FULL YEAR REPORT:

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

30 June 2012

ASX Code: AUQ

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

PRINCIPAL & REGISTERED OFFICE:
Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia 6000

T | +61 8 9214 9787
F | +61 8 9322 1515
E | info@alararesources.com
W | www.alararesources.com

SHARE REGISTRY:
Advanced Share Registry Limited
Suite 2, 150 Stirling Highway
Nedlands, Western Australia 6009

PO Box 1156, Nedlands, WA 6909

T | + 61 8 9389 8033
F | + 61 8 9389 7871
E | admin@advancedshare.com.au
W | www.advancedshare.com.au

Level 6, 225 Clarence Street
Sydney, New South Wales 2000

PO Box Q1736,
Queen Victoria Building, NSW 1230
T | +61 2 8096 3502

CONTENTS

www.alararesources.com

Visit our website for:
- **Latest News**
- **Market Announcements**
- **Financial Reports**

Register your email with us to receive latest Company announcements and releases

EMAIL US AT:
info@alararesources.com

CORPORATE DIRECTORY

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

COMPANY SECRETARY
Victor P. H. Ho

REGISTERED AND PRINCIPAL OFFICE
Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia 6000
Telephone: +61 8 9214 9787
Facsimile: +61 8 9322 1515
Email: info@alararesources.com
Website: www.alararesources.com

SHARE REGISTRY
Advanced Share Registry Services
Suite 2, 150 Stirling Highway
Nedlands, Western Australia 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Level 6, 225 Clarence Street
Sydney, New South Wales 2000
Telephone: +61 2 8096 3502

Email: admin@advancedshare.com.au
Website: www.advancedshare.com.au

STOCK EXCHANGE
Australian Securities Exchange (ASX)
Perth, Western Australia

ASX CODE
AUQ

AUDITORS
Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth, Western Australia 6005
Telephone: +61 8 9480 2000
Facsimile: +61 8 9322 7787
Website: www.grantthornton.com.au

PROJECT LOCATIONS

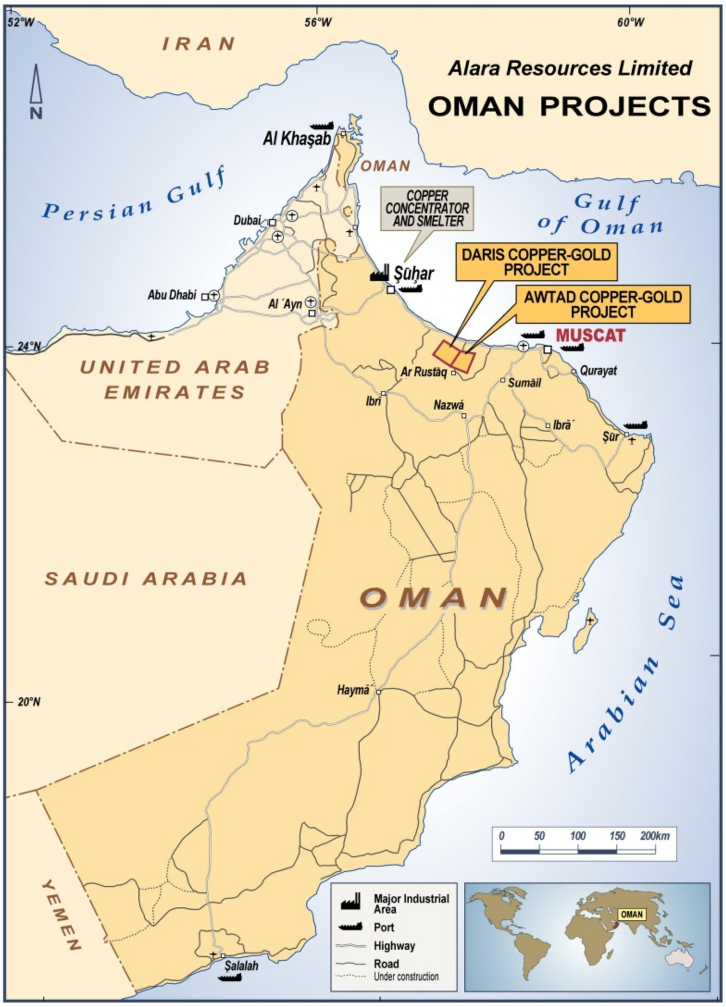
SAUDI ARABIA

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

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

Figure 1

OMAN



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

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

The **Al Ajal-Washihi-Mullaq Copper-Gold Project** (Alara – right to earn-in up to 75%) is located ~80-160km east and southeast of Alara's Daris Copper-Gold Project and Awtad Copper-Gold Project and comprises 3 exploration licences of ~80km². Alara has a right to earn an initial 10% interest (increasing to 60-75%) in the concession owner, Pilatus Resources Oman LLC.

Figure 2

PROJECT LOCATIONS

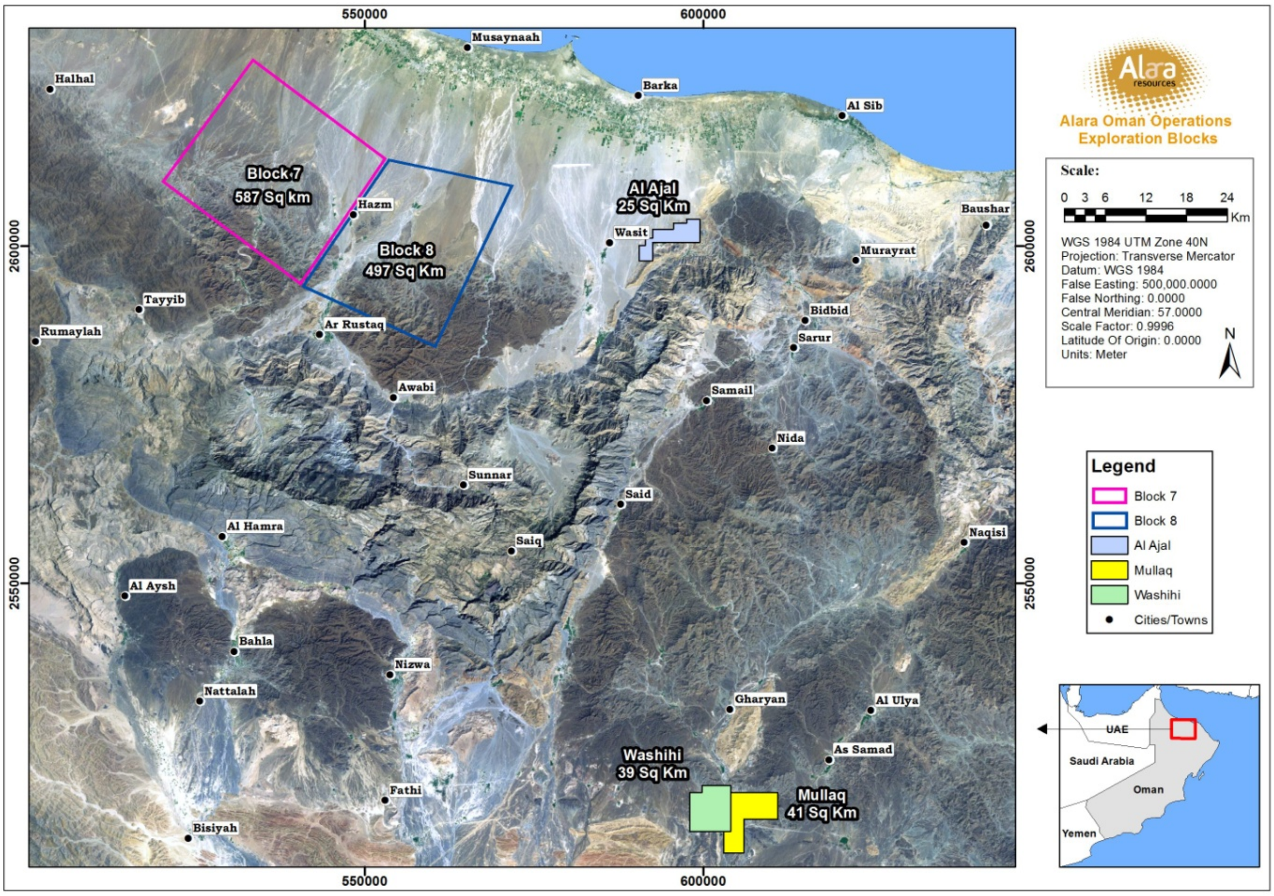


Figure 3

CHILE

The **El Quillay Copper-Gold Project** (Alara - right to earn-in 70%) is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises 88 concessions covering a total area of ~205km^2 across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

The **Piedrecillas Copper-Silver Project** (Alara – option to acquire 50 to 100%) is located ~190km south of Santiago and 7km west of Santa Cruz. The project comprises 19 concessions covering a total area of ~40km^2.

Figure 4

DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **AUQ**) and its controlled entities (the **Consolidated Entity** or **Alara**) for the financial year ended 30 June 2012 (**Balance Date**).

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

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

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

1. Company Projects

Alara is an Australian-based minerals exploration and development company. Alara has a current portfolio of advanced development and early stage exploration projects in Saudi Arabia, Oman and Chile as follows:

	PROJECTS	LOCATION	STATUS
(1)	Khnaiguiyah Zinc-Copper[1]	Saudi Arabia	DFS
(2)	Al Ajal-Washihi-Mullaq Copper-Gold Project[2]	Oman	Exploration
(3)	Daris Copper-Gold Project[3]	Oman	Exploration
(4)	Awtad Copper-Gold Project[4]	Oman	Exploration
(5)	El Quillay Copper-Gold Project[5]	Chile	Exploration
(6)	Piedrecillas Copper-Silver Project[6]	Chile	Exploration
(7)	Marjan Precious and Base Metals[7]	Saudi Arabia	Exploration

2. Saudi Arabia Projects

(a) Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

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

The Khnaiguiyah Project is an advanced near production project having (at the time of acquisition by Alara) a historical non–JORC Code compliant estimated mineralisation[8] assessed by BRGM[9], the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993, as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia".

Alara's focus, upon securing the grant of a 30 year Mining Licence in December 2010, has been to delineate and extend the mineralisation from historical work, define a JORC Code compliant resource and complete a definitive feasibility study.

---

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

2 Refer Alara market announcement dated 8 December 2011 and entitled "Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman"

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

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

5 Refer Alara market announcement dated 24 October 2011 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile"

6 Refer Alara's 30 June 2012 Quarterly Activities Report dated 31 July 2012

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

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

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

DIRECTORS' REPORT

JORC Resource: The current JORC Resource Statement for the Khnaiguiyah Zinc-Copper Project announced in February 2012 is[10]:

- Measured and Indicated Resource of 20.09 Mt at 4.24% Zinc and 0.15% Copper within a global resource of 26.4 Mt at 3.9% Zinc and 0.12% Copper; and
- 7.0 Mt at 0.8% Copper.

