel – ~US$0.35/L (diesel)

Drilling at Washihi deposit (Oman)

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 Joint Venture (JV) partner, Manajem, in JV, KMC.

A Heads of Agreement (HoA) was signed with Manajem in March 2014 to increase Alara's interest from 50% to 60% ownership of KMC. The implementation of the HoA, which includes a Road Map outlining the steps the parties agreed to undertake to give effect to a New JV Agreement, have reached an impasse resulting from JV partner Manajem's failure to comply with its first step in the Road Map namely to transfer the mining licence (ML) into the JV company.

Alara continues to work toward a solution to the current JV impasse in order to progress the Khnaiguiyah Project given the Project's inherently robust nature and in line with the current rising Zinc (Zn) price market. Various options and opportunities are actively being progressed in order to move the Project forward as soon as physically possible.

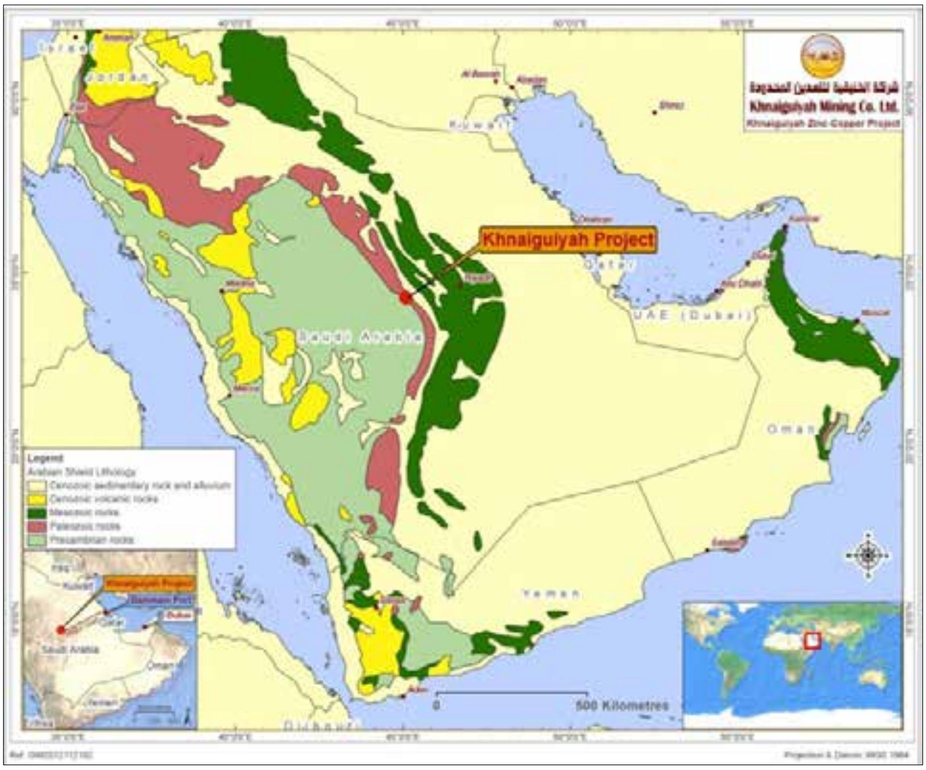
- ML issued to Manajem with 30 year (2040) exclusive term and no mineral royalties payable
- DFS confirms a technically and financially robust mining operation with a project life of 13 years at 2Mtpa processing throughput with production now (due to the current delay) potentially to commence in 2017 when Zn 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 Zn concentrate (775,000t of Zn metal) and 210,000t of Copper (Cu) concentrate (52,000t of Cu metal) for Life of Mine (LOM)
  - First 7 years of full production show an average of 79,750t of Zn metal as concentrate and 5,750t of Cu metal as concentrate with peak production at 99,000t of Zn metal and 8,250t of Cu 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 post project commissioning
  - LOM Zn operating costs including treatment and refining charges (TC/RC) of US$0.50/lb after Cu credits and US$0.46/lb in the first 7 years with Cu price assumed at an average of US$6,114/t
  - First full year Zn production (2017) costs forecast (after Cu credits) to be in the 2nd quartile of cash costs for the western world mines with Cu costs forecast to be in the bottom quartile
- Maiden JORC Ore Reserve Statement completed to JORC 2004 standard:
  - Proved Ore Reserves of 17.7 Mt at 3.4% Zn and 0.29% Cu
  - Probable Ore Reserves 8.4 Mt at 3.1% Zn and 0.13% Cu
- Upgraded JORC Mineral Resource Statement completed to JORC 2004 standard:
  - Measured & Indicated Zn and Zn/Cu Resource of 25.32 Mt at 4.03% Zn and 0.17% Cu
  - Measured & Indicated Cu Resource of 8.53Mt at 0.64% Cu
- 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 Q4 2015 and take 24 months.

Regional Geological Setting

Geologically Saudi Arabia is divided into four distinct and extensive terrains.

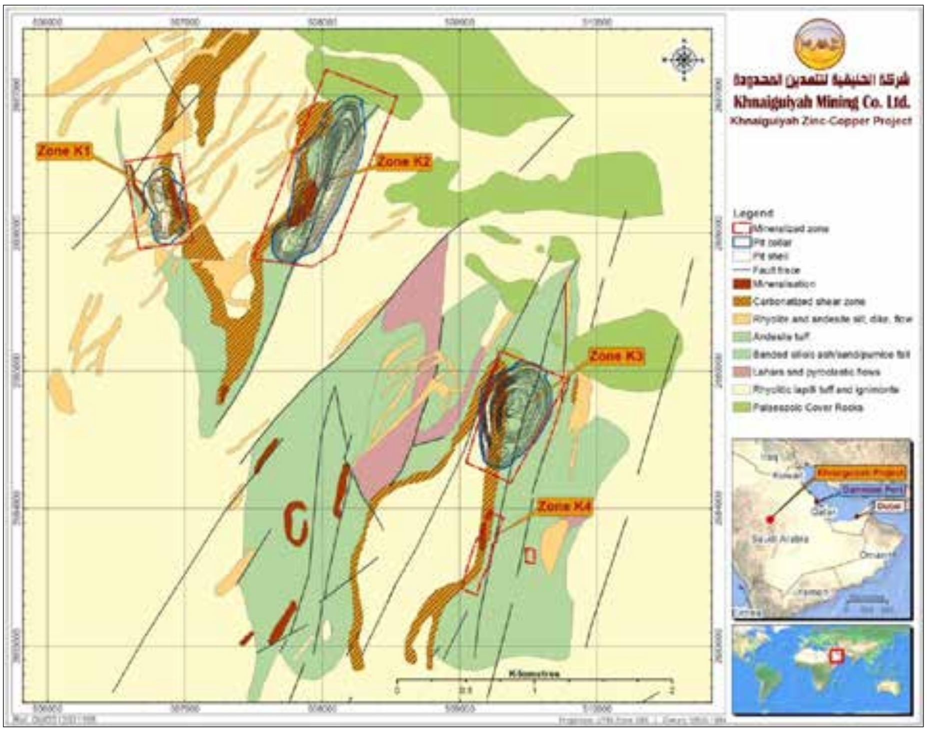
1. Proterozoic age (Upper Precambrian) Arabian Shield, comprising metamorphosed volcano sedimentary successions intruded by granite and gabbro.
2. Palaeozoic and Cenozoic age Arabian Platform consisting of clastic, calcareous, and evaporitic successions dipping eastward away from the Arabian Shield outcrop.
3. The Tertiary (Cenozoic) 'harrats' (extensive basalt plateaus) overlying the Arabian Shield.
4. The narrow Red Sea coastal plain of Cenozoic sedimentary rocks and coral reefs.

Precambrian rocks occur throughout the Arabian Peninsula and contain most of Saudi Arabia's metallic deposits of gold, silver, copper, zinc, iron and manganese. These older rocks are concealed beneath thick Palaeozoic and Cenozoic age sedimentary rocks in the central and eastern parts of the country. These contain the oil and gas resources and deposits of bauxite, phosphate, clay, limestone, silica sand, and lightweight aggregate.



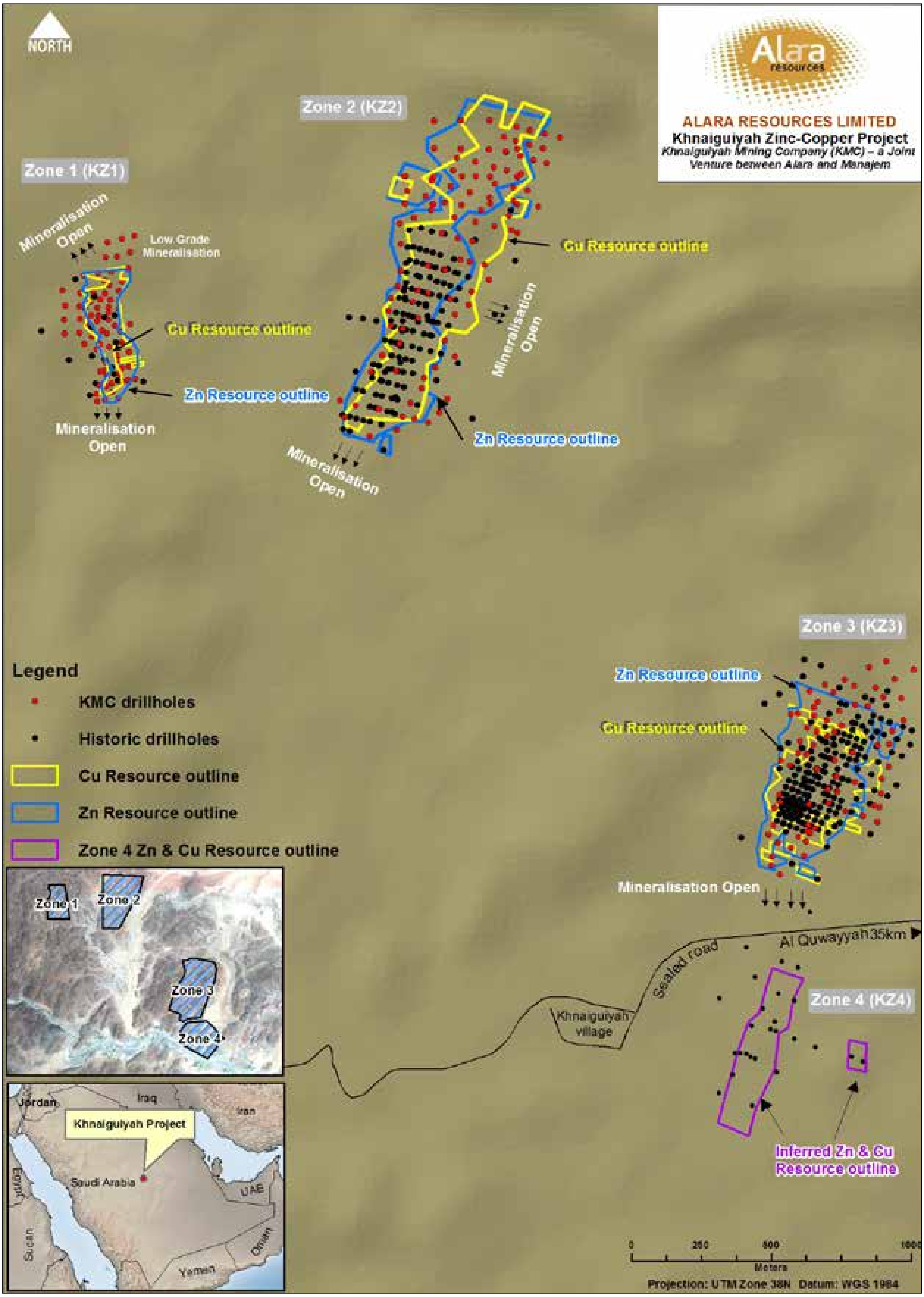
Regional Geological Setting.

Local Geological Setting



The local geology and location of the proposed open cut mines.

Khnaiguiyah Project



Location of Mineralised Zones 1 to 4 (KZ1 to KZ4), Resource Outlines and Drill Hole Locations.

Project Development Summary and Milestones

- Alara secured 50% interest in the Khnaiguiyah Project in October 2010 - previous drilling (of in excess of 45,000 metres in ~345 RC and diamond drill holes) by BRGM and Saudi Arabian Mining Company (Ma'aden) (50% government owned and 50% publically owned, national 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 previous page)
- Khnaiguiyah Mining Licence issued to Manajem in December 2010 with 30 year exclusive term and no mineral royalties payable. Some mineral extraction fees do apply.
- Maiden JORC Mineral Resource Statement announced in February 2012 and updated Mineral Resource Estimate 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
- Environmental approval was granted 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

Future Milestones

- Commence Community and Government Relations Plans Q1 2015
- Secure ML and progress the project Q2 2015
- Identify and finalise offtake arrangements Q2 2015
- Appoint Project Director Q2 2015
- Appoint Owner's Team Q3 2015
- Complete DFS optimisation work Q3 2015
- Secure the next stage of licences and permits to commence construction Q3 2015
- Tender and allocate EPC contract Q3 2015.

Project In-Country Support and Stakeholder Engagement

Government of Saudi Arabia – Focus on Mining

Alara has previously outlined the three pillars of the Kingdom of Saudi Arabia (KSA) fiscal and commercial strategy and forward planning namely:

i. Oil and Gas – a continuation of its historic focus and progress here;
ii. Creating a financial hub in the Middle East – six cities in KSA have been targeted here and in each a very material financial district is being created and populated; and
iii. Mining – the rapid advancement of the KSA mining industry in order to support and then supersede oil and gas as the country's wealth generator if/when required.

This KSA position on mining has been continually reinforced as part of the government's strategy, policy statements and releases, as well as the ongoing media coverage from various key Saudi Arabian ministers' comments and statements. In August 2014 there were two key media announcements to this effect (*Saudi Accelerates Mineral Resource Plan* – Trade Arabia News Service and *Break Out Moment for Saudi Arabia Mineral Industry* – MEED News Service) that further noted the key role mining is to play in the future of the Kingdom.

At this time there are many countries around the world that are heavily taxing, otherwise restricting, nationalising or environmentally/legislatively reducing mining. It is advantageous to have such a robust project in a region and country where mining is not only well supported and understood, but where it is actively being promoted as one of the three pillars of economic growth for the country going forward.

In-Country Stakeholder Engagement

Throughout the year, stakeholder engagement meetings and presentations have been undertaken at both the local and regional level in Saudi Arabia with:

- National Chamber of Commerce
- Al Quwayiyah Chamber of Commerce
- President of Khnaiguiyah
- Australian Embassy
- Australian Trade Commission
- Governor of Al Quwayiyah
- Governor of Riyadh
- Ma'aden Senior Management & Executive

This activity has focused on:

- Educating and/or informing the key stakeholders of the status and progress of the Project; and
- Determining what, if any, material "road blocks" we should/could expect and thus plan for in the area of stakeholder engagement or management

Khnaiguiyah Project

One of the highlights has been the consistent and positive support that each of these key stakeholder groups has extended to both the Company and the Khnaiguiyah Project. It is interesting to note that Alara has not indicated or outlined a need at this time, nor is the Company in a position to outline a Project time frame to support such a plan, however the key stakeholders in the area of the local town of Al Quwayiyah (~20km from the Project site) have already selected a site for a mining school that they plan to build and run to train people to work at the mine. The Khnaiguiyah mine would be the largest commercial operation in the region and thus is of material interest and potential value to many local and regional groups and people.

Alara Directors meet with Al Quwayiyah Community Leaders in 2014 to discuss the Khnaiguiyah Project.

Also of note is the open and professional support offered by Ma'aden. The interaction with the Ma'aden executive Team and some of its operational (site based) representatives has proven to be professional and forward looking and Ma'aden has openly offered support and access to its sites.

Alara has always and will continue to see stakeholder engagement as a top priority for the success of this Project and will continue to put in place the required planning, resources and priority to ensure we succeed in this area throughout the life of the operation and beyond.

Definitive Feasibility Study (DFS) Summary

- Completion of a positive DFS announced on 30 April 2013
- **Production highlights:**
  - LOM of 13 years at 2Mtpa throughput with production potentially to commence in Q3, 2018 when ZN 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 Zn concentrate (775,000t of Zn metal) and 210,000t of Cu concentrate (52,000t of Cu metal) for LOM
  - First 7 years of full production show an average of 79,750t of Zn metal as concentrate and 5,750t of Cu metal as concentrate with peak production at 99,000t of Zn metal and 8,250t of Cu metal respectively as concentrates
- **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 Zn operating costs including treatment and refining charges (TC/RC) of US$0.50/pound (lb) after Cu credits and US$0.46/lb in the first 7 years with Cu price assumed at an average of US$6,114/t
  - First full year Zn production (2018) costs forecast (after Cu credits) to be in the 2nd quartile of cash costs for the western world mines with Cu 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
  - A HMS study and analysis was commissioned, with initial results indicate Khnaiguiyah ore will be amenable to the HMS process. This has the potential to uplift processing grades from 3.3% to 6.0% Zn and 0.24 to 0.4% Cu and will allow Alara to either increase the annual rate of metal production or maintain current planned output at lower CAPEX through reduced plant size. Follow up test-work will be carried out.
  - Other opportunities being investigated include;
    - Potential to replace the SAG mill with additional cone crushers, creating CAPEX and OPEX power savings
    - Bulk concentrate trucking and shipping
    - Processing of additional feed via low-grade stockpiles
    - Coarser grind size thus reducing Opex with a possible increase in throughput
    - Water supply by the Water Company of KSA thus reducing Capex & Opex

Khnaiguiyah DFS Financial Summary

Definitive Feasibility Study Financial Summary

	Tonnes		
Zinc (Zn) Production LOM	775,000		
Copper (Cu) Production LOM	52,000		
Average Annual Production LOM	Zn concentrate 108,000 dry metric tonnes Cu concentrate 16,000 dry metric tonnes		
Average first 7 Years of Full Production	Zn concentrate 145,000 dry metric tonnes (79,750t of Zn metal) Cu concentrate 23,000 dry metric tonnes (5,750t of Cu 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 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% Zn and in the first 9.5 years approximately 3.95% Zn		
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		

Alara confirms that all material assumptions underpinning the production targets and forecast financial information derived from production targets continue to apply and have not materially changed.

