

Alara

Resources

Half Year Financial Report

31 December 2014

Contents

CORPORATE DIRECTORY	3
DIRECTORS' REPORT	4
SAUDI ARABIA	6
OMAN	7
FINANCIAL	11
CORPORATE	11
AUDITOR'S INDEPENDENCE DECLARATION	14
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	15
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONSOLIDATED STATEMENT OF CASH FLOWS	18
NOTES TO THE FINANCIAL STATEMENTS	19
DIRECTOR'S DECLARATION	27
INDEPENDENT AUDITOR'S REVIEW REPORT	28
MINERAL LICENCES – SAUDI ARABIA	30
MINERAL LICENCES – OMAN	31
JORC STATEMENTS – SAUDI ARABIA	32
JORC STATEMENTS – OMAN	33
JORC COMPETENT PERSONS' STATEMENTS	34
DISCLAIMER	34
SECURITIES INFORMATION	35

Corporate Directory

Directors

Ian Williams AO
Non-Executive Chairman

Philip Hopkins
Managing Director

James Phipps
Non-Executive Director

John Hopkins OAM
Non-Executive Director

Company Secretary

Victor Ho

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Auditors

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ASX Code

AUQ

Directors' Report

The Directors present their report on Alara Resources Limited (**Company** or **Alara**) and the entities it controlled (**Consolidated Entity**) at the end of, or during the half-year ended 31 December 2014.

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

Directors

The following persons were Directors of Alara during the half-year to 31 December 2014 and up to the date of this report:

Ian Williams AO	(Non-Executive Chairman)
Philip Hopkins	(Managing Director)
John Hopkins OAM	(Non-Executive Director)
James Phipps	(Non-Executive Director - appointed 1 November 2014)

His Royal Highness (HRH) Prince Abdullah bin Mosaad bin Abdulaziz Al Saud (Non-Executive Director - resigned 1 November 2014)

HRH Prince Abdullah resigned his private sector directorships as a consequence of his recent appointment to a high profile Saudi Arabian Government position as General President of Youth Welfare (effectively, Saudi Arabia's Minister of Sport).

Mr James Phipps is Principal Advisor to, and represents the interests of, HRH Prince Abdullah on the boards of a number of public and private companies and brings considerable local knowledge and experience to the Board in the context of Alara's Middle East and GCC endeavours. Mr Phipps previously served as an alternate Director for HRH Prince Abdullah since his appointment on 29 October 2013.

The Company would like to take this opportunity to again thank HRH Prince Abdullah for his support and contribution and to welcome James Phipps to the Board.

The Company would also like to acknowledge the Medal of the Order of Australia (OAM) awarded to John Hopkins on 26 January 2015 for service to golf and to the minerals and resources sector. The Company is privileged to have two Order of Australia recipients on its Board of Directors.

Half year overview and summary

As noted previously by the Company, the ongoing lack of physical progress in getting the Khnaiguiyah Project mining licence (ML) transferred to the joint venture company (KMC) in Saudi Arabia has been challenging from both a market perspective and on the ground. In spite of these challenges there was progress toward reaching the next milestone in regard to moving this ML forward. Additionally there was significant progress made in taking the Daris and Washihi Copper-Gold Projects in Oman toward production.

The Khnaiguiyah Zinc-Copper Project remains the focus for the Company (and its shareholders) given the very robust nature of this project and the fact that it is in a position to go to finance and construction (the DFS was completed in April 2013). The current delay remains the matter that the ML has not been transferred into the JV vehicle - KMC.

Although it remains unclear why the Khnaiguiyah JV partner has not transferred the ML as agreed prior the Company has advanced on other fronts in regard to progressing this project overall and is focused on the underlying ML itself. Through this approach, the Company remains committed to move the Khnaiguiyah Project ahead as quickly as possible. It is worth noting that there remains a strong and focused interest on the part of the Saudi Arabian Government to advance mining in the country as one of the three pillars of its economy (along with oil & petrochemicals).

The Daris and Washihi Copper-Gold Projects in Oman saw a more progressive path during the period. Given the very strong economic results from the Advanced Scoping Study¹, the Omani Project's options were evaluated and progressed.

1 Refer ASX market announcement dated 14 October 2014 and entitled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)"

The Washihi Project is most attractive in the 1Mtpa throughput range (based on the "Target Case" evaluated in the Advanced Scoping Study) and as such this was the desired outcome relative to moving the project to final evaluation and production. A detailed evaluation of both possible further exploration on the Washihi site or the acquisition of external but known resources (to ensure the required mine life for a stand-alone mining operation of 7-10 years) was completed. It turned out that neither option was viable at this time. Upon further review it was determined that a collaborative approach with the owners of Oman's sole copper refinery (Mawarid Mining LLC) was most attractive. It also turned out that this option was the most profitable.

An MOU has recently been signed between the Washihi JV and Mawarid Mining LLC for the co-evaluation of mining the Washihi deposit and treating this ore in Mawarid's Sohar copper processing plant². In turn, but on a separate project approach, the parties are looking at a smaller and more near term mining and toll treatment scenario of the Daris deposit. Overall and longer term, there remains a strong desire and determination with several groups in the country to see the copper industry grow at this time. The Company's Omani assets factor strongly in this vision. This approach provides a number of longer term opportunities for the Washihi deposit as its size will grow through future additional exploration.

It remains the strategy of the Company to stay focused on the current advanced projects in both Saudi Arabia and Oman in order to maximise their valuation and expedite their progress as quickly as possible.

Given the delays in Saudi Arabia and ongoing work in Oman, the Company has remained focused on cost management and structuring the Company for the work at hand. The third quarter will require the payment of several 'one-off' style annual payments and fees however following this, the monthly expenditure will reduce to the ~\$130k/month level. Further commentary in this regard is provided below.

Key future milestones – second half year 2014

- Resolution on the delay with progressing the Khnaiguiyah ML
- Completion of the Daris toll mining and milling option
- Formalisation and implementation of the next phase of the Washihi Project
- Achievement of a monthly expenditure rate of ~\$130k/month



2 Refer ASX market announcement dated 19 February 2015 and entitled "[Oman Washihi Project Defined – MOU with Mawarid Mining](#)"

Saudi Arabia

Khnaiguiyah Zinc-Copper Project Overview

Expectations of acquiring an additional 10% interest (taking Alara's interest to 60%) in KMC through the previously announced New JV Agreement³ were not maintained during the period. This view was further supported by the progress of legal proceedings between Alara and its Joint Venture Partner, United Arabian Mining Company (Manajem)⁴.

After reaching an impasse with Manajem in June 2014⁵, Alara put a hold on further project expenditure, including further DFS optimisation, pending resolution of the ML transfer to KMC.

Alara later announced it had issued a formal notice of suspension of the SHA to Manajem⁶. This suspension is continuing with no further enhancements to DFS or material progress with respect to project financing occurring while the current situation persists, i.e. while the ML remains with Manajem instead of KMC (as per the SHA).

Despite these challenges, progress and construction of the Khnaiguiyah Project by Alara remains well supported by the local community and government authorities.

Although there has been a lack of material progress with the Project on the ground since the DFS announcement in April 2013 it remains a high Company focus and priority to advance the attainment of the ML. It is not possible however for the Company to define exactly what the next steps are (or the timing of these possible steps) for the Project but every effort is being made to reach the next Project milestone as soon as possible.

