

Alara Resources

FULL YEAR REPORT

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

30 June 2013



ASX Code: AUQ

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

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

REVIEW OF OPERATIONS

Review of Full Year's Activity

FY2013 – Successful Project Advancement and Progress towards Production

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

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

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

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

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

Milestones and Achievements – 2013 in review

During the year ended 30 June 2013, Alara:

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

Milestones and achievements – 2014 forward looking

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

Projects

Khnaiguiyah Zinc-Copper Project

Saudi Arabia

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

Background

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

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

The Company has refined its strategy and thus focus with the successful completion of this DFS. This Project has now become the primary focus for Alara in the mid to short term.

JORC Ore Reserve Statement

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

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

* Based on JORC Code, 2004 edition

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

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

Completion of Positive DFS

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

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

Permits and Licences

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

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

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

Way Forward

Project Financing

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

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

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

Future Growth and Opportunities

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

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

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

Washihi-Mullaq-AI Ajal Copper- Gold Project

Oman

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

Background

The Washihi Project comprises three exploration licences of ~105km² located ~80-160km east and southeast of Alara's Daris Copper-Gold Project.

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

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

JORC Mineral Resource Statement

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

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

* Based on JORC Code, 2004 edition

Daris Copper-Gold Project

Oman

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

Background

The Daris Project comprises one exploration licence (Block 7) of ~587km² located ~150km west of the capital city Muscat in Oman. The application for annual renewal of the exploration licence is pending along with two Mining Licence applications filed over Daris East and Daris 3A-5 prospects within the exploration licence.

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

JORC Mineral Resource Statement

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

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

* Based on JORC Code, 2004 edition

Way Forward

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

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

Status of Other Projects

Awtad Copper-Gold Project

Oman

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

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

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

- Extensive geophysical surveys have been completed - 86 line kilometres of airborne VTEM, 14 line kilometres of ground IP, 169 line kilometres of ground magnetics and 202 line kilometres of high resolution ground magnetics;
- 76 RAB drill holes totalling 1,747m and 11 core drill holes totalling 299m have been completed;
- Drilling results (including over the Al Mansur prospect) were low grade in general and inconclusive;

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

El Quillay Copper-Gold Project

Chile

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

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

On 22 October 2012, the Company announced that it had elected not to progress further with the El Quillay joint venture.

The decision was made in advance of a US\$1 million option payment which was due to be paid to Alara's joint venture partner before 21 October 2012. As a consequence of not paying the option payment, the Company has relinquished all rights to the project.

Whilst the project initially showed good prospects, with old artisanal workings, prospective geology and clear walk up drill targets, the 5,000 metres of targeted drilling undertaken in 2012 failed to confirm the presence of the mineralisation that the Company was expecting. Given these results, the Company considered that the project did not warrant paying the US\$1 million option fee, together with a commitment to a further 15,000 metres of drilling, to maintain its rights to the project for a further 12 months (until the next option payment). The Company's attempts to renegotiate the October 2012 tranche of option payment were not successful. As such, the Company will exit the Project and relinquish its tenements.

Piedrecillas Copper-Silver Project**Chile**

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

The Piedrecillas Project is located ~190km south of Santiago and 7km west of Santa Cruz and comprises 19 exploration concessions covering a total area of ~40km². Historical sampling taken in outcroppings both at surface and from small underground mining works show grades between 0.30% Cu to 3.30% Cu with up to 77g/t Ag, 0.15g/t Au and 0.001% Mo.

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

Bigrlyi South Uranium Project Farm-Out Venture**Northern Territory**

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

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

Canning Well Project Manganese Farm-Out**Western Australia**

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

Board Changes

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

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

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

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

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

Challenges

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

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

Corporate Review

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

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

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

Closing Statement

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

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

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

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

STATUTORY INFORMATION

Corporate Information

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

Principal Activities

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

Significant Changes in the State of Affairs

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

Summary of Results

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

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

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

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

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

Operating Results

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

Loss per Share

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

Financial Position

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

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

Dividends

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

Securities in the Company

Capital Raising

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

The Directors contemplate that the Company may undertake a capital raising within the next 12 months to fund:

- The Consolidated Entity's share of equity/project financing obligations towards the development of the Khnaiguiyah Project;
- Exploration, evaluation and development costs across the Consolidated Entity's other resource projects; and
- General working capital purposes.

Current Issued Capital

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

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

Summary of Unlisted Options Issued/Lapsed

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

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

No of Lapsed Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
300,000	12 August 2012	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014
300,000	12 August 2012	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014
300,000	12 August 2012	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014
500,000	16 September 2012	\$0.55 (16 September 2012) Options	\$0.55	16 September 2012
250,000	31 August 2013	\$0.60 (25 May 2014) Unlisted Directors' Options	\$0.60	25 May 2014
1,000,000	16 September 2013	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013
16,400,000	16 September 2013	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013

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

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

² Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

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

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

Likely Developments and Expected Results

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

Environmental Regulation and Performance

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

Legal Proceedings on Behalf of Consolidated Entity (Derivative Actions)

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

Board of Directors

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

Names, qualifications, experience and special responsibilities of current Directors

Ian J Williams, AO

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

Non-Executive Chairman (since 10 May 2011)

Appointed 30 November 2010 (as Non-Executive Director)

Experience

Mr Williams was awarded an Officer of the Order of Australia (AO) in June 2010 for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programmes providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives.

As Managing Director of Century Zinc Ltd, Ian was responsible for planning and bringing on stream the Century lead/ zinc mine in north western Queensland. Producing some 7% of the world's demand for zinc concentrate, the Century mine is one of the largest zinc mines in the world. Mr Williams was, until July 2011, Chairman of the Port Hedland Port Authority. His diverse experience includes executive management of open cut and underground mining operations, brownfield expansions and new major mining projects. He was responsible for the establishment of two iron ore mines and associated infrastructure for Hamersley Iron. He has also assisted the West Australian Government in the facilitation of a major new port and rail infrastructure project in the State's Mid-West Region.

Special Responsibilities

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

Other Directorships in Listed Companies in Past 3 Years

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

Philip H Hopkins

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

Managing Director (since 30 June 2013)

Appointed 2 May 2013 (as Non-Executive Director)

Experience

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

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

Other Directorships in Listed Companies in Past 3 Years

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

William M Johnson

MA (Oxon), MBA

Non-Executive Director (since 1 July 2011)

Appointed 26 October 2009 (as Executive Director)

Experience

Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.

Special Responsibilities

Mr Johnson is a Member of the Audit Committee.

