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31 MARCH 2011 QUARTERLY REPORT

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Dated: 29 April 2011

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SUMMARY

- **Cash position:** Cash (and investments in listed securities) position was \$8.1 million as at 31 March 2011 (31 December 2010: \$13.1 million).
- **Capital Raising:** 14 April 2011 - \$30.24 million capital raising completed with professional and institutional clients of Petra Capital - 84 million shares at \$0.36 per share to be issued in 2 tranches: 18 million shares (raising \$6.48 million gross) issued on 20 April 2011 and 66 million shares (to raise \$23.76 million gross) to be issued subject to shareholder approval at a general meeting scheduled for 26 May 2011.
- **Khnaiguiyah Zinc Copper Project in Saudi Arabia:**
 January 2011 – “Khnaiguiyah for Mining Company” (**KMC**) joint venture entity formed with 50% shareholding held by each of Alara and Manajem. Conditions precedent under the Shareholders’ Agreement satisfied and KMC receives signed documents for the transfer of the Project licences from Manajem (the Vendor) to KMC. During Q1 2011, US\$3 million consideration paid to Manajem.
 30 March 2011 – Commencement of drilling: ~6,500m of diamond PQ and HQ drill holes in Mineralised Zones 2 and 3 (refer Figure 5)
- **Daris Copper Gold Project in Oman:**
 16 March 2011 - Commencement of phase 2 drilling programme at Daris East prospect to test for sulphide mineralisation to the west of the previously encountered mineralisation: initial phase 2 programme of ~1000m of diamond HQ drill holes
 19 April 2011 – Massive sulphide mineralisation intercepts ranging from 2.85m to 7.25m have been intersected in three (DEDCC005, DEDCC006 and DEDCC007) of the four currently completed drill holes confirming the westward continuity of the mineralised zone over 160m and still open to the west.
 During Q1 2011, a helicopter-borne electromagnetic VTEM survey of ~1200 line kilometres was completed with interpretation pending completion in Q2 2011.
- **New Acquisition - Marjan Project (Saudi Arabia):**
 18 April 2011 – Alara has secured a 50% interest in the Marjan Project comprising 3 EL’s (260km²) prospective for gold, silver, copper and zinc, located within trucking distance ~30km south south-west of the Khnaiguiyah Project. Historical drilling has returned values up to 7g/t Au, 31.3 g/t Ag, 4.7% Zn, and 1.6% Pb over 3m and grab samples have returned values of up to 0.7% Cu, 22.4% Zn, 100g/t Ag , 2.18g/t Au and 5.4% Pb.
- **New Acquisition - Awtad Project (Oman):**
 27 April 2011 – Alara has secured an interest (right to earn-in up to 70%) in the Awtad Copper-Gold Project comprising a concession (497km²) located immediately adjacent to the Daris Project concession. The project contains a known occurrence of copper mineralisation based upon previous exploration and Alara is targeting Cyprus type VMS deposits in close proximity to known deposits.
- **El Quillay Copper-Gold Project in Chile:** Alara and the Vendors are progressing towards the execution of more definitive joint venture agreements; this is expected to be concluded in Q2 2011.

ASX Code | AUQ



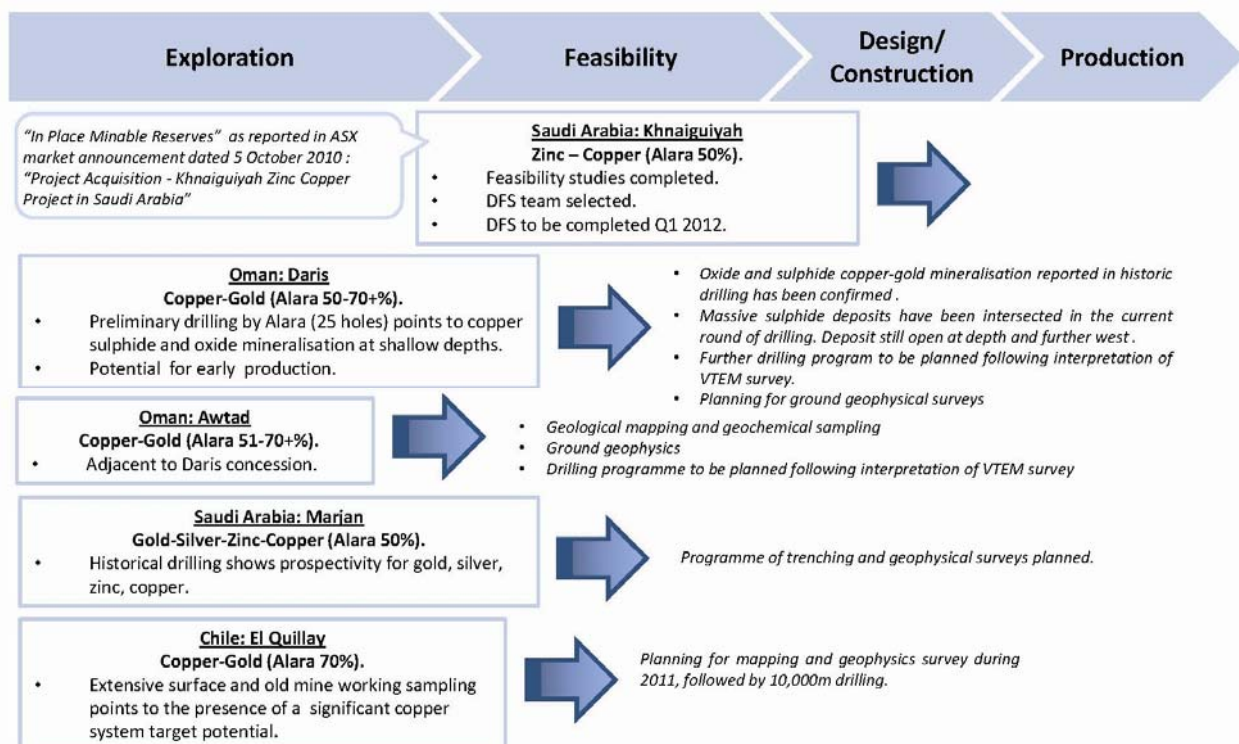


COMPANY PROFILE

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

| PROJECTS | LOCATION | STATUS |
|--|-------------------------------|--------------------------|
| (1) Khnaiguiyah Zinc-Copper ¹ | Saudi Arabia | Development to BFS |
| (2) Daris Copper-Gold ² | Oman | Exploration |
| (3) El Quillay Copper-Gold ³ | Chile | Exploration |
| (4) Marjan Precious and Base Metals ⁴ | Saudi Arabia | Exploration |
| (5) Awtad Copper Gold Project ⁵ | Oman | Exploration |
| (6) Bigrlyi South Uranium | Northern Territory, Australia | Exploration (Farmed-Out) |
| (7) Canning Well Base Metals | Pilbara, Western Australia | Exploration (Farmed-Out) |

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



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

² Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

³ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)"

⁴ Refer Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)"

⁵ Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)"

PROJECT LOCATION

SAUDI ARABIA

The **Khnaiguiyah Zinc Copper Project** (Alara 50%) is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway. The project comprises the Khnaiguiyah Mining Licence, 3 Exploration Licences and 5 Exploration Licence applications pending grant, totalling ~380km². Alara has a 50% interest in a new joint venture company, "Khnaiguiyah for Mining Company", which will hold these mineral licences (after transfers have been processed by relevant authorities).

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



Figure 1

OMAN

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

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

Alara has also formed a separate joint venture company (Alara 70%) in Oman, Alara Resources LLC, which has lodged an application for an exploration licence and is in the process of filing applications over several other prospects.

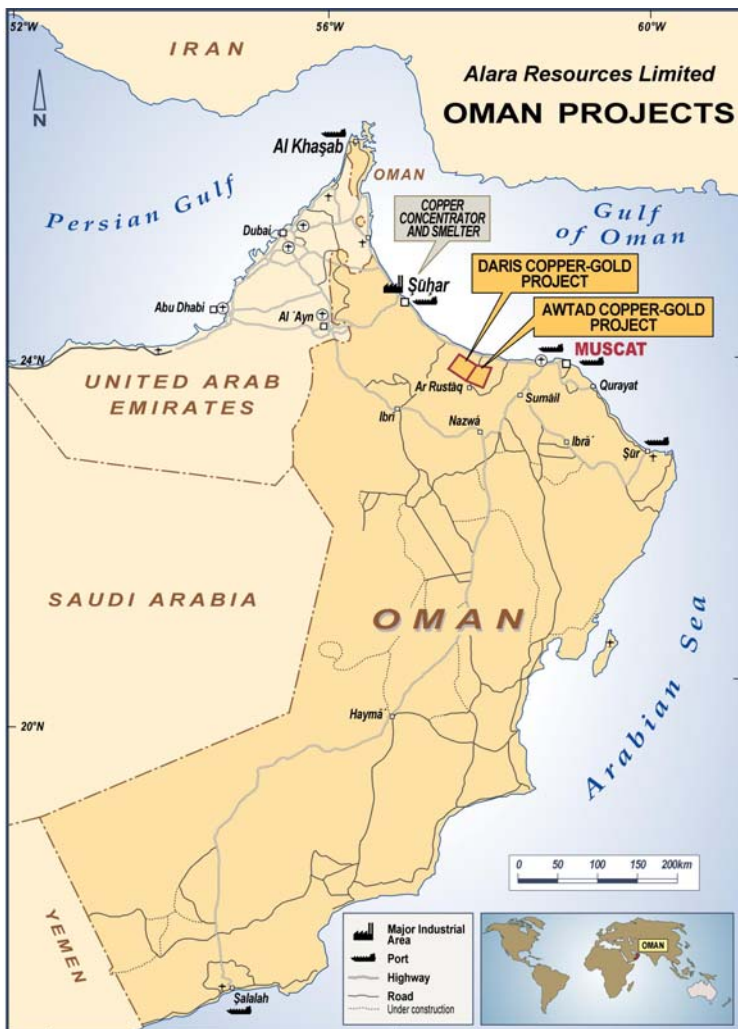
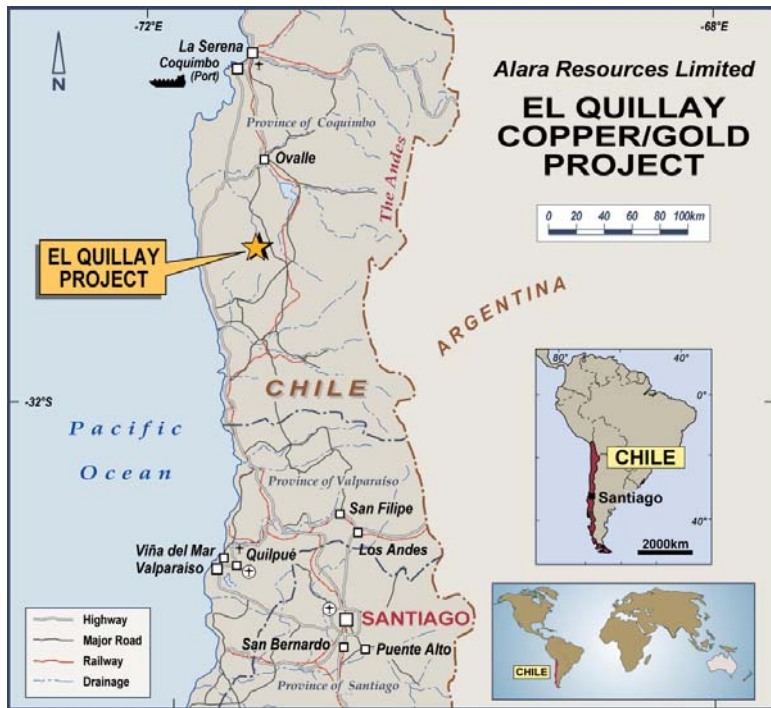