Khnaiguiyah Project

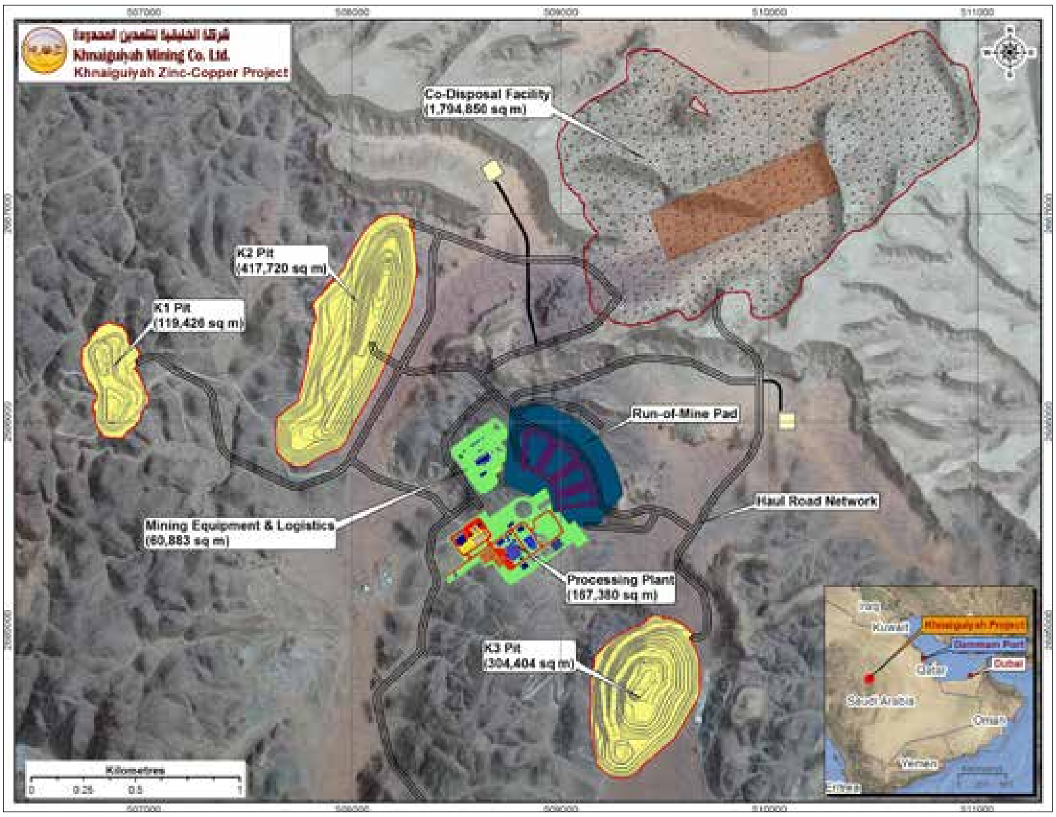
Definitive Feasibility Study Production Summary

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 Cu and Zn, 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, 15km 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
Volume Extracted	TOTAL: 160Mt comprising (approx.): – 20Mtpa (for Years 1, 2, 3, 7) – 14Mt (Year 4) – 17 to 18Mtpa (for Years 5, 6, 8, 9), decreasing to 0.3Mtpa (Year 10) Processing stockpiles occurs from Years 10 to 13
Total Ore Processed	26.08Mt
Processing	2mpta years 1–9 direct feed from ROM 2mpta years 10–13 direct feed from LGS
Tailings	25Mt/LOM
Waste Rock	134Mt/LOM
Volume in Co-Disposal	13 year waste rock and tailings totalling 159Mt
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

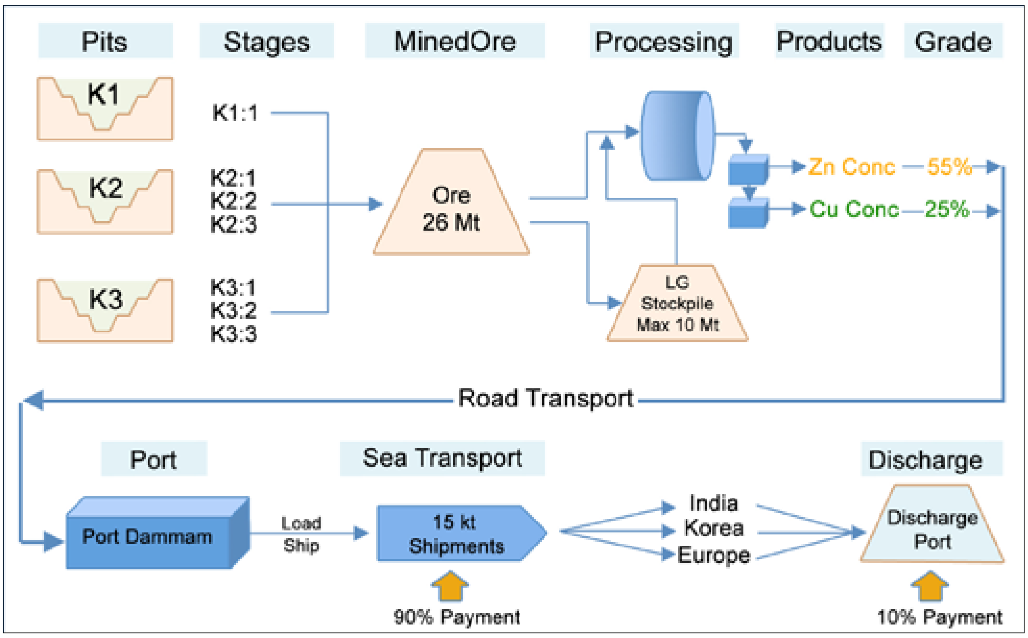
Life-of-Mine	Mining (Years 1 to 9)
	Stockpile Processing (Years 10 to 14)
	2 year rehabilitation:
	– Rehabilitation to start at the end of mining:
	  – Pits – 18 months
	  – Co-Disposal Facility (CDF) – 6 months

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 3km 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 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:		
– Bore field	6	
– Co-disposal facility	4	
– Fuel Farm	1	
– Mobilisation/Demobilisation	1	12
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 Zn prices quoted on the London Metals Exchange (LME)):

Operating Costs 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 Zn and Cu price forecasts and associated TC/RC, the financial analysis has confirmed the Khnaiguiyah Project 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 Zn and Cu pricing and TC/RC:
    - Zn consensus price based on the CRU estimate and estimates from BDO and Morgan Stanley
    - Cu consensus price based on the CRU estimate and estimates from BDO, JP Morgan and Morgan Stanley
  - The variable parameters used in each case reflecting Zn and Cu 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

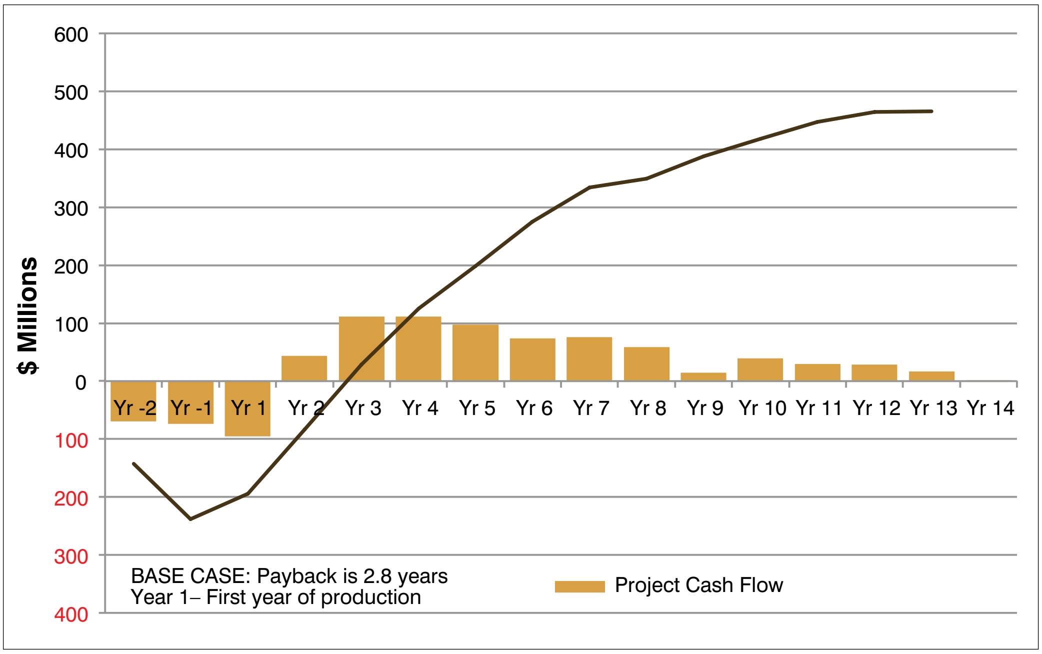
Pricing and Revenue Assumptions for Life of Mine

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
High[1]	Use CRU Prices, for Zn; Adjust Cu Prices and TC/RC	2,205	1,201	831	1,004	255	31%	2.0
Base[1]	Use Consensus Prices for Zn and Cu; Adjust TC/RC	2,074	1,201	696	873	170	23%	2.8
Market Price[2]	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

[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.

Base Case Cash Flow and Payback



Khnaiguiyah Project

Riyadh, Saudi Arabia

Project Financing

- The 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 low LIBOR equivalent margins
- KPMG in Saudi Arabia has indicated to Alara that it is likely that SIDF 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 an 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

	Proved			Probable			Proved + Probable		
Assumptions	Mt	Zn (%)	Cu (%)	Mt	Zn (%)	Cu (%)	Mt	Zn (%)	Cu (%)
1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
2	8.75	2.6	0.32	1.2	3.8	0.44	9.95	2.7	0.34
3	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. Refer to Competent Persons Statement and Annual Mineral Resources Statements at the end of the Annual Report.

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)

JORC Mineral 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	1, 2	9.65	3.37	0.16	1.5
		3	6.37	5.28	0.25	1.5
Indicated		1, 2	3.12	4.45	0.3	1.5
		3	6.18	3.55	0.05	1.5
Measured and Indicated		**1, 2 and 3**	**25.32**	**4.03**	**0.17**	**1.5**

JORC Measured and Indicated Copper (Domain 3) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper (%)	Cu Cut-off (%)
Measured	3	1, 2	4.7	0.72	0
		3	1.07	0.63	0
Indicated		1, 2	1.59	0.54	0
		3	1.16	0.43	0
Measured and Indicated		**1, 2 and 3**	**8.53**	**0.64**	**0**

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**	**2.9**	**0.03**	**1.5**

The information in these JORC Reserve and Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to Competent Persons Statement and Annual Mineral Resources Statements at the end of the Annual Report.

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 low Copper grades
  - "Domain 2" – has high Zinc grades and Copper
  - "Domain 3" – has Copper but low Zinc grades
- Mineralisation is open in Zones 1, 2 and 3 and remains to be tested fully in Zone 4.

Khnaiguiyah Project

Khnaiguiyah Project site

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 (Bureau de Recherches Géologiques et Minières); to be drilled to upgrade historical data.

Joint Venture Management and Transfer of Mining Licence

- Under the KMC joint venture shareholders agreement (SHA), Manajem is required to 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
- SIDF project financing would be provided (subject to 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 requesting that it comply with its 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 if the matter of the transfer of the Mining Licence is not resolved in due course
- In March/April 2014 Alara and Manajem entered into a Heads of Agreement (HoA) and associated formal agreements for the Khnaiguiyah Project whereby Alara would move from its current 50% equity position to 60% equity in KMC. In turn, these agreements resolved all outstanding historical matters identified between the parties and would thus allow the JV to move forward and the Project to progress. However on 4 June 2014, Alara announced that the implementation of the HoA, which includes a Road Map outlining the steps the parties had agreed to undertake to give effect to a New JV Agreement, had reached an impasse resulting from JV partner Manajem's failure to comply with the steps in the Road Map
- Alara continues to work toward a solution to the current JV impasse in order to progress the Khnaiguiyah Project given the Project's inherent robust nature and in line with the current rising Zn price market. Various options and opportunities are being progressed in order to move the Project forward as soon as practical.

Interests in Mining and Exploration Licences – Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

The Khnaiguiyah Zinc-Copper Project (Khnaiguiyah Project) is located approximately 170km south-west of the capital city Riyadh and 35km north-west of Al-Quwayiyah, which is a regional centre located around the Riyadh to Jeddah Expressway.

The Khnaiguiyah Project comprises one mining licence (issued in December 2010 with an exclusive 30 year term and no mineral royalties), 2 exploration licences and 5 exploration licence applications, totalling approximately 380km^2 currently held by Manajem pending completion of transfer to the JV company, Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia, incorporated on 10 January 2011).

The two exploration licences, Umm Al Hijja and Mutiyah, have expired and are pending renewal and are considered by Alara to be non-core to the Khnaiguiyah Project vis a vis the five exploration licences (applications pending grant) surrounding the existing Mining Licence.

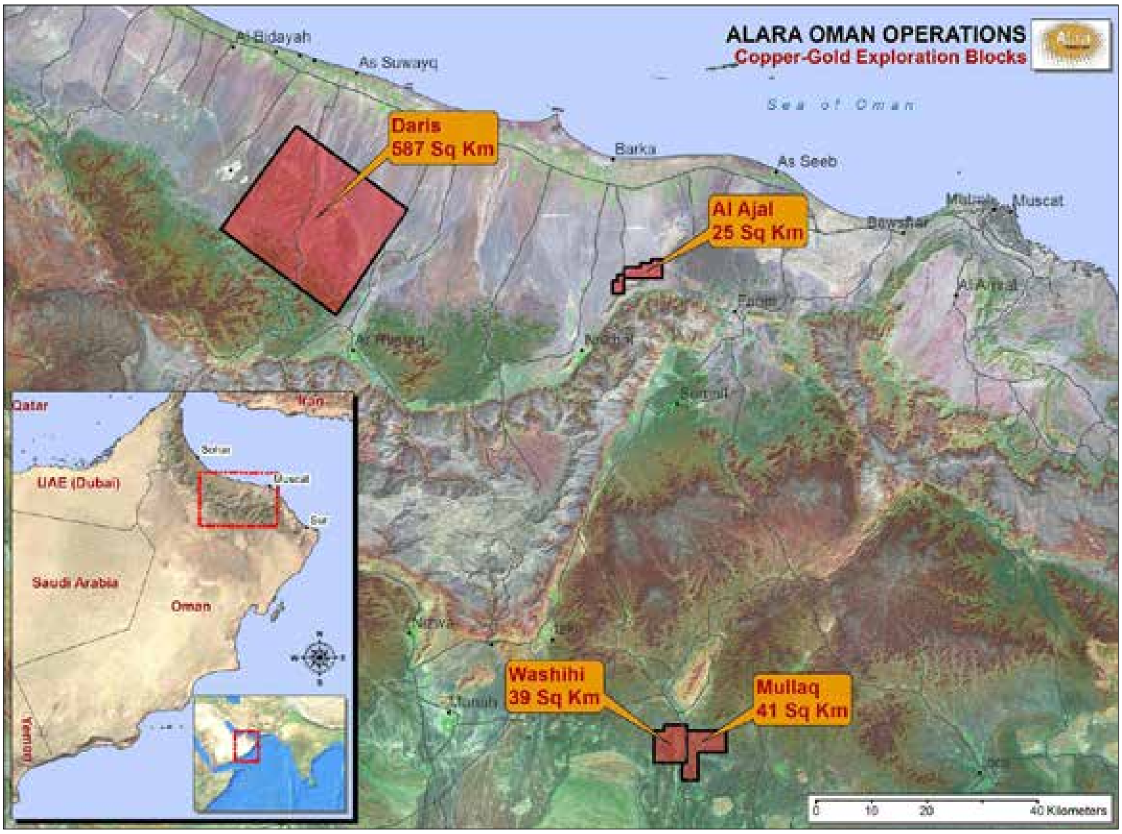
Alara's wholly owned subsidiary, Alara Saudi Operations Pty Limited has a 50% interest in KMC, with an agreement to move to 60% equity.

The current status of all licences/applications for this project is presented in the table below.

Project	Licence Owner	Status	Tenement	Grant/ Application Date	Expiry Date	Area	Location/ Property Name	Country	Alara's Interest
Khnaiguiyah Zinc-Copper Project	United Arabian Mining Company LLC	Granted	Mining Lease No 2. Qaaf	Dec 2010 dated 6/1/1432H	30 years	5.462km^2	~170km west of Riyadh	Saudi Arabia	50%**
Khnaiguiyah Zinc-Copper Project	United Arabian Mining Company LLC	Two (2) Granted/ pending renewal	Exploration Licence "Qaf"/101	Oct 2007 dated 17/10/1428H	Expired (pending renewal/ reissue)	84 + 66km^2	~170km west of Riyadh	Saudi Arabia	50%**
Khnaiguiyah Zinc-Copper Project	United Arabian Mining Company LLC	Five (5) Applications	Exploration Licence "Qaf"/99	Oct 2007 dated 17/10/1428H	N/A	24.99 + 66.71 + 65.52 + 34.65 + 30.08km^2	~170km west of Riyadh	Saudi Arabia	50%**

** Upon transfer of rights from Manajem to KMC

Oman Projects



Alara has joint venture interests in four (copper-gold) exploration licenses in Oman extending over 692km^2, and five mining licences pending grant totalling 10km^2. collectively now referred to as the Daris/Washihi Project.

The Daris deposit is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq deposits are located ~100km south-southeast of Daris. All of the deposits are located on or very close to high quality bitumen roads.

An initial Scoping Study was commenced in mid-2012 and completed in 2013. Following this a full Options Analysis was completed in the past year that lead directly to the Advanced Scoping Study that has now been completed. Test work was undertaken concurrently on the application of a Heavy Media Separation (HMS) plant in order to inexpensively and efficiently remove waste material and to enable upgrading of ore to the processing plant. This work was successful and was included in the overall processing flow sheet for the Advanced Scoping Study, The combination of the Options Analysis study, HMS test work and the subsequent Advanced Scoping Study has provided a greatly enhanced understanding of the overall Project and asset value.

Strategy

Alara's strategy for the year in Oman has been to build upon a previously completed Scoping Study, upgraded JORC Resource and additional metallurgical test work and through the completion of a full Options Analysis Study, HMS test work and subsequent Advanced Scoping Study be able to prepare a viable business case to support the way forward for the Project that will maximise the value to Alara and its joint venture partners. Although a final decision for the next stage of the Project has not yet been taken, the options include; undertaking a Pre-Feasibility Study (PFS), moving directly to a Definitive Feasibility Study (DFS) or further commercialisation of the Project in support of rapidly developing a copper-gold mining operation in the country.

Value add achievements:

- A core mineral resource had been discovered and delineated at the Washihi prospect and a smaller (high grade) satellite resource identified at the Daris-East prospect
- Following the definition of the initial resource base further definition diamond and RC drilling was completed followed by additional metallurgical testing. Both activities combined to significantly enhance the Project's overall value and further potential
- HMS testing on the Washihi resource was completed in January 2014 and has been successful in providing a breakthrough for improving the feed grade to the processing plant and in turn improving the overall economics for this Project

- Options Study Analysis was completed with six possible development options evaluated for all of the five prospects/exploration licence areas comprising the Daris/Washihi Copper-Gold Project
- Alara has based the Advanced Scoping Study on the outcome of the Options Analysis Study and prior Scoping Study (HMS plant followed by conventional flotation circuits of different throughput capacities)
- The positive and robust outcome of the Advanced Scoping Study has provided sufficient confidence to allow Alara to consider one of: progressing to a Pre-Feasibility Study (PFS), progressing to a Definitive Feasibility Study (DFS) or to look at other commercial options in order to advance the Project as rapidly as is reasonable
- External interest in the Daris/Washihi Project has continued with various parties undertaking due diligence activities over the year and into FY 2015. Alara and its joint venture partners will continue to assess the benefits that these parties may bring to the Projects
- Alara had previously considered the possibility of further commercial activity surrounding the Oman assets, but any decision has been deferred pending the outcome of current market, funding and commercial reviews. Closure of this work is expected in the first half of FY2015.