Other Directorships in Listed Companies in Past 3 Years

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

Retired Directors

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

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

Company Secretary

Victor P H Ho

BCom, LLB (UWA), CTA

Appointed 4 April 2007

Experience

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

Special Responsibilities

Mr Ho is Secretary of the Audit Committee and Remuneration and Nomination Committee.

Directors' Interests in Shares and Options

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

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

Directors' Meetings

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

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

Audit Committee

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

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

REMUNERATION REPORT

The following information has been audited.

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

Key Management Personnel

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

Remuneration and Nomination Committee

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

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

Remuneration Policy

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

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

The Company embodies the following principles in its remuneration framework:

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

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

Managing Director and Senior Executive Remuneration

Objective

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

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

Consequences of Company Performance on Shareholder Wealth

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

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

Fixed Remuneration

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

Performance Related Benefits/Variable Remuneration

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

Special Exertions and Reimbursements

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

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

Post-Employment Benefits

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

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

Long Term Benefits

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

Details of Remuneration Provided to Key Management Personnel

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

Notes:

- (i) Mr Madan transitioned from Managing Director to Non-Executive Director on 30 June 2013 and retired as a Director on 25 July 2013.
- (ii) Mr Hopkins was appointed as Non-Executive Director on 2 May 2013 and transitioned to Managing Director on 30 June 2013.
- (iii) Mr Khan resigned as a Non-Executive Director on 31 August 2012. His employment contract as General Manager, Corporate and Finance expired on 30 June 2013.
- (iii) Mr William Johnson resigned from his position as General Manager, Commercial and Joint Ventures on 25 March 2013.

Key Management Person	Performance Related	Options Related	Short-Term Benefits			Post-Employment Benefits	Other Long-Term Benefits	Equity Based Benefits	Total
			Cash Payments		Non-Cash Benefit	Super-annuation	Long Service Leave	Options	
			Directors' Fees	Salary and Allowances					
2012	%	%	\$	\$	\$	\$	\$	\$	
Executive Director:									
Shanker Madan	-	-	-	367,250	-	50,000	-	-	417,250
Non-Executive Directors:									
Ian Williams	-	-	37,467	-	-	44,282	-	-	81,749
Douglas Stewart	-	-	44,230	-	-	10,270	-	-	54,500
Farooq Khan	-	-	49,326	124,326	-	15,628	-	-	189,280
William Johnson	-	-	50,000	65,537	-	10,398	-	-	125,935
Company Secretary:									
Victor Ho	-	-	-	90,000	-	8,100	-	-	98,100

Equity Based Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

⁵ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

⁶ Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

Details of Options Held By Key Management Personnel

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

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

⁷ \$0.60 (25 May 2014) Unlisted Directors' Options : Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

⁸ \$0.35 (16 September 2013) Unlisted Options : Terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an ASX [Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

⁹ \$0.35 (25 October 2014) Unlisted Options and \$0.60 (25 October 2014) Unlisted Options : Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

Employment Contracts

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

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

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

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

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

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
H. Shanker Madan (as Managing Director)	28 June 2011 (date of employment agreement); 18 May 2007 (commencement date, being the date of appointment as Managing Director); 11 May 2011 (date of effect of remuneration); 30 June 2013 (date of expiry of agreement)	\$375,000 annual base salary; A travel allowance of \$250 per day (capped at \$25,000 per annum) for travel away from home on company approved work related business; Employer superannuation contributions.	<ul style="list-style-type: none"> • Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. The agreement expired and Mr Madan ceased his role as Managing Director on 30 June 2013. He continued from 1 July 2013 as Non-Executive Director until his retirement on 25 July 2013. • Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. • If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the <i>Corporations Act 2001</i>, pay out an amount equivalent to the balance of entitlements due for the term. • Short-term incentive (STI) cash bonuses payable on attainment of defined milestones (related to completion of project and equity financing for the Khnaiguiyah Zinc-Copper Project) have not been triggered during the financial year and expired on 30 June 2013.

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
Farooq Khan (as General Manager, Corporate and Finance) (in addition to his role as Non-Executive Director until his resignation as Director on 31 August 2012)	28 June 2011 (date of employment agreement); 18 May 2007 (commencement date, being the date of appointment as Director); 1 July 2011 (date of effect of remuneration); 30 June 2013 (date of expiry of agreement)	\$125,000 (in addition to \$50,000 Non-Executive Director fees payable with effect from 1 July 2011 until his resignation as Director on 31 August 2012); Amended to \$155,000 (from 1 September 2012); Employer superannuation contributions	<ul style="list-style-type: none"> Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. Mr Khan's agreement expired and Mr Khan ceased his employment on 30 June 2013. Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the <i>Corporations Act 2001</i>, pay out an amount equivalent to the balance of entitlements due for the term. Not prohibited from also concurrently performing the role of director of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement. Entitlement to performance related cash bonuses as agreed with the Company from time to time – no bonus scheme has been established.
William Johnson (as General Manager, Commercial and Joint Ventures) (in addition to his role as Non-Executive Director)	28 June 2011 (date of employment agreement); 26 October 2009 (commencement date, being the date of appointment as Director); 1 July 2011 (date of effect of remuneration); 25 March 2013 (date of voluntary resignation)	\$65,000 (in addition to \$50,000 Non-Executive Director fees payable with effect from 1 July 2011); Employer superannuation contributions	<ul style="list-style-type: none"> Entitlement to performance related cash bonuses as agreed with the Company from time to time – no bonus scheme has been established.
Victor Ho (as Company Secretary)	28 June 2011 (date of employment agreement); 4 April 2007 (commencement date, being the date of appointment as Company Secretary); 1 July 2011 (date of effect of remuneration)	\$90,000; Amended to \$92,160 (in December 2012); Employer superannuation contributions	<ul style="list-style-type: none"> Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. The agreement expired on 30 June 2013; Mr Ho continues in his role as Company Secretary from 1 July 2013 on the same remuneration terms pending the execution of a fresh service agreement. Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the <i>Corporations Act 2001</i>, pay out an amount equivalent to the balance of entitlements due for the term. Not prohibited from also concurrently performing the role of director or company secretary of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement. Entitlement to performance related cash bonuses as agreed with the Company from time to time – no bonus scheme has been established.

Other Benefits Provided to Key Management Personnel

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

Employee Share Option Plan

The Company has an Employee Share Option Plan (the ESOP) which was last approved by shareholders at the 2011 annual general meeting held on 4 November 2011. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of Alara. Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares to those personnel. A summary of the terms of ESOP is set out in Annexure A to Alara's Notice of Annual General Meeting and Explanatory Statement dated 4 October 2011.

