Alara Resources

2018

Annual Report

With our first mining licence in hand, the Company is officially advancing from mineral exploration and resource development, to mining and copper concentrate production.

Since 2011, the Company's primary focus has been mineral exploration and resource development in the burgeoning mining sectors of the Middle East.

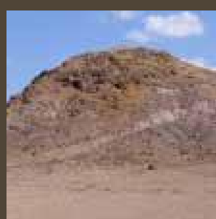
In 2018, we reached a major milestone when the Al Hadeetha Copper Project obtained its first mining licence from the Public Authority for Mining ('PAM') in Oman.

This was the first mining licence awarded by PAM to an international joint venture company (Al Hadeetha Resources LLC) and the first copper mining licence to be issued in the Sultanate since 2004.

Al Hadeetha Resources are now on track to become the next producer of copper concentrate in Oman, with a string of new copper projects following closely behind. This licencing milestone helps demonstrate the Sultanate is serious about implementing its economic diversification strategy, and is ready to work with the private sector to develop the mining industry, with copper playing a key role in that development.

Delineation drilling at Washishi Mazzaza Project site, Oman.

Exploration target site at Daris project, Oman.



Gossan at Washihi-Mazzaza

Alara Resources Limited

Mission Statement

We will increase shareholder value and become a leadingnd developer of mineral deposits and mineral producer in the Middle East region.

Core Values

Excellence

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

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

Respect

Alara values and shows consideration for its employees,

business partners, customers, suppliers, governments, communities, and the social and physical environment in which it operates.

Integrity

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

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Chairman's Letter

"2019 is expected to be a watershed year for Alara as it moves from exploration company to mineral producer"

James D Phipps
Non-Executive Chairman

Dear Shareholder

In FY2018 Alara achieved a major milestone with the grant of the mining license for its Al Hadeetha Copper-Gold Project in Oman. The focus is now on mining infrastructure development, with first copper production expected for at the end of 2019. A number of other significant achievements have broadened the Company's foundations, placing it in a strong position for future growth.

Alara revised the financial projection for the Al Hadeetha Project upwards, more than doubling from a forecast net present value of US$39 million in the original, 2016, feasibility study to US$90 million in June 2018.

Development work continues at Alara's joint venture Daris Copper Project (Block 7). The Company acquired the right to acquire up to 70% of the adjacent Block 8 exploration licence, which is also prospective for copper. A future mining operation at either Block would have synergies for the Company, with output being processed at the shared facility planned for Al Hadeetha.

The Company signed a heads of agreement for a joint venture with Indian-listed South West Pinnacle Exploration Limited, a successful drilling and exploration services company. The proposed joint venture will enable the parties to exploit opportunities in the rapidly expanding Omani resource industry, as well as those in surrounding countries.

Since the end of the year, the dismissal of long-running court proceedings brought against Alara by its joint venture partner in the Khnaiguiyah Zinc Copper Project in Saudi Arabia is a welcome result. The Company is exploring the possibility of the reissue of the Khnaiguiyah mining licence and is seeking other opportunities to extract value from its $23m plus bankable feasibility study into that project.

FY2019 will be a company making year for Alara, as it transitions from explorer to mineral producer, continues to expand and develop its project portfolio and diversifies its exposure to the resources industry through the SW Pinnacle JV.

On behalf of the Board I would like to thank Managing Director Justin Richard, Executive Director Atmavireshwar Sthapak and their team, who have done an excellent job in taking the Company to the strong position in which it is today.

I also thank shareholders for their continued support and I look forward to sharing an exciting and profitable future with you at Alara.

Managing Director's Letter

"First international joint venture to receive a copper mining licence in Oman"

Justin Richard
Managing Director

First Mining Licence Granted

In 2018, Alara's perseverance paid off when the Company's joint venture entity, Al Hadeetha Resources LLC, became the first international joint venture to receive a copper mining licence in Oman.

This long anticipated milestone occurred at a public ceremony hosted by the Public Authority for Mining ('PAM'), with key government, business and community leaders in attendance.

This is the first copper mining licence issued in Oman for fourteen years. It marks the beginning of a new phase of development for copper mining in the Sultanate.

Other copper projects, including Alara joint venture projects, are also advancing and strengthen the case for developing synergies and downstream linkages with copper concentrate production in Oman.

Alara and its joint venture partners are working with the mining authority to develop four other exploration licences, including three with mining licence applications pending.

Copper Mining in Oman

Oman has a rich long history of copper mining[1].

After investing more than seven years and $50m into mineral exploration, Alara and its partners now have:

- a portfolio of copper projects with complimentary development options e.g. treating ore from other nearby sites at the Al Hadeetha copper concentrator plant;
- demonstrated their active participation and contribution toward Oman's rapidly growing mining sector, and established strong relationships key for the successful development of future mining projects in Oman.

With the first mining licence in hand, Alara is now extending its project portfolio beyond mineral exploration to include mine development and production.

Copper Outlook

Copper prices have risen more than 20% since Alara announced feasibility study findings for the Al Hadeetha Copper Project ('Project') in March 2016. Previously, the World Bank copper price forecast showed the nominal copper price rising from $5,000/t in 2016 to $5,388 in 2018, and then steadily continuing up to $7,000/t.

We saw copper prices rise more rapidly than expected, breaking $7,000 several times in 2018, before being subdued by recent trade tensions. In April, the World Bank released a revised forecast which the Company utilised in updating financial projections for the Project[1].

Strong economic fundamentals continue to support a solid copper price outlook. Electro technologies are driving a more efficient energy system and the road to renewable energy is paved with copper. Electric vehicles, PV solar, wind and grid storage are all driving further copper demand on top of increasing global urbanization. In short, increasing copper demand is set to continue for many years to come.

Within this context, an untapped copper reserve and strong exploration potential within close proximity to existing resources provide a solid base for establishing Alara as a leading copper concentrate producer in the Middle East.

Shareholder Return and Future Growth

Total shareholder return for financial year end 2018 was 107%. The Company's market capitalisation more than tripled from three years ago and is set to continue.

This growth has been underpinned by increased resource estimates[2], a maiden ore reserve[3] and now the Company's first mining licence[4].

Greater growth is anticipated as the Company progresses into mineral production and further develops its copper resource base.

1. Refer ASX Announcement dated 26 July 2018.
2. Refer ASX Announcement dated 19 September 2016.
3. Refer ASX Announcement dated 15 December 2016.
4. Refer ASX Announcement dated 3 July 2016.

Projects Overview

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The Sultanate of Oman is the second largest country in the GCC region with an excellent geology of minerals. Oman's vast mineral wealth remains relatively untapped. Its mountains host intact and exposed ophiolites, which contain chromite, cobalt, copper, gold, lead, manganese etc.

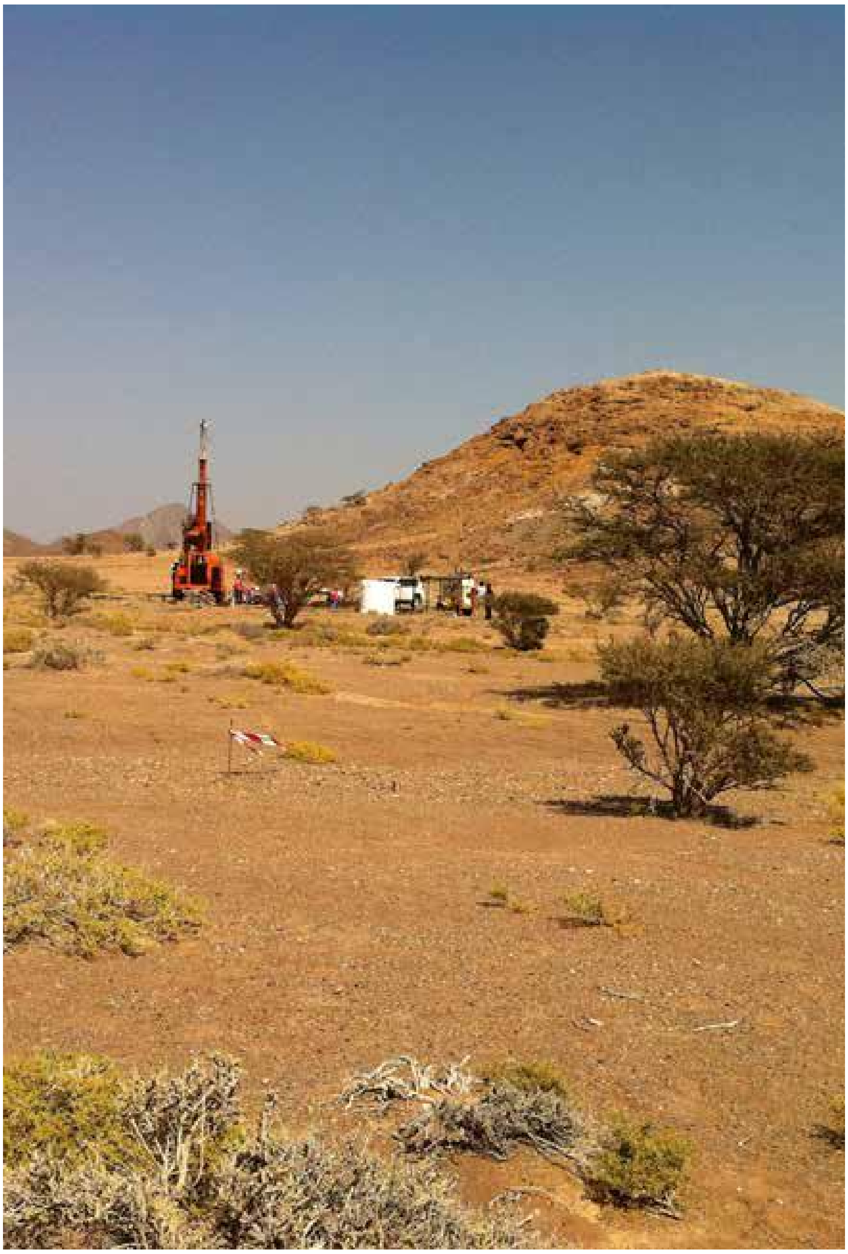
Oman's mining sector has attracted increasing interest both domestically and abroad. Its contribution to GDP shows a compound annual growth rate of >20%[1].

In 2014 the Public Authority for Mining was organised to regulate the sector. In 2016 Mining Development Oman ('MDO') was established to help enable and invest in local mining projects. MDO plans to carry out upstream and downstream mining activities in collaboration with the private sector.

Copper

Copper is a vital element for the world's electricity infrastructure, digital communications and green technologies. Voice and data information systems rely on copper. This important metal also helps power wind energy and solar collection, as well as energy- efficient buildings and electric vehicles. Copper production in Oman began in ancient times. The country has geology that is enriched by extensive copper mineralization with potential for the development of many new copper mining projects.

Fundamental supply and demand forecasts continue to provide a solid support base for copper prices through 2025. Electric vehicles, increasing urbanisation and electrification are further expanding market demand for copper.



Alara has joint venture interests in five (copper-gold) exploration licenses in Oman extending over 1186 km^2. The Company has one Mining Licence at Wadi Andam covering 3 km^2 and four other Mining Licenses pending grant with an area totalling 7 km^2. Figure 1 shows the locations of the Company's exploration licenses.

[1] Source: Oxford Business Group

Projects overview
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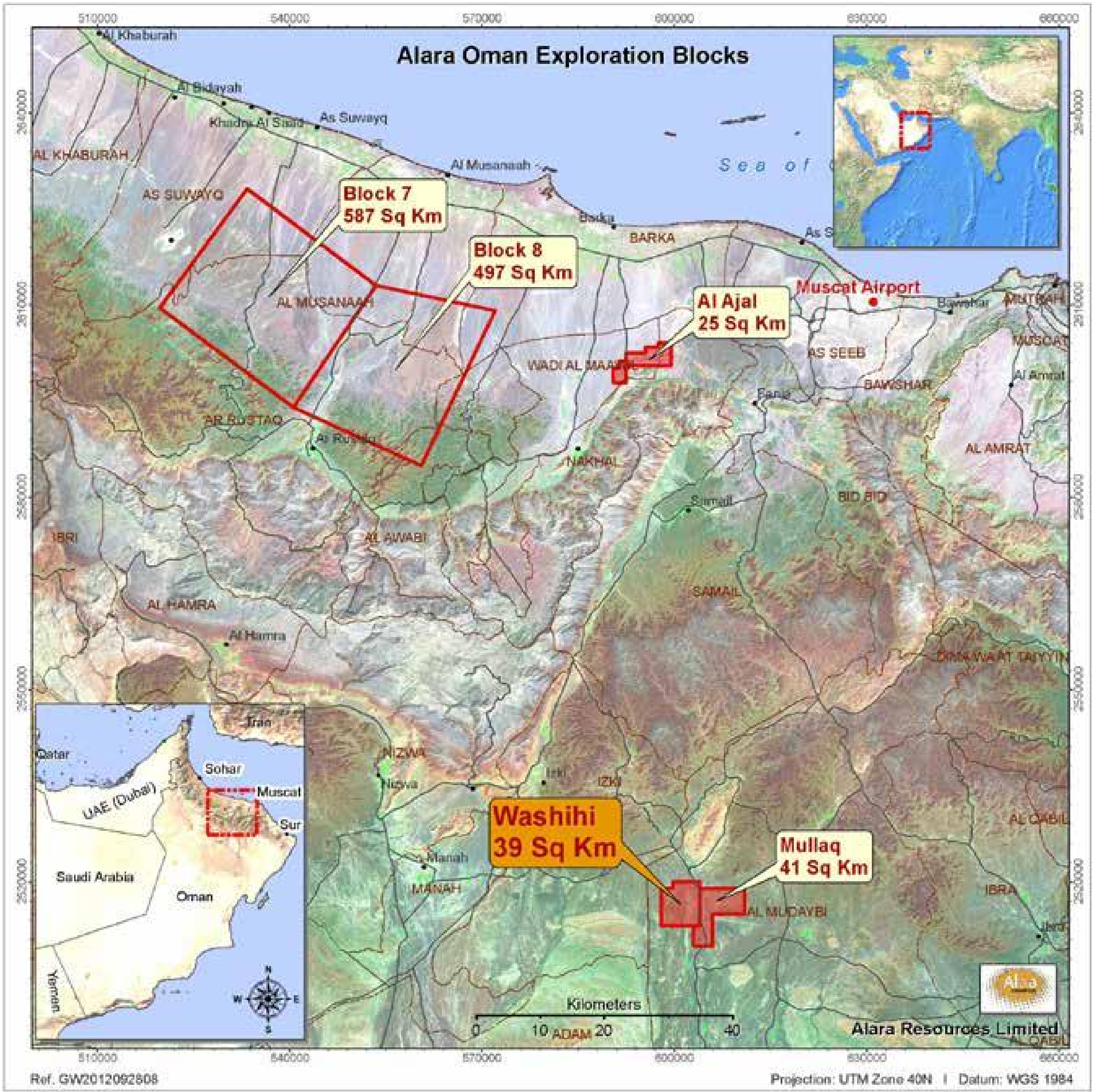

Figure 1: Alara JV Exploration Licenses in Oman

In addition there are 10 (base and precious metals) exploration licenses applications pending grant totaling 2,677km^2 in Oman.

Lithium

Lithium and its compounds have several industrial applications, including heat-resistant glass and ceramics, lithium grease lubricants, flux additives for iron, steel and aluminium production and lithium and lithium-ion batteries, and lithium-ion batteries. The large interior drainage area around Umm as Samin is known for the deposition of evaporates over a long period of time. Potential economic concentration of alkali salts and alkaline earths (including lithium) could be explored within this interior basin.

Alara has an Exploration License application covering an area of 10 km^2 pending grant in the Umm as Samin basin of Oman.

Projects overview
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Copper Portfolio

Al Hadeetha Projects

Al Hadeetha Resources LLC ('AHRL') is a 70/30 Joint Venture (JV) between Alara Oman Operations Pty Ltd, a wholly owned subsidiary of Alara Resources Limited ('Alara') and Al Hadeetha Investment Services LLC, a privately owned Omani Company. Al Hadeetha Investment Services is related to the well-known Al Naba group, owned by Sheikh Khalid Al Busaidi and his family. The JV between Alara and Al Hadeetha was formed in 2011 for the purpose of exploring and developing the Washihi, Mullaq and Al Ajal copper- gold concessions and the surrounding regions.

Alara-led exploration in these areas has identified copper resources and mining license applications have been submitted within each exploration license area. Table 1 provides the status of all Al Hadeetha JV licenses.

Table 1: Al Hadeetha JV licenses

			Exploration Licenses			Mining License within ELs		
Block/ License Name	License owner	Alara JV interests	Area	Date of Grant	Status	Area	Date of Application	Status
Wadi Andam	Al Hadeetha Resources LLC Oman	70%	39km^2	Jan 2008	Renewal in process	3km^2	April 2013	Granted
Mullaq	Al Hadeetha Resources LLC Oman	70%	41km^2	Oct 2009	Valid pending ML Application	1km^2	Jan 2013	In process
Al Ajal	Al Hadeetha Resources LLC Oman	70%	25km^2	Jan 2008	Valid pending ML Application	1.5km^2	Jan 2013	In process

Wadi Andam Copper Project

The Wadi Andam Exploration License lies within the Oman Mountains, approximately 160 kilometres south-east of Muscat via sealed road. It can be reached either from the Muscat-Nizwa highway, 40 km to the northwest, or from the Muscat-Ibra highway, 45 km north along the Wadi Andam valley. This prospect is 5 km north of Washihi village and 2 kilometres west of Wadi Andam and is distinguished by its gossan which forms a whitish, isolated but conspicuous hill in the centre of a gravel plain which is easily seen from a distance.

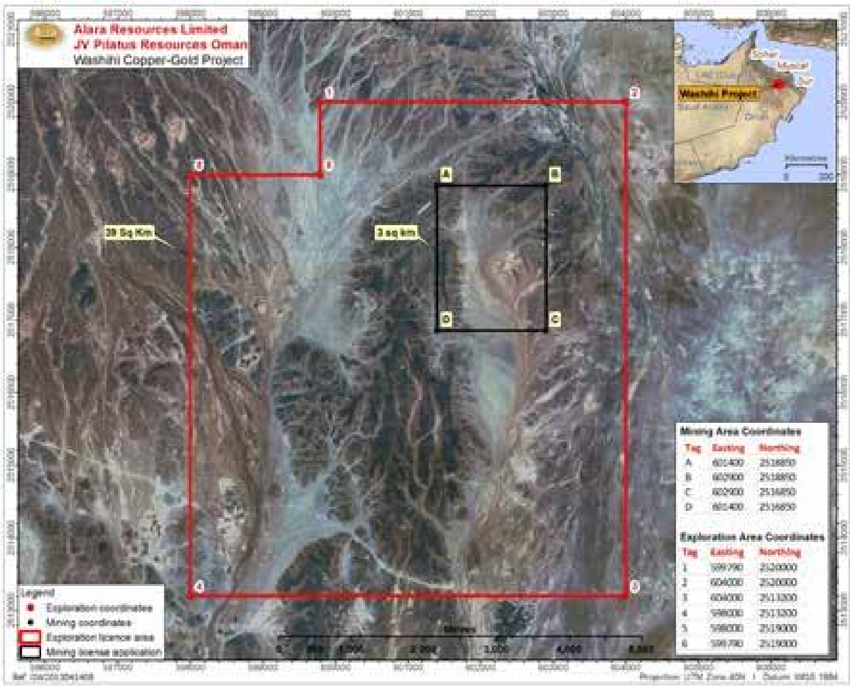

Figure 2: Location of Wadi Andam Exploration License and granted Wadi Andam Mining License

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AHRL conducted extensive copper-gold exploration programs in the license area that resulted in discoveries of large copper deposits at Wadi Andam. Subsequently a feasibility study was carried out supporting viable development of a mine pit and the construction of a 1 mtpa copper concentration plant and the maiden JORC reserve was announced in December 2016. In June 2018 Al Hadeetha JV secured Mining License to proceed with Project Development. JORC resource and reserve statements are provided in Table 2 and 3 below.

