FULL YEAR REPORT:

Directors' Report
Auditor's Independence Declaration
Financial Report
Audit Report

30 June 2011

ASX Code: AUQ

Alara Resources Limited
A.B.N. 27 122 892 719

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CORPORATE DIRECTORY

BOARD

Ian J. Williams	Non-Executive Chairman
H. Shanker Madan	Managing Director
Douglas H. Stewart	Non-Executive Director
Farooq Khan	Non-Executive Director
William M. Johnson	Non-Executive Director

COMPANY SECRETARY
Victor P H Ho

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NOTE:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **AUQ**) and its controlled entities (the **Consolidated Entity** or **Alara**) for the financial year ended 30 June 2011 (**Balance Date**).

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

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

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

1. Overview

The 2010/2011 financial year has been a positive one for the Company with the following key achievements:

- August 2010: The securing of the Daris Copper Gold Project in Oman and the El Quillay Copper-Gold Project in Chile;
- October 2010: The securing of the advanced Khnaiguiyah Zinc Copper Project in Saudi Arabia;
- November/December 2010: The completion of a $10.58 million share placement at $0.23 per share;
- November 2010: The appointment of Ian Williams and Douglas Stewart to the Board, both with considerable experience in mine development and commissioning;
- December 2010: The award of the Khnaiguiyah mining licence in Saudi Arabia;
- April 2011: The securing of the Marjan Precious and Base Metals Project in Saudi Arabia;
- April 2011: The securing of the Awtad Copper Gold Project in Oman (adjacent to the Daris Copper Gold Project); and
- April/June 2011: The completion of a $30.24 million share placement at $0.36 per share;
- May/June 2011: The completion of corporate governance review to bring the Company in line with industry best practice, with Ian Williams appointed Non-Executive Chairman and Farooq Khan and William Johnson transitioning to Non-Executive Directors, leaving the Board with a majority of Non-Executive Directors.

Alara is establishing itself as a base metals development company with a strong pipeline of advanced and early stage projects. With the completion of the recent $30 million capital raising, Alara is well funded to completion of the Definitive Feasibility Study (**DFS**) on the Khnaiguiyah Zinc Copper Project in Saudi Arabia in early 2012 and to maintain an on-going active exploration and evaluation programme in Oman, Chile and Saudi Arabia.

2. $41 Million Capital Raisings

The Company has completed two sets of capital raisings during the financial year, raising a gross $40.82 million. The share placement of a total of 130 million shares to sophisticated, professional and other institutional investors was managed by Sydney based Petra Capital Pty Ltd.

$10.58 million was raised in November/December 2010 through a placement of 46 million shares at $0.23 per share in two tranches:

(a) Tranche 1: 12 million shares (raising $2.76 million gross) were issued on 2 November 2010 within the Company's 15% placement capacity under the ASX Listing Rules[1]; and

[1] Refer Alara market announcement dated 27 October 2010 and entitled "Completion of Tranche $10.58 Million Capital Raising" and ASX Appendix 3B New Issue Announcement lodged on 2 November 2010

DIRECTORS' REPORT

(b) Tranche 2: 34 million shares (raising $7.82 million gross) were issued on 7 December 2010 after receiving shareholder approval at the 2010 AGM [2].

$30.24 million was raised in April/June 2011 through a placement of 84 million shares at $0.36 per share in two tranches:

(a) Tranche 1: 18 million shares (raising $6,480,000 gross) issued on 20 April 2011 within the Company's 15% placement capacity under the ASX Listing Rules[3]; and

(b) Tranche 2: 66 million shares (raising $23,760,000 gross) issued on 2 June 2011 following shareholder approval at a General Meeting held on 26 May 2011[4].

3. Company Projects

Alara has a current portfolio of projects in Saudi Arabia, Oman and Chile as follows:

PROJECTS		LOCATION	STATUS
(1)	Khnaiguiyah Zinc-Copper[5]	Saudi Arabia	Development to BFS
(2)	Daris Copper-Gold[6]	Oman	Exploration
(3)	El Quillay Copper-Gold[7]	Chile	Exploration
(4)	Marjan Precious and Base Metals[8]	Saudi Arabia	Exploration
(5)	Awtad Copper Gold Project[9]	Oman	Exploration

3.1. Khnaiguiyah Zinc Copper Project (Saudi Arabia)

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

In October 2010, Alara secured a 50% interest in the Khnaiguiyah Zinc-Copper Project located in Saudi Arabia via a 50% shareholding interest in a joint venture company, "Khnaiguiyah for Mining Company" (**KMC**).

The Khnaiguiyah Project is an advanced near production project having a historical non–JORC Code compliant estimated mineralisation[10] assessed by BRGM[11], the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia".

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2 Refer Alara Notice of Annual General Meeting and Explanatory Statement dated 1 November 2010, Alara market announcements dated 30 November 2010 and entitled "Results of Annual General Meeting" and dated 9 December 2010 and entitled "Completion of $7.82 Million Share Placement and Updated Top 20 Shareholders" and "ASX Appendix 3B New Issue Announcement lodged on 13 December 2010"

3 Refer Alara market announcement dated 21 April 2011 and entitled "Completion of Tranche 1 $6.48 Million Share Placement and Updated Top 20 Shareholders" and "ASX Appendix 3B New Issue Announcement lodged on 27 April 2011"

4 Refer Alara Notice of Meeting and Explanatory Statement dated 15 April 2011 and Alara market announcement dated 26 May 2011 and entitled "Results of General Meeting - 26 May 2011"

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

6 Refer Alara market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman"

7 Refer Alara market announcement dated 25 August 2010 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile"

8 Refer Alara market announcement dated 18 April 2011 and entitled "Acquisition of Interest in Marjan Project in Saudi Arabia"

9 Refer Alara market announcement dated 27 April 2011 and entitled "Project Acquisition- Awtad Copper-Gold Project in Oman"

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

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

DIRECTORS' REPORT

Award of the Khnaiguiyah Mining Licence

Manajem received grant of the Khnaiguiyah Mining Licence on or about 13 December 2010[12]. Material conditions attached to the Mining Licence issued by the Ministry of Petroleum and Mineral Resources (the **Ministry**) are as follows:

- 30 year exclusive term for the mining of Zinc, Copper, Gold and Silver from the licence area;
- No mineral royalties are payable (the corporate tax rate in the Kingdom of Saudi Arabia is 20%);
- An environmental impact assessment and economic feasibility study must be submitted to the Ministry prior to the commencement of mining; and
- Preference must be given to domestic zinc smelters for long term off-take agreements at market prices based upon the price of zinc according to the London Metals Exchange.

Joint Venture Shareholders' Agreement

The key terms of the shareholders' agreement between Alara and "Manajem" (the Vendor) (dated 21 October 2010) are outlined in Alara's ASX market announcement dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia".

US$266,000 (Tranche 1) was paid to Manajem in October 2010 upon execution of a Heads of Agreement. US$1.25 million (Tranche 2) was paid to Manajem on 18 January 2011 upon completion of the conditions precedent under the Shareholders Agreement. There are 2 further tranches totalling US$5.984 million outstanding:

(a) Tranche 3 US$1,750,000 – payable upon the Khnaiguiyah Mining Licence being transferred to KMC; and

(b) Tranche 4 US$4,234,000 – payable upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to transfer of the Khnaiguiyah Mining Licence from Manajem to KMC) with such consideration to be satisfied as follows:

  (i) US$2,010,000 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$0.302 per share based on the current A$1.00/US$0.994 exchange rate); and

  (ii) US$2,224,000 to be satisfied by the payment of cash.

Manajem has advised Alara and KMC that the transfer of the Khnaiguiyah Mining Licence and the project Exploration Licences is in progress and the parties have agreed that until such time as the Project licences have been transferred to KMC, KMC shall be entitled to develop the Project as though KMC held the licences. To this end, on 2 March 2011, the parties entered into a Mining Rights Agreement to formally grant KMC these rights and Alara has agreed to transfer US$1.75 million to Manajem as an advance towards the Payment Milestone/Tranche 3 obligation under the Shareholders Agreement, which was completed on 15 March 2011.

On 16 July 2011, Alara advanced a further US$267,000 to Manajem to assist Manajem with its operations, which will be deducted from the Tranche 4 cash payment referred to above.

As at 27 September 2011, the transfer of the Khnaiguiyah Mining Licence from Manajem to KMC and the issue of an Environmental Permit is pending completion/grant (respectively).

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12 Refer Alara market announcements dated 21 December 2010 and entitled "Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia"

DIRECTORS' REPORT

A summary of ASX market announcements released during and subsequent to the end of the financial year in relation to technical and DFS progress and results on the Khnaiguiyah Zinc-Copper Project are as follows:

Date of Announcement	Announcement Title
10 March 2011	Commencement of Drilling – Khnaiguiyah Zinc Copper Project, Saudi Arabia
26 May 2011	Drilling Update - Khnaiguiyah Zinc Copper Project, Saudi Arabia
16 June 2011	Operations Update - Khnaiguiyah Project
29 June 2011	Drilling Rig Update - Khnaiguiyah Project in Saudi Arabia and Daris Project in Oman
29 July 2011	Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc-Copper Project
5 September 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project

3.2. Daris Copper-Gold Project (Oman)

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

In August 2010, Alara secured a 50% interest (with a right to increase this to 70%+) in the Daris Copper-Gold Project located in Oman (~150km west of Muscat), via an initial 50% shareholding interest in joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the Daris exploration licence of ~587km^2.

The key terms of the shareholders' agreement (dated 28 August 2010) between Alara and Al Tamman Trading Establishment LLC (**ATTE**) (the Vendor) were outlined in Alara's market announcement dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman".

The shareholders' agreement between Alara and ATTE is subject to conditions precedent to be satisfied or waived by Alara, including, amongst other matters, the incorporation of Daris Resources LLC (which has occurred) the mineral rights under the concession being expanded from copper to include gold, silver and other base metals and the execution of a management agreement and ancillary loan agreement. Completion of these matters is expected to be finalised within Q4 2011.

A summary of ASX market announcements released during and subsequent to the end of the financial year in relation to exploration and evaluation progress and results on the Daris Copper-Gold Project are as follows:

Date of Announcement	Announcement Title
14 September 2010	Daris Project Drilling Update
6 October 2010	High Grade Copper-Gold Mineralisation- Daris Project Copper Project in Oman
26 October 2010	Further High Grade Copper-Gold Mineralisation -Daris Copper Project in Oman
6 December 2010	Commencement of VTEM Electromagnetic Survey - Daris Copper Project in Oman
13 December 2010	Further High Grade Copper-Gold Mineralisation-Daris Copper Project in Oman
16 March 2011	Commencement of Phase 2 Drilling - Daris East Copper Project in Oman
19 April 2011	Massive Sulphide Copper Mineralisation - Daris Project in Oman

3.3. El Quillay Copper-Gold Project (Chile)

(Alara - right to earn-in and acquire 70%)

In August 2010, Alara secured rights to acquire a 70% interest in the El Quillay Copper-Gold Project located ~350km north of Santiago, comprising approximately 68 mineral concessions totalling ~15km^2 across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

The key terms of the binding term sheet (dated 17 August 2010) executed with Chilean vendors, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the Vendors), were outlined in an Alara market announcement dated 25 August 2010 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile".

DIRECTORS' REPORT

The parties are progressing towards the execution of the more definitive joint venture agreements. Completion of these matters is expected to be finalised within Q4 2011.

Upon completion of these matters, Alara will commence an initial programme of mapping and geophysical surveys (in Q4 2011) followed by drilling (in Q1 2012).

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

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

In April 2011, Alara secured rights to acquire a 50% interest in the Marjan Project located in Saudi Arabia. The project comprises 3 exploration licences (predominantly gold prospects with associated silver, zinc and copper) of ~260km^2 located ~30km south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project.

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

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, the incorporation and registration of a new joint venture company ("Marjan Mining Company LLC") and the execution of ancillary agreements arising therein. Completion of these matters is expected to be finalised within Q4 2011.