HMS Test Work on Washihi ore

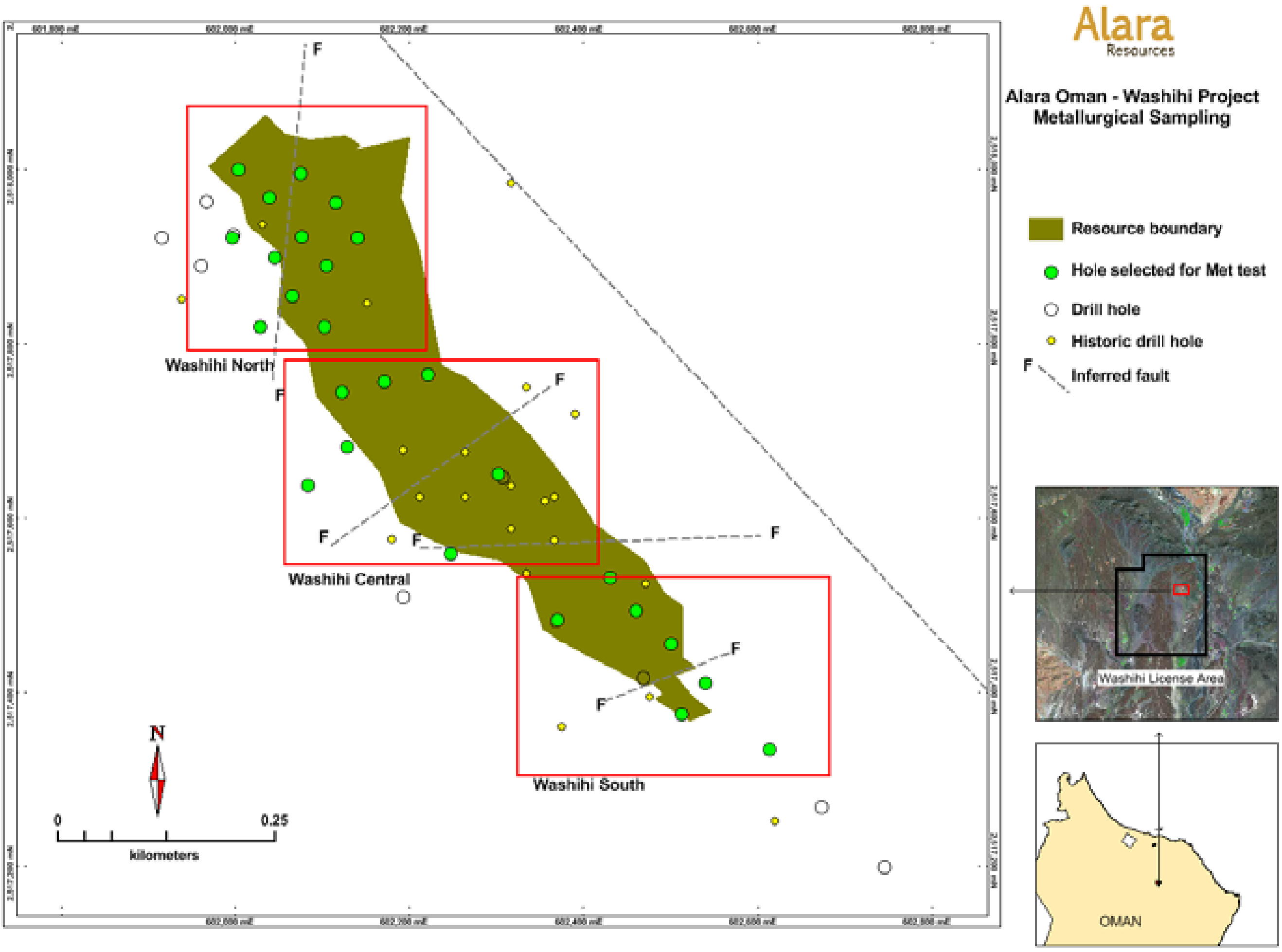
Based on inspection of the Washihi drill core which indicated the mineralogical presence of chalcopyrite in stringer/stockwork mode, it was deemed suitable to conduct indicative HMS testing on Washihi ores to determine their amenability to effective ore upgrading via HMS.

The three deposit zones of Washihi North, Washihi Central and Washihi South were composited and used for this HMS test work.

The overall summary of this test work is as follows:

Mass balance:	45-50% of material to final process plant feed
Cu Grade Upgrade:	1.5-2.0 times grade enhancement
Metal losses:	8-10% overall metal losses

The results indicate doubling of the copper grade for flotation after rejecting about half of the mass with losses in the order of approximately 10%.



Location of Metallurgical samples over Washihi Resource

Oman Projects

Options Analysis Study

In addition to the initial Scoping Study work completed last year the Company chose to complete a detailed Options Analysis Study to ensure that both the correct approach was being taken and that all incremental options and opportunities were being captured.

The Options Analysis Study evaluated six potential development options for the Daris/Washihi Projects centred around the Washihi Mineral Resource with contributions from the Daris-East Mineral Resource and exploration targets from the Daris 3A-5 prospect and Al Ajal and Mullaq exploration licences :

1. Conventional flotation circuit;
2. HMS plant followed by a smaller scale conventional flotation circuit;
3. HMS plant followed by a larger scale (x2) conventional flotation circuit;
4. Off-site toll treatment;
5. On-site heap conventional leach option of Daris oxides; and
6. Continuous Vat Leach (CVL) of Daris oxides.

The Options Analysis Study was completed in April 2014. With successful completion of HMS test work a HMS circuit was added to Options 2 & 3. The application of the HMS circuit to the Daris/Washihi Project was deemed a material uplift or 'breakthrough' as it effectively increased the grade of the material to be processed from 0.9% Cu to 1.5–2.0% Cu.

Given the success of this test work and the subsequent superior economic outcomes of Options 2 & 3, these Cases or Options were adopted for an updated Scoping Study.

Advanced Scoping Study

An Advanced Scoping Study (Study) was completed in October 2014 with very positive outcomes under reasonably well defined development criteria based on the earlier Options Analysis.

The Study has also provided Alara with a much better overall evaluation of the Daris/Washihi Project and Alara's Oman assets generally, and the potential for other commercial options and opportunities to be explored.

Alara has initiated a commercial review (expected to be completed by end of November 2014) to help further define these opportunities.

Study Highlights

- Three development options were evaluated under the study, namely:
    1. A '**Base Case**' 0.5Mtpa conventional flotation plant (post Heavy Media Separation (HMS)) from mining inventory sourced from the existing JORC Mineral Resources at the Washihi and Daris-East deposits;
    2. An '**Enhanced Base Case**' 0.5Mtpa conventional flotation plant (post HMS), which is based on a slight increase (2.3%) in the mining inventory sourced from a high grade early stage prospect within the Mullaq exploration licence; and
    3. A '**Target Case**' larger scale flotation plant (post HMS), which is based on a more substantial increase (x2) in the mining inventory sourced from Exploration Targets across the Washihi and Daris deposits.
- The Base Case shows US$40M NPV, 18% IRR, US$96M capex, 5.3 year pay-back, US$514M LOM revenues (from 74,747t Cu and 38,088oz Au LOM production), US$289 LOM opex (at US$3,870/t Cu recovered),
- The Enhanced Base Case shows a more attractive US$52M NPV, 20% IRR, US$96M capex, 4.5 year pay-back, US$544M LOM revenues (from 79,683t Cu and 37,151oz Au LOM production), US$303M LOM opex (at US$3,801/t Cu recovered).
- The financial model assumes an 8% discount rate, US$7,000/t Copper price, US$1,300/oz Gold price, 100% ownership and is inclusive of taxes and royalties.
- The economics of the larger capacity Target Case are more attractive again but this information has not been disclosed per ASX requirements. The study suggests an opportunity to leverage the Daris/Washihi Project's value through further systematic exploration and upgraded resource definition to increase the mining inventory to improve the overall NPV/capex ratio, strengthen the IRR, reduce the pay-back period and extend the LOM.
- A number of enhancement opportunities have been also identified to potentially add value under all development cases.
- The positive Target Case outcome suggests that further exploration to delineate additional resources will create the most substantial additional value in the short term for the Daris/Washihi Project. Such an exploration programme may be merged with other work areas identified in the course of the study and undertaken in an organised manner as part of a staged Feasibility Study.

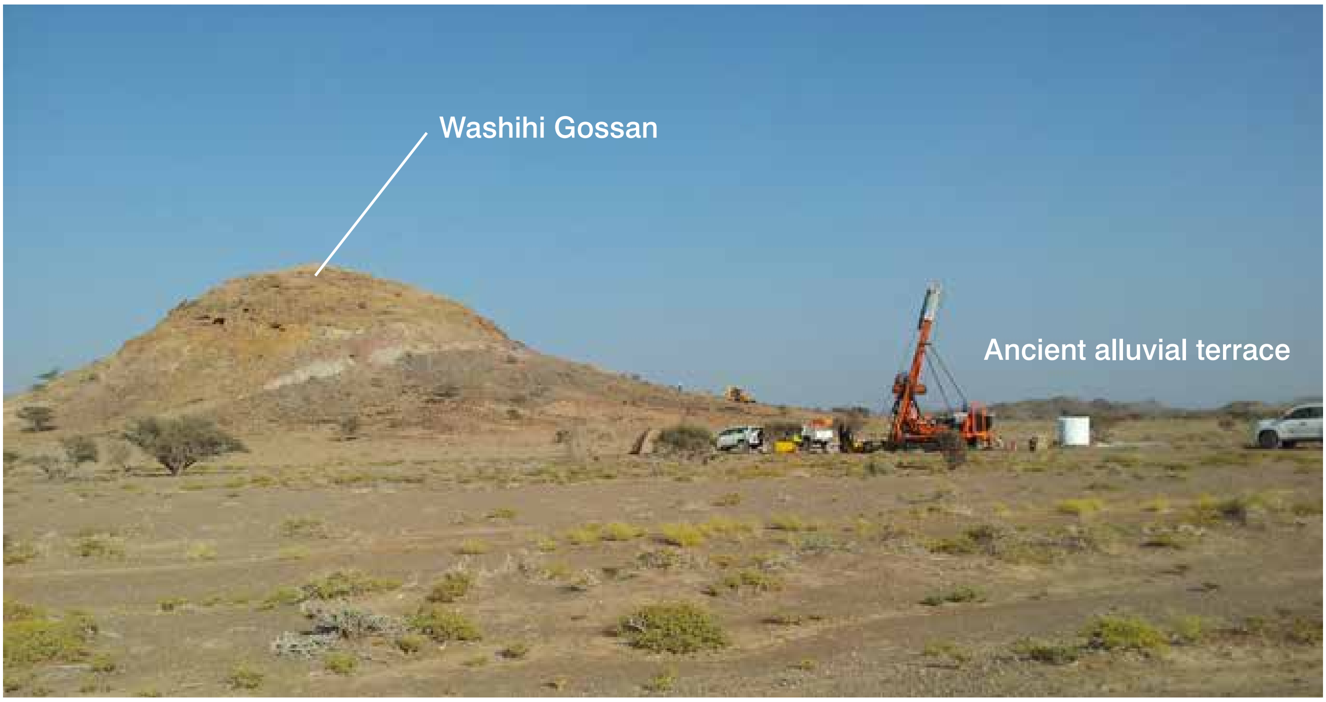
For further information on the outcomes of the Advanced Scoping Study and the Exploration Targets identified for the Daris/Washihi Project, refer to Alara's ASX Announcement dated 14 October 2014 and titled "Oman Project Update: Positive Advanced Scoping Study Outcomes".

ASX and JORC Code Cautionary Statements: Alara confirms that all material assumptions underpinning the production targets and forecast financial information derived from production targets continue to apply and have not materially changed. The Study is based on low level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised. The mining inventory under the Study is partly based on Inferred Resources (42.3% under the Base Case and 41.3% under the Enhanced Base Case) and an Exploration Target (2.3% under the Enhanced Base Case). The mining process schedule assumes the following approximate relative sequence – in Years 1 and 2 (Washihi Indicated Resource and Mullaq Exploration Target), Years 3 and 4 (Washihi Indicated and Inferred Resources), Year 5 (Washihi Indicated and Inferred Resources and Daris-East Indicated and Inferred Resources), Year 6 (Washihi Indicated and Inferred Resources) and Years 7 to 9 (Washihi Inferred Resources, included stockpiled material after Year 7). There is a lower level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target (under the Study) will be realised. The potential quantity and grade of an Exploration Target is conceptual in nature, there has been insufficient exploration to determine a JORC Mineral Resource and there is no certainty that further exploration work will result in the determination of JORC Mineral Resources or that the production target (under the Study) will be realised.

WASHIHI COPPER-GOLD PROJECT

(Alara – 70% 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 ~105km^2 located approximately 80 to 160km east and southeast of Alara's Daris Copper-Gold Project. 3 Mining Licence applications covering 3km^2 at Washihi, 1km^2 at Mullaq and 1.5km^2 at Al Ajal have been filed.



The Washihi Gossan (A gossan is oxidised or decomposed rock, often indicating the upper and exposed part of a mineral deposit.)

JORC Mineral Resources – Washihi

	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	0.2
0.25	6.84	0.9	0.17	7.27	0.71	0.2
0.50	5.66	1.01	0.18	5	0.85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1.00	2.39	1.37	0.2	1.24	1.31	0.27

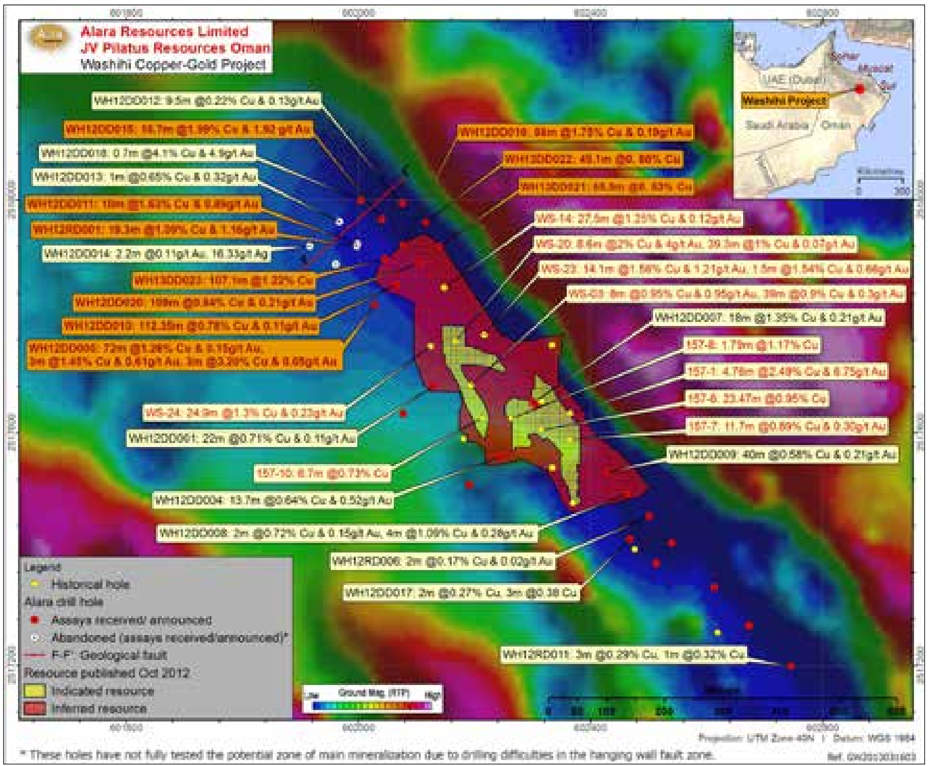
The information in these JORC Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to the Competent Persons Statement and the Annual Resources Statements at the end of the Annual Report.

Notes:

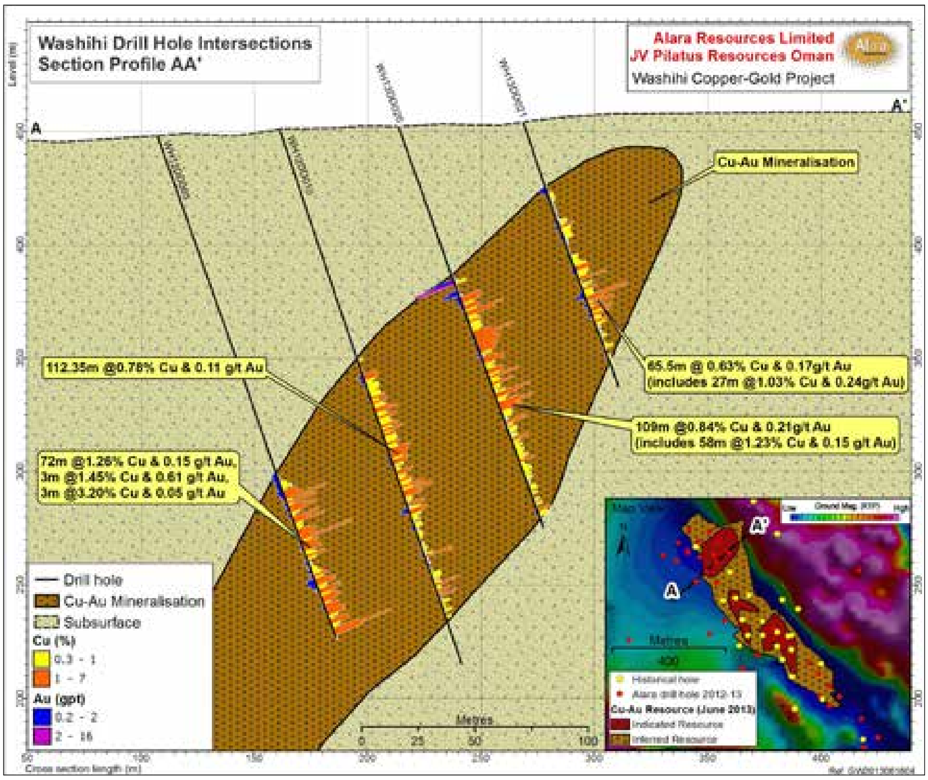
– Based on 69 holes totalling 10,668m (diamond core – 8,685m, RC – 898m and core-cum-RC – 1,085m) comprising 35 holes totalling 6,207m (diamond core – 4,224m, RC – 898m and core-cum-RC – 1,085m) drilled by Alara and verified historic drilling data from 34 holes totalling 4,461m (diamond core).

– 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 Projects



Washihi Datamine Block Model over RTP ground magnetics image. Also shows distribution of the Inferred and Indicated Resource at Washihi together with key drill intersections utilised in the estimation of the JORC Resource.



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:

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*

Washihi Significant Intersection Results from Drilling.