Additional Mineralisation: The cut-off date for compiling drilling data for the above JORC Resource Statement was in November 2011 (based on drilling completed in September 2011). Since September 2011, 10,000 metres of additional drilling in Zones 1 and 2 have been completed. Assay results from this 10,000m backlog of drilling confirm additional mineralisation in Zones 1 to 3. These results have been progressively announced on 11 April 2012[11], 16 May 2012[12] and 12 July 2012[13], which include a complete tabulation of intersection results along with maps indicating the location of these holes in Zones 1, 2 and 3. As results of the balance of samples are received, collated and analysed, Alara will continue to provide regular updates to the market. Since the commencement of the Khnaiguiyah drilling programme in February 2011, a total of 315 holes to ~36,961 metres has been completed.

Definitive Feasibility Study (DFS): On 10 July 2012[14], Alara announced that it had received a draft copy of the DFS report from Ausenco, the lead consultant for the DFS. On 30 July 2012[15], Alara announced that it had reviewed the draft report and identified a number of significant components, outstanding issues and trade-off opportunities that require further work to deliver a final DFS to the satisfaction of the Company. On 3 September 2012[16], Alara announced that the DFS was progressing well and on track for completion in Q4 2012.

Work on expanding the entire plant to 2Mtpa from 1.5Mtpa (instead of only the crushing and milling circuit at 2Mtpa as originally envisaged) is being undertaken. Concurrently with the review of operating costs, the scope of work will use local quotes for services and maintenance (rather than estimates) and also focus on lower initial strip ratios that are likely to be available in adding mineralisation (from more recent drilling) from Zone 1 and Zone 2 extensions, to the mining schedules. Most capital expenditure estimates have now been completed and Alara continues to finalise operating cost estimates using in-country price quotes. Based on the work completed to date, the Khnaiguiyah Zinc-Copper Project is continuing to confirm Alara's expectations of low operating costs and modest capital costs, which is consistent with other recent mineral development projects in Saudi Arabia.

Environmental Approvals: On 30 July 2012[15], Alara announced that its joint venture partner, Manajem, has received confirmation from the Presidency of Meteorology and Environment in Saudi Arabia of the grant of approvals for construction and mining operations at the Khnaiguiyah Project. The approvals require the commencement of construction within one year.

Alara's ASX market announcements released in relation to the Khnaiguiyah Project are as follows:

Date	Announcement Title
3 September 2012	Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project
30 July 2012	Update - Khnaiguiyah Zinc-Copper Project
12 July 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
10 July 2012	Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project
16 May 2012	Drilling Update - Khnaiguiyah Zinc Copper Project
11 April 2012	Drilling Update Khnaiguiyah Zinc-Copper Project
13 March 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
21 February 2012	Maiden JORC Resource - Khnaiguiyah Zinc-Copper Project
24 January 2012	Environmental Approval - Khnaiguiyah Zinc Copper Project, Saudi Arabia
10 January 2012	Drilling Update - Khnaiguiyah Zinc-Copper Project
29 November 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
20 October 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project

10 Refer ASX market announcement dated 21 February 2012: Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project.
11 Refer ASX market announcement dated 11 April 2012: Drilling Update – Khnaiguiyah Zinc-Copper Project.
12 Refer ASX market announcement dated 16 May 2012: Drilling Update – Khnaiguiyah Zinc Copper Project.
13 Refer ASX market announcement dated 12 July 2012: Drilling Update – Khnaiguiyah Zinc-Copper Project.
14 Refer ASX market announcement dated 10 July 2012: Definitive Feasibility Study Update – Khnaiguiyah Zinc-Copper Project.
15 Refer ASX market announcement dated 30 July 2012: Update – Khnaiguiyah Zinc-Copper Project.
16 Refer ASX market announcement dated 3 September 2012: Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project

DIRECTORS' REPORT

Date	Announcement Title
5 September 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
29 July 2011	Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc-Copper Project
29 June 2011	Drilling Rig Update - Khnaiguiyah Project in Saudi Arabia and Daris Project in Oman
16 June 2011	Operations Update - Khnaiguiyah Project
26 May 2011	Drilling Update - Khnaiguiyah Zinc Copper Project, Saudi Arabia
10 March 2011	Commencement of Drilling – Khnaiguiyah Zinc Copper Project, Saudi Arabia
24 January 2011	Conditions Precedent Now Met in Saudi Arabia for advancing Khnaiguiyah Zinc-Copper Mining Project
21 December 2010	Award of Mining Licence – Khnaiguiyah Zinc Copper Project, Saudi Arabia
6 October 2010	Project Acquisition – Khnaiguiyah Zinc Copper Project in Saudi Arabia

(b) Marjan Precious and Base Metals Project (Saudi Arabia)

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

The Marjan Project comprises 3 exploration licences (predominantly gold prospects with associated silver, zinc and copper) of ~260km^2 located ~30km south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project.

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

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, the incorporation and registration of a new joint venture company ("Marjan Mining Company LLC") (currently pending completion) and the execution of ancillary agreements arising therein (currently pending execution upon the incorporation of MMC).

3. Oman Projects

Alara's strategy in Oman is to build a critical mass of mineralisation across its 3 projects (below) to support a feasibility study for development of a copper-gold mining operation in the country.

In this regard, on 20 June 2012[17], Alara announced that as part of its broader strategic objectives in Oman, a Scoping Study had been initiated for an integrated mining and processing facility to develop the Washihi, Mullaq, Al Ajal and Daris (Block 7) prospects. Local Environmental and Hydrogeology consultants have also been engaged to contribute towards the study, which is expected to be completed in Q4 2012.

(a) Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman)

(Alara – right to subscribe for 10% and earn up to 60 to 75% of Pilatus Resources Oman LLC)

The Al Ajal, Washihi and Mullaq Project comprises 3 exploration licences of ~80km^2 located ~80-160km east and southeast of Alara's Daris Copper-Gold Project and Awtad Copper-Gold Project.

The key terms of the joint venture shareholders' agreement (dated 23 November 2011) are outlined in Alara's market announcement dated 8 December 2011 and entitled "Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman."

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, Pilatus settling all liabilities with vendor shareholders (which is currently pending completion).

17 Refer ASX market announcement dated 20 June 2012: Washihi Copper-Gold Project - Alara intersects 72m at 1.3% Copper

DIRECTORS' REPORT

Alara's ASX market announcements released in relation to the Al Ajal, Washihi and Mullaq Project are as follows:

Date	Announcement Title
23 August 2012	Substantial Copper Discovery - 112m at 0.8% Cu and 72m at 1.3% Cu Washihi Project Oman
20 June 2012	Washihi Copper-Gold Project Alara intersects 72m at 1.3% Copper
8 December 2011	Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman

(b) Daris Copper-Gold Project (Oman)
(Alara – 50% with right to increase to 70%+, Al Tamman Trading Establishment LLC – 50%, of Daris Resources LLC))

The Daris Project comprises one exploration licence (Block 7) of ~587km^2 located adjacent (contiguous) to the Awtad Copper-Gold Project.

The key terms of the joint venture shareholders' agreement (dated 28 August 2010) are outlined in Alara's market announcement dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman".

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, the execution of a management agreement and ancillary loan agreement (which are currently pending execution by the parties).

Alara's ASX market announcements released in relation to the Daris Project are as follows:

Date	Announcement Title
29 June 2011	Drilling Rig Update - Khnaiguiyah Project in Saudi Arabia and Daris Project in Oman
19 April 2011	Massive Sulphide Copper Mineralisation - Daris Project in Oman
16 March 2011	Commencement of Phase 2 Drilling - Daris East Copper Project in Oman
13 December 2010	Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman
6 December 2010	Commencement of VTEM Electromagnetic Survey - Daris Copper Project in Oman
26 October 2010	Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman
6 October 2010	High Grade Copper-Gold Mineralisation - Daris Project Copper Project in Oman
14 September 2010	Daris Project Drilling Update
30 August 2010	Project Acquisition - Daris Copper Project in Oman

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

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

The key terms of the joint venture shareholders' agreement (dated 24 April 2011) are outlined in Alara's market announcement dated 27 April 2011 and entitled "Project Acquisition- Awtad Copper-Gold Project in Oman."

DIRECTORS' REPORT

4. Chile Projects

(a) El Quillay Copper-Gold Project (Chile)

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

The El Quillay Project is located ~350km north of Santiago, the capital of Chile and comprises 88 concessions totalling ~205km^2 across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

The key terms of the joint venture agreements (dated 21 October 2011) are referred to in Alara's market announcement dated 24 October 2011 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile."

Alara's ASX market announcements released in relation to the El Quillay Project are as follows:

Date	Announcement Title
1 May 2012	Drilling Update – El Quillay Project Chile
24 October 2011	Project Acquisition – El Quillay Copper Gold Project in Chile
25 August 2010	Project Acquisition - El Quillay Copper Gold Project in Chile

(b) Piedrecillas Copper-Silver Project (Chile)

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

The Piedrecillas Project is located ~190km south of Santiago and 7km west of Santa Cruz and comprises 19 concessions covering a total area of ~40km^2.

The key terms of the joint venture agreements (dated 8 May 2012) are referred to in Alara's June 2012 Quarterly Reported dated 31 July 2012.

5. Australian Projects

(a) Bigrlyi South Uranium Project (Northern Territory) Farm-Out Venture

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

Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licences EL 24879, EL 24928 and EL 24929 by incurring $750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration Licence application EL 24927 by incurring $750,000 of expenditure on this tenement over a period of 5 years from the date of grant. EL 24879, 24928 and 24929 are each subject to a 50% reduction in area at the time of their renewal in August 2012.

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

(b) Termination of Canning Well Project (Western Australia) Manganese Farm-Out

Alara has not renewed Exploration Licence EL 46/629 upon expiry on 21 August 2012. This tenement was subject to a farm-out agreement[18] with Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN), who was unable to identify any prospective targets for manganese that warranted giving notice to commence mining operations under the terms of the farm-out agreement. PMI has been released from its obligations under the agreement.