3.5. Awtad Copper Gold Project (Oman)

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

In April 2011, Alara secured rights to earn-in up to a 70% interest in the Awtad Copper-Gold Project located immediately adjacent to the Licence Area No. 7 (Block 7) comprising the Daris Copper-Gold Project and comprises a mineral excavation licence (Block 8) of ~497km^2.

The key terms of the shareholders agreement (dated 24 April 2011)) executed with the Omani vendors were outlined in an Alara market announcement dated 27 April 2011 and entitled "Project Acquisition-Awtad Copper-Gold Project in Oman".

3.6. Alara Resources LLC Joint Venture (Oman)

(Alara – 70%, Sur United International Co. LLC – 30%)

In August 2010, Alara formed a joint venture (via the incorporation of "Alara Resources LLC" (**AlaraCo**)) with Sur United International Co. LLC (**SUR**), to identify, secure and commercially exploit other resource projects in Oman. AlaraCo has lodged a number of applications for exploration licences over open areas prospective for base and precious metals.

The shareholders agreement between Alara and SUR (dated 8 August 2010) is subject to conditions precedent to be satisfied or waived by Alara, including an exploration licence being granted to AlaraCo and the execution of an ancillary loan agreement between Alara and AlaraCo. The timetable for completion of these matters is 7 February 2012 (subject to further extension if an exploration licence is still pending grant to AlaraCo).

DIRECTORS' REPORT

3.7. Bigrlyi South Uranium Farm-Out Venture

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

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

Thundelarra has tenements (~1,950 km^2) contiguous with Alara's tenements (~1,350km^2) in the Bigrlyi South project area, located ~350 kilometres north-west of Alice Springs in the Northern Territory of Australia and adjacent to tenements surrounding the Bigrlyi uranium deposit (being developed by Energy Metals Limited – ASX Code: "EME").

3.8. Canning Well Manganese Farm-Out

(Alara 100% with Process Minerals International Pty Ltd having manganese rights)

Alara has farmed-out the Canning Well Exploration Licence 46/629 tenement to Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN) for the potential mining of manganese. The tenement is located in the Eastern Pilbara region of Western Australia, approximately 360 kilometres south-east of Port Hedland

Under the agreement (dated March 2010), PMI will determine the feasibility of a manganese mining operation on the Canning Well Exploration Licence 46/629 tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export. PMI has operational experience in the recovery and trucking of minerals, including the mining and sale of manganese in the Pilbara.

3.9. Peruvian Uranium Concessions

In June 2011, Alara forfeited its mineral concessions in Peru. These concessions formerly comprised the Crucero and Coasa Uranium Projects. Alara had determined that, based on the higher priority of its more advanced exploration and development base metals projects in Saudi Arabia, Oman and Chile and exploration activities undertaken to date on the uranium projects, that maintaining the concessions and continuing exploration activities and expenditure on these concession was not commercially appropriate. Alara had maintained the concessions in good standing up to the date of forfeiture and has no on-going liabilities or commitments in relation to such concessions.

4. Future Capital Raising

The Directors contemplate that the Company will be undertaking a capital raising within the next 12 months to fund the Consolidated Entity's share of project financing obligations under the Khnaiguiyah Zinc-Copper Project (Alara – 50%) joint venture in Saudi Arabia, upon completion of the project DFS and for general working capital purposes.

DIRECTORS' REPORT

FINANCIAL POSITION

Consolidated Entity	2011 $	2010 $
Cash	32,240,581	4,309,770
Financial assets held at fair value through profit and loss	875,603	1,786,260
Receivables	506,182	145,126
Resource projects	7,200,540	-
Other assets	1,865,060	42,175
Total assets	42,687,966	6,283,331
Payables	(2,137,489)	(496,801)
Provisions	(114,663)	(68,001)
Total liabilities	(2,252,152)	(564,802)
Net assets	40,435,814	5,718,529
Issued capital	53,477,409	14,754,059
Reserves	1,847,665	1,523,171
Accumulated losses	(14,978,442)	(10,558,701)
Parent interest	40,346,632	5,718,529
Non-controlling interest	89,182	-
Total equity	40,435,814	5,718,529

OPERATING RESULTS

Consolidated	2011 $	2010 $
Total revenue	299,516	493,552
Total expenses	(4,789,223)	(2,300,866)
Loss before tax	(4,489,707)	(1,807,314)
Income tax benefit	-	3,036
Net loss after tax attributable to members	(4,489,707)	(1,804,278)

LOSS PER SHARE

Consolidated	2011	2010
Basic loss per share (cents)	(3.84)	(2.24)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	116,058,185	80,507,500

DIVIDENDS

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

DIRECTORS' REPORT

SECURITIES IN THE COMPANY

1. Current Issued Capital

The Company had the following total securities on issue as at 27 September 2011:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	210,507,500
$0.55 (26 July 2012) Unlisted Options[13]	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Options[14]	-	1,000,000	1,000,000
$0.35 (16 September 2013) Unlisted Options[14]	-	16,400,000	16,400,000
$0.50 (25 May 2014) Unlisted Options[15]	-	700,000	700,000
$0.60 (25 May 2014) Unlisted Directors' Options[16]	-	500,000	500,000
$0.60 (25 May 2014) Unlisted Options[15]	-	550,000	550,000
$0.70 (25 May 2014) Unlisted Options[15]	-	550,000	550,000
$0.35 (25 October 2014) Unlisted Options[17]	-	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[17]	-	2,000,000	2,000,000
$0.35 (22 August 2015) Unlisted Options[18]	-	400,000	400,000
Total	**210,507,500**	**26,250,000**	**236,757,500**

2. Summary of Unlisted Options Issued/Lapsed

During and subsequent to the end of the financial year, the Company issued the following unlisted options to Directors, employees and principal consultants:

(a) The Company issued 250,000 unlisted options to nominees of each of Non-Executive Director, Ian Williams and Douglas Stewart, after receiving shareholder approval at a general meeting held on 26 May 2011:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
500,000	26 May 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue

13 Terms and conditions of issue are set out in a Notice of Meeting and Explanatory Statement dated 21 June 2007 for a General Meeting held on 27 July 2007 and in an ASX Appendix 3B New Issue Announcement lodged on 3 August 2007

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

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

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

17 Terms and conditions of issue are set out in a Notice of 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

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

DIRECTORS' REPORT

(b) The Company issued the following unlisted options to employees (as part of their terms of remuneration) and principal consultants (as part of their terms of engagement) (or their nominees where applicable), pursuant to the Company's Employee Share Option Plan (**ESOP**)[19]:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
400,000	23 August 2010	$0.35 (22 August 2015) Options	$0.35	22 August 2015	100% on date of issue
500,000	26 May 2011	$0.50 (26 May 2014) Options	$0.50	25 May 2014	100% on date of issue
425,000	26 May 2011	$0.60 (26 May 2014) Options	$0.60	25 May 2014	100% on date of issue
425,000	26 May 2011	$0.70 (26 May 2014) Options	$0.70	25 May 2014	100% on date of issue
200,000	2 September 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue
125,000	2 September 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue
125,000	2 September 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue

During and subsequent to the end of the financial year, the following unlisted employee's and director's options lapsed without being exercised:

No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
900,000	19 August 2010	$0.35 (16 September 2013) Director's Unlisted Options	$0.35	16 September 2013
35,000	17 April 2011	$0.35 (16 September 2013) Unlisted Options	$0.35	16 September 2013

FUTURE DEVELOPMENTS

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

19 Approved by shareholders at the 2008 Annual General Meeting; refer Alara Notice of Annual General Meeting and Explanatory Statement dated 1 October 2008

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

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

BOARD OF DIRECTORS

The Board appointed Ian Williams and Douglas Stewart as Non-Executive Directors after the Company's Annual General Meeting (**AGM**) held on 30 November 2010.

Ian Williams has considerable experience in the development of large scale base metal mining operations, including responsibility for the development and commissioning of the world class Century lead/ zinc mine in Queensland, Australia.

Douglas Stewart has extensive mining industry experience in development and commissioning of mines, project finance, mine planning, mine optimisation and due diligence. Most recently, he was responsible for developing and commissioning of the Frances Creek iron ore mine in the Northern Territory, Australia.

On 16 May 2011, the Board announced the completion of a corporate governance review to bring the Company in line with industry best practice, with Ian Williams appointed Non-Executive Chairman and Farooq Khan and William Johnson transitioning to Non-Executive Directors, leaving the Board with a majority of Non-Executive Directors.[20]

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[20] Refer Alara market announcements dated 16 May 2011 and entitled "Appointment of Chairman and Corporate Governance Review"

DIRECTORS' REPORT

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

Ian J. Williams AO	**Non-Executive Chairman**
Appointed	30 November 2010; Chairman since 10 May 2011
Qualifications	BE (Elec), FAusIMM, FIEAust
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 is currently a director of a private structural fabrication company and 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	Chairman of the Board, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Relevant interest in securities	Unlisted $0.60 (25 May 2014) Options – 250,000
Other current directorships in listed entities	Non-Executive Director of Bougainville Copper Limited (ASX Code: BOC) (since 8 May 2008)
Former directorships in other listed entities in past 3 years	Brandrill Limited (former ASX Code: BDL) (1 August 2006 to 16 December 2009) (merged with Ausdrill Limited (ASX Code: ASL) on 16 December 2009 and delisted)

H. Shanker Madan	**Managing Director**
Appointed	18 May 2007
Qualifications	Honours and Masters Science degrees in Applied Geology
Experience	Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group. Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits. He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.
Relevant interest in securities	Shares – 278,375[21] Unlisted $0.35 (16 September 2013) Options – 8,200,000
Other current directorships in listed entities	None
Former directorships in other listed entities in past 3 years	Strike Resources Limited (ASX Code: SRK) (26 September 2005 to 3 February 2011)

[21] Held jointly: Mr Hem Shanker Madan & Mrs Anupam Shobha Madan <The AS and HS Madan S/F A/C>

DIRECTORS' REPORT

Douglas H. Stewart	**Non-Executive Director**
Appointed	30 November 2010
Qualifications	BSc, FAusIMM, FAIG
Experience	Mr Stewart has 40 years technical and commercial experience in the resources sector in a broad range of consulting, senior technical and operational roles in Australia and overseas. Mr Stewart was the Founding Managing Director of Territory Resources Limited where he played a principal role in managing the company through IPO and into iron ore production at its Frances Creek Iron Ore project in the Northern Territory. Mr Stewart was also a director of Grange Resources Limited prior to its takeover by Chinese steel interests. Mr Stewart has worked as a senior mining and geological consultant focused largely on mine planning and optimisation. He was Chief Engineer, Open Pit Mines, for Cassiar Mining and Teck Corporation in Canada. As Senior Planning Officer, he headed an underground mine design team for block caving operations in Africa and has been Chief Geologist for several mines where he was responsible for ore resources and reserves estimations. As well as acting as an independent consultant for various banks and fund managers on potential investments in Australian and international mining projects, Doug spent eight years as an Associate Director with NM Rothschild & Sons Australia.
Special Responsibilities	Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee
Relevant interest in securities	None
Other current directorships in listed entities	(1) Non-Executive Director of Conquest Mining Limited (ASX Code: CQT) (since 30 November 2007) (2) Non-Executive Director of Vital Metals Ltd (ASX Code: VML) (since 30 May 2011)
Former directorships in other listed entities in past 3 years	Grange Resources Limited (ASX Code: GRR) (1 November 2007 to 2 January 2009)

Farooq Khan	**Non-Executive Director**
Appointed	18 May 2007 (as Executive Director); Non- Executive Director since 1 July 2011
Qualifications	BJuris , LLB. (*UWA*)
Experience	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
Special Responsibilities	Member of the Remuneration and Nomination Committee
Relevant interest in securities	Shares – 98,242 (directly) and 9,332,744 indirectly[22] Unlisted $0.35 (16 September 2013) Options – 8,200,000 directly
Other current directorships in listed entities	Current Executive Chairman and Managing Director of: (1) Queste Communications Ltd (ASX Code: QUE) (since 10 March 1998) Current Executive Chairman of: (2) Orion Equities Limited (ASX Code: OEQ) (since 23 October 2006) (3) Bentley Capital Limited (ASX Code: BEL) (director since 2 December 2003)
Former directorships in other listed entities in past 3 years	(1) Yellow Brick Road Holdings Limited (formerly ITS Capital Investments Ltd) (ASX Code: YBR) (27 April 2006 to 18 March 2011)) (2) Strike Resources Limited (ASX Code: SRK) (3 September 1999 to 3 February 2011) (3) Scarborough Equities Limited (former ASX Code: SCB) (merged with Bentley on 13 March 2009 and delisted)

[22] Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 9,332,744 shares held by Orion Equities Limited (**OEQ**) as Mr Khan has a 21.6% interest in Queste Communications Ltd (**QUE**), which in turn is deemed to be in control of OEQ, Mr Khan also holds 98,242 shares directly.