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 modelling 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.

Oman Projects

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 ~587km^2. 2 Mining Licence applications covering 3.2km^2 at the Daris East and 1.3km^2 at the Daris 3A–5 prospects have been filed.

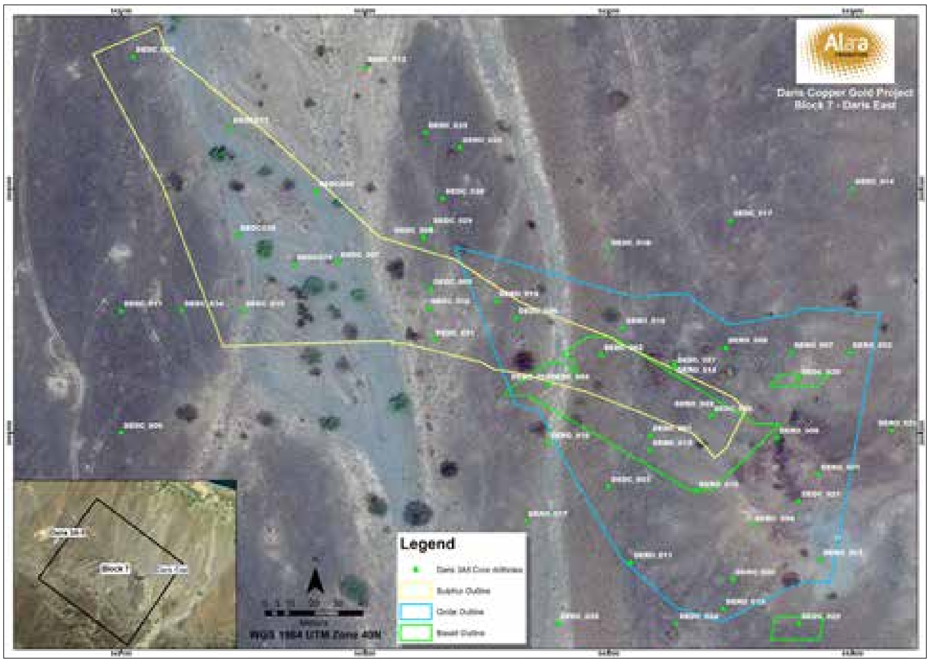
JORC Mineral Resources – Daris

		Measured			Indicated			Measured and Indicated			Inferred		
Ore type	Cut-off grade Cu%	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t
Sulphides	0.5	129,155	2.48	0.23	110,870	2.24	0.51	240,024	2.37	0.43	30,566	2.25	0.55
Oxides	0.5	96,526	0.77	0.03	86,839	0.66	0.14	183,365	0.72	0.08	1,712	0.61	0.97

The information in these JORC Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to the Competent Persons Statement and the Annual Resources Statements at the end of the Annual Report.

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.



Daris-East Drill hole Location and Resource Outlines

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*

Daris East Significant Intersections from Alara Core Drilling.

Notes:

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

Oman Projects

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

MINERALISED ZONE – SIGNIFICANT INTERSECTIONS – DARIS 3A5 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*

Daris 3A-5 Significant Intersections from Alara Core Drilling.

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.

Interests in Mining and Exploration Licences – Daris and Washihi Deposits (Oman)

Daris Deposit

The current status of all licences/applications for this project is presented in the table below.

			Exploration Licence					Mining Licences within EL		
Block Name	Licence Owner	Alara JV Interest	Area	Date of Grant	Date of Expiry	Application for Renewal	Status	Area	Date of Application	Status
Block 7	Al Tamman Trading and Est. LLC, Oman	50–70%	587km^2	Nov 2009	Nov 2012	Oct 2012	Deemed granted as per law	Daris East 3.2km^2 Daris 3A-5 1.3km^2	Dec 2012	Accepted in April 2013; in progress

Washihi-Mullaq-Al Ajal Deposits

The current status of all licences/applications for this project is presented in the table below.

			Exploration Licence					Mining Licences within EL		
Licence Name	Licence Owner	Alara JV Interest	Area	Date of Grant	Date of Expiry	Application for Renewal	Status	Area	Date of Application	Status
Washihi	Al Hadeetha Resources LLC Oman	70%	39km^2	Jan 2008	Jan 2013	Dec 2013	Deemed granted as per law	3km^2	Dec 2012	Accepted in April 2013; in progress
Mullaq	Al Hadeetha Resources LLC Oman	70%	41km^2	Oct 2009	Oct 2012	Sep 2012	In progress	1km^2	Jan 2013	In progress
Al Ajal	Al Hadeetha Resources LLC Oman	70%	25km^2	Jan 2008	Jan 20013	Dec 2013	In progress	1.5km^2	Jan 2013	In progress

Our Contractors

Contractors	Service Area	Country
ALS Metallurgy Pty Ltd	Metallurgical Consultancy	Australia
ALS Ammtec	Metallurgical Consultancy	Australia
Feras Alshawaf Law Firm	Legal Services	Saudi Arabia
IRM Pty Limited	Website & Annual Report	Australia
Leanne Cureton	Technical Consultancy	Australia
Megabest	Metallurgical Consultancy	Australia
Mining and Cost Engineering Pty Ltd	Technical Consultancy	Australia
Navigo Advisors Pty Ltd	Technical Consultancy	Australia/New Zealand
Nasdaq OMX	Share Register Analysis	Australia
Petra Capital	Share Broking & Investor Relations	Australia
Splice IT	IT Support	Australia
Trowers & Hamlins	Legal Services	Oman
Warner Consulting Australia Pty Ltd	Recruitment Consultancy	Australia

Financial Year 2014 **Milestones Achieved**

CORPORATE

Board of Directors restructured	**Jul – Oct 13**
Mr Philip Hopkins transitioned from Non-Executive Director to Managing Director	**Jul 13**
Moved to new offices	**Aug 13**
Mr John Hopkins appointed Non-Executive Director and appointed Chairman of the Audit Committee	**Oct 13**
His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud appointed Non-Executive Director	**Oct 13**
Mr James D Phipps appointed Alternate Non-Executive Director for HRH Prince Abdullah	**Oct 13**
Management Team restructured and rebuilt	**Oct 13 – May 14**
Research and Development Tax Incentive scheme refunds for 2012 and 2013 financial years received	**Sep 13 – Jan 14**

SAUDI ARABIA – KHNAIGUIYAH PROJECT

Agreements with Joint Venture partner to move to 60% equity completed	**Mar 14**
Defined Saudi Industrial Development Fund (SIDF) approach and quantum	**May 14**
Completed preliminary Project upside studies	**Apr – Jun 14**
Preliminary advice on SIDF application process obtained	**Jun 14**
Successful Heavy Media Separation (HMS) testing completed	**Jun 14**
Alternative options to progress the Joint Venture explored and actioned	**Apr – Sep 14**

OMAN – DARIS/WASHIHI PROJECT

Upgraded JORC Resource for Washihi deposit finalised	**Jul 13**
Restructured team and staffing	**Aug – Sep 13**
Exploration licences for Daris and Washihi deposits renewed	**Jan 14**
Positive Options Analysis Study completed	**Jun 14**
JORC Exploration Target defined	**Jun 14**
Successful HMS testing completed	**Jun 14**
Advanced Scoping Study Completed	**Oct 14**

Financial Summary

Full year total comprehensive income was $0.8m compared to a loss of $7.0m in 2013.

The change from a loss in 2013 to a profit in 2014 is primarily the result of a $4.8m Income Tax Benefit in 2014 from Research & Development Tax Refunds received. The underlying Loss Before Income Tax was $4.3m compared to a loss of $6.9m in 2013.

Interest income revenue of $0.12m was lower than in 2014 compared to the $0.28m recorded in 2013 due to lower cash balances held and lower interest rates during 2014.

Total Operating Expenses were $4.4m in 2014 compared to $7.2m in 2013 as a result of lower Personnel and Occupancy expenses together with a lower impairment charge for Exploration Expenditure in 2014 amounting to $0.56m compared to $3.1 in 2013.

The Consolidated Entity had a closing cash balance as at 30 June 2014 of $3.2m. In addition funds held in trust amounted to $0.6m.

Consolidated net cash outflows were lower in 2014 than 2013 due to lower exploration and evaluation work carried out on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and the Daris/Washihi copper-gold exploration projects in Oman.

Key Financial Numbers

Consolidated Profit & Loss Summary	**2014 $'000**	**2013 $'000**
Total revenue	122	283
Total expenses	(4,401)	(7,186)
Loss before tax	(4,279)	(6,903)
Income tax benefit	4,754	–
Other comprehensive income/(loss)	307	(125)
Total comprehensive income/(loss)	**782**	**(7,028)**

Consolidated Balance Sheet Summary	**2014 $'000**	**2013 $'000**
Total assets	41,130	41,046
Total liabilities	(2,208)	(3,595)
Net assets	38,922	37,451
Total equity	**38,922**	**37,451**

Consolidated Cash Flow Summary	**2014 $'000**	**2013 $'000**
Operating Activities	(520)	(3,577)
Investing Activities	(2,092)	(10,309)
Financing Activities	–	7,481
Opening Cash	4,459	10,950
Net Cash Movement	(1,308)	(6,491)
Closing Cash	**3,151**	**4,459**

Consolidated EPS	**2014**	**2013**
Basic earnings/(loss) per share – cents	0.30	(2.84)
Diluted earnings/(loss) per share – cents	0.30	(2.84)
Weighted average ordinary shares	242m	231m

FY2015 Projected Milestones

CORPORATE

Achieve interim finance	**Jan – Mar 2015**
Expand team in support of Company Projects	**Apr – Jun 2015**

SAUDI ARABIA – KHNAIGUIYAH PROJECT

Secure ML and progress the Project	**Apr – Jun 2015**
Identify and finalise offtake arrangements	**Apr – Jun 2015**
Appoint Project Director	**Apr – May 2015**
Appoint Owner's Team	**May – Jun 2015**
Complete DFS optimisation work	**Jun 2015**
Secure next stage of licences and permits to commence construction	**Jul – Sep 2015**
Tender and allocate EPC contract	**Jul – Sep 2015**
Commence Community and Government Relations Plans	**Apr 2015**

OMAN – DARIS/WASHIHI PROJECT

Final review of toll mining/treatment option	**Oct – Dec 2014**
Finalise retention or disposal options	**Nov 2014**
If retention strategy adopted, commence (Pre)Feasibility Study	**Dec 2014 – Jan 2015**

Directors' Report

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 2014 (the **Consolidated Entity** or **Group**).

REVIEW OF OPERATIONS

Review of Full Year's Activity

During the 2014 Financial Year Alara continued its endeavours to move the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) (Definitive Feasibility Study (DFS) completed) forward into finance and construction and to progress the Daris/Washihi Copper/Gold Project in Oman through additional studies for completion of an Advanced Scoping Study.

The year included both positive technical breakthroughs and a disappointing delay with the Khnaiguiyah Project. A Heads of Agreement (HoA) with our Joint Venture (JV) partners superseding the original JV Agreement for the Khnaiguiyah Project was signed in March 2014 after extensive negotiations, but the JV partners have not followed the agreed Road Map and progress on the Project is stalled as this impasse continues. Alara had previously considered the possibility of the sale of the Oman assets, but any decision has been deferred pending the outcome of current studies.

Project technical studies progressed well for the Khnaiguiyah Project in Saudi Arabia and the Daris/Washihi Project in Oman. Heavy Media Separation (HMS) studies indicate technical applicability for both projects and other technical studies designed to optimise various processes for the projects are also in progress.

The Board was restructured in the second half of 2013 and the management team rebuilt through to the first half of 2014 in readiness for the next stages of project development.

The improvement in the price of Zinc is a significant benefit for the Khnaiguiyah Project economics.

Milestones and Achievements – 2014 in review

Corporate

- Board of Directors restructured July-October.
- Mr John Hopkins appointed Non-Executive Director and appointed Chairman of the Audit Committee, October 2013.
- His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud appointed Non-Executive Director, October 2013.
- Mr James Phipps appointed Alternate Director for HRH Prince Abdullah, October 2013.
- Management Team restructured and rebuilt October 2013 – May 2014.
- Research and Development Tax Incentive scheme refunds for 2012 and 2013 financial years received September 2013 and January 2014.

Saudi Arabia – Khnaiguiyah Project

- Agreements with JV partner to move to 60% equity completed March 2014.
- Preliminary advice on Saudi Industrial Development Fund (SIDF) application process obtained June 2014.
- Alternative options to progress the JV explored and actioned April – September 2014.

Oman – Daris/Washihi Project

- Upgraded JORC Resource for Washihi deposit finalised July 2013.
- Exploration licences for Daris and Washihi deposits renewed January 2014.
- Positive Options Analysis Study completed June 2014.
- Successful HMS testing completed June 2014.
- Advanced Scoping Study nearing completion September 2014.

Planned Milestones – 2015 forward looking

Corporate

- Achieve interim finance January – March 2015.
- Expand team in support of Company Projects April – June 2015.

Saudi Arabia – Khnaiguiyah Project

- Secure ML and progress the project April – June 2015.
- Identify and finalise offtake arrangements April – June 2015.
- Appointment of Project Director April – May 2015.
- Appointment of Owner's Team May – June 2015.
- Complete DFS optimisation work June 2015.
- Secure the next stage of licences and permits to commence construction July – September 2015.
- Tender and allocate EPC contract July – September 2015.
- Commence Community and Government Relations Plans April 2015.

Oman – Daris/Washihi Project

- Final review of toll mining/treatment option October – December 2014.
- Finalise retention or disposal options November 2014.
- Commence Pre-Feasibility/Feasibility Study December 2014 – January 2015.

Projects

Khnaiguiyah Zinc-Copper Project — Saudi Arabia

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

Background

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.

In March/April 2014[1 & 2] Alara and Manajem entered into a Heads of Agreement (HoA) and associated formal agreements for the Khnaiguiyah Project whereby Alara would move from its current 50% equity position to 60% equity in Khnaiguiyah Mining Company LLC (KMC). In turn, these agreements resolved all outstanding historical matters identified between the parties and would thus allow the JV to move forward and the Project to progress. However on 4 June 2014, Alara announced [3] that the implementation of the HoA, which includes a Road Map outlining the steps the parties have agreed to undertake to give effect to a New JV Agreement, had reached an impasse resulting from JV partner Manajem's failure to comply with the steps in the Road Map.

JORC Statements

Table 1 – Khnaiguiyah JORC Ore Reserves[4]

	Proved			Probable			Proved + Probable		
Mineralised Zone	**Mt**	**Zn%**	**Cu%**	**Mt**	**Zn%**	**Cu%**	**Mt**	**Zn%**	**Cu%**
1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
2	8.75	2.6	0.32	1.2	3.8	0.44	9.95	2.7	0.34
3	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

Table 2 – Khnaiguiyah JORC Measured and Indicated Resource – Zinc (Domain 1) and Zinc-Copper (Domain 2)[5]

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Measured	1 and 2	1, 2	9.65	3.37	0.16	1.5
		3	6.37	5.28	0.25	1.5
Indicated		1, 2	3.12	4.45	0.3	1.5
		3	6.18	3.55	0.05	1.5
Measured and Indicated		1, 2 and 3	25.32	4.03	0.17	1.5

Table 3 – Khnaiguiyah JORC Measured and Indicated Resource – Copper (Domain 3)[5]

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper %	Cu Cut-off (%)
Measured	3	1, 2	4.7	0.72	0
		3	1.07	0.63	0
Indicated		1, 2	1.59	0.54	0
		3	1.16	0.43	0
Measured and Indicated*		1, 2 and 3	8.53	0.64	0

1 Refer Alara's ASX market announcement dated 14 March 2014 and entitled "Alara Moving to 60% Interest in the Khnaiguiyah Project"
2 Refer Alara's ASX market announcement dated 4 April 2014 entitled "Completion of Agreement for Updated Khnaiguiyah Project Joint Venture"
3 Refer Alara's ASX market announcement dated 4 June 2014 entitled "Khnaiguiyah Project Joint Venture Agreement Has Reached Impasse"
4 Refer to Alara's ASX Announcement of 18 April 2013 entitled "Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project"
5 Refer to Alara's ASX Announcements of 21 February 2012 entitled "Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project", 12 October 2012 entitled "JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project," and 30 October 2012 entitled "JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project"

Directors' Report

Khnaiguiyah Zinc-Copper Project (continued) **Saudi Arabia**

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

Table 4 – Khnaiguiyah JORC Inferred Resource – Zinc (Domain 1) and Zinc-Copper (Domain 2)

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Inferred	1 and 2	4	4.32	2.9	0.03	1.5

The information in these JORC Reserve and Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

** Totals in tables may appear incorrect due to rounding*

Definitive Feasibility Study

A summary of the key results of the DFS announced on 30 April 2013 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 a Mining Licence (ML) with 5 Exploration Licences (EL) under application. Also in place is the defined Water Pipeline Route.

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 along with other more minor operations permits.

The transfer of licenses for exploration and exploitation of the resource is covered by a Shareholders' Agreement (SHA) between Alara and Manajem. In addition to and outside of the SHA is 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. The contemplated transfers and obligations are also included in the HoA.

Way Forward

Alara continues to work toward a solution to the current JV impasse in order to progress the Khnaiguiyah Project given the Project's inherent robust nature and in line with the current rising Zinc price market. Various options and opportunities are being progressed in order to move the Project forward as soon as practical.

Optimisation Studies

Additional technical studies were either progressed, or have been defined during the financial year and are ready to finalise or commence as soon as practical. These studies are designed to materially enhance the value and/or reduce the key risks associated with the Khnaiguiyah Project.

Evaluation test work (at lab or 'bench' scale) has been completed for Heavy Media Separation (HMS) of ore and a draft report has been issued. Initial indications show positive amenability of Khnaiguiyah ore to the HMS process. Test work to bring this flow sheet change up to DFS level is pending a resolution of the current Project delay. A grind size study will follow. A water supply review has identified several alternative process water supply sources which are being investigated. A comminution circuit optimisation study was commenced. Bulk shipping will be investigated as an alternative to shipping concentrates in containers.

Project Financing

Advice was received regarding the application process for Saudi Industrial & Development Fund ("SIDF") finance. The SIDF is mandated to support the industrialisation objectives of the Kingdom of Saudi Arabia by providing technical, administrative, financial and marketing advice and financial assistance in the form of medium and long term loans to investors in industry. For approved projects in more remote areas of the country, the SIDF can fund up to 75% of construction capital cost and 5–10% of pre-construction cost. As part of funding conditions the SIDF would require a significant portion of concentrate output to be covered by metal offtake agreements.

The Khnaiguiyah Project is believed to meet the SIDF 'remote location' criteria for Zone 3. Zone 3 attracts the highest level of possible financial support for projects such as this as a result of the desire of the Saudi Government to provide employment and economic development in these regions. This is supported by written advice received from external financial advisors (KPMG) in Saudi Arabia. The availability of a large portion of project finance from within Saudi Arabia and the need for metal offtake arrangements both reduce project risk in the areas of funding and revenue.