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

DIRECTORS' REPORT

6. Future Capital Raising

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

FINANCIAL POSITION

Consolidated Entity	2012 $	2011 $
Cash	10,950,432	32,240,581
Financial assets held at fair value through profit and loss	393,128	875,603
Receivables	982,484	506,182
Resource projects	25,666,040	7,200,540
Other assets	3,688,176	1,865,060
Total assets	41,680,260	42,687,966
Payables	(3,865,407)	(2,137,489)
Provisions	(293,398)	(114,663)
Total liabilities	(4,158,805)	(2,252,152)
Net assets	37,521,455	40,435,814
Issued capital	53,477,409	53,477,409
Reserves	1,859,695	1,847,665
Accumulated losses	(18,061,494)	(14,978,442)
Parent interest	37,275,610	40,346,632
Non-controlling interest	245,845	89,182
Total equity	37,521,455	40,435,814

OPERATING RESULTS

Consolidated	2012 $	2011 $
Total revenue	1,725,912	299,516
Total expenses	(4,975,449)	(4,789,223)
Loss before tax	(3,249,537)	(4,489,707)
Income tax benefit	-	-
Net loss after tax attributable to members	(3,249,537)	(4,489,707)

LOSS PER SHARE

Consolidated	2012	2011
Basic loss per share (cents)	(1.5)	(3.84)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	210,507,500	116,058,185

DIRECTORS' REPORT

DIVIDENDS

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

SECURITIES IN THE COMPANY

1. Current Issued Capital

The Company had the following total securities on issue as at 24 September 2012:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	**210,507,500**	-	**210,507,500**
$0.35 (16 September 2013) Unlisted Options[19]	-	1,000,000	1,000,000
$0.35 (16 September 2013) Unlisted Options[19]	-	16,400,000	16,400,000
$0.35 (25 October 2014) Unlisted Options[20]	-	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[20]	-	2,000,000	2,000,000
$0.50 (25 May 2014) Unlisted Options[21]	-	400,000	400,000
$0.60 (25 May 2014) Unlisted Directors' Options[22]	-	500,000	500,000
$0.60 (25 May 2014) Unlisted Options[21]	-	250,000	250,000
$0.70 (25 May 2014) Unlisted Options[21]	-	250,000	250,000
$0.35 (22 August 2015) Unlisted Options[23]	-	400,000	400,000
Total	**210,507,500**	**24,850,000**	**235,357,500**

2. Summary of Unlisted Options Issued/Lapsed

During the financial year, the Company issued the following unlisted options to nominees of senior employees as part of their terms of remuneration pursuant to the Company's Employee Share Option Plan (**ESOP**)[24]:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
200,000	2 September 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue
125,000	2 September 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue
125,000	2 September 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue
200,000	22 December 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue
125,000	22 December 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue
125,000	22 December 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue

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

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

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

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

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

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

DIRECTORS' REPORT

The Company did not issue any unlisted options to Directors during or subsequent to the end of the financial year.

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

No. of Lapsed Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
200,000	30 September 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014
125,000	30 September 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014
125,000	30 September 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014
500,000	26 July 2012	$0.55 (26 Jul 2012) Options	$0.55	26 Jul 2012
300,000	12 August 2012	$0.50 (25 May 2014) Options	$0.50	25 May 2014
300,000	12 August 2012	$0.60 (25 May 2014) Options	$0.60	25 May 2014
300,000	12 August 2012	$0.70 (25 May 2014) Options	$0.70	25 May 2014

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

The Consolidated Entity notes that it is not directly subject to the *Clean Energy Act 2011 (Cth)*.

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

DIRECTORS' REPORT

BOARD OF DIRECTORS

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

Ian J. Williams AO	**Non-Executive Chairman**
Appointed	30 November 2010; Chairman since 10 May 2011
Qualifications	BE (Elec), FAusIMM, FIEAust
Experience	Mr Williams was awarded an Officer of the Order of Australia (AO) in June 2010 for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programmes providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives. As Managing Director of Century Zinc Ltd, Ian was responsible for planning and bringing on stream the Century lead/ zinc mine in north western Queensland. Producing some 7% of the world's demand for zinc concentrate, the Century mine is one of the largest zinc mines in the world. Mr Williams was, until July 2011, Chairman of the Port Hedland Port Authority. His diverse experience includes executive management of open cut and underground mining operations, brownfield expansions and new major mining projects. He was responsible for the establishment of two iron ore mines and associated infrastructure for Hamersley Iron. He has also assisted the West Australian Government in the facilitation of a major new port and rail infrastructure project in the State's Mid-West Region.
Special Responsibilities	Chairman of the Board, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Relevant interest in securities	Unlisted $0.60 (25 May 2014) Options – 250,000
Other current directorships in listed entities	Non-Executive Director of Bougainville Copper Limited (ASX Code: BOC) (since 8 May 2008)
Former directorships in other listed entities in past 3 years	Brandrill Limited (former ASX Code: BDL) (1 August 2006 to 16 December 2009) (merged with Ausdrill Limited (ASX Code: ASL) on 16 December 2009 and delisted)

H. Shanker Madan	**Managing Director**
Appointed	18 May 2007
Qualifications	Honours and Masters Science degrees in Applied Geology
Experience	Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group. Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits. He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.
Relevant interest in securities	Shares – 508,527[25] Unlisted $0.35 (16 September 2013) Options – 8,200,000
Other current directorships in listed entities	None
Former directorships in other listed entities in past 3 years	Strike Resources Limited (ASX Code: SRK) (26 September 2005 to 3 February 2011)

25 Held jointly: Mr H. Shanker Madan & Mrs Anupam S. Madan <The AS and HS Madan S/F A/C>

DIRECTORS' REPORT

Douglas H. Stewart	**Non-Executive Director**
Appointed	30 November 2010
Qualifications	BSc, FAusIMM, FAIG
Experience	Mr Stewart has 40 years technical and commercial experience in the resources sector in a broad range of consulting, senior technical and operational roles in Australia and overseas. Mr Stewart was the Founding Managing Director of Territory Resources Limited where he played a principal role in managing the company through IPO and into iron ore production at its Frances Creek Iron Ore project in the Northern Territory. Mr Stewart was also a director of Grange Resources Limited prior to its takeover by Chinese steel interests. Mr Stewart has worked as a senior mining and geological consultant focused largely on mine planning and optimisation. He was Chief Engineer, Open Pit Mines, for Cassiar Mining and Teck Corporation in Canada. As Senior Planning Officer, he headed an underground mine design team for block caving operations in Africa and has been Chief Geologist for several mines where he was responsible for ore resources and reserves estimations. As well as acting as an independent consultant for various banks and fund managers on potential investments in Australian and international mining projects, Doug spent eight years as an Associate Director with NM Rothschild & Sons Australia.
Special Responsibilities	Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee
Relevant interest in securities	Nil
Other current directorships in listed entities	Non-Executive Director of Vital Metals Ltd (ASX Code: VML) (since 30 May 2011)
Former directorships in other listed entities in past 3 years	(1) Conquest Mining Limited (ASX Code: CQT) (30 November 2007 to 18 October 2011) (2) Grange Resources Limited (ASX Code: GRR) (1 November 2007 to 2 January 2009)

William M. Johnson	**Non-Executive Director**
Appointed	26 October 2009 (as Executive Director); Non- Executive Director since 1 July 2011
Qualifications	MA (Oxon), MBA
Experience	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.
Special Responsibilities	Member of the Audit Committee
Relevant interest in securities	Shares – 27,000[26] Unlisted $0.60 (25 October 2014) Options – 1,000,000 Unlisted $0.35 (25 October 2014) Options – 2,000,000
Other current directorships in listed entities	Current Executive Director of: (1) Orion Equities Limited (ASX Code: OEQ) (since 28 February 2003) (2) Bentley Capital Limited (ASX Code: BEL) (since 13 March 2009) Current Non-Executive Director of: (3) Strike Resources Limited (ASX Code: SRK) (14 July 2006)
Former directorships in other listed entities in past 3 years	None

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

DIRECTORS' REPORT

Mr Farooq Khan resigned as a Director of the Company with effect on 31 August 2012.

Farooq Khan	**Former Non-Executive Director**
Period of Office	18 May 2007 (appointed as Executive Director); Non-Executive Director between 1 July 2011 and 31 August 2012
Qualifications	BJuris , LLB. (*UWA*)
Experience	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
Special Responsibilities during Office	Member of the Remuneration and Nomination Committee
Relevant interest in securities	Shares – 98,242 Unlisted $0.35 (16 September 2013) Options – 8,200,000
Other current directorships in listed entities	Current Executive Chairman and Managing Director of: (1) Queste Communications Ltd (ASX Code: QUE) (since 10 March 1998) Current Executive Chairman of: (2) Orion Equities Limited (ASX Code: OEQ) (since 23 October 2006) (3) Bentley Capital Limited (ASX Code: BEL) (director since 2 December 2003)
Former directorships in other listed entities in past 3 years	(1) Yellow Brick Road Holdings Limited (ASX Code: YBR) (27 April 2006 to 18 March 2011) (2) Strike Resources Limited (ASX Code: SRK) (3 September 1999 to 3 February 2011)

COMPANY SECRETARY

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

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

	Board		Audit Committee		Remuneration Committee	
Name of Director	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings
H. Shanker Madan	10	10	-	-	-	-
William Johnson	10	10	3	3	-	-
Ian Williams	10	10	3	3	1	1
Douglas Stewart	10	10	3	3	1	1
Farooq Khan	10	10	-	-	1	1

Board Committees

Audit Committee

The Audit Committee was established on 9 December 2010 and comprises Non-Executive Directors, Messrs Douglas Stewart (as Chairman), Ian Williams and William Johnson.

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established on 9 December 2010 and comprises Non-Executive Directors, Messrs Ian Williams (as Chairman), Douglas Stewart and Farooq Khan (until his resignation as a Director on 31 August 2012).

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

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

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

The information provided under headings (1) to (8) below has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

(1) Remuneration Policy

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

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

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

(a) Mr Ian Williams (Non-Executive Chairman – a base Director's fee of $75,000 plus employer superannuation contributions;

(b) Mr H. Shanker Madan (Managing Director) – a base salary of $375,000 plus employer superannuation contributions; in addition, Mr Madan is entitled to receive a travel allowance of up to $25,000 per annum;

(c) Mr Farooq Khan ((Non-Executive Director and General Manager, Corporate and Finance) - a base Director's fee of $50,000 and a base salary of $125,000 plus employer superannuation contributions; Mr Khan resigned as Director on 31 August 2012; Mr Khan's base salary was amended to $155,000 with effect from 1 September 2012;

(d) Mr William Johnson (Non-Executive Director and General Manager, Commercial and Joint Ventures) - a base Director's fee of $50,000 and a base salary of $65,000 plus employer superannuation contributions;

(e) Mr Douglas Stewart (Non-Executive Director) - a base Director's fee of $50,000 plus employer superannuation contributions; and

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

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

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

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

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

DIRECTORS' REPORT

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

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

Performance Related Benefits/Variable Remuneration: Other than performance related benefits/variable remuneration disclosed in "Service Agreements" (Section (4)) below, the Company does not presently provide short or long incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses and the current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance. No performance related benefits/variable remuneration were paid to Key Management Personnel during the year.

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

Equity Based Benefits: The Company has not provided any equity based benefits (eg. grant of shares or options) to Key Management Personnel during the financial year. The Company has previously granted unlisted options to Key Management Personnel; these options were issued without any vesting conditions or performance hurdles on these options as, in the Company's view at the time, the setting of the exercise price at a significant premium to the Company's ASX volume weighted average share price at the time of issue, together with the (relatively short) 3 year term, acted as an appropriate performance incentive for the Key Management Personnel. The Company expects that unlisted options that may be issued to Key Management Personnel in the future will have defined performance hurdles attached to the options.