Table 2: Summary JORC Insitu Mineral Resources – 0.25% Cu Cutoff

Resource Classification	Tonnes (Mt)	Cu (%)	Au (g/t)
Indicated	12.4	0.89	0.22
Inferred	3.7	0.79	0.23
Grand Total	16.1	0.87	0.22

* Based on JORC Code, 2012 edition

Table 3: JORC Ore Reserve Statement (As of 18 November 2016)

	Ore Reserve		
Classification	Tonnes (Mt)	Cu Grade (%)	Au Grade (g/t)
Probable	9.7	0.88	0.22

In addition to the above mentioned resources, shallow gold mineralisation in the Gossan was also identified (JORC Inferred Resource of 0.31MT @ 0.51g/t Au) outside the main ore body.

Next Steps

Having become the first international joint venture to receive a copper mining licence in Oman, Al Hadeetha Resources has now moved into the mine construction phase. Engineering, procurement and construction bids have been received. Preliminary works are underway with major contracts commencing subject to final finance approval. In the interim, the Company intends to award a limited notice to proceed with detailed engineering work to avoid delaying the procurement and construction schedule.

The Company has already received indicative financing terms and executed an offtake agreement and project management agreement.

Mining contract proposals and plant operation/maintenance proposals have also been received.

The Company has worked hand in hand with local community to ensure the site was cleared of any unauthorised encroachment. This step was preparatory to the installation of perimeter fencing to secure the site and protects any livestock from roaming into the construction area.

In connection with Haya Water, designs for a sewage treatment plant that will supply water to the processing plant are being evaluated before final contract award.

An application for electricity connection to the site has been submitted to the power authority. The Company is working with Tanfeedh's implementation support and follow-up unit to get this application executed.

The best case scenario is to have the plant operational at the end of next year.

Project Development

The Mullaq exploration licence is less than five kilometres from the Wadi Andem Mining Licence. Mullaq includes strips of land strewn with copper slag from old copper mines. A mining licence application was submitted for Mullaq (along with an environmental impact assessment) in the same year that the Wadi Andem mining licence application was submitted. The Company is working with Tanfeedh and the Public Authority of Mining to review these applications and determine the next step forward.

The Company aims to have additional copper resources from Mullaq added to Al Hadeetha's existing mining inventory. This could further extend the mine life and increase project revenues.

Future Growth Opportunities

The majority of the area around Wadi Andem is covered by ancient and recent alluvial fans. Based on the premise that sulfide mineralization in the area is coincident with distinct reduction in the magnetic susceptibility values of basaltic rocks, four other targets have been identified for further follow-up, as shown in Figure 3. It is proposed to follow-up these targets with electrical geophysical methods (EM or IP) to confirm the target potential followed by drilling.

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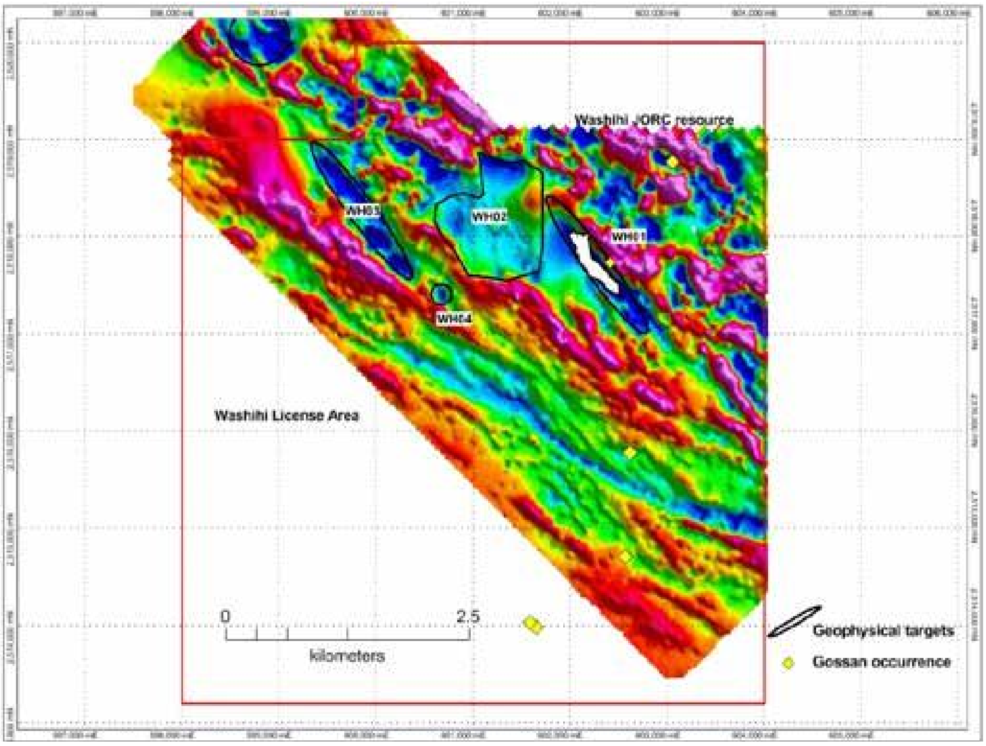

Figure 3: Potential regional exploration targets at Washihi License areas, based on RTP magnetics

Exploration Targets

Exploration targets are estimated purely based on size, geological perception and structural interpretation of the geophysical target, and without any other obvious geochemical, lithological or geo-statistical support. Anticipated copper and gold mineralization targets in Washihi license area, in addition to already reported JORC resources at Washihi, can potentially be categorized as per Table 4.

Table 4: Washihi Exploration Targets

License area	Target Number	Type of target	Estimated Tonnages in ranges	Grade Cu%	Grade Au (g/t)
Washihi	May 2018	Deemed granted as per law	3km^2	April 2013	Active
39 km2	WHT-1	Extension of existing JORC resources	3 - 4 MT	0.9 -1.1	0.1 – 0.3
	WHT-2	Untested geophysical targets	2.5 – 7.5 MT	0.9 -1.1	0.1-0.3
	WHT-3	Unseen high grade classic mound type "conglomeratic ores," typical of Cyprus-type deposits	0.5-1 MT	1.0 – 3.0	0.1-1.0

The potential quantity and grade of an exploration target is conceptual in nature. There is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realized (ASX Listing Rule 5.16.5).

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Mullaq Exploration License

Mullaq Exploration License area is adjacent to Washihi Exploration License Area. The Mullaq prospect lies within the Oman Mountains, approximately 160 kilometres south-east of Muscat via sealed road. It can be reached either from the Muscat-Nizwa highway, 40 km to the northwest, or from the Muscat-Ibra highway, 45 km north along the Wadi Andam valley. Mullaq is located 5.5 km east of the Wadi Andam. Access to the site is via approximately 7 km of unsealed track 4 km south of Khadra Bin Daffa.

In Mullaq License area, although previous explorers discovered copper mineralization in layered gabbro sequence, a large part of the tenement remains unexplored. Historical estimate of existing mineralization at Mullaq stands at 387,000t with 2.95% Cu.

Although no resource modelling has been conducted, geophysical surveys and drilling campaigns by Alara confirmed the presence of potential mineral deposits in the area.

Next Steps

With the grant of the mining license and the proposed construction of copper concentrator at nearby Wadi Andem, the high grade Mullaq deposit could be developed on hub and spoke basis. To achieve this AHRL has plans to delineate the existing resource at Mullaq followed by mining feasibility study.

Future growth opportunities

The ground magnetics survey conducted at Mullaq demarcated anomalies consistent with the known VMS signatures in this geological environment. A total of nine targets were identified for further follow-up, with the majority being manifested by RTP magnetic lows, similar to the Washihi magnetic signature. All identified exploration targets based on ground magnetics in Mullaq (except MQ001) remain untested. Also the existing mineralization remains open for further potential extensions.

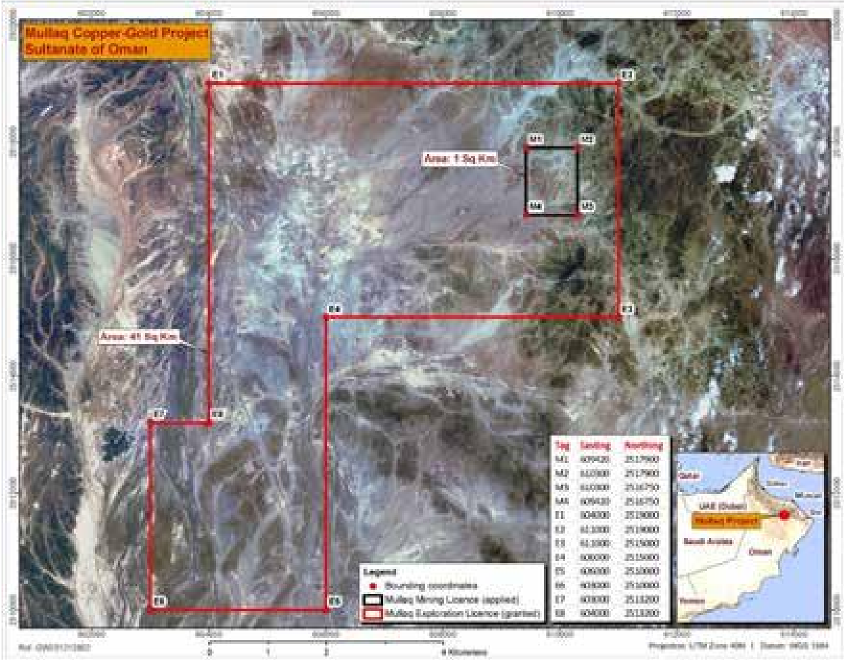

Figure 4: Location of Mullaq EL and Applied Mining License

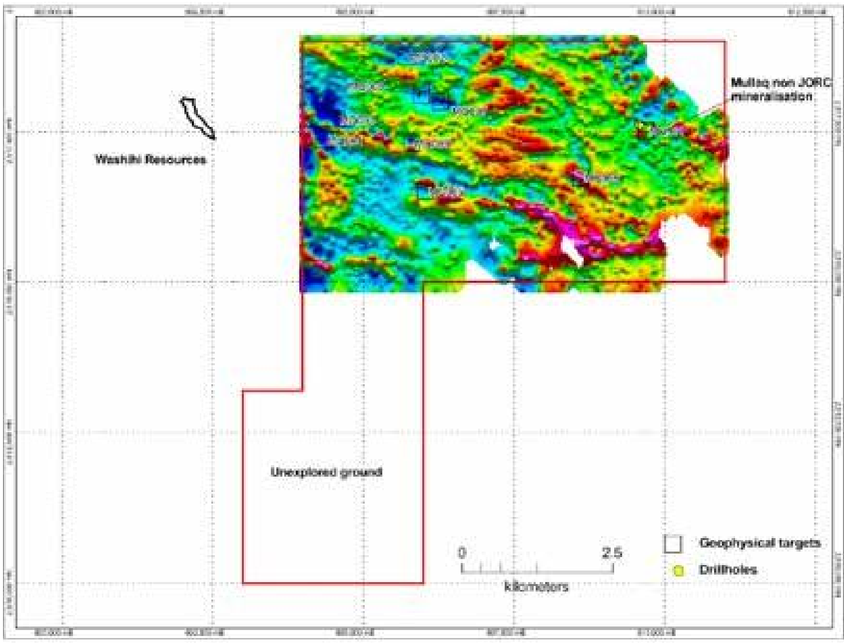

Figure 5: Potential regional exploration targets in Mullaq License areas, based on RTP magnetics

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Exploration Targets

Exploration targets at Mullaq are estimated purely based on the size, geological perception and structural interpretation of the geophysical target, and without any other obvious geochemical, lithological or geostatistical support. Anticipated copper and gold mineralization targets in the Mullaq license area, in addition to non-JORC mineralisation at Mullaq previously reported by others, can potentially be categorized as follows:

Table 5: Mullaq exploration targets

License area	Target Number	Type of target	Estimated Tonnages in ranges	Grade Cu%	Grade Au (g/t)
Mullaq $41km^2$	MQT-1	Extensions of non JORC resources at Daris 3A5	0.25 – 1 MT	1 – 3%	0.09 – 1.2
	MQT-2	Untested geophysical targets	3 – 4 MT	0.9 – 2%	0.09 – 0.3

The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised (per ASX Listing Rule 5.16.5).

In addition to the above, an ancient copper slag sample from Mullaq was tested at the Australian Minerals Research Centre in Perth. The tests showed potential for economic extraction by long term heap leaching methods. Further evaluation is required to determine the most economic options for copper recovery.

The Mining License application at Mullaq submitted in 2013 has progressed through various ministries in Oman. An Environmental Impact Assessment was also completed previously. AHRL considers the grant of a Mining Licence as one key to further exploration work in the area.

Al Ajal Exploration License

The Al Ajal Prospect is located near the village of Al Ajal in Taww area, about 20 km south of Barka, which lies on the northern coast of the Sultanate of Oman and about 65 km west of Muscat. Please refer to Figure 6.

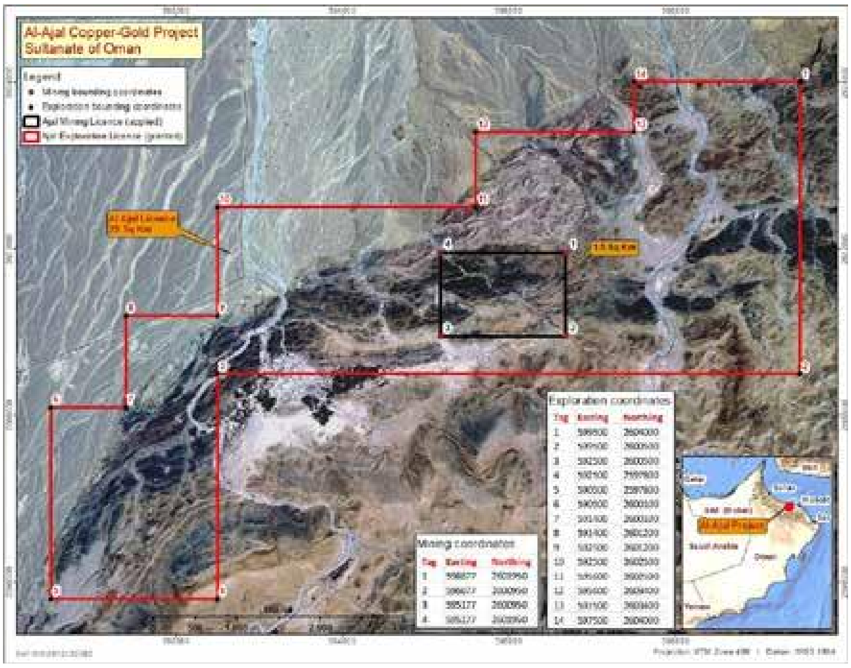

Figure 6: Location of Applied Al Ajal Mining License

Projects overview
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Alara carried out ground geophysical surveys over limited areas to confirm the geophysical signatures of exiting mineralization. See Figure 7 below.

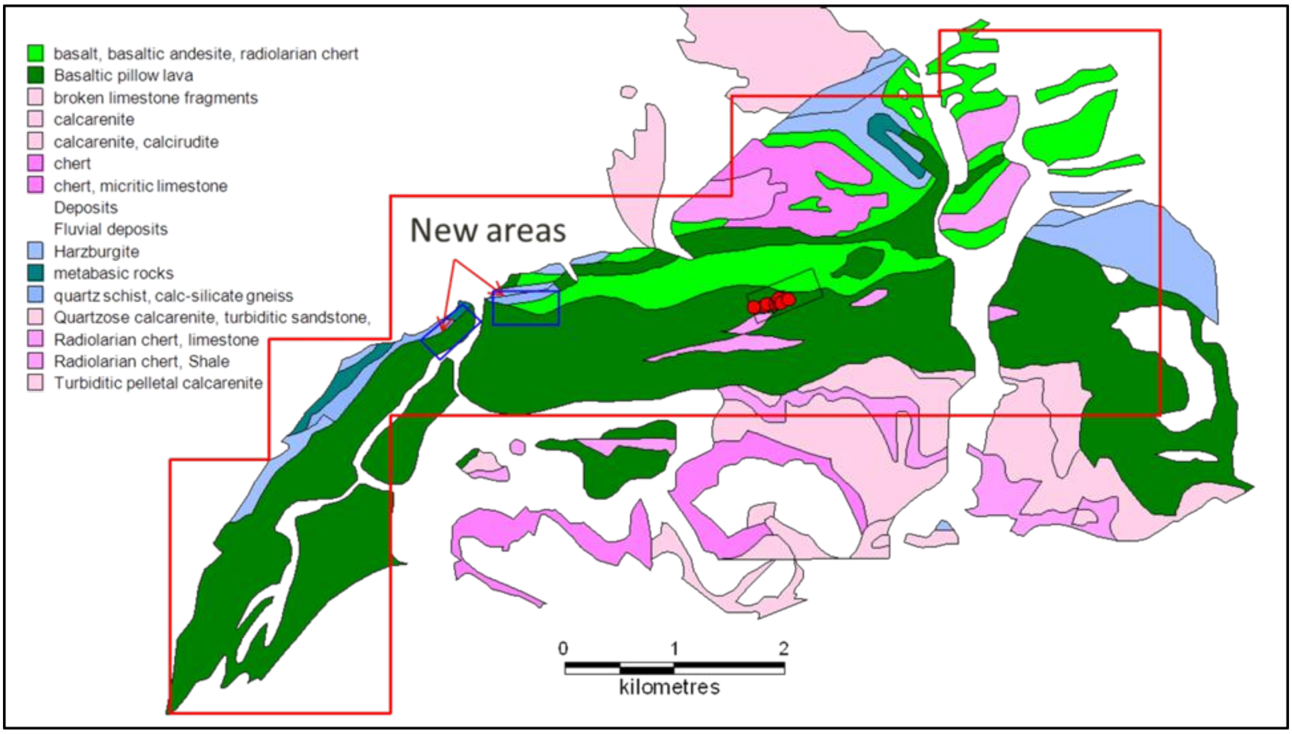

Figure 7: Al Ajal Geophysical Survey

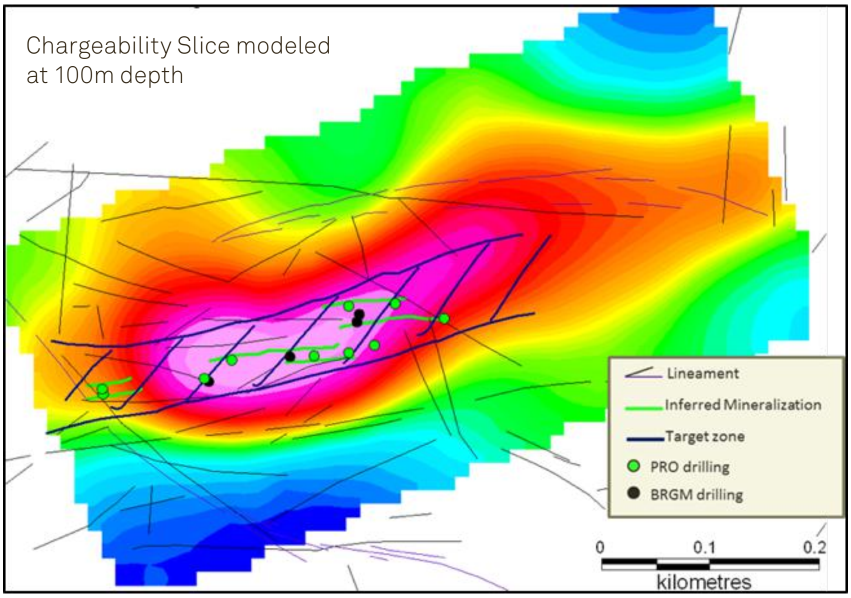

Figure 8: Geological map showing prospective areas within Al Ajal Exploration License

Exploration Potential – Future growth opportunities

Preliminary exploration confirmed the presence of two more areas of potential positivity in similar geological trends. Al Ajal prospect is unique in itself as it is considered to be the only known mineral occurrence in Oman Mountains that is considered not associated with the ophiolite volcanics of Oman. Despite its small size and difficult terrain, in view of the high gold grades detected by previous explorers this prospect warrants further detailed exploration to discover more copper and gold bearing deposits.