During the financial year, Alara commenced discussions with metal traders and financiers. These discussions were positive and are being assessed and expanded. Further discussions are planned as the Company refines the DFS optimisation studies and project finance timeline.

Future Growth and Opportunities

The DFS is based on currently known JORC classified Mineral Resources which were limited by the extent of the drill program (limited by available exploration time and funds). All three currently defined 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.

Washihi-Mullaq-Al Ajal and Daris Copper-Gold Projects — Oman

Alara has joint venture interests in four (copper-gold) exploration licenses in Oman extending over 692km^2, 5 mining licences pending grant totalling 10km2 and 10 (base and precious metals) exploration licence applications pending grant totalling 2,677km^2.

A scoping study level of metallurgical test-work on drill-hole cores from Daris/Washihi was completed in July 2013. Following this and an updated JORC Mineral Resources statement, an Options Analysis Study evaluated six project options with 2 selected for inclusion in an upgraded Scoping Study. The options selected both included HMS (Heavy Media Separation) in the processing circuit, one with a smaller capacity conventional flotation circuit and the other with a larger capacity (x2) conventional flotation circuit. An Advanced Scoping Study for the combined Daris/Washihi resource in Oman was progressed in the year and at the time of writing is being finalised.

Directors' Report

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 ~105km² located ~80-160km east and southeast of Alara's Daris Copper-Gold Project.

JORC Mineral Resource Statement

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

Table 5 – Washihi JORC Mineral Resources[6]

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0	7.16	0.87	0.17	7.77	0.67	0.2
0.25	6.84	0.9	0.17	7.27	0.71	0.2
0.5	5.66	1.01	0.18	5	0.85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1	2.39	1.37	0.2	1.24	1.31	0.27

The information in this JORC Resource table was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

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 ~587km² located ~150km west of the capital city Muscat in Oman. The annual renewal of the exploration licences was completed and two Mining Licence applications filed over Daris East and Daris 3A-5 prospects within the exploration licence.

JORC Mineral Resource Statement

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

Table 6 – Daris-East JORC Mineral Resources

Ore type	Cut-off grade Cu%	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t
Sulphides	0.5	129,155	2.48	0.23	110,870	2.24	0.51	240,024	2.37	0.43	30,566	2.25	0.55
Oxides	0.5	96,526	0.77	0.03	86,839	0.66	0.14	183,365	0.72	0.08	1,712	0.61	0.97

The information in this JORC Resource table was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Way Forward

External interest in the Daris/Washihi Project has continued with various parties undertaking due diligence activities. Alara had previously considered the possibility of the sale of the Oman assets, but any decision has been deferred pending the outcome of current studies.

6 Refer to Alara's ASX Announcement of 16 July 2013 entitled: Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset

Board Changes

During the course of the 2014 Financial Year, there were a number of Board changes.

The following directors retired from office during the year:

- Mr H. Shanker Madan retired in July 2013, Mr Douglas Stewart retired in August 2013 and Mr William Johnson retired in October 2013. The Company thanks the retiring directors for their contributions toward building the company to its present position.

The Company also welcomed the appointment of the following experienced Directors to take the company forward:

- Mr John Hopkins was appointed Non-Executive Director and appointed Chairman of the Audit Committee in October 2013.
- His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud was appointed Non-Executive Director in October 2013 and Mr James Phipps was also appointed Alternate Director for HRH Prince Abdullah October 2013.

Challenges

Resolving the current impasses with the Khnaiguiyah Project is the biggest challenge the Company faces to unlock value to shareholders. The Board and management team are continuing to strive to achieve the most appropriate solution to bring the Project to fruition.

Corporate Review

The Company recognises that maintaining strict controls over its cash is a priority while the most effective and financially supportable way forward for both projects is finalised.

A review was undertaken of working capital/operating costs (G&A) with additional and continuing tight control of expenditure initiated. Project costs are also being scrutinised pending resolution of the Khnaiguiyah JV impasse.

The Company has also initiated a 'Small Holding Share Sale Facility'[7] in respect of small parcel shareholdings (sometimes referred to as 'unmarketable parcels') valued at $500 or less.

This initiative will benefit the Company in terms of savings in maintenance costs in relation to share registry fees, printing, mail-out and postage costs. It will also benefit those shareholders who wish to sell their small holdings through proportionally lower transaction costs in relation to proceeds of sale.

Closing Statement

The 2015 financial year will be an important one for Alara to progress its projects to the next stage.

An Advanced Scoping Study nearing completion for the Dari/Washihi Project has been to a very high level of analysis and has prepared the Project to move into the Pre-Feasibility (PFS) or potentially Definitive Feasibility (DFS) phase. 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.

Some short-term delays on the Khnaiguiyah Project are anticipated, but the Project upside and potential for the future continues to compel the Company to strive to achieve the most appropriate solution to bring the Project to fruition.

[7] Refer to Alara's ASX market announcement of 3 September 2014 entitled "Small Holding Share Sale Facility".

Directors' Report

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 income was $781,944 (2013: $7,027,795 loss).

The turnaround in results was largely the result of the Consolidated entity applying for and receiving two Research and Development Tax Incentive Scheme refunds (for the 2012 and 2013 financial years) during the current year totalling $4,754,097, whereas in the prior financial year there was no Research and Development Tax Incentive Scheme refund applied for or received, and the Consolidated entity also incurred impairment losses in the prior year of $3,064,537.

Interest income in financial year 2014 of $122,190 (2013: $245,410) was lower due to lower cash balances held during the reporting period.

Personnel and occupancy costs have decreased in the financial year mainly due to the change in the level of personnel, corporate office move and reductions in activity during the current financial year.

During the financial year performance options were issued to the Managing Director Philip Hopkins and newly appointed Non-Executive Director HRH Prince Abdullah Bin Mosaad Bin Abdullah Al Saud. The cost of these options which is a non-cash expense amounted to $494,739.

Consolidated net cash outflows in financial year 2014 (and the prior financial year) were driven mainly by optimisation studies and evaluation work carried out on the Khnaiguiyah Zinc-Copper Project in Saudi Arabia and the Daris/Washihi Copper-Gold projects in Oman.

Operating Results

Consolidated	2014 $	2013 $
Total revenue	122,190	283,074
Total expenses	(4,401,572)	(7,186,322)
Loss before tax	(4,279,382)	(6,903,248)
Income tax benefit	4,754,097	–
Loss after tax	474,715	(6,903,248)

Loss per Share

Consolidated	2014	2013
Basic and Diluted profit/(loss) per share cents	0.30	(2.84)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	242,007,500	231,392,432

Financial Position

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

Consolidated Entity	2014 $	2013 $
Cash	3,151,295	4,459,176
Financial assets held at fair value through profit or loss	142,956	142,956
Trade and other receivables	549,990	1,213,762
Resource projects	31,427,358	29,306,309
Other assets	5,858,211	5,923,885
Total assets	**41,129,810**	**41,046,088**
Trade and other payables	(2,104,446)	(3,385,494)
Provisions	(103,790)	(209,161)
Total liabilities	**(2,208,236)**	**(3,594,655)**
Net assets	**38,921,574**	**37,451,433**
Issued capital	60,958,659	60,958,659
Reserves	1,508,721	1,510,810
Accumulated losses	(23,121,079)	(24,777,812)
Parent interest	39,346,301	37,691,658
Non-controlling interest	(424,727)	(240,225)
Total equity	**38,921,574**	**37,451,433**

Dividends

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

Securities in the Company

Capital Raising

The Company did not raise any new capital during the current year. 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[8]	–	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[8]	–	2,000,000	2,000,000
$0.35 (22 August 2015) Unlisted Options[9]	–	400,000	400,000
$0.15 (21 November 2016) Unlisted Options[10]	–	6,666,667	6,666,667
$0.20 (21 November 2016) Unlisted Options[10]	–	3,333,333	3,333,333
$0.10 (15 January 2016) Unlisted Options[11]	–	10,000,000	10,000,000
$0.15 (15 January 2016) Unlisted Options[11]	–	10,000,000	10,000,000
Total	**242,007,500**	**36,050,000**	**278,057,500**

8 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

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

10 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 28 November 2013

11 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 21 January 2014

Directors' Report

Summary of Unlisted Options Issued/Lapsed

The Company issued the following unlisted options during or subsequent to the end of the financial year (up to the date of this report).

No. of Options	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date
6,666,667	22 November 2013	$0.15 (21 November 2016) Options	$0.15	21 November 2016
3,333,333	22 November 2013	$0.20 (21 November 2016) Options	$0.20	21 November 2016
10,000,000	16 January 2014	$0.10 (15 January 2016) Options	$0.10	15 January 2016
10,000,000	16 January 2014	$0.15 (15 January 2016) Options	$0.15	15 January 2016

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
250,000	31 Aug 2013	$0.60 (25 May 2014) Unlisted Directors' Options[12]	$0.60	25 May 2014
8,200,000	16 Sep 2013	$0.35 (16 Sep 2013)[13]	$0.35	16 September 2013
8,200,000	16 Sep 2013	$0.35 (16 Sep 2013) Unlisted Options[13]	$0.35	16 September 2013
700,000	16 Sep 2013	$0.35 (16 Sep 2013) Unlisted Options[13]	$0.35	16 September 2013
200,000	25 May 2014	$0.50 (25 May 2014) Unlisted Options[14]	$0.50	25 May 2014
125,000	25 May 2014	$0.60 (25 May 2014) Unlisted Options[14]	$0.60	25 May 2014
125,000	25 May 2014	$0.70 (25 May 2014) Unlisted Options[14]	$0.70	25 May 2014
250,000	25 May 2014	$0.60 (25 May 2014) Unlisted Directors' Options[12]	$0.60	25 May 2014

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.

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

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

[14] Terms and conditions of issue are set out in a Notice of Annual General Meeting and Explanatory Statement for an AGM held on 4 November 2011 and in an Appendix 3B New Issue ASX Announcement lodged on 29 December 2011

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), FAusIMM, FIEAust	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 Remuneration and Nomination Committee and Member of the Audit Committee.

Other Directorships in Listed Companies in Past 3 Years

– Bougainville Copper Limited (ASX: BOC) (8 May 2008 to 8 April 2013).

Philip H Hopkins	**Managing Director** (since 30 June 2013)
BSc (Mining Engineering), MBA, PEng, MAusIMM, MCIM, MAICD	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 (EMBA). 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 domestically and abroad.

Mr Hopkins' 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: SFZ) (16 November 2011 to 5 March 2013).

John D Hopkins	**Non-Executive Director**
LLB, FAICD	Appointed 16 October 2013

Experience

Mr Hopkins has almost 30 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 Merger and Acquisition 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.

He is currently Chairman of developing tungsten and tin producer Wolf Minerals Limited (ASX: WLF) where he has overseen significant debt and equity raisings to take the Hemerdon Project into full development and South African based coal producer Universal Coal Plc (ASX: UNV) which also recently secured major debt and equity funding.

Special Responsibilities

Mr Hopkins is Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.

Other Directorships in Listed Companies in Past 3 Years

– Wolf Minerals Limited (ASX: WLF), Universal Coal Plc (ASX: UNV), Thundelarra Ltd (ASX:THX), Hammer Metals Ltd (ASX:HMX) (formerly Midas Resources Ltd (ASX:MDS).

Directors' Report

HRH Prince Abdullah Bin Mosaad Bin Abdullah Al Saud — Non-Executive Director

BEng (Industrial) (Hons), MEng — Appointed 28 October 2013

Experience

HRH Prince Abdullah is the Chairman of The Saudi Paper Manufacturing Company (SPM) which he established in 1989 and floated on the Saudi Stock Exchange (Tadawul) in 2006. SPM has one of the largest waste paper collection, recycling, manufacturing and converting (consumer tissue paper products) operations in the Middle East with SAR800m annual turnover and a SAR1.3b market capitalisation.

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 of is strategic importance to the country in terms of support of the nation's mining industry as well as for local industry, expertise and the workforce.

Other Directorships in Listed Companies in Past 3 Years

– Saudi Paper Manufacturing Company (Tadawul: 2300).

James Phipps — Alternate Director to HRH Prince Abdullah

BA (Philosophy), JD (Law) — Appointed 28 October 2013

Experience

Mr Phipps is a strategic advisor, business executive, and lawyer with extensive international and Middle East experience. Jim currently serves as Co-Chairman of Sheffield United Football Club, the first "United" and the first association football club worldwide and a founding member of the English Premiere League. Presently, SUFC competes in the Football League's League One. Jim co-chairs Blades Leisure Limited, which holds SUFC and other operating companies, including security and event management companies. Jim chairs Shout TV, Inc., a Lindon, Utah, based sports entertainment business and serves as principal advisor to His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, providing strategic advice relative to a worldwide portfolio of businesses, properties and investments. Jim sits on the board of the publicly listed Saudi Paper Manufacturing Company (Tadawul: 2300), the leading manufacturer of tissue paper products in the Gulf Region. Jim has experience in corporate turnarounds and has served as chief executive or general manager at different companies in a turn-around capacity. Jim brings experience to the board in the context of Alara's Middle East and G.C.C. endeavours.

Other Directorships in Listed Companies in Past 3 Years

– Saudi Paper Manufacturing Company (Tadawul: 2300).

Retired Directors

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

– H. Shanker Madan – Retired on 25 July 2013.
– Douglas Stewart – Retired on 31 August 2013.
– William Johnson – Retired on 31 October 2013.

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 the 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	100,000	–
Philip Hopkins	2,000,000	6,666,667 ($0.15, 21 November 2016) 3,333,333 ($0.20, 21 November 2016)
John Hopkins	200,000	–
HRH Prince Abdullah	–	10,000,000 ($0.10, 15 January 2016) 10,000,000 ($0.15, 15 January 2016)
	2,300,000	30,000,000

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	13	13	1	1	1	1
Philip Hopkins	13	13	–	–	–	–
John Hopkins	10	10	1	1	1	1
HRH Prince Abdullah *(represented by James Phipps as his Alternate Director)*	8	9	–	–	–	–
William Johnson	2	4	–	–	–	–
Douglas Stewart	2	2	–	–	–	–
H. Shanker Madan	–	–	–	–	–	–

Audit Committee

The Audit Committee was established on 9 December 2010 and currently comprises Non-Executive Directors, Messrs Ian Williams and John Hopkins. Mr William Johnson was a member until his retirement as a Director on 31 October 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.

Directors' Report

REMUNERATION REPORT (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 Non-Executive Director on 2 May 2013)
John Hopkins	Non-Executive Director
HRH Prince Abdullah	Non-Executive Director
James Phipps	Alternate Director to HRH Prince Abdullah
William Johnson	Non-Executive Director (retired on 31 October 2013)
Douglas Stewart	Non-Executive Director (retired on 31 August 2013)
H. Shanker Madan	Non-Executive Director (Managing Director between 18 May 2007 and 30 June 2013; retired on 25 July 2013)

Executives	
Victor Ho	Company Secretary
Ellen Macdonald	Corporate Affairs Manager (appointed 9 December 2013)
Justin Richard	Country Manager, Saudi Arabia and Oman
John Watkins	Chief Financial Officer (appointed 1 May 2014)

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 John Hopkins. Mr William Johnson was a member until his retirement on 31 October 2013 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:

	2014	2013	2012	2011	2010
Basic earnings/(loss) per share – cents	0.30	(2.84)	(1.50)	(3.84)	(2.24)
Dividend – cents per share	–	–	–	–	–
Net Profit/(Loss) attributable to members	732,003	(6,579,965)	(3,151,331)	(4,450,971)	(2,100,889)
Volume weighted average share price (VWAP) – cents	7	17	32	36	8

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 the table Details of Remuneration Provided to Key Management Personnel. The Managing Director is paid a travel allowance (variable based on days of travel up to a capped amount per annum).

For cash bonuses the percentage of the available bonus paid in the financial year and the percentage that was forfeited because the person did not meet the performance criteria are set out herewith. No part of the bonus is payable in future years.

Name	Bonus Paid %	Potential Bonus Unearned %
Philip Hopkins	–	100
Justin Richard	15	85

Directors' Report

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 traveling and accommodation expenses) incurred by a Director for the purpose of attending meetings of the Company or the Board, on the business of the Company, or in carrying out duties as a Director.

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.

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 Based	Fixed	At Risk STI	Options Related	Salary, Annual Leave, Fees & Allowances	Cash Bonus	Non-Cash Benefit	Superannuation	Long Service Leave	Options	Total
2014	%	%	%	%	$	$	$	$	$	$	$
Executive Directors:											
Philip Hopkins	26%	74%	–	26%	414,499	–	–	37,000	429	157,672	609,600
Non-Executive Directors:											
Ian Williams	–	100%	–	–	68,750	–	–	6,359	–	–	75,109
HRH Prince Abdullah(i)	91%	9%	–	91%	33,333	–	–	–	–	337,067	370,400
John Hopkins(ii)	–	–	–	–	36,034	–	–	3,333	–	–	39,367
Executives:											
Ellen Macdonald(iii)	–	100%	–	–	52,499	–	–	4,856	–	–	57,355
Justin Richard(iv)	2%	98%	2%	–	435,275	10,000	–	–	13,402	–	458,677
John Watkins(v)	–	–	–	–	41,666	–	–	3,854	38	–	45,558
Company Secretary:											
Victor Ho(vi)	–	100%	–	–	101,616	–	–	995	–	–	102,611

Notes:

(i) Commenced 28 October 2013

(ii) Commenced 16 October 2013

(iii) Includes remuneration received from subsidiaries and related joint venture entities

(iv) Commenced 9 Dec 2013

(v) Commenced 1 May 2014

(vi) Changed from employee to Consultant on 1 September 2013.

					Short-Term Benefits			Post-Employment Benefits	Other Long-Term Benefits	Equity Based Benefits	
					Cash Payments						
Key Management Person	Performance Based	Fixed	At Risk STI	Options Related	Salary, Annual Leave, Fees & Allowances	Cash Bonus	Non-Cash Benefit	Superannuation	Long Service Leave	Options	Total
2013	%	%	%	%	$	$	$	$	$	$	$
Executive Directors:											
Shanker Madan[i]	–		–	–	382,038	–	–	33,793	–	–	415,831
Philip Hopkins[ii]	–	100%	–	–	19,166	–	–	1,725	–	–	20,891
Non-Executive Directors:											
Ian Williams	–	100%	–	–	55,979	–	–	25,875	–	–	81,854
Douglas Stewart	–	100%	–	–	50,064	–	–	4,505	–	–	54,569
Farooq Khan[iii]	–	100%	–	–	145,125	–	–	13,061	–	–	158,186
William Johnson[iv]	–	100%	–	–	94,314	–	–	7,810	–	–	102,124
Company Secretary:											
Victor Ho	–	100%	–	–	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

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).

Equity Based Benefits

The Company has provided 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.