Disclosure of 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:

	2012	**2011**	**2010**	**2009**	**2008**
Basic loss per share (cents)	(1.5)	(3.84)	(2.24)	(11.01)	(4.81)
Dividend (cents per share)	-	-	-	-	-
Net Profit/(Loss) attributable to members ($'000)	(3,151,331)	(4,450,971)	(2,100,889)	(8,864,354)	(3,872,045)
Volume weighted average share price (VWAP) (cents)	32	36	8	5	8

DIRECTORS' REPORT

(2) Details of Remuneration of Key Management Personnel

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

Key Management Person 2012	Performance related %	Options related %	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	Total
			Cash payments		Non-cash benefit	Superannuation	Long service leave	Options	
			Director's fees $	Salary and allowances	$	$	$	$	$
Executive Director:									
Shanker Madan	-	-	-	367,250	-	50,000	-	-	417,250
Non-Executive Directors:									
Ian Williams	-	-	37,467	-	-	44,282	-	-	81,749
Douglas Stewart	-	-	44,230	-	-	10,270	-	-	54,500
Farooq Khan	-	-	49,326	124,326	-	15,628	-	-	189,280
William Johnson	-	-	50,000	65,537	-	10,398	-	-	125,935
Company Secretary									
Victor Ho	-	-	-	90,000	-	8,100	-	-	98,100

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

The value of Equity Based Benefits are based on the fair value of options vested as at balance date; this is described in further detail in the Remuneration Report for the previous financial year ended 30 June 2011.[27]

27 Refer Section (3) of the Remuneration Report at pages 53 and 54 of the Company's Annual Report 2011

DIRECTORS' REPORT

(3) Equity Based Benefits - Options

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

There were no shares issued as a result of the exercise of options previously issued to Key Management Personnel during the financial year (2011: Nil shares).

The Company granted unlisted options to Key Management Personnel during the previous financial year (as approved by shareholders at a general meeting), as follows:

Name of Key Management Personnel	No. options granted during the year		No. options cancelled during the year		No. options vested during the year	
	2012	2011	2012	2011	2012	2011
H. Shanker Madan	-	-	-	-	-	-
Ian Williams	-	250,000 \$0.60 (26 May 2014) Directors' Options[28,29]	-	-	-	250,000 \$0.60 (26 May 2014) Directors' Options[28]
Douglas Stewart	-	250,000 \$0.60 (26 May 2014) Directors' Options[28, 29]	-	-	-	250,000 \$0.60 (26 May 2014) Directors' Options[28]
Farooq Khan	-	-	-	-	-	-
William Johnson	-	-	-	-	-	-
Victor Ho	-	-	-	-	-	-

The Company has also issued unlisted options to other personnel (not regarded as a Company Executives/Key Management Personnel) during the financial year, as detailed in the Directors' Report under Securities in the Company - Summary of Unlisted Options Issued/Lapsed.

During the financial year, unlisted options (previously issued to other personnel (not regarded as a Company Executives/Key Management Personnel)) lapsed without being exercised, as detailed in the Directors' Report under Securities in the Company - Summary of Unlisted Options Issued/Lapsed.

(4) Service Agreements

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

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
H. Shanker Madan (as Managing Director)	28 June 2011 (date of employment agreement); 18 May 2007 (commencement date, being the date of appointment as Managing Director); 11 May 2011 (date of effect of remuneration)	\$375,000 plus 9% employer superannuation contributions	• Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions. • Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter. • If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the *Corporations Act 2001*, pay out an amount equivalent to the balance of entitlements due for the term.

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

29 Granted to a nominee of the Key Management Personnel

DIRECTORS' REPORT

<table>
<tr><th>Key Management Personnel and Position(s) Held</th><th>Relevant Date(s)</th><th>Base Salary/Fees per annum</th><th>Other Terms</th></tr>
<tr><td></td><td></td><td></td><td>• Short-term incentive (STI) cash bonuses payable on attainment of defined milestones (related to completion of the Khnaiguiyah Zinc-Copper Project bankable feasibility study and project financing and the delineation of an economically minable copper resource in Oman) have not been triggered during the financial year. STI's for the 2012/2013 financial year have not yet been set pending completion of the Khnaiguiyah bankable feasibility study.</td></tr>
<tr><td>Farooq Khan
(as General Manager, Corporate and Finance)
(in addition to his role as Non-Executive Director until his resignation as Director on 31 August 2012)</td><td>28 June 2011 (date of employment agreement);
18 May 2007 (commencement date, being the date of appointment as Director);
1 July 2011 (date of effect of remuneration)</td><td>$125,000
(in addition to $50,000 Non-Executive Director fees payable with effect from 1 July 2011 until his resignation as Director on 31 August 2012) (amended to $155,000 from 1 September 2012)
plus 9% employer superannuation contributions</td><td rowspan="2">• Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions.
• Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.
• If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the Corporations Act 2001, pay out an amount equivalent to the balance of entitlements due for the term.
• Not prohibited from also concurrently performing the role of director of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement.
• Entitlement to performance related cash bonuses as agreed with the Company from time to time – as at the date of this report, no bonus scheme has been established.</td></tr>
<tr><td>William Johnson
(as General Manager, Commercial and Joint Ventures)
(in addition to his role as Non-Executive Director)</td><td>28 June 2011 (date of employment agreement);
26 October 2009 (commencement date, being the date of appointment as Director);
1 July 2011 (date of effect of remuneration)</td><td>$65,000
(in addition to $50,000 Non-Executive Director fees payable with effect from 1 July 2011)
plus 9% employer superannuation contributions</td></tr>
<tr><td>Victor Ho
(as Company Secretary)</td><td>28 June 2011 (date of employment agreement);
4 April 2007 (commencement date, being the date of appointment as Company Secretary);
1 July 2011 (date of effect of remuneration)</td><td>$90,000
plus 9% employer superannuation contributions</td><td>• Term of employment agreement expires on 30 June 2013; the parties may agree to further and subsequent terms of 1 year duration on the same terms and conditions.
• Entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.
• If employment is terminated by the Company (other than termination for serious misconduct as defined in the agreement) before the end of the term or before the end of any subsequent extension of the term, the Company shall, subject to compliance with the Corporations Act 2001, pay out an amount equivalent to the balance of entitlements due for the term.
• Not prohibited from also concurrently performing the role of director or company secretary of any other company or companies, to the extent that that does not interfere with the proper performance of duties under the agreement.
• Entitlement to performance related cash bonuses as agreed with the Company from time to time – as at the date of this report, no bonus scheme has been established.</td></tr>
</table>

DIRECTORS' REPORT

The Company notes that under recent amendments to the *Corporations Act 2001*[30], 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.

(5) Employee Share Option Plan

The Company has an Employee Share Option Plan (the **ESOP**) which was approved by shareholders at the 2008 annual general meeting held on 6 November 2008. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of Alara. Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares to those personnel. A summary of the terms of ESOP is set out in Annexure A to Alara's Notice of Annual General Meeting and Explanatory Statement dated 1 October 2008. The Company will seek shareholder approval at the 2012 AGM for the re-adoption of the ESOP pursuant to the ASX Listing Rules (which requires approval every 3 years).

(6) Other Benefits Provided to Key Management Personnel

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

(7) Securities Trading Policy

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

(8) Voting and Comments on the Remuneration Report at the 2011 Annual General Meeting (AGM)

At the Company's most recent (2011) AGM, a resolution to adopt the prior year (2011) Remuneration Report was passed by a majority (72.4%) of votes cast but 27.6% "no" votes were received. As the "no" votes exceed 25%, this constitutes a "first strike" under the new executive remuneration related provisions of the Corporations Act.

The Board has considered feedback from relevant stakeholders and reviewed and updated the Company's remuneration policy (as outlined in (1) above). In particular, the Board notes that the Company has previously granted unlisted options to Key Management Personnel without any vesting conditions or performance hurdles on these options. The Company has not granted any equity based benefits during the financial year to Key Management Personnel but the Board expects that unlisted options that may be issued to Key Management Personnel in the future will now have defined performance hurdles attached to the options.

The Board believes that the Company's remuneration structure and practices are appropriate as detailed in this Remuneration Report.

(9) Engagement of Remuneration Consultants

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

This concludes the audited Remuneration Report.

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

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' DEEDS

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

(a) 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); and

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

AUDITOR

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

Audit and Review Fees $	Fees for Other Non-Audit Services $	Total $
36,000	10,950	46,950

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 24. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY (DERIVATIVE ACTIONS)

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

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

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

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

Shanker Madan
Managing Director

Douglas Stewart
Director

Perth, Western Australia

28 September 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alara Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 28 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	3 (a)	1,725,912	299,516
Net loss on financial assets held at fair value through profit or loss	3 (b)	(482,475)	(910,657)
Impairment of exploration expenditure	3 (b)	(432,610)	(41,469)
Personnel	3 (b)	(2,076,140)	(1,443,877)
- Options remuneration (non-cash)	3 (b)	(117,217)	(299,629)
Occupancy costs	3 (b)	(480,089)	(222,808)
Foreign exchange movement	3 (b)	-	(363,550)
Finance expenses	3 (b)	(21,573)	(12,652)
Borrowing costs	3 (b)	(30,293)	(443)
Corporate expenses	3 (b)	(87,736)	(118,810)
Administration expenses	3 (b)	(1,247,316)	(1,375,328)
LOSS BEFORE INCOME TAX		(3,249,537)	(4,489,707)
Income tax benefit	4	-	-
LOSS FOR THE YEAR		(3,249,537)	(4,489,707)
Other comprehensive income			
Exchange differences on translation of foreign operations		(36,908)	56,094
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		(36,908)	56,094
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,286,445)	(4,433,613)
Loss attributable to:			
Owners of Alara Resources Limited		(3,151,331)	(4,450,971)
Non-controlling interest		(98,206)	(38,736)
		(3,249,537)	(4,489,707)
Total comprehensive loss for the year attributable to:			
Owners of Alara Resources Limited		(3,188,239)	(4,394,877)
Non-controlling interest		(98,206)	(38,736)
		(3,286,445)	(4,433,613)
Basic and diluted loss per share (cents)	7	(1.50)	(3.84)

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	**8**	10,950,432	32,240,581
Trade and other receivables	**9**	982,484	506,182
Other current assets	**10**	108,726	20,846
TOTAL CURRENT ASSETS		12,041,642	32,767,609
NON CURRENT ASSETS			
Financial assets held at fair value through profit and loss	**11**	393,128	875,603
Property, plant and equipment	**12**	314,390	181,833
Resource projects	**13**	25,666,040	7,200,540
Other non-current asset	**14**	3,265,060	1,662,381
TOTAL NON CURRENT ASSETS		29,638,618	9,920,357
TOTAL ASSETS		41,680,260	42,687,966
CURRENT LIABILITIES			
Trade and other payables	**15**	2,356,612	628,695
Provisions	**16**	293,398	114,663
TOTAL CURRENT LIABILITIES		2,650,010	743,358
NON CURRENT LIABILITIES			
Trade and other payables	**15**	1,508,795	1,508,795
TOTAL NON CURRENT LIABILITIES		1,508,795	1,508,795
TOTAL LIABILITIES		4,158,805	2,252,152
NET ASSETS		37,521,455	40,435,814
EQUITY			
Issued capital	**17**	53,477,409	53,477,409
Reserves	**18**	1,859,695	1,847,665
Accumulated losses		(18,061,494)	(14,978,442)
Parent interest		37,275,610	40,346,632
Non-controlling interest		245,845	89,182
TOTAL EQUITY		37,521,455	40,435,814