Securities Trading Policy

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

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

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

Engagement of Remuneration Consultants

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

This concludes the audited Remuneration Report.

Directors' and Officers' Insurance

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

Directors' Deeds

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

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

Auditor

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

Audit and Review Fees \$	Fees for Other Non-Audit Services \$	Total \$
28,000	10,950	38,950

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

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 26. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

Events Subsequent to Reporting Date

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

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



Ian Williams
Chairman



Philip Hopkins
Managing Director

Perth, Western Australia

27 September 2013

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alara Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 27 September 2013

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

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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

The accompanying notes form part of this consolidated financial statement.

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

The accompanying notes form part of this consolidated financial statement.

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interest	Total
		\$	\$	\$	\$	\$	\$
Balance as at 1 July 2011		53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814
Foreign currency translation reserve		-	-	(36,908)	-	-	(36,908)
Net income and expense recognised directly in equity		-	-	(36,908)	-	-	(36,908)
Loss for the year		-	-	-	(3,151,331)	(98,206)	(3,249,537)
Total comprehensive loss for the year		-	-	(36,908)	(3,151,331)	(98,206)	(3,286,445)
Transactions with owners in their capacity as owners:							
Share placement	17	-	-	-	-	-	-
Share placement costs	17	-	-	-	-	-	-
Options lapsed during the year	18	-	(68,279)	-	68,279	-	-
Options issued during the year	18	-	117,217	-	-	-	117,217
Non-controlling interests of the new subsidiary		-	-	-	-	254,869	254,869
Balance as at 30 June 2012		53,477,409	1,827,993	31,702	(18,061,494)	245,845	37,521,455
Balance as at 1 July 2012		53,477,409	1,827,993	31,702	(18,061,494)	245,845	37,521,455
Foreign currency translation reserve		-	-	(124,547)	-	-	(124,547)
Net income and expense recognised directly in equity		-	-	(124,547)	-	-	(124,547)
Loss for the year		-	-	-	(6,579,965)	(323,283)	(6,903,248)
Total comprehensive loss for the year		-	-	(124,547)	(6,579,965)	(323,283)	(7,027,795)
Transactions with owners in their capacity as owners:							
Share placement	17	7,875,000	-	-	-	-	7,875,000
Share placement costs	17	(393,750)	-	-	-	-	(393,750)
Options lapsed during the year	18	-	(224,338)	-	224,338	-	-
Options issued during the year	18	-	-	-	-	-	-
Transactions with non-controlling interests		-	-	-	(360,690)	(162,787)	(523,477)
Balance as at 30 June 2013		60,958,659	1,603,655	(92,845)	(24,777,812)	(240,225)	37,451,433

The accompanying notes form part of this consolidated financial statement.

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

The accompanying notes form part of this consolidated financial statement.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Significant Accounting Policies

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

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

1.1. Basis of preparation

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

Compliance with IFRS

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

Reporting Basis and Conventions

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

Going Concern Assumption

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Consolidated Entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to be focused on meeting the Consolidated Entity's business objectives and is mindful of the funding requirements to meet these objectives. The Directors consider the basis of going concern to be appropriate for the following reasons:

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

The Directors are confident that the Consolidated Entity can continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Alara Resources Limited as at 30 June 2013 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity.

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

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

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

1.3. Mineral Exploration and Evaluation Expenditure

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

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

This policy requires management to make certain estimates to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining LLC (Manajem). Pursuant to the shareholders' agreement a joint venture entity, Khnaiguiyah Mining Company LLC (KMC) (in which the Consolidated Entity has a 50% shareholding interest) was established and Manajem are required to transfer legal title to the mining licence and exploration licences over the Khnaiguiyah Project to KMC. As at 30 June 2013, these licences are pending completion of transfer to KMC. The Consolidated Entity has obtained independent advice confirming that valid and legally enforceable rights exist for KMC to commercially exploit the Khnaiguiyah Project. The financial statements have been prepared on this basis (refer notes 13, 22 and 23 for further disclosures). Should these legal rights not be enforceable, the carrying value of Resource Projects (Note 13) attributable to the Khnaiguiyah Project (approximately \$24.2 million) would be impaired.

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

1.4. Operating Segments

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

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

1.5. Revenue Recognition

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

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

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

1.6. Income Tax

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

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

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

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

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

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

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 statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.8. Employee Benefits

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

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

1.9. Director/Employee Options

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

1.10. Cash and Cash Equivalents

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

1.11. Receivables

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

1.12. Financial Instruments

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

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

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

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

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

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

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

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

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

1.13. Fair Value Estimation

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

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

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

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

1.14. Property, Plant and Equipment

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

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

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

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

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

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

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

1.15. Impairment of Non-Financial Assets

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

1.16. Payables

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

1.17. Issued Capital

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

1.18. Earnings per Share

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

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

1.19. Foreign Currency Translation and Balances

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred

in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

Consolidated entity

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

1.20. Investments in Joint Ventures

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

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

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

1.21. Leases

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

1.22. Comparative Figures

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

1.23. Critical Accounting Judgements and Estimates

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

Exploration and evaluation expenditure

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

Impairment of goodwill and intangibles

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

Share-based payments transactions

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

1.24. Summary of Accounting Standards Issued Not Yet Adopted

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

New/revised pronouncement	Superseded pronouncement	Nature of change	Application date	Likely impact on initial application
AASB 9 <i>Financial Instruments</i> (December 2010)	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> (in part)	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and The remaining change is presented in profit or loss. <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> Classification and measurement of financial liabilities; and Derecognition requirements for financial assets and liabilities. <p>Consequential amendments arising from AASB 9 are contained in AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>, AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> and AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>.</p>	1 January 2015	<p>AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only.</p> <p>Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.</p> <p>The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2015 and that the IASB is yet to finalise the remaining phases of its project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 in Australia).</p>
AASB 10 <i>Consolidated Financial Statements</i>	AASB 127 AASB Int 112	<p>AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB Interpretation 112 <i>Consolidation – Special Purpose Entities</i>.</p> <p>The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	<p>It introduces a revised definition of control which will apply to all investees to determine the scope of consolidation.</p> <p>Traditional control assessments based on majority ownership of voting rights will rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.</p> <p>When this standard is first adopted for the year ended 30 June 2014, there is likely to be no material impact on the transactions and balances recognised in the financial statements.</p>