The Mining License application at Mullaq submitted in 2013 has progressed through various ministries in Oman. AHRL considers the grant of a Mining Licence a key to further exploration work in the area.

Projects overview
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Daris Copper-Gold Project

The Daris Resource LLV is 50-50 JV in Oman between Alara (with right to increase to 70%) and Al Tamman Trading Establishment LLC.

The Daris Project comprises one exploration licence (Block 7) of ~587km^2 located ~150km west of the capital city Muscat in Oman. The application for annual renewal of the exploration licence is pending along with two Mining Licence applications filed over Daris East and Daris 3A5 prospects within the exploration licence. Figure 9 and Table 6 provide details of licenses at Daris.

By conducting extensive exploration programs in Block 7 the JV has defined resources at Daris East Prospect to measured category under JORC, identified mineralisation at Daris 3A5 prospect and several exploration targets. Two Mining License applications were submitted over both of the prospects and recent site visits conducted by ministry officials gave positive indications for these applications advancing towards issuance.

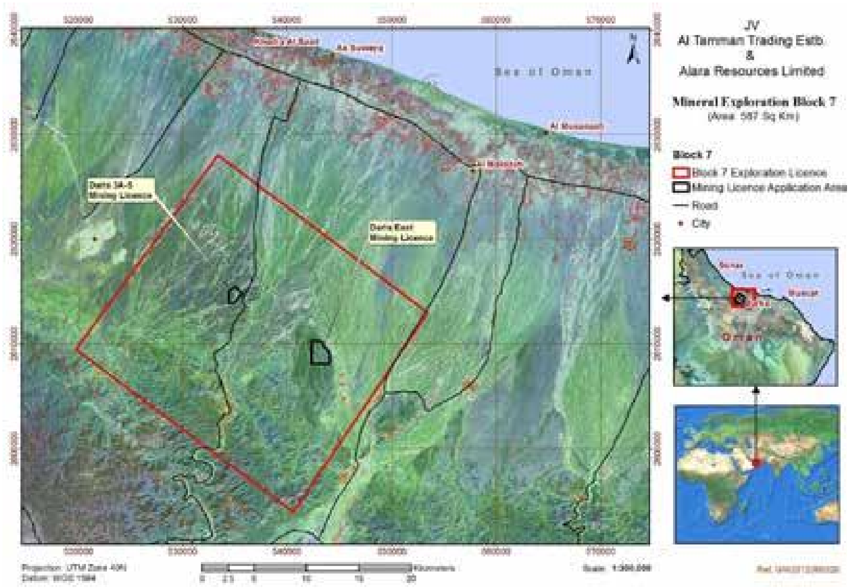

Figure 9: Geological map showing prospective areas within Al Ajal Exploration License

Table 6: Details of Licenses

<table>
<tr><th colspan="3"></th><th colspan="5">Exploration License</th><th colspan="3">Mining License within EL</th></tr>
<tr><th>Block Name</th><th>License owner</th><th>Alara JV interests</th><th>Area</th><th>Date of Grant</th><th>Date of Expiry</th><th>Application for renewal</th><th>Status</th><th>Area</th><th>Date of Application</th><th>Status</th></tr>
<tr><td rowspan="2">Block 7</td><td rowspan="2">Al Tamman Trading and Est. LLC, Oman</td><td rowspan="2">50%</td><td rowspan="2">587km^2</td><td rowspan="2">Nov 2009</td><td rowspan="2">Nov 2012</td><td rowspan="2">May 2018</td><td rowspan="2">Deemed renewed as per law</td><td>Daris East 3.2km^2</td><td>Dec 2012</td><td>in process</td></tr>
<tr><td>Daris 3A5 1km^2</td><td>Dec 2012</td><td>in process</td></tr>
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Daris East Prospect

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

Table 7: Current JORC Copper Resource for the Daris-East Prospect

Ore type	Cut-off grade Cu%	Measured		Indicated		Measured and Indicated		Inferred*	
		Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%
Sulphides	0.5	130,000	2.48	110,000	2.24	240,000	2.37	30,000	2.0
Oxides	0.5	100,000	0.77	90,000	0.66	180,000	0.72	2,000	0.5

* Figures are approximate

Note:

- A total of 21 rotary (624m) and 41 diamond core (4,654m) holes totalling 5,278m have been drilled by Alara to test shallow oxide mineralisation and to locate massive sulphide and stringer zones beneath the oxide cap at the Daris-East prospect and to test geophysical targets in the vicinity.
- In addition historic drilling data from 44 holes totalling 4,353m have been included in the resource database.

Daris 3A5 Prospect

Preliminary drilling at Daris 3A5 has intersected high grade copper mineralisation and the Company plans to conduct further drilling before resource estimations.

On 20 September 2012, Alara announced drilling results for Daris 3A5. The drill hole location map and intersection table are given below:

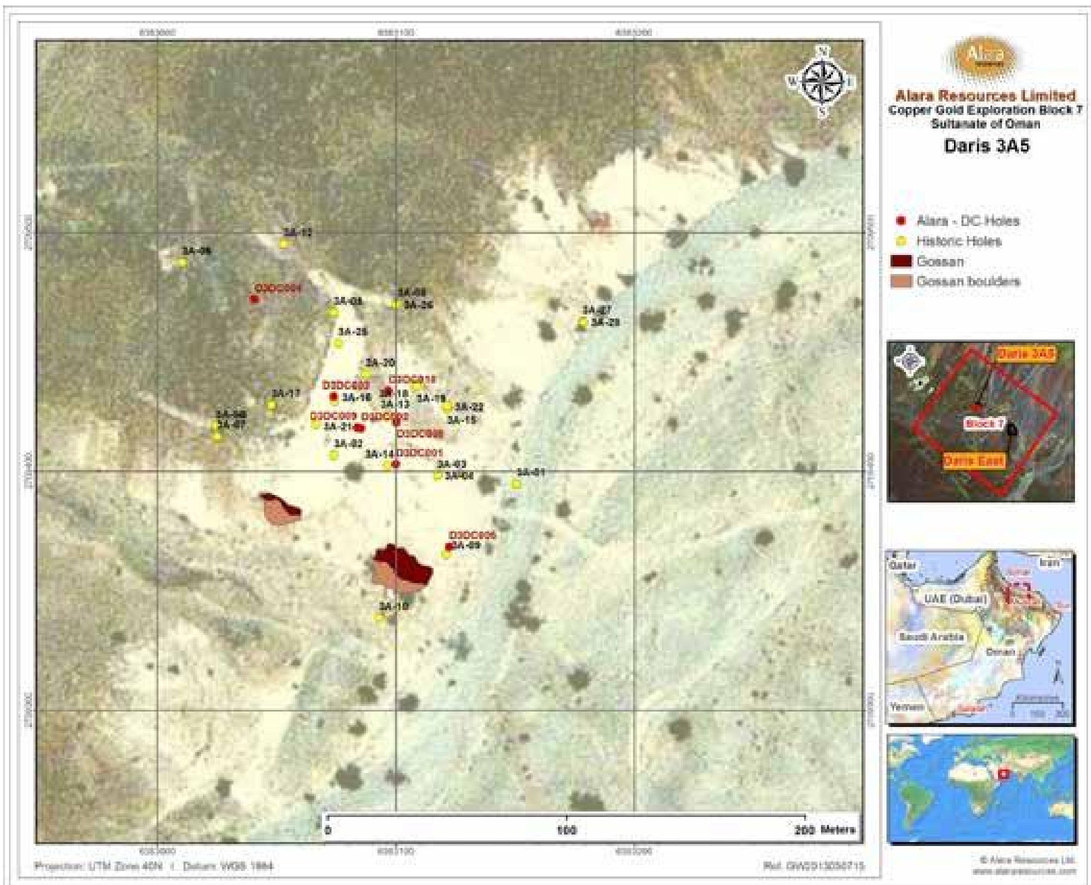

Figure 10: Daris 3A5 Drillhole Location Maps

Projects overview
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Table 8: Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS – DARIS 3A5 PROSPECT							
	Significant Mineralisation				Mineralised Zone		
Drill Hole	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)
D3DC001	Primary	15	37.65	22.65	1.61	3.39	50.68
	Inclusion	*30*	*37.65*	*7.65*	*4.69*	*3.71*	*77.95*
D3DC002	Primary	28.4	46.25	17.85	3.85	2.61	22.51
	Inclusion	*34.35*	*46.25*	*11.9*	*5.74*	*2.06*	*24.07*
	Primary	50.6	59	8.4	4.45	1.36	20.34
	Inclusion	*50.6*	*54.05*	*3.45*	*10.28*	*3.10*	*46.79*
D3DC003	**Primary**	**41**	**71.75**	**30.75**	**4.69**	**1.56**	**16.75**
	Inclusion	*51.5*	*68.7*	*17.2*	*8.05*	*2.67*	*28.95*
D3DC008	**Primary**	**23**	**35.8**	**12.8**	**0.74**	**6.62**	**31.11**
	Inclusion	*33.5*	*35.8*	*2.3*	*3.92*	*5.20*	*106.37*
D3DC009	Primary	21	31	10	0.07	3.34	5.41
	Inclusion	*23*	*25*	*2*	*0.06*	*7.13*	*23.67*
	Primary	36	39	3	0.85	0.01	1.23
D3DC010	**Primary**	**57**	**67**	**10**	**5.62**	**1.16**	**17.82**
	Inclusion	*59.35*	*65.7*	*6.35*	*8.58*	*1.78*	*27.48*

Significant Intersection from Daris 3A5

Notes:
- The cut-off grade is 0.2% Cu in respect of intersections within the copper-rich zone.
- The drill intercepts are reported as drilled. True thickness will be calculated at the interpretation and resource modelling stage.

Oman Oxide Ore Test Work
Copper oxide ore samples from two Daris deposits as well as those from other mines were tested to identify a suitable copper and gold extraction method. The test results favourably suggest that oxide portions of Daris East and Daris 3A5 can readily be leached for copper however further work is required for effective extraction of gold from this ore.

Next Steps
The recent grant of the Al Hadeetha Mining License has provided the Company with a basis to further develop copper exploration programs at Daris.

An optional analysis study and an advanced scoping study conducted in 2014 identified multiple options for Daris East Resources, which will underpin further work in Block 7.

The Daris JV is collaborating with Mineral Development of Oman to develop a further exploration program for Block 7.

Projects overview
continued

OMAN

Awtad Copper Project

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

The Company has signed a binding Heads of Agreement granting Alara an initial 10% interest in the Project and a right to increase to a 70% shareholding in Awtad Copper LLC.

Alara has previously undertaken some exploration activity on Block 8. Rock chip samples returned multi-elemental enrichment of up to 2.68% Copper, 2.4ppm Silver, and 0.1% Zinc indicating potential base metal deposit below.

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

- Extensive geophysical surveys have been completed - 86 line kilometres of airborne VTEM, 14 line kilometres of ground IP, 169 line kilometres of ground magnetics and 202 line kilometres of high resolution ground magnetics;
- 76 RAB drill holes totalling 1,747m and 11 core drill holes totalling 299m have been completed;
- Drilling results (including over the Al Mansur prospect) were low grade in general and inconclusive;
- Rock chip samples collected 250m southeast of Hole AM12DD002 from oxidized, hematitic altered basalt (Gossan) having malachite stains returned a multi-elemental enrichment in the rocks of up to 2.68% Copper, 2.4ppm Silver, 0.1% Zinc and 48ppm arsenic indicating potential base metal deposit below.

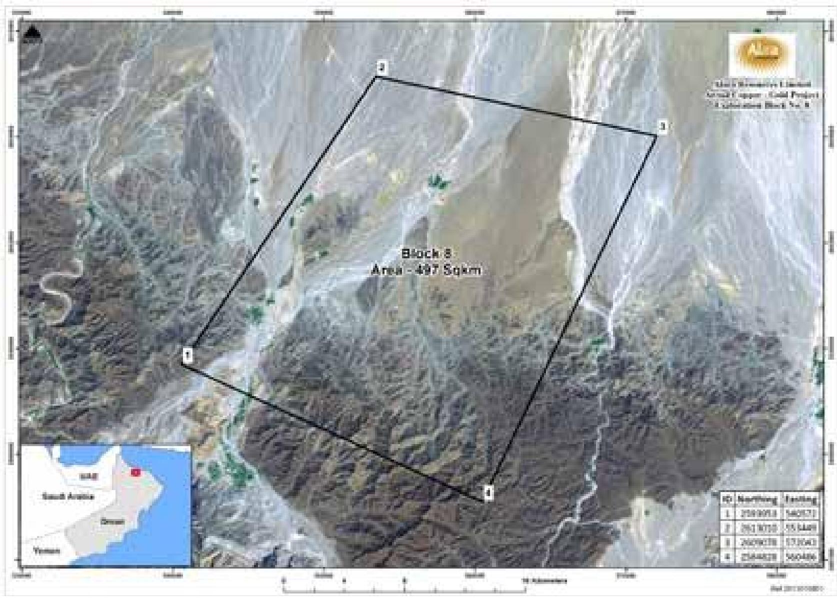


Figure 11: Location of Block 8 Exploration License

Copper exploration/mining companies in Oman

Over the past seven years Alara and its joint venture partner have developed a number of important business relationships in Oman. Previous reports have referred to the potential for consolidation / collaboration of copper assets in Oman. The Company has announced various MOU's and other agreements with key players in the Oman mining sector from time to time.

MDO was established to enable and invest in mining projects in Oman. Alara and MDO continue to explore opportunities for collaboration to strengthen Oman's mining sector and deliver value to stakeholders. If the relationship develops to a point where the parties decide to become equity partners, further arrangements will need to be finalised.

In January, a $100m deal for developing the Yanqul copper-gold project (Block 10) was announced between MDO (20%), Oman Mining Company (29%) and Exo Mining (51%).

Development of the Yanqul project is another important step forward for development of Oman's copper industry and combined with other copper projects help build the business case for further downstream activity.

In February, MDO and Mawarid announced a JV for mineral exploration on copper Blocks 1 and 2. During the year, Alara engaged Mining & Process Solutions to conduct test work at its facility in the Australian Minerals Research Centre. This work focused on leach amenability testing of copper ore samples from this and various other copper blocks within Oman. Further study is required to determine the most economic options for copper recovery.

Al Hadeetha Resources and Mawarid Mining previously entered a MOU to toll treat copper ore from Al Hadeetha's three exploration licences. The parties were unable effect the toll treatment agreement without a mining licence (which has now been issued to Al Hadeetha Resources). After completing its own mining operations, Mawarid's Lasail processing plant was decommissioned and put into care and maintenance.

Projects overview
continued

Al Hadeetha Resources' Mining Licence Award ceremony held at the Public Authority for Mining in Muscat Oman

Al Hadeetha's feasibility study was later completed, underpinned by a proposed 1mpta processing plant and a projected initial ten year mine life. Opportunities for either one of these two processing plants to toll treat ore from other copper blocks remain open.

Savannah Resources and its local partners have copper exploration licenses Blocks 4 and 5. Potential synergies exist with Alara and its JV partners holding copper Blocks 7 and 8.

After Al Hadeetha Resources received its first copper mining licence in June, offers and expressions of interest were received from various parties interested to become equity partners in Alara's JV copper projects. Discussions are continuing to identify the best strategic fit and value that each prospective partner is able to bring.

SAUDI ARABIA

The Company refers to its previous announcements regarding the Khnaiguiyah Zinc Copper Project. In particular, dismissal of the case commenced by Manajem before the Saudi Board of Grievances. Following announcement of the dismissal, the ASX directed the Company to provide details regarding an offer received from MetalsCorners Holding Company ('MCH'). MCH were keen to have the offer announced during the course of the year. The Company is considering all options and will provide a further update to shareholders once a material development occurs.

Alara invested a total of $30m developing the Khnaiguiyah Zinc-Copper Project, including $23m on a definitive feasibility study which remains with Alara.

Aside the feasibility study, an offer was received for one of the Company's subsidiaries (Alara Saudi Operations Pty Ltd). The ASX directed the Company to provide details of this offer which the Company considers immaterial and unlikely to proceed.

More importantly, the court dismissal opens new doors for development of the Khnaiguiyah Zinc-Copper Project. These development pathways are being pursued and will be further elaborated as details are confirmed.

Board of Directors

James D Phipps
Non-Executive Chairman

Justin Richard
Managing Director & CEO

James D Phipps

Non-Executive Chairman of the Board
B.A. (Philosophy), J.D. (Law)

Mr Phipps is a strategic advisor, investor and lawyer with extensive Middle East experience (30+ years, including 18+ years in residence) across a variety of industries (e.g., development, commerce, franchising, distribution, heavy industry, infrastructure, communications, sports entertainment, high tech, investment, start ups, and mining). In recent years, James served as principal advisor to a prominent member of the Saudi royal family, providing strategic advice relative to a worldwide portfolio of businesses, properties and investments. From May 2014 through May 2016, James chaired Sheffield United Football Club, the first "United" and one of the first "association football" clubs worldwide, as well as a founding member of the English Premier League. Sheffield United now plays in the EFL's Championship division. James has experience in organizational development and corporate turnarounds and has served in a chief executive role at different companies in a turnaround capacity. Of particular value to the Company is the experience James brings in these areas: legal, strategic planning and development, governance, and Middle Eastern business operations.