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest	Total
Balance as at 1 July 2010		14,754,059	1,510,655	12,516	(10,558,701)	-	5,718,529
Foreign currency translation reserve		-	-	56,094	-	-	56,094
Net income and expense recognised directly in equity		-	-	56,094	-	-	56,094
Loss for the year		-	-	-	(4,450,971)	(38,736)	(4,489,707)
Total comprehensive loss for the year		-	-	56,094	(4,450,971)	(38,736)	(4,433,613)
Transactions with owners in their capacity as owners:							
Share placement		40,820,000	-	-	-	-	40,820,000
Share placement costs		(2,096,650)	-	-	-	-	(2,096,650)
Options lapsed during the year		-	(31,230)	-	31,230	-	-
Options issued during the year		-	299,630	-	-	-	299,630
Non-controlling interests of				-	-		-
the new subsidiary		-	-	-	-	127,918	127,918
Balance as at 30 June 2011		53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814
Balance as at 1 July 2011		53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814
Foreign currency translation reserve		-	-	(36,908)		-	(36,908)
Net income and expense recognised directly in equity		-	-	(36,908)	-	-	(36,908)
Loss for the year		-	-	-	(3,151,331)	(98,206)	(3,249,537)
Total comprehensive loss for the year		-	-	(36,908)	(3,151,331)	(98,206)	(3,286,445)
Transactions with owners in their capacity as owners:							
Options lapsed during the year	**18**	-	(68,279)	-	68,279	-	-
Options issued during the year	**18**	-	117,217	-	-	-	117,217
Non-controlling interests of the new subsidiary		-	-	-	-	254,869	254,869
Balance as at 30 June 2012		53,477,409	1,827,993	31,702	(18,061,494)	245,845	37,521,455

The accompanying notes form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(2,828,510)	(3,275,114)
Interest received		1,331,701	229,443
Interest paid		-	(443)
NET CASHFLOWS USED IN OPERATING ACTIVITIES	**8 b**	(1,496,809)	(3,046,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation activities		(19,668,054)	(7,253,916)
Payments for plant and equipment		(251,262)	(185,153)
Proceeds from disposal of plant and equipment		-	100
NET CASHFLOWS USED IN INVESTING ACTIVITIES		(19,919,316)	(7,438,969)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing ordinary shares		-	40,820,000
Costs of issuing ordinary shares		-	(2,096,650)
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES		-	38,723,350
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(21,416,125)	28,238,267
Cash and cash equivalents at beginning of the financial year		32,240,581	4,309,770
Effect of exchange rate changes on cash		125,976	(307,456)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAF	**8**	10,950,432	32,240,581

The accompanying notes form part of this consolidated financial statements

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.1. Basis of preparation

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

Compliance with IFRS

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

Reporting Basis and Conventions

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

Going Concern Assumption

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Consolidated Entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Consolidated Entity. The Directors are confident that sufficient funding can be secured if required to enable the Consolidated Entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Alara Resources Limited as at 30 June 2012 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity.

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

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

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

1.3. Mineral Exploration and Evaluation Expenditure

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

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

1.4. Operating Segments

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

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

1.5. Revenue Recognition

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

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

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

1.6. Income Tax

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

1.7. Goods and Services Tax (GST)

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

1.8. Employee Benefits

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

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

1.9. Director/Employee Options

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

1.10. Cash and Cash Equivalents

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.11. Receivables

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

1.12. Financial Instruments

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

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

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

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

1.13. Fair value Estimation

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

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

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

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

1.14. Property, Plant and Equipment

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

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

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

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

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

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

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

1.15. Impairment of Non Financial Assets

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

1.16. Payables

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

1.17. Issued Capital

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

1.18. Earnings Per Share

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

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

1.19. Foreign Currency Translation and Balances

Functional and presentation currency

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

Transaction and balances

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

Consolidated entity

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

(a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

(b) income and expenses are translated at average exchange rates for the period; and

(c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1.20. Investments in Joint Ventures

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

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

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

1.21. Leases

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

1.22. Comparative Figures

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

1.23. Critical accounting judgements and estimates

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

Exploration and evaluation expenditure

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

Impairment of goodwill and intangibles

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

Share-based payments transactions

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

1.24. Summary Of Accounting Standards Issued Not Yet Adopted

Management anticipates that all of the relevant pronouncements will be adopted in the Consolidated Entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Consolidated Entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Consolidated Entity's financial statements.

New/revised pronouncement	Superceded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: (i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and (ii) The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: (a) Classification and measurement of financial liabilities; and (b) Derecognition requirements for financial assets and liabilities.	31 December 2015 Note that the IASB deferred the mandatory effective date from annual periods beginning on or after 1 January 2013 to annual periods beginning on or after 1 January 2015.	AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only. Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

New/revised pronouncement	Superceded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
		Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10.		
AASB 10 Consolidated Financial Statements	AASB 127 AASB Int 112	AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities.* The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group.	31 December 2013	It introduces a revised definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.
AASB 11 Joint Arrangements	AASB 131 AASB Int 113	AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	31 December 2013	Entities with existing joint arrangements or that plan to enter into new joint arrangements will be affected by the new standard. These entities will need to assess their arrangements to determine whether they have interests in a joint operation or a joint venture upon adoption of the new standard or upon entering into the arrangement. Entities that have been accounting for their interest in a joint venture using proportionate consolidation will no longer be allowed to use this method; instead they will account for the joint venture using the equity method. In addition, there may be some entities that previously equity-accounted for investments that may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement.
AASB 12 Disclosure of Interests in Other Entities	AASB 127 AASB 128 AASB 131	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	31 December 2013	AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.
AASB 13 Fair Value Measurement	None	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards. Application of this	31 December 2013	AASB 13 has been issued to: (a) establish a single source of guidance for all fair value measurements; (b) clarify the definition of fair value and related guidance; and

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

New/revised pronouncement	Superceded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
		definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.		(c) enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).
AASB 127 Separate Financial Statements	AASB 127 (Consolidated and Separate Financial Statements)	As a result of the issuance of AASB 10, AASB 127 has been restructured and reissued to only deal with separate financial statements.	31 December 2013	AASB 127 (August 2011) will now solely address separate financial statements, the requirements for which are substantially unchanged from the previous version of the Standard.
AASB 2010-8 Amendments to Australian Accounting Standards –Deferred Tax: Recovery of Underlying Assets [AASB 112]	AASB Int 121	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate AASB Interpretation 121 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112. .	31 December 2012	The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140 *Investment Property*. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	None	The Standard deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	30 June 2014	The Standard makes amendments to remove the individual key management personnel disclosure requirements, as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report.
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	None	This Standard makes consequential amendments to various Australian Accounting Standards arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).	31 December 2013	This Standard gives effect to many consequential changes arising from the issuance of the new Standards. For example, references to AASB 127 *Consolidated and Separate Financial Statements* are amended to AASB 10 *Consolidated Financial Statements* or AASB 127 *Separate Financial Statements*, and references to AASB 131 *Interests in Joint Ventures* are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).
AASB 2011-9 Amendments to Australian Accounting Standards –	None	Amendments to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments, e.g. foreign currency	30 June 2013	The main change will be the separation and classification of components within other comprehensive income between reclassification adjustments to profit or loss and those that will not be

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2012

New/revised pronouncement	Superceded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact on Financial Statements
Presentation of Other Comprehensive Income [AASB 101]		translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses). Name changes of statements in AASB 101 as follows: (a) One statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' (b) Two statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.		reclassified.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	None	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	31 December 2013	AASB 2012-2 principally amends AASB 7 to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	31 December 2014	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	None	These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments follow the issuance of Annual Improvements to IFRSs 2009–2011 Cycle issued by the International Accounting Standards Board in May 2012.	31 December 2013	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: (a) repeat application of AASB 1 is permitted (AASB 1); and (b) clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Alara Resources Limited as at 30 June 2012.

	2012 $	2011 $
Statement of Financial Position		
Current assets	7,570,744	30,129,714
Non current assets	31,425,573	11,272,090
Total assets	38,996,317	41,401,804
Current liabilities	479,930	493,263
Non current liabilities	-	-
Total liabilities	479,930	493,263
Net assets	38,516,387	40,908,541
Issued capital	53,477,409	53,477,409
Reserves	1,827,993	1,779,056
Accumulated losses	(16,789,015)	(14,347,924)
Total equity	38,516,387	40,908,541
Loss for the year	(2,509,370)	(4,147,959)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(2,509,370)	(4,147,959)

Notes to the Statement of Financial Position

(a) Current assets

(i) Cash and cash equivalents

Cash at bank	1,033,994	2,665,038
Term Deposits	6,417,677	27,136,984
	7,451,671	29,802,022

(b) Non-current assets

(i) Loan to controlled entities

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

	2012 $	2011 $
Amounts owed by controlled entities	34,209,799	13,654,524
Provision for impairment	(3,352,651)	(3,352,651)
	30,857,148	10,301,873
Movement in loans to controlled entities		
Opening balance	13,654,524	2,825,020
Loans advanced	20,555,275	10,829,504
Closing balance	34,209,799	13,654,524
Movement in provision for impairment of receivables		
Opening balance	(3,352,651)	(2,695,125)
Provision for impairment recognised during the year	-	(657,526)
Provision for impairment on amounts receivable	(3,352,651)	(3,352,651)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

2. PARENT ENTITY INFORMATION (continued)

	Country of Incorporation	Date of Incorporation	Percentage of Ownership 2012	Percentage of Ownership 2011
(b) Non-current assets				
(ii) Investment in Controlled Entities				
Hume Mining Pty Ltd	Australia	29-Mar-94	100%	100%
Alara Operations Pty Ltd (AOP)	Australia	5-Feb-07	100%	100%
Alara Peru Operations Pty Ltd (APO)	Australia	9-Mar-07	100%	100%
Alara Saudi Operations Pty Ltd (ASO)	Australia	4-Aug-10	100%	100%
Alara Chile Operations Pty Ltd (ACO)	Australia	28-Oct-09	100%	100%
Alara Saudi Marjan Operations Pty Limited	Australia	14-Feb-11	100%	100%
Alara Oman Operations Pty Limited (AOO)	Australia	28-Jun-10	100%	100%
Alara Kingdom Operations Pty Limited (AKO)	Australia	5-Sep-11	100%	-
Alara Resources LLC (controlled entity of AOO)	Oman	2-Oct-10	70%	70%
Daris Resources LLC (jointly controlled entity of AOO)	Oman	1-Dec-10	50%	50%
Pilatus Resources Oman LLC (controlled entity of AOO)	Oman	6-Feb-07	75%	-
Awtad Copper LLC (controlled entity of AOO)	Oman	24-Sep-09	70%	-
Khnaiguiyah Mining Company LLC (KMC)	Saudi Arabia	10-Jan-11	50%	50%
(jointly controlled entity of ASO)				-
Sita Mining LLC (controlled entity of AKO)	Saudi Arabia	16-May-11	70%	-
Inversiones Alara Chile Limitada (IAC)	Chile	31-Aug-11	100%	-
(subsidiary of ACO)				-
El Quillay SpA (controlled entity of IAC)	Chile	21-Oct-11	70%	-
Alara Resources Ghana Limited	Ghana	8-Dec-09	100%	100%
Alara Peru S.A.C (subsidiary of APO)	Peru	1-Mar-07	100%	100%