Figure 2

PROJECT LOCATION



CHILE

The **El Quillay Copper-Gold Project** (Alara - right to earn-in 70%) is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

The project comprises 68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

Figure 3

AUSTRALIA

The Bigrlyi South Uranium Project comprises is located ~350km north-west of Alice Springs in the Northern Territory of Australia and adjacent to tenements surrounding the Bigrlyi uranium deposit (being developed by Energy Metals Limited – ASX Code: “EME”). The project tenements (totalling ~1,350 km²) have been farmed-out to Thundelarra Exploration Ltd (ASX Code: THX), who has a right to earn-in 70% interest.

The Canning Well Base Metals Project is located in the Eastern Pilbara region of Western Australia, ~360km south-east of Port Hedland. The manganese rights on the granted Exploration Licence 46/629 has been farmed-out to Process Minerals International Pty Ltd, a subsidiary of Mineral Resources Limited (ASX Code: MIN) in consideration for a royalty payment based on manganese fines and lump mined.

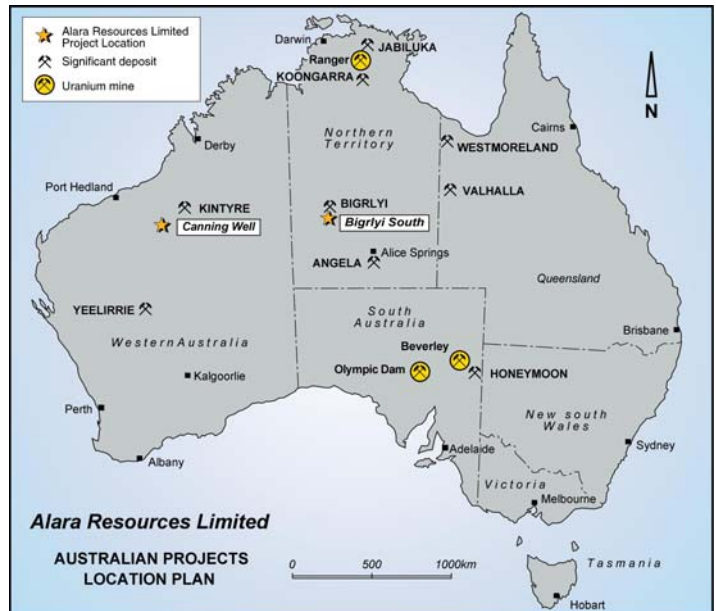


Figure 4



COMPANY PROJECTS

1. Khnaiguiyah Zinc Copper Project (Saudi Arabia)

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

Background

Alara has a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia via a 50% shareholding interest in a newly formed joint venture company, "Khnaiguiyah for Mining Company" (**KMC**).

The Khnaiguiyah Project is an advanced near production project having a non-JORC compliant resource estimate⁶ assessed by BRGM⁷, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 10 to 23 of Alara's 2010 Annual Report).

Please also refer to Figure 5: Khnaiguiyah Project Location, Licence Areas and Mineralised Zones (at page 9 of this Half Year Report).

The key terms of the Shareholders' Agreement (dated 21 October 2010) between Alara and "Manajem" (the Vendor) are outlined in Alara's ASX market announcement dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and in Alara's 2010 Annual Report, at page 8.

Shareholders' Agreement

The conditions precedent under the Shareholders' Agreement with Manajem were declared satisfied on 18 January 2011 upon, amongst other matters, completion of the formation of KMC and the receipt of signed documents to facilitate the transfer of the Project licences from Manajem to KMC.

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

To date, US\$3,266,000 consideration has been paid to Manajem (including US\$3 million paid during Q1 2011) with one further tranche totalling US\$4,234,000 payable upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence with such consideration to be satisfied as follows:

- (i) US\$2,010,000 to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30⁸ per share (equivalent to A\$0.2795 per share based on the current A\$1.00/US\$1.07338 exchange rate); and
- (ii) US\$2,224,000 to be satisfied by the payment of cash.

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

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

⁸ The Company notes that the Company's share price as at the date of the Shareholders' Agreement on 21 October 2010 was \$0.28 per share and the US\$0.30 issue price was equivalent to A\$0.306 per share (based on an A\$1.00/US\$0.98063 exchange rate).



COMPANY PROJECTS

Drilling Programme

KMC has commenced an initial drilling programme of approximately 6,500 metres of diamond PQ and HQ drill holes located in Mineralised Zones 2 and 3 (refer Figure 5). This initial campaign is expected to be completed by June 2011 with assay results expected in July 2011.

The drilling programme builds upon the extensive historical drilling comprising over 45,000 metres in 345 RC and diamond drill holes conducted within the project area over the last 40 years.⁹

The first stage of this initial drilling campaign is to procure samples for metallurgical testwork for the final flow sheet design, selectively validate historical drilling and complete geotechnical holes for the purposes of completion of the Definitive Feasibility Study (DFS) currently underway.

This metallurgical drilling programme includes 5 PQ core drill holes in Zone 2 (with planned depths of 60-90m), and 4 holes in Zone 3 (with planned depths of 80-150m) where deeper but higher grade ore intersections will be tested. To date, 5 drill holes in Zone 2 have been completed and the core samples have been sent to Perth for metallurgical test work at AMMTEC laboratories. The remaining 4 holes in Zone 3 under this programme are due for completion in May 2011.

The metallurgical test work programme on samples from Zone 2 is expected to commence in early May 2011.

KMC has also completed 2 additional drill holes to extend the mineralisation in Zone 3 and is presently drilling a third drill hole. Drilling to extend the mineralisation in Zone 2 and Zone 3 is planned to progress simultaneously with drilling for metallurgical, geotech and validation holes.

Definitive Feasibility Study (DFS)

KMC has appointed Australian firm, Ausenco Services Pty Ltd, as lead engineers for the preparation of an all-encompassing definitive feasibility study (DFS) on the Khnaiguiyah Project.

Ausenco will be assisted by a number of specialist sub-consultants in areas such as geology and resource estimation (CSA Global), metallurgical test work, mine planning (CSA Global), hydrogeology (SMEC) and environment (SMEC).

Work on the DFS commenced in March 2011 with preliminary resource modelling and mine planning activities currently being completed. Metallurgical test work is expected to commence in May 2011 following completion of the current metallurgical drilling programme.