Justin Richard

Managing Director & CEO
MBA, LLB, FGIA, FCIS

Mr Richard is an accomplished commercial manager and corporate lawyer. He joined Alara in 2011, and in 2013 took up residence in the Middle East as CEO of Alara's international joint venture businesses.

After being appointed Managing Director in 2015, he lead the Company through successful capital raisings to complete a feasibility study, maiden ore reserve and a mining licence for the Al Hadeetha Copper Project in Oman. He has established key stakeholder relationships for the Company as it transitions to mine development and production of copper concentrate.

Prior to joining Alara, Justin worked with UGL Limited (Resources Divisions), Bateman Engineering, Minter Ellison Lawyers (Construction, Engineering and Infrastructure, Insurance & Corporate Risk) and as Managing Director of Irrigate Australia.

Mr Richard has a MBA from London Business School, a law degree from the University of Western Australia and is a Fellow of the Governance Institute and Institute of Chartered Secretaries and Administrators.

Vikas Jain

Non-Executive Director

MBA

Mr Jain holds an MBA obtained in the USA and as a wealth of experience encompassing around 15 years in the field of mineral exploration and allied activities, including open-pit mining.

Mr Jain is currently Managing Director and CEO of the Indian compnay South West Pinnacle Exploration P/L, a company he founded in 2006 and under his leadership grew to become a leading exploration company in India.

After starting in mineral exploration, South West Pinnacle has since added coal-bed methane production, transportation, geophysical logging and other geological activities to its domain.

Atmavireshwar Sthapak

Executive Director

BASc, MTech (Applied Geology)

Mr Sthapak is a geologist specialising in mineral resource exploration and evaluation studies. He joined Alara in 2011, making valuable contributions to the Company as an Exploration Manager and a Study Manager based in Muscat, including discovery of large VMS copper mineralisation extensions at the Washihi project in Oman.

Prior to Alara, Mr Sthapak's career spanned 10 years with ACC / ACC-CRA Ltd, and 10 years with Rio Tinto (Australasia) where he was awarded a Rio Tinto Discovery Award in 2009. He has worked on world class deposits, including Mt. Isa type copper deposits in Australia, and copper, gold and diamond mines on four continents.

Stephen Gethin

Company Secretary and Alternate Director

Mr Gethin is a lawyer with over 20 years' experience gained in a national law firm and General Counsel and Company Secretary roles in various international ASX-listed companies, and specialises in corporate law, tax and resources.

Mr Gethin excels in structuring and documenting complex transactions, particularly where challenging tax issues are involved. His "in-house" experience has given him a deep understanding of the practical realities faced by business.

Mr Gethin has had legal oversight of all stages of developing mining operations from the greenfields stage until tendering out mine construction contracts. He has provided advice and documentation for resource and other projects in Australia and, managing local lawyers, in over 20 foreign countries. Mr Gethin has acted for various ASX-listed companies in takeovers via on- and off-market bid and scheme of arrangement.

Vikas Jain
Non-Executive Director

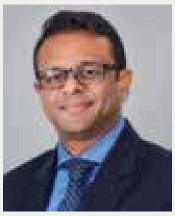
Atmavireshwar Sthapak
Executive Director

Stephen Gethin
Company Secretary and Alternate Director

Management Team

Justin Richard
Managing Director & CEO

Atmavireshwar Sthapak
Executive Director



Dinesh Aggarwal
Chief Financial Officer

Don Welty
Senior Commercial Officer

Dinesh Aggarwal

Chief Financial Officer

FCPA, CA, CMA, FTI, DipFS (Advanced)

Mr Aggarwal has over 20 years of experience in Accounting, Finance and Business Management in top corporate positions, both in Australia and overseas, and is the Managing Director of Fortuna Advisory Group. Fortuna is an award-winning, multi-disciplinary practice with specialised divisions in Tax & Business Advisory, Legal Services, Mortgage Broking and Financial Planning.

Mr Aggarwal advises clients in Australia and overseas on tax matters and business services, and advises the Australian operations of several multi-nationals. He also handles tax disputes with the ATO including appeals to the AAT. He is the former Chairman of the Public Practice Committee of CPA Western Australia and is currently a member of the National Public Practice Advisory Committee of CPA Australia.

Named as one of Australia's top three SME Tax Advisers in 2015 by the Tax Institute, Mr Aggarwal has also won the prestigious CPA Australia 40 Under 40 Young Business Leaders Award for 2012 and 2013. In 2016, he was awarded the ISWA Personal Excellence Award. In 2018 Fortuna is a national finalist in the Australian Accounting Awards for Best Business Advisory Firm. The Fortuna Group also has a philanthropic arm - Fortuna Foundation.

Don Welty

Senior Commercial Officer

B.Bus Admin, Masters in Management

R. Don Welty's career has taken him around the globe focusing on foundational mining investments which have a triple bottom line: good for the country, shareholders and the local community.

He is comfortable interacting at the highest levels in the private sector and government: focusing on mining investment programs, with the ability to convene, communicate with and be the catalyst for change to influence and advocate for new mining opportunities. He believes in creating Mining Public-Private Partnerships and developing new financial economic models and investments that meet the needs of the countries where the programs are being created.

He has extensive experience as an investment advisor, with more than twenty years of professional investment work experience in the Middle East. Most recently he helped establish the Investment Commissions of Iraq and Afghanistan.

Mr. Welty received a B.S. in Management (with a focus on finance) from Brigham Young University and has a Masters in Management from Westminster College. He has been adjunct professor at Brigham Young University, Westminster College and University of Tennessee MBA Programs.

Tina Newbon

Office Manager

Adv. Dip. Accounting, Adv. Dip. Business Administration

Mrs Newbon joined Alara in 2011 as Executive Assistant to the CEO and has since been involved in many aspects of the business including office administration, human resources, corporate affairs, finance, leasing/relocation, ASX requirements and IT management.

Mrs Newbon is a highly experienced administrator with over 15 years of administration, finance and project experience including BGC Blokpave, Shell Australia, WA Gas Networks and BHP Billiton.

Rexin Kamilas

Finance and Administrative Manager

M.Com, Tally

Mr Kamilas is an experienced administrator who has been working for over eight years in Oman. He joined Alara in 2011 as an Administrative and Accounting Assistant and has since been involved in business procurement, auditing, leasing, travel, insurance, banking and payroll for the company's projects in both Saudi Arabia and Oman.

Venkatesan Ganesan

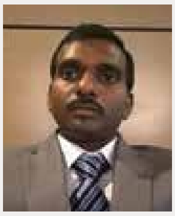
Corporate Financial Adviser

(MBA, CPA, ACA, ACS, CBV)

Contractor, joined Alara in September 2017 Based in Dubai.

Mr Ganesan runs a boutique advisory services firm in Dubai and India. He has spent over 15 years in a Big-4 financial advisory practice and has advised a variety of industry clients on transaction matters. He also spent six years in an upstream E&P business at the start of his career. Mr Ganesan is currently assisting Alara in optimising development stage capital.

Tina Newbon
Office Manager



Rexin Kamilas
Finance and Administrative Manager

Venkatesan Ganesan
Corporate Financial Adviser

Directors' Report

The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and the entities it controlled at the end of or during the financial year ended 30 June 2018 (the **Consolidated Entity**).

REVIEW OF OPERATIONS

Al Hadeetha Copper-Gold Project — Oman

(Alara - 70%: Al Hadeetha Investments LLC – 30%, of Al Hadeetha Resources LLC (**AHR**))

In May 2018 a Mining License was granted for the Company's Al Hadeetha Copper-Gold Project in Oman.

The Al Hadeetha feasibility study financial modelling was revised in June 2018 to take account of the fact that copper prices have increased >$1,000/t since the feasibility study and more rapidly than previously forecast. The revised World Bank forecasts shows further rises as supply deficits open up. The Base Case financial modelling shows robust returns as follows (figures in US dollars):

- Forecast Revenue over 10.4 years: $561 million
- Forecast EBITDA over 10.4 years: $252 million
- Forecast Free Cash Flow over 10.4 years: $155 million
- Project NPV: $90 million
- Forecast IRR: 34%

The Base Case used a flat copper price over life-of-mine of US$7,000/t, the LME average Cash Settlement Price for February 2018. The gold price is assumed as US$1300/oz (real).

A summary of case scenarios and associated financial returns are summarised in Tables 1 and 2 below.

Table 1. Copper and Gold prices used for Base Case, Market Case and High Case

	Case Scenario	Cu US$/t	Au US$/oz
Base Case	Based on flat Cu price equal to LME average Cash Settlement Price for February 2018	7,000 for Life of Mine	1,300
Market Case	Based on World Bank price forecast for 2018 to 2025[1] (excluding forecast increase post 2025 to 7,000)	Minimum 6,800 Maximum 6,900	1,300
High Case	Based on investment bank projections and copper futures pricing[2]	7,050 rising to 8000	1,300

Table 2. Financial Summary of Base Case, Market Case and High Case.

Case Scenario	Total Revenue US$ millions	Total Opex US$ millions	EBITDA US$ millions	NPV* US$ millions	IRR %
Base Case	561	275	252	90	34
Market Case	553	275	244	85	32
High Case	622	275	309	120	40

**NPV is based on a discount rate of 6% calculated from indicative WACC and 80:20 debt to equity ratio%*

Project Finance

The Company is working with financiers to finalise project finance and approval procedures are progressing steadily. Due diligence has been completed. Financing provisions are expected to remain in line with indicative terms received previously.

Project Contracts

In June 2018 the Company received an advance payment under an offtake agreement allowing early works to proceed prior to finalisation of bank finance and execution of the EPC contracts.

Early works are underway and contract terms for engineering, procurement and construction have been finalised and are ready for execution. Project Management Consultants have also been appointed. The Company has also received separate quotations for Engineering and Procurement, and Construction. Engaging directly with local construction contractors offered the added benefit of accessing an already established in-country labour force and helps meet Omani content requirements.

Construction of the 1 mtpa copper processing plant is scheduled for completion by year end 2019. Exploration programs for Al Hadeetha Resources' adjoining exploration licence 'Mullaq' and nearby 'Al Ajal' are also continuing.

1 Released 24 April 2018: http://pubdocs.worldbank.org/en/458391524495555669/CMO-April-2018-Forecasts.pdf
2 www.metalbulletin.com/Article/3785039/FORECAST-Copper-price-to-hit-8000-per-tonne-in-2018-Goldman.html. Copper contracts traded on the Shanghai Futures Exchange at approximately 51,860 yuan ($8,003) per tonne as at 20 June 2018.

Directors' Report continued

Daris Copper-Gold Project Oman

(Alara - 50% with option to increase to 70%: Al Tamman Trading Establishment LLC – 50%, of Daris Resources LLC (**DRL**))

The Daris project comprises two high grade deposits within the 587km² exploration licence, which includes two mining licence applications covering 4.5km². The project fits well with a 'hub and spoke' model, which provides for processing of Daris ore at the Al Hadeetha copper concentration plant to be built 100km to the south. However, new leach processing methods are also being investigated which could allow Daris to operate as a stand-alone project. The processing method has been tested on deposits in Australia and South America and yielded very high recoveries of metal from both low grade copper oxide and sulphide ores.

Awtad Copper-Gold Project Oman

(Alara right to subscribe for 10% initially with subsequent earn in up to 70% +, existing local shareholders = balance of shareholding of Awtad Copper LLC)

The Awtad Project comprises an area of ~497 km² (**Block 8**) and is located immediately adjacent to the Block 7 (**Daris Copper-Gold Project**). Alara has a right to an initial 10% interest (increasing to 50-70%+) in the concession owner, Awtad Copper LLC.

Exploration previously undertaken on the project include:

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

Khnaiguiyah Zinc-Copper Project Saudi Arabia

The Khnaiguiyah project includes the development and operation of an open-cut zinc-copper mine and associated infrastructure over an approximate 13-year mine life.

Alara Resources has invested over $30m into this project, including:

- over $3 million in payments to its former joint venture partners for transfer of the Mining Licence to the joint venture company; and
- over $23 million to produce a definitive feasibility study with Proved and Probable JORC Reserves of 26.1Mt at 3.3% Zn and 0.24% Cu and a Base Case Project NPV of $172 million at a zinc price of US$2,315/t[3].

The project reached an impasse after the former licence holder, United Arabian Mining Company LLC, wrote to the Deputy Minister for Mineral Resources asking to halt transfer of the mining licence to the JV company, as required under the JV agreement.

In December 2015, Alara announced it had been advised of the cancellation of the Khnaiguiyah Mining Licence. Alara funded and is now in the unique position of holding the only bankable feasibility study for the project, and remains open to any reasonable solution for advancing the project into production.

The Company has communicated with the Council of Economic Development Affairs' Priority Project Office (**PPO**) in respect to this Project. These communications were later extended to include representatives from United Arabian Mining Company and Metals Corners Holdings. The PPO is a government initiative empowered by HRH Mohammed Bin Salman, Crown Prince of Saudi Arabia in his capacity as President of Council for Economic and Development Affairs. The PPO was established to assist selected private sector projects that face implementation difficulties and provide them with needed support, as an authorised escalation entity, to obtain fast-track government approvals.

South West Pinnacle JV Oman

In March 2018 the Company executed a Heads of Agreement with South West Pinnacle Exploration Limited (**SWPE**) to form a new joint venture providing drilling and mineral exploration services in Oman, to focus on Oman's burgeoning mineral exploration sector. Alara and SWPE will hold equal shares in the JV entity. Final documents and related transactions are subject to regulatory requirements of Australia, India and Oman.

Alara and SWPE commenced working together in Oman in 2012. This business relationship continued to develop to the point where the two companies decided to create the joint venture to better enable them to pursue opportunities in Oman.

The joint venture will engage in drilling, exploration and mine development activities, and offer these services to other mining / exploration companies in Oman and the GCC, including Alara's other joint ventures.

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[3] Compared to the LME price of >$3,000/t as at 28 August 2018 and the High Case of US$2,373/t (see page 21 of the 2013 Annual Report).

Directors' Report continued

Corporate Information

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

Cash Position

The Company's cash position at 30 June 2018 was A$3.3 million (30 June 2017: A$1.9 million).

In December 2017, a total of 31,500,000 shares were issued to Al Hadeetha Investments LLC (**AHI**) under a placement at an issue price of $0.03 (3 cents) per share, raising $945,000. AHI is the joint venture partner with the company's subsidiary Alara Oman Operations Pty Ltd in the Al Hadeetha Copper-Gold project in Oman.

Company Officer Changes

Effective 1 May 2018, Fortuna Advisory Group took over the outsourced company secretarial and accounting services for the Company from Corporate Board Services (**CBS**).

On 1 May 2018 Ian Gregory, of CBS, resigned as a Company Secretary. Stephen Gethin was appointed alternate Director to Mr. Justin Richard and Company Secretary on 1 May 2018. The Company acknowledged the valued contributions made by Mr Gregory and CBS since May 2017.

Principal Activities

The principal activities of entities within the Consolidated Entity during the year were the exploration, evaluation and development of mineral exploration licenses in Oman, including the conversion of the "Washihi" exploration license to a mining licence.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Entity save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto.

Dividends

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

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Directors' Report continued

Operating Results

Consolidated	2018 $	2017 $
Total revenue	26,817	37,753
Total expenses	(750,603)	(498,527)
Profit/Loss before tax	**(723,786)**	**(460,774)**
Income tax benefit	-	55,840
Profit/Loss after tax	**(723,786)**	**(404,934)**

Loss per Share

Consolidated	2018	2017
Basic and Diluted profit/(loss) per share (cents)	(0.011)	(0.04)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	614,087,452	584,929,630

Cash Flows

Consolidated	2018 $	2017 $
Net cash flow used in operating activities	1,294,000	(556,704)
Net cash flow from investing activities	(1,139,922)	(812,720)
Net cash flow provided by financing activities	1,296,159	1,900,505
Net change in cash held	1,450,237	531,081
Cash held at year end	**3,346,943**	**1,885,556**

Financial Position

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

Consolidated Entity	2018 $	2017 $
Cash	3,346,943	1,885,556
Trade and other receivables	12,896	72,299
Exploration and evaluation	9,415,666	7,996,698
Other assets	70,418	63,854
Total assets	**12,845,923**	**10,018,407**
Trade and other payables	66,850	115,368
Unearned Income	1,624,382	-
Financial liabilities	583,756	215,939
Provisions	73,265	100,676
Total liabilities	**2,348,253**	**431,983**
Net assets	**10,497,670**	**9,586,424**
Issued capital	66,107,405	65,169,992
Reserves	906,345	208,726
Accumulated losses	(54,259,832)	(53,568,320)
Parent interest	12,753,918	11,810,398
Non-controlling interest	(2,256,248)	(2,223,974)
Total equity	**10,497,670**	**9,586,424**

Directors' Report continued

Securities in the Company

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

	Fully paid ordinary shares quoted on ASX	Listed options	Unlisted options	Total
	629,017,589	–	3,000,000	632,017,589
Total	**629,017,589**	**–**	**3,000,000**	**632,017,589**

Unlisted Options
During and subsequent to the end of the financial year, no unlisted options were issued.

Likely Developments and Expected Results

The Consolidated Entity intends to construct mining infrastructure for its Al Hadeetha Copper Gold Project, with the expected construction period being 15 months. Thereafter the Company intends to commence production and sale of copper and gold from the Al Hadeetha mine. Financial projections for the Al Hadeetha Project are set out on page 23 of this Report. The Company intends to continue exploration, evaluation and development activities in relation to its other mineral exploration licences in Oman in future years. The results of these activities depend on a range of technical and economic factors and also industry, geographic and company specific issues.

Environmental Regulation and Performance

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

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Directors' Report continued

Board of Directors

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

Names, qualifications, experience and special responsibilities of current Directors

James D. Phipps — Non-Executive Chairman

BA (Philosophy), JD (Law)

Appointed Chairman 31 July 2015; Appointed Director 1 November 2014; Previously Alternate Director to HRH Prince Abdullah (from 28 October 2013 to 1 November 2014)

Experience
James Phipps is a strategic advisor, investor and lawyer with extensive Middle East experience (30+ years, including 18+ years in residence) across a variety of industries (e.g. development, commerce, franchising, distribution, heavy industry, infrastructure, communications, sports entertainment, high tech, investment, start-ups and mining). In recent years, James served as principal advisor to a prominent member of the Saudi Royal Family, providing strategic advice relative to a worldwide portfolio of businesses, properties and investments. From May 2014 through May 2016, James chaired Sheffield United Football Club, the first "United" and one of the first "association football" clubs worldwide, as well as a founding member of the English Premier League. Sheffield United now plays in the EFL's Championship division. James has experience in organisational development and corporate turnarounds and has served in a chief executive role at different companies in a turnaround capacity. Of particular value to the Company is the experience James brings in these areas: legal, strategic planning and development, governance, and Middle Eastern business operations.

Special Responsibilities
Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

Other Directorships in Listed Companies in Past 3 Years

- Saudi Paper Manufacturing Company (Saudi Stock Exchange - "Tadawul": Code 2300) – November 2011 to June 2016.