3. LOSS FOR THE YEAR

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

		2012 $	2011 $
(a)	**Revenue**		
	Interest	1,265,530	299,516
	Foreign exchange movement	460,382	-
		1,725,912	299,516
(b)	**Expenses**		
	Net loss on financial assets held at fair value through profit or loss	482,475	910,657
	Impairment of exploration expenditure	432,610	41,469
	Personnel		
	- cash remuneration	1,853,046	1,396,016
	- options remuneration (non-cash)	117,217	299,629
	- employee benefits	223,094	47,861
	Occupancy expenses	480,089	222,808
	Foreign exchange movement	-	363,550
	Finance expenses	21,573	12,652
	Borrowing cost - interest paid	30,293	443
	Corporate expenses	87,736	118,810
	Administration expenses		
	- Communications	73,613	99,642
	- Consultancy fees	90,793	168,233
	- Travel, accommodation and incidentals	485,633	396,768
	- Professional fees	247,722	380,804
	- Insurance	29,384	21,687
	- Depreciation	118,705	39,009
	- Fixed assets written down	-	4,339
	- Net loss on disposal of fixed assets	-	156
	- Other administration expenses	201,466	264,690
		4,975,449	4,789,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

4. INCOME TAX EXPENSE

	2012 $	2011 $
(a) Income tax expense		
Current tax	-	-
Current year	-	-
Total income tax expense/(benefit) per statement of comprehensive income	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	**(3,249,537)**	**(4,489,707)**
Tax at the Australian tax rate of 30% (2011: 30%)	(974,861)	(1,346,912)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	311,923	275,270
Other deductible expenses	-	-
Other non assessable income	(128,834)	-
Tax losses not brought to account	791,772	1,071,642
Income tax expense/(benefit) attributable to operating profit	-	-
Under/(over) provision in respect to prior years		-
Income tax expense/(benefit)	-	-
(c) Deferred tax liabilities not brought to account at 30%		
Other	(8,690,783)	(2,690,181)
Potential tax liability at 30%	(8,690,783)	(2,690,181)
(d) Deferred tax assets not brought to account at 30%		
Revenue losses	12,895,219	5,066,879
Other	502,163	312,800
Potential tax benefit at 30%	13,397,382	5,379,679

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

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

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

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

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

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

	2012 $	2011 $
(a) Key management personnel compensation		
Directors		
Short-term employee benefits - cash fees and bonus and allowance	738,136	569,727
Post-employment benefits - superannuation	130,578	81,432
Equity based payments	-	74,600
	868,714	725,759
Other key management personnel		
Short-term employee benefits - cash fees, bonus and allowance	90,000	93,462
Post-employment benefits - superannuation	8,100	8,411
	98,100	101,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report for the year ended 30 June 2012.

(b) Shareholdings of key management personnel

2012 **Directors**	**Balance at start of the year**	**Balance at appointment/ cessation**	**Net Changes**	**Balance at end of the year**
Ian Williams	-		-	-
H. Shanker Madan	508,257		-	508,257
Farooq Khan	98,242		-	98,242
William Johnson	27,000		-	27,000
Douglas Stewart	-		-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503		(171,090)	18,413
2011				
Ian Williams (appointed 30/11/10)		-	-	-
H. Shanker Madan	508,257		-	508,257
Farooq Khan	939,168		(840,926)	98,242
William Johnson (appointed 26/10/09)	27,000		-	27,000
Douglas Stewart (appointed 30/11/10)		-	-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503		-	189,503

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

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

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

(d) Unlisted option holdings of key management personnel

2012 **Directors**	**Balance at appointment/ start of the year**	**Granted as compensation**	**Net Changes**	**Balance at cessation/ end of the year**	**Vested & Exercisable**
Ian Williams	250,000	-	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart	250,000	-	-	250,000	250,000
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000
2011					
Directors					
Ian Williams		250,000	-	250,000	250,000
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson	3,000,000	-	-	3,000,000	3,000,000
Douglas Stewart		250,000	-	250,000	250,000
Other key management personnel					
Victor Ho (Company Secretary)	3,350,000	-	-	3,350,000	3,350,000

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

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

6. AUDITOR'S REMUNERATION

	2012	2011
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:	$	$
Grant Thornton Audit Pty Ltd - Auditors of the Consolidated Entity	36,000	30,500
Audit and review of financial reports		
Grant Thornton Australia Limited - related practice of Grant Thornton Audit Pty Ltd	10,950	10,754
Taxation services		
Moore Stephens Chartered Accountants - Auditors of Oman controlled entities	4,459	2,573
Audit and review of financial reports		
Aldar Audit Bureau, Abdullah Al Bas & Co - Auditors of Saudi Arabian controlled entity	-	4,403
Audit and review of financial reports	51,409	48,230

7. LOSS PER SHARE

	2012	2011
Basic loss per share (cents)	(1.50)	(3.84)
Diluted loss per share (cents)	n/a	n/a
Loss used to calculate earnings per share ($)	(3,151,331)	(4,450,971)
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	210,507,500	116,058,185

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

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

8. CASH AND CASH EQUIVALENTS

	2012	2011
	$	$
Cash in hand	41,296	41,107
Cash at bank	2,431,796	5,048,490
Term Deposits	8,477,340	27,150,984
	10,950,432	32,240,581

Cash at bank includes USD$1.830 million (AUD$1.814 million) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of $130,600 (2011: $130,600) which has not been called up as at balance date. A total of $32,000 of the security bond is in relation to its Australian tenements.

The effective interest rate on short-term bank deposits was 5.22% (2011: 6.05%) with an average maturity of 85 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

8. CASH AND CASH EQUIVALENTS (continued)

(a) Risk exposure

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

(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow from Operations	**2012 $**	**2011 $**
Loss after income tax	(3,249,537)	(4,489,707)
Net gain/(loss) on financial assets held at fair value through profit or loss	482,475	910,657
Impairment of exploration expenditure	432,610	
Directors' and Employee options	117,217	299,629
Foreign exchange movement	(460,382)	363,550
Depreciation	118,705	39,009
Write off/down-Fixed assets	-	4,339
Net reversal of prior year unrealised loss/unrealised loss on financial assets fair value through profit or loss	-	156
(Increase)/Decrease in Assets:		
Trade and other receivables	(719,762)	(361,054)
Resource projects	-	27,707
Other current assets	(87,880)	(18,955)
Increase/(Decrease) in Liabilities:		
Trade and other payables	1,691,013	131,893
Provisions	178,732	46,662
Net cashflows used in from operating activities	(1,496,809)	(3,046,114)

(c) Non-cash financing and investing activities

Share based payments (Refer to Note 19)	48,938	268,400

9. TRADE AND OTHER RECEIVABLES

Current	**2012 $**	**2011 $**
Amounts receivable from		
Sundry debtors	881,370	212,046
Goods and services tax recoverable	62,936	189,787
Other receivables	38,178	104,349
	982,484	506,182

(a) Risk exposure

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

(b) Impaired receivables

None of the above receivables are impaired or past due.

10. OTHER CURRENT ASSETS	**2012 $**	**2011 $**
Prepayments	108,726	20,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

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

	2012	2011
	$	$
Listed investments at fair value	393,128	875,603

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Office Equipment	Plant and Equipment	Total
At 1 July 2010	$	$	$	$
Cost or fair value				
Accumulated depreciation	-	3,008	76,496	79,504
Net carrying amount	-	(569)	(38,651)	(39,220)
	-	2,439	37,845	40,284
Year ended 30 June 2011				
Carrying amount at beginning		2,439	37,845	40,284
Additions	61,495	72,726	50,932	185,153
Disposal	-	(3,090)	(1,505)	(4,595)
Depreciation expense	(5,083)	(14,995)	(18,931)	(39,009)
	56,412	57,080	68,341	181,833
At 30 June 2011				
Cost or fair value	61,495	72,644	125,923	260,062
Accumulated depreciation	(5,083)	(15,564)	(57,582)	(78,229)
				-
Net carrying amount	56,412	57,080	68,341	181,833
Year ended 30 June 2012				
Carrying amount at beginning	56,412	57,080	68,341	181,833
Additions	36,367	140,793	74,101	251,261
Disposal	-	-		-
Depreciation expense	(42,211)	(45,112)	(31,381)	(118,704)
	-			-
Closing amount at balance date	50,568	152,761	111,061	314,390
Year ended 30 June 2012				
Cost or fair value	98,010	213,016	173,854	484,880
Accumulated depreciation	(47,442)	(60,255)	(62,793)	(170,490)
				-
Net carrying amount	50,568	152,761	111,061	314,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

13. RESOURCE PROJECTS

	2012 $	2011 $
Opening balance	7,200,540	-
Excess of consideration of resource projects acquired	-	3,582,558
Exploration and evaluation expenditure	18,898,110	3,659,451
Impairment of exploration and evaluation expenditure	(432,610)	(41,469)
Closing balance	25,666,040	7,200,540

The excess of consideration for resource projects acquired relate to the Consolidated Entity's investment in jointly controlled joint venture entity Khnaiguiyah Mining Company LLC (KMC) (Saudi Arabia) (50%) whereby the Consolidated Entity contributed 100% of the initial share capital on incorporation. The excess value comprises 50% of the value of the initial share capital invested in KMC plus 100% of the vendor payments made to Manajem (refer Note 23(a)) for details of the vendor payments pursuant to a joint venture shareholders' agreement).

In accordance with AASB 136: Impairment of Assets, an impairment loss of $432,610 (2011: $41,469) has been recognised for the year in relation to the Consolidated Entity's capitalised exploration and evaluation expenditure that have been written-off.

The Consolidated Entity has granted a security bond to the value of $32,000 (2011: $14,000), which has not been called up as at balance date.