DIRECTORS' REPORT

William M. Johnson	**Non-Executive Director**
Appointed	26 October 2009 (as Executive Director); Non- Executive Director since 1 July 2011
Qualifications	MA (Oxon), MBA
Experience	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.
Special Responsibilities	Member of the Audit Committee
Relevant interest in securities	Shares – 27,000[23] Unlisted $0.60 (25 October 2014) Options – 1,000,000 Unlisted $0.35 (25 October 2014) Options – 2,000,000
Other current directorships in listed entities	Current Executive Director of: (1) Orion Equities Limited (ASX Code: OEQ) (since 28 February 2003) (2) Bentley Capital Limited (ASX Code: BEL) (since 13 March 2009) Current Non-Executive Director of: (3) Strike Resources Limited (ASX Code: SRK) (14 July 2006)
Former directorships in other listed entities in past 3 years	Scarborough Equities Limited (former ASX Code: SCB) (merged with BEL on 13 March 2009 and delisted)

COMPANY SECRETARY

Victor P. H. Ho	**Company Secretary**
Appointed	4 April 2007
Qualifications	BCom, LLB (*UWA*)
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 Tax Office and in a specialist tax law firm. Mr Ho has extensive experience in the structuring and execution of commercial and corporate transactions, capital raisings, capital management matters, public company administration, corporations law and stock exchange compliance and shareholder relations.
Special Responsibilities	Secretary of Audit Committee and Secretary of Remuneration and Nomination Committee
Relevant interest in securities	Shares – 171,090 Unlisted $0.35 (16 September 2013) Options – 700,000 Unlisted $0.60 (25 October 2014) Options – 1,000,000 Unlisted $0.35 (25 October 2014) Options – 1,650,000
Other positions held in listed entities	Current Executive Director and Company Secretary of: (1) Orion Equities Limited (ASX Code: OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003) Current Company Secretary of: (2) Bentley Capital Limited (ASX Code: BEL) (since 5 February 2004) (3) Queste Communications Ltd (ASX Code: QUE) (since 30 August 2000)
Former positions in other listed entities in past 3 years	(1) Strike Resources Limited (ASX Code: SRK) (secretary between 9 March 2000 and 30 April 2010 and director between 12 October 2000 and 25 September 2009) (2) Scarborough Equities Limited (former ASX Code: SCB) (secretary between 29 November 2004 and 13 March 2009)

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

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

	Board Meetings		Audit Committee Meetings	
Name of Director	**Attended**	**Maximum Possible Meetings**	**Attended**	**Maximum Possible Meetings**
H. Shanker Madan	7	7	-	-
Farooq Khan	7	7	-	-
William Johnson	7	7	1	1
Ian Williams (appointed 30 November 2010)	5	5	1	1
Douglas Stewart (appointed 30 November 2010)	5	5	1	1

Establishment of Board Committees

Audit Committee: On 9 December 2010, the Board established a 3 member Audit Committee comprised of the independent Non-Executive Directors, Messrs Douglas Stewart (appointed Chairman of the Audit Committee) and Ian Williams and William Johnson (then an Executive Director and since 1 July 2011, a Non-Executive Director).

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

Remuneration and Nomination Committee: On 9 December 2010, the Board established a 3 member Remuneration and Nomination Committee comprised of the independent Non-Executive Directors, Messrs Ian Williams (appointed Chairman of the Remuneration and Nomination Committee) and Douglas Stewart and Farooq Khan (then an Executive Director and since 1 July 2011, a Non-Executive Director). The Committee did not hold a formal meeting during the financial year.

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

DIRECTORS' REPORT

REMUNERATION REPORT (audited)

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

The information provided under headings (1) to (7) below has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

(1) Remuneration Policy

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

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

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

(a) Mr H. Shanker Madan (Managing Director) – a base salary of $375,000 (from 10 May 2011; previously $300,000 from 1 December 2010 and $200,000 from 1 July 2010) per annum plus employer superannuation contributions;

(b) Mr Ian Williams (Non-Executive Chairman (since 10 May 2011; previously Non-Executive Director)) – a base fee of $75,000 (from 10 May 2011; previously $45,000) per annum plus employer superannuation contributions;

(c) Mr Douglas Stewart (Non-Executive Director) - a base fee of $50,000 (from 10 May 2011; previously $45,000) per annum plus employer superannuation contributions;

(d) Mr Farooq Khan (Executive Director) – a base salary of $175,000 per annum plus employer superannuation contributions; it is noted that Mr Khan transitioned to a Non-Executive Director on 1 July 2011;

(e) Mr William Johnson (Executive Director) – a base salary of $85,000 per annum plus employer superannuation contributions; it is noted that Mr Johnson transitioned to a Non-Executive Director on 1 July 2011; and

(f) Mr Victor Ho (Company Secretary) – a base salary of $90,000 per annum plus employer superannuation contributions.

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

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

(a) Payment for the performance of extra services or the undertaking of special exertions at the request of the Board and for the purposes of the Company.

(b) Payment for reimbursement of all reasonable expenses (including traveling and accommodation expenses) incurred by a Director for the purpose of attending meetings of the Company or the Board, on the business of the Company, or in carrying out duties as a Director.

DIRECTORS' REPORT

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

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

Performance Related Benefits/Variable Remuneration: Other than performance related benefits/variable remuneration disclosed in "Service Agreements" (Section (4)) below, the Company does not presently provide short or long incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses and the current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

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

Equity Based Benefits: The Company has issued options to newly appointed Directors and employees and a principal consultant during the year. Further details are provided in "Options Issued to Key Management Personnel" (section (3)) below.

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

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

The Company has not imposed any vesting conditions or performance hurdles on these options as, in the Company's view, the setting of the exercise price at a significant premium to the Company's ASX volume weighted average share price at the time of issue, together with the (relatively short) 3 year term, act as an appropriate performance incentive for the Key Management Personnel.

DIRECTORS' REPORT

(2) Details of Remuneration of Key Management Personnel

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

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

Key Management Person	Perform-ance related	Options related	Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	
2010	%	%	Cash, salary and commissions $	Non-cash benefit $	Superannuation $	Long service leave $	Options $	Total $
Executive Directors:								
Shanker Madan	-	8.0%	161,538	-	14,538	-	15,243	191,319
Farooq Khan	-	8.4%	153,361	-	13,803	-	15,243	182,407
William Johnson (appointed 26 October 2009)	-	86.4%	51,055	-	4,595	-	354,014	409,664
Non-Executive Directors:								
John Stephenson (deceased 19 February 2010)	-	5.4%	26,923	-	2,423	-	1,673	31,019
Company Secretary								
Victor Ho	-	85.2%	68,363	-	6,153	-	428,703	503,219

The value of Equity Based Benefits are based on the fair value of options vested as at balance date; this is described in further detail in section (3) of this Remuneration Report.

The above listed Key Management Personnel are also amongst the 5 highest remunerated Directors, Group and or Company Executives required to be disclosed under the *Corporations Act 2001.*

DIRECTORS' REPORT

(3) Options Issued to Key Management Personnel

During the financial year, a total of 500,000 unlisted options were issued to Non-Executive Directors as follows:

No. of Options Issued to Key Management Personnel		Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
Ian Williams	250,000	26 May 2011	$0.60 (26 May 2014) Directors' Options	$0.60	25 May 2014	100% on date of issue	$37,300 or $0.15 each
Douglas Stewart	250,000	26 May 2011					$37,300 or $0.15 each

The options were issued to the Directors after shareholder approval at a general meeting held on 26 May 2011 (as required under the *Corporations Act 2001* and the ASX Listing Rules).

There were no shares issued as a result of the exercise of any options held by Key Management Personnel during the financial year (2010: Nil shares).

The total fair value of options are expensed in full as at their date of issue where they are 100% vested on grant and otherwise over their vesting period (where applicable); fair values are determined as at date of issue using a 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 issue, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option.

The total cost of the 500,000 unlisted options issued to Key Management Personnel during the financial year assessed at fair value as at date of issue is $74,600; as these options were 100% vested on grant, this amount were also been expensed as at date of issue.

The black-scholes options valuation model inputs for assessing the fair value of options granted during the year are as follows:

(a) options are granted for no consideration and vest as described in the table above;

(b) exercise price is as described in the table above;

(c) issue date is as described in the table above;

(d) expiry date is as described in the table above;

(e) share price is based on the Company's last bid price on ASX as at date of issue, as described 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;

(h) risk-free interest rate is based on the 3 year Commonwealth bond yield, as described in the table below.

Date of Issue	Description of Unlisted Options	AUQ Share Price at Options Issue Date	Risk Free Rate	Expected price volatility of the Company's shares
26 May 2011	$0.60 (25 May 2014) Directors' Options	$0.31	4.96%	95%

DIRECTORS' REPORT

Details of the status of each Key Management Personnel's holdings of unlisted options are as follows:

Name of Key Management Personnel	No. options granted during the year		No. options cancelled during the year		No. options vested during the year	
	2011	2010	2011	2010	2011	2010
H. Shanker Madan	-	-	-	-		2,050,000 $0.35 (16 September 2013) Options
Ian Williams (appointed 30 November 2010)	250,000 $0.60 (26 May 2014) Directors' Options	-	-	-	250,000 $0.60 (26 May 2014) Directors' Options	-
Douglas Stewart (appointed 30 November 2010)	250,000 $0.60 (26 May 2014) Directors' Options	-	-	-	250,000 $0.60 (26 May 2014) Directors' Options	-
Farooq Khan	-	-	-	-	-	2,050,000 $0.35 (16 September 2013) Options
William Johnson (appointed 26 October 2009)	-	2,000,000 $0.35 (25 October 2014) Options	-	-	-	2,000,000 $0.35 (25 October 2014) Options
	-	1,000,000 $0.60 (25 October 2014) Options			-	1,000,000 $0.60 (25 October 2014) Options
John Stephenson (deceased 19 February 2010)	-	-	900,000 $0.35 (16 September 2013) Director's Unlisted Options	-	-	225,000 $0.35 (16 September 2013) Director's Unlisted Options
Victor Ho	-	1,650,000 $0.35 (25 October 2014) Options	-	-	-	1,650,000 $0.35 (25 October 2014) Options
	-	1,000,000 $0.60 (25 October 2014) Options			-	1,000,000 $0.60 (25 October 2014) Options
	-	-			-	350,000 $0.35 (16 September 2013) Options

DIRECTORS' REPORT

On 10 May 2011, the Board made the following determinations in relation to existing vested options held by Key Management Personnel (permitted with the terms of the same):

<table>
<tr><th>Key Management Personnel</th><th>Classes of Options</th><th>Determinations by the Board</th></tr>
<tr><td>H. Shanker Madan</td><td rowspan="2">$0.35 (16 September 2013) Options</td><td rowspan="2">• the Director option holder shall have 2 years (previously 30 days) in which to exercise the options (up to the option expiry date), upon the Director option holder ceasing to be a director;
• the Director option holder shall have 2 years (previously 6 months) in which to exercise the options (up to the option expiry date), upon the death, permanent illness or permanent physical or mental incapacity of the Director option holder</td></tr>
<tr><td>Farooq Khan</td></tr>
<tr><td>William Johnson</td><td rowspan="2">$0.35 (25 October 2014) Options
$0.60 (25 October 2014) Options</td><td rowspan="2">• the Director/employee option holder shall have 2 years (previously 6 months) in which to exercise the options (up to the option expiry date), upon the Director/employee option holder ceasing to be a director/employee;
• the Director/employee option holder shall have 2 years (previously 12 months) in which to exercise the options (up to the option expiry date), upon the death, permanent illness or permanent physical or mental incapacity of the Director/employee option holder</td></tr>
<tr><td>Victor Ho</td></tr>
<tr><td>Victor Ho</td><td>$0.35 (16 September 2013) Options</td><td>• the employee option holder shall have 2 years (previously 30 days) in which to exercise the options (up to the option expiry date), upon the employee option holder ceasing to be an employee;
• the employee option holder shall have 2 years (previously 6 months) in which to exercise the options (up to the option expiry date), upon the death, permanent illness or permanent physical or mental incapacity of the employee option holder</td></tr>
</table>

These determinations require disclosure under the share-based remuneration accounting standards but creates no additional expense to the Company as the options have previously been expensed based on a fair value determination which assumed the term of the options to be their full term to expiry and thus, the determinations do not create any additional fair value to be recognised as an expense in relation to the underlying options. Similar determinations were also made in relation to options held by employees of the Company.