Given the inherent risks in such a situation it is important to highlight that:

- Alara has contingency plans to deal with such risks;
- Alara retains control of the technically and financially robust DFS, including +36,000m of new resource drilling data, which has been sole funded by Alara; and
- Construction of the Project in accordance with the DFS will deliver an operating mine (with an initial 13 year mine life at 2Mtpa) some two years earlier than would otherwise be possible.

In summary, Alara remains well positioned to capitalise on the investment it has made in Saudi Arabia as soon as the impasse over the ML is resolved.

Update on legal matters

On 13 November 2014, Alara announced that Manajem had filed a 'financial claim' against Alara Saudi Operations Pty Limited before the Board of Grievances in Riyadh⁷. There have been two brief initial hearings to date, with a further postponement being the outcome at each session. The next hearing is scheduled for the week of 9 March 2015.

To date, Manajem has not substantiated its claims nor provided any evidence. Given this situation, the Company has provided a response to the Board of Grievances and in turn lodged four specific, individual and substantiated counter claims against Manajem. At this time and given the advice received the Company does not anticipate an adverse outcome from these proceedings.

It is too early to provide a reasonable expectation as to the anticipated length of these legal proceedings. Alara will keep the market informed as material developments arise in relation to these matters and the Company disposes of the issue in due course.

3 Refer ASX market announcements dated 14 March 2014 and entitled "[Alara Moving to 60% Interest in the Khnaiguiyah Project](#)" and dated 4 April 2014 entitled "[Completion of Agreement for Updated Khnaiguiyah Project Joint Venture](#)".

4 Refer ASX market announcements dated 13 November 2014 and entitled "[Khnaiguiyah Project Update](#)", dated 18 November and entitled "[Khnaiguiyah Project – Update on Legal Matters](#)" and dated 21 January 2015 and entitled "[Khnaiguiyah Project – Update on Legal Matter](#)".

5 Refer ASX market announcement dated 4 June 2014 and entitled "[Khnaiguiyah Project Venture Agreement Has Reached an Impasse](#)".

6 Refer ASX market announcement dated 18 November 2014 and entitled "[Khnaiguiyah Project – Update on Legal Matters](#)".

7 Refer ASX market announcement dated 13 November 2014 and entitled "[Khnaiguiyah Project Update](#)".

Zinc price outlook

During the half year, zinc traded in a range of ~\$0.95-1.09/lb and is currently ~\$0.95/lb (as at 19 February 2015)⁸.

Commentators believe that zinc is the base metal poised to perform price-wise in the next few years due to a tightening in supply brought about by scheduled mine closures (including the closure of one of the significant producers, the Century Zinc Mine in Queensland).

This is aligning with the project timeline for the Khnaiguiyah Zinc-Copper Project which is planned to commence commissioning in 2017-2018. Should the consensus forecast price be achieved they would provide significant upside to the project economics which is based on a zinc price of US\$1.05/lb.

Oman

Daris/Washihi Copper-Gold Project overview

The Daris and Washihi Copper-Gold Projects (comprising four exploration licences and five applications for mining licences) are located ~185km apart and ~60-160km west and southwest of Muscat Airport by road (refer figure below).

Licences update

Alara is pleased to confirm that the newly established Public Authority for Mining in Oman has renewed the term of the Exploration Licences for Washihi, Mullaq and Al-Ajal for one year through to November 2015. The Public Authority has also recently renewed the term of the Daris (Block 7) Exploration License for one year through to February 2016.

The five Mining Licence applications (totalling 10km²) within these Exploration Licence areas are currently under review by the Public Authority for Mining.

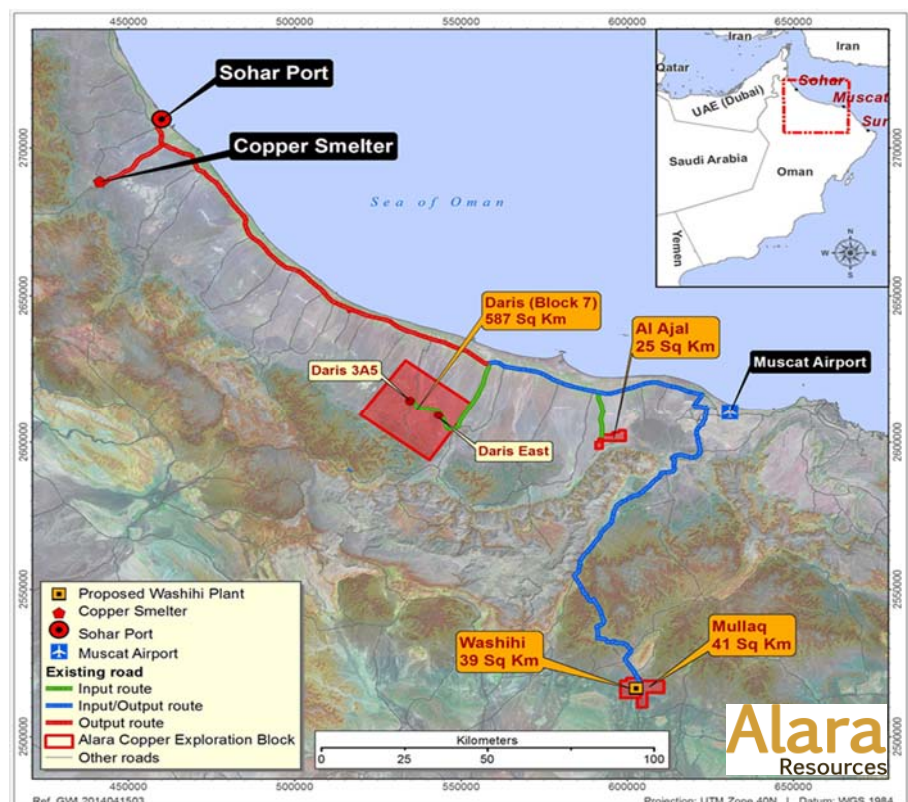


Figure 1: Location Map of Alara's Exploration Licence Areas in Oman

8 Source: LME cash (buyer) price

Advanced Scoping Study

The Advanced Scoping Study reported in October 2014⁹ evaluated three potential development options for the Daris/Washihi Projects centred around the Washihi JORC Mineral Resource with contributions from the Daris-East JORC Mineral Resource and exploration targets from the Daris 3A-5 prospect (within the Block 7 exploration licence) and Al Ajal and Mullaq prospects/exploration licences, as follows¹⁰:

- A **'Base Case'** 0.5Mtpa conventional flotation plant (post Heavy Media Separation (HMS)) from mining inventory sourced from the existing JORC Mineral Resources at the Washihi and Daris-East deposits – shows US\$40M NPV, 18% IRR, US\$96M Capex, 5.3 year pay-back, US\$514M LOM revenues (from 74,747t Cu and 38,088oz Au LOM production), US\$289 LOM Opex (at US\$3,870/t Cu recovered);
- An **'Enhanced Base Case'** 0.5Mtpa conventional flotation plant (post HMS), which is based on a slight increase in the mining inventory sourced from a high grade early stage prospect within the Mullaq exploration licence - shows a more attractive US\$52M NPV, 20% IRR, US\$96M Capex, 4.5 year pay-back, US\$544M LOM revenues (from 79,683t Cu and 37,151oz Au LOM production), US\$303M LOM Opex (at US\$3,801/t Cu recovered); and
- Both deposits are open in two directions and at depth and based on existing geological data, JORC Exploration Targets have been identified on these and other prospects across the Oman Project area (refer to 'Target Case' in [Advanced Scoping Study](#) announcement). This upside potential was tested under larger scale flotation plant (post HMS) case scenario based on a more substantial increase (x2 – termed the Target Case) in the mining inventory sourced from these Exploration Targets – the economics of this larger capacity case are more attractive due to economies of scale and capital efficiencies and suggests an opportunity to leverage the Oman Project's value through securing additional resources.