Directors' Report

Options Issued During the Year

a) Managing Director – Philip Hopkins

Following approval at the 2013 Annual General Meeting the Company issued options to the 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.

b) Non-Executive Director HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud

Following approval at an Extraordinary General Meeting held on 16 January 2014 the Company issued options to Non-Executive Director, HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud. This relates to a Long Term Incentive (**LTI**) options package pursuant to his appointment to the Board comprising a total of 20,000,000 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 – 10,000,000 options each with an exercise price of $0.10 which will vest (i.e. able to be exercised) upon the attainment of Milestone 1 on or before 31 March 2014; and
- Tranche 2 Options – 10,000,000 options each with an exercise price of $0.15 which will vest upon the attainment of Milestone 2 on or before 31 December 2014.

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 July 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) and the completion of 'Total Financing' (unless the Board determines, in its unfettered discretion, that Project Financing and/or Company Financing is not required for the advancement of the Khnaiguiyah Project under the circumstances in existence as at 31 December 2014).

The Board has used its discretion to approve the vesting of Tranche 1 options for both Philip Hopkins and HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud on the basis that the Khnaiguiyah Project JV Settlement Agreement (HoA) and ancillary documents were executed by Manajem on or before 31 March 2014.

Options Lapsed During the Year

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[15]	$0.60	26 May 2011	25 May 2014
S Madan	8,200,000	16 Sep 2013	$0.35 (16 Sep 2013)[16]	$0.35	16 Sep 2008	16 Sep 2013
F Khan	8,200,000	16 Sep 2013	$0.35 (16 Sep 2013) Unlisted Options[16]	$0.35	16 Sep 2008	16 Sep 2013
V Ho	700,000	16 Sep 2013	$0.35 (16 Sep 2013) Unlisted Options[16]	$0.35	16 Sep 2008	16 Sep 2013
J Richard	200,000	25 May 2014	$0.50 (25 May 2014) Unlisted Options[17]	$0.50	23 Dec 2011	25 May 2014
J Richard	125,000	25 May 2014	$0.60 (25 May 2014) Unlisted Options[17]	$0.60	23 Dec 2011	25 May 2014
J Richard	125,000	25 May 2014	$0.70 (25 May 2014) Unlisted Options[17]	$0.70	23 Dec 2011	25 May 2014
I Williams	250,000	25 May 2014	$0.60 (25 May 2014) Unlisted Directors' Options[15]	$0.60	26 May 2011	25 May 2014

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

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

[17] Terms and conditions of issue are set out in a Notice of Annual General Meeting and Explanatory Statement for an AGM held on 4 November 2011 and in an Appendix 3B New Issue ASX Announcement lodged on 29 December 2011

Details of Shares Held By Key Management Personnel

	Directors				Executives			
2014	**I. Williams**	**P. Hopkins**	**J. Hopkins**	**HRH Prince Abdullah**	**E. Macdonald**	**J. Richard**	**J. Watkins**	**V. Ho**
Ordinary Fully Paid Shares								
Balance at start of year	–	–	–	–	–	–	–	–
Balance at appointment	–	–	–	–	–	–	–	–
Net Changes Purchase/(Sale)	100,000	2,000,000	200,000	–	–	–	–	–
Balance at 30 June 2014	**100,000**	**2,000,000**	**200,000**	**–**	**–**	**–**	**–**	**–**

The following directors retired during the year with balances at cessation:

Mr H.S Madan July 2013: 508,257 shares

Mr W Johnson October 2013: 27,000 shares

Directors' Report

2013	P. Hopkins	I. Williams	H.S. Madan	F. Khan	W. Johnson	D. Stewart	V. Ho
	Directors						Executive
Ordinary Fully Paid Shares							
Balance at start of year	–	–	508,257	98,242	27,000	–	18,413
Balance at appointment/cessation	–	–	–	98,242	–	–	–
Net Changes Purchase/(Sale)	–	–	–	–	–	–	(18,413)
Balance at 30 June 2013	–	–	508,257	–	27,000	–	–

Details of Options Held By Key Management Personnel

2014	P. Hopkins	I. Williams	HRH Prince Abdulla	E. Macdonald	J. Richard	J. Watkins	V. Ho
	Directors			Executives			
Options type	Unlisted	Unlisted	Unlisted	–	Unlisted	–	Unlisted
Balance at start of year	–	250,000	–	–	450,000	–	3,350,000
Granted during year as compensation	10,000,000	–	20,000,000	–	–	–	–
Exercised during year	–	–	–	–	–	–	–
Lapsed during year	–	250,000	–	–	450,000	–	700,000
Acquired during year	–	–	–	–	–	–	–
Balance at 30 June 2014	10,000,000	–	20,000,000	–	–	–	2,650,000
Granted and vested during year	3,333,334	–	10,000,000	–	–	–	–
Vested and exercisable at 30 June 2014	**3,333,334**	**–**	**10,000,000**	**–**	**–**	**–**	**2,650,000**

2013	P. Hopkins	I. Williams	H.S. Madan	F. Khan	W. Johnson	D. Stewart	V. Ho
	Directors						Executive
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 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[18]	8,200,000[19]	8,200,000[19]	3,000,000[20]	250,000[18]	3,350,000[20]

18 $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 for a General Meeting held on 26 May 2011 and in an Appendix 3B New Issue ASX Announcement lodged on 27 May 2011

19 $0.35 (16 September 2013) Unlisted Options: Terms and conditions of issue are set out in a Notice of General Meeting and Explanatory Statement for a General Meeting held on 17 September 2008 and in an Appendix 3B New Issue ASX Announcement lodged on 24 September 2008

20 $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 for an Annual General Meeting held on 30 November 2009 and in Appendix 3B New Issue ASX Announcements lodged on 26 October 2009 and 1 December 2009

Employment Contracts

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) 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.

Directors' Report

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
Victor Ho Company Secretary	1 September 2013 (date of consulting agreement) 28 June 2011 (date of employment agreement); 4 April 2007 (original commencement date as Company Secretary)	$92,160 Salary plus Superannuation Guarantee Contributions Amended to $100,685 Annual Consulting Fees (from 1 September 2013)	– 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. – Notice period 1 month.
Ellen Macdonald Corporate Affairs Manager	1 July 2014 9 Dec 2013 (commencement date)	$90,000 plus Superannuation Guarantee Contributions Amended to $100,000 (from 1 July 2014)	– Entitlement to long service leave in accordance with applicable Australian legislation. – Notice period 1 month.
Justin Richard Executive Director for Alara's Saudi & Oman operations	1 November 2012 (date of Saudi appointment); 10 August 2011 (date of original appointment as legal & Commercial Manager/General Counsel)	$282,150 plus accommodation and allowances	– Entitlement to end of service benefit in accordance with applicable legislation. – Notice Period 1 month.
John Watkins Chief Financial Officer	1 May 2014	$250,000 plus Superannuation Guarantee Contributions	– Entitlement to long service leave in accordance with applicable Australian legislation. – Notice period 3 months.

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. There were no loans to directors or executives during the reporting period.

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 2013 Annual General Meeting
At the Company's most recent (2013) 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 90.99% of votes were cast in favour of adopting the Remuneration Report. No comments were made on the Remuneration Report at the 2013 AGM.

Engagement of Remuneration Consultants
The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, 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 where applicable.

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 $
77,873	28,475	106,348

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 64. 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, 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
26 September 2014

Auditors' Independence Declaration

GrantThornton

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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 2014, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 26 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	3 (a)	122,190	283,074
Net loss on financial assets held at fair value through profit or loss	3 (b)	–	(250,172)
Impairment of exploration expenditure	3 (b)	(557,902)	(3,064,537)
Personnel	3 (b)	(1,493,192)	(2,128,383)
– Options remuneration (non-cash)	3 (b)	(494,739)	–
Occupancy costs	3 (b)	(139,469)	(574,350)
Foreign exchange movement	3 (b)	(43,034)	–
Corporate expenses	3 (b)	(215,936)	(103,723)
Administration expenses	3 (b)	(1,457,300)	(1,065,157)
Loss before income tax		**(4,279,382)**	**(6,903,248)**
Income tax benefit	4	4,754,097	–
Profit/(loss) for the year		**474,715**	**(6,903,248)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		307,229	(124,547)
Income tax relating to components of other comprehensive income		–	–
Total other comprehensive income/(loss)		307,229	(124,547)
Total comprehensive income/(loss) for the year		**781,944**	**(7,027,795)**
Profit/(loss) attributable to:			
Owners of Alara Resources Limited		732,003	(6,579,965)
Non-controlling interest		(257,288)	(323,283)
		474,715	**(6,903,248)**
Total comprehensive income/(loss) for the year attributable to:			
Owners of Alara Resources Limited		1,039,232	(6,704,512)
Non-controlling interest		(257,288)	(323,283)
		781,944	**(7,027,795)**
Earnings/Loss per share:			
Basic earnings/(loss) per share cents	6	0.30	(2.84)
Diluted earnings/(loss) per share cents	6	0.30	(2.84)

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Financial Position

as at 30 June 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	7	3,151,295	4,459,176
Trade and other receivables	8	549,990	1,213,762
Other current assets	9	676,130	121,379
Total current assets		**4,377,415**	**5,794,317**
Non current assets			
Financial assets held at fair value through profit or loss	10	142,956	142,956
Property, plant and equipment	11	132,188	242,998
Resource projects	12	31,988,077	29,306,309
Other non-current asset	13	4,489,174	5,559,508
Total non current assets		**36,752,395**	**35,251,771**
Total assets		**41,129,810**	**41,046,088**
Current liabilities			
Trade and other payables	14	594,343	1,575,422
Provisions	15	63,681	209,161
Total current liabilities		**658,024**	**1,784,583**
Non current liabilities			
Financial liabilities	16	1,510,103	1,810,072
Provisions	15	40,109	–
Total non current liabilities		**1,550,212**	**1,810,072**
Total liabilities		**2,208,236**	**3,594,655**
Net assets		**38,921,574**	**37,451,433**
Equity			
Issued capital	17	60,958,659	60,958,659
Reserves	18	1,508,722	1,510,810
Accumulated losses		(23,121,080)	(24,777,811)
Parent interest		39,346,301	37,691,658
Non-controlling interest		(424,727)	(240,225)
Total equity		**38,921,574**	**37,451,433**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Note	Issued Capital $	Options Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-Controlling Interest $	Total $
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)**	**(24,777,811)**	**(240,225)**	**37,451,433**
Balance as at 1 July 2013		**60,958,659**	**1,603,655**	**(92,845)**	**(24,777,811)**	**(240,225)**	**37,451,433**
Foreign currency translation reserve		–	–	307,229	–	–	307,229
Net income and expense recognised directly in equity		–	–	307,229	–	–	307,229
Profit for the year		–	–	–	732,003	(257,288)	474,715
Total comprehensive loss for the year		–	–	307,229	732,003	(257,288)	781,944
Transactions with owners in their capacity as owners:							
Options lapsed during the year	18	–	(804,056)	–	804,056	–	–
Options issued during the year	18	–	494,739	–	–	–	494,739
Transactions with non-controlling interests		–	–	–	120,672	72,786	193,458
Balance as at 30 June 2014		**60,958,659**	**1,294,338**	**214,384**	**(23,121,080)**	**(424,727)**	**38,921,574**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(4,354,665)	(3,861,639)
Interest received		120,868	284,911
Income tax refunded/(paid)		4,754,097	–
Other income		–	–
Net cashflows used in operating activities	7b	**520,300**	**(3,576,728)**
Cash flows from investing activities			
Payments for plant and equipment		61,943	(17,503)
Payments for exploration and evaluation activities		(2,154,319)	(10,291,391)
Net cashflows used in investing activities		**(2,092,376)**	**(10,308,894)**
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		**(1,572,076)**	**(6,404,372)**
Cash and cash equivalents at beginning of the financial year		4,459,176	10,950,432
Effect of exchange rate changes on cash		264,195	(86,884)
Cash and cash equivalents at the end of the financial year	7	**3,151,295**	**4,459,176**

The accompanying notes form part of this consolidated financial statement.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

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.

During the period the Consolidated Entity incurred an operating loss before tax of $4,279,382 (2013: $6,903,248)

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:

- The current cash and liquid investments of the Consolidated Entity relative to its fixed and discretionary commitments;
- The ability of the Company to undertake a full or partial divestment of its Oman assets and apply the proceeds to working capital;
- The contingent nature of certain of the Consolidated Entity's project expenditure commitments (refer Note 28);
- 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 22);
- 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.

Should the Consolidated Entity be unable to undertake the initiatives disclosed above, there is uncertainty which may cast doubt as to whether or not the Consolidated Entity will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

New and amended standards adopted by the group

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 are as follows:

i) AASB 10 - Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

ii) AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and AASB Interpretation 113 *Jointly Controlled Entities – Non-Monetary-Contributions by Venturers*. 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

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 – refer Note 1.20.

iii) AASB 12 Disclosure of Interests in Other Entities
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.

iv) AASB 128 Investments in Associates and Joint Ventures
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.

v) AASB 13 – Fair Value Measurement
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. Application of this definition may result in different fair values being determined for the relevant assets.

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.

vi) AASB 119 – Employee Benefits
The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

Consequential amendments were also made to other standards vis AASB 2012-10.
The adoption of these standards did not have any impact on the current period or prior period and is not likely to affect future periods.

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 2014 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.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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.

Exploration and evaluation expenditure is written-off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment loss will be measured in accordance with the Group's impairment policy (Note 1.15).

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.

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.

Tax consolidation legislation

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

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

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in other payables and accruals together with other employee benefit obligations.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employee renders the related service 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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 reporting date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each 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 reporting 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

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:

(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 Joint Arrangements

AASB 11 supersedes AASB 131 *Interests in Joint Ventures* (AAS 131) and AASB Interpretation 113 *Jointly Controlled Entities- Non-Monetary-Contributions by Venturers*. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

Joint arrangements exist when two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's joint arrangements are currently of one type:

Joint operations: Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The activities of a joint operation are primarily designed for the provision of output to the parties to the arrangement, indicating that:

- the parties have the rights to substantially all the economic benefits of the assets of the arrangement; and
- all liabilities are satisfied by the joint participants through their purchases of that output. This indicates that, in substance, the joint participants have an obligation for the liabilities of the arrangement.

The Group's only joint arrangements within the scope of AASB11 are its 50% investment in Daris resources LLC and its 50% investment in Khnaiguiyah Mining Company LLC. Management has reviewed the classification of these entities in accordance with AASB11 and has concluded that the proportionate consolidation method should be applied. This has not resulted in a material change to the Financial statements. AASB 11 has been applied retrospectively in accordance with the transitional provisions set out in AASB 11.

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.

1.21 Comparative Figures

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

1.22 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1.23 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 – Derecognition 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*, AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* and AASB 2014-1 *Amendments to Australian Accounting Standards*.	1 January 2018	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 2018 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).

1.23 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 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.
AASB 2013-3 *Recoverable Amount Disclosures for Non-Financial Assets*	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. AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets*.	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.*
AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*	None	AASB 2013-4 makes amendments to AASB 139 *Financial Instruments: Recognition & Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.*
AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities)*	None	The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* (or AASB 139 *Financial Instruments: Recognition and Measurement* where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries. These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.	1 January 2014	*When this standard is first adopted for the year ending 30 June 2015, there will be no impact on the entity because the parent entity does not meet the definition of 'investment entity'. Hence, the entity is still required to consolidate its controlled entities.*
AASB 1031 *Materiality* (December 2013)	AASB 1031 *Materiality* (July 2004, as amended)	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework for the Preparation and Presentation of Financial Statements* (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.	1 January 2014	*When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the entity.*

Notes to the Consolidated Financial Statements
for the year ended 30 June 2014

1.23 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 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (Part B: Materiality)	None	Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations).	1 January 2014	*When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.*
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	None	Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Financial Reporting Standards Board (IASB) of International Financial Reporting Standards *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*. Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*: (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and (b) amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.	1 July 2014	*When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.*
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part C: Materiality)	None	Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 *Materiality*, which historically has been referenced in each Australian Accounting Standard.	1 July 2014	*When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.*
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part D: Consequential Amendments arising from AASB 14)	None	Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.	1 January 2016	*When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.*
AASB 2014-1 *Amendments to Australian Accounting Standards* (Part E: Financial Instruments)	None	Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments*: *Disclosures* and AASB 101 *Presentation of Financial Statements*.	1 January 2015	*The entity has not yet assessed the full impact of these amendments.*

1.23 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 Interpretation 21 *Levies*	None	Interpretation 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy). Interpretation 21 is an interpretation of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. AASB 137 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.	1 January 2014	*When this interpretation is first adopted for the year ending 30 June 2015, there will be no material impact on the financial statements as the entity is not subject any levies addressed by this interpretation.*
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	None	The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. The amendments to IAS 38 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances: – the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or – when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	None	The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 *Business Combinations*, should: – apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and – provide disclosures for business combinations as required by IFRS 3 and other IFRSs. The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

2. Parent entity information

The following information provided relates to the Company, Alara Resources Limited, as at 30 June 2014.

	2014 $	2013 $
Statement of financial position		
Current assets	3,027,587	4,251,774
Non-current assets	36,129,410	33,787,455
Total assets	**39,156,997**	**38,039,229**
Current liabilities	227,297	587,796
Non-current liabilities	8,126	–
Total liabilities	235,423	587,796
Net assets	**38,921,574**	**37,451,433**
Issued capital	60,958,659	60,958,659
Options Reserve	1,294,338	1,603,655
Accumulated losses	(23,331,423)	(25,110,883)
Total equity	**38,921,574**	**37,451,433**
Profit/(loss) for the year	1,979,796	(8,546,205)
Other comprehensive income for the year	–	–
Total comprehensive income/(loss) for the year	**1,979,796**	**(8,546,205)**
Notes to the statement of financial position		
(a) Current assets		
(i) Cash and cash equivalents		
Cash at bank	508,531	1,661,356
Term Deposits	2,450,000	2,527,807
	2,958,531	**4,189,163**
(b) Non-current assets		
(i) Loans to controlled entities		
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	39,269,005	42,633,715
Provision for impairment	–	(6,162,416)
	39,269,005	**36,471,299**
Movement in loans to controlled entities		
Opening balance	42,633,715	34,209,799
Loans advanced	(3,364,710)	8,423,916
Closing balance	39,269,005	42,633,715
Movement in provision for impairment of receivables		
Opening balance	(6,162,416)	(3,352,651)
Provision for impairment recognised during the year	–	(2,809,765)
Provision for impairment on amounts receivable	**(6,162,416)**	**(6,162,416)**
(c) Reserves		
(i) Share options reserve	**1,294,338**	**1,603,655**

3. Loss for the year

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

	2014 $	2013 $
(a) Revenue		
Interest	122,190	245,410
Foreign exchange movement	–	37,664
	122,190	**283,074**
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	–	250,172
Impairment of exploration expenditure	557,902	3,064,537
Personnel		
– cash remuneration	1,442,946	2,120,782
– options remuneration (non–cash)	494,739	–
– employee benefits	50,246	7,601
Occupancy expenses	139,469	574,350
Foreign exchange movement	43,034	–
Corporate expenses	215,936	103,723
Administration expenses		
– Communications	43,664	44,830
– Consultancy fees	451,406	103,348
– Travel, accommodation and incidentals	271,948	291,222
– Professional fees	154,478	296,041
– Insurance	25,897	58,195
– Depreciation	48,867	88,897
– Net loss on disposal of fixed assets	60,446	(1,359)
– Other administration expenses	400,594	183,983
	4,401,572	**7,186,322**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

4. Income tax expense

	2014 $	2013 $
(a) Income tax expense		
Current tax expense/(benefit)	(4,754,097)	–
Deferred tax expense	–	–
Total income tax expense/(benefit) per statement of profit or loss and other comprehensive income	(4,754,097)	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(4,279,382)	(6,903,248)
Tax at the Australian tax rate of 30% (2013: 30%)	(1,283,815)	(2,070,974)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	207,949	132,611
Other deductible expenses	–	–
Other non-assessable income	8,513	(9,762)
Tax losses not brought to account	1,067,352	1,948,125
(Refund) of Research & Development Claim	(4,754,097)	–
Income tax expense/(benefit) attributable to operating profit	(4,754,097)	–
Under/(over) provision in respect to prior years	–	
Income tax expense/(benefit)	(4,754,097)	–
(c) Deferred tax liabilities not brought to account at 30%		
Other	(2,866,552)	(1,771,999)
Potential tax liability at 30%	(2,866,552)	(1,771,999)
(d) Deferred tax assets not brought to account at 30%		
Revenue losses	3,682,649	2,773,265
Other	520,332	541,355
Potential tax benefit at 30%	4,202,981	3,314,620

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

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) The Company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) The Company is able to meet the continuity of ownership and/or continuity of business tests under tax legislation.