14. OTHER NON-CURRENT ASSETS

	2012 $	2011 $
Excess of consideration of resource projects acquired	341,112	321,167
Costs incurred in relation to resource projects	2,923,948	1,341,214
	3,265,060	1,662,381

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

15. TRADE AND OTHER PAYABLES

	2012	2011
Current	$	$
Trade payables	1,929,197	394,953
Other payables	427,415	233,741
	2,356,612	628,694
Non Current		
Loan owed to joint venture partner	1,508,795	1,508,795
	3,865,407	2,137,489

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

Loan owed to joint venture partner comprise a loan owed by Khnaiguiyah Mining Company LLC (KMC) to 50% shareholder, United Arabian Mining Company LLC (Manajem). The loan to KMC from Manajem amounts to USD$3 million. At 30 June 2012, an amount of $1,508,795 has been recognised representing the element of this liability (50%) which has not been eliminated on consolidation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

16. PROVISIONS

	2012 $	2011 $
Current		
Employee benefits - annual leave	293,398	114,663
Non Current		
Employee benefits - long service leave	-	-
	293,398	114,663

(a) Movement in provision for employee benefits - annual leave

	2012	2011
Opening balance	114,663	56,034
Additional/(Reversal) of provision	178,735	58,629
Closing balance	293,398	114,663

Amounts not expected to be settled within the next 12 months

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

(b) Movement in provision for employee benefits - long service leave	2012 $	2011 $
Opening balance	-	11,967
Additional/(Reversal) of provision	-	(11,967)
Closing balance	-	-

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

17. ISSUED CAPITAL

	Number of Shares 2012	Number of Shares 2011	2012 $	2011 $
Fully paid ordinary shares	210,507,500	210,507,500	53,477,409	53,477,409

30 Jun 11	Date of issue	Number of shares	$
At 1 July 2011		210,507,500	53,477,409
At 30 June 2012			
No share movement during the 30 June 2012 financial year		210,507,500	53,477,409

30 June 11		
At 1 July 2011	210,507,500	53,477,409
At 30 June 2012	210,507,500	53,477,409

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

17. ISSUED CAPITAL (continued)

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

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

18. RESERVES

	2012 $	2011 $
Foreign currency translation reserve	31,702	68,610
Options reserve	1,827,993	1,779,055
	1,859,695	1,847,665

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

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

	Grant date	Number of options	2012 $	2011 $
Directors' Options				
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	16,400,000	569,080	569,080
Unlisted options exercisable at $0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	247,317
Unlisted options exercisable at $0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	106,698
Unlisted options exercisable at $0.60; expiring 25 May 2014	26-May-11	500,000	74,601	74,601
Employees' Options				
Unlisted options exercisable at $0.55; expiring 27 Jul 2012	27-Jul-07	500,000	89,500	89,500
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	1,000,000	43,159	43,159
Unlisted options exercisable at $0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	276,365
Unlisted options exercisable at $0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	147,306
Unlisted options exercisable at $0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	21,913
Unlisted options exercisable at $0.50; expiring 25 May 2014	26-May-11	300,000	48,395	80,643
Unlisted options exercisable at $0.60; expiring 25 May 2014	26-May-11	300,000	44,757	63,411
Unlisted options exercisable at $0.70; expiring 25 May 2014	26-May-11	300,000	41,687	59,062
Unlisted options exercisable at $0.50; expiring 25 May 2014	02-Sep-11	200,000	33,072	-
Unlisted options exercisable at $0.60; expiring 25 May 2014	02-Sep-11	125,000	19,001	-
Unlisted options exercisable at $0.70; expiring 25 May 2014	02-Sep-11	125,000	17,594	-
Unlisted options exercisable at $0.50; expiring 25 May 2014	23-Dec-11	200,000	22,887	-
Unlisted options exercisable at $0.60; expiring 25 May 2014	23-Dec-11	125,000	12,908	-
Unlisted options exercisable at $0.70; expiring 25 May 2014	23-Dec-11	125,000	11,753	-
		26,250,000	1,827,993	1,779,055

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

(i) 200,000 lapsed unlisted $0.50 (25 May 2014) Options amounted to $32,249.
(ii) 125,000 lapsed unlisted $0.60 (25 May 2014) Options amounted to $18,655.
(iii) 125,000 lapsed unlisted $0.70 (25 May 2014) Options amounted to $17,375.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

18. RESERVES (Continued)

Equity based remuneration (Refer to Note 19)

On 2 September 2011, the following unlisted options were granted to a nominee of an employee as part of his remuneration package: 200,000 $0.50 (25 May 2014) options, 125,000 $0.60 (25 May 2014) options and 125,000 $0.70 (25 May 2014) options. On 23 December 2011, the following unlisted options were granted to a nominee of an employee as part of his remuneration package: 200,000 $0.50 (25 May 2014) options, 125,000 $0.60 (25 May 2014) options and 125,000 $0.70 (25 May 2014) options.

19. SHARE BASED PAYMENTS

A total of 900,000 unlisted options (all expiring on 25 May 2014) were issued to nominees of employees as part of their remuneration package during the year (Refer to Note 18).

A total of 450,000 unlisted (25 May 2014) options lapsed during the year.

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

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

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

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

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

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

Options granted to Directors and employees carry no dividend or voting rights.

			Movement during the year					As at 30 June 2012	
Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested and exercisable	Fair value $
17-Sep-08	16-Sep-13	$0.35	16,400,000				16,400,000	16,400,000	569,080
30-Nov-09	25-Oct-14	$0.35	2,000,000				2,000,000	2,000,000	247,317
30-Nov-09	25-Oct-14	$0.60	1,000,000				1,000,000	1,000,000	106,698
26-May-11	26-May-14	$0.60	500,000				500,000	500,000	74,601
27-Jul-07	16-Sep-12	$0.55	500,000				500,000	500,000	89,500
17-Sep-08	16-Sep-13	$0.35	1,000,000				1,000,000	1,000,000	43,159
26-Oct-09	25-Oct-14	$0.35	1,650,000				1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	$0.60	1,000,000				1,000,000	1,000,000	147,306
23-Aug-10	22-Aug-15	$0.35	400,000				400,000	400,000	21,913
26-May-11	25-May-14	$0.50	500,000			(200,000)	300,000	300,000	48,395
26-May-11	25-May-14	$0.60	425,000			(125,000)	300,000	300,000	44,757
26-May-11	25-May-14	$0.70	425,000			(125,000)	300,000	300,000	41,687
			-				-	-	
02-Sep-11	25-May-14	$0.50	-	200,000			200,000	200,000	33,072
02-Sep-11	25-May-14	$0.60	-	125,000			125,000	125,000	19,001
02-Sep-11	25-May-14	$0.70	-	125,000			125,000	125,000	17,594
			-				-	-	
23-Dec-11	25-May-14	$0.50	-	200,000	-	-	200,000	200,000	22,887
23-Dec-11	25-May-14	$0.60	-	125,000	-	-	125,000	125,000	12,908
23-Dec-11	25-May-14	$0.70	-	125,000	-	-	125,000	125,000	11,753
			25,800,000	900,000	-	(450,000)	26,250,000	26,250,000	1,827,993
Weighted average exercise price			0.39	0.58		0.58	0.39	0.39	1,827,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

19. SHARE BASED PAYMENTS (continued)

The weighted average balance of the contractual term of the options outstanding at the balance date was 1.9 years.

There were no shares issued as a result of the exercise of any options during the year (2011: nil).

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

(a) options are granted for no consideration and vest as detailed in the table below;
(b) exercise price is as detailed in the table above;
(c) grant or issue date is as detailed in the table above;
(d) expiry date is as detailed in the table above;
(e) share price is based on the last bid price on ASX as at date of grant, as detailed in the table below;
(f) expected price volatility of the Company's shares has been assessed independently as described in the table below;
(g) expected dividend yield is nil; and
(h) risk-free interest rate is based on the 3/5 year Commonwealth bond yield, as detailed in the table below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

19. SHARE BASED PAYMENTS (continued)

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk free rate	Price volatility
27-Jul-07	$0.55 (26 July 2012) Options	1/3 on 26 January 2008, 1/3 on 26 July 2008 and 1/3 on 26 January 2009	$0.27	6.29%	95%
17-Sep-08	$0.35 (16 September 2013) Options	75% on grant and 25% on 16 September 2009	$0.07	5.46%	95%
17-Sep-08	$0.35 (16 September 2013) Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	$0.07	5.46%	95%
26-Oct-09	$0.60 (24 October 2014) Options	vested at the date of the issue of the options	$0.24	5.57%	95%
26-Oct-09	$0.35 (24 October 2014) Options	vested at the date of the issue of the options	$0.24	5.57%	95%
30-Nov-09	$0.60 (24 October 2014) Options	vested at the date of the issue of the options	$0.19	4.95%	95%
30-Nov-09	$0.35 (24 October 2014) Options	vested at the date of the issue of the options	$0.19	4.95%	95%
30-Nov-09	$0.35 (24 October 2014) Options	vested at the date of the issue of the options	$0.19	4.95%	95%
23-Aug-10	$0.35 (22 August 2015) Options	vested at the date of the issue of the options	$0.10	4.50%	95%
26-May-11	$0.60 (25 May 2014) Options	vested at the date of the issue of the options	$0.31	4.96%	95%
26-May-11	$0.50 (25 May 2014) Options	vested at the date of the issue of the options	$0.31	4.96%	95%
26-May-11	$0.60 (25 May 2014) Options	vested at the date of the issue of the options	$0.31	4.96%	95%
26-May-11	$0.70 (25 May 2014) Options	vested at the date of the issue of the options	$0.31	4.96%	95%
02-Sep-11	$0.60 (25 May 2014) Options	vested at the date of the issue of the options	$0.27	3.12%	95%
02-Sep-11	$0.70 (25 May 2014) Options	vested at the date of the issue of the options	$0.27	3.12%	95%
02-Sep-11	$0.50 (25 May 2014) Options	vested at the date of the issue of the options	$0.27	3.12%	95%
23-Dec-11	$0.50 (25 May 2014) Options	vested at the date of the issue of the options	$0.27	3.12%	95%
23-Dec-11	$0.60 (25 May 2014) Options	vested at the date of the issue of the options	$0.27	3.12%	95%
23-Dec-11	$0.70 (25 May 2014) Options	vested at the date of the issue of the options	$0.27	3.12%	95%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

20. SEGMENT INFORMATION

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

	Resource Projects						
	Australia	**Oman**	**Saudi Arabia**	**Peru**	**Chile**	**Unallocated**	**Total**
Year ended 30 June 2012	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total segment revenues	-	-	-	-	-	-	-
Total segment loss before tax	(3,348,613)	(285,407)	(338,613)	(458,031)	(62,310)	-	(4,492,974)
Total segment assets	13,676,474	3,586,572	21,778,557	69,749	2,175,781		41,287,133
Total segment liabilities	(485,649)	(120,507)	(3,158,009)	(19,682)	(124,958)		(3,908,805)
Year ended 30 June 2011							
Total segment revenues	-	-	-	-	-	-	-
Total segment loss before tax	(3,095,898)	(151,297)	(260,495)	(48,373)	-	-	(3,556,063)
Total segment assets	32,513,393	1,529,291	7,659,673	110,006	-	-	41,812,363
Total segment liabilities	(499,690)	(16,819)	(1,727,278)	(8,365)	-	-	(2,252,152)

(a) Reconciliation of segment information	**2012**	**2011**
	$	**$**
(i) Total segment revenues	-	-
Interest	1,265,530	299,516
Foreign exchange movement	460,382	-
Total Revenue as per Statement of Comprehensive Income	1,725,912	299,516
(ii) Total segment loss before tax	(4,492,974)	(3,556,063)
Interest	1,265,530	299,516
Net loss on financial assets held at fair value through profit or loss	(482,475)	(910,657)
Foreign exchange movement	460,382	(322,503)
Total Net Loss before Tax as per Statement of Comprehensive Income	(3,249,537)	(4,489,707)
(iii) Total segment assets	41,287,132	41,812,363
Financial assets at held fair value through profit and loss	393,128	875,603
Total Assets as per Statement of Financial Position	41,680,260	42,687,966

21. FINANCIAL RISK MANAGEMENT

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

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

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

The Consolidated Entity holds the following financial instruments:

	2012	**2011**
Financial assets	**$**	**$**
Cash and cash equivalents	10,950,432	32,240,581
Trade and other receivables	982,484	506,182
Financial assets at fair value through profit or loss	393,128	875,603
	12,326,044	33,622,366
Financial liabilities at amortised cost		
Trade and other payables	(3,865,407)	(2,137,489)
	(3,865,407)	(2,137,489)
Net Financial Assets	8,460,637	31,484,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

21. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Price risk

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

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

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

	2012 $	2011 $
Change in profit		
Increase by 15%	58,969	131,340
Decrease by 15%	(58,969)	(131,340)
Change in equity		
Increase by 15%	58,969	131,340
Decrease by 15%	(58,969)	(131,340)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The average interest rate applicable to funds held on deposit during the year was 5.22% (2011: 6.05%).