The Company has also issued unlisted options to other personnel (not regarded as a Company Executive/Key Management Personnel) during the financial year, as follows:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
400,000	23 August 2010	$0.35 (22 August 2015) Options	$0.35	22 August 2015	100% on date of issue	$21,913
500,000	26 May 2011	$0.50 (26 May 2014) Options	$0.50	25 May 2014	100% on date of issue	$80,643
425,000	26 May 2011	$0.60 (26 May 2014) Options	$0.60	25 May 2014	100% on date of issue	$63,411
425,000	26 May 2011	$0.70 (26 May 2014) Options	$0.70	25 May 2014	100% on date of issue	$59,062

DIRECTORS' REPORT

The Company has also issued unlisted options to an employee subsequent to the financial year, as follows:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
200,000	2 September 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue	$33,072
125,000	2 September 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue	$19,001
125,000	2 September 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue	$17,594

During the financial year, the following unlisted Employee's and Director's options lapsed without being exercised:

No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date	Total Fair Value as at date of issue
900,000	19 August 2010	$0.35 (16 September 2013) Director's Unlisted Options	$0.35	16 September 2013	$ 31,230
35,000	17 April 2011	$0.35 (16 September 2013) Unlisted Options	$0.35	16 September 2013	$ 1,459

(4) Service Agreements

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

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
H. Shanker Madan (as Managing Director)	28 June 2011 (date of employment agreement); 18 May 2007 (commencement date, being the date of appointment as Managing Director); 11 May 2011 (date of effect of remuneration)	$375,000 plus 9% employer superannuation contributions	• Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. • Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. • If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the *Corporations Act 2001*, pay out an amount equivalent to the balance of entitlements due for the term. • Short-term incentive (STI) cash bonuses are payable subject to attainment of milestones defined as follows: (i) Between $75,000 and $150,000 on completion of a Khnaiguiyah Zinc-Copper Project bankable feasibility study between targeted dates; (ii) Between $30,000 and $100,000 on completion of project financing on the Khnaiguiyah Zinc-Copper Project between targeted dates; (iii) A rate per tonne (above a minimum 50,000 tonnes) of economically minable copper resource (or equivalent) delineated across Alara's projects in Oman (attributable to Alara's economic interest in each project).

DIRECTORS' REPORT

(continued)

<table>
<tr><th>Key Management Personnel and Position(s) Held</th><th>Relevant Date(s)</th><th>Base Salary/Fees per annum</th><th>Other Terms</th></tr>
<tr><td>Farooq Khan
(as General Manager, Corporate and Finance)
(in addition to his role as Non-Executive Director)</td><td>28 June 2011 (date of employment agreement);
18 May 2007 (commencement date, being the date of appointment as Director);
1 July 2011 (date of effect of remuneration)</td><td>$125,000 (in addition to $50,000 Non-Executive Director fees payable with effect from 1 July 2011) plus 9% employer superannuation contributions</td><td rowspan="2">• Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions.
• Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.
• If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the Corporations Act 2001, pay out an amount equivalent to the balance of entitlements due for the term.
• Not prohibited from also concurrently performing the role of director of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement.
• Entitlement to performance related cash bonuses as agreed with the Company from time to time – as at the date of this report (27 September 2011), no bonus scheme has been established.</td></tr>
<tr><td>William Johnson
(as General Manager, Commercial and Joint Ventures)
(in addition to his role as Non-Executive Director)</td><td>28 June 2011 (date of employment agreement);
26 October 2009 (commencement date, being the date of appointment as Director);
1 July 2011 (date of effect of remuneration)</td><td>$65,000 (in addition to $50,000 Non-Executive Director fees payable with effect from 1 July 2011) plus 9% employer superannuation contributions</td></tr>
<tr><td>Victor Ho
(as Company Secretary)</td><td>28 June 2011 (date of employment agreement);
4 April 2007 (commencement date, being the date of appointment as Company Secretary);
1 July 2011 (date of effect of remuneration)</td><td>$90,000 plus 9% employer superannuation contributions</td><td>• Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions.
• Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.
• If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the Corporations Act 2001, pay out an amount equivalent to the balance of entitlements due for the term.
• Not prohibited from also concurrently performing the role of director or company secretary of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement.
• Entitlement to performance related cash bonuses as agreed with the Company from time to time – as at the date of this report (27 September 2011), no bonus scheme has been established.</td></tr>
</table>

The Company notes that under recent amendments to the *Corporations Act 2001*[24], 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.

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

DIRECTORS' REPORT

(5) Employee Share Option Plan

The Company has an Employee Share Option Plan (the **ESOP**) which was approved by shareholders at the 2008 annual general meeting held on 6 November 2008. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of Alara. Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares to those personnel. A summary of the terms of ESOP is set out in Annexure A to Alara's Notice of Annual General Meeting and Explanatory Statement dated 1 October 2008. The Company will seek shareholder approval at the 2011 AGM for the re-adoption of the ESOP pursuant to the ASX Listing Rules.

(6) Other Benefits Provided to Key Management Personnel

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

(7) Securities Trading Policy

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

This concludes the audited Remuneration Report.

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' DEEDS

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

(i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);

(ii) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director; and

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 & Review Fees $	Fees for Other Non-Audit Services $	Total $
30,500	10,754	41,254

DIRECTORS' REPORT

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

LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY (DERIVATIVE ACTIONS)

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

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 23), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

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

Shanker Madan
Managing Director
Perth, Western Australia

Douglas Stewart
Director

30 September 2011

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Auditor's Independence Declaration
To the Directors of Alara Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alara Resources Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Director - Audit & Assurance

Perth, 30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue	**3 (a)**	299,516	493,552
Net loss on financial assets held at fair value through profit or loss	**3 (b)**	(910,657)	-
Costs relating to resource projects not capitalised	**3 (b)**	(41,469)	(267,860)
Personnel	**3 (b)**	(1,443,877)	(771,102)
- Options remuneration (non-cash)	**3 (b)**	(299,629)	(822,317)
Occupancy costs	**3 (b)**	(222,808)	(80,307)
Foreign exchange movement	**3 (b)**	(363,550)	(14,404)
Finance expenses	**3 (b)**	(12,652)	(6,156)
Borrowing costs	**3 (b)**	(443)	(471)
Corporate expenses	**3 (b)**	(118,810)	(25,379)
Administration expenses	**3 (b)**	(1,375,328)	(312,870)
LOSS BEFORE INCOME TAX		(4,489,707)	(1,807,314)
Income tax benefit	**4**	-	3,036
LOSS FOR THE YEAR		(4,489,707)	(1,804,278)
Other comprehensive income			
Exchange differences on translation of foreign operations		56,094	(296,611)
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		56,094	(296,611)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(4,433,613)	(2,100,889)
Loss attributable to:			
Owners of Alara Resources Limited		(4,450,971)	(2,100,889)
Non-controlling interest		(38,736)	-
		(4,489,707)	(2,100,889)
Total comprehensive loss for the year attributable to:			
Owners of Alara Resources Limited		(4,394,877)	(2,100,889)
Non-controlling interest		(38,736)	-
		(4,433,613)	(2,100,889)
Basic loss per share (cents)	**7**	(3.84)	(2.24)
Diluted loss per share (cents)	**7**	n/a	n/a

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	**8**	32,240,581	4,309,770
Trade and other receivables	**9**	506,182	145,126
Other current assets	**10**	20,846	1,891
TOTAL CURRENT ASSETS		32,767,609	4,456,787
NON CURRENT ASSETS			
Financial assets held at fair value through profit and loss	**11**	875,603	1,786,260
Property, plant and equipment	**12**	181,833	40,284
Resource projects	**13**	7,200,540	-
Other non-current asset	**14**	1,662,381	-
TOTAL NON CURRENT ASSETS		9,920,357	1,826,544
TOTAL ASSETS		42,687,966	6,283,331
CURRENT LIABILITIES			
Trade and other payables	**15**	628,694	496,801
Provisions	**16**	114,663	56,034
TOTAL CURRENT LIABILITIES		743,357	552,835
NON CURRENT LIABILITIES			
Trade and other payables	**15**	1,508,795	-
Provisions	**16**	-	11,967
TOTAL NON CURRENT LIABILITIES		1,508,795	11,967
TOTAL LIABILITIES		2,252,152	564,802
NET ASSETS		40,435,814	5,718,529
EQUITY			
Issued capital	**17**	53,477,409	14,754,059
Reserves	**18**	1,847,665	1,523,171
Accumulated losses		(14,978,442)	(10,558,701)
Parent interest		40,346,632	5,718,529
Non-controlling interest		89,182	-
TOTAL EQUITY		40,435,814	5,718,529

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2011

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling Interest	Total
Balance as at 1 July 2009		14,754,059	4,747,991	309,127	(12,814,076)	-	6,997,101
Foreign currency translation reserve		-	-	(296,611)	-	-	(296,611)
Net income and expense recognised directly in equity		-	-	(296,611)	-	-	(296,611)
Loss for the year		-	-	-	(1,804,278)	-	(1,804,278)
Total comprehensive loss for the year		-	-	(296,611)	(1,804,278)	-	(2,100,889)
Transactions with owners in their capacity as owners:							
Reduction of options reserve against accumulated losses	**18**	-	(4,059,653)	-	4,059,653	-	-
Options issued during the year	**18**	-	822,317	-	-	-	822,317
Balance as at 30 June 2010		14,754,059	1,510,655	12,516	(10,558,701)	-	5,718,529

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling Interest	Total
Balance as at 1 July 2010		14,754,059	1,510,655	12,516	(10,558,701)	-	5,718,529
Foreign currency translation reserve		-	-	56,094	-	-	56,094
Net income and expense recognised directly in equity		-	-	56,094	-	-	56,094
Loss for the year		-	-	-	(4,450,971)	(38,736)	(4,489,707)
Total comprehensive loss for the year		-	-	56,094	(4,450,971)	(38,736)	(4,433,613)
Transactions with owners in their capacity as owners:							
Share placements	**17**	40,820,000	-	-	-	-	40,820,000
Share placement costs	**17**	(2,096,650)	-	-	-	-	(2,096,650)
Options lapsed during the year	**18**	-	(31,230)	-	31,230	-	-
Options issued during the year	**18**	-	299,630	-	-	-	299,630
Non-controlling interests of the new subsidiary		-	-	-	-	127,918	127,918
Balance as at 30 June 2011		53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

		2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,275,114)	(799,563)
Interest received		229,443	207,228
Interest paid		(443)	(471)
Income taxes refunded		-	3,036
NET CASHFLOWS USED IN OPERATING ACTIVITIES	**8 b**	(3,046,114)	(589,770)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation expenditure		(7,253,916)	(267,860)
Payments for plant and equipment		(185,153)	(13,659)
Proceeds from disposal of plant and equipment		100	-
NET CASHFLOWS USED IN INVESTING ACTIVITIES		(7,438,969)	(281,519)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share placements		40,820,000	-
Payments for share placement costs		(2,096,650)	-
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES		38,723,350	-
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		28,238,267	(871,289)
Cash and cash equivalents at beginning of the financial year		4,309,770	5,492,074
Effect of exchange rate changes on cash		(307,456)	(311,015)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAF	**8**	32,240,581	4,309,770

The accompanying notes form part of this consolidated financial statements

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

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.*

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.