Next Steps

Alara's focus over Q2 2011 will be to work closely with Manajem within KMC to progress the following matters:

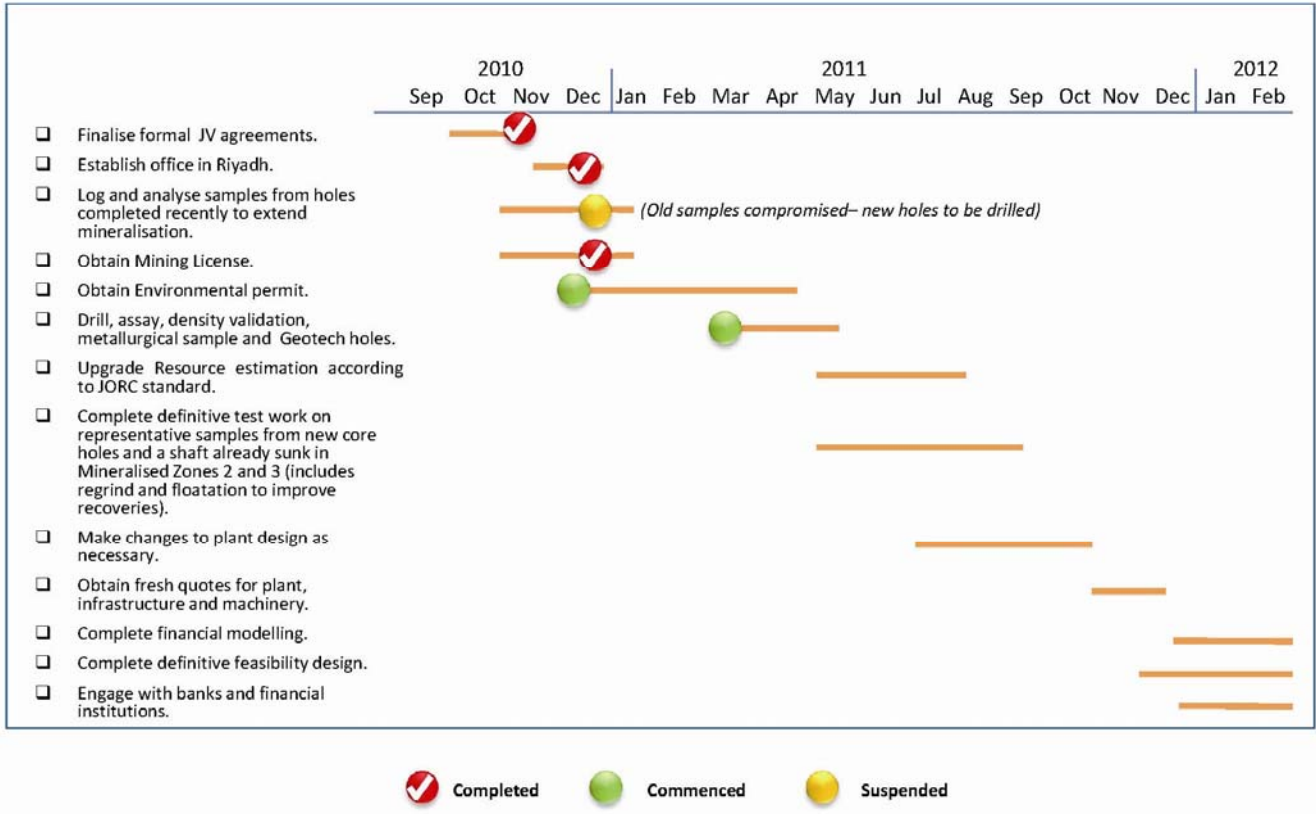
- The appointment of sub-consultants/firms to undertake various aspects of the DFS;
- Continuation of the initial drilling programme of 6,500 metres;
- On-going drilling programmes in order to convert the historical estimates to a JORC compliant resource and ore reserve classification and to expand the existing known mineralisation;
- The transfer of the Khnaiguiyah Mining Licence (and other Project exploration licences) from Manajem to KMC; and
- On-going works to facilitate the grant of an Environmental Permit for the commencement of mining operations under the Khnaiguiyah Mining Licence.

⁹

As reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 10 to 23 of Alara's 2010 Annual Report)

COMPANY PROJECTS

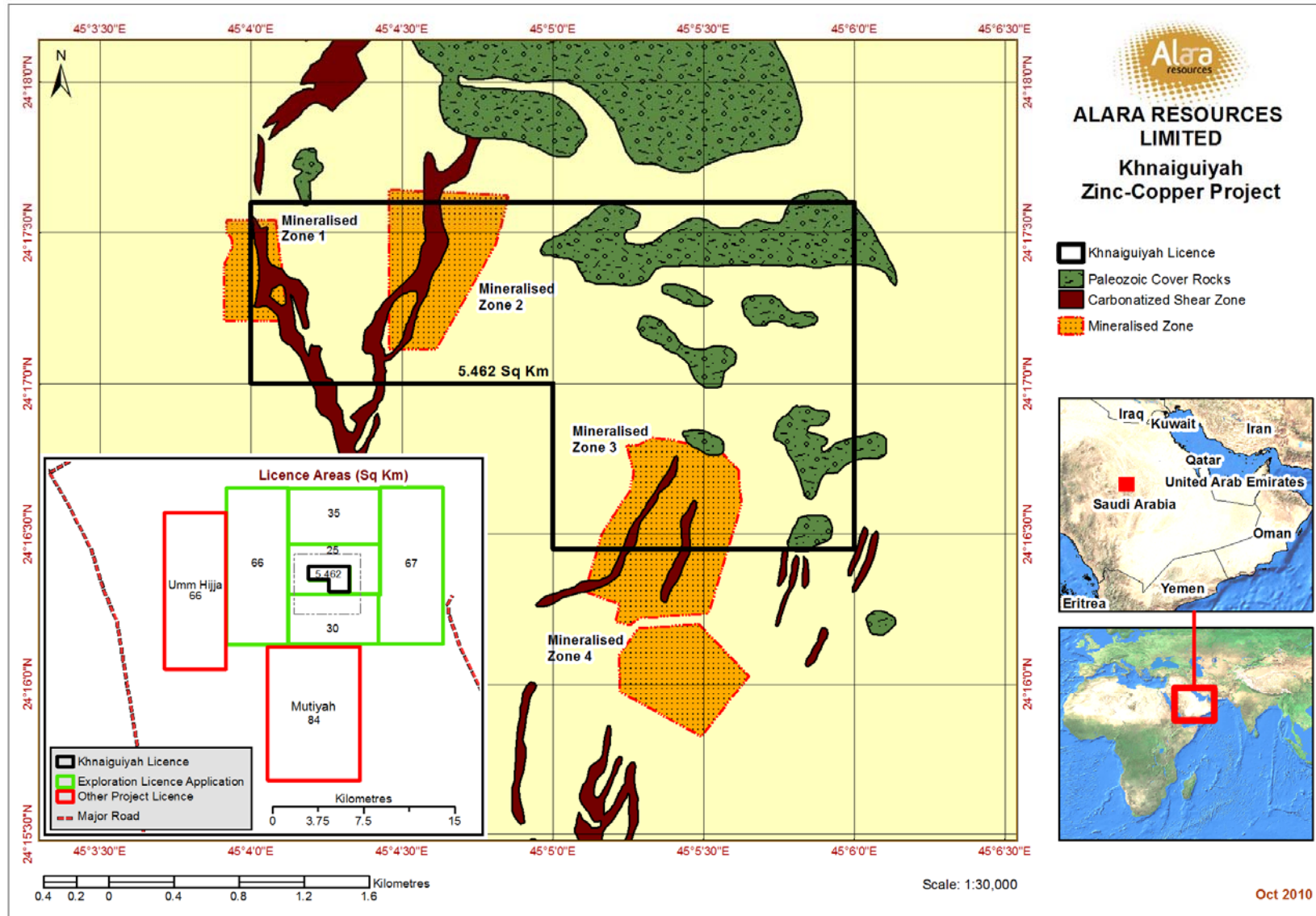
Alara's indicative development work programme for the next 12 months is illustrated below:



COMPANY PROJECTS



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



COMPANY PROJECTS

2. Daris Copper-Gold Project (Oman)

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

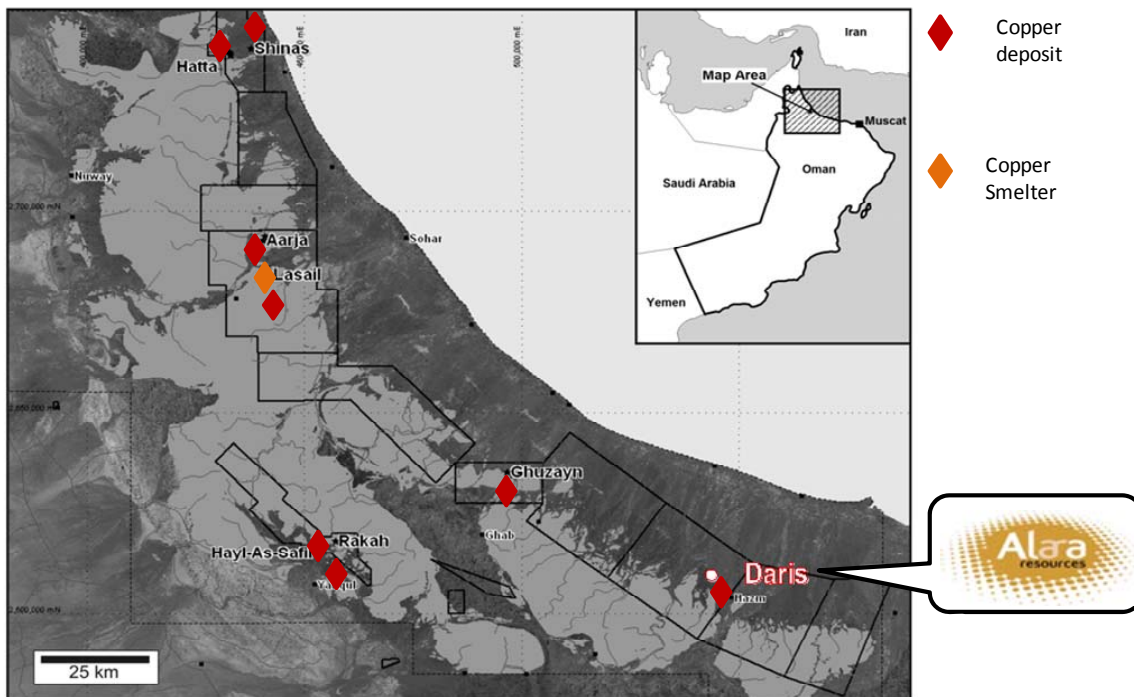
Alara has a 50% interest (with a right to increase this to 70%+) in the Daris Copper-Gold Project located in Oman, via an initial 50% shareholding interest in a newly formed joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

Alara plans to pursue a twofold strategy in the project area:

- (1) To develop high grade oxide / sulphide mineralisation that may be amenable to heap leaching or at custom treatment facilities nearby; and
- (2) To explore shallow and deeper sulphide mineralisation using modern geophysical and geochemical techniques.