ASX and JORC Code Cautionary Statements:

For further information on the outcomes of the Advanced Scoping Study and the Exploration Targets identified for the Daris/Washihi Project, refer to Alara's ASX Announcement dated 14 October 2014 and titled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)" (per ASX Listing Rule 5.19.1). Alara confirms that all material assumptions underpinning the production targets and forecast financial information derived from production targets (under the Study reported in the 14 October 2014 announcement) continue to apply and have not materially changed (per ASX Listing Rule 5.19.2). The Study is based on low level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised (per JORC Code (2012 Edition) para. 38). The potential quantity and grade of an Exploration Target is conceptual in nature, there has been insufficient exploration to determine a JORC Mineral Resource and there is no certainty that further exploration work will result in the determination of JORC Mineral Resources or that the production target (under the Study) will be realised (per ASX Listing Rules 5.19.4 and 5.16.5).



Photo 2: Philip Hopkins (MD) standing on top of Washihi Gossan with Atmavireswar Sthapak (GM Geology & Resources)

9 Refer ASX market announcement dated 14 October 2014 and entitled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)"

10 The Advanced Scoping Study financial model assumes a 8% discount rate, US\$7,000/t Copper price, US\$1,300/oz Gold price, 100% ownership and is inclusive of taxes and royalties)

Summary of financial analysis

The economics of the Base Case shows a Net Present Value (NPV) of US\$40.4M. If the Mullaq prospect is included under the Enhanced Base Case, the NPV increases to US\$51.6M. A summary of the key physical and economic indicators are as follows:

Key Financial Indicators			
Case Name		Base Case	Enhanced Base Case
Description		0.5Mtpa Flotation Plant (Post HMS) at Washihi	
Mining Inventory		JORC Mineral Resources – Washihi and Daris-East	JORC Mineral Resources + Mullaq Exploration Target
Metrics			
Discounted Cash Flows (NPV @ 8%)	US\$	40,433,594	51,647,805
Undiscounted Cash Flows	US\$	98,623,503	115,929,048
NPV/CAPEX	NPV:CAPEX	0.4	0.5
IRR	%	17.7	20.0
LOM/Duration of Operation	years	7	7
Payback Period	years	5.3	4.5
Cash Costs			
Unit OPEX (per tonne of ore mined)	US\$/t	30.15	30.86
Unit OPEX (per tonne of ore process feed)	US\$/t	60.44	61.89
Unit OPEX (per tonne of Cu recovered)	US\$/t Cu	3,870	3,801
Unit OP EX (per pound of Cu recovered)	US\$/lb Cu	1.76	1.72
Cash Costs with Au Credits	US\$/t Cu	3,377	3,364
Cash Costs with Au Credits	US\$/lb Cu	1.53	1.53
Capital Costs			
LOM CAPEX	US\$M	96	96
Unit CAPEX (per tonne of Cu recovered)	US\$/t Cu	1,289	1,209
Unit CAPEX (per pound of Cu recovered)	US\$/lb Cu	0.58	0.55
Physicals			
Total Ore Mined	t	9,594,462	9,816,462
Total Waste Mined	t	50,805,187	54,899,854
Total Contained Cu	t Cu	81,299	86,798
Total Contained Au	oz Au	43,740	42,700
Total Cu Production	t Cu	74,747	79,683
Total Au Production	oz Au	38,088	37,151

Notes:

1. Assumed US\$7,000/t Copper price and US\$1,300/oz Gold price.
2. Assumed discount rate of 8% for DCF analysis.
3. Assumed 100% ownership.
4. Assumed tax holiday of 5 years plus a 5 year extension commonly offered to major development projects in Oman (otherwise 12% corporate tax) and 5% royalties on revenues (net of operating cost).
5. Other assumptions and further details are outlined in Alara's ASX Announcement dated 14 October 2014 and titled "[Oman Project Update: Positive Advanced Scoping Study Outcomes](#)".

Project development history and way forward

The noted Advanced Scoping Study looked at combining the Daris and Washihi deposits into an overall 'hub & spoke' broader regional approach. As such, the development of these assets under the study would be done on a traditional 'standalone' basis.

Since the completion of the study and the announcement of its outcomes, there have been a number of market and regional asset developments that have changed the planned approach to extracting the maximum value from these assets. The progress of this review and further thinking is now as follows:

- (1) **Stand Alone Project:** As noted above, this approach looked to expand the resource base through exploration within the existing project area to support the targeted 1Mtpa case (including HMS). A thorough review of the market 'appetite' to support a development plan with an exploration front end indicated this approach would be unlikely to succeed. As a result of this feedback and general external support for the acquisition (vs exploration) of further resource, the Company found a financial group prepared to support an acquisition and subsequent DFS. At the 11th hour this support was withdrawn and the time required to replace this support group was likely to be excessive for the Project and joint venture needs.
- (2) **JV Project:** With the change in the thinking of the standalone approach, a JV methodology was outlined where a suitable and complementary known copper asset (Yanqul) would be combined with the Washihi deposit to provide the resource base needed to support a 1Mtpa operation over a suitable life span (7-10 years). In discussion with the entity controlling this synergetic asset (Oman Oil) it was discovered that the target asset was 'locked away' in another JV that was actively progressing.
- (3) **Toll Treatment:** It became apparent that the most effective way to move the Washihi Project forward at this time and to generate the funds to expand the resource base (thus opening up further operational opportunities) was to mine the ore, upgrade it on site using HMS and to process the ore via the Mawarid copper processing plant in Sohar. This strategy is a very good fit for all parties as Mawarid owns and manages Oman's only copper concentration plant, however this facility is scheduled to run out of ore in the third quarter this year. It is advantageous to keep this plant operational in order to a) continue to generate profit from this asset and b) keep the plant operating and maintained such that it becomes/remains a more viable option within Mawarid's Yanqul JV with Oman Oil.

At the time of writing, there is a MOU in place between the Washihi JV and Mawarid to jointly pursue and progress a mining and toll milling approach to the Washihi deposit. This plan will require a relatively straight forward DFS for the combined mine and HMS plant at the Washihi site coupled with the optimisation of the Mawarid process plant operations in Sohar in order to maximise the benefit from extracting and processing the Washihi ore in this way.

Definitive Feasibility Study

As noted above, a DFS will be required to finalise the plans and full value of a mining and toll milling plan for Washihi. DFS proposals have been received from several established EPC firms, with three firms being selected for the final tender process. This tender/bid process is being concluded at the time of writing with the study and site work to commence as soon as practical afterward.

Daris Toll Milling option

Due to the relatively small size of the Daris deposit (240kt) and the likelihood it is not amenable to HMS upgrading, it is being treated as a more immediate but smaller scale opportunity. Although not included in the Alara-Mawarid MOU (described above), these parties are also jointly looking at the potential to mine and then toll mill the Daris ore in the Sohar processing facility prior to the intended toll milling of the Washihi ore. At the time of writing, this approach is being finalised and should this plan go forward it will be announced as such.