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 2011 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiary are referred to in this financial report as the Consolidated Entity.

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

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

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

1.3. Mineral Exploration and Evaluation Expenditure

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

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

1.4. Operating Segments

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

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

1.5. Revenue Recognition

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

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

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

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.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

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

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

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

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

Tax consolidation legislation

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

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

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

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

1.7. Goods and Services Tax (GST)

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

1.8. Employee Benefits

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

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

1.9. Director/Employee Options

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

1.10. Cash and Cash Equivalents

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

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 instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

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 income statement.

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

1.13. Fair value Estimation

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

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The consolidated entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

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

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

1.14. Property, Plant and Equipment

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

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

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

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

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

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

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

1.15. Impairment of Non Financial Assets

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

1.16. Payables

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

1.17. Issued Capital

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

1.18. Earnings Per Share

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

Diluted Earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings

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per share that will probably arise from the exercise of options outstanding during the financial period.

1.19. Foreign Currency Translation and Balances

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

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

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

(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 balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1.20. Investments in Joint Ventures

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

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

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

1.21. Leases

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

1.22. Comparative Figures

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

1.23. Critical accounting judgements and estimates

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

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

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

Share-based payments transactions
The Consolidated Entity measures the cost of equity-settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted The fair value is determined using a Black-Scholes optons 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.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1.24. Summary Of Accounting Standards Issued Not Yet Effective

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact on the Consolidated Entity's financial statements or the associated notes therein.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 9 Financial Instruments	Financial Instruments: Recognition and Measurement AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value. In addition, the majority of requirements from AASB 139 for the classification and measurement of financial liabilities has been carried forward unchanged, except in relation to own credit risk where an entity takes the option to measure financial liabilities at fair value. AASB 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income (OCI), unless there is an accounting mismatch in the profit or loss, in which case all gains or losses are to be presented in the profit or loss. The requirements from AASB 139 related to the derecognition of financial assets and liabilities have been incorporated unchanged into AASB 9.	31 December 2013
AASB 124 Related Party Disclosures	Related Party Disclosures AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124.	This revision amends the disclosure requirements for government related entities and the definition of a related party.	31 December 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken in account.	31 December 2011
AASB 2010-05	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.	31 December 2011
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)	The Standard amends the disclosures required, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets (e.g. securitisations) and the effect of those risks on an entity's financial position.	30 June 2012
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: (a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI) (b) 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.	31 December 2013
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.	31 December 2012

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

1.24 Summary Of Accounting Standards Issued Not Yet Effective (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 2010-9 (issued December 2010)	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters [AASB 1]	A first-time adopter of Australian Accounting Standards must apply the derecognition requirements in AASB 139 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition to Australian Accounting Standards, rather than 1 January 2004.	Periods commencing on or after 1 July 2011 (i.e. date of transition would be 1 July 2010)
IFRS 10 (issued May 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: (a) Power over investee (whether or not power used in practice) (b) Exposure, or rights, to variable returns from investee (c) Ability to use power over investee to affect the entity's returns from investee. Introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. Potential voting rights are only considered when determining of there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control. Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include: (a) Scope of decision making authority (b) Rights held by other parties, e.g. kick-out rights (c) Remuneration and whether commensurate with services provided Decision maker's exposure to variability of returns from other interests held in the investee.	Annual reporting periods commencing on or after 1 January 2013
IFRS 11 (issued May 2011)	Joint Arrangements	Joint arrangements will be classified as either joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to <u>net assets</u>, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013
IFRS 12 (issued May 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013
IFRS 13 (issued May 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Alara Resources Limited as at 30 June 2011. The information presented here has been prepared using accounting policies as outlined in Note 1.

	2011 $	2010 $
Statement of Financial Position		
Current assets	30,129,714	4,251,516
Non current assets	11,272,090	1,927,260
Total assets	41,401,804	6,178,776
Current liabilities	493,263	102,060
Non current liabilities	-	11,967
Total liabilities	493,263	114,027
Net assets	40,908,541	6,064,749
Issued capital	53,477,409	14,754,059
Reserves	1,779,056	1,510,655
Accumulated losses	(14,347,924)	(10,199,965)
Total equity	40,908,541	6,064,749
Loss for the year	(4,147,959)	(1,527,464)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(4,147,959)	(1,527,464)

Notes to the Statement of Financial Position

(a) Current assets

(i) Cash and cash equivalents

	2011 $	2010 $
Cash at bank	2,665,038	651,044
Term Deposits	27,136,984	3,553,864
	29,802,022	4,204,908

(b) Non-current assets

(i) Loan to controlled entities

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

	2011 $	2010 $
Amounts owed by controlled entities	13,654,524	2,825,020
Provision for impairment	(3,352,651)	(2,695,125)
	10,301,873	129,895
Movement in loans to controlled entities		
Opening balance	2,825,020	2,601,728
Loans advanced	10,829,504	223,292
Closing balance	13,654,524	2,825,020
Movement in provision for impairment of receivables		
Opening balance	(2,695,125)	(2,601,728)
Provision for impairment recognised during the year	(657,526)	(93,397)
Provision for impairment on amounts receivable	(3,352,651)	(2,695,125)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

2. PARENT ENTITY INFORMATION (continued)

(b) Non-current assets **(ii) Investment in Controlled Entities**	**Country of Incorporation**	**Date of Incorporation**	**Percentage of Ownership** **Ownership 2011**	**2010**
Hume Mining NL	Australia	29-Mar-94	100%	100%
Alara Operations Pty Ltd (AOP)	Australia	5-Feb-07	100%	100%
Alara Peru Operations Pty Ltd (APO)	Australia	5-Feb-07	100%	100%
Alara Peru S.A.C (subsidiary of APO)	Peru	1-Mar-07	100%	100%
Alara Chile Operations Pty Ltd	Australia	28-Oct-09	100%	100%
Alara Resources Ghana Limited	Ghana	8-Dec-09	100%	100%
Alara Oman Operations Pty Limited (AOO)	Australia	28-Jun-10	100%	100%
Alara Resources LLC (subsidiary of AOO)	Oman	2-Oct-10	70%	-
Daris Resources LLC (joint controlled entity of AOO)	Oman	1-Dec-10	50%	-
Alara Saudi Operations Pty Limited (ASO)	Australia	4-Aug-10	100%	-
Alara Saudi Marjan Operations Pty Limited	Australia	14-Feb-11	100%	-
Khnaiguiyah Mining Company (KMC) (joint controlled entity of ASO)	Saudi Arabia	10-Jan-11	50%	-

3. LOSS FOR THE YEAR

The operating loss before income tax includes the following items of revenue and expense:	**2011** **$**	**2010** **$**
(a) Revenue		
Interest	299,516	208,326
Net gain on financial assets held at fair value through profit or loss	-	285,226
	299,516	493,552
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	910,657	-
Costs relating to resource projects not capitalised	41,469	267,860
Personnel		
- cash remuneration	1,396,016	766,753
- options remuneration (non-cash)	299,629	822,317
- employee benefits	47,861	4,349
Occupancy expenses	222,808	80,307
Foreign exchange movement	363,550	14,404
Finance expenses	12,652	6,156
Borrowing cost - interest paid	443	471
Corporate expenses	118,810	25,379
Administration expenses		
- Communications	99,642	11,198
- Consultancy fees	168,233	60,459
- Travel, accommodation and incidentals	396,768	104,830
- Professional fees	380,804	45,348
- Insurance	21,687	18,020
- Depreciation	39,009	21,118
- Fixed assets written down	4,339	-
- Net loss on disposal of fixed assets	156	-
- Other administration expenses	264,690	51,897
	4,789,223	2,300,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

4. INCOME TAX EXPENSE

	2011 $	2010 $
(a) Income tax expense		
Current tax	-	-
Current year	-	(3,036)
Total income tax expense/(benefit) per statement of comprehensive income	-	(3,036)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	**(4,489,707)**	**(1,807,314)**
Tax at the Australian tax rate of 30% (2010: 30%)	(1,346,912)	(542,194)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Non-deductible expenses	275,270	350,175
Other deductible expenses	-	(71,567)
Other non assessable income	-	(85,568)
Tax losses not brought to account	1,071,642	349,154
Income tax expense/ (benefit) attributable to operating profit	-	-
Under/(over) provision in respect to prior years		(3,036)
Income tax expense/ (benefit)	-	(3,036)
(c) Deferred tax liabilities not brought to account at 30%		
Other	(2,690,181)	-
Potential tax liability at 30%	(2,690,181)	-
(d) Deferred tax assets not brought to account at 30%		
Revenue losses	5,066,879	1,089,777
Other	312,800	11,754
Potential tax benefit at 30%	5,379,679	1,101,531

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

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

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

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

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

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

	2011 $	2010 $
(a) Key management personnel compensation		
Directors		
Short-term employee benefits - cash fees and bonus	569,727	392,877
Post-employment benefits - superannuation	81,432	35,359
Equity based payments	74,600	386,174
	725,759	814,410
Other key management personnel		
Short-term employee benefits - cash fees, bonus and allowance	93,462	68,363
Post-employment benefits - superannuation	8,411	6,153
Equity based payments	-	428,703
	101,873	503,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report for the year ended 30 June 2011.

(b) Shareholdings of key management personnel

2011	**Balance at start of the year**	**Balance at appointment/ cessation**	**Net Changes**	**Balance at end of the year**
Directors				
Ian Williams (appointed 30/11/10)		-	-	-
H. Shanker Madan	508,527		-	508,527
Farooq Khan	939,168		(840,926)	98,242
William Johnson	27,000		-	27,000
Douglas Stewart (appointed 30/11/10)		-	-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503		-	189,503
2010				
Directors				
H. Shanker Madan	508,527		-	508,527
Farooq Khan	939,168		-	939,168
William Johnson (appointed 26/10/09)		27,000	-	27,000
John Stephenson (deceased 19/02/10)	217,072	(217,072)	-	
Other key management personnel				
Victor Ho (Company Secretary)	189,503		-	189,503

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures). The 2010 comparatives for a Director has been restated to correct an incorrect attribution of shareholdings.

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

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

(d) Unlisted option holdings of key management personnel

2011	**Balance at appointment/ start of the year**	**Granted as compensation**	**Net Changes**	**Balance at cessation/ end of the year**	**Vested & Exercisable**
Directors					
Ian Williams (appointed 30/11/10)		250,000	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart (appointed 30/11/10)		250,000	-	250,000	250,000
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000
2010					
Directors					
H. Shanker Madan	8,200,000		-	8,200,000	8,200,000
Farooq Khan	8,200,000		-	8,200,000	8,200,000
William Johnson (appointed 26/10/09)	-	3,000,000	-	3,000,000	3,000,000
John Stephenson (deceased 19/02/10)	900,000		-	900,000	900,000
Other key management personnel					
Victor Ho (Company Secretary)	700,000	2,650,000	-	3,350,000	3,350,000

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

Details of options provided as remuneration are disclosed in the Remuneration Report section of the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Loans to key management personnel
There were no loans to key management personnel during the financial year.

(f) Other transactions with key management personnel
There were no other transactions with key management personnel during the financial year.