1.24 Summary of Accounting Standards Issued Not Yet Adopted (continued)

New/revised pronouncement	Superseded pronouncement	Nature of change	Application date	Likely impact on initial application
AASB 11 <i>Joint Arrangements</i>	AASB 131 AASB Int 113	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and AASB Interpretation 113 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i> . AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.	1 January 2013	<p>Entities with existing joint arrangements or that plan to enter into new joint arrangements will be affected by the new standard. These entities will need to assess their arrangements to determine whether they have interests in a joint operation or a joint venture upon adoption of the new standard or upon entering into the arrangement.</p> <p>Entities that have been accounting for their interest in a joint venture using proportionate consolidation will no longer be allowed to use this method; instead they will account for the joint venture using the equity method. In addition, there may be some entities that previously equity-accounted for investments that may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement.</p> <p>When this standard is adopted for the first time for the year ended 30 June 2014, jointly controlled entities will be accounted for in the consolidated financial statements using the equity method, rather than the proportionate consolidation method. The entity's proportionate share of assets and liabilities recognised on 1 July 2012 will be derecognised and recognised as the initial investment to be equity accounted in the future. Impairment adjustments required on 1 July 2012 will be debited to retained earnings/accumulated losses on that date.</p>
AASB 12 <i>Disclosure of Interests in Other Entities</i>	AASB 127 (in part) AASB 128 (in part) AASB 131 (in part)	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	<p>AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.</p> <p>As this is a disclosure standard only, there is likely to be no material impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.</p>
AASB 128 <i>Investments in Associates and Joint Ventures</i>	AASB 128 <i>Investments in Associates</i>	As a consequence of issuing AASB 10, AASB 11 and AASB 12, a revised version of AASB 128 has also been issued. AASB 128 incorporates the requirements in Interpretation 113 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i> , and guidance relating to the equity method for associates and joint ventures.	1 January 2013	When these revised standards are adopted for the first time for the financial year ending 30 June 2014, there is likely to be no material impact on the financial statements because they introduce no new requirements.
AASB 13 <i>Fair Value Measurement</i>	None	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 January 2013	<p>AASB 13 has been issued to:</p> <ul style="list-style-type: none"> (a) establish a single source of guidance for all fair value measurements; (b) clarify the definition of fair value and related guidance; and (c) enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value). <p>The entity is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there is likely to be no material impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.</p>

1.24 Summary of Accounting Standards Issued Not Yet Adopted (continued)

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

2. PARENT ENTITY INFORMATION

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

	2013	2012
	\$	\$
Statement of Financial Position		
Current assets	4,251,774	7,570,744
Non-current assets	33,787,455	31,425,573
Total assets	38,039,229	38,996,317
Current liabilities	587,796	479,930
Non-current liabilities	-	-
Total liabilities	587,796	479,930
Net assets	37,451,433	38,516,387
Issued capital	60,958,659	53,477,409
Options Reserve	1,603,655	1,827,993
Accumulated losses	(25,110,883)	(16,789,015)
Total equity	37,451,433	38,516,387
Loss for the year	(8,546,205)	(2,509,370)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(8,546,205)	(2,509,370)
Notes to the Statement of Financial Position		
(a) Current assets		
(i) Cash and cash equivalents		
Cash at bank	1,661,356	1,033,994
Term Deposits	2,527,807	6,417,677
	4,189,163	7,451,671
(b) Non-current assets		
(i) Loan to controlled entities		
Details of the percentage of ordinary shares held in controlled entities are disclosed in (b)(ii) below. The amounts owed remain outstanding at the reporting date. Provision for impairment on amounts receivable has been raised in relation to any outstanding balances amounts owed by controlled entities. Interest is not charged on such outstanding amounts.		
	2013	2012
	\$	\$
Amounts owed by controlled entities	42,633,715	34,209,799
Provision for impairment	(6,162,416)	(3,352,651)
	36,471,299	30,857,148
Movement in loans to controlled entities		
Opening balance	34,209,799	13,654,524
Loans advanced	8,423,916	20,555,275
Closing balance	42,633,715	34,209,799
Movement in provision for impairment of receivables		
Opening balance	(3,352,651)	(3,352,651)
Provision for impairment recognised during the year	(2,809,765)	-
Provision for impairment on amounts receivable	(6,162,416)	(3,352,651)

2. PARENT ENTITY INFORMATION (continued)

Investment in Controlled Entities	Country of Incorporation	Date of Incorporation	Jun-13	Jun-12
Hume Mining Pty Limited	Australia	29-Mar-94	100%	100%
Alara Operations Pty Ltd (AOP)	Australia	5-Feb-07	100%	100%
Alara Peru Operations Pty Ltd (APO)	Australia	9-Mar-07	100%	100%
Alara Saudi Operations Pty Ltd (ASO)	Australia	4-Aug-10	100%	100%
Alara Chile Operations Pty Ltd (ACO)	Australia	28-Oct-09	100%	100%
Alara Saudi Marjan Operations Pty Limited	Australia	14-Feb-11	100%	100%
Alara Oman Operations Pty Limited (AOO)	Australia	28-Jun-10	100%	100%
Alara Kingdom Operations Pty Limited (AKO)	Australia	5-Sep-11	100%	100%
Alara Saudi Holdings Pty Limited (ASH)	Australia	5-Jun-13	100%	-
Alara Resources LLC (controlled entity of AOO)	Oman	2-Oct-10	70%	70%
Daris Resources LLC (jointly controlled entity of AOO)	Oman	1-Dec-10	50%	50%
Al Hadeetha Resources LLC (formerly Pilatus Resources Oman LLC) (controlled entity of AOO)	Oman	6-Feb-07	75%	75%
Awtad Copper LLC (controlled entity of AOO) (was controlled entity of AOO)	Oman	24-Sep-09	Nil	70%
Khnaiguiah Mining Company LLC (KMC) (jointly controlled entity of ASO)	Saudi Arabia	10-Jan-11	50%	50%
Sita Mining LLC (controlled entity of AKO)	Saudi Arabia	16-May-11	70%	70%
Inversiones Alara Chile Limitada (IAC) (controlled entity of ACO)	Chile	31-Aug-11	100%	100%
EI Quillay SpA (controlled entity of IAC)	Chile	21-Oct-11	100%	70%
Alara Resources Ghana Limited (subsidiary of AUQ)	Ghana	8-Dec-09	100%	100%
Alara Peru S.A.C (subsidiary of APO)	Peru	1-Mar-07	100%	100%