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

5. 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:

	2014 $	2013 $
Grant Thornton Audit Pty Ltd – Auditors of the Consolidated Entity (Audit and review of financial reports)	77,873	28,000
Grant Thornton Australia Limited – related practice of Grant Thornton Audit Pty Ltd (Taxation services)	28,475	10,950
Moore Stephens Chartered Accountants – Auditors of Oman controlled entities (Audit and review of financial reports)	15,001	12,600
	121,349	**51,550**

6. Earnings/(loss) per share

	2014	2013
Basic earnings/(loss) per share cents	0.30	(2.84)
Diluted earnings/(loss) per share cents	0.30	(2.84)
Profit/(loss) $ used to calculate earnings/(loss) per share	732,003	(6,579,966)
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	242,007,500	231,392,432
Weighted average number of ordinary shares during the period used in calculation of diluted earnings/(loss) per share	242,007,500	231,392,432

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.

7. Cash and cash equivalents

	2014 $	2013 $
Cash in hand	2,391	67,742
Cash at bank	556,454	1,730,935
Term deposits	2,592,450	2,660,499
	3,151,295	4,459,176

Cash at bank includes USD$0.5 million (A$0.515 million) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of $142,450 (2013: $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 3.44% (2013: 4.15%) with an average maturity of 86 days.

(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

	2014 $	2013 $
Profit/(Loss) after income tax	**474,715**	**(6,903,248)**
Net gain/(loss) on financial assets held at fair value through profit or loss	0	250,172
Impairment of exploration expenditure	–	3,064,537
Directors' and Employee options	494,739	–
Foreign exchange movement	43,034	(36,213)
Depreciation	48,867	88,897
(Increase)/Decrease in Assets:		
Trade and other receivables	663,773	41,322
Resource projects	–	–
Other current assets	(554,751)	(12,652)
Increase/(Decrease) in Liabilities:		
Trade and other payables	(833,967)	(3,274)
Provisions	183,890	(66,269)
Net cashflows from/(used in) operating activities	**520,300**	**(3,576,728)**
(c) Non-cash financing and investing activities		
Share based payments (Refer to Note 19)	–	–

Notes to the Consolidated Financial Statements
for the year ended 30 June 2014

8. Trade and other receivables

Current	2014 $	2013 $
Amounts receivable from:		
Sundry debtors	502,121	1,173,152
Goods and services tax recoverable	47,869	40,610
	549,990	1,213,762

(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.

9. Other current assets

	2014 $	2013 $
Prepayments	36,850	121,379
Funds held in Trust	639,280	–
	676,130	121,379

Funds held in Trust of $639,000 is the first payment of US$601,000 under the Heads of Agreement dated 21 March 2014 and held in escrow at balance date pending transfer of Mining Licences from Manajem to KMC. Refer Contingent Assets and Liabilities Note 27(c).

10. Financial assets held at fair value
Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2014 and 30 June 2013.

30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Listed securities	142,956	–	–	142,956
Financial Liabilities	–	–	–	–
Fair Value	142,956	–	–	142,956

30 June 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Listed securities	142,956	–	–	142,956
Financial Liabilities	–	–	–	–
Fair Value	142,956	–	–	142,956

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.

11. Property, plant and equipment

At 30 June 2012	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Total $
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)
	29,886	**111,187**	**101,925**	**242,998**
At 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**
Year ended 30 June 2014				
Carrying amount at beginning	29,886	111,187	101,925	242,998
Additions	–	22,982	–	22,982
Disposal	(21,963)	(8,203)	(30,280)	(60,446)
Depreciation expense	(7,923)	(39,087)	(19,829)	(66,839)
Exchange Difference	–	(4,035)	(2,472)	(6,507)
Closing amount at reporting date	**–**	**82,844**	**49,344**	**132,188**
Year ended 30 June 2014				
Cost or fair value	–	210,532	103,096	313,628
Accumulated depreciation	–	(127,688)	(53,752)	(181,440)
Net carrying amount	**–**	**82,844**	**49,344**	**132,188**

12. Resource projects

	2014 $	2013 $
Opening balance	29,306,309	25,666,040
– Excess of consideration of resource projects acquired	–	–
– Exploration and evaluation expenditure	3,239,670	6,704,806
– Impairment of exploration and evaluation expenditure	(557,902)	(3,064,537)
Closing balance	31,988,077	29,306,309

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 the reporting date, 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. Should these legal rights not be enforceable, the carrying value of Resource Projects attributable to the Khnaiguiyah Project would be impaired.

The Consolidated Entity has written-off capitalised exploration and evaluation expenditure of $557,902 (2013: $3,064,537) in relation to unsuccesful applications for exploration licences outside the companies continuing areas of interest.

The Consolidated Entity has granted a security bond to the value of $142,450 (2013: $132,690) which has not been called up as at reporting date.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

13. Other non-current assets

	2014 $	2013 $
Excess of consideration of resource projects acquired	341,112	341,112
Costs incurred in relation to resource projects	4,148,062	5,218,396
	4,489,174	5,559,508

Alara Oman Operations Pty Limited (a wholly owned Australian subsidiary) gained a 50% shareholding interest in a jointly controlled company, 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 jointly controlled company, Khnaiguiyah Mining Company LLC (Saudi Arabia), on 10 January 2011. The principal activity of these companies is exploration, evaluation and development of mineral licences in their respective countries.

The excess of consideration for resource projects acquired relates to the Consolidated Entity's investment in jointly controlled company, Daris Resources LLC (Oman) (50%) and controlled company, 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.

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 13 and 24 for further disclosures). Should these legal rights not be enforceable, the carrying value of Other Non-Current Assets attributable to the Daris Project would be impaired.

14. Trade and other payables

	2014 $	2013 $
Current		
Trade payables	387,131	975,744
Other payables	207,212	599,678
	594,343	1,575,422

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

(a) Risk exposure

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

15. Provisions

	2014 $	2013 $
Current		
Employee benefits – annual leave	63,681	209,161
Non-Current		
Employee benefits – long service leave	40,109	–
Closing balance	103,790	209,161

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. The non-current provision for long service leave is a provision towards the future entitlements of employees who will have completed the required period of long service and that is not expected to be taken or paid within the next 12 months.

16. Financial liabilities

	2014 $	2013 $
Non-Current		
Financial liabilities – Loan owed to shareholder	1,510,103	1,810,072
	1,510,103	1,810,072

Loan owed to shareholder is a loan owed by Khnaiguiyah Mining Company LLC (KMC) to 50% joint venture shareholder, United Arabian Mining Company LLC (Manajem). The loan to KMC from Manajem amounts to US$3 million. At 30 June 2014, an amount of $1,508,795 (50%) has been recognised on consolidation.

17. Issued capital

	2014 No.	2013 No.	2014 $	2013 $
Fully paid ordinary shares	242,007,500	242,007,500	60,958,659	60,958,659

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

2014	No.	$
Balance as at 1 July 2013	242,007,500	60,958,659
– Share movement during the 2014 financial year	–	–
Balance as at 30 June 2014	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

	2014 $	2013 $
Foreign currency translation reserve	214,384	(92,845)
Options reserve	1,294,338	1,603,655
	1,508,722	1,510,810

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 2014

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	2014 $	2013 $
Directors' Options				
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	–	–	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	–	–	74,601
Unlisted options exercisable at $0.15; expiring 21 Nov 2016	22-Nov-13	6,666,667	315,344	–
Unlisted options exercisable at $0.20; expiring 21 Nov 2016	22-Nov-13	3,333,333	138,580	–
Unlisted options exercisable at $0.10; expiring 15 Jan 2016	16-Jan-14	10,000,000	337,067	–
Unlisted options exercisable at $0.15; expiring 15 Jan 2016	16-Jan-14	10,000,000	272,430	–
Employees' Options				
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	–	–	43,159
Unlisted options exercisable at $0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	276,366
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	02-Sep-11	–		33,072
Unlisted options exercisable at $0.60; expiring 25 May 2014	02-Sep-11	–		19,001
Unlisted options exercisable at $0.70; expiring 25 May 2014	02-Sep-11	–		17,594
Unlisted options exercisable at $0.50; expiring 25 May 2014	23-Dec-11	–		22,887
Unlisted options exercisable at $0.60; expiring 25 May 2014	23-Dec-11	–		12,908
Unlisted options exercisable at $0.70; expiring 25 May 2014	23-Dec-11	–		11,753
		36,050,000	1,863,020	1,603,655

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) 16,400,000 lapsed unlisted $0.35 (16 September 2013) Options amounted to $569,080
(ii) 500,000 lapsed unlisted $0.60 (25 May 2014) Options amounted to $74,601
(iii) 1,000,000 lapsed unlisted $0.35 (16 Sept 2013) Options amounted to $43,159
(iv) 400,000 lapsed unlisted $0.50 (25 May 2014) Options amounted to $55,959
(v) 250,000 lapsed unlisted $0.60 (25 May 2014) Options amounted to $31,909
(vi) 250,000 lapsed unlisted $0.70 (25 May 2014) Options amounted to $29,348
TOTAL: $804,056

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.

19. Share based payments

During the year, a total of 30,000,000 unlisted options were issued to directors. No options were issued to employees.

A total of 18,800,000 unlisted options lapsed during the year being 17,400,000 unlisted (16 September 2013) options and 1,400,000 unlisted (25 May 2014) options.

				Movement during the year				As at 30 June 2014	
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)	–	–	–
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)	–	–	–
22-Nov-13	21-Nov-16	$0.15	–	6,666,667	–	–	6,666,667	3,333,334	315,344
22-Nov-13	21-Nov-16	$0.20	–	3,333,333	–	–	3,333,333	–	138,580
16-Jan-14	15-Jan-16	$0.10	–	10,000,000	–	–	10,000,000	10,000,000	337,067
16-Jan-14	15-Jan-16	$0.15	–	10,000,000	–	–	10,000,000	–	272,430
Employees									
17-Sep-08	16-Sep-13	$0.35	1,000,000	–	–	(1,000,000)	–	–	–
26-Oct-09	25-Oct-14	$0.35	1,650,000	–	–	–	1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	$0.60	1,000,000	–	–	–	1,000,000	1,000,000	147,306
23-Aug-10	22-Aug-15	$0.35	400,000	–	–	–	400,000	400,000	21,913
02-Sep-11	25-May-14	$0.50	200,000	–	–	(200,000)	–	–	–
02-Sep-11	25-May-14	$0.60	125,000	–	–	(125,000)	–	–	–
02-Sep-11	25-May-14	$0.70	125,000	–	–	(125,000)	–	–	–
23-Dec-11	25-May-14	$0.50	200,000	–	–	(200,000)	–	–	–
23-Dec-11	25-May-14	$0.60	125,000	–	–	(125,000)	–	–	–
23-Dec-11	25-May-14	$0.70	125,000	–	–	(125,000)	–	–	–
Weighted average exercise price			24,850,000	–	–	(18,800,000)	36,050,000	19,383,334	1,863,020
Weighted average exercise price			0.38	–	–	0.37	0.19	0.21	

The weighted average balance of the contractual term of the options outstanding at the reporting date was 1.15 years.

There were no shares issued as a result of the exercise of any options during the year (2013: nil).

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

(a) Options are granted for no consideration and vest as detailed in the table below;

(b) Exercise price is as detailed in the table above;

(c) Grant or issue date is as detailed in the table above;

(d) Expiry date is as detailed in the table above;

(e) Share price is based on the last bid price on ASX as at date of grant, as detailed in the table below;

(f) Expected price volatility of the Company's shares has been assessed independently as described in the table below;

(g) Expected dividend yield is nil; and

(h) Risk-free interest rate is based on the 3/5 year Commonwealth bond yield, as detailed in the table below.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2014

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	$0.50 (25 May 2014) Options	Vested at the date of the issue of the options	$0.27	3.12%	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%
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%
22-Nov-13	$0.15 (21 Nov 2016) Options	Vested at the date of the issue of the options	$0.09	3.13%	95%
22-Nov-13	$0.20 (21 Nov 2016) Options	Vested at the date of the issue of the options	$0.09	3.13%	95%
16-Jan-14	$0.10 (15 Jan 2016) Options	Vested at the date of the issue of the options	$0.07	2.63%	107%
16-Jan-14	$0.15 (15 Jan 2016) Options	Vested at the date of the issue of the options	$0.07	2.63%	107%

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.

2014	Australia $	Oman $	Saudi Arabia $	Peru $	Chile $	Total $
Total segment revenues	122,190	–	–	–	–	122,190
Total segment loss before tax	(3,789,705)	(42,877)	(446,800)	–	–	(4,279,382)
Total segment assets	33,890,848	5,526,554	1,712,408	–	–	41,129,810
Total segment liabilities	(517,855)	(77,970)	(1,612,411)	–	–	(2,208,236)
2013						
Total segment revenues	283,074	–	–	–	–	283,074
Total segment loss before tax	(5,898,065)	(542,601)	(554,953)	(8,973)	101,344	(6,903,248)
Total segment assets	25,387,906	5,907,784	9,686,129	56,831	7,438	41,046,088
Total segment liabilities	(1,261,140)	(448,845)	(1,884,670)	–	–	(3,594,655)

(a) Reconciliation of segment information	2014 $	2013 $
(i) Total Segment Assets	41,129,810	41,046,088
Total Assets as per Statement of Financial Position	41,129,810	41,046,088
(ii) Total Segment Revenues	122,190	283,074
Total Revenue as per Statement of Profit or Loss and Other Comprehensive Income	122,190	283,074
(iii) Total Segment profit/(loss) before tax	(4,279,382)	(6,903,248)
Total Group profit/(loss) before tax	(4,279,382)	(6,903,248)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

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	2014 $	2013 $
Cash and cash equivalents	3,151,295	4,459,176
Trade and other receivables	549,990	1,213,762
Financial assets at fair value through profit or loss	142,956	142,956
	3,844,241	5,815,894
Financial liabilities at amortised cost		
Trade and other payables	(594,343)	(1,575,423)
Loan Owed to Shareholder	(1,510,103)	(1,810,072)
	(2,104,446)	(3,385,495)
Net Financial Assets	1,739,795	2,430,399

(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 were utilised as the benchmark for the portfolio at fair value through profit or loss.

	2014 $	2013 $
Change in profit		
Increase by 15%	21,443	21,443
Decrease by 15%	(21,443)	(21,443)
Change in equity		
Increase by 15%	21,443	21,443
Decrease by 15%	(21,443)	(21,443)

21. Financial risk management (continued)

(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 3.44% (2013: 4.15%).

	2014 $	2013 $
Cash at bank	556,454	1,730,935
Term deposits	2,592,450	2,660,499
	3,148,904	4,391,434

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:

	2014 $	2013 $
Change in profit		
Increase by 3%	94,539	133,775
Decrease by 3%	(94,539)	(133,775)
Change in equity		
Increase by 3%	94,539	133,775
Decrease by 3%	(94,539)	(133,775)

(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:

	2014 USD	2013 USD
Cash and cash equivalents	93,308	914,470
Trade and other receivables	–	–
Trade and other payables	–	(455)
	93,308	914,015

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

21. Financial risk management (continued)

(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:

	2014 $	2013 $
Cash and cash equivalents		
AA-	3,148,904	4,391,434
No external credit rating available	2,391	67,742
	3,151,295	4,459,176
Trade and other receivables (due within 30 days)		
No external credit rating available	549,990	1,213,762

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.

(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:

2014	Less than 6 months $	6-12 months $	1-5 years $	Total $
Financial assets				
Cash and cash equivalents	3,151,295	–	–	3,151,295
Trade and other receivables	549,990	–	–	549,990
	3,701,285	–	–	3,701,285
Financial liabilities				
Trade and other payables	(594,343)	–	(1,510,103)	(2,104,446)
Net inflow/(outflow)	3,106,942	–	(1,510,103)	1,596,839
2013				
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

21. Financial risk management (continued)

(d) 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 16.

(e) Fair value measurements

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

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2014:

2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets held at fair value through profit or loss				
Listed investments at fair value	142,956	–	–	142,956
2013				
Financial assets held at fair value through profit or loss				
Listed investments at fair value	142,956	–	–	142,956

22. Commitments

	2014 $	2013 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Within 1 year	73,575	–
1-5 years	220,725	–
After 5 years	–	–
Total	294,300	–

The Group leases office space under a non-cancellable operating lease. On renewal, the terms of the lease are renegotiated. The Group does not have an option to purchase the leased asset at the expiry of the lease period. Lease expense during the period amounted to $69,422 (2013 $0).

(b) A condition of the Mining Licence pertaining to the Khnaiguiyah Zinc-Copper Project in Saudi Arabia issued by the Ministry of Petroleum and Mineral Resources in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (SAR) (approximately A$5.1 million based on a current exchange rate of A$1.00/3.90 SAR)) over the 30 year term of the licence. KMC has not yet submitted a training programme and plan to the Ministry for approval and it is not possible to establish a time frame around this commitment as at the date of this report. The Mining Licence is also pending transfer from United Arabian Mining Company LLC (Saudi Arabia) (Manajem) to the joint venture company, Khnaiguiyah Mining Company LLC (Saudi Arabia) (KMC) (Alara: 50% and Manajem: 50%).