The proximity to the capital city, a paved highway and modern copper extraction facilities nearby (in Sohar) should assist in the development of early cash flow from any discoveries made in the Daris Project area.

Figure 6: Daris Copper Project Location



Please refer to Alara's 2010 Annual Report, at pages 28 to 31, for further technical information on the Daris Project.

The key terms of the Shareholders' Agreement (dated 28 August 2010) between Alara and Al Tamman Trading Establishment LLC (**ATTE**) (the Vendor) were outlined in Alara's market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)" and are also in Alara's 2010 Annual Report, at page 32.



COMPANY PROJECTS

Drilling Programme

A 27 hole diamond and rotary initial drilling programme has been completed (in Q4 2010) on targets identified by Alara within two of the twelve known copper occurrences within the Daris Project area:

- (i) **Daris East prospect** - 21 rotary and 3 diamond core holes were drilled to test shallow oxide mineralisation for a potential heap leach operation and to locate massive sulphide zones beneath the oxide cap; and
- (ii) **Daris 3A-5 prospect** (located ~10 kilometres north-west of Daris East) - 3 diamond core holes were drilled to test shallow sulphide mineralisation around a known gossan, based upon government-funded exploration work conducted by various agencies over the past 30 years.

The results of this drilling campaign have confirmed the presence of sulphide mineralisation over a strike distance of over 100m at Daris East covered by a wider cap of oxide mineralisation with variable thicknesses and grades.

The results of the 21 rotary holes at Daris East and 3 diamond core holes at Daris 3A-5 were outlined in Alara's ASX market announcements dated 6 October 2010 and titled "[High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman](#)" and dated 26 October 2010 and entitled "[Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman](#)" and are also in Alara's 2010 Annual Report, at pages 29 to 31.

The results of the 3 diamond core holes at Daris East were announced in an Alara market announcement dated 13 December 2010 and entitled "[Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman](#)".

Highlights of that initial drilling programme are as follows (refer also Figure 7):

Diamond Core Initial Programme (Q4 2010)

- 17.20m at 8.05% copper, as copper sulphides and 2.67 g/t gold, from 51.50m including several intersections between 10% to 14.7% copper (D3DC003)
- 11.90m at 5.74% copper, as copper sulphides from 34.35m (D3DC002)
- 3.45m at 10.28% copper (including 1m at 16.0% copper), as copper sulphides from 50.60m (D3DC002)
- 17.85m at 2.61 g/t gold from 28.40m (D3DC002)
- 3.45m at 3.10 g/t gold from 50.60m (D3DC002)
- 6.10m at 5.81% copper, as copper sulphides from 31.55m (D3DC001)
- 18.65m at 3.80 g/t gold from 19.0m (D3DC001)

Rotary Hole Initial Programme (Q4 2010)

- 4m at 5.33% copper as copper sulphides and 0.41g/t gold from 34m including 1m at 6.46% copper from 34m; 7m at 2.45% copper as copper sulphides and 0.25g/t Gold from 38m (DERO009)
- 23m at 1.23% copper as copper oxide from 7m, including 1m at 2.7% copper from 17m (DERO006)
- 8m at 1.26% copper as copper oxide from 28m; 8m at 2.88g/t gold from 1m, including 1m at 12.4 g/t from 4m (DERO004)

Alara has commenced a phase 2 step-out drilling programme at the Daris East prospect to test the presence of sulphide mineralisation to the west of the previously encountered mineralisation. An initial 2nd phase programme of 1000m of diamond HQ holes commenced in March 2011, which will be expanded once the helicopter borne electromagnetic VTEM survey (referred to below) has been completed.

On 19 April 2011, Alara announced the completion of four diamond core drill holes with massive sulphide mineralisation ranging in thickness from 2.85m to 7.25m intersected in three (DEDC005, DEDC006 and DEDC007) of the four completed drill holes confirming the westward continuity of the mineralised zone over 160m and still open to the west.

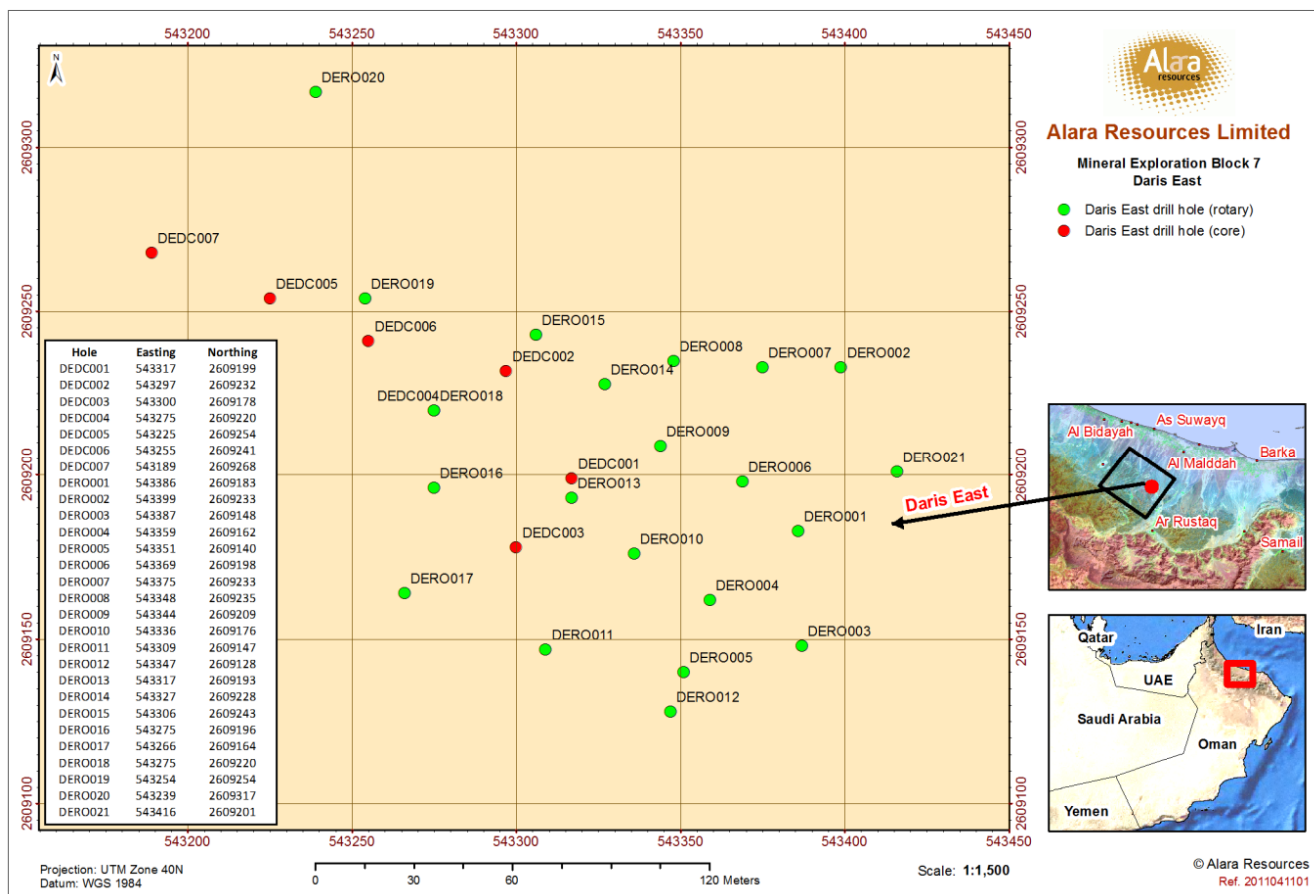
COMPANY PROJECTS

A summary of the copper assay results for these three core drill holes at the Daris East prospect are:

- 7.25m at 4.08% copper as copper sulphides from 49.95m in DEDC005
- 4.4m at 2.02% copper as copper sulphides from 51.6m in DEDC006
- 2.85m at 4.55% copper as copper sulphides from 30.65m in DEDC007

Please refer to Figure 7 for the drill hole locations at the Daris East prospect under the previous and current 2nd phase drilling campaign (to date).

Figure 7: Daris East Prospect Drill Hole Location



VTEM Electromagnetic Survey

Alara has completed (in March 2011) a helicopter-borne electromagnetic VTEM survey covering prospective areas within the Daris Project, including areas with high grade copper and copper gold intersections (from the initial drilling programme) reported within the Daris 3A-5 and Daris East prospects.

The VTEM survey is a geophysical technique appropriate for the region for locating volcanogenic massive sulphide (VMS) style of mineralisation. The electromagnetic and magnetic geophysical survey of ~1203 line kilometres was completed by Geotech Airborne Malta Limited.

The survey is expected to:

- Outline the potential for extension of the drilled mineralisation along strike and depth; and
- Discover additional areas prospective for massive sulphide mineralisation.



COMPANY PROJECTS

Alara has received (April 2011) preliminary VTEM data for which interpretation has been commenced. The Daris East mineralisation is clearly identified on two flight lines. Interpretation and field checking of various other conductors identified in the survey is expected to be completed in May 2011.

After reviewing the results of the VTEM geophysical survey, a further drilling programme will be planned, in the first instance to extend the previously drilled mineralisation and secondly to drill additional high priority potential clusters.

Daris Resources LLC Joint Venture Shareholders' Agreement

The Daris Resources LLC shareholders' agreement¹⁰ is subject to conditions precedent to be satisfied or waived by Alara within 6 months (which has been extended by mutual agreement of the parties by a further 6 months expiring in 27 August 2011), including, amongst other matters, the incorporation of DarisCo (which has occurred), the execution of the management agreement and ancillary loan agreement (which is expected to be executed within Q2 2011) and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals. As at the date of this report, the conditions precedent have not been satisfied.