Justin J Richard — Managing Director

MBA, LLB, GradDipACG, FGIA, FCIS

Appointed 16 June 2015

Experience
Justin Richard is a corporate lawyer and accomplished business manager who joined Alara as Legal and Commercial manager in 2011. In 2013, he took up residence in the Middle East as CEO of Alara's international joint venture companies.

After being appointed Managing Director in 2015, Mr Richard lead the company through capital raisings to complete a feasibility study, a maiden ore reserve statement, and a mining licence for the Al Hadeetha Copper Gold project in Oman. He has established key business relationships for the Company as it expands its scope of operation from mineral exploration to mine development and production of copper concentrate. Prior to joining Alara, Mr Richard worked with UGL Limited (Resources Division), Bateman Engineering and Minter Ellison Lawyers (Insurance & Corporate Risk, and Construction, Engineering and Infrastructure). He has a MBA from London Business School, a law degree from the University of Western Australia and is a Fellow of the Governance Institute.

Alternate Director
On 1 May 2018, Justin Richard appointed Stephen Gethin as his Alternate Director[4]. Mr Gethin's experience and qualifications are set out below.

Other Directorships in Listed Companies in Past 3 Years

- None

Atmavireshwar Sthapak — Executive Director

Bachelor of Applied Science and Master of Technology, Applied Geology

Appointed 22 September 2015 as Non-Executive Director
Appointed 3 February 2016 as Executive Director

Experience
Atmavireshwar Sthapak is a geologist specializing in mineral resource exploration and evaluation studies. He joined Alara in 2011, making valuable contributions to the Company as an Exploration Manager and a Study Manager based in Muscat; including discovery of large VMS copper mineralisation extensions at the Washihi project in Oman and recent resource upgrade at Washihi. Prior to Alara, his career spanned 10 years with ACC / ACC-CRA Ltd, and 10 years with Rio Tinto (Australasia) where he was awarded a Rio Tinto Discovery Award in 2009. He has worked on world class deposits; including Mt. Isa type copper deposits in Australia, and copper, gold and diamond mines on four continents.

Special Responsibilities
Member of the Audit Committee and Remuneration and Nomination Committee.

Other Directorships in Listed Companies in Past 3 Years

- None

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[4] Pursuant to Clause 10.1 of the Company's Constitution.

Directors' Report continued

Vikas Jain — Non-Executive Director

MBA — Appointed 6 April 2016

Experience
Vikas Jain holds an MBA obtained in the USA and has a vast experience of around 17 years in the field of mineral exploration and allied activities. He is currently Managing Director and CEO of the Indian Company South West Pinnacle Exploration Limited, founded by him in 2006. Under his leadership and able guidance, this company has grown manifold and at present is a premier exploration company in India. The company started primarily as a mineral exploration company and progressively added Coal Bed Methane (CBM) exploration and production, aquifer mapping, HDD, geophysical logging, transportation and other geological activities into its domain. He also has wide experience in open cast mining of various minerals and allied activities through his earlier stint with other companies as well as his current involvement in other family run businesses and interests.

Special Responsibilities
Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.

Other Directorships in Listed Companies in Past 3 Years

- South West Pinnacle Exploration Limited, listed on the National Stock Exchange, Emerge Platform in February 2018, India

Stephen Gethin — Alternate Director to Justin Richard

Barrister and Solicitor of the Supreme Court of Western Australia and of the High Court of Australia — Appointed 1 May 2018

Experience
Stephen Gethin is a highly regarded Director and Company Secretary with over 23 years' experience in the provision of corporate legal advice and documentation and over 14 years' experience in the provision of ASX-listed secretarial services in a range of industries, including resources, technology and investment. Prior to founding a private legal practice in 2013, he served as General Counsel and Company Secretary of Strike Resources Limited (ASX:SRK) and before that held the same roles at ERG Limited (ASX:ERG). Mr Gethin also provides legal advice for a number of other ASX listed and private companies.

Other Directorships in Listed Companies in Past 3 Years

- Nil

Retired Directors

All the directors held office during the year and up to the date of this report.

Company Secretary

Stephen Gethin — Company Secretary

Barrister and Solicitor of the Supreme Court of Western Australia and of the High Court of Australia — Appointed 1 May 2018

Experience
Refer to Mr Gethin's details above.

Retired Company Secretary

The following Company Secretary resigned during the financial year:

- Ian Gregory – 30 June 2015 to 30 April 2018.

Directors' Interests in Shares and Options

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

	Fully Paid Ordinary Shares	Options
James Phipps	–	–
Justin Richard	31,757,037	–
Atmavireshwar Sthapak	1,951,451[5]	–
Vikas Jain	34,285,230[6]	–
Stephen Gethin	–	–

5 Refer Alara's 28 August 2017 ASX Announcement: Appendix 3Y.
6 Refer Alara's 16 May 2017 ASX Announcement: Appendix 3Y.

Directors' Report continued

Directors' Meetings

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

Name of Director	Appointment / Resignation	Board		Audit Committee		Remuneration and Nomination Committee	
		Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings
James Phipps	Appointed 1 November 2014; appointed member of Audit Committee and Remuneration Committee 30 June 2016	12	12	4	4	1	1
Justin Richard	Appointed 16 June 2015	11	12			1	1
Atmavireshwar Sthapak	Appointed 22 September 2015	11	12	3	4	-	-
Vikas Jain	Appointed 6 April 2016	11	12	3	4	1	1
Stephen Gethin[7] *(Alternate Director to Justin Richard)*	Appointed 1 May 2018	–	–				

Audit Committee

The Audit Committee currently comprises Non-Executive Directors, Vikas Jain (as Chairman) (since 6 April 2016), James Phipps (since 30 June 2015) and Atmavireshwar Sthapak (since 28 September 2016).

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

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7 Mr Gethin attended all Board meetings since his appointment in his capacity as Company Secretary but not in his capacity as Alternate Director.

Directors' Report continued

REMUNERATION REPORT

The following information in the Remuneration Report has been audited. This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior managers with authority and responsibility for planning, directing and controlling the major activities of the Company or Consolidated entity, directly or indirectly) (**Key Management Personnel** or **KMP**) of the Consolidated Entity in respect of the financial year ended 30 June 2018.

Key Management Personnel

Directors	
James Phipps	Non-Executive Director (appointed 1 November 2014); Non-Executive Chairman (from 31 July 2015); Alternate Director to HRH Prince Abdullah (until 1 November 2014)
Justin Richard	Managing Director (appointed 16 June 2015); Country Manager, Saudi Arabia and Oman
Atmavireshwar Sthapak	Executive Director (first appointed 22 September 2015)
Vikas Jain	Non-Executive Director (appointed 31 March 2016)
Stephen Gethin	Alternate Director to Justin Richard (appointed 1 May 2018)
Executives	
Stephen Gethin	Company Secretary (appointed 1 May 2018)
Ian Gregory	Company Secretary (appointed 30 March 2015, resigned 30 April 2018)

Remuneration and Nomination Committee

The Remuneration and Nomination Committee currently comprises Non-Executive Directors, James Phipps (member since 30 June 2015 and Chairman since 31 July 2015) and Vikas Jain (since 6 April 2016) and Atmavireshwar Sthapak (since 28 June 2016).

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

Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Key Management Personnel having regard to the Consolidated Entity's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice, the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company. The Board recognises that the performance of the Company depends upon the quality of its Directors and Executives. To achieve its financial and operating objectives, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Company embodies the following principles in its remuneration framework:

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

Remuneration Structure

The structure of non-executive director and executive director remuneration is separate and distinct.

Director Remuneration

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

Structure
The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 26 May 2011 where shareholders approved an aggregate remuneration of $275,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each Non-Executive Director receives a fee for being a director of the Company and for sitting on relevant board committees. The fee size is commensurate with the workload and responsibilities undertaken.

Directors' Report continued

Managing Director and Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration is competitive by market standards. Formal employment contracts are entered into with the Managing Director and senior executives. Details of these contracts are outlined later in this report.

Consequences of Company Performance on Shareholder Wealth

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

	2018	2017	2016	2015	2014
Basic earnings/(loss) per share – cents	(0.11)	(0.04)	(7.42)	(0.67)	0.30
Dividend – cents per share	-	–	–	–	–
Net Profit/(Loss) attributable to members	(691,512)	(258,526)	(30,595,088)	(1,661,238)	732,003
Market Capitalisation	$18.2m	$8.4m	$14m	$4m	$12.1m

Fixed Remuneration

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

Performance Related Benefits/Variable Remuneration

Performance related benefits/variable remuneration payable to Key Management Personnel is disclosed in the table Details of Remuneration Provided to Key Management Personnel. Justin Richard was paid expat allowances, including house, school, travel and medical insurance and Atmavireshwar Sthapak was paid allowances including house, travel and medical insurance.

Special Exertions and Reimbursements

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

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

Post-Employment Benefits

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

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

Long-Term Benefits

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

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Directors' Report continued

Details of Remuneration Provided to Key Management Personnel

Key Management Person 2018	Performance based %	Fixed %	At risk STI %	Options related %	Short-term benefits: Cash payments: Salary, and fees $	Short-term benefits: Cash payments: Allowances(i) $	Short-term benefits: Cash payments: Cash Bonus $	Short-term benefits: Non-cash(ii) $	Short-term benefits: Other(iii) $	Post-employment benefits: Superannuation $	Post-employment benefits: Termination $	Other long-term benefits: Other $	Equity based benefits: Options $	Total $
Executive Directors:														
Justin Richard	–	100%	–	–	282,150	168,797	–	22,652	64,102	–	-		–	537,701
Atmavireshwar Sthapak	–	100%	–	–	151,104	25,908	–	12,035	–	–	-		–	189,047
Non-Executive Directors:														
James Phipps	–	100%	–	–	75,000	–	–	–	–	–	–	–	–	75,000
Vikas Jain	–	100%	–	–	50,000	–	–	–	–	–	–	–	–	50,000
Stephen Gethin(v)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Company Secretary:														
Stephen Gethin(iv)	–	100%	–	–	7,110	–	–	–	–	–	–	–	–	7,110
Ian Gregory(v)	–	100%	–	–	110,220	–	–	–	–	–	–	–	–	110,220

Notes:

(i) Allowances is based on the executive agreement and may include company car allowance, rent allowance and security bond, and school allowance received from subsidiaries and related joint venture entities.
(ii) Non-cash benefits include net leave and/or end of service gratuity accrued or paid pursuant to relevant labour laws.
(iii) Other short-term benefits consist of exchange gain/(loss) due to foreign currency translation from Oman Riyal to Australia Dollars to Australian Dollars on Mr Richard's salary.
(iv) Appointed 1 May 2018. Remuneration, in his capacity as Company Secretary, paid to Fortuna Advisory Group.
(v) Resigned on 30 April 2018, remuneration paid to Corporate Board Services.

Key Management Person 2017	Performance based %	Fixed %	At risk STI %	Options related %	Short-term benefits: Cash payments: Salary, and fees $	Short-term benefits: Cash payments: Allowances(i) $	Short-term benefits: Cash payments: Cash Bonus $	Short-term benefits: Non-cash(ii) $	Short-term benefits: Other(iii) $	Post-employment benefits: Superannuation $	Post-employment benefits: End of Service(iv) / Termination $	Other long-term benefits: Other $	Equity based benefits: Options $	Total $
Executive Directors:														
Justin Richard	-	100%	–	–	282,150	205,383	–	17,695	78,637	–	11,484	-	–	595,349
Atmavireshwar Sthapak(v)	-	100%	–	–	148,341	24,723	–	3,633	–	–	6,179	–	–	182,876
Non-Executive Directors:														
James Phipps	–	100%	–	–	75,000	–	–	–	–	-	-	–	–	75,000
Vikas Jain(vi)	–	100%	–	–	50,000	–	–	–	–	–	–	–	–	50,000
Ian Gregory(vii)	–	100%	–	–	-	–	–	–	–	–	–	–	–	-
Company Secretary:														
Ian Gregory(vii)	–	100%	–	–		–	–	–	–	–	–	–	–	
Elizabeth Hunt(viii)	–	100%	–	–	113,655	–	–	–	–	–	–	–	–	113,655

Notes:

(i) Allowances are based on the executive agreement and may include company car allowance, rent allowance and security bond, and school allowance received from subsidiaries and related joint venture entities.
(ii) Non-cash benefits include net annual leave expensed but not paid during the year.
(iii) Other short-term benefits consist of exchange gain/(loss) due to foreign currency translation from Oman Riyal to Australia Dollars and Saudi Riyal to Australian Dollars on Mr Richard's salary.
(iv) Under Omani labour law, an End of Service Gratuity is payable upon termination of employment.
(v) Appointed 2 September 2015 with remuneration and allowances commencing January 2016.
(vi) Appointed 6 April 2016
(vii) Appointed 30 June 2015, remuneration paid to Corporate Board Services.
(viii) Appointed 31 August 2015, remuneration paid to Mining Corporate Pty Ltd.

Equity Based Benefits

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

No shares were issued as a result of the exercise of options held by Key Management Personnel during the financial year.

Directors' Report continued

Options Lapsed During the Year

During and subsequent to the end of the financial year, no listed or unlisted options lapsed without being exercised.

Details of Shares Held by Key Management Personnel

2018	Ordinary Fully Paid Shares				
Name of Director/KMP	**Balance at 1 July 2017**	**Balance at appointment**	**Net change**	**Balance at cessation**	**Balance at 30 June 2018**
Justin Richard	30,757,037		2,612,489		33,369,526[(i)]
Atmavireshwar Sthapak[(ii)]	900,000		1,051,451		1,951,451
James Phipps	–		–		–
Vikas Jain	34,285,230		–		34,285,230
Ian Gregory[(iii)]	–		–	–	
Stephen Gethin[(iv)]		–	–		-

Notes:
(i) Includes shares held / acquired by Mr Richard's spouse. Mr Richard submitted a request for trading approval to the Company on 2 occasions during the period.
(ii) Mr Sthapak submitted a request for trading approval to the Company on 1 occasion during the relevant period. (iii) Resigned 30 April 2018. (iv) Appointed 1 May 2018.

2017	Ordinary Fully Paid Shares				
	Balance at 1 July 2016	**Balance at appointment**	**Net change**	**Balance at cessation**	**Balance at 30 June 2017**
Name of Director/KMP					
Justin Richard	20,500,000		10,257,037		30,757,037[(i)]
Atmavireshwar Sthapak[(ii)]	–		900,000		900,000
James Phipps	–		–		–
Vikas Jain	30,000,000		4,285,230		34,285,230
Ian Gregory[(iii)]	–		–		–
Elizabeth Hunt[(iv)]	–		–	–	

Notes:
(i) Includes shares held by Mr Richard's spouse. Mr Richard submitted a request for trading approval to the Company on 3 occasions during the relevant period. (ii) Mr Sthapak submitted a request for trading approval to the Company on 2 occasions during the relevant period. (iii) Resigned 30 April 2018 (iv) Resigned 31 March 2017

The following Key Management Personnel retired during the 2018 year with balances at cessation:

- Ian Gregory – 30 April 2017: Nil shares

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Directors' Report continued

Details of Options Held By Key Management Personnel

2018 Name of Director/KMP	Balance at 1 July 2017	Granted	Exercised	Acquired	Lapsed / Cancelled	Balance at Commencement/ Cessation	Balance at 30 June 2018	Granted and vested during year	Vested and exercisable at 30 June 2018
Justin Richard	–	–	–	–	–		–	–	–
Atmavireshwar Sthapak	–	–	–	–	–		–	–	–
James Phipps	–	–	–	–	–		–	–	–
Vikas Jain	–	–	–	–	–		–	–	–
Stephen Gethin(i)	–	–	–	–	–	–	–	–	–
Ian Gregory(ii)	–	–	–	–	–	–		–	–

Notes: (ii) Appointed 1 May 2018. (ii) Resigned 30 April 2018.

2017	Balance at 1 July 2016	Granted	Exercised	Acquired	Lapsed / Cancelled	Balance at Cessation	Balance at 30 June 2017	Granted and vested during year	Vested and exercisable at 30 June 2017
Name of Director/KMP									
Justin Richard	20,000,000	–	4,250,000	–	(15,750,000)		–	–	–
Atmavireshwar Sthapak	–	–	–	–	–		–	–	–
James Phipps	–	–	–	–	–		–	–	–
Vikas Jain	30,000,000	–	–	–	(30,000,000)		–	–	–
Ian Gregory(i)	–	–	–	–	–	–	–	–	–
Elizabeth Hunt(ii)	–	–	–	–	–	–		–	–

Notes: (i) Resigned 30 April 2018. (i) Appointed 6 April 2016 Resigned 31 March 2017.

Employment Contracts

(a) Managing Director/CEO – Justin Richard

Justin Richard was the Company's Legal & Commercial Manager since August 2011 and Alara's Country Manager for Saudi Arabia since November 2012 and Oman since December 2013. He was appointed Managing Director on 16 June 2015. The terms of his employment contract were carried over from his previous agreement contract with no increase in salary or allowance, the material terms of which are as follows:

- One year term with annual base salary of A$282,150 (subject to adjustments for exchange rate variations* for salaries paid in Saudi Arabian Riyals and Omani Rials);
- Expatriate allowances (including housing, school and travel) totalling approximately A$175,000 per annum (subject to adjustments for exchange rate variations*);
- Provision of medical insurance cover;
- Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements plus any additional entitlements prescribed under relevant Labour Law;
- 60 days long service leave after 6 years of service and 5 days long service leave in respect of each year of service thereafter;
- Compulsory statutory 'end of service' payments due under Saudi Arabian / Omani Law; and
- One month's notice of termination within first six months, subject to repatriation provisions which total approximately three months remuneration.

*Exchange rate variations based on rates prevailing at the time the expatriate assignments commenced.

(b) Technical Director – Atmavireshwar Sthapak

Atmavireshwar Sthapak was appointed Non-Executive Director on 22 September 2015 and subsequently appointed as Executive Director on 3 February 2016. The material terms of his contract are as follows[8]:

- An annual base salary of OMR 43,200 per annum;
- Use of a company car;
- Provision of medical insurance cover;
- Allowances totalling OMR 7,750 per annum;
- Compulsory statutory 'end of service' payments due under Oman Labour Law;
- Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements plus any additional entitlements prescribed under Oman Labour Law;
- Separate bonus totalling up to OMR 2000 paid in 2018; and
- Either party may terminate this agreement by providing one months' notice.

[8] Refer Alara's 3 February 2016 ASX Announcement: Appointment of Executive Director

Directors' Report continued

(c) Other Executives

Details of the material terms of formal employment/consultancy agreements (as the case may be) between the Company and other Key Management Personnel during the period are as follows:

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
Ian Gregory Alternate Director and Company Secretary	30 June 2015 *(commencement date)* 30 April 2018 *(resignation date)*	$110,220 per annum (including accounting services) payable to Corporate Board Services Pty Ltd, to which Ian Gregory is a consultant.	• Notice period 1 month.
Stephen Gethin Alternate Director and Company Secretary	1 May 2018 *(commencement date)*	$42,660 plus GST per annum. (The Company pays Fortuna Advisory group $110,400 as a combined amount for Company Secretarial and Chief Financial Officer services. Mr Gethin is a consultant to Fortuna Advisory Group through Fortuna Legal Pty Ltd, of which he is a director. Of the fee annual received by Fortuna Advisory Group, it pays Fortuna Legal $42,660).	• One year fixed-term contract expiring 30 April 2019.