Financial

R&D tax incentive claim

In March 2015, the Company anticipates to receive an additional refund under the Government's R&D Tax Incentive Scheme for FY2014 with a return of \$0.28m (net of associated fees).

Cash position

Alara's cash position as at 31 December 2014 was \$2.1 million (30 June 2014: \$3.15 million).

Alara's current cash position is ~\$1.9 million (as at 31 January 2015). This excludes \$0.3 million of cash inflows from the anticipated R&D claim (see above).

In addition, Alara has ASX listed securities¹¹ worth \$0.13 million as at 31 December 2014 (30 June 2014: \$0.14 million).

Expenditure

Alara's consolidated profit and loss shows the following material items for the half year ended 31 December 2014:

- \$0.7m personnel costs (31 December 2013: \$1.1m)
- \$0.24m administration costs (31 December 2013: \$1.3m)
- \$63k in occupancy costs (31 December 2013: \$150k)

Working capital and operating costs review

During the half year, the Company completed an operating cost review and implemented several initiatives to reduce its expenditure in Australia and overseas (Saudi Arabia and Oman)¹². The Company will continue to focus on further cost conservation opportunities to ensure financial capability in the short to medium term to advance both the Saudi and Oman Projects as quickly as possible once the path ahead is clear. The impact of these cost saving initiatives is expected to be realised during the second half.

Corporate

Securities on issue

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (22 August 2015) Unlisted Options ¹³	-	400,000	400,000
\$0.10 (15 January 2016) Unlisted Options ¹⁴	-	10,000,000	10,000,000
\$0.15 (21 November 2016) Unlisted Managing Director's Options ¹⁵	-	3,333,334	3,333,334
\$0.20 (21 November 2016) Unlisted Managing Director's Options ¹⁶	-	3,333,333	3,333,333
Total	242,007,500	17,066,667	259,074,167

11 3,573,889 shares in Strike Resources Limited (ASX:SRK)

12 Refer AUQ ASX announcement dated 12 December 2014 entitled "[Company Update](#)"

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

14 Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 November 2013](#) for a General Meeting held on 16 January 2014 and in [ASX Appendix 3B New Issue Announcement lodged on 21 January 2014](#)

15 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

16 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

Lapse and cancellation of Unlisted Options

~19 million unlisted options lapsed or were cancelled during the half year, as follows^{17,18}:

No of Options	Date of Lapse/ Cancellation	Description of Options	Exercise Price	Date of Issue	Original Expiry Date
1,650,000	25 Oct 2014	\$0.35 (25 October 2014) Unlisted Options ¹⁹	\$0.35	26 Oct 2009	25 Oct 2014
2,000,000				1 Dec 2009	
1,000,000	25 Oct 2014	\$0.60 (25 October 2014) Unlisted Options ²⁰	\$0.60	26 Oct 2009	25 Oct 2014
1,000,000				1 Dec 2009	
3,333,333	27 Oct 2014 ²¹	\$0.15 (21 November 2016) Unlisted Managing Director's Options ²²	\$0.15	22 Nov 2013	21 Nov 2016
10,000,000	1 Nov 2014 ²³	\$0.15 (15 January 2016) Unlisted Director's Options ²⁴	\$0.15	16 Jan 2014	15 Jan 2016

The Company notes that:

- The number and classes of unlisted options historically issued to previous Directors and employees have decreased significantly from in excess of 20 million options (as at 30 June 2013) to 400,000 options currently;
- Save for 400,000 \$0.35 (22 August 2015) Unlisted Options, the remaining current unlisted options have been issued in the past year (since the 2013 AGM) with defined milestones to be achieved prior to vesting;
- 13,333,333 (out of 30,000,000) of these more recently issued unlisted options have also lapsed or been cancelled, thus further reducing the number of unlisted options on issue; and
- 3,333,333 (21 November 2016) Unlisted Managing Director's Unlisted Options are still subject to vesting upon attainment of a defined milestone (on or before 31 December 2015).

'Small Holding' Share Sale Facility

On 3 September 2014, the Company initiated a 'Small Holding Share Sale Facility' in respect of small parcel shareholdings (also sometimes referred to as 'unmarketable parcels') valued at \$500 or less.

Based on the Company's last sale share price on the ASX (on 1 September 2014) of 4.7 cents, a small holding under this facility constituted 10,638 or fewer shares. The Company's share register had 1,521 (out of 2,104) shareholders holding a small holding at this time and these holders held, in aggregate, 2,918,776 shares or 1.21% of the Company's total issued share capital (of 242,007,500 shares).

The Company's constitution provides a mechanism by which the Board may, with the agreement of the relevant shareholder, aggregate small holdings and sell them on the shareholders' behalf thereby possibly achieving a higher price for the shares than would have been possible had they been sold as individual small parcels. This initiative allows for the full gross proceeds to be realised by shareholders of such small parcels without any associated brokerage or selling costs (which will be borne by the Company).

17 Refer AUQ ASX announcement dated 27 October 2014 entitled "[Lapse and Cancellation of Unlisted Options](#)"

18 Refer AUQ ASX announcement dated 10 November 2014 entitled "[Lapse of Unlisted Options - Corrected](#)"

19 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](#)

20 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](#)

21 Pursuant to a Deed of Cancellation between the Company and the option holder dated 27 October 2014, at the request of the option holder

22 Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

23 Lapse of unvested options immediately upon retirement of Director

24 Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 November 2013](#) for a General Meeting held on 16 January 2014 and in [ASX Appendix 3B New Issue Announcement lodged on 21 January 2014](#)

This initiative benefits the Company in terms of savings in maintenance costs in relation to share registry fees and also printing, mail-out and postage costs. Furthermore, for some shareholders, the costs of selling their small holdings may result in a proportionally high transaction cost compared to the gross proceeds of sale.

The Company refers to its ASX market announcement entitled "[Small Holding Share Sale Facility](#)" dated 3 September 2014 for further details in relation to this capital management initiative.

As at the date of this report, the aggregated small parcel shareholdings (~2 million shares held by ~1,250 shareholders) have not yet been sold by the Company under the facility – a minimum share price (based on the share price at the time of the notice of the facility) applies pursuant to the Company's constitution and the Company's share price has not traded at this minimum price. The Company will review the status of the facility vis a vis the Company's share price in the lead up to the end of the financial year.

2014 Annual General Meeting

At the Company's Annual General Meeting²⁵ held on 19 November 2014²⁶:

- Messrs Ian Williams and John Hopkins were re-elected as Directors;
- The Company's Employee Options Plan was re-adopted;
- The Company's 2014 Remuneration Report was approved unanimously on a show of hands; and
- The approval of an additional 10% placement facility was not passed (as a special resolution with the required 75% majority) on a Poll (70.4% in favour vs. 29.5% against).

Early adoption of ASX Corporate Governance Principles

The Company updated its Corporate Governance Statement²⁷ in accordance with the early adoption of the [Corporate Governance Principles and Recommendations](#) (3rd Edition, March 2014) issued by the ASX Corporate Governance Council in respect of FY2014, one year before the mandatory adoption date.

The Company's [2014 Corporate Governance Statement, ASX Appendix 4G \(Key to Disclosures of Corporate Governance Principles and Recommendations\)](#) and other ancillary corporate governance related documents can also be found at the following URL on the Company's Internet website: www.alararesources.com/corporate-governance

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 14.

This report is made in accordance with a resolution of Directors.