Alara Resources LLC Joint Venture Shareholders' Agreement

Alara has also formed a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) with Sur United International Co. LLC (**SUR**), to identify, secure and commercially exploit other resource projects in Oman. During Q4 2010, AlaraCo has lodged an application for an exploration licence and is in the process of filing applications over several other prospects.

The Alara Resources LLC shareholders agreement¹¹ is subject to conditions precedent to be satisfied or waived by Alara within 6 months (which has been extended by mutual agreement of the parties by a further 6 months expiring in 7 August 2011), including the incorporation of AlaraCo (which has occurred), the execution of an ancillary loan agreement (which is expected to be executed within Q2 2011) and an exploration license being granted to AlaraCo. As at the date of this report, the conditions precedent have not been satisfied.

¹⁰ On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with ATTE holding 50%) and will advance US\$3 million as equity during a 3 year period - Alara has contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000). Thereafter, Alara will advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo will have exclusive rights under a management agreement with ATTE to manage, operate and commercially exploit the concession.

¹¹ On 8 August 2010, Alara Oman Operations Pty Limited 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. Alara has contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000) for a 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Thereafter, Alara is entitled to advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends).

COMPANY PROJECTS

3. El Quillay Copper-Gold Project (Chile)

(Alara - right to earn-in 70%)

In August 2010, Alara secured rights to acquire (subject to completion of due diligence) a 70% interest in the El Quillay Copper-Gold Project located in the north of Chile.

The project, which comprises 4 project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida), presents several drill targets:

- El Quillay Norte (North) - Copper prospect along the El Quillay regional fault zone (which has a recent decline);
- El Quillay Central - Copper prospect along the El Quillay fault zone;
- El Quillay Sue (South) - Copper-gold prospect along the regional fault zone;
- Lana-Corina - Two breccia pipes 40m to 50m wide with a deep shaft and underground workings. The breccia pipes extend into a porphyry copper deposit where 2 holes have intersected greater than 130m of mineralisation, one of which intersected 180m of 0.70% Cu and up to 200ppm Mo;
- Vaca Muerta - along the El Quillay regional fault zone with many workings in parallel near vertical structures with grades encountered from due diligence sampling of up to 3.8% Cu over 2m; and
- La Florida - exploration potential along the El Quillay regional fault zone.

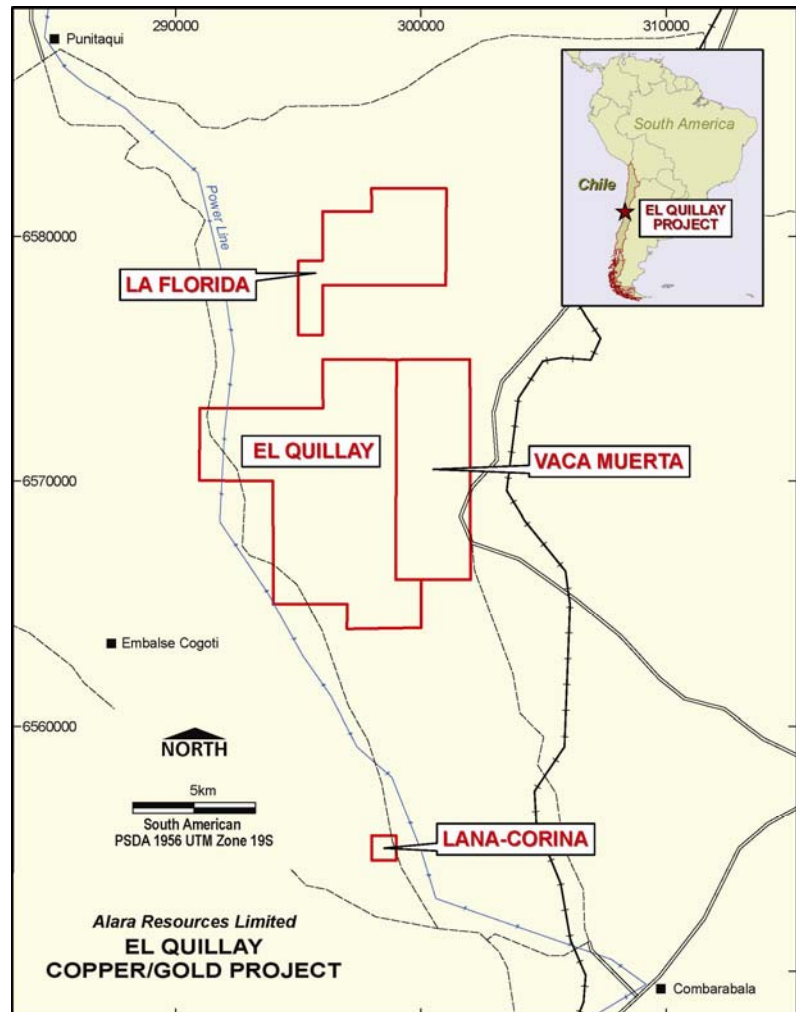


Figure 8: El Quillay Project Location

Please refer to Alara's 2010 Annual Report, at pages 24 to 27, for further technical information on the El Quillay Projects.

The key terms of the term sheet (dated 17 August 2010) executed with Chilean vendors, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the Vendors), were outlined in an Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition - El Quillay Copper Gold Project in Chile](#)" and are also in Alara's 2010 Annual Report, at page 27.

Alara's legal due diligence investigations are on-going and the parties are progressing towards the execution of the more definitive joint venture agreements. The timetable for completion of these matters has been extended by mutual agreement of the parties to 1 June 2011.



COMPANY PROJECTS

4. Marjan Project (Saudi Arabia)

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

Alara has recently secured a 50% interest in the Marjan Project in Saudi Arabia.¹²

Project Summary

- Predominantly gold prospect with associated silver, zinc and copper
- Historical drilling in the Marjan Project area has returned values up to 7g/t Au, 31.3 g/t Ag, 4.7% Zn, and 1.6% Pb over 3m
- Grab samples from the Marjan Project area have returned values of up to 0.7% Cu, 22.4% Zn, 100g/t Ag, 2.18g/t Au and 5.4% Pb
- The Marjan Project is located within trucking distance approximately 30kms south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project

Project Details

The Marjan Project comprises three Exploration Licences that have a combined area of approximately 260km². Based on limited historic exploration work, the Company believes these licences are prospective for gold, silver, copper and zinc.

They are located close to the Khnaiguiyah Project as illustrated by Figure 8.

Geology And Historical Exploration

The Marjan Project is situated within a north-trending belt of mafic to felsic metavolcanic rocks. BRGM¹³ carried out limited exploration in the area during the period between 1977 and 1981. Four soil and rock geochemical anomalies were identified. Grab samples from the area returned values of up to 0.7% Cu, 22.4% Zn, 100g/t Ag, 2.18g/t Au and 5.4% Pb.

A four hole percussion drilling programme returned values up to 7g/t Au, 31.3 g/t Ag, 4.7% Zn, and 1.6% Pb over 3m.

Initial Exploration Programme

Alara will conduct a programme of trenching and trench sampling to expand on the previous surface sampling, conduct ground geophysical surveys and drilling to outline a resource in the area.

Joint Venture Agreement Terms

Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of Alara Resources Limited) (**Alara**) entered into a Shareholders Agreement (dated 17 April 2011) with United Arabian Mining ("Manajem" in Arabic) Company (**Manajem**) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company (**JVCo**), which will receive transfer of the licences from Manajem and in which Alara will have a 50% shareholding.

Alara will fund (as loan capital to JVCo repayable out of JVCo'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 JVCo 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.

¹² Refer Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)"

¹³ Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (www.brgm.fr)