3. LOSS FOR THE YEAR

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

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

4. INCOME TAX EXPENSE

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

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

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

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

Prior period error adjustment

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

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

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

(b) Shareholdings of key management personnel	Balance at start of year	Balance at appointment/cessation	Net changes	Balance at end of year
2013				
Directors				
Ian Williams	-	-	-	-
H. Shanker Madan	508,257	-	-	508,257
Farooq Khan	98,242	-	-	98,242
William Johnson	27,000	-	-	27,000
Douglas Stewart	-	-	-	-
Philip Hopkins (appointed 2 May 2013)	-	-	-	-
Other key management personnel				
Victor Ho (Company Secretary)	18,413	-	(18,143)	-
2012				
Directors				
Ian Williams	-	-	-	-
H. Shanker Madan	508,257	-	-	508,257
Farooq Khan	98,242	-	-	98,242
William Johnson	27,000	-	-	27,000
Douglas Stewart	-	-	-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503	-	(171,090)	18,413

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

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

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

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Unlisted option holdings of key management personnel	Balance at appointment / start of year	Granted as compensation	Net changes	Balance at cessation/ end of year	Vested and exercisable
2013					
Directors					
Ian Williams	250,000	-	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart	250,000	-	-	250,000	250,000
Philip Hopkins (appointed 2 May 2013)	-	-	-	-	-
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000
2012					
Directors					
Ian Williams	250,000	-	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart	250,000	-	-	250,000	250,000
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000

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

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

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

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

6. AUDITOR'S REMUNERATION

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

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

7. LOSS PER SHARE

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

Under AASB 133 "Earnings per share", potential ordinary shares such as options will only be treated as dilutive when their conversion to ordinary shares would increase loss per share from continuing operations. Refer Note 18 for details of options on issue at reporting date.

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

8. CASH AND CASH EQUIVALENTS

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

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

The Consolidated Entity has granted a term deposit security bond to the value of \$130,600 (2012: \$130,600) which has not been called up as at the reporting date. A total of \$32,000 of the security bond is in relation to its Australian tenements.

The effective interest rate on short-term bank deposits was 4.15% (2012: 5.22%) with an average maturity of 85 days.

(a) Risk exposure

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

(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow from Operations	2013 \$	2012 \$
Loss after income tax	(6,903,248)	(3,249,537)
Net gain/(loss) on financial assets held at fair value through profit or loss	250,172	482,475
Impairment of exploration expenditure	3,064,537	432,610
Directors' and Employee options	-	117,217
Foreign exchange movement	(36,213)	(460,382)
Depreciation	88,897	118,705
(Increase)/Decrease in Assets:		
Trade and other receivables	41,322	(719,762)
Other current assets	(12,652)	(87,880)
Increase/(Decrease) in Liabilities:		
Trade and other payables	(3,273)	1,691,013
Provisions	(66,269)	178,732
Net cashflows used in from operating activities	(3,576,728)	(1,496,810)
(c) Non-cash financing and investing activities		
Share based payments (Refer to Note 19)	-	48,938

9. TRADE AND OTHER RECEIVABLES

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

(a) Risk exposure

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

(b) Impaired receivables

None of the above receivables are impaired or past due.

10. OTHER CURRENT ASSETS

	2013	2012
	\$	\$
Prepayments	<u>121,379</u>	<u>108,726</u>

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

	2013	2012
	\$	\$
Listed investments at fair value	<u>142,956</u>	<u>393,128</u>

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

Risk exposure

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

12. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles \$	Office Equipment \$	Plant and Equipment \$	Total \$
At 1 July 2011				
Cost or fair value	61,495	72,644	125,923	260,062
Accumulated depreciation	(5,083)	(15,564)	(57,582)	(78,229)
Net carrying amount	56,412	57,080	68,341	181,833
Year ended 30 June 2012				
Carrying amount at beginning	56,412	57,080	68,341	181,833
Additions	36,367	140,793	74,101	251,261
Disposal	-	-	-	-
Depreciation expense	(42,211)	(45,112)	(31,381)	(118,704)
	50,568	152,761	111,061	314,390
At 30 June 2012				
Cost or fair value	98,010	213,016	173,854	484,880
Accumulated depreciation	(47,442)	(60,255)	(62,793)	(170,490)
Net carrying amount	50,568	152,761	111,061	314,390
Year ended 30 June 2013				
Carrying amount at beginning	50,568	152,761	111,061	314,390
Additions	707	1,945	27,811	30,463
Disposal	-	(2,137)	-	(2,137)
Depreciation expense	(21,389)	(41,382)	(36,947)	(99,718)
	-	-	-	-
Closing amount at reporting date	29,886	111,187	101,925	242,998
Year ended 30 June 2013				
Cost or fair value	98,010	212,956	191,022	501,988
Accumulated depreciation	(68,124)	(101,769)	(89,097)	(258,990)
Net carrying amount	29,886	111,187	101,925	242,998

13. RESOURCE PROJECTS

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

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

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

14. OTHER NON-CURRENT ASSETS

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

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

15. TRADE AND OTHER PAYABLES

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

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

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

(a) Risk exposure

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

16. PROVISIONS

	2013	2012
	\$	\$
Current		
Employee benefits – annual leave	209,161	293,398
Closing balance	<u>209,161</u>	<u>293,398</u>

Amounts not expected to be settled within the next 12 months

The entire annual leave obligation is presented as current as the Consolidated Entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of their accrued leave within the next 12 months.

17. ISSUED CAPITAL

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

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

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

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

Capital risk management

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

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

18. RESERVES

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

Foreign currency translation reserve

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

18. RESERVES (continued)

Options reserve

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

	Grant date	Number of options	2013 \$	2012 \$
Directors' Options				
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	16,400,000	569,080	569,080
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	247,317
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	106,698
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-11	500,000	74,601	74,601
Employees' Options				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	-	-	89,500
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,000,000	43,159	43,159
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,366	276,365
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	147,306
Unlisted options exercisable at \$0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	21,913
Unlisted options exercisable at \$0.50; expiring 25 May 2014	26-May-11	-	-	48,395
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-11	-	-	44,757
Unlisted options exercisable at \$0.70; expiring 25 May 2014	26-May-11	-	-	41,687
Unlisted options exercisable at \$0.50; expiring 25 May 2014	02-Sep-11	200,000	33,072	33,072
Unlisted options exercisable at \$0.60; expiring 25 May 2014	02-Sep-11	125,000	19,001	19,001
Unlisted options exercisable at \$0.70; expiring 25 May 2014	02-Sep-11	125,000	17,594	17,594
Unlisted options exercisable at \$0.50; expiring 25 May 2014	23-Dec-11	200,000	22,887	22,887
Unlisted options exercisable at \$0.60; expiring 25 May 2014	23-Dec-11	125,000	12,908	12,908
Unlisted options exercisable at \$0.70; expiring 25 May 2014	23-Dec-11	125,000	11,753	11,753
		<u>24,850,000</u>	<u>1,603,655</u>	<u>1,827,993</u>