Philip Hopkins
Managing Director
Perth, Western Australia

26 February 2015

25 Refer [Notice of AGM and Explanatory Statement](#) lodged on ASX on 21 October 2014

26 Refer AUQ ASX announcement dated 19 November 2014 entitled "[Results of 2014 AGM](#)"

27 Refer AUQ ASX announcement dated 27 October 2014 entitled "[Corporate Governance](#)"

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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 review of Alara Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 26 February 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2014	Note	31 Dec 2014 \$	31 Dec 2013 \$
Revenue	3 (a)	84,013	3,182,028
Net gain/(loss) on financial assets held at fair value through profit or loss	3 (b)	(7,148)	25,018
Impairment of exploration expenditure	3 (b)	(180,803)	-
Personnel	3 (b)	(707,624)	(1,098,189)
- Options remuneration (non-cash)	3 (b)	-	-
Occupancy costs	3 (b)	(63,322)	(149,767)
Foreign exchange movement	3 (b)	-	-
Finance expenses	3 (b)	(5,962)	(11,699)
Borrowing costs	3 (b)	-	(223)
Corporate expenses	3 (b)	(34,647)	(80,135)
Administration expenses	3 (b)	(241,442)	(1,324,039)
Profit/(Loss) before income tax		(1,156,935)	542,994
Income tax benefit		-	-
Profit/(Loss) for the half year		(1,156,935)	542,994
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(231,091)	249,083
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		(231,091)	249,083
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR		(1,388,026)	792,077
Income/(Loss) attributable to:			
Owners of Alara Resources Limited		(1,127,108)	685,666
Non-controlling interest		(29,827)	(142,672)
		(1,156,935)	542,994
Total comprehensive income/(loss) for the half year attributable to:			
Owners of Alara Resources Limited		(1,358,199)	934,749
Non-controlling interest		(29,827)	(142,672)
		(1,388,026)	792,077
Basic earnings/(loss) per share (cents)	4	(0.47)	0.28
Diluted earnings/(loss) per share (cents)	4	(0.47)	0.28

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2014	Note	31 Dec 2014 \$	30 Jun 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	2,091,583	3,151,295
Trade and other receivables		516,130	549,990
Other current assets		32,909	676,130
Total current assets		2,640,622	4,377,415
Non-current assets			
Financial assets held at fair value through profit or loss	6	135,808	142,956
Property, plant and equipment		82,241	132,188
Resource projects	7	32,278,031	31,988,077
Other non-current assets	8	5,260,485	4,489,174
Total non-current assets		37,756,565	36,752,395
Total assets		40,397,187	41,129,810
LIABILITIES			
Current liabilities			
Trade and other payables		484,903	594,343
Provisions		122,212	63,681
Total current liabilities		607,115	658,024
Non-current liabilities			
Financial liability		1,509,053	1,510,103
Provisions		40,032	40,109
Total non-current liabilities		1,549,085	1,550,212
Total liabilities		2,156,200	2,208,236
Net assets		38,240,987	38,921,574
EQUITY			
Issued capital	9	60,958,659	60,958,659
Reserves	10	499,945	1,508,722
Accumulated losses		(22,732,986)	(23,121,080)
Parent interest		38,725,618	39,346,301
Non-controlling interest		(484,631)	(424,727)
Total equity		38,240,987	38,921,574

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2014	Note	Issued Capital \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- Controlling Interest \$	Total \$
Balance as at 1 Jul 2013		60,958,659	1,603,655	(92,845)	(24,777,812)	(240,225)	37,451,433
Foreign currency translation reserve				249,083			249,083
Net income and expense recognised directly in equity				249,083			249,083
Profit/(Loss) for the half year					685,666	(142,672)	542,994
Total comprehensive income/(loss) for the half year				249,083	685,666	(142,672)	792,077
Transactions with owners in their capacity as owners:							
Share placement		-	-	-	-	-	-
Share placement costs		-	-	-	-	-	-
Options lapsed during the half year			(719,207)		719,207	-	-
Options issued during the half year		-	-	-	-	-	-
Transactions with non-controlling interest					178,141	1,068	179,209
Balance as at 31 Dec 2013		60,958,659	884,448	156,238	(23,194,798)	(381,829)	38,422,718
Balance as at 1 Jul 2014		60,958,659	1,294,338	214,384	(23,121,080)	(424,727)	38,921,574
Foreign currency translation reserve		-	-	(231,091)	-	-	(231,091)
Net income and expense recognised directly in equity		-	-	(231,091)	-	-	(231,091)
Profit/(Loss) for the half year		-	-	-	(1,127,108)	(29,827)	(1,156,935)
Total comprehensive income/(loss) for the half year		-	-	(231,091)	(1,127,108)	(29,827)	(1,388,026)
Transactions with owners in their capacity as owners:							
Share placement	10	-	-	-	-	-	-
Share placement costs	10	-	-	-	-	-	-
Options lapsed during the half year	10	-	(777,686)	-	777,686	-	-
Options issued during the half year	10	-	-	-	-	-	-
Transactions with non-controlling interest					737,516	(30,077)	707,439
Balance as at 31 Dec 2014		60,958,659	516,652	(16,707)	(22,732,986)	(484,631)	38,240,987

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2014	Note	31 Dec 2014 \$	31 Dec 2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,062,172)	(2,592,947)
Interest received		33,542	49,379
Other Income		-	3,110,870
Net cash provided by/(used in) operating activities		(1,028,630)	567,302
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		1,167	-
Payments for plant and equipment		(927)	7,454
Payments for exploration and evaluation activities		(597,278)	(806,759)
Payments for purchase of prospects		532,191	-
Net cash (used in) investing activities		(64,847)	(799,305)
Cash flows from financing activities			
Proceeds from issuing ordinary shares		-	-
Costs of issuing ordinary shares		-	-
Net cash provided by financing activities		-	-
Net (decrease) in cash and cash equivalents held		(1,093,477)	(232,003)
Cash and cash equivalents at beginning of the financial year		3,151,295	4,459,176
Effect of exchange rate changes on cash		33,765	255,021
Cash and cash equivalents at the end of the financial half year	5	2,091,583	4,482,194

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Significant Accounting Policies

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These half-year financial statements do not include notes of the type normally included in the annual financial statements and shall be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2014 to the date of this report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 is expected to receive a refund of \$0.3 million under the Federal Government's Research and Development (R&D) Tax Incentive Scheme.
- 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;
- 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;
- The underlying prospects for the Company to raise funds from the capital markets; and
- The fact that future exploration and evaluation expenditure are generally discretionary in nature (ie. at the discretion of the Directors having regard to an assessment of the progress of works undertaken to date and the prospects for the same) pursuant to relevant joint venture agreements and may be slowed or suspended as part of the management of the Consolidated Entity's working capital and other forecasted commitments.

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

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

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

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim financial reports are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014. A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Group

There are no standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. The Group has not early adopted any of the standards, interpretations or amendments that have been issued but are not yet effective.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2014.