6. AUDITOR'S REMUNERATION

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

	2011	2010
Grant Thornton Audit Pty Ltd - Auditors of the Consolidated Entity	$	$
Audit and review of financial reports	30,500	25,275
Grant Thornton Australia Limited - related practice of Grant Thornton Audit Pty Ltd		
Taxation services	10,754	3,700
BDO Pazos, López de Romaña S.C. - Auditors of Peruvian subsidiary		
Audit and review of financial reports	-	13,469
Moore Stephens Chartered Accountants - Auditors of Oman controlled entities		
Audit and review of financial reports	2,573	-
Aldar Audit Bureau, Abdullah Al Bas & Co - Auditors of Saudi Arabian controlled entity		
Audit and review of financial reports	4,403	-
	48,230	42,444

7. LOSS PER SHARE

	2011	2010
Basic loss per share (cents)	(3.84)	(2.24)
Diluted loss per share (cents)	n/a	n/a
Loss used to calculate earnings per share ($)	(4,450,971)	(2,100,889)
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	116,058,185	80,507,500

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

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

8. CASH AND CASH EQUIVALENTS

	2011	2010
	$	$
Cash in hand	41,107	-
Cash at bank	5,048,490	741,906
Term Deposits	27,150,984	3,567,864
	32,240,581	4,309,770

Cash at bank includes USD$3.68 million (AUD$3.5 million) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of $130,600 (2010: $52,000) which has not been called up as at balance date. A total of $32,000 of the security bond is in relation to its Australian tenements.

The effective interest rate on short-term bank deposits was 6.05% (2010: 5.79%) with an average maturity of 85 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

8. CASH AND CASH EQUIVALENTS (continued)

(a) Risk exposure

The Consolidated Entity's exposure to interest rate 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

	2011 $	2010 $
Loss after income tax	(4,489,707)	(1,804,278)
Net gain/(loss) on financial assets held at fair value through profit or loss	910,657	(285,226)
Directors' and Employee options	299,629	822,317
Foreign exchange movement	363,550	14,404
Depreciation	39,009	21,118
Fixed assets written down	4,339	-
Net loss on disposal of fixed assets	156	-
(Increase)/Decrease in Assets:		
Trade and other receivables	(361,054)	(6,951)
Resource projects	27,707	267,860
Other current assets	(18,955)	16,691
Increase/(Decrease) in Liabilities:		
Trade and other payables	131,893	376,835
Provisions	46,662	(12,540)
Net cashflows used in from operating activities	(3,046,114)	(589,770)

(c) Non-cash financing and investing activities

	2011	2010
Share based payments (Refer to Note 19)	268,400	822,317

9. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Current		
Amounts receivable from		
Sundry debtors	212,046	98,847
Goods and services tax recoverable	189,787	12,004
Other receivables	104,349	34,275
	506,182	145,126

(a) Risk exposure

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

(b) Impaired receivables

None of the above receivables are impaired or past due.

10. OTHER CURRENT ASSETS

	2011 $	2010 $
Prepayments	20,846	1,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

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

	2011 $	2010 $
Listed investments at fair value	875,603	1,786,260

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Total $
At 1 July 2009				
Cost or fair value	-	973	64,872	65,845
Accumulated depreciation	-	(398)	(17,704)	(18,102)
Net carrying amount	-	575	47,168	47,743
Year ended 30 June 2010				
Carrying amount at beginning	-	575	47,168	47,743
Additions	-	2,035	11,624	13,659
Depreciation expense	-	(171)	(20,947)	(21,118)
Closing amount at balance date	-	2,439	37,845	40,284
At 30 June 2010				
Cost or fair value	-	3,008	76,496	79,504
Accumulated depreciation	-	(569)	(38,651)	(39,220)
Net carrying amount	-	2,439	37,845	40,284
Year ended 30 June 2011				
Carrying amount at beginning	-	2,439	37,845	40,284
Additions	61,495	72,726	50,932	185,153
Disposal	-	(3,090)	(1,505)	(4,595)
Depreciation expense	(5,083)	(14,995)	(18,931)	(39,009)
Closing amount at balance date	56,412	57,080	68,341	181,833
At 30 June 2011				
Cost or fair value	61,495	72,644	125,923	260,062
Accumulated depreciation	(5,083)	(15,564)	(57,582)	(78,229)
Net carrying amount	56,412	57,080	68,341	181,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

13. RESOURCE PROJECTS	2011 $	2010 $
Opening balance	-	-
Excess of consideration of resource projects acquired	3,582,558	-
Exploration and evaluation expenditure	3,659,451	103,055
Impairment of exploration and evaluation expenditure	(41,469)	(103,055)
Closing balance	7,200,540	-

The excess of consideration for resource projects acquired relate to the Consolidated Entity's investment in joint venture entity Khnaiguiyah Mining Company (Saudi Arabia) (50%) whereby the Consolidated Entity contributed 100% of the initial share capital on incorporation. The excess value comprises 50% of the value of the initial share capital invested in Khnaiguiyah Mining Company plus 100% of the vendor payments made to Manajem (refer Note 22(a) for details of the vendor payments).

In accordance with AASB 136: Impairment of Assets, an impairment loss of $41,469 (2010: $103,055) has been recognised for the year in relation to the Consolidated Entity's capitalised exploration and evaluation expenditure.

The Consolidated Entity has granted a security bond to the value of $32,000 (2010: $14,000), which has not been called up as at balance date.

14. OTHER NON-CURRENT ASSETS	2011 $	2010 $
Excess of consideration of resource projects acquired	321,167	-
Costs incurred in relation to resource projects	1,341,214	-
	1,662,381	-

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

15. TRADE AND OTHER PAYABLES	2011 $	2010 $
Current		
Trade payables	394,953	450,316
Other payables	233,741	46,485
	628,694	496,801
Non Current		
Loan owed to joint venture partner	1,508,795	-
	2,137,489	496,801

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

Loan owed to joint venture partner comprise a loan owed by Khnaiguiyah Mining Company to 50% shareholder, United Arabian Mining Company (Manajem). The loan to KMC from Manajem amounts to USD$3 million. At 30 June 2011, an amount of $1,508,795 has been recognised representing the element of this liability (50%) which has not been eliminated on consolidation.

(a) Risk exposure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

16. PROVISIONS	2011 $	2010 $
Current		
Employee benefits - annual leave	114,663	56,034
Non Current		
Employee benefits - long service leave	-	11,967
	114,663	68,001

(a) Movement in provision for employee benefits - annual leave		
Opening balance	56,034	46,287
Additional/(Reversal) of provision	58,629	9,747
Closing balance	114,663	56,034

Amounts not expected to be settled within the next 12 months

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

(b) Movement in provision for employee benefits - long service leave	2011 $	2010 $
Opening balance	11,967	34,254
Additional/(Reversal) of provision	(11,967)	(22,287)
Closing balance	-	11,967

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

17. ISSUED CAPITAL	Number of Shares 2011	Number of Shares 2010	2011 $	2010 $
Fully paid ordinary shares	210,507,500	80,507,500	53,477,409	14,754,059

30 Jun 10	Date of issue	Number of shares	$
At 1 July 2009		80,507,500	14,754,059
At 30 June 2010		80,507,500	14,754,059
No share movement during the 30 June 2010 financial year			
30 June 11			
At 1 July 2010		80,507,500	14,754,059
Share placement at $0.23 per share	02-Nov-10	12,000,000	2,760,000
Share placement at $0.23 per share	7-Dec-10	34,000,000	7,820,000
Share placement at $0.36 per share	20-Apr-11	18,000,000	6,480,000
Share placement at $0.36 per share	2-Jun-11	66,000,000	23,760,000
Share placement costs		-	(2,096,650)
At 30 June 2011		210,507,500	53,477,409

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

17. ISSUED CAPITAL (continued)

Capital risk management

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

The Directors contemplate that the Company will be undertaking a capital raising within the next 12 months to fund the Consolidated Entity's share of project financing obligations under the Khnaiguiyah Zinc-Copper Project joint venture in Saudi Arabia (held by Khnaiguiyah Mining Company) (Alara – 50%) , upon completion of the Khnaiguiyah Project definitive feasibility study and for general working capital purposes.

18. RESERVES

	2011 $	2010 $
Foreign currency translation reserve	68,610	12,516
Options reserve	1,779,055	1,510,655
	1,847,665	1,523,171

Foreign currency translation reserve

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

Options Reserve

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

	Grant date	Number of options	2011 $	2010 $
Directors' Options				
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	16,400,000	569,080	600,310
Unlisted options exercisable at $0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	247,317
Unlisted options exercisable at $0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	106,698
Unlisted options exercisable at $0.60; expiring 25 May 2014	26-May-11	500,000	74,601	-
Employees' Options				
Unlisted options exercisable at $0.55; expiring 27 Jul 2012	27-Jul-07	500,000	89,500	89,500
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	1,035,000	43,159	43,159
Unlisted options exercisable at $0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	276,365
Unlisted options exercisable at $0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	147,306
Unlisted options exercisable at $0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	-
Unlisted options exercisable at $0.50; expiring 25 May 2014	26-May-11	500,000	80,643	-
Unlisted options exercisable at $0.60; expiring 25 May 2014	26-May-11	425,000	63,411	-
Unlisted options exercisable at $0.70; expiring 25 May 2014	26-May-11	425,000	59,062	-
		25,835,000	1,779,055	1,510,655

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

(i) lapsed unlisted Director's 900,000 $0.35 (16 September 2013) Options amounted to $31,230.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

18. RESERVES (continued)

Equity based remuneration (Refer to Note 19)

On 23 August 2010, 400,000 $0.35 (22 August 2015) Options were granted to an employee of the Company as part of a review of his remuneration package.

On 26 May 2011, 500,000 $0.60 (26 May 2014) Options were granted to Directors of the Company upon receiving shareholder approval.

On 26 May 2011, 500,000 $0.50 (26 May 2014), 425,000 $0.60 (26 May 2014) and 425,000 $0.70 (26 May 2014) Options were granted to an employee and a principal consultant pursuant to their terms of employment/engagement.

19. SHARE BASED PAYMENTS

A total of 500,000 Directors' and 1,750,000 employees'/principal consultant's options were issued during the year (Refer Equity based remuneration in Note 18). The reasons for the grant of these options are as follows:

(i) The number of options issued have been determined having regard to the level of salaries/fees being paid and is a cash free, effective and efficient way of providing an appropriate level of remuneration as well as providing ongoing equity based incentives for them to remain with the Company with a view to improving the future growth of the Company

(ii) The options issue was designed to act as an incentive to strive to achieve the Company's goals with the aim of enhancing shareholder value.

(iii) The options provide an equity holding opportunity which is linked to the Company's share price performance.

(iv) Based on the option exercise price and the rate at which the options vest, the exercise of the options is potentially only likely to occur if there is sustained upward movement in the Company's share price.

(v) As an exploration company with much of its available funds dedicated or committed to its resource projects and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges within the industry in which it operates.

Options granted carry no dividend or voting rights.

			Movement during the year					As at 30 June 2011	
Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested and exercisable	Fair value $
27-Jul-07	26-Jul-12	$0.55	500,000	-	-	-	500,000	500,000	89,500
17-Sep-08	16-Sep-13	$0.35	17,300,000	-	-	(900,000)	16,400,000	16,400,000	569,080
17-Sep-08	16-Sep-13	$0.35	1,035,000	-	-		1,035,000	1,035,000	43,159
26-Oct-09	25-Oct-14	$0.35	1,650,000	-	-	-	1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	$0.60	1,000,000	-	-	-	1,000,000	1,000,000	147,306
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
23-Aug-10	22-Aug-15	$0.35	-	400,000	-	-	400,000	400,000	21,913
26-May-11	25-May-14	$0.60	-	500,000	-	-	500,000	500,000	74,601
26-May-11	25-May-14	$0.50	-	500,000	-	-	500,000	500,000	80,643
26-May-11	25-May-14	$0.60	-	425,000	-	-	425,000	425,000	63,411
26-May-11	25-May-14	$0.70	-	425,000	-	-	425,000	425,000	59,062
			24,485,000	2,250,000	-	(900,000)	25,835,000	25,835,000	1,779,055
Weighted average exercise price			0.37	0.55		0.35	0.39	0.39	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

19. SHARE BASED PAYMENTS (continued)

			Movement during the year					As at 30 June 2011	
Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested and exercisable	Fair value $
27-Jul-07	26-Jul-12	$0.55	500,000	-	-	-	500,000	500,000	89,500
17-Sep-08	16-Sep-13	$0.35	17,300,000	-	-	-	17,300,000	17,300,000	600,310
17-Sep-08	16-Sep-13	$0.35	1,485,000	-	-	(450,000)	1,035,000	1,035,000	43,159
26-Oct-09	25-Oct-14	$0.35	-	1,650,000	-	-	1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	$0.60	-	1,000,000	-	-	1,000,000	1,000,000	147,306
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
			19,285,000	5,650,000	-	(450,000)	24,485,000	24,485,000	1,510,655
Weighted average exercise price			0.36	0.44		0.35	0.37	0.37	

The weighted average balance of the contractual term of the options outstanding at the balance date was 2.9 years.