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

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

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

Equity based remuneration (refer to Note 19)

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

19. SHARE BASED PAYMENTS

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

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

Grant date	Expiry date	Exercise price	Opening balance	Movement during the year			Closing balance	As at 30 June 2013	
				Granted	Exercised	Lapsed		Vested and exercisable	Fair value \$
Directors									
17-Sep-08	16-Sep-13	\$0.35	16,400,000	-	-	-	16,400,000	16,400,000	569,080
30-Nov-09	25-Oct-14	\$0.35	2,000,000	-	-	-	2,000,000	2,000,000	247,317
30-Nov-09	25-Oct-14	\$0.60	1,000,000	-	-	-	1,000,000	1,000,000	106,698
26-May-11	26-May-14	\$0.60	500,000	-	-	-	500,000	500,000	74,601
Employees									
27-Jul-07	16-Sep-12	\$0.55	500,000	-	-	(500,000)	-	-	-
17-Sep-08	16-Sep-13	\$0.35	1,000,000	-	-	-	1,000,000	1,000,000	43,159
26-Oct-09	25-Oct-14	\$0.35	1,650,000	-	-	-	1,650,000	1,650,000	276,366
26-Oct-09	25-Oct-14	\$0.60	1,000,000	-	-	-	1,000,000	1,000,000	147,306
23-Aug-10	22-Aug-15	\$0.35	400,000	-	-	-	400,000	400,000	21,913
26-May-11	25-May-14	\$0.50	300,000	-	-	(300,000)	-	-	-
26-May-11	25-May-14	\$0.60	300,000	-	-	(300,000)	-	-	-
26-May-11	25-May-14	\$0.70	300,000	-	-	(300,000)	-	-	-
02-Sep-11	25-May-14	\$0.50	200,000	-	-	-	200,000	200,000	33,072
02-Sep-11	25-May-14	\$0.60	125,000	-	-	-	125,000	125,000	19,001
02-Sep-11	25-May-14	\$0.70	125,000	-	-	-	125,000	125,000	17,594
23-Dec-11	25-May-14	\$0.50	200,000	-	-	-	200,000	200,000	22,887
23-Dec-11	25-May-14	\$0.60	125,000	-	-	-	125,000	125,000	12,908
23-Dec-11	25-May-14	\$0.70	125,000	-	-	-	125,000	125,000	11,753
Weighted average exercise price			26,250,000	-	-	(1,400,000)	24,850,000	24,850,000	1,603,655
Weighted average exercise price			0.39	-	-	0.39	0.38	0.38	

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

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

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

- Options are granted for no consideration and vest as detailed in the table below;
- Exercise price is as detailed in the table above;
- Grant or issue date is as detailed in the table above;
- Expiry date is as detailed in the table above;
- Share price is based on the last bid price on ASX as at date of grant, as detailed in the table below;
- Expected price volatility of the Company's shares has been assessed independently as described in the table below;
- Expected dividend yield is nil; and
- Risk-free interest rate is based on the 3/5 year Commonwealth bond yield, as detailed in the table below.

19. SHARE BASED PAYMENTS (continued)

Date of issue	Description of unlisted options	Vesting criteria	Share price at grant date	Risk free rate	Price volatility
17-Sep-08	\$0.35 (16 September 2013) Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	\$0.07	5.46%	95%
26-Oct-09	\$0.60 (24 October 2014) Options	Vested at the date of the issue of the options	\$0.24	5.57%	95%
26-Oct-09	\$0.35 (24 October 2014) Options	Vested at the date of the issue of the options	\$0.24	5.57%	95%
30-Nov-09	\$0.60 (24 October 2014) Options	Vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Options	Vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Options	Vested at the date of the issue of the options	\$0.19	4.95%	95%
23-Aug-10	\$0.35 (22 August 2015) Options	Vested at the date of the issue of the options	\$0.10	4.50%	95%
26-May-11	\$0.60 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.50 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.60 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.70 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.31	4.96%	95%
02-Sep-11	\$0.60 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.27	3.12%	95%
02-Sep-11	\$0.70 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.27	3.12%	95%
02-Sep-11	\$0.50 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.50 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.60 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.70 (25 May 2014) Options	Vested at the date of the issue of the options	\$0.27	3.12%	95%

20. SEGMENT INFORMATION

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

	Resource Projects					Total
	Australia	Oman	Saudi Arabia	Peru	Chile	
2013	\$	\$	\$	\$	\$	\$
Total segment revenues	-	-	-	-	-	-
Total segment loss before tax	(5,898,065)	(542,601)	(554,953)	(8,973)	101,344	(6,903,248)
Total segment assets	25,244,950	5,907,784	9,686,129	56,831	7,438	40,903,132
Total segment liabilities	(1,261,140)	(448,845)	(1,884,670)	-	-	(3,594,655)
2012						
Total segment revenues	-	-	-	-	-	-
Total segment loss before tax	(2,105,176)	(285,407)	(338,613)	(458,031)	(62,310)	(3,249,537)
Total segment assets	13,676,474	3,586,572	21,778,557	69,749	2,175,781	41,287,133
Total segment liabilities	(485,649)	(120,507)	(3,158,009)	(19,682)	(124,958)	(3,908,805)

20. SEGMENT INFORMATION (continued)

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

21. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, and investments in a listed security. The principal activity of the Consolidated Entity is resource exploration, evaluation and development. The main risks arising from the Consolidated Entity's financial instruments are market (which includes price, interest rate and foreign exchange risks), credit and liquidity risks. Risk management is carried out by the Board of Directors. The Board evaluates, monitors and manages the Consolidated Entity's financial risk in close co-operation with its operating units.

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

The Consolidated Entity holds the following financial instruments:

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

(a) Market Risk

(i) Price risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the statement of financial position at fair value through profit or loss. The Consolidated Entity is not directly exposed to commodity price risk. The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. The Consolidated Entity does not manage this risk through entering into derivative contracts, futures, options or swaps. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

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

21. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Price risk (continued)

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

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The average interest rate applicable to funds held on deposit during the year was 4.15% (2012: 5.22%).