2. Segment Information

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

	Resource Projects					Total
	Australia	Oman	Saudi Arabia	Peru	Chile	
	\$	\$	\$	\$	\$	\$
6 months to 31 Dec 2014						
Total segment loss before tax	83,744	-	269	-	-	84,013
Total segment loss before tax	(1,040,671)	(110,854)	(5,410)	-	-	(1,156,935)
Total segment assets	33,444,085	5,686,036	1,267,066	-	-	40,397,187
Total segment liabilities	(484,608)	(67,969)	(1,603,623)	-	-	(2,156,200)
6 months to 31 Dec 2013						
Total segment loss before tax	(15,535)	(401,903)	(410,128)	1,371,986	(1,426)	542,994
Total segment assets	39,939,681	704,988	598,072	56,387	6,012	41,305,140
Total segment liabilities	1,545,266	(2,539,041)	(1,888,647)	-	-	(2,882,422)
12 months to 30 June 2014						
Total segment revenues	122,190	-	-	-	-	122,190
Total segment loss before tax	(3,789,705)	(42,877)	(446,800)	-	-	(4,279,382)
Total segment assets	33,890,848	5,526,554	1,712,408	-	-	41,129,810
Total segment liabilities	(517,855)	(77,970)	(1,612,411)	-	-	(2,208,236)

3. Loss for the Half Year

	31 Dec 2014	31 Dec 2013
	\$	\$
(a) Revenue		
Interest	33,543	65,220
Other income	50,470	3,116,809
	84,013	3,182,028
(b) Expenses		
Net gain/(loss) on financial assets held at fair value through profit or loss	(7,148)	25,018
Impairment of exploration expenditure	(180,803)	-
Personnel		
- cash remuneration	(671,156)	(1,101,287)
- options remuneration (non-cash)	-	-
- employee benefits	(36,468)	3,098
Occupancy expenses	(63,322)	(149,767)
Finance expenses	(5,962)	(11,699)
Borrowing cost - interest paid	-	(223)
Corporate expenses	(34,647)	(80,135)
Administration expenses		
- Communications	(13,179)	(55,831)
- Consultancy fees	(56,706)	(521,300)
- Travel, accommodation and incidentals	(48,152)	(157,710)
- Professional fees	(30,914)	(95,384)
- Insurance	(12,706)	(31,687)
- Depreciation	(13,809)	(38,641)
- Net loss on disposal of fixed assets	(26,938)	(31,102)
- Loans written off	-	(236,983)
- Other administration expenses	(39,038)	(155,401)
	(1,240,948)	(2,639,034)

4. Loss per Share

	31 Dec 2014 \$	31 Dec 2013 \$
Basic profit/(loss) per share (cents)	(0.47)	0.28
Diluted profit/(loss) per share (cents)	(0.47)	0.28
Profit/(Loss) used to calculate earnings per share (\$)	(1,127,108)	685,666
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	242,007,500	242,007,500

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.

5. Cash and Cash Equivalents

	31 Dec 2014 \$	30 Jun 2014 \$
Cash in hand	65,008	2,391
Cash at bank	784,591	556,454
Term deposits	1,241,984	2,592,450
	2,091,583	3,151,295

Cash at bank includes USD\$0.42m (AUD\$0.51m) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of \$141,984 (2014: \$142,450) which has not been called up as at balance date. A total of \$18,000 of the security bond is in relation to its Australian tenements.

The effective interest rate on short-term bank deposits was 3.54% (2014: 3.44%) with an average maturity of 86 days.

6. Financial Assets Held at Fair Value through Profit or Loss

	31 Dec 2014 \$	30 Jun 2014 \$
Listed investments at fair value	135,808	142,956

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

7. Resource Projects

	31 Dec 2014 \$	30 Jun 2014 \$
Opening balance	31,988,077	29,306,309
- Excess of consideration of resource projects acquired	-	-
- Exploration and evaluation expenditure	470,757	3,239,670
- Impairment of exploration and evaluation expenditure	(180,803)	(557,902)
Closing balance	32,278,031	31,988,077

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

The Consolidated Entity has written-off capitalised exploration and evaluation expenditure of \$180,803 (2014: \$557,902) in relation to unsuccessful applications for exploration licences outside the company's continuing areas of interest.

The Consolidated Entity has granted a security bond to the value of \$141,984 (2014: \$142,450) which has not been called up as at reporting date.

8. Other Non-Current Assets

	31 Dec 2014	30 Jun 2014
	\$	\$
Excess of consideration for resource projects acquired	341,112	341,112
Costs incurred in relation to resource projects	4,919,373	4,148,062
	5,260,485	4,489,174

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

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

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

9. Issued Capital

	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	№	№	\$	\$
Fully paid ordinary shares	242,007,500	242,007,500	60,958,659	60,958,659
30 Jun 2014			№	\$
Balance as at 1 July 2013			242,007,500	60,958,659
- Share movement during the 2014 financial year			-	-
Balance as at 30 June 2014			242,007,500	60,958,659
31 Dec 2014			№	\$
Balance as at 1 July 2014			242,007,500	60,958,659
- Share movement during the 2014 financial year			-	-
Balance as at 31 December 2014			242,007,500	60,958,659

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

Capital Risk Management

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

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

10. Reserves

	31 Dec 2014	30 Jun 2014
	\$	\$
Foreign currency translation reserve	(16,707)	214,384
Options reserve	516,652	1,294,338
	499,945	1,508,722

Foreign Currency Translation Reserve

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

Options Reserve

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

	Grant date	Number of options	Consolidated Entity	
			31 Dec 2014	30 Jun 2014
			\$	\$
Directors' Options				
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	30-Nov-09	-	-	247,317
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	30-Nov-09	-	-	106,698
Unlisted options exercisable at \$0.15; expiring 21 Nov 2016	22-Nov-13	3,333,334	157,672	315,344
Unlisted options exercisable at \$0.20; expiring 21 Nov 2016	22-Nov-13	3,333,333	138,580	138,580
Unlisted options exercisable at \$0.10; expiring 15 Jan 2016	16-Jan-14	10,000,000	337,067	337,067
Unlisted options exercisable at \$0.15; expiring 15 Jan 2016	16-Jan-14	-	-	272,430
Employees' Options				
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	-	-	276,365
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	-	-	147,306
Unlisted options exercisable at \$0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	21,913
		17,066,667	655,232	1,863,020

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

- (i) 2,000,000 lapsed unlisted \$0.35 (25 October 2014) Options amounted to \$247,317.
- (ii) 1,000,000 lapsed unlisted \$0.60 (25 October 2014) Options amounted to \$106,698.
- (iii) 3,333,333 cancelled unlisted \$0.15 (21 November 2016) Options amounted to \$152,672.
- (iv) 10,000,000 lapsed unlisted \$0.15 (15 January 2016) Options amounted to \$272,430.
- (v) 1,650,000 lapsed unlisted \$0.35 (25 October 2014) Options amounted to \$276,365.
- (vi) 1,000,000 lapsed unlisted \$0.60 (25 October 2014) Options amounted to \$147,306.

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.

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

11. Share Based Payments

Grant date	Expiry date	Exercise price	Movement during the half year					As at 31 Dec 2014	
			Opening balance	Granted	Exercised	Lapsed/Cancelled	Closing balance	Vested and exercisable	Fair value \$
Directors									
30-Nov-09	25-Oct-14	\$0.35	2,000,000	-	-	(2,000,000)	-	-	-
30-Nov-09	25-Oct-14	\$0.60	1,000,000	-	-	(1,000,000)	-	-	-
22-Nov-13	21-Nov-16	\$0.15	6,666,667	-	-	(3,333,333)	3,333,334	3,333,334	157,672
22-Nov-13	21-Nov-16	\$0.20	3,333,333	-	-	-	3,333,333	-	138,580
16-Jan-14	15-Jan-16	\$0.10	10,000,000	-	-	-	10,000,000	10,000,000	337,067
16-Jan-14	15-Jan-16	\$0.15	10,000,000	-	-	(10,000,000)	-	-	-
Employees									
26-Oct-09	25-Oct-14	\$0.35	1,650,000	-	-	(1,650,000)	-	-	-
26-Oct-09	25-Oct-14	\$0.60	1,000,000	-	-	(1,000,000)	-	-	-
23-Aug-10	22-Aug-15	\$0.35	400,000	-	-	-	400,000	400,000	21,913
Weighted average exercise price			36,050,000	-	-	(18,983,333)	17,066,667	13,733,334	655,232
Weighted average exercise price			0.19	-	-	0.24	0.14	0.12	

The weighted average balance of the contractual term of the options outstanding at the balance date was 1.37 years.