No options expired during the reporting period. There were no shares issued as a result of the exercise of any options during the year (2010: 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;
(h) risk-free interest rate is based on the 3/5 year Commonwealth bond yield, as detailed in the table below.

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for the year ended 30 June 2011

19. SHARE BASED PAYMENTS (continued)

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

20. SEGMENT INFORMATION

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

	Resource Projects				
	Australia	**Oman**	**Saudi Arabia**	**Peru**	**Total**
Year ended 30 June 2011	**$**	**$**	**$**	**$**	**$**
Total segment revenues	-	-	-	-	-
Total segment loss before tax	(3,095,898)	(151,297)	(260,495)	(48,373)	(3,556,063)
Total segment assets	32,513,393	1,529,291	7,659,673	110,006	41,812,363
Total segment liabilities	(499,690)	(16,819)	(1,727,278)	(8,365)	(2,252,152)
Year ended 30 June 2010					
Total segment revenues	-	-	-	-	-
Total segment loss before tax	(2,228,478)	-	-	(72,388)	(2,300,866)
Total segment assets	4,293,396	-	-	203,675	4,497,071
Total segment liabilities	(123,910)	-	-	(440,892)	(564,802)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

20. SEGMENT INFORMATION (continued)

(a) Reconciliation of segment information	**2011 $**	**2010 $**
(i) Total segment revenues	-	-
Interest	299,516	208,326
Net gain on financial assets held at fair value through profit or loss	-	285,226
Total Revenue as per Statement of Comprehensive Income	299,516	493,552
(ii) Total segment loss before tax	(3,556,063)	(2,300,866)
Interest	299,516	208,326
Net gain/(loss) on financial assets held at fair value through profit or loss	(910,657)	285,226
Foreign exchange movement	(322,503)	-
Total Net Loss before Tax as per Statement of Comprehensive Income	(4,489,707)	(1,807,314)
(iii) Total segment assets	41,812,363	4,497,071
Financial assets at held fair value through profit and loss	875,603	1,786,260
Total Net Assets as per Statement of Financial Position	42,687,966	6,283,331

21. FINANCIAL RISK MANAGEMENT

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

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

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

The Consolidated Entity holds the following financial instruments:

	2011 $	**2010 $**
Financial assets		
Cash and cash equivalents	32,240,581	4,309,770
Trade and other receivables	506,182	145,126
Financial assets at fair value through profit or loss	875,603	1,786,260
	33,622,366	6,241,156
Financial liabilities		
Trade and other payables	(2,137,489)	(496,801)
	(2,137,489)	(496,801)
Net Financial Assets	31,484,877	5,744,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Price risk

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

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

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

	2011 $	2010 $
Change in profit		
Increase by 15%	131,340	267,939
Decrease by 15%	(131,340)	(267,939)
Change in equity		
Increase by 15%	131,340	267,939
Decrease by 15%	(131,340)	(267,939)

(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 6.05% (2010: 5.79%)

	2011 $	2010 $
Cash at bank	5,048,490	741,906
Term deposits	27,150,984	3,567,864
	32,199,474	4,309,770

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

	2011 $	2010 $
Change in profit		
Increase by 3%	967,217	129,293
Decrease by 3%	(967,217)	(129,293)
Change in equity		
Increase by 3%	967,217	129,293
Decrease by 3%	(967,217)	(129,293)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

21. FINANCIAL RISK MANAGEMENT (continued)

(iii) Foreign exchange risk

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

	2011 USD	2010 USD
Cash and cash equivalents	3,681,288	450,378
Trade and other receivables	85,546	80,626
Trade and other payables	(8,849)	(377,713)
	3,757,985	153,291

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

(b) Credit risk

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

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

	2011 $	2010 $
Cash and cash equivalents		
AA	32,182,124	2,704,405
A	27,847	512,094
BBB	-	1,086,570
C+	-	-
No external credit rating available	41,107	6,701
	32,251,078	4,309,770
Trade and other receivables (due within 30 days)		
No external credit rating available	506,182	145,126

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

21. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

2011	less than 6 months $	6 - 12 months $	1 - 5 years $	Total $
Financial assets				
Cash and cash equivalents	22,240,581	10,000,000	-	32,240,581
Trade and other receivables	506,182	-	-	506,182
	22,746,763	10,000,000	-	32,746,763
Financial liabilities				
Trade and other payables	(628,694)	-	-	(628,694)
Net inflow/(outflow)	22,118,069	10,000,000	-	32,118,069
2010				
Financial assets				
Cash and cash equivalents	4,309,770	-	-	4,309,770
Trade and other receivables	145,126	-	-	145,126
	4,454,896	-	-	4,454,896
Financial liabilities				
Trade and other payables	(55,908)	(440,893)	-	(496,801)
Net inflow/(outflow)	4,398,988	(440,893)	-	3,958,095

(d) Net Fair Value of Financial Assets and Liabilities

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

(e) Fair value measurements

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

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

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

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

The following tables present the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2011.

2011	Level 1	Level 2	Level 3	Total
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	875,603	-	-	875,603
2010				
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	1,786,260	-	-	1,786,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

22. COMMITMENTS

	2011 $	2010 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Not longer than one year	112,512	-

The lease is a portion of office premises at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia, and includes all outgoings (exclusive of GST). The lease is for a one year term expiring 30 June 2012.

(b) Mineral Tenement/Concession - Commitments for Expenditure

Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately $115,000 over a 12 month period, based on Australian tenements which have been granted as at balance date. Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts. The Bigrlyi South Uranium Project exploration licences (EL 24879, EL24928, EL24929 and application for EL 24927) and the granted Canning Well Project tenement (EL 46/629) have been farmed-out to ASX listed joint venture parties, who bears the obligation to maintain these tenements in good standing during the term of the joint venture.

(c) Australian Heritage Protection Agreements

These agreements facilitate the preservation of aboriginal heritage through the protection of aboriginal sites and objects upon the grant of mining tenements in Western Australia. The Heritage Protection Agreements require the Consolidated Entity to conduct aboriginal heritage surveys prior to conducting exploration that is not low impact in nature and detail procedures to be followed if an aboriginal site is identified.

(d) Khnaiguiyah Mining Licence (Saudi Arabia)

(i) A condition of the Khnaiguiyah Mining Licence issued (by the Ministry of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia) to Khnaiguiyah Mining Company (KMC) in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (SAR) (approximately A$5.3 million based on an exchange rate of A$1.00/3.85 SAR)) over the 30 year term of the licence. KMC has not yet formulated 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.

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

22. 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" (**KMC**), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. Alara has paid Manajem a total of US$3.266 million (including an advance of US$1.75 million in respect of the tranche payable on completion of transfer of the Khnaiguiyah Mining Licence into KMC) with US$4.234 million payable (US$2.224 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$0.302 per share based on the current A$1.00/US$0.994 exchange rate) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence. 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 will fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project (**shortfall**) shall be met by the parties as follows; Alara is entitled firstly to provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US$15 million plus 25% of the project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by KMC shareholders, Alara is entitled to contribute its half share of the shortfall (being 25% of the project capital costs) and will also fund a maximum of US$15 million of Manajem's contribution towards the shortfall. The balance of the shortfall (and subsequent funding calls by KMC) shall be satisfied by each shareholder (pro-rata to their respective shareholding interests) providing additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price. Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US$3 million from Manajem, shall be repayable from KMC's net profits. The Alara loan accrues interest at LIBOR plus 2% per annum. 30% of net profits shall be applied towards repayment of shareholder loans each year prior to the distribution of dividends. KMC is managed by a Board of Directors with 2 nominees from each of Alara and Manajem and a local independent Director to be appointed by agreement of the parties. Alara's Managing Director, Shanker Madan, is currently the Managing Director of KMC. Mr Madan is also currently Chairman of KMC (with a casting vote in the event of a voting deadlock as a local independent Director has not yet been appointed).

(b) **Introduction Fee - Net Profit Royalty Obligation - Khnaiguiyah Zinc-Copper Project (Saudi Arabia) -** A 0.5% net profit royalty is due and payable to the individual who introduced the Khnaiguiyah Zinc Copper Project (Saudi Arabia) to Alara, based on Alara's share of net profits from KMC.

(c) **Shareholders' Agreement - Daris Resources LLC - Daris Copper-Gold Project (Oman) -** On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with the concession owner holding 50%) and will advance US$3 million as equity during a 3 year period. Thereafter, Alara will advance a further US$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession. The shareholders' agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including, amongst other matters, the incorporation of DarisCo (which has occurred), the execution of the management agreement and ancillary loan agreement and the exploration licence being renewed with mineral rights expanded from copper to include gold, silver and other base metals. The exploration licence has been renewed and the expansion of the mineral rights under the licence is pending. As at the date of this report, the conditions precedent have not been satisfied. Completion of these matters is expected to be finalised within Q4 2011. .

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

(d) **Shareholders' Agreement - Alara Resources LLC (Oman) –** On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) will be established to identify, secure and commercially exploit other resource projects in Oman introduced to AlaraCo by SUR. Alara will contribute 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A$425,000) for a 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Thereafter, Alara will 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 to be satisfied or waived by Alara within 6 months, including the incorporation of AlaraCo (which has occurred), the execution of an ancillary loan agreement and an exploration license being granted to AlaraCo – AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR. As at the date of this report, the conditions precedent have not been satisfied. The timetable for completion of these matters is 7 February 2012 (subject to further extension if an exploration licence is still pending grant to AlaraCo).

(e) **Introduction Fees - Net Smelter Return Royalty and Bonus Obligation – Oman Projects -** A 0.5% Net Smelter Return (NSR) royalty is due and payable to the individual who introduced the prospects the subject of exploration licence applications by Alara Resources LLC (Oman). A US$25,000 cash bonus is also due and payable to the same individual upon commencement of production from the Daris Copper-Gold Project (Oman).

(f) **Term Sheet - El Quillay Copper-Gold Project (Chile) –** On 22 August 2010, Alara Resources Limited entered into a term sheet (dated 17 August 2010) (the **Term Sheet**) with Chilean vendors of the El Quillay Copper-Gold Project in Chile, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the **Vendors**) pursuant to which upon completion of due diligence to the satisfaction of Alara and the execution of more definitive joint venture agreements (**JV Agreements**) between the parties, Alara will pay the Vendors US$500,000 and Alara will be granted an option to acquire 70% of a new joint venture entity (**JVCo**) (which will hold the project's mineral concessions) in consideration of 3 tranche payments totalling US$9.5 million to the Vendors over a 3 year term (**Earn-In Period**). A 'Resource Bonus' is also due and payable to the Vendors on or before the earlier of commencement of production or the third anniversary of the JV Agreement, calculated at the rate of ~US$0.03 per pound of contained fine copper equivalent grading at or above 0.7% Cu and defined as being economically mineable (within a JORC Proven and/or Probable Reserve and Measured and/or Indicated Resource) within the project area during the Earn-In Period, in excess of a threshold 250,000 tonnes of contained fine copper equivalent grading at or above 0.7% Cu (**Threshold Resource**). After the Earn-In Period, a further 'Resource Bonus' is payable to the Vendors (calculated in the same manner as described above) in respect of additional contained fine copper defined within the project area grading at or above 0.7% Cu (or processed by JVCo at average grades below 0.7% Cu equivalent) in excess of the Threshold Resource. During the Earn-In Period, Alara will manage and fund all exploration, evaluation and development costs, including a minimum 20,000 metre drilling programme to be completed over the first two years of the Earn-In Period (with a minimum of 10,000 metres to be completed during the first year). After the completion of the Earn-In, as a 70% shareholder, Alara will have Board and operational control of JVCo and will continue to fund development costs up to completion of a Definitive (Bankable) Feasibility Study (**DFS**) in respect of each copper prospect within the project area. Thereafter, the parties will contribute to all cash calls in proportion to their respective participating interests in JVCo or be diluted in accordance with an industry standard dilution formula. Alara further commits to advancing loan funds of up to US$10 million to the Vendors (on commercial terms) to fund the Vendors' share of cash calls into JVCo (after the completion of a DFS) – this loan will be repaid to Alara out of the Vendors' share of profits from JVCo. The date for completion of legal due diligence and execution of the JV Agreements has been extended to 25 November 2011.