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

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

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

(iii) Foreign exchange risk

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

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

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

21. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

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

21. FINANCIAL RISK MANAGEMENT (continued)

(d) Net Fair Value of Financial Assets and Liabilities

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

(e) Fair value measurements

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

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

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

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

22. COMMITMENTS

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

- (b) On 15 July 2013, the Company entered into a non-cancellable operating lease commitment in respect of its office in West Perth, Western Australia. The commitment totals approximately \$115,572 in the first 12 months (including outgoings and exclusive of GST). The lease is for a 5 year term expiring on 14 July 2018 and contains a fixed 4% rent review increase each year.
- (c) A condition of the Mining Licence pertaining to the Khnaiguiyah Zinc-Copper Project in Saudi Arabia issued by the Ministry of Petroleum and Mineral Resources in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (SAR) (approximately A\$5.77 million based on a current exchange rate of A\$1.00/3.47 SAR) over the 30 year term of the licence. KMC has not yet submitted a training programme and plan to the Ministry for approval and it is not possible to establish a time frame around this commitment as at the date of this report. The Mining Licence is also pending transfer from United Arabian Mining Company LLC (Saudi Arabia) (Manajem) to the joint venture company, Khnaiguiyah Mining Company LLC (Saudi Arabia) (KMC) (Alara: 50% and Manajem: 50%).
- (d) A condition of the Khnaiguiyah Mining Licence is the payment of a nominal annual surface rental based on the area of the mining licence.

23. CONTINGENT ASSETS AND LIABILITIES

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

- (a) Shareholders' Agreement - Khnaiguiyah Mining Company - Khnaiguiyah Zinc-Copper Project (Saudi Arabia) - On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining ("Manajem" in Arabic) Company (Manajem) pursuant to which Alara will pay a total of US\$7.5 million to Manajem in stages subject to completion of project milestones and the parties forming a new joint venture company, Khnaiguiyah Mining Company LLC (KMC), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. KMC was incorporated in Saudi Arabia on 10 January 2010. Alara has paid Manajem a total of US\$3.654 million (including advance payments of US\$2.22 million in respect of the tranches payable Under the Shareholders Agreement with US\$3.846 million payable (US\$1.836 million payable in cash and US\$2.01 million to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.32 per share based on the current A\$1.00/US\$0.92 exchange rate) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to completion of the transfer of the Mining Licence from Manajem to KMC).

A 'Resource Bonus' is also payable to Manajem (based on Manajem's shareholding interest in KMC at the relevant time) calculated at the rate of US 0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade).

Alara is entitled to fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (BFS). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project (shortfall) shall be met by the parties as follows; Alara is entitled firstly to provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US\$15 million plus 25% of the project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by KMC shareholders, Alara is entitled to contribute its half share of the shortfall (being 25% of the project capital costs) and will also fund a maximum of US\$15 million of Manajem's contribution towards the shortfall. The balance of the shortfall (and subsequent funding calls by KMC) shall be satisfied by each shareholder (pro-rata to their respective shareholding interests) providing additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price.

Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US\$3 million from Manajem, shall be repayable from KMC's net profits. KMC is currently managed by a Board of Directors with 2 nominees from each of Alara and Manajem.

- (b) Introduction Fee - Net Profit Royalty Obligation - Khnaiguiyah Zinc-Copper Project (Saudi Arabia) - A 0.5% net profit royalty is due and payable to the individual who introduced the Khnaiguiyah Zinc Copper Project (Saudi Arabia) to Alara, based on Alara's share of net profits from KMC.
- (c) Shareholders' Agreement - Daris Resources LLC - Daris Copper-Gold Project (Oman) - On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (ATTE) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (DarisCo)) to gain up to a 70% shareholding. DarisCo was incorporated in Oman on 1 December 2010 (Alara 50%:ATTE 50%).

To the extent that further funding is required, Alara is entitled to advance up to S\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be further formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession.

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

23. CONTINGENT ASSETS AND LIABILITIES (continued)

- (d) Shareholders' Agreement - Alara Resources LLC (Oman) – On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (SUR) pursuant to which a new joint venture company ("Alara Resources LLC" (AlaraCo)) will be established to identify, secure and commercially exploit other resource projects in Oman introduced to AlaraCo by SUR. AlaraCo was incorporated in Oman in 2 October 2010. Alara contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000 at that time) for its 70% shareholding interest in AlaraCo with SUR holding the balance of 30%.

Alara is entitled to advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends). SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit.

The shareholders agreement is subject to conditions precedent including, amongst other matters, the execution of an ancillary loan agreement (which is currently pending execution by the parties) and an exploration licence being granted to AlaraCo – AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR (which are currently pending grant by the Oman Government).

AlaraCo is governed by a 5 member board of directors with 3 nominees from Alara and 2 nominees from SUR. Alara's Managing Director is currently the Chairman of AlaraCo.

- (e) Introduction Fees - Net Smelter Return Royalty and Bonus Obligation – Oman Projects - A 0.5% Net Smelter Return (NSR) royalty is due and payable to the individual who introduced the prospects the subject of exploration licence applications by Alara Resources LLC (Oman). A US\$25,000 cash bonus is also due and payable to the same individual upon commencement of production from the Daris Copper-Gold Project (Oman).
- (f) Shareholders' Agreement – "Marjan Mining Company LLC" (pending formation) – Marjan Base and Precious Metals Project (Saudi Arabia) – On 17 April 2011, Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with United Arabian Mining Company (Manajem) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company ("Marjan Mining Company" LLC (MMC)), which will receive transfer of the project licences from Manajem and in which Alara will have a 50% shareholding interest. The project licenses' had an initial term of five years (ending on 29 October 2012) and are now subject to a renewal application by Manajem.

Alara is entitled to fund (as loan capital to MMC repayable out of MMC's net profits) all exploration, evaluation and development costs up to a "decision to mine" (supported by a BFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective interests in MMC or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set at the capital costs defined under the DFS. The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US\$1 million funding into MMC within two years of the date of fulfilment of the conditions precedent. A 'Resource Bonus' is also payable to Manajem calculated at the rate of US\$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the project area.

A condition precedent to the shareholders agreement is the incorporation and registration of MMC (currently pending completion) and the execution of ancillary agreements arising therein (currently pending execution upon the incorporation of MMC).

MMC will be managed by a board of directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. Alara's Managing Director will be the Chairman of MMC.

23. CONTINGENT ASSETS AND LIABILITIES (continued)

- (g) Shareholders Agreement - Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman) – On 23 November 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with the concession holder, Al Hadeetha Resources LLC (formerly Pilatus Resources Oman LLC) ('Al Hadeetha') and the then shareholders of Al Hadeetha. An Amendment Agreement between Alara and Al Hadeetha Investments LLC dated 3 August 2013 acknowledges Alara now holds a 70% shareholding in Al Hadeetha and Al Hadeetha Investments LLC ('AHI') holds 30%.