There were no shares issued as a result of the exercise of any options during the half year (2014: 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.

12. 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 (SHA) – 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\$0.78 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.

12. Contingent Assets and Liabilities (continued)

In November 2014, Alara served notice on Manajem suspending Alara's obligations under the SHA and reserving Alara's rights to file claims against Manajem (in addition to the counter-claims referred to in (c) below) pursuant to Manajem's breaches under the SHA and updated JV Agreement (referred to in (b) below).

- (b) **Updated Joint Venture Agreement – Khnaiguiyah Mining Company – Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** – In March 2014, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a series of agreements with Manajem to update the joint venture between the parties. This included amendments to the Shareholders' Agreement referred to in (a) above and provided for Alara to acquire an additional 10% of the joint venture entity, KMC, thus increasing its equity to 60% (from 50%) and have control of KMC and the Project. Under these updated joint venture agreements Alara would pay a total of US\$6,664,120 to Manajem (principally) in stages conditional on attainment defined milestones (with such amount to be added to Alara's loan to KMC, repayable from KMC net profits) and issue 60 million shares to Manajem subject to Alara shareholder approval. The parties also agreed to settle and/or waive all historical claims in relation to the KMC joint venture and or the Khnaiguiyah Project. As at the date of this report, no payment has been effected as Manajem has, inter alia, not yet complied with its initial obligation under the same to notify the Deputy Ministry of Mineral Resources (DMMR) to recommence the process to effect the transfer of the ML to KMC.
- (c) **'Financial Claim' – Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** – In November 2014, Khnaiguiyah Project joint venture partner, Manajem, filed a 'financial claim' against Alara Saudi Operations Pty Limited before the Board of Grievance in Riyadh, Kingdom of Saudi Arabia. Manajem has purportedly claimed broadly unspecified and unsubstantiated alleged breaches by Alara under the SHA, alleged violations by Alara of Saudi Arabian law and what appears to an allegation of not 'acting in good faith'. Alara's position is that there is little to no reasonable basis in law or fact for Manajem to assert the alleged causes of action and seek the remedies set out in its purported claims. Alara has lodged a counter-claim against Manajem based on a number of specific breaches of the SHA by Manajem (including via acting through Manajem company executives) pursuant to Manajem's obligations under the SHA and in relation to a number of operational matters involving the JV Company, KMC. Alara will defend Manajem's claim and pursue its counter-claims against Manajem before the Board of Grievance in accordance with due process. There have been two brief initial hearings to date (in December 2014 and January 2015), with a further postponement being the outcome at each session. The next hearing is scheduled for the week of 9 March 2015. These proceedings have no impact on the Khnaiguiyah Zinc-Copper Project licenses. Management with the assistance of external legal counsel continues to hold the view that the claims are unsubstantiated.
- (d) **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.
- (e) **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.

- (f) **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.

- (g) **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).

12. Contingent Assets and Liabilities (continued)

- (h) **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 ('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 (subject to Omani law) 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 (subject to Omani law) 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 of Al Hadeetha.

- (i) **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.

13. Subsequent Events

- (a) In February 2015, Al Hadeetha Resources LLC (the joint venture Omani company for the Al Ajal-Washihi-Mullaq Copper-Gold Project in which the Consolidated Entity has a 70% interest) (Al Hadeetha) entered into a Memorandum of Understanding (MOU) with Mawarid Mining LLC (Mawarid) pursuant to which the parties have agreed to work collaboratively to define and optimise the Washihi copper/gold ore processing approach, terms and conditions in order to process (at the Mawarid owned and operated Lasail Copper Concentrator Plant near the bulk shipping port of Sohar) a nominal 1Mtpa of copper/gold ore to be sourced from the Washihi deposit. Whilst the Al Hadeetha Joint Venture will be responsible for the Washihi Feasibility Study (FS), under the MOU, Mawarid has committed up to US\$0.5m towards the toll treatment elements of the Alara led Washihi FS programme, with this work and expenditure being under Mawarid's management. The MOU will progress to a formal Toll Treatment Agreement through the FS completion programme.

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

Director's Declaration

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 15-26 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Philip Hopkins
Managing Director

Perth, Western Australia

26 February 2015

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

We have reviewed the accompanying half-year financial report of Alara Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Alara Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Alara Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alara Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, we draw attention to the consolidated statement of profit or loss and other comprehensive income, which indicates that the consolidated entity incurred an operating loss before tax of \$1,156,935 for the half-year ended 31 December 2014. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 26 February 2015

Mineral Licences – Saudi Arabia

Khnaiguiyah Zinc-Copper Project

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

The Khnaiguiyah Project comprises one mining licence (issued in December 2010 with an exclusive 30 year term and no mineral royalties), 2 exploration licences and 5 exploration licence applications, totalling approximately 380km² currently held by Manajem pending completion of transfer to the JV company, Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia, incorporated on 10 January 2011).

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

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

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

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

* Upon transfer of rights from Manajem to KMC

Mineral Licences – Oman

Daris and Washihi Copper-Gold Projects

Alara has joint venture interests in five copper-gold deposits located within four exploration licences in Oman extending over 692km². These deposits are also covered by 5 mining licence applications pending grant, totalling 10km².

The Daris Copper-Gold Project is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq prospects are located ~100km south-southeast of Daris (*refer Figure 1*). Both projects/prospects are located on or very close to high quality bitumen roads.

Daris Copper-Gold Project

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

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

Block Name	Licence Owner	Alara JV Interest	Exploration Licence					Mining Licences within EL		
			Area	Date of Grant	Date of Expiry	Application for Renewal	Status	Area	Date of Application	Status
Block 7	Al Tamman Trading and Est. LLC, Oman	50-70%	587km ²	Nov 2009	Feb 2016	N/A	Active	Daris East 3.2km ²	Dec 2012	Accepted in April 2013; in progress
								Daris 3A-5 1.3km ²		

Washihi-Mullaq-Al Ajal Copper-Gold Project

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

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

Licence Name	Licence Owner	Alara JV Interest	Exploration Licence				Mining Licence within EL		
			Area	Date of Grant	Date of Expiry	Status	Area	Date of Application	Status
Washihi	Al Hadeetha Resources LLC, Oman	70%	39km ²	Jan 2008	Nov 2015	Active	3km ²	Dec 2012	Accepted in April 2013; in progress
Mullaq	Al Hadeetha Resources LLC, Oman	70%	41km ²	Oct 2009	Nov 2015	Active	1km ²	Jan 2013	In progress
Al Ajal	Al Hadeetha Resources LLC, Oman	70%	25km ²	Jan 2008	Nov 2015	Active	1.5km ²	Jan 2013	In progress