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

23. Controlled entities

Investment in Controlled Entities	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-14	Jun-13
Hume Mining Pty Limited	Inactive	Australia	29-Mar-94	100%	100%
Alara Operations Pty Ltd (AOP)	Inactive	Australia	5-Feb-07	100%	100%
Alara Peru Operations Pty Ltd (APO)	Inactive	Australia	9-Mar-07	100%	100%
Alara Saudi Operations Pty Ltd (ASO)	Management	Australia	4-Aug-10	100%	100%
Alara Chile Operations Pty Ltd (ACO)	Inactive	Australia	28-Oct-09	100%	100%
Saudi Investments Pty Limited (SIPL) (formerly Alara Saudi Marjan Operations Pty Limited)	Development	Australia	14-Feb-11	100%	100%
Alara Oman Operations Pty Limited (AOO)	Management	Australia	28-Jun-10	100%	100%
Alara Kingdom Operations Pty Limited (AKO)	Management	Australia	5-Sep-11	100%	100%
Alara Saudi Holdings Pty Limited (ASH)	Inactive	Australia	5-Jun-13	100%	100%
Alara Resources LLC (controlled entity of AOO)	Exploration	Oman	2-Oct-10	70%	70%
Al Hadeetha Resources LLC (formerly Pilatus Resources Oman LLC) (controlled entity of AOO)	Exploration	Oman	6-Feb-07	70%	70%
Sita Mining LLC (controlled entity of AKO)	Management	Saudi Arabia	16- May-11	70%	70%
Inversiones Alara Chile Limitada (IAC) (controlled entity of ACO)	Inactive	Chile	31-Aug-11	0%	100%
El Quillay SpA (controlled entity of IAC)	Inactive	Chile	21-Oct-11	0%	100%
Alara Resources Ghana Limited (subsidiary of AUQ)	Inactive	Ghana	8-Dec-09	100%	100%
Alara Peru S.A.C (subsidiary of APO)	Inactive	Peru	1-Mar-07	100%	100%

During the period a number of controlled entities were deregistered and no longer form part of the Group. The financial impact of these entities was determined and considered to be immaterial for both the current and prior period. The financial statements as a result have not been adjusted to reflect the removal of these entities from the group.

Investment in Formerly Controlled Entities	Principal Activity	Country of Incorporation	Date of Deregistration	Jun-14	Jun-13
Inversiones Alara Chile Limitada (IAC) (controlled entity of ACO)	Inactive	Chile	26-May-14	0%	100%
El Quillay SpA (controlled entity of IAC)	Inactive	Chile	12-Mar-14	0%	100%

Subsequent to the end of the period a number of controlled entities were also deregistered and no longer form part of the Group. The financial impact of these entities was also determined to be immaterial.

Investment in Controlled Entities Deregistered after end of Year	Principal Activity	Country of Incorporation	Date of Deregistration	Jun-14	Jun-13
Hume Mining Pty Limited	Inactive	Australia	10 Aug 14	100%	100%
Alara Operations Pty Ltd (AOP)	Inactive	Australia	30 Jul 14	100%	100%
Alara Chile Operations Pty Ltd (ACO)	Inactive	Australia	3 Aug 14	100%	100%

23. Controlled entities (continued)

The Group includes the following subsidiaries with material Non-Controlling Interests ('NCI's') that is material interests held by other parties.

Name	Proportion of Ownership Interests & Voting Rights held by NCI		Profit Allocated to NCI		Accumulated NCI	
	Jun-14	Jun-13	Jun-14 $	Jun-13 $	Jun-14 $	Jun-13 $
Alara Resources LLC	30%	30%	(46,494)	(142,084)	114,987	68,493
Al Hadeetha Resources LLC	30%	30%	(35,222)	(37,612)	23,270	59,760
Sita Mining LLC	30%	30%	(172,190)	(159,668)	286,470	114,280

No dividends were paid to the NCI's during the years 2014 and 2013.

Summarised information for these subsidiaries is set out below:

	Alara Resources LLC 2014 $	Al Hadeetha Resources LLC 2014 $	Sita Mining LLC 2014 $
Current assets	62,905	440	86,247
Non-current assets	4,053,141	3,187,971	418,897
Total assets	4,116,046	3,188,411	505,144
Current liabilities	36,522	12,119	31,717
Non-current liabilities	4,462,813	3,269,370	1,428,327
Total liabilities	4,499,336	3,281,489	1,460,044
Equity attributable to owners of the Parent	268,303	69,809	668,430
Non-controlling interests	114,987	23,270	286,470

	Alara Resources LLC 2013 $	Al Hadeetha Resources LLC 2013 $	Sita Mining LLC 2013 $
Current assets	188,410	29,216	81,900
Non-current assets	3,558,461	2,925,521	545,778
Total assets	3,746,871	2,954,737	627,677
Current liabilities	54,516	62,695	–
Non-current liabilities	3,920,665	3,131,080	1,008,610
Total liabilities	3,975,180	3,193,775	1,008,610
Equity attributable to owners of the Parent	159,817	179,280	266,653
Non-controlling interests	68,493	59,760	114,280

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

23. Controlled entities (continued)

	Alara Resources LLC 2014 $	Al Hadeetha Resources LLC 2014 $	Sita Mining LLC 2014 $
Revenue	7,505	19,326	3,617
Profit/(loss) for the year attributable to owners of the Parent	(108,486)	(105,665)	(401,777)
Profit/(loss) for the year attributable to NCI	(46,494)	(35,222)	(172,190)
Profit for the year	(154,980)	(140,887)	(573,967)

	Alara Resources LLC 2013 $	Al Hadeetha Resources LLC 2013 $	Sita Mining LLC 2013 $
Revenue	34,307	19,126	101,815
Profit/(loss) for the year attributable to owners of the Parent	(331,528)	(112,835)	(372,559)
Profit/(loss) for the year attributable to NCI	(142,084)	(37,612)	(159,668)
Profit for the year	(473,612)	(150,447)	(532,227)

	Alara Resources LLC 2014 $	Al Hadeetha Resources LLC 2014 $	Sita Mining LLC 2014 $
Net cash from operating activities	6,636	(735)	22,106
Net cash used in investing activities	–	–	–
Net cash from/(used in) financing activities	–	–	–
Net cash inflow/(outflow)	6,636	(735)	22,106

	Alara Resources LLC 2013 $	Al Hadeetha Resources LLC 2013 $	Sita Mining LLC 2013 $
Net cash from operating activities	29,520	182	(430,412)
Net cash used in investing activities	–	–	(1,032,994)
Net cash from/(used in) financing activities	–	–	–
Net cash inflow/(outflow)	29,520	182	(1,463,406)

24. Jointly controled entities

Investment in Jointly Controlled Entities	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-14	Jun-13
Daris Resources LLC (jointly controlled entity of AOO)	Exploration	Oman	1-Dec-10	50%	50%
Khnaiguiyah Mining Company LLC (KMC) (jointly controlled entity of ASO)	Development	Saudi Arabia	10-Jan-11	50%	50%

25. Related party transactions

(a) Controlled and Jointly Controlled Entities

Details of the interest in controlled entities and jointly controlled entities are set out in Notes 23 and 24.

(c) Key management personnel compensation

Details of transaction with key management personnel are disclosed in Note 26 and the remuneration report section of the directors' report.

(d) Transactions with other related parties

The following transactions occurred with related parties during the year ending 30 June 2014:

– Khnaiguiyah Mining Company LLC (KMC) a 50% jointly controlled entity paid office rent to the other 50% joint owner United Arabian Mining Company (Manajem) amounting to $89,375.
– Alara Resources LLC a 70% owned controlled entity paid office rent to Sur United International Co LLC the other 30% shareholder of Alara Resources LLC amounting to $7,340.

The following transactions occurred with related parties during the year ending 30 June 2013:

– Khnaiguiyah Mining Company LLC (KMC) a 50% jointly controlled entity paid office rent to the other 50% joint owner United Arabian Mining Company (Manajem) amounting to $87,843.
– Alara Resources LLC a 70% owned controlled entity paid office rent to Sur United International Co LLC the other 30% shareholder of Alara Resources LLC amounting to $19,516.
– Daris Resources LLC a 50% jointly controlled entity paid consulting services in respect of Mining & Environmental Licence applications to the other 50% joint owner Al Tamman Trading Establishment LLC amounting to $74,830.
– Alara Resources LLC a 70% owned controlled entity paid consulting services in respect of Mining & Environmental Licence applications to the Al Tamman Trading Establishment LLC amounting to $125,037.

Additional related party transactions which took place during the period relate to funding which has been provided to related entities for exploration activities where a non-controlling interest exists. These are disclosed within Notes 12 and 13 of the financial statements.

26. Transactions with key management personnel

Key Management of the Consolidated Entity are 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.

Key Management Personnel remuneration includes the following expenses:

	2014 $	2013 $
Short term employee benefits:		
Salaries including bonuses	1,193,672	837,881
Social security costs	–	–
Company car allowance	–	–
Total short term employee benefits	1,193,672	837,881
Long service leave	13,869	–
Total other long-term benefits	13,869	–
Post-employment benefits:		
Defined benefit pension plans	–	–
Defined contribution pension plans	56,397	94,976
Total post-employment benefits		
Termination benefits	–	–
Share-based payments	494,739	–
Total remuneration	1,758,677	932,857

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

27. 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 rice.

   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. Heads of Agreement - Khnaiguiyah Mining Company - Khnaiguiyah Zinc-Copper Project (Saudi Arabia) - On 21 March 2014, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into an agreement with mineral licences holder, United Arabian Mining ("Manajem" in Arabic) Company (Manajem). This agreement included amendments to the Shareholders' Agreement referred to in (a) above and provided for Alara to acquire an additional 10% of the joint venture entity, KMC, thus increasing its equity to 60% (from 50%) and have control of KMC and the Project. Under this new agreement Alara would 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. In addition, Alara would issue 60 million shares to its JV partner, Manajem, subject to Alara shareholder approval and Alara will also issue 6.7 million shares subject to shareholder approval as part of the balance of consideration under the terms of the original SHA;

d. 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%).

27. 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.

e. 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.

f. 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).

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.

28. Subsequent events

a. The Company has entered into various agreements including consultancy service agreements to assist with the progress of its activities in Saudi Arabia and Oman.

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 65 to 101, 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 2014 and of its 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 54 to 62 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;
4. The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.
5. The Directors have received the declarations required to be made to the Directors by the Managing Director (the person who performs the chief executive officer function) and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

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
26 September 2014

Independent Auditors' Report

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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 2014, 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.

Independent Auditors' Report

Grant Thornton

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

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

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Alara Resources Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualification to the audit opinion expressed above, we draw attention to Note 1.1 which indicates that the consolidated entity incurred an operating loss before tax of $4,279,382 for the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 1.1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

GrantThornton

Report on the remuneration report

We have audited the remuneration report included in pages 54 to 62 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Alara Resources Limited for the year ended 30 June 2014, 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, 26 September 2014

JORC Code Competent Persons' Statements

JORC Competent Persons Statements

1. The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) is based on, and fairly represents, information and supporting documentation prepared by Mr Geoff Davidson, who is a Fellow of the Australasian 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 approved and 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 (Estimation and Reporting of Khnaiguiyah JORC Ore Reserve Statement) of the JORC Code Competent Person Statements 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, and fairly represents, information and supporting documentation prepared 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 approves and 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 Daris/Washihi Copper-Gold Project (Oman) and other Exploration Results is based on, and fairly represents, information and supporting documentation prepared 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 approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
4. The information in this report that relates to Exploration Targets and other Exploration Results in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) is based on information compiled by Mr Philip Hopkins, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hopkins is the Managing Director of Alara Resources Limited. Mr Hopkins 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, 2012 edition. Mr Hopkins consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

Annual Mineral Resources Statements

The Mineral Resources and Reserves disclosed in this report are reported as at the end of the financial year balance date and have not changed in any way from the Mineral Resources and Reserves reported in the prior year Annual Report.

The Company ensures that any mineral reserve and resources calculations are prepared by competent geologists and are reviewed independently and verified (including estimation methodology, sampling, analytical and test data.) In view of this and due to the nature, stage and size of the Company's existing operations, the Board believes there would be no efficiencies gained by establishing a separate mineral reserves and resources committee responsible for reviewing and monitoring the Company's processes for calculating mineral reserves and resources and for ensuring that the appropriate controls are applied to such calculations.

Forward Looking Statements

This report contains "forward-looking statements" and "forward-looking information", including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Alara, industry growth and other trend projections. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management's expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Alara and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of gold and silver, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Alara believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Alara does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

Securities Information
as at 10 October 2014

Issued securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	–	242,007,500
$0.35 (25 October 2014) Unlisted Options[21]	–	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[21]	–	2,000,000	2,000,000
$0.35 (22 August 2015) Unlisted Options[22]	–	400,000	400,000
$0.15 (21 November 2016) Unlisted Options[23]	–	6,666,667	6,666,667
$0.20 (21 November 2016) Unlisted Options[23]	–	3,333,333	3,333,333
$0.10 (15 January 2016) Unlisted Options[24]	–	10,000,000	10,000,000
$0.15 (15 January 2016) Unlisted Options[24]	–	10,000,000	10,000,000
Total	**242,007,500**	**36,050,000**	**278,057,500**

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

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

23 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 28 November 2013

24 Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 21 January 2014

Summary of directors' and employee unlisted options

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[25]	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
22 Nov 2013	$0.15 (21 November 2016) Options	$0.15	21 Nov 2016	Performance Conditions – Vested	3,333,334
22 Nov 2013	$0.15 (21 November 2016) Options	$0.15	21 Nov 2016	Performance Conditions – Unvested	3,333,333
22 Nov 2013	$0.20 (21 November 2016) Options	$0.20	21 Nov 2016	Performance Conditions – Unvested	3,333,333
16 Jan 2014	$0.10 (15 January 2016) Options	$0.10	15 Jan 2016	Performance Conditions – Vested	10,000,000
16 Jan 2014	$0.15 (15 January 2016) Options	$0.15	15 Jan 2016	Performance Conditions – Unvested	10,000,000

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

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 corporate 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 shareholder, or in respect of such shareholder is appointed a proxy, attorney or corporate representative, have one vote for that share.

Securities Information

as at 10 October 2014

Distribution of listed ordinary fully paid shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 – 1,000	994	346,542	0.143
1,001 – 5,000	311	753,178	0.311
5,001 – 10,000	192	1,635,007	0.676
10,001 – 100,000	407	16,083,138	6.646
100,001 – 999,999,999,999	200	223,189,635	92.224
Total	**2,104**	**242,007,500**	**100.00**

Unmarketable Parcels

Less than Market Parcel	Number of Holders	Number of Units	% of Total Issued Capital
1 – 16,666	1,587	3,900,594	1.612
16,667 – and over	517	238,106,906	98.388
Total	**2,104**	**242,007,500**	**100.00**

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 16,666 or less, being a value of $500 of less in total, based upon the Company's closing share price on 10 October 2014 of $0.03 per share.

Top 20 listed ordinary fully paid shareholders

Rank	Shareholder	Shares Held	Total Shares	% Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED		57,250,783	23.657
2	NATIONAL NOMINEES LIMITED		18,220,221	7.529
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,627,081		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - <NT-COMNWLTH SUPER CORP A/C>	2,590,946		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,758,790		
		Sub-total	17,976,817	7.428
4	GWYNVILL TRADING PTY LTD		9,671,468	3.996
5	MS MENG MENG		8,266,273	3.416
6	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY <FLANNERY FAMILY S/F A/C>	1,500,000		
	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>	3,588,083		
		Sub-total	5,088,083	2.102
7	CITICORP NOMINEES PTY LIMITED		4,477,271	1.850
8	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>		4,203,828	1.737
9	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN	1,650,000		
	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN	2,500,000		
		Sub-total	4,150,000	1.715
10	MR PETER KELVIN RODWELL		4,000,000	1.653
11	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>		3,699,429	1.528
12	MR LUCAS JAMES KOEKOEK		3,000,000	1.240
13	HGT INVESTMENTS PTY LTD		2,500,000	1.033
14	MR ANDREW BRUCE RICHARDS		2,500,000	1.033
15	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>		2,460,000	1.016
16	HOUVAN PTY LTD		2,000,000	0.826
17	WHITECHURCH DEVELOPMENTS PTY LTD <WHITECHURCH S/F A/C>		1,919,118	0.793
18	ASIA PACIFIC COMMUNICATIONS LTD		1,793,617	0.741
19	SURFLODGE PTY LTD		1,629,000	0.673
20	BOO RADLEY PTY LTD <BOO RADLEY SUPER FUND A/C>		1,500,000	0.620
Total			**156,305,908**	**64.586%**

Securities Information
as at 10 October 2014

Top 20 listed ordinary fully paid shareholders (Continued)

Substantial Shareholders

Date of Last Substantial Holder Notice	Substantial Shareholder(s)	Holder of Relevant Interest	Registered Shareholder(s)	Shareholding	Total Shares	% of Issued Capital
3 Oct 2014	Acorn Capital Limited	Auscoal Superannuation Fund	JP Morgan Nominees Australia Ltd	2,452,670	20,292,026	8.38%
		Queensland Local Government Superannuation	JP Morgan Nominees Australia Ltd	2,561,575		
		Commonwealth Super Corporation	HSBC Custody Nominees (Australia) Limited	2,809,161		
		UniSuper	National Nominees Limited	3,435,153		
		First State Super	JP Morgan Chase	3,948,753		
		Sunsuper Fund	HSBC Custody Nominees (Australia) Limited	5,084,714		
14 Mar 2014	National Australia Bank Limited and associated entities	Antares Capital Partners Limited	National Nominees Limited	6,298,305	17,150,101	7.087%
			JP Morgan Nominees Australia Limited	10,851,796		
20 Nov 2012	Australian Super Pty Ltd	Australian Super Pty Ltd	JP Morgan Nominees Australia Ltd	16,842,294	16,842,294	6.96%

Based on Substantial Shareholder Notices lodged on the ASX as at 10 October 2014.

Corporate Directory

Directors

Ian Williams
Non-Executive Chairman

Philip Hopkins
Managing Director

HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud
Non-Executive Director

John Hopkins
Non-Executive Director

James Phipps
Alternate Director to HRH Prince Abdullah

Company Secretary

Victor P H Ho

Registered Office and Business Address

Level 3, 35 Havelock Street
West Perth, Western Australia 6005
PO Box 1890
West Perth, Western Australia 6872
Telephone: + 61 8 6323 5900
Facsimile: + 61 8 9323 5999
E-mail: info@alararesources.com

ABN: 27 122 892 719

Auditors

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth, Western Australia 6005
Telephone: +61 8 9480 2000
Facsimile: +61 8 9322 7787
Website: www.grantthornton.com.au

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands, Western Australia 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

Level 6, 225 Clarence Street
Sydney, New South Wales 2000
Telephone: +61 2 8096 3502
E-mail: admin@advancedshare.com.au
Website: www.advancedshare.com.au

Australian Securities Exchange

ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000

ASX Code

AUQ

Corporate Governance Statement

The Company's Corporate Governance Statement is available on the Company's Website:
www.alararesources.com/corporate-governance

www.alararesources.com

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.

Designed and produced by IRMau.com

www.alararesources.com

Alara Resources Limited
Level 3, 35 Havelock Street, West Perth, Western Australia 6005
T +61 8 6323 5900 | F +61 8 6323 5999 | E info@alararesources.com