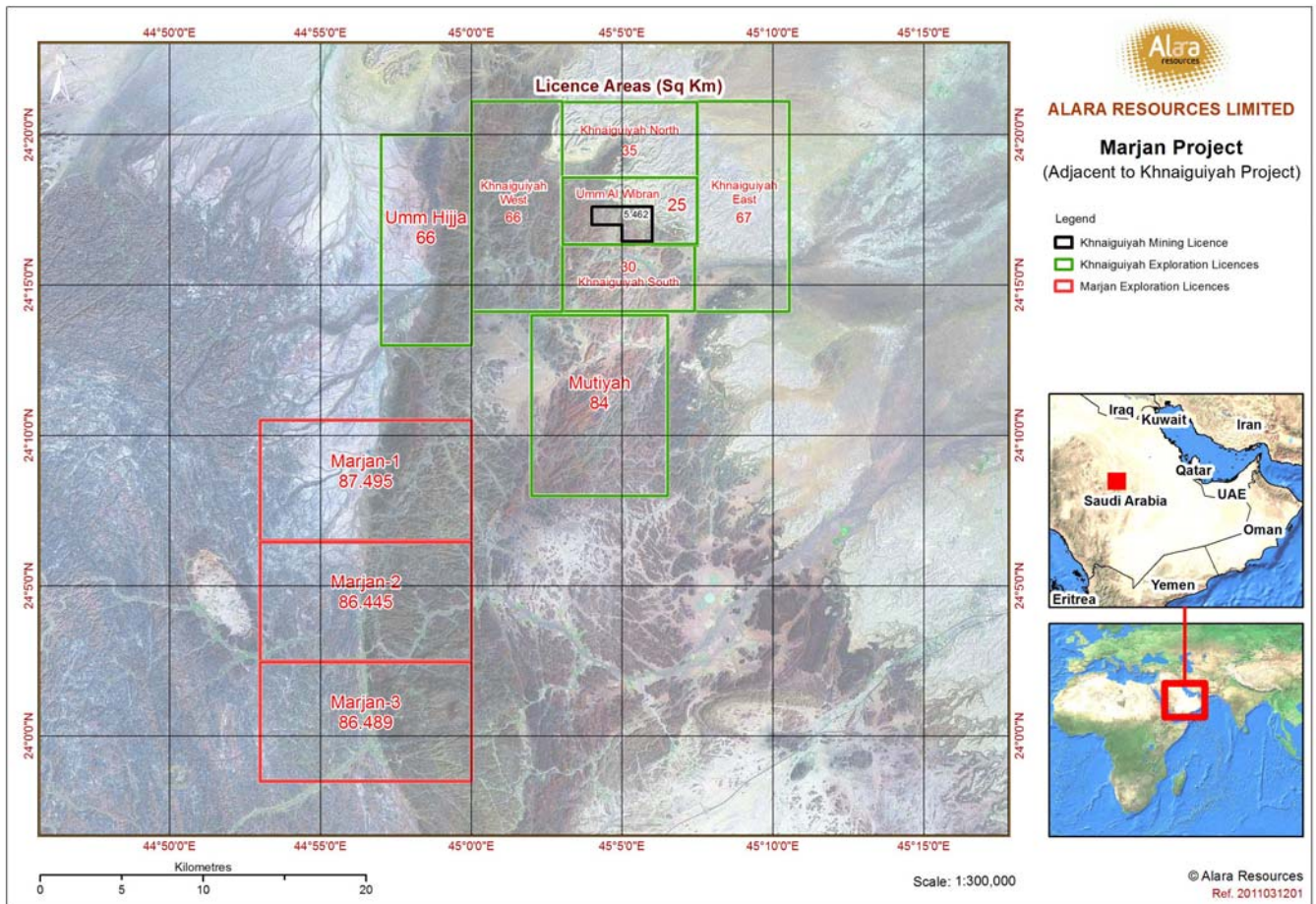
COMPANY PROJECTS

The Marjan Project exploration licences will be transferred from Manajem into JVCo upon Alara completing a minimum US\$1 million funding into JVCo (within a 2 year term). A 'Resource Bonus' is also payable to Manajem calculated at the rate of US\$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the Project area.

JVCo will be managed by a Board of Directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. A condition precedent to the Shareholders Agreement is the incorporation and registration of JVCO, which is expected to be completed within the next one to two months, and the execution of ancillary agreements arising therein.

Alara has also completed payment of US\$200,000 in February and April 2011 to Shahayd Trading Establishment (Saudi Arabia) pursuant to a Consultancy Agreement (dated 19 October 2010) for the introduction of the Marjan Project to Alara.

Figure 8: Marjan Licence Locations Adjacent to Khnaiguiyah Project



COMPANY PROJECTS

5. Awtad Copper-Gold Project (Oman)

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

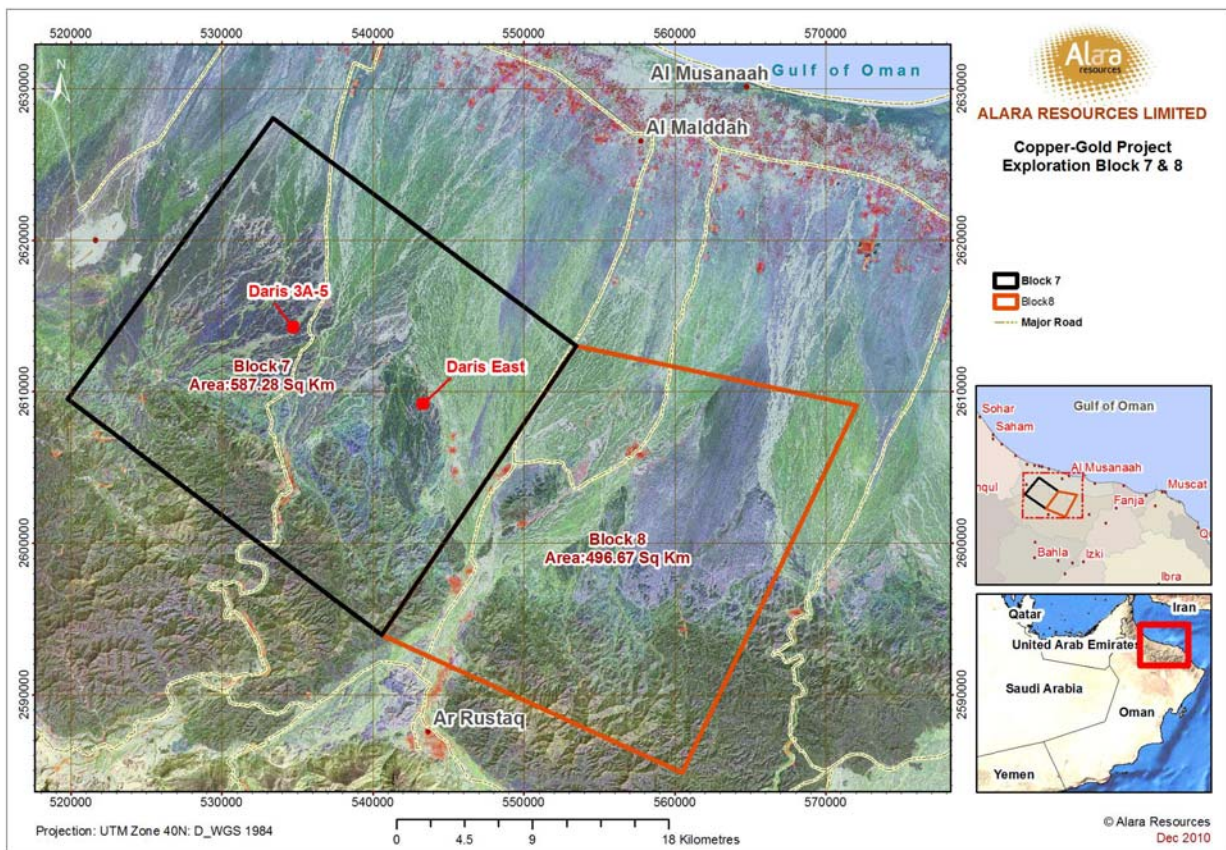
Alara has recently secured rights to earn-in up to a 70% interest in the Awtad Copper-Gold Project located in Oman.¹⁴

The Licence Area No. 8 (Block 8) comprising the Awtad Project is located immediately adjacent to the Licence Area No. 7 (Block 7) comprising the Daris Copper-Gold Project in which Alara has an interest.

Project Summary

- The Awtad Project contains a known occurrence of copper mineralisation based upon previous exploration.
- Alara is targeting Cyprus type VMS deposits in close proximity to known deposits. The VMS prospectivity model of Block 8 has identified five target areas along the strike extension of known copper occurrences.
- The Awtad Project area is ~120km by paved highway from an operating copper concentrator and smelter in Sohar.

Figure 9: Awtad “Block 8” Project Location Adjacent to Daris “Block 7” Project



¹⁴

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



COMPANY PROJECTS

Project Details

The Project is located ~130km west of Muscat, the capital of Oman and currently comprises a mineral excavation license for copper ores of ~49,667 hectares (**Concession**). The Concession owner is currently seeking an expansion of the mineral rights from copper to include gold ores.

The Awtad Project is located in the Semail Ophiolite belt in Northern Oman that extends over 800km. This belt provides a prospective setting for Cyprus-type VMS copper gold deposits. In the past, the Government-owned Oman Mining Company has produced, mined and treated 14 million tonnes of copper resource at between 1 to 2% copper from open cut mines at their Lasail, Arja and Baida mines in this belt.

More recently, a privately owned Omani company has located a large resource of copper ~70 km west of the Project area.

Alara believes that the Awtad Project area has the potential to host substantial copper mineralisation and plans to pursue a systematic modern exploration programme over Block 8.

The proximity to the capital city, a paved highway and modern copper extraction facilities nearby (in Sohar) should assist in the development of early cash flow from any discoveries made in the Awtad Project area.

Initial Exploration Programme

A detailed study of the available geological, geophysical and GIS data over Block 8 has been recently carried out and a Cyprus type VMS prospectivity model has been constructed.

The study has identified five potential target areas within Block 8. The first priority target area of ~15 kms² is located immediately adjoining Block 7 to the west where Alara has recently announced significant copper and gold mineralisation at Daris 3A-5 and Daris East prospects within Block 7.

An airborne VTEM geophysical survey (carried out in conjunction with a survey over the Daris "Block 7" Project) has recently been completed over this first priority target area which involves 85 flight line kilometres at 200m spacing.

Analysis and geophysical interpretation of the VTEM data (pending completion in Q2 2011) will form the basis of further ground exploration including drilling of identified anomalies, correlation to other prospectivity model targets in Block 8 and geochemical sampling.

Subject to the outcomes and assessment of this first phase of exploration, a detailed second phase exploration programme is proposed to commence in Q2 2011.

Joint Venture Agreement Terms

Alara Oman Operations Pty Limited (a wholly owned subsidiary of Alara Resources Limited) (**Alara**) has entered into a Shareholders Agreement (dated 24 April 2011) with the Concession holder, Awtad Copper LLC (**Awtad** or **JVCo**), and the local shareholders of Awtad (**Awtad Shareholders**), on the following material terms:

- (1) Alara is entitled to earn-in up to a 70% shareholding interest in JVCo by funding exploration and evaluation and completion of a definitive bank feasibility study (DFS) over a 5 year term. Alara will also be reimbursing Awtad Shareholders 40,000 RO (equivalent to ~A\$97,000) for past concession maintenance costs.
- (2) Alara will secure an initial 10% shareholding interest in JVCo by contributing US\$0.5 million equity capital into JVCo. Alara will then fund all on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$2.5 million into JVCo during the first 3 years, it will increase its shareholding interest in JVCo to 51%. This will increase to 70% upon the completion of a DFS (funded by Alara) within the balance of the term.
- (3) Post completion of DFS, the JVCO shareholders have to contribute any required equity funding or dilute in accordance with an industry standard dilution formula. If a shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholders in exchange for a 2% net smelter return.