JORC Statements – Saudi Arabia

Khnaiguiyah Zinc-Copper Project²⁸

Table 1 - Khnaiguiyah JORC Ore Reserves

Mineralised Zone	Proved			Probable			Proved + Probable		
	Mt	Zn%	Cu%	Mt	Zn%	Cu%	Mt	Zn%	Cu%
1	0.78	4.2	0.23	1.07	4.3	0.25	1.85	4.3	0.24
2	8.75	2.6	0.32	1.2	3.8	0.44	9.95	2.7	0.34
3	8.21	4.1	0.27	6.08	2.7	0.05	14.28	3.5	0.17
Total (All Pits)	17.73	3.4	0.29	8.35	3.1	0.13	26.08	3.3	0.24

Table 2 - Khnaiguiyah JORC Measured and Indicated Resource - Zinc (Domain 1) and Zinc-Copper (Domain 2)

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

Table 3 - Khnaiguiyah JORC Measured and Indicated Resource - Copper (Domain 3)

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

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

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

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

28 Refer to Alara's ASX Announcements of 21 February 2012 entitled "[Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#)", 12 October 2012 entitled "[JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#)", 30 October 2012 entitled "[JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)" and 18 April 2013 entitled "[Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#)"

JORC Statements – Oman

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

Table 5 - Washihi JORC Mineral Resources²⁹

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0	7.16	0.87	0.17	7.77	0.67	0.20
0.25	6.84	0.90	0.17	7.27	0.71	0.20
0.5	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	2.39	1.37	0.20	1.24	1.31	0.27

Daris Copper-Gold Project (Oman)

Table 6 - Daris-East JORC Mineral Resources

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

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

29 Refer to 16 July 2013 ASX Announcement: [Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset](#)

JORC Competent Persons' Statements

- (1) The information in this report that relates to Ore Reserves in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) is based on, and fairly represents, information and supporting documentation prepared by Mr Geoff Davidson, who is a Fellow of the Australasian Institute of Mining and Metallurgy and a consultant to Khnaiguiyah Mining Company LLC (KMC). Mr Davidson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code, 2004 edition). In assessing the appropriateness of the Ore Reserve estimate, Mr Davidson has relied on various reports, from both internal and external sources, in either draft or final version, which form part of or contribute to the Khnaiguiyah Project Detailed Feasibility Study. These reports are understood to be compiled by persons considered by KMC to be competent in the field on which they have reported. Mr Davidson has approved and given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears. Refer also to Table 5 (Estimation and Reporting of Khnaiguiyah JORC Ore Reserve Statement) of the JORC Code Competent Person Statements in Alara Resources Limited's ASX market announcement dated 18 April 2013: [Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project](#) for further information in relation to the Ore Reserve estimate for the Khnaiguiyah Project.
- (2) The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) is based on, and fairly represents, information and supporting documentation prepared by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2004 edition. Mr Guibal approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- (3) The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zones 1, 2 and 4 and other Exploration Results in relation to the Khnaiguiyah Zinc-Copper Project (Saudi Arabia) and Mineral Resources in relation to the Daris/Washihi Copper-Gold Project (Oman) is based on, and fairly represents, information and supporting documentation prepared by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. Mr Sharma was a principal consultant to Alara Resources Limited. Mr Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2004 edition. Mr Sharma approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- (4) The information in this report that relates to Exploration Targets and other Exploration Results in relation to the Washihi Copper-Gold Project (Oman) and the Daris Copper-Gold Project (Oman) is based on, and fairly represents, information and supporting documentation prepared by Mr Philip Hopkins, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hopkins is the Managing Director of Alara Resources Limited. Mr Hopkins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2012 edition. Mr Hopkins approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclaimer

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

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

OMAN ADVANCED SCOPING STUDY – JORC CODE COMPLIANCE: The mining inventory under the Advanced Scoping Study is partly based on Inferred Resources (42.3% under the Base Case and 41.3% under the Enhanced Base Case) and an Exploration Target (2.3% under the Enhanced Base Case). The mining process schedule assumes the following approximate relative sequence – in Years 1 and 2 (Washihi Indicated Resource and Mullaq Exploration Target), Years 3 and 4 (Washihi Indicated and Inferred Resources), Year 5 (Washihi Indicated and Inferred Resources and Daris-East Indicated and Inferred Resources), Year 6 (Washihi Indicated and Inferred Resources) and Years 7 to 9 (Washihi Inferred Resources, included stockpiled material after Year 7) (per JORC Code (2012 Edition) para. 38).

Securities Information

as at 13 February 2014

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (22 August 2015) Unlisted Options ³⁰	-	400,000	400,000
\$0.10 (15 January 2016) Unlisted Options ³¹	-	10,000,000	10,000,000
\$0.15 (21 November 2016) Unlisted Managing Director's Options ³²	-	3,333,334	3,333,334
\$0.20 (21 November 2016) Unlisted Managing Director's Options ³³	-	3,333,333	3,333,333
Total	242,007,500	17,066,667	259,074,167

Summary of Directors' and Employees' Unlisted Options

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ³⁴	No. of Options
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
22 Nov 2013	\$0.15 (21 November 2016) Options	\$0.15	21 Nov 2016	Performance Conditions - Vested	3,333,334
22 Nov 2013	\$0.20 (21 November 2016) Options	\$0.20	21 Nov 2016	Performance Conditions - Unvested	3,333,333
16 Jan 2014	\$0.10 (15 January 2016) Options	\$0.10	15 Jan 2016	Performance Conditions - Vested	10,000,000

³⁰ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

³¹ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 November 2013](#) for a General Meeting held on 16 January 2014 and in [ASX Appendix 3B New Issue Announcement lodged on 21 January 2014](#)

³² Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

³³ Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 10 October 2013](#) for an Annual General Meeting held on 22 November 2013 and in [ASX Appendix 3B New Issue Announcement lodged on 28 November 2013](#)

³⁴ 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	141	37,173	0.015
1,001 - 5,000	52	146,166	0.060
5,001 - 10,000	66	590,594	0.244
10,001 - 100,000	405	16,383,881	6.770
100,001 - and over	237	224,849,686	92.910
Total	901	242,007,500	100.00%

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	27,417,030	11.329%
2.	NATIONAL NOMINEES LIMITED	13,552,275	5.600%
3.	WHITECHURCH DEVELOPMENTS PTY LTD	11,869,118	4.904%
4.	GWYNVILL TRADING PTY LTD	9,671,468	3.996%
5.	MS MENG MENG	9,547,273	3.945%
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,325,558	3.853%
7.	CITICORP NOMINEES PTY LIMITED	4,794,122	1.981%
8.	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN	4,650,000	1.921%
9.	MR CRAIG GRAEME CHAPMAN	4,399,114	1.818%
10.	MR PETER KELVIN RODWELL	4,000,000	1.653%
11.	MR MICHAEL ARCH	3,713,424	1.534%
12.	FLANNERY FOUNDATION PTY LTD	3,588,083	1.483%
13.	DR JOHN HENRY ADDISON MCMAHON	3,138,000	1.297%
14.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,953,828	1.221%
15.	JDW INVESTMENTS AUSTRALIA PTY LTD	2,800,000	1.157%
16.	HGT INVESTMENTS PTY LTD	2,500,000	1.033%
17.	THORPE ROAD NOMINEES PTY LTD	2,460,000	1.016%
18.	MR FIRAS SWEITI	2,170,399	0.897%
19.	MRS ANNE BAIN	2,110,000	0.872%
20.	MR IANAKI SEMERDZIEV	2,062,000	0.852%
Total		126,721,692	52.362%