Post completion of a definitive feasibility study, the Al Hadeetha Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If AHI decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay Al Hadeetha the amount which AHI were required to contribute under their payment notice and Alara shall increase its economic interest in Al Hadeetha to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of AHI until such time that 25% of the total amount required under the payment notices is repaid to Alara. If a Al Hadeetha shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by Al Hadeetha.

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

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

24. SUBSEQUENT EVENTS

- (a) The Company has received a refund of \$2.75 million (net of fees) under the Federal Government's Research and Development (R&D) Tax Incentive Scheme. Under the scheme, the Company was entitled to a cash refund of 45 cents per dollar spent on eligible R&D expenditure. The Company's claim relates to a portion of costs incurred in relation to the Definitive Feasibility Study undertaken on the Khnaiguiyah Zinc-Copper Project for the 2011/2012 financial year. The Company will also be lodging a claim in respect of eligible R&D expenditure incurred for the 2012/2013 financial year after the completion of its 2013 audited accounts. The 2012/2013 claim (subject to processing by the Australian Taxation Office) is expected to lead to an R&D refund of approximately \$0.50 to \$0.90 million (net of estimated fees).
- (b) As part of a strategic review to improve shareholder returns, the Company has entered into Confidentiality Agreements with a number of interested parties in respect of its Oman assets. As at the date of this report negotiations are ongoing. Alara is considering a full divestment or a part divestment of its Oman assets in which case it will seek to maintain an interest in the Oman projects and participate in future development.
- (c) The Company will seek shareholder approval at the upcoming 2013 annual general meeting to issue 10 million unlisted options to the new Managing Director, Philip Hopkins (appointed 30 June 2013). Details of the terms of the proposed options to be issued are outlined in the Remuneration Report.

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

The Directors of the Company declare that:

1. The Financial Statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 27 to 57, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) Give a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of their performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
3. The Remuneration Report disclosures set out (within the Directors' Report) on pages 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 Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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



Ian Williams
Chairman



Philip Hopkins
Managing Director

Perth, Western Australia

27 September 2013

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

Report on the financial report

We have audited the accompanying financial report of Alara Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Electronic presentation of audited financial report

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Alara Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date;
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 16 to 24 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of

the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Alara Resources Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 27 September 2013

- (1) The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Project (Saudi Arabia) was compiled by Mr Geoff Davidson, who is a member of the Australian Institute of Mining and Metallurgy and a consultant to Khnaiguiyah Mining Company LLC (KMC). Mr Davidson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**JORC Code, 2004 edition**). In assessing the appropriateness of the Ore Reserve estimate, Mr Davidson has relied on various reports, from both internal and external sources, in either draft or final version, which form part of or contribute to the Khnaiguiyah Project Detailed Feasibility Study. These reports are understood to be compiled by persons considered by KMC to be competent in the field on which they have reported. Mr. Davidson has given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears. Refer also to Table 5 in Alara Resources Limited's ASX market announcement dated 18 April 2013: [Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#) for further information in relation to the Ore Reserve estimate for the Khnaiguiyah Project.

- (2) The information in this report that relates to Mineral Resources in relation to the Washihi prospect (Oman) and the Daris Project (Oman) of this report) is based on information compiled by Mr. Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. Mr. Sharma is a principal consultant to Alara Resources Limited. Mr. Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as a Competent Person as defined in the JORC Code, 2004 edition. Mr. Sharma has given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (25 October 2014) Unlisted Options ¹⁰	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ¹⁰	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options ¹¹	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options ¹²	-	250,000	250,000
\$0.60 (25 May 2014) Unlisted Options ¹¹	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options ¹¹	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options ¹³	-	400,000	400,000
Total	242,007,500	7,200,000	249,207,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ¹⁴	No. of Options
26 Oct 2009	\$0.60 (25 October 2014) Options	\$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	\$0.60 (25 May 2014) Directors' Options	\$0.60	25 May 2014	100% on date of issue	250,000
2 Sept 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue	400,000
23 Dec 2011					
2 Sept 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue	250,000
23 Dec 2011					
2 Sept 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue	250,000
23 Dec 2011					

¹⁰ Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

¹¹ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

¹² Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

¹³ Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

¹⁴ Options which have vested may be exercised at any time thereafter, up to their expiry date

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	1,035	372,450	0.154
1,001	-	5,000	328	792,926	0.328
5,001	-	10,000	195	1,676,267	0.693
10,001	-	100,000	409	15,888,201	6.565
100,001	-	and over	164	223,277,656	92.261
Total			2,131	242,007,500	100.00%

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Shares Held	Total Shares	% Issued Capital
1 *	J P MORGAN NOMINEES AUSTRALIA LIMITED	42,964,833		
	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	13,168,915		
	Sub-total		56,133,748	23.608
2 *	NATIONAL NOMINEES LIMITED		42,755,503	18.167
3 *	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,300,081		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - <NT-COMNWLTH SUPER CORP A/C>	3,172,000		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,945,114		
	Sub-total		16,417,195	6.784
4	ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD		10,000,000	4.132
5	GWYNVILL TRADING PTY LTD		7,671,468	3.170
6	CITICORP NOMINEES PTY LIMITED	5,647,750		
	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,473,231		
	Sub-total		7,120,981	2.942
7	MRS FELICITY CLAIRE KOEKOEK		4,000,000	1.653
8	MR PETER KELVIN RODWELL		4,000,000	1.653
9	MS MENG HENG		3,931,024	1.624
10	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN <WWB INVESTMENTS P/L S/F A/C>	2,500,000		
	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN	1,300,000		
	Sub-total		3,800,000	1.570
11	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>		3,588,083	1.483
12	HGT INVESTMENTS PTY LTD		3,000,000	1.240
13	BNP PARIBAS NOMS PTY LTD <DRP>		2,995,434	1.238
14	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>		2,460,000	1.016
15	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C>	3,365		
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,425,149		
	Sub-total		2,428,514	1.003
16	HOUVAN PTY LTD		2,000,000	0.826
17	MR ANDREW BRUCE RICHARDS		1,900,000	0.785
18	SURFLODGE PTY LTD		1,629,000	0.673
19	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING <TREG TRAILERS DIS S/F A/C>		1,568,491	0.648
20	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY		1,500,000	0.620
Total			179,899,441	74.835%

* Substantial shareholders