COMPANY PROJECTS

- (4) Awtad Shareholders are entitled to a once-off election to maintain their interest at 49% (with Alara holding 51%) if a threshold resource of 20,000 or more tonnes of contained Copper has been delineated within the Project area (within a JORC Measured Copper Resource with a cut-off grade above 0.5% and an average grade above 2%) as at the date Alara has completed its 51% earn-in (prior to completion of a DFS). If the Awtad Shareholders exercise this election, on-going funding of JVCo (including to complete the DFS) will be pro-rata to JVCo's shareholding interest (ie. Alara 51% and Awtad Shareholders 49%).
- (5) JVCo will be governed by a 4 member Board with 2 nominees appointed by Alara and the Vendors. Alara is entitled to appoint the Chairman, who has a casting vote, and also the Managing Director.
- (6) The shareholders agreement is also subject to conditions precedent (to be satisfied within 60 days), including completion of due diligence within 30 days, reissuance of the Project Licence (expanded to include gold ores/minerals) and JVCo settling all liabilities owed to the Awtad Shareholders.

6. Update: Canning Well Manganese Farm-Out¹⁵

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

Alara has farmed-out the Canning Well Exploration Licence 46/629 tenement to Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN) for the potential mining of manganese.

PMI has advised that no further work was undertaken on the tenement during the March 2011 quarter and detailed geological reconnaissance is planned for Q2 2011.

7. Update: Bigrlyi South Uranium Farm-Out Venture¹⁶

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

Alara's joint venture partner, Thundelarra Exploration (THX) has provided Alara with the following update:

- (a) Thundelarra completed interpretation of 2267 line kilometres of regional airborne electromagnetic Tempest (EM) survey conducted in Q4 2010, which has identified over 400 kilometres of paleochannel systems within the Lower Tertiary sequence of the Ngalia Basin. The EM survey has provided results demonstrating that the Ngalia Basin paleochannel systems are extensive within Thundelarra's project area (which includes the Alara joint venture tenements);
- (b) Thundelarra has commenced a 155 hole 20160 metre drilling campaign designed to further test the extensive Ngalia palaeochannel system; and
- (c) Subject to receipt of heritage and regulatory approvals, a drilling programme is planned for the Alara joint venture tenements EL 24879, EL 24928 and EL 24929.

¹⁵ Under an agreement dated March 2010, PMI will determine the feasibility of a manganese mining operation on the Canning Well Exploration Licence 46/629 tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

¹⁶ Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licenses EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration License application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant.

COMPANY PROJECTS

8. Peruvian Uranium Concessions



The Crucero Uranium Project comprises 4 concessions covering an area of ~31km². The concessions are located 45km south-east of the town of Crucero.

The Coasa Project comprises 4 concessions covering an area of ~32km². The concessions are centred on the town of Coasa, located in the Macusani east district.

Alara is currently seeking to farm-out or dispose of its interests in these Peruvian uranium concessions.



CORPORATE

Cash Position and Listed Securities

The Alara group's cash (and investments in listed securities) position as at 31 March 2011 was \$8.1 million (31 December 2010: \$13.1 million).

As at 31 March 2011, Alara's investment in listed securities had a total value of \$1.30 million (31 December 2010: \$1.54 million).

\$30.24 Million / 84 Million Shares Capital Raising

Alara announced on 14 April 2011¹⁷ that it had undertaken a placement of 84 million shares at \$0.36 per share to raise a total of \$30.24 million (**Placement**). The Placement was managed by Petra Capital Pty Ltd (**Petra Capital**) and was accepted by professional and institutional investors. Petra Capital will receive a commission on the gross funds raised under the Placement.

The new shares issued under the Placement comprise two tranches:

- (1) **Tranche 1:** 18 million shares (raising \$6,480,000 gross) issued within the Company's 15% placement capacity under ASX Listing Rule 7.1¹⁸; and
- (2) **Tranche 2:** 66 million shares (to raise \$23,760,000 gross) to be issued subject to shareholder approval under ASX Listing Rule 7.1.

The Placement issue price of \$0.36 per share represents a discount of 10% to the \$0.40 closing price of the Company's shares on 11 April 2011 (the date prior to the Company requesting a 2 day trading halt to conduct and complete the Placement) and a discount of approximately 0.4% to the \$0.3615 volume weighted average price (**VWAP**) for the Company's shares on ASX over the 30 days preceding the trading halt requested by the Company on 12 April 2011.

The \$30.24 million funds raised under the Placement, after expenses of the issue, will be applied principally towards the costs of development of the Company's flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and exploration, evaluation and development of the Company's resource projects in Oman (including the Daris Copper-Gold Project) and the El Quillay Copper-Gold Project in Chile. The balance of the funds, together with the Company's existing cash and liquid investments, will be applied towards the evaluation of resource projects by the Company and for general working capital purposes.

A general meeting has been convened for 26 May 2011 to seek shareholder approval, amongst other matters, for Tranche 2.

General Meeting - 26 May 2011

A General Meeting of shareholders will be held at Meeting Room 10, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia at 10:30am (Perth time) on Thursday, 26 May 2011. Please refer to the [Notice of Meeting and Explanatory Statement dated 15 April 2011](#) and lodged and released on ASX on 27 April 2011 for further details of the resolutions being put to shareholders for approval.

NOTES:

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

¹⁷ Refer Alara market announcement dated 14 April 2011 and entitled "[Completion of \\$30 Million Capital Raising](#)"

¹⁸ Refer Alara market announcement dated 21 April 2011 and entitled "[Completion of Tranche 1 \\$6.48 Million Share Placement and Updated Top 20 Shareholders](#)"



MINERAL CONCESSIONS

KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

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

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

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

Also refer to Alara's 2010 Annual Report (at page 8) for further information on the Khnaiguiyah Project joint venture terms.

DARIS COPPER-GOLD PROJECT IN OMAN

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

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

Refer to market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)."

Also refer to Alara's 2010 Annual Report (at page 32) for further information on the Daris Resources LLC and Alara Resources LLC joint venture terms.

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises 68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

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

Refer to market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)".

Also refer to Alara's 2010 Annual Report (at pages 36 to 37) for further information on the El Quillay joint venture terms.

MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

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

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

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

AWTAD COPPER-GOLD PROJECT IN OMAN

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

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

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



MINERAL CONCESSIONS

AUSTRALIAN MINERAL TENEMENTS

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

PERUVIAN MINERAL CONCESSIONS

Crucero Project:

| Concession | Code | Application/Grant Date | Area (Hectares) | National Map | LOCATION | | |
|------------|-------------|------------------------|-----------------|--------------|----------|-----------------------|------------|
| | | | | | District | Province | Department |
| Lituania 1 | 01-02481-07 | 31 July 2007 | 600 | 29-X | Crucero | Carabaya | Puno |
| Lituania 2 | 01-02482-07 | 10 September 2007 | 1000 | 29-X | Crucero | Carabaya | Puno |
| Lituania 3 | 01-02483-07 | 25 September 2007 | 1000 | 29-X | Crucero | Carabaya | Puno |
| Lituania 8 | 10029708 | 27 June 2008 | 500 | 29-X | Putina | Sn. Antonio de Putina | Puno |

Coasa Project:

| Concession | Code | Application/Grant Date | Area (Hectares) | National Map | LOCATION | | |
|--------------|-------------|------------------------|-----------------|--------------|--------------|----------|------------|
| | | | | | District | Province | Department |
| Cochacucho 1 | 01-02461-07 | 5 September 2007 | 800 | 28-V | Ituata/Coasa | Carabaya | Puno |
| Cochacucho 2 | 01-02463-07 | 31 July 2007 | 800 | 28-V | Coasa/Ituata | Carabaya | Puno |
| Cochacucho 3 | 01-02463-07 | 31 July 2007 | 800 | 28-V | Ituata/Coasa | Carabaya | Puno |
| Lituania 4 | 01-02484-07 | 5 September 2007 | 800 | 29-X | Coasa | Carabaya | Puno |

SECURITIES INFORMATION

as at 20 April 2011



ISSUED SECURITIES

| | Quoted on ASX | Unlisted | Total |
|---|--------------------|-------------------|--------------------|
| Fully paid ordinary shares | 144,507,500 | - | 144,507,500 |
| \$0.55 (26 July 2012) Unlisted Options ¹⁹ | - | 500,000 | 500,000 |
| \$0.35 (16 September 2013) Unlisted Options ²⁰ | - | 16,400,000 | 16,400,000 |
| \$0.35 (16 September 2013) Unlisted Options ²⁰ | - | 1,035,000 | 1,035,000 |
| \$0.35 (25 October 2014) Unlisted Options ²¹ | - | 3,650,000 | 3,650,000 |
| \$0.60 (25 October 2014) Unlisted Options ²¹ | - | 2,000,000 | 2,000,000 |
| \$0.35 (22 August 2015) Unlisted Options ²² | - | 400,000 | 400,000 |
| Total | 144,507,500 | 23,985,000 | 168,492,500 |