Other Benefits Provided to Key Management Personnel

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

Employee Share Option Plan

The Company has an Employee Share Option Plan (the **ESOP**) which was most recently approved by shareholders at the 2014 Annual General Meeting held on 19 November 2014. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of Alara. Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares to those personnel. A summary of the terms of ESOP is set out in Annexure A to Alara's Notice of Annual General Meeting and Explanatory Statement dated 2 October 2014. No securities were issued to KMP under the ESOP during the financial year (2017: Nil).

Director Loan Agreement

There were no loan agreements with the Directors during the year.

Securities Trading Policy

The Company has a Securities Trading Policy, a copy of which is available for viewing and downloading from the Company's website.

Voting and Comments on the Remuneration Report at the 2017 Annual General Meeting

At the Company's most recent (2017) Annual General Meeting (**AGM**), a resolution to adopt the 2017 Remuneration Report was put to a vote and passed unanimously on a show of hands with the proxies received also indicating majority (95.04%) support in favour of adopting the Remuneration Report.[9] No comments were made on the Remuneration Report at the AGM.

Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Remuneration and Nomination Committee be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel.

This concludes the audited Remuneration Report.

Directors' and Officers' Insurance

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

[9] Refer Alara's 17 November 2017 ASX Announcement: Results of Meeting

Directors' Report continued

Directors' Deeds

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

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

Legal Proceedings on Behalf of Consolidated Entity (Derivative Actions)

Except for the legal proceedings in Saudi Arabia as noted above, no person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings and the Consolidated Entity was not a party to any such proceedings during and since the financial year.

Auditor

Details of the amounts paid or payable to the Company's auditors (Bentleys Audit & Corporate (WA) Pty Ltd for 30 June 2018 and RSM Chartered Accountants for the Oman entity audits) for audit and non-audit services (paid to a related party of Bentleys Audit and Corporate (WA) Pty Ltd) provided during the financial year are set out below (refer to Note 5):

Audit and Review Fees $	Fees for Other Non-Audit Services $	Total $
34,582	–	34,582

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

Bentleys Audit & Corporate (WA) Pty Ltd continue in office in accordance with section 327B of *the Corporations Act 2001.*

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of this Directors Report and is set out on page 37. This relates to the Audit Report, where the Auditors state that they have issued an Independence Declaration.

Events Subsequent to Reporting Date

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

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

Justin Richard
Managing Director

28 September 2018

Auditor's Independence Declaration

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
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bentleys.com.au

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of Alara Resources Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 28th day of September 2018

Consolidated Statement of Profit of Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	3	26,817	37,753
Personnel		(345,462)	(379,902)
Occupancy costs		(59,631)	(51,355)
Finance expenses		(9,048)	(3,043)
Corporate expenses		(49,899)	(61,985)
Extinguishment of financial liability	12,14	-	236,413
Administration expenses		(286,563)	(238,655)
LOSS BEFORE INCOME TAX		**(723,786)**	**(460,774)**
Income tax benefit		-	55,840
PROFIT/(LOSS) FOR THE YEAR		**(723,786)**	**(404,934)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		697,619	(178,669)
Total other comprehensive income/(loss)		**697,619**	**(178,669)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(26,167)**	**(583,603)**
Profit/(loss) attributable to:			
Owners of Alara Resources Limited		(691,512)	(258,526)
Non-controlling interest		(32,274)	(146,408)
		(723,786)	**(404,934)**
Total comprehensive income/(loss) for the year attributable to:			
Owners of Alara Resources Limited		6,107	(437,195)
Non-controlling interest		(32,274)	(146,408)
		(26,167)	**(583,603)**
Earnings/Loss per share:			
Basic earnings/(loss) per share cents	6	(0.11)	(0.04)
Diluted earnings/(loss) per share cents	6	(0.11)	(0.04)

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Financial Position

As at June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	3,346,943	1,885,556
Trade and other receivables	8	12,896	72,299
Other current assets	9	26,615	9,728
TOTAL CURRENT ASSETS		**3,386,454**	**1,967,583**
NON CURRENT ASSETS			
Property, plant and equipment	10	43,803	54,126
Exploration and evaluation	11	9,415,666	7,996,698
TOTAL NON CURRENT ASSETS		**9,459,469**	**8,050,824**
TOTAL ASSETS		**12,845,923**	**10,018,407**
CURRENT LIABILITIES			
Trade and other payables	12	66,850	115,368
Provisions	13	37,001	75,450
TOTAL CURRENT LIABILITIES		**103,851**	**190,818**
NON CURRENT LIABILITIES			
Financial liabilities	14	583,756	215,939
Unearned Income	15	1,624,382	-
Provisions	13	36,264	25,226
TOTAL NON CURRENT LIABILITIES		**2,244,402**	**241,165**
TOTAL LIABILITIES		**2,348,253**	**431,983**
NET ASSETS		**10,497,670**	**9,586,424**
EQUITY			
Issued capital	16	66,107,405	65,169,992
Reserves	17	906,345	208,726
Accumulated losses		(54,259,832)	(53,568,320)
Parent interest		12,753,918	11,810,398
Non-controlling interest		(2,256,248)	(2,223,974)
TOTAL EQUITY		**10,497,670**	**9,586,424**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest	Total
		$	$	$	$	$	$
Balance as at 1 July 2016		63,485,425	_	367,395	(53,309,794)	(2,077,566)	8,465,460
Foreign currency translation reserve		–	–	(178,669)	–	–	(178,669)
Net income and expense recognised directly in equity		–	–	(178,669)	–	–	(178,669)
Loss for the year		–	–	–	(258,526)	(146,408)	(404,934)
Total comprehensive loss for the year		–	–	(178,669)	(258,526)	(146,408)	(583,603)
Transactions with owners in their capacity as owners:							
Share placement	16	1,830,052	–	–	–	–	1,830,052
Share placement costs	16	(145,485)	–	–	–	–	(145,485)
Options issued during the year	17	–	20,000	–	-	–	20,000
Balance as at 30 June 2017		**65,169,992**	**20,000**	**188,726**	**(53,568,320)**	**(2,223,974)**	**9,586,424**
Balance as at 1 July 2017		65,169,992	20,000	188,726	(53,568,320)	(2,223,974)	9,586,424
Foreign currency translation reserve		–	–	697,619	–	–	697,619
Net income and expense recognised directly in equity		–	–	697,619	–	–	697,619
Loss for the year		–	–	–	(691,512)	(32,274)	(723,786)
Total comprehensive loss for the year		–	–	697,619	(691,512)	(32,274)	(26,167)
Transactions with owners in their capacity as owners:							
Share placement	16	945,000	–	–	–	–	945,000
Share placement costs	16	(7,587)	–	–	–	–	(7,587)
Options issued during the year	17	–	-	–	–	–	-
Balance as at 30 June 2018		**66,107,405**	**20,000**	**886,345**	**(54,259,832)**	**(2,256,248)**	**10,497,670**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer		1,624,382	-
Payments to suppliers and employees (inclusive of GST)		(410,926)	(895,640)
Interest received		24,581	37,753
Income tax refunded/(paid)		55,963	301,183
NET CASHFLOWS USED IN OPERATING ACTIVITIES	7b	1,294,000	(556,704)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(5,255)	(1,079)
Payments for exploration and evaluation activities		(1,134,667)	(811,641)
NET CASHFLOWS USED IN INVESTING ACTIVITIES		(1,139,922)	(812,720)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing ordinary shares		937,413	1,445,821
Proceeds from exercise of options		_	384,230
Costs of issuing ordinary shares		_	(145,485)
Proceeds from borrowings		358,746	215,939
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES		1,296,159	1,900,505
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		1,450,237	531,081
Cash and cash equivalents at beginning of the financial year		1,885,556	1,365,691
Effect of exchange rate changes on cash		11,150	(11,216)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**7**	**3,346,943**	**1,885,556**

The accompanying notes form part of this consolidated financial statement.

Notes to the Financial Statements
For the year ended 30 June 2018

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Significant Accounting Policies
The principal accounting policies adopted in the preparation of these financial statements are set out below.

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

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

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

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

Going Concern Assumption
The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

During the year the Consolidated Entity made an operating Loss before tax of $723,786 (2017: Loss $460,774) and has a working capital position of $ 3,282,603 (2017: $1,776,765).

The ability of the Consolidated Entity to continue as a going concern 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 are mindful of the funding requirements to meet these objectives. To enable the Consolidated Entity to advance its Projects into production, it would be required to raise funds from debt or equity sources. Should the Consolidated Entity not be able to obtain this funding it has the ability to defer these plans and meet its contractual commitments and manage cash flow in line with its available funds. The Directors consider the basis of going concern to be appropriate given the current cash and working capital position of the Consolidated Entity relative to its fixed and discretionary commitments.

On 15 March 2017 Alara Oman Operations Pty Ltd (a wholly owned subsidiary of the Company) entered into an off-take agreement for the supply of copper concentrate from the Al Hadeetha Project to Statdrome Pte Ltd (**Offtake Agreement**). Under the Offtake Agreement, annual concentrate production from the Al Hadeetha Copper Project (Wadi Andem site) will be shipped at regular intervals from the Sohar port (unless a smelter is operating in Oman). The Offtake Agreement includes pre-payments by Statdrome totalling US$6 million to assist in funding project construction costs and mine start-up, and will be drawn down in instalments during the project construction phase, starting once the mining licence is issued. In June 2018 Statdrome made the first pre-payment of US$1.2 million under the Offtake Agreement.

On 16 April 2017, Al Hadeetha Resources LLC (**AHR**) (the joint venture company which conducts the Al Hadeetha Copper-Gold Project (**Project**), in which the Company is a 70% shareholder) entered into an unsecured loan agreement as borrower with Al Hadeetha Investments LLC (**Lender)** (an un-related company, which holds the remaining 30% of the shares in AHR). Under the agreement, AHR may draw down a maximum of USD 2 million (AUD 2,592,600; OMR 739,075) to assist with working capital for the Project (**AHI to AHR Loan**). The AHI to AHR Loan bears interest at LIBOR plus two percent per annum. The AHI to AHR Loan will be in effect for the duration of the Project joint venture agreement, at which time AHR must repay any outstanding balance. AHR must make interim repayments equal to its available net cash profit (if any) at the end of each financial year. During the year AHR made drawdowns under the AHI to AHR Loan totalling OMR 116,764 (USD 315,973; AUD 409,596). The total amount drawn down (being the total amount owing by AHR under the AHI to AHR Loan to the end of the year) is OMR 166,411 (USD 450,325; AUD 583,756). If AHR determines at the end of any quarter or other period that it has a working capital shortfall it may draw down the whole or part of the shortfall, until the entire AHI to AHR Loan amount is drawn down. The remaining, undrawn balance of the AHI to AHR Loan is OMR 572,664 (USD 1,549,675; AUD 2,008,844).

Although the AHI to AHR Loan is shown as a liability in the consolidated financial statements, loans by entities within the Alara Consolidated Entity to AHR, which is also within that Consolidated Entity ("Consolidated Entity AHR Loans") are not shown in the consolidated financial statements. The Consolidated Entity AHR Loans total $A7.09 million and are subject to the same loan terms as the AHI to AHR Loan. The Consolidated Entity AHR Loans are repayable on the same basis as the AHI to AHR Loan. Therefore, if AHR makes a loan repayment to AHI, AHR will also be required to make a loan repayment to its lenders within the Alara Consolidated Group on a pro-rata basis.

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.

Notes to the Financial Statements
For the year ended 30 June 2018

1 SUMMARY OF ACCOUNTING POLICIES (Continued)

1.2. Principles of Consolidation
The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Alara Resources Limited as at 30 June 2018 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity. All transactions and balances between Consolidated Entity companies are eliminated on consolidation, including unrealised gains and losses on transactions between Consolidated Entity companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Consolidated Entity perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Consolidated Entity. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Consolidated Entity. The Consolidated Entity attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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

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

Consolidated entity
The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:
(a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
(b) income and expenses are translated at average exchange rates for the period; and
(c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

1.4. Joint Arrangements
Joint arrangements exist when two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control, in the event the Company does not share control the financials are consolidated (or deconsolidated in the event of loss of control) (refer to 1.2 for further information). The Consolidated Entity's joint arrangements are currently of one type:

<u>Joint operations</u>
Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The activities of a joint operation are primarily designed for the provision of output to the parties to the arrangement, indicating that:
- the parties have the rights to substantially all the economic benefits of the assets of the arrangement; and
- all liabilities are satisfied by the joint participants through their purchases of that output. This indicates that, in substance, the joint participants have an obligation for the liabilities of the arrangement.

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2018

1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditure

The Consolidated Entity's accounting policy for exploration and evaluation expenditure being capitalised include the Daris Project where these costs are expected to be recoverable through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. In the case of the Al Hadeetha project, a maiden reserve announcement was issued in December 2016. This policy requires management to make certain estimates to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is not possible, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Share-based payments transactions

The Consolidated Entity measures the cost of equity-settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes options valuation model, taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in Note 18. The accounting estimates have no impact on the carrying amounts of assets and liabilities but will impact expenses and equity.

1.8. New, Revised or Amending Accounting Standards and Interpretations Adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity during the financial year.
Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

1.9. New Accounting Standards and Interpretations not yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2018. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Institutions

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Based on preliminary analysis the directors anticipate that the adoption of AASB 9 is unlikely to have a material impact on the Group's financial instruments.

AASB 15 Revenue from Contracts with Customers

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Given the current nature of the Group there is not expected to be a material impact on adoption of this standard. Upon commencement of production the group will assess the impact of the standard.

AASB 16 Leases

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.
The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

Notes to the Financial Statements
For the year ended 30 June 2018

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The group is currently continuing to assess the impact of these changes, however based on the operating leases currently held (refer note 21) it is not expected to have a material impact.

2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Alara Resources Limited, as at 30 June 2018.

	2018 $	2017 $
Statement of Financial Position		
Current assets	1,244,273	1,690,036
Non-current assets	8,991,745	7,995,422
Total assets	10,236,018	9,685,458
Current liabilities	51,354	73,808
Non-current liabilities	36,264	25,226
Total liabilities	87,618	99,034
Net assets	10,148,400	9,586,424
Issued capital	66,107,404	65,169,992
Options Reserve	20,000	20,000
Accumulated losses	(55,979,004)	(55,603,568)
Total equity	10,148,400	9,586,424
Profit/(loss) for the year	(375,436)	(583,603)
Other comprehensive income for the year	–	–
Total comprehensive income /(loss) for the year	**(375,436)**	**(583,603)**

3. LOSS FOR THE YEAR

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

	2018 $	2017 $
Revenue		
Interest	26,817	37,753
	26,817	37,753

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

- Interest Revenue – Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Other Revenues – Other revenues are recognised on a receipts basis.

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Notes to the Financial Statements
For the year ended 30 June 2018

4. INCOME TAX EXPENSE

	2018 $	2017 $
(a) Income tax expense		
Current tax benefit	-	(55,840)
Deferred tax expense	-	-
Total income tax benefit per statement of profit or loss and other comprehensive income	-	(55,840)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) before income tax	(723,786)	(460,774)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(199,041)	(126,713)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Assessable amounts	179,048	-
Deductible amounts	(90,981)	-
Non-assessable income	-	(1,048)
Non-deductible expenses	104,560	123,457
(Refund) of Research & Development Claim	-	(55,840)
Deferred tax assets recognised/(not recognised)	(35,198)	4,304
Tax rate difference	41,612	-
Income tax expenses	-	(55,840)
(c) Deferred tax assets		
Other	1,757	6,020
Tax losses	97,506	392,310
Potential tax benefit at 30%	99,263	398,330
Set-off deferred tax liabilities	(99,263)	(398,330)
Net deferred tax assets	-	-
(d) Deferred tax liabilities		
Resource Projects	(99,263)	(398,330)
	(99,263)	(398,330)
Set-off deferred tax assets	99,263	398,330
Net deferred tax liability	-	-
(e) Deferred tax assets not recognised		
Deferred tax assets have not been recognised in relation to the following matters:		
Tax losses – Australia	1,698,879	856,569
Capital losses – Australia	450,990	450,990
Tax losses – Oman	592,855	-
	2,742,724	1,307,559

The benefit of the deferred tax assets not recognised will only be obtained if:
(i) The Consolidated Entity derives future income that is assessable for Australian income tax purposes and is of a type and an amount sufficient to enable the benefit of them to be realised;
(ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
(iii) There are no changes in tax law which will adversely affect the Consolidated Entity in realising the benefit of them.

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

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Notes to the Financial Statements
For the year ended 30 June 2018

4 INCOME TAX EXPENSE (Continued)

ACCOUNTING POLICY NOTE
Income Tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable). Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

Tax consolidation legislation
The Consolidated Entity implemented the tax consolidation legislation. The head entity, Alara Resources Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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

5. AUDITOR'S REMUNERATION

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

	2018 $	2017 $
Bentleys Audit and Corporate (WA) Pty Ltd – Auditors of the Consolidated Entity (Audit and review of financial reports)	31,908	32,000
RSM Chartered Accountants – Auditors of Oman-controlled entities (Audit and review of financial reports)	2,674	6,181
	34,582	38,181

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Notes to the Financial Statements
For the year ended 30 June 2018

6. EARNINGS/(LOSS) PER SHARE

	2018 $	2017 $
Basic earnings/(loss) per share cents	(0.11)	(0.04)
Diluted earnings/(loss) per share cents	(0.11)	(0.04)
Profit/(loss) $ used to calculate earnings/(loss) per share	(691,512)	(258,526)
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	614,087,452	584,929,630
Weighted average number of ordinary shares during the period used in calculation of diluted earnings/(loss) per share	614,087,452	584,929,630

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.

ACCOUNTING POLICY NOTE
Basic Earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period. Diluted Earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

7. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash in hand	1,480	4,047
Cash at bank	2,130,209	551,193
Term deposits	1,215,254	1,330,316
	3,346,943	1,885,556

The Consolidated Entity has granted numerous term deposit security bonds to the value of $108,000 (2017: $93,468) which has not been called up as at the reporting date. The Parent Entity also has a bank guarantee for the sublease of the former office to the value of $64,943 (2017: $ 64,943).

The effective interest rate on short-term bank deposits was 2.45% (2017: 2.41%) with an average maturity of 71 days.

(a) Risk exposure
The Consolidated Entity's exposure to interest rate and foreign exchange risk is discussed in Note 20. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

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

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Notes to the Financial Statements
For the year ended 30 June 2018

7. CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow From Operations	**2018 $**	**2017 $**
Profit/(Loss) after income tax	(723,786)	(404,934)
Loan extinguishment	-	(236,413)
Foreign exchange movement	415,446	(100,092)
Depreciation	11,369	15,562
Equity settled share-based payments	-	256,413
(Increase)/Decrease in Assets:		
Trade and other receivables	59,403	245,961
Other current assets	(16,887)	(1,749)
Increase/(Decrease) in Liabilities:		
Advance received from customers	1,624,382	-
Trade and other payables	(48,518)	(254,045)
Provisions	(27,409)	(77,407)
Net cashflows from/(used in) operating activities	1,294,000	(556,704)
(c) Non-cash financing and investing activities		
Share based payments (Refer to Note 17)	-	(20,000)

8. TRADE AND OTHER RECEIVABLES

Current	**2018 $**	**2017 $**
Amounts receivable from:		
Sundry debtors	5,797	63,785
Goods and services tax recoverable	7,099	8,514
	12,896	72,299

(a) Risk exposure
Information about the Consolidated Entity's exposure to credit risk, foreign exchange risk and interest rate risk is in Note 20.