(g) **Shareholders' Agreement – "Marjan Mining Company LLC" (pending formation) – Marjan Base and Precious Metals Project (Saudi Arabia) –** On 17 April 2011, Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of the Company entered into a Shareholders Agreement with United Arabian Mining Company (Manajem) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company ("Marjan Mining Company" LLC (**MMC**)), which will receive transfer of the project licences from Manajem and in which Alara will have a 50% shareholding interest. Alara will fund (as loan capital to MMC repayable out of MMC's net profits) all exploration, evaluation and development costs up to a "decision to mine" (supported by a BFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective interests in MMC or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set at the capital costs defined under the DFS. The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US$1 million funding into MMC (within a 2 year term). A 'Resource Bonus' is also payable to Manajem calculated at the rate of US$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the project area. MMC will be managed by a board of directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. A condition precedent to the shareholders agreement is the incorporation and registration of

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2011

MMC and the execution of ancillary agreements arising therein. As at the date of this report, the conditions precedent have not been satisfied. Completion of these matters is expected to be finalised within Q4 2011.

(h) **Shareholders' Agreement - Awtad Copper LLC (Oman)** - On 24 April 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with holder on 3 mineral exploration licences, Awtad Copper LLC (**Awtad**), and the local shareholders of Awtad (**Awtad Shareholders**). Alara is entitled to earn-in up to a 70% shareholding interest in Awtad by funding exploration and evaluation and completion of a definitive bank feasibility study (**DFS)** over a 5 year term. Alara will secure an initial 10% shareholding interest in Awtad by contributing US$0.5 million equity capital into Awtad. Alara will then fund all on-going exploration, evaluation and development costs. Upon Alara advancing a further US$2.5 million into Awtad during the first 3 years, it will increase its shareholding interest in Awtad to 51%. This will increase to 70% upon the completion of a DFS (funded by Alara) within the balance of the term. Post completion of DFS, the Awtad shareholders have to contribute any required equity funding or dilute in accordance with an industry standard dilution formula. If a shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholders in exchange for a 2% net smelter return. Awtad Shareholders are entitled to a once-off election to maintain their interest at 49% (with Alara holding 51%) if a threshold resource of 20,000 or more tonnes of contained Copper has been delineated within the Project area (within a JORC Measured Copper Resource with a cut-off grade above 0.5% and an average grade above 2%) as at the date Alara has completed its 51% earn-in (prior to completion of a DFS). If the Awtad Shareholders exercise this election, on-going funding of Awtad (including to complete the DFS) will be pro-rata to Awtad's shareholding interest (ie. Alara 51% and Awtad Shareholders 49%). Awtad is governed by a 4 member Board with 2 nominees appointed by Alara and the Vendors. Alara's Managing Director is currently the Chairman, who has a casting vote, and also the Managing Director of Awtad.

(i) **Canning Well Manganese Farm Out Agreement Royalty Benefit –** On 10 March 2010, the Company entered into a farm-out agreement with Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN), for the potential mining of manganese from Alara's Canning Well Exploration Licence 46/629 tenement in the East Pilbara region of Western Australia. Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export, including the mining and sale of manganese in the Pilbara. Under the agreement, PMI will determine the feasibility of a manganese mining operation on the tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

(j) **Royalty Obligation to Orion Equities Limited** – The Consolidated Entity is liable to pay a royalty of 2% of gross revenues (exclusive of goods and services tax) to Orion Equities Limited from any commercial exploitation of any minerals from various Australian tenements - EL 24879, 24928 and 24929 and ELA 24927 (the Bigrlyi South Project tenements in the Northern Territory), and EL 46/629 and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the Canning Well Project tenements in Western Australia), pursuant to the acquisition of these tenements.

(k) **Directors' Deeds** - The Company has entered into deeds of indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as directors/officers of the Consolidated Entity. As at balance date, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

23. SUBSEQUENT EVENTS

(a) Issue of Unlisted Options

On 2 September 2011, the Company issued unlisted options to an employee as follows:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
200,000	2 September 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue	$33,072
125,000	2 September 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue	$19,001
125,000	2 September 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue	$17,594

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 27 to 57, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of their performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

3. The Remuneration Report disclosures set out (within the Directors' Report) on pages 16 to 24 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;

4. The Directors have been given the declarations by the Managing Director (the person who performs the chief executive function) and the Company Secretary (the person who, in the opinion of the Directors, performs the chief financial officer equivalent function); and

5. The Consolidated Entity has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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

Shanker Madan
Managing Director

Douglas Stewart
Director

Perth, Western Australia

30 September 2011

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Independent Auditor's Report
To the Members of Alara Resources Limited

Report on the financial report

We have audited the accompanying financial report of Alara Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be 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, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report 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 2011 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report
We have audited the remuneration report included in pages 16 to 24 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Director - Audit & Assurance

Perth, 30 September 2011

MINERAL CONCESSIONS

KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway. The project comprises one Mining Licence (granted in December 2010), 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km^2.

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

Refer to Alara market announcements dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia."

DARIS COPPER-GOLD PROJECT IN OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprise a mineral excavation licence of ~587km^2. Alara Oman Operations Pty Limited has a 50% interest (with a right to increase this to 70%+) in a new joint venture company, Daris Resources LLC (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

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

Refer to Alara market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman."

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises 68 mineral concessions totalling ~15km^2 across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

Alara Chile Operations Pty Ltd and the Vendors have signed a binding term sheet and are progressing towards the execution of the more definitive joint venture agreements.

Refer to Alara market announcement dated 25 August 2010 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile".

MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

The Marjan Precious and Base Metals Project (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project comprising 3 Exploration Licences (totalling 260km^2) prospective for gold, silver, copper and zinc.

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

Refer to Alara market announcement dated 18 April 2011 and entitled "Acquisition of Interest in Marjan Project in Saudi Arabia".

AWTAD COPPER-GOLD PROJECT IN OMAN

The Awtad Copper Gold Project is located immediately adjacent to the Daris Project and comprises a mineral excavation licence of ~497km^2.

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

Refer to Alara market announcement dated 27 April 2011 and entitled "Project Acquisition- Awtad Copper-Gold Project in Oman".

MINERAL CONCESSIONS

AUSTRALIAN MINERAL TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km²)	Area (hectares)	Location / Property Name	State	Company's Interest
Bigrlyi South	Granted	EL 24879	15/08/06	14/08/12	54	170	17,000	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest[25]
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	12	28	2,800	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	
Canning Well	Granted	E 46/629	02/08/05	21/08/12	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); subject to a farm-out agreement with Process Minerals International Pty Ltd, a subsidiary of ASX-listed Mineral Resources Limited[26]
	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)
	Granted	E46/801	06/09/10	05/09/15	19	60	60,000	Canning Well	WA	100% (Alara Resources Limited)

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

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

SECURITIES INFORMATION

as at 26 September 2011

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	210,507,500
$0.55 (26 July 2012) Unlisted Options[27]	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Options[28]	-	1,000,000	1,000,000
$0.35 (16 September 2013) Unlisted Options[28]	-	16,400,000	16,400,000
$0.35 (25 October 2014) Unlisted Options[29]	-	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[29]	-	2,000,000	2,000,000
$0.50 (25 May 2014) Unlisted Options[30]	-	700,000	700,000
$0.60 (25 May 2014) Unlisted Directors' Options[31]	-	500,000	500,000
$0.60 (25 May 2014) Unlisted Options[30]	-	550,000	550,000
$0.70 (25 May 2014) Unlisted Options[30]	-	550,000	550,000
$0.35 (22 August 2015) Unlisted Options[32]	-	400,000	400,000
Total	**210,507,500**	**26,250,000**	**236,757,500**

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEES' OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[33]	No. of Options
27 Jul 2007	$0.55 (27 July 2012) Options	$0.55	26 Jul 2012	⅓ on 27 January 2008, ⅓ on 27 July 2008, ⅓ on 27 January 2009	500,000
17 Sep 2008	$0.35 (16 September 2013) Options	$0.35	16 Sep 2013	75% on grant, 25% on 17 September 2009	16,400,000
17 Sep 2008	$0.35 (16 September 2013) Options	$0.35	16 Sep 2013	50% on 17 March 2009, 25% on 17 September 2009, 25% on 17 March 2010	1,000,000
26 Oct 2009	$0.60 (25 October 2014) Options	$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	$0.35 (25 October 2014) Options	$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	$0.35 (22 August 2015) Options	$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	$0.60 (25 May 2014) Directors' Options	$0.60	25 May 2014	100% on date of issue	500,000
26 May 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue	700,000
2 Sept 2011					
26 May 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue	550,000
2 Sept 2011					
26 May 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue	550,000
2 Sept 2011					

27 Terms and conditions of issue are set out in a Notice of Meeting and Explanatory Statement dated 21 June 2007 for a General Meeting held on 27 July 2007 and in an ASX Appendix 3B New Issue Announcement lodged on 3 August 2007

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

29 Terms and conditions of issue are set out in a Notice of 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

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

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

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

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

SECURITIES INFORMATION

as at 26 September 2011

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,196	473,715	0.225%
1,001	-	5,000	392	960,505	0.456%
5,001	-	10,000	259	2,225,018	1.057%
10,001	-	100,000	468	16,605,113	7.888%
100,001	-	and over	118	190,243,149	90.374%
Total			**2,433**	**210,507,500**	**100%**

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder		Total Shares	% Issued Capital
1 *	JP MORGAN NOMINEES AUSTRALIA LIMITED	42,615,677		
	JP MORGAN NOMINEES AUSTRALIA LIMITED - CASH INCOME A/C	4,246,804		
		Sub-total	46,862,481	22.262
2*	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,633,265		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	10,582,382		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	25,351		
		Sub-total	32,240,998	16.266
3*	NATIONAL NOMINEES LIMITED		29,892,340	14.200
4*	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	500,000		
	CITICORP NOMINEES PTY LIMITED	19,008,379		
		Sub-total	19,508,379	9.267
5	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - NMSMT A/C	3,365		
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - BKCUST A/C	7,970,698		
		Sub-total	7,974,063	3.788
6	ORION EQUITIES LIMITED		6,332,744	3.008
7	MR PETER KELVIN RODWELL		3,250,000	1.544
8	FLANNERY FOUNDATION PTY LTD		3,047,400	1.448
9	GWYNVILL TRADING PTY LTD		2,664,605	1.266
10	COGENT NOMINEES PTY LIMITED		2,198,600	1.044
11	THORPE ROAD NOMINEES PTY LTD		2,104,814	1.000
12	MRS LINDA SALA TENNA & MRS LISA SHALLARD		2,035,000	0.967
13	EXELMONT PTY LTD		1,424,000	0.676
14	BLUEFLAG HOLDINGS PTY LTD		1,053,000	0.500
15	HGT INVESTMENTS PTY LTD		1,000,000	0.475
16	HOUVAN PTY LTD		1,000,000	0.475
17	MR ANDREW BRUCE RICHARDS		1,000,000	0.475
18	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING		1,000,000	0.475
19	COVELANE GOLD COAST PTY LTD		929,561	0.442
20	ZHIVAN PTY LTD <SUPER FUND A/C>	626,500		
	ZHIVAN PTY LTD	200,000		
		Sub-total	826,500	0.393
Total			**166,344,485**	**79.578%**

* Substantial shareholders

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