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

| Date of Issue | Description of Unlisted Options | Exercise Price | Expiry Date | Vesting Criteria ²³ | No. of Options |
|-------------------|------------------------------------|----------------|-------------------|--|----------------|
| 27 July 2007 | \$0.55 (27 July 2012) Options | \$0.55 | 26 July 2012 | 1/3 rd on 27 January 2008, 1/3 rd on 27 July 2008 and 1/3 rd on 27 January 2009 | 500,000 |
| 17 September 2008 | \$0.35 (16 September 2013) Options | \$0.35 | 16 September 2013 | 75% on grant and 25% on 17 September 2009 | 16,400,000 |
| 17 September 2008 | \$0.35 (16 September 2013) Options | \$0.35 | 16 September 2013 | 50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010 | 1,035,000 |
| 26 October 2009 | \$0.60 (25 October 2014) Options | \$0.60 | 25 October 2014 | 100% on date of issue | 1,000,000 |
| 30 November 2009 | | | | | 1,000,000 |
| 26 October 2009 | \$0.35 (25 October 2014) Options | \$0.35 | 25 October 2014 | 100% on date of issue | 1,650,000 |
| 30 November 2009 | | | | | 2,000,000 |
| 23 August 2010 | \$0.35 (22 August 2015) Options | \$0.35 | 22 August 2015 | 100% on date of issue | 400,000 |

¹⁹ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

²⁰ 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](#)

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

²² Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

²³ Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 20 April 2011



DISTRIBUTION OF ORDINARY FULLY PAID SHARES

| Spread | of | Holdings | Number of Holders | Number of Units | % of Total Issue Capital |
|--------------|----|----------|-------------------|--------------------|--------------------------|
| 1 | - | 1,000 | 1,258 | 507,719 | 0.351 |
| 1,001 | - | 5,000 | 424 | 1,041,372 | 0.721 |
| 5,001 | - | 10,000 | 281 | 2,421,817 | 1.676 |
| 10,001 | - | 100,000 | 506 | 17,360,059 | 12.013 |
| 100,001 | - | and over | 117 | 123,176,533 | 85.239 |
| Total | | | 2,586 | 144,507,500 | 100% |

TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

| Rank | Shareholder | Total Shares | % Issued Capital |
|--------------|---|-------------------|------------------|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 10,402,318 | |
| | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 10,582,382 | |
| | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3 | 25,351 | |
| | Sub-total | 21,010,051 | 14.539 |
| 2 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 20,713,243 | |
| | JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C> | 2,469,919 | |
| | Sub-total | 23,183,162 | 16.043 |
| 3 | NATIONAL NOMINEES LIMITED | 18,993,106 | 13.143 |
| 4 | ORION EQUITIES LIMITED | 7,332,744 | 5.074 |
| 5 | CITICORP NOMINEES PTY LIMITED | 5,161,671 | |
| | CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C> | 320,000 | |
| | Sub-total | 5,481,671 | 3.793 |
| 6 | MRS LINDA SALA TENNA AND MRS LISA SHALLARD | 2,700,000 | |
| | KATANA ASSET MANAGEMENT LTD | 1,180,000 | |
| | Sub-total | 3,880,000 | 2.685 |
| 7 | RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C> | 3,255,208 | |
| | RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C> | 3,365 | |
| | Sub-total | 3,258,573 | 2.255 |
| 8 | BENTLEY CAPITAL LIMITED | 2,000,000 | 1.384 |
| 9 | GWYNVILL TRADING PTY LTD | 1,971,527 | 1.364 |
| 10 | COGENT NOMINEES PTY LIMITED | 1,870,627 | 1.294 |
| 11 | FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C> | 1,378,860 | 0.954 |
| 12 | URBAN PAT PTY LTD <THE SUPERACE FUND A/C> | 1,300,000 | 0.900 |
| 13 | MR ROBERT SPADANUDA <SUPER FUND A/C> | 1,140,000 | 0.789 |
| 14 | THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C> | 1,078,350 | 0.746 |
| 15 | BLUEFLAG HOLDINGS PTY LTD <THE BLUEFLAG A/C> | 1,053,000 | 0.729 |
| 16 | MR PETER KELVIN RODWELL | 1,000,000 | 0.692 |
| 17 | MR ROBERT GEMELLI | 1,000,000 | 0.692 |
| 18 | MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MISS CAROL ROBIN JONES <SCOPA FAMILY A/C> | 955,737 | 0.661 |
| 19 | COVELANE GOLD COAST PTY LTD <COVELANE SUPER FUND A/C> | 929,561 | 0.643 |
| 20 | UBS NOMINEES PTY LTD | 927,080 | |
| | UBS NOMINEES PTY LTD <TP00014 15 A/C> | 1,762 | |
| | Sub-total | 928,842 | 0.643 |
| Total | | 99,745,811 | 69.023% |

Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Alara Resources Limited and controlled entities

ACN or ARBN

122 892 719

Quarter Ended

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities

1.1 Receipts from product sales and related debtors

1.2 Payments for

(a) exploration and evaluation

(b) development

(c) production

(d) administration

1.3 Dividends received

1.4 Interest and other items of a similar nature received

1.5 Interest and other costs of finance paid

1.6 Income taxes paid

1.7 Other (provide details if material)

Net operating cash flows

| Consolidated | |
|--|-------------------------------------|
| Current Quarter March 2011 \$' 000 | Year to Date 9 months \$' 000 |
| - | - |
| (573) | (1,052) |
| - | - |
| - | - |
| (741) | (2,502) |
| - | - |
| 29 | 146 |
| - | - |
| - | - |
| - | - |
| (1,285) | (3,408) |

| | Consolidated | |
|--|--|-------------------------------------|
| | Current Quarter March 2011 \$' 000 | Year to Date 9 months \$' 000 |
| 1.8 Net operating cash flows (carried forward) | (1,285) | (3,408) |
| Cash flows related to investing activities | | |
| 1.9 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | (3,413) | (3,814) |
| (c) other fixed assets | (51) | (51) |
| 1.10 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other (provide details if material) | | |
| Joint venture company loans | 13 | 13 |
| Net investing cash flows | (3,451) | (3,852) |
| 1.14 Total operating and investing cash flows | (4,736) | (7,260) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | 10,580 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Repayment of borrowings | - | - |
| 1.19 Dividends paid | - | - |
| 1.20 Other (provide details if material) | | |
| Share issue costs | - | (587) |
| Net financing cash flows | - | 9,993 |
| Net increase (decrease) in cash held | (4,736) | 2,733 |
| 1.21 Cash at beginning of quarter/year to date | 11,523 | 4,332 |
| 1.22 Exchange rate adjustments to item 1.20 | 11 | (267) |
| 1.23 Cash at end of quarter | 6,798 | 6,798 |

**Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the
related entities**

| | Current Quarter March 2011 \$' 000 |
|---|--|
| 1.24 Aggregate amount of payments to the parties included in item 1.2 | (150) |
| 1.25 Aggregate amount of loans to the parties included in item 1.10 | - |

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

Financing facilities available

| | Amount available \$' 000 | Amount used \$' 000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | | Next Quarter \$' 000 |
|--------------|----------------------------|-------------------------|
| 4.1 | Exploration and evaluation | (4,200) |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | (900) |
| Total | | (5,100) |

Reconciliation of cash

Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

| | Consolidated | |
|--|-------------------------------|--------------------------------|
| | Current Quarter \$' 000 | Previous Quarter \$' 000 |
| 5.1 Cash on hand and at bank | 6,725 | 11,470 |
| 5.2 Deposits at call | 73 | 53 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (Bank Bills) | - | - |
| Total: cash at end of quarter (item 1.22) | 6,798 | 11,523 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (4)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|--------------------------------------|-------------------------------------|-------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | Refer to Quarterly Activities Report | | |
| 6.2 | Interests in mining tenements acquired or increased | Refer to Quarterly Activities Report | | |

Issued and quoted securities at end of current quarter

| | Total number | Number quoted | Issue price per security (see note 5) (cents) | Amount paid up per security (see note 5) |
|--|--------------|---------------|--|---|
| 7.1 Preference securities+ | | | | |
| 7.2 Changes during quarter | | | | |
| (a) Increases through issues | | | | |
| (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 Ordinary securities+ | 126,507,500 | 126,507,500 | | |
| 7.4 Changes during quarter | | | | |
| (a) Increases through issues | | | | |
| (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 Convertible debt securities+ | | | | |
| 7.6 Changes during quarter | | | | |
| (a) Increases through issues | | | | |
| (b) Decreases through securities matured, converted | | | | |
| 7.7 Options | | | <i>Exercise price</i> | <i>Expiry date</i> |
| Unlisted \$0.55 (26 July 2012) Options | 500,000 | - | 55 cents | 26 July 2012 |
| Unlisted \$0.35 (16 September 2013) Options | 16,400,000 | - | 35 cents | 16 September 2013 |
| Unlisted \$0.35 (16 September 2013) Options | 1,035,000 | - | 35 cents | 16 September 2013 |
| Unlisted \$0.35 (25 October 2014) Options | 3,650,000 | - | 35 cents | 25 October 2014 |
| Unlisted \$0.60 (25 October 2014) Options | 2,000,000 | - | 60 cents | 25 October 2014 |
| Unlisted \$0.35 (22 August 2015) Options | 400,000 | - | 35 cents | 22 August 2015 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | - | - | - |
| 7.10 Cancelled during quarter | | | | |
| 7.11 Debentures (totals only) | | | | |
| 7.12 Unsecured notes | | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

29 April 2011

Victor Ho
Company Secretary

Notes:

The Company currently holds the following listed share investments:

| | 31-Mar-11 | 31-Dec-10 |
|-------------------|--------------------|--------------------|
| | Market Value | Market Value |
| Listed securities | \$1,304,469 | \$1,536,772 |
| | <u>\$1,304,469</u> | <u>\$1,536,772</u> |

Share investments are regarded as **liquid assets to supplement the Company's cash reserves**.

+ See Chapter 19 for defined terms

NOTES

- 1) The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note
- 2) The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent
- 3) Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4) The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5) Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6) The Company holds foreign currencies denominated in US dollars and Peruvian Nuevo Soles. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 31 December 2010.