(b) Impaired receivables
None of the above receivables are impaired or past due.

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

9. OTHER CURRENT ASSETS

	2018 $	**2017 $**
Prepayments	26,615	9,728
	26,615	9,728

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Notes to the Financial Statements
For the year ended 30 June 2018

10. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Total $
Year ended 30 June 2017				
Carrying amount at beginning	27,085	33,632	3,786	64,503
Additions	–	1079	–	1,079
Write-offs	–	–	–	–
Depreciation expense	(3,865)	(10,448)	(1,249)	(15,562)
Exchange Difference	(1,715)	5,908	(87)	4,106
Closing amount at reporting date	21,505	30,171	2,450	54,126
Year ended 30 June 2017				
Cost or fair value	26,932	189,253	21,056	237,241
Accumulated depreciation	(5,427)	(159,082)	(18,606)	(183,115)
Net carrying amount	21,505	30,171	2,450	54,126
Year ended 30 June 2018				
Carrying amount at beginning	21,505	30,171	2,450	54,126
Additions	–	–	–	–
Write-offs	–	–	–	–
Depreciation expense	(3,207)	(7,349)	(812)	(11,368)
Exchange Difference	745	237	63	1,045
Closing amount at reporting date	19,043	23,059	1,701	43,803
Year ended 30 June 2018				
Cost or fair value	28,063	191,075	21,941	241,079
Accumulated depreciation	(9,020)	(168,016)	(20,240)	(197,276)
Net carrying amount	19,043	23,059	1,701	43,803

ACCOUNTING POLICY NOTE

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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Notes to the Financial Statements
For the year ended 30 June 2018

11. EXPLORATION AND EVALUATION

	2018 $	2017 $
Opening balance	7,996,698	7,327,012
- Exploration and evaluation expenditure	1,036,170	613,007
- Exchange differences	382,798	56,679
Closing balance	9,415,666	7,996,698

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. The Consolidated Entity has obtained independent advice confirming that valid and legally enforceable rights existed for KMC to commercially exploit the Khnaiguiyah Project. The financial statements of previous Annual Reports were prepared on this basis with the asset carried at $33,190,221 as at 30 June 2015. Following cancellation of the Khnaiguiyah Mining Licence, a provision for impairment of the carrying value of exploration and evaluation attributable to the Khnaiguiyah Project was made. It is expected this provision for impairment will be reversed once Alara can demonstrate its exploration and evaluation expenses (relating to the Khnaiguiyah Project and the accompanying Feasibility Study) will be recovered via its agreement with Bayan Mining Company LLC or otherwise (see accounting policy note on mineral exploration and evaluation expenditure below).

Alara Oman Operations Pty Limited (a wholly owned Australian subsidiary) gained a 70% shareholding interest in a jointly controlled company, Al Hadeetha Resource LLC (Oman), on 23 November 2011. The principal activity of the company is exploration, evaluation and development of mineral licences in Oman.

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. The principal activity of this company is exploration, evaluation and development of mineral licences in Oman. The Consolidated Entity has a valid and legally enforceable contractual right to commercially exploit the Daris Project held by Daris Resources LLC (in which the Consolidated Entity has a 50% shareholding interest) and does not hold the legal title to the mineral exploration licence (which is held by the other 50% shareholder of Daris Resources LLC). The financial statements have been prepared on this basis (refer Note 23 for further disclosures). Should these legal rights not be enforceable, the carrying value of Exploration and Evaluation Expenditure attributable to the Daris Project would be impaired.

The Consolidated Group has entered in to a Heads of Agreement with Copper LLC, under which wholly owned subsidiary Alara Oman Operations Pty Ltd would become a 10% shareholder in the Awtad Block 8 Project. As part of the Heads of Agreement, Awtad acknowledges OMR 246,215 (AUD 812,316) previously spent on the project by Alara as the basis for Alara's interest in that project.

The Consolidated Entity has granted security bonds to the value of $108,000 (2017: $93,468) which have not been called up as at reporting date.

ACCOUNTING POLICY NOTE

Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated (i.e. capitalised) in respect of each identifiable area of interest. These costs are only carried forward where they are expected to be recoverable through the successful development of the area or where activities in the area and includes areas that have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Exploration and evaluation expenditure is written-off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment loss will be measured in accordance with the Consolidated Entity's impairment policy (Note 1.7). This policy requires management to make certain estimates to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is not possible, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Impairment of Non-Financial Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Notes to the Financial Statements
For the year ended 30 June 2018

12. TRADE AND OTHER PAYABLES

	2018 $	2017 $
Current		
Trade payables	39,110	65,383
Other payables	27,740	49,985
	66,850	115,368

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

(a) Risk exposure
Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 20.

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

13. PROVISIONS

	2018 $	2017 $
Current		
Employee benefits – annual leave	37,001	75,450
Non-Current		
Employee benefits – long service leave	36,264	25,226
	73,265	100,676

Amounts not expected to be settled within the next 12 months
The entire annual leave obligation is presented as current as the Consolidated Entity does not have an unconditional right to defer settlement. The non-current provision for long service leave is a provision towards the future entitlements of employees who will have completed the required period of long service and that is not expected to be taken or paid within the next 12 months.

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

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employee renders the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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Notes to the Financial Statements

For the year ended 30 June 2018

14. FINANCIAL LIABILITIES

	2018 $	2017 $
Non-Current		
Loan with unrelated third party (i)	583,756	215,939
	583,756	215,939

(i) On 16 April 2017, Al Hadeetha Resources LLC (**AHR**) (the joint venture company which conducts the Al Hadeetha Copper-Gold Project (Project), in which the Company is a 70% shareholder) entered into an unsecured loan agreement as borrower with Al Hadeetha Investments LLC (**Lender**) (an un-related company, which holds the remaining 30% of the shares in AHR). Under the agreement, AHR may draw down a maximum of USD 2 million (AUD 2,592,600; OMR 739,075) to assist with working capital for the Project (**AHI to AHR Loan**). The AHI to AHR Loan bears interest at LIBOR plus two percent per annum. The Loan will be in effect for the duration of the Project joint venture agreement, at which time AHR must repay any outstanding balance. AHR must make interim repayments equal to its available net cash profit (if any) at the end of each financial year. During the year AHR made drawdowns under the Loan totalling OMR 116,764 (USD 315,973; AUD 409,596). The total amount drawn down (being the total amount owing by AHR under the Loan to the end of the year is OMR 166,411 (USD 450,325; AUD 583,756). If AHR determines at the end of any quarter or other period that it has a working capital shortfall it may draw down the whole or part of the shortfall, until the entire Loan amount is drawn down. The remaining, un-drawn balance of the Loan is OMR 572,664 (USD 1,549,675; AUD 2,008,844).

Although the AHI to AHR Loan is shown as a liability in the consolidated financial statements, loans by entities within the Alara Consolidated Entity to AHR, which is also within that Consolidated Entity (**Consolidated Entity AHR Loans**) are not shown in the consolidated financial statements. The Consolidated Entity AHR Loans total $A7.09 million and are subject to the same loan terms as the AHI to AHR Loan. The Consolidated Entity AHR Loans are repayable on the same basis as the AHI to AHR Loan. Therefore, if AHR makes a loan repayment to AHI, AHR will also be required to make a loan repayment to its lenders within the Alara Consolidated Group on a pro-rata basis.

(ii) On 26 October 2017 AHI gave a bank guarantee of OMR 30,000 to the Omani Ministry of the Environment as security for performance of the environmental obligations of AHR in connection with the Al Hadeetha Project mining licence. AHI was required to deposit the amount of the face value of the bank guarantee with its bank as security in the event that the bank guarantee is called upon. Pursuant to an agreement between the Consolidated Entity and AHI, the Consolidated Entity paid OMR 20,000 to AHI on or about that date, representing an approximation of its share of liability to contribute to the costs of remediating any unmet environmental obligations of AHR. This amount will be returned to the Consolidated Entity in the event that AHR performs its environmental obligations in relation to that mining licence.

15. UNEARNED INCOME

	2018 $	2017 $
Non-Current		
Unearned income	1,624,382	-
	1,624,382	-

On 15 March 2017 Alara Oman Operations Pty Ltd (a wholly owned subsidiary of the Company) entered into an off-take agreement for the supply of copper concentrate from the Al Hadeetha Project to Statdrome Pte Ltd (**Offtake Agreement**). Under the Offtake Agreement, annual concentrate production from the Al Hadeetha Copper Project (Wadi Andem site) will be shipped at regular intervals from the Sohar port (unless a smelter is operating in Oman). The Offtake Agreement includes pre-payments by Statdrome totalling US$6 million to assist in funding project construction costs and mine start-up, and will be drawn down in instalments during the project construction phase, starting once the mining licence is issued. In June 2018 Statdrome made the first pre-payment of US$1.2 million under the Offtake Agreement. This amount represents unearned income, classified as a non-current liability in the Consolidated Statement of Financial Position. The amount of this liability in AUD is shown in the table above.

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Notes to the Financial Statements
For the year ended 30 June 2018

16. ISSUED CAPITAL

	2018 №	2017 №	2018 $	2017 $
Fully paid ordinary shares	629,017,589	597,517,589	66,107,404	65,169,992

2017	№	$
Balance as at 1 July 2016	506,015,000	63,485,425
- Share movement during the 2017 financial year	91,502,589	1,830,052
- Share issue costs during the 2017 financial year	–	(145,485)
Balance as at 30 June 2017	597,517,589	65,169,992
2018	**№**	**$**
Balance as at 1 July 2017	597,517,589	65,169,992
- Share movement during the 2018 financial year	31,500,000	945,000
- Share issue costs during the 2018 financial year	–	(7,587)
Balance as at 30 June 2018	629,017,589	66,107,405

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. The Consolidated Entity had no external borrowings as at 30 June 2018, other than as disclosed in Note 14. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

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

17. RESERVES

	2018 $	2017 $
Foreign currency translation reserve	886,345	188,726
Options reserve	20,000	20,000
	906,345	208,726

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

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

	Grant date	Number of options	2018 $	2017 $
Employees' Options				
Unlisted options exercisable at $0.04; expiring 9 March 2020	9 Mar 2017	3,000,000	20,000	20,000
		3,000,000	20,000	20,000

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 Employees' options that were issued for nil consideration.

Notes to the Financial Statements
For the year ended 30 June 2018

18. SHARE-BASED PAYMENTS

There were no share-based payments in 2018 financial year.

				Movement during the year				As at 30 June 2018	
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Lapsed**	**Closing balance**	**Vested and exercisable**	**Fair value $**
Employees									
9 Mar 2017	9 Mar 2020	$0.04	3,000,000	-	–	–	3,000,000	3,000,000	20,000
Weighted average exercise price			3,000,000	-	–	–	3,000,000	3,000,000	20,000
Weighted average exercise price			$0.04	-	–	–	$0.04	$0.04	

There were no shares issued as a result of the exercise of any options during the year (2017: NIL).

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

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

Date of issue	Description of unlisted options	Vesting criteria	Share price at grant date	Risk free rate	Price volatility
9 Mar 2017	$0.04 (9 Mar 2020) Options	Vested at the date of the issue of the options	$0.022	2.08%	100%

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

19. SEGMENT INFORMATION

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

2018	**Australia $**	**Oman $**	**Saudi Arabia $**	**Total $**
Total segment revenues	26,817	–	–	26,817
Total segment loss before tax	(390,888)	(342,876)	9,978	(723,786)
Total segment assets	3,372,604	9,473,319	–	12,845,923
Total segment liabilities	(1,712,000)	(636,253)	–	(2,348,253)
2017				
Total segment revenues	37,491	262	–	37,753
Total segment loss before tax	(378,106)	(293,175)	210,507	(460,774)
Total segment assets	2,208,115	7,810,292	–	10,018,407
Total segment liabilities	(99,034)	(332,949)	–	(431,983)

Notes to the Financial Statements
For the year ended 30 June 2018

19 SEGMENT INFORMATION (Continued)

(a) Reconciliation of segment information	2018 $	2017 $
(i) Total Segment Assets		
Total Assets as per Statement of Financial Position	12,845,923	10,018,407
(ii) Total Segment Revenues		
Total Revenue as per Statement of Profit or Loss and Other Comprehensive Income	26,817	37,753
(iii) Total Segment profit/(loss) before tax		
Total Consolidated Entity profit/(loss) before tax	(723,786)	(460,774)

ACCOUNTING POLICY NOTE
Operating Segments
The Consolidated Entity has applied AASB 8: Operating Segments which requires that segment information be presented on the same basis as that used for internal reporting purposes. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the management to make decisions on allocation of resources to the relevant segments and assess performance. Unallocated items comprise mainly share investments, corporate and office expenses.

20. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, and investments in a listed security. The principal activity of the Consolidated Entity is resource exploration, evaluation and development. The main risks arising from the Consolidated Entity's financial instruments are market (which includes price, interest rate and foreign exchange risks), credit and liquidity risks. Risk management is carried out by the Board of Directors. The Board evaluates, monitors and manages the Consolidated Entity's financial risk in close co-operation with its operating units. The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board.

The Consolidated Entity holds the following financial instruments:

	2018 $	2017 $
Financial assets		
Cash and cash equivalents	3,346,943	1,885,556
Trade and other receivables	12,896	72,299
	3,359,839	1,957,855
Financial liabilities at amortised cost		
Trade and other payables	(66,850)	(115,368)
Financial liabilities	(583,756)	(215,939)
	(650,606)	(331,307)
Net Financial Assets	2,709,233	1,626,548

(a) Market Risk

(i) Price risk

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

Notes to the Financial Statements
For the year ended 30 June 2018

21. FINANCIAL RISK MANAGEMENT (Continued)

(ii) interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments and its loan from third parties. The average interest rate applicable to funds held on deposit during the year was 2.45% (2017: 2.41%).

	2018 $	2017 $
Cash at bank	2,130,209	551,193
Term deposits	1,215,254	1,330,316
Loan from third parties	(583,756)	(215,939)
	2,761,707	1,665,570

The Consolidated Entity has borrowings subject to interest rate risk. The possible impact on profit or loss or total equity on this exposure is displayed below:

Loan with unrelated third party	2018 $	2017 $
Change in profit		
Increase by 1%	(5,838)	(2,159)
Decrease by 1%	5,838	2,159
Change in equity		
Increase by 1%	(5,838)	(2,159)
Decrease by 1%	5,838	2,159

Revenue	2018 $	2017 $
Change in profit		
Increase by 3%	100,408	56,567
Decrease by 3%	(100,408)	(56,567)
Change in equity		
Increase by 3%	100,408	56,567
Decrease by 3%	(100,408)	(56,567)

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

	2018 OMR	2017 OMR
Cash and cash equivalents	141,441	78,855
Trade and other receivables	5,429	261
Trade and other payables	(5,644)	(13,447)
Non-current financial liabilities	(186,412)	(64,144)
	(45,186)	1,525

The Consolidated Entity's exposure to foreign exchange risk is mitigated by having comparable asset and liability balances in US dollars. Therefore a sensitivity analysis has not been performed. The Consolidated Entity enters into forward exchange contracts with its Australian bank from time to time to hedge against foreign exchange risk.

Notes to the Financial Statements
For the year ended 30 June 2018

20. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk
Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults. This financial year there was no necessity to obtain collateral. The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2018 $	2017 $
Cash and cash equivalents		
AA-	3,345,463	1,881,509
No external credit rating available	1,480	4,047
	3,346,943	1,885,556
Trade and other receivables (due within 30 days)		
No external credit rating available	12,896	72,299

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

(c) Liquidity risk
Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. There is sufficient cash and cash equivalents and the non-cash investments can be realised to meet accounts payable arising in the normal course of business. The financial liabilities maturity obligation is disclosed below:

2018	Less than 6 months $	6-12 months $	1-5 years $	Total $
Financial assets				
Cash and cash equivalents	3,346,943	-	–	3,346,943
Trade and other receivables	12,896	–	–	12,896
	3,359,839	–	–	3,359,839
Financial liabilities				
Trade and other payables	(66,850)	–	–	(66,850)
Other financial liabilities	-	–	(583,756)	(583,756)
	(66,850)	–	(583,756)	(650,606)
Net inflow/(outflow)	3,292,989	–	(583,756)	2,709,233
2017				
Financial assets				
Cash and cash equivalents	1,885,556	–	–	1,885,556
Trade and other receivables	72,299	–	–	72,299
	1,957,855	–	–	1,957,855
Financial liabilities				
Trade and other payables	(115,368)	–	–	(115,368)
Non-current financial liabilities	-	-	(215,939)	(215,939)
Net inflow/(outflow)	1,842,487	–	(215,939)	1,626,548

(d) Fair Value of Financial Assets and Liabilities
The carrying amount of financial instruments recorded in the financial statements represents their fair value determined in accordance with the accounting policies disclosed in Note 1. The aggregate fair value and carrying amount of financial assets at reporting date are set out in Notes 7 & 8. The financial liabilities at reporting date are set out in Note 12 & 14.

(e) Fair value measurements
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Consolidated Entity's financial assets and liabilities approximate their fair values.

Notes to the Financial Statements
For the year ended 30 June 2018

21. FINANCIAL RISK MANAGEMENT (Continued)

ACCOUNTING POLICY NOTE
Financial Instruments
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).
Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately. Subsequent to initial recognition, these instruments are measured as set out below:

- ***Financial assets at fair value through profit or loss -*** A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.
- ***Loans and receivables -*** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.
- ***Financial liabilities -*** Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the profit or loss. The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit or loss".

Fair Value Estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments. The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as a "financial assets at fair value through profit or loss" and is carried at fair value based on the quoted last bid prices at reporting date.

21. COMMITMENTS

	2018 $	2017 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Within 1 year	10,889	23,750
1-5 years	-	460
After 5 years	–	–
Total	10,889	24,210

The Group leases office space under a non-cancellable operating lease. On renewal, the terms of the lease are renegotiated. The Group does not have an option to purchase the leased asset at the expiry of the lease period. During the year the Group has signed a sub-lease for the office space hence mitigating the outstanding lease commitments remaining on the lease.

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Notes to the Financial Statements
For the year ended 30 June 2018

22. CONTROLLED ENTITIES

Investment in Controlled Entities	Controlled entity	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-18	Jun-17
Alara Resources Limited (AUQ)	Parent	Exploration	Australia	6-Dec-06	100%	100%
Alara Peru Operations Pty Ltd (APO)	AUQ	Inactive	Australia	9-Mar-07	100%	100%
Alara Saudi Operations Pty Ltd (ASO)	AUQ	Management	Australia	4-Aug-10	100%	100%
Saudi Investments Pty Limited (SIV)	AUQ	Development	Australia	14-Feb-11	100%	100%
Alara Oman Operations Pty Limited (AOO)	AUQ	Management	Australia	28-Jun-10	100%	100%
Alara Kingdom Operations Pty Limited (AKO)	AUQ	Management	Australia	5-Sep-11	100%	100%
Alara Saudi Holdings Pty Limited (ASH)	AUQ	Inactive	Australia	5-Jun-13	100%	100%
Alara Resources LLC	AOO	Exploration	Oman	2-Oct-10	70%	70%
Al Hadeetha Resources LLC	AOO	Exploration / Development	Oman	6-Feb-07	70%	70%
Alara Resource Ghana Limited	AUQ	Inactive	Ghana	8-Dec-09	100%	100%
Alara Peru S.A.C	APO	Inactive	Peru	1-Mar-07	100%	100%

23. JOINTLY CONTROLLED ENTITIES

Investment in Jointly Controlled Entities	Controlled entity	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-18	Jun-17
Daris Resources LLC	AOO	Exploration	Oman	1-Dec-10	50%	50%

24. RELATED PARTY TRANSACTIONS

(a) Controlled and Jointly Controlled Entities
Details of the interest in controlled entities and jointly controlled entities are set out in Notes 22 and 23.

(b) Transactions with other related parties
The following transactions occurred with related parties during the year ending 30 June 2018:

(i) Director loan agreement
There was no outstanding directors' loan during the year.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL
Key Management of the Consolidated Entity are each Director and Company Executive being a company secretary or senior managers with authority and responsibility for planning, directing and controlling the major activities of the Company or Consolidated entity. Details of key management personnel individual remuneration are disclosed in the remuneration report section of the directors' report.
Key Management Personnel remuneration includes the following expenses:

	2018 $	2017 $
Short term employee benefits:		
Remuneration including bonuses and allowances	934,391	999,217
Social security costs	–	–
Total short term employee benefits	934,391	999,217
Long service leave	34,687	–
Total other long-term benefits	34,687	–
Post-employment benefits:		
Defined benefit pension plans	–	–
Defined contribution pension plans	–	–
Total post-employment benefits	–	–
Termination benefits	–	17,663
Share-based payments	–	–
Total remuneration	969,078	1,016,880

Notes to the Financial Statements
For the year ended 30 June 2018

25. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities exist in relation to certain exploration and evaluation 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 would pay a total of US$7.5 million to Manajem in stages subject to completion of project milestones and the parties forming a new joint venture company, Khnaiguiyah Mining Company LLC (**KMC**), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. 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$3.388 million in respect of the tranches payable under the Shareholders Agreement in connection with the transfer of the Khnaiguiyah Mining Licence to KMC. 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, former Khnaiguiyah Project joint venture partner, Manajem, filed a 'claim' against Alara Saudi Operations Pty Limited before the Board of Grievance in Riyadh, Kingdom of Saudi Arabia. Manajem alleges broad unspecified breaches of the SHA and Saudi law by Alara. Alara, based on the advice of external legal counsel maintain that Manajem's claims are unsubstantiated and 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 next court date is scheduled for October 2018.

(d) **Shareholders' Agreement – Daris Resources LLC – Daris Copper-Gold Project (Oman)** – On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. DarisCo was incorporated in Oman on 1 December 2010 (Alara 50%: ATTE 50%). To the extent that further funding is required, Alara is entitled to advance up to US$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be 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 (including the Chairman) from Alara and 3 nominees from ATTE.

(e) **Shareholders' Agreement – Alara Resources LLC (Oman)** – On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (SUR) pursuant to which a new joint venture company ("Alara Resources LLC" (AlaraCo)) will be established to identify, secure and commercially exploit other exploration and evaluation 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 (including the Chairman) from Alara and 2 nominees from SUR.

(f) **Shareholders' Agreement – Al Hadeetha 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 (**AHR**) and the then shareholders of AHR. An Amendment Agreement between Alara and Al Hadeetha Investments LLC (**AHI**) dated 3 August 2013 acknowledges Alara now holds a 70% shareholding in AHR and AHI holds 30%. Post completion of a definitive feasibility study, the AHR Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If AHI declines to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay AHI the amount which AHI were required to contribute under their payment notice and (subject to Omani law) Alara may increase its economic interest in AHR 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 an AHR 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 AHR. AHR is governed by a 3-member Board of directors with two nominees appointed by Alara (including the Chairman) and 1 nominee appointed by AHI (30% shareholder).

Notes to the Financial Statements

For the year ended 30 June 2018

25 CONTINGENT ASSETS AND LIABILITIES (Continued)

(g) **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.

(h) **Bayan Mining LLC JV Agreement** – On 16 July 2015 Saudi Investments Pty Ltd (a wholly owned subsidiary of the Company) entered into a JV agreement with Bayan Mining LLC. 40,000,000 shares are to be issued upon satisfaction of all of the conditions precedent, which includes the granting of the Khnaiguiyah mining licence to Bayan or the JV.

(i) **Off-take agreement – Al Hadeetha Copper Gold Project** – On 15 March 2017 Alara Oman Operations Pty Ltd (a wholly owned subsidiary of the Company) (**Seller**) entered into an off-take agreement for the supply of copper concentrate from the Al Hadeetha Copper Project (Offtake Agreement) to Statdrome Pte Ltd (**Buyer**). Under the Offtake Agreement, annual concentrate production of approximately 35,000 wmt will be shipped at regular intervals from the Sohar port. There also exists the possibility of supplying the material to the Omani smelter in case it restarts. However, the project financial model allows for sea freight and other charges associated with the sale of concentrate from the port at Sohar. The Offtake Agreement also includes a pre-payment by the Buyer of US$6 million to assist in funding project construction costs and mine start-up, and will be drawn down in instalments during the project construction phase, starting once the mining licence is issued. In June 2018 the Buyer made the first pre-payment of US$1.2 million under the Offtake Agreement.

The prepayment is to be repaid to the Buyer by it deducting US$0.5 million plus interest from each amount due to the Seller under provisional invoices for the sale of copper concentrate to the Buyer. If the Seller does not deliver copper concentrate to the Buyer as agreed, the Buyer may call upon a guarantee provided by the Seller and Al Hadeetha Investment LLC for the performance of the Seller's obligations under the Offtake Agreement.

26. SUBSEQUENT EVENTS

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

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Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 38 to 62, are in accordance with the *Corporations Act 2001* and:

   (a) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) Give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date;

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

3. The Remuneration Report disclosures set out (within the Directors' Report) on pages 30 to 35 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;

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

5. The Directors have received the declarations required to be made to the Directors by the Managing Director (the person who performs the chief executive officer function) and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

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

Justin Richard
Managing Director

28 September 2018

Independent Auditor's Report

Bentleys
THINKING AHEAD

Independent Auditor's Report

To the Members of Alara Resources Limited

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Alara Resources Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Independent Auditor's Report continued

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 25 to the financial statements. Alara Saudi Operations Pty Ltd, a wholly-owned subsidiary of Alara Resources Ltd, is the defendant in a legal claim alleging breaches of the Shareholders' Agreement and Saudi Arabian law. Alara Saudi Operations Pty Ltd has filed a counter-action. Several preliminary hearings have been held and as at the date of this report, the ultimate outcome of the matter cannot presently be determined, and no provision for any liability or asset that may result has been made in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation $9,415,666 (Refer to Note 11) Exploration and evaluation is a key audit matter due to: – The significance of the balance to the Consolidated Entity's financial position. – The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources ("AASB 6")*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset. – The assessment of impairment of exploration and evaluation expenditure being inherently difficult.	Our procedures included, amongst others: – Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements; – For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; – We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6; – We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.

Independent Auditor's Report continued

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

Key audit matter	How our audit addressed the key audit matter
	– We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: – the licenses for the right to explore expiring in the near future or are not expected to be renewed; – substantive expenditure for further exploration in the specific area is neither budgeted or planned – decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and – data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Independent Auditor's Report continued

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report continued

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Alara Resources Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 28th day of September 2018

Mineral Licences

Information regarding the Company's mineral licenses, mineral resources and ore reserves is current as at 30 June 2018, based on a review as at that date.

SAUDI ARABIA

Khnaiguiyah Zinc-Copper Project

The Khnaiguiyah Zinc-Copper Project[1] 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 previously comprised one mining licence, 2 exploration licences and 5 exploration licence applications, totalling approximately 380km^2 held or applied for by United Arabian Mining Company ("Manajem"). The two exploration licences expired and are considered by Alara to be non-core to the Khnaiguiyah Project. The mining licence that was issued in December 2010, was cancelled in or about December 2015, and is currently the subject of a legal appeal by Manajem.

As at the date of this report, a final appeal decision had not been made, nor had the mining licence been reissued.

Project	Licence Owner	Status	Tenement	Grant/ Application Date	Area	Location/ Property Name	Country
Khnaiguiyah Zinc-Copper Project	TBC	Cancelled – appeal decision pending	Mining Lease No 2. Qaaf	2010	5.462km^2	~170km west of Riyadh	Saudi Arabia

[1] Refer to 18 April 2013 ASX Announcement: Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project

Mineral Licences

OMAN

Al Hadeetha and Daris 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 ~9km².

The Washihi/Mullaq[2] prospects are located ~160km south-southwest of Muscat (the capital of Oman) and the Al Ajal Prospect is located about 65 km southwest of capital. The Daris Copper-Gold Project[3] is located ~150km west of Muscat. Both projects/prospects are located very close to high quality bitumen roads.

Al Hadeetha Copper-Gold Project

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-Mazzaza	Al Hadeetha Resources LLC	70%	39km²	Jan 2008	Nov 2016	Active*	2.1km²	Dec 2012	Active
Mullaq	Al Hadeetha Resources LLC	70%	41km²	Oct 2009	Nov 2016	Active*	1km²	Jan 2013	Pending
Al Ajal	Al Hadeetha Resources LLC	70%	25km²	Jan 2008	Nov 2016	Active*	1.5km²	Jan 2013	Pending

*Pursuant to Ministerial decree (38/2013) which declares that the exploration licence ends when its duration ends, unless the licensee has submitted an application for a mining licence, in which case the duration for the exploration licence extends until the date that a determination is made on the mining application.

Table 1: Washihi JORC Mineral Resources

Cu % Cut off	Indicated Resource			Inferred Resource*		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0.20	12.40	0.89	0.22	3.70	0.78	0.23
0.25	**12.40**	**0.89**	**0.22**	**3.70**	**0.79**	**0.23**
0.30	12.40	0.89	0.22	3.70	0.79	0.23
0.40	12.20	0.90	0.22	3.50	0.81	0.24
0.50	11.40	0.93	0.23	3.00	0.88	0.25

* Figures are approximate

2 Refer Alara's 8 December 2011 ASX Announcement: Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman
3 Refer Alara's 30 August 2010 ASX Announcement: Project Acquisition - Daris Copper Project in Oman

Mineral Licences

Table 2: Gossan Hill Mineralisation - Gold[4]

Cut off Au g/t	Inferred Resource*		
	Kilo Tonnes (kt)	Gold (Au) g/t	Ounces k/Oz
0.05	439.00	0.41	5.74
0.10	420.30	0.42	5.69
0.15	405.60	0.43	5.63
0.20	346.90	0.48	5.31
0.25	**307.60**	**0.51**	**5.03**
0.30	274.40	0.54	4.73
0.35	257.40	0.55	4.55
0.40	220.50	0.58	4.09
0.45	197.80	0.60	3.79
0.50	147.80	0.64	3.02

* Figures are approximate

Notes
1. Mineral Resources are not Mineral Reserves. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
2. Mineral Resources reported in accordance with the JORC 2012.
3. Resource for Cu-Au is stated @ 0.25 % Cu cut-off grade; the mineral resource for gold in the Gossan hill (outside main ore body) has been stated @ .25 g/t Au.
4. Mineral resource tonnages have been rounded to reflect the accuracy of the estimate.
5. 1 ounce of Au = 31.1035 grams.

Table 3: Summary of Washihi Copper Gold Mineral Resources @ 0.25% Cu Cut-off[5]

Resource classification	Tonnes Mt	Copper (Cu) %	Gold (Au) g/t
Indicated	12.4	0.89	0.22
Inferred	3.7	0.79	0.23
Grand total	**16.1**	**0.87**	**0.22**

Indicated Resources were converted to a Probable Ore Reserve after the application of modifying factors, including pit optimization, mine design and an economic evaluation[6].

The Ore Reserve estimate (based on a 0.3% Cu cut-off), and in pit mineral inventory are shown in Tables 4 and 5 below.

Table 4: Washihi Ore Reserve

Classification	Ore reserve		
	Tonnes Mt	Copper (Cu) %	Gold (Au) g/t
Probable	9.7	0.88	0.22

Table 5: Washihi Mining Inventory

Classification	Tonnes Mt	Copper (Cu) %	Gold (Au) g/t
Ore reserve	9.7	0.88	0.22
Inferred resource*	0.3	0.65	0.22
Total	**10.0**	**0.87**	**0.22**

* Figures are approximate

4 Refer Alara's 19 September 2016 ASX Announcement
5 Refer Alara's 15 December 2016 ASX Announcement: Maiden JORC Ore Reserves – Al Hadeetha Copper-Gold Project
6 Detail of the modifying factors supporting the Ore Reserve are contained in Appendix 1 (JORC Code, 2012 Edition - Table 1) of the 15 December announcement.

Mineral Licences

Daris Copper-Gold Project

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	Status	Area	Date of Application	Status
Block 7	Al Tamman Trading and Est. LLC	50%	587km^2	Nov 2009	Feb 2016	Active*	Daris East 3.2km^2	June 2012	Pending
							Daris 3A-5 1.3km^2		

*Pursuant to Ministerial decree (38/2013) which declares that the exploration licence ends when its duration ends, unless the licensee has submitted an application for a mining licence, in which case the duration for the exploration licence extends until the date that a determination is made on the mining application.

Table 6: Daris-East JORC Mineral Resources

Ore type	Cut-off grade Cu%	Measured			Indicated			Measured and Indicated			Inferred*		
		Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t
Sulphides	0.5	130,000	2.48	0.23	110,000	2.24	0.51	240,000	2.37	0.43	30,000	2.25	0.55
Oxides	0.5	100,000	0.77	0.03	90,000	0.66	0.14	180,000	0.72	0.08	2,000	0.61	0.97

* Figures are approximate

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.

JORC Competent Person's Statement

JORC Competent Persons Statements

The information in this report that relates to the feasibility study of the Al Hadeetha Copper-Gold project is based on information compiled by Mr Atmavireshwar Sthapak, who is a Member of the Australasian Institute of Mining and Metallurgy and is an executive director of Alara Resources. Mr Sthapak 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 Sthapak consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserve of the Al Hadeetha Project was compiled by Mr Harry Warries, who is a Fellow of the Australasian Institute of Mining and Metallurgy. He is employed by Mining Focus Consultants Pty Ltd. Mr Warries 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 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' In assessing the appropriateness of the Ore Reserve estimate, Mr Warries 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 Al Hadeetha Project Feasibility Study. These reports are understood to be compiled by persons considered by Alara to be competent in the field on which they have reported. Mr Warries consents to the inclusion in the report of the information in the form and context in which it appears.

The information in this report that relates to JORC Resources of the Daris Copper Gold Project and the Al Hadeetha Copper-Gold Project (Oman) are based on, and fairly represents, information and supporting documentation prepared by Mr Ravi Sharma, who is a Chartered Member of The Australasian Institute of Mining and Metallurgy, Registered Member of The Society for Mining, Metallurgy and Exploration. Mr Sharma was a principal consultant to Alara Resources and 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 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.

Production Target

The 1mtpa production target over a projected ten-year mine life referred to in this report is based on the same information as is contained in the Company's ASX announcement titled *Oman Activities Update* dated 24 Jan 2017. All material assumptions underpinning the production target in that announcement continue to apply and have not materially changed.

Forward Looking Statements

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

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

Securities Information
(Current at 30 October 2018)

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	629,017,589	–	629,017,589
Total	**629,017,589**	**–**	**629,017,589**

At a general meeting of shareholders: (a) on a show of hands, each person who is a member or sole proxy has one vote; and (b) on a poll, each shareholder is entitled to one vote for each fully paid share.

Summary of Directors' and Employees' Unlisted Options

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[1]	No. of Options
9 March 2017	$0.04 (9 Mar 2020) Options	$0.04	9 March 2020	None	3,000,000

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 – 1,000	887	301,637	0.05%
1,001 – 5,000	280	661,991	0.11%
5,001 – 10,000	134	1,124,907	0.18%
10,001 – 100,000	343	13,341,661	2.12%
100,001 – and over	271	613,587,393	97.55%
Total	**1,915**	**629,017,589**	**100%**

Unmarketable parcel

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.016 per unit	31,250	1,470	5,312,852

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	Mr Vikas Malu*	57,142,050	9.08
2.	Ms Meng Meng*	40,454,437	6.43
3.	Citicorp Nominees Pty Limited*	39,618,624	6.3
4.	Mr Vikas Jain*	34,285,230	5.45
5.	Mr Justin Richard*	34,119,526	5.42
6.	Al Hadeetha Investment Services LLC*	31,500,000	5.01
7.	Metal Corners Holdings Co	31,012,217	4.93
8.	Mr Piyush Jain	22,856,820	3.63
9.	Whitechurch Developments Pty Ltd <Whitechurch S/F A/C>	20,575,550	3.27
10.	Mr Tyrone James Giese	17,456,189	2.78
11.	BNP Paribas Noms Pty Ltd <UOB KH P/L AC UOB KH DRP>	17,038,487	2.71
12.	Mr Jay Hughes + Mrs Linda Hughes <Inkese Super A/C>	14,782,988	2.35
13.	Mr Warren William Brown + Mrs Marilyn Helena Brown	10,628,572	1.69
14.	J P Morgan Nominees Australia Limited	10,223,239	1.63
15.	Mr Brian Joseph Flannery + Mrs Peggy Ann Flannery <Flannery Family S/F A/C>	10,085,464	1.6
16.	Ferguson Superannuation Pty Ltd <Ferguson Superfund A/C>	10,000,000	1.59
17.	Mr Peter Kelvin Rodwell	9,422,858	1.5
18.	Mr Anthony Cullen + Mrs Sue Cullen <Ac&Sj Cullen Super Fund A/C>	8,501,304	1.35
19.	Mr Mohammed Saleh Alalshaikh	7,856,387	1.25
20.	Mr Albert Moses	5,700,000	0.91
Total		**433,259,942**	**68.88**

* Substantial shareholders

On-Market Buy Back

There is no current on-market buy back.

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

Corporate Directory

Directors

James Phipps	Non-Executive Chairman
Justin Richard	Managing Director
Atmavireshwar Sthapak	Executive Director
Vikas Jain	Non-Executive Director
Stephen Gethin	Alternate Director

Company Secretary
Stephen Gethin

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Australian Securities Exchange
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Perth, Western Australia 6000

ASX Code: AUQ

Corporate Governance Statement

The Company's Corporate Governance Statement is available on the Company's Website**:**
www.alararesources.com

Website: www.alararesources.com

Investors wishing to receive email alerts of all Company ASX Announcements can register their interest here:
http://www.alararesources.com/irm/UserEdit.aspx?masterpage=7&title=Email%20Alerts&RID=317
or by emailing info@alararesources.com.

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