	2012 $	2011 $
Cash at bank	2,431,796	5,048,490
Term deposits	8,477,340	27,150,984
	10,909,136	32,199,474

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

	2012 $	2011 $
Change in profit		
Increase by 3%	328,513	967,217
Decrease by 3%	(328,513)	(967,217)
Change in equity		
Increase by 3%	328,513	967,217
Decrease by 3%	(328,513)	(967,217)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

21. FINANCIAL RISK MANAGEMENT (continued)

(iii) Foreign exchange risk

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

	2012 USD	2011 USD
Cash and cash equivalents	1,833,716	3,681,288
Trade and other receivables	-	85,546
Trade and other payables	(32,448)	(8,849)
	1,801,268	3,757,985

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

(b) Credit risk

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

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

	2012 $	2011 $
Cash and cash equivalents		
AA	10,909,135	32,182,124
A	-	27,847
BBB	-	-
C+	-	-
No external credit rating available	41,296	41,107
	10,950,431	32,251,078
Trade and other receivables (due within 30 days)		
No external credit rating available	982,484	506,182

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

21. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

2012	less than 6 months $	6 - 12 months $	1 - 5 years $	Total $
Financial assets				
Cash and cash equivalents	10,950,431		-	10,950,431
Trade and other receivables	982,484	-	-	982,484
	11,932,915	-	-	11,932,916
Financial liabilities				
Trade and other payables	2,356,612	-	1,508,795	3,865,407
Net inflow/(outflow)	14,289,527	-	1,508,795	15,798,323
2011				
Financial assets				
Cash and cash equivalents	22,240,581	10,000,000	-	32,240,581
Trade and other receivables	506,182	-	-	506,182
	22,746,763	10,000,000	-	32,746,763
Financial liabilities				
Trade and other payables	(628,694)	-	-	(628,694)
Net inflow/(outflow)	22,118,069	10,000,000	-	32,118,069

(d) Net Fair Value of Financial Assets and Liabilities

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

(e) Fair value measurements

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

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

The following tables present the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2012.

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	393,128	-	-	393,128
2011				
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	875,603	-	-	875,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

22. COMMITMENTS

	2012 $	2011 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Not longer than one year	-	112,512

(b) A condition of the Mining Licence pertaining to the Khnaiguiyah Zinc-Copper Project in Saudi Arabia issued by the Ministry of Petroleum and Mineral Resources in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (**SAR**) (approximately A$5.1 million based on a current exchange rate of A$1.00/3.90 SAR)) over the 30 year term of the licence. KMC has not yet submitted a training programme and plan to the Ministry for approval and it is not possible to establish a time frame around this commitment as at the date of this report. The Mining Licence is also pending transfer from United Arabian Mining Company LLC (Saudi Arabia) (**Manajem**) to the joint venture company, Khnaiguiyah Mining Company LLC (Saudi Arabia) (**KMC**) (Alara: 50% and Manajem: 50%).

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES

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

(a) **Shareholders' Agreement - Khnaiguiyah Mining Company - Khnaiguiyah Zinc-Copper Project (Saudi Arabia) -** On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining ("Manajem**"** in Arabic) Company (**Manajem**) pursuant to which Alara will pay a total of US$7.5 million to Manajem in stages subject to completion of project milestones and the parties forming a new joint venture company, Khnaiguiyah Mining Company LLC (**KMC**), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. KMC was incorporated in Saudi Arabia on 10 January 2010. Alara has paid Manajem a total of US$3.558 million (including advance payments of US$2.042 million in respect of the tranches payable Under the Shareholders Agreement with US$3.942 million payable (US$1.932 million payable in cash and US$2.01 million to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US$0.30 per share (equivalent to A$0.287 per share based on the current A$1.00/US$1.045 exchange rate) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to completion of the transfer of the Mining Licence from Manajem to KMC). A 'Resource Bonus' is also payable to Manajem (based on Manajem's shareholding interest in KMC at the relevant time) calculated at the rate of US 0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade). Alara is entitled to fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project (**shortfall**) shall be met by the parties as follows; Alara is entitled firstly to provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US$15 million plus 25% of the project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by KMC shareholders, Alara is entitled to contribute its half share of the shortfall (being 25% of the project capital costs) and will also fund a maximum of US$15 million of Manajem's contribution towards the shortfall. The balance of the shortfall (and subsequent funding calls by KMC) shall be satisfied by each shareholder (pro-rata to their respective shareholding interests) providing additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price. Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US$3 million from Manajem, shall be repayable from KMC's net profits. KMC is currently managed by a Board of Directors with 2 nominees from each of Alara and Manajem.

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

(c) **Shareholders' Agreement - Daris Resources LLC - Daris Copper-Gold Project (Oman) -** On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. DarisCo was incorporated in Oman on 1 December 2010 (Alara 50%:ATTE 50%). Alara is entitled to advance US$3 million as equity during a 3 year period. Thereafter, Alara is entitled to advance a further US$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be further formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession. The shareholders' agreement is subject to conditions precedent, including, amongst other matters, the execution of a management agreement and ancillary loan agreement (which are currently pending execution by the parties). DarisCo is governed by a 6 member board of directors with 3 nominees from Alara and 3 nominees from ATTE. Alara's Managing Director is currently the Chairman of DarisCo.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES (continued)

(d) **Shareholders' Agreement - Alara Resources LLC (Oman) –** On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) will be established to identify, secure and commercially exploit other resource projects in Oman introduced to AlaraCo by SUR. AlaraCo was incorporated in Oman in 2 October 2010. Alara contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A$425,000 at that time) for its 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Alara is entitled to advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends). SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit. The shareholders agreement is subject to conditions precedent including, amongst other matters, the execution of an ancillary loan agreement (which is currently pending execution by the parties) and an exploration licence being granted to AlaraCo – AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR (which are currently pending grant by the Oman Government). AlaraCo is governed by a 5 member board of directors with 3 nominees from Alara and 2 nominee from SUR. Alara's Managing Director is currently the Chairman of AlaraCo.

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

(f) **Option and Shareholders' Agreements - El Quillay Copper-Gold Project (Chile) –** On 21 October 2011, a series of agreements were entered into giving Alara the right to secure a 70% interest in the El Quillay Copper-Gold Project in Chile. Inversiones Alara Chile Limitada (**IAC**), a Chilean subsidiary entity of Alara Chile Operations Pty Ltd (a wholly owned subsidiary of the Company), entered into a shareholders' agreement with the vendors in relation to a newly formed Chilean joint venture company, El Quillay SpA (**ELQ**), in which IAC has a 70% shareholding interest with the vendors holding the balance of 30%. ELQ also entered into an option agreement with the vendors to acquire 100% of the shares in a Chilean mining company, SCM Antares. SCM Antares holds the mining rights and mineral concessions in relation to the project. The option fee of US$10 million is payable by ELQ to the vendors in tranches over 3 years (also the option term). US$0.5 million has been paid upon execution of the option agreement with $1 million, $3 million and $5.5 million payable on the first, second and third anniversaries thereafter. ELQ has an obligation to pay the vendors a variable 'Resource Bonus' payment, calculated at the rate of US$0.03 for each pound of 'Copper Resource' (grading, on average, at or above 0.7% and being economically mineable) discovered in the project attributable to Alara's pro-rata economic share in the project (70%), in excess of a threshold 250,000 tonnes of 'Copper Resource'. Alara is entitled to fund payment of the option fee and manage and sole fund the project's planned exploration programme up to and including the completion of one or more definitive bankable feasibility studies (in respect of each mine proposed to be developed within the project area), including a minimum 20,000 metres of drilling over 2 years (with a minimum of 10,000 metres of drilling in the first year). Future funding into ELQ may take the form of shareholder loans (at LIBOR plus 2% interest per annum) or shareholders will be asked to contribute cash calls in proportion to their respective interests or be diluted in accordance with an agreed or independently determined price. Alara has agreed to advance loan funds of up to US$10 million to the vendors (at LIBOR plus 2% interest per annum) to fund the vendors' share of equity cash calls into ELQ – this loan will be repaid to Alara out of the vendors' share of dividends from ELQ. ELQ is governed by a 3 member board of directors with 2 nominees from Alara and one nominee from the vendors. Alara's Managing Director is currently the Chairman of ELQ.

(g) **Shareholders' Agreement – "Marjan Mining Company LLC" (pending formation) – Marjan Base and Precious Metals Project (Saudi Arabia) –** On 17 April 2011, Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with United Arabian Mining Company (Manajem) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company ("Marjan Mining Company" LLC (**MMC**)), which will receive transfer of the project licences from Manajem and in which Alara will have a 50% shareholding interest. Alara is entitled to fund (as loan capital to MMC repayable out of MMC's net profits) all exploration, evaluation and development costs up to a "decision to mine" (supported by a BFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective interests in MMC or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set at the capital costs defined under the DFS.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES (continued)

The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US$1 million funding into MMC (within a 2 year term). A 'Resource Bonus' is also payable to Manajem calculated at the rate of US$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the project area. MMC will be managed by a board of directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. A condition precedent to the shareholders agreement is the incorporation and registration of MMC (currently pending completion) and the execution of ancillary agreements arising therein (currently pending execution upon the incorporation of MMC). MMC will be governed by a 4 member board of directors with 2 nominees from Alara and 2 nominees from Manajem. Alara's Managing Director will be the Chairman of MMC.

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

(i) **Shareholders Agreement - Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman) –** On 23 November 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with the concession holder, Pilatus Resources Oman LLC (**Pilatus**) and the existing shareholders of Pilatus (**Pilatus Shareholders**). Alara is entitled to secure an initial 10% shareholding interest in Pilatus by contributing US$1 million equity capital into Pilatus (which has been contributed progressively in stages). Alara is entitled to fund on-going exploration, evaluation and development costs. Upon Alara advancing a further US$3 million into Pilatus during a period of up to four years, it will be entitled to increase its shareholding in Pilatus to 60%. Post completion of a definitive feasibility study, the Pilatus Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If the existing Pilatus Shareholders decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay Pilatus the amount which the Pilatus Shareholders were required to contribute under their payment notice and Alara shall increase its economic interest in Pilatus to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of the Pilatus Shareholders until such time that 25% of the total amount required under the payment notices is repaid to Alara. If a Pilatus shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by Pilatus. Pilatus is governed by a 4 member board of directors with 2 nominees appointed by Alara and, for so long as the existing Pilatus Shareholders own at least 40% of the issued share capital of Pilatus, 2 nominees jointly appointed by the Pilatus Shareholders. Alara's Managing Director is the Chairman and Managing Director of Pilatus. The Shareholders Agreement is subject to conditions precedent, including, amongst other matters, Pilatus settling all liabilities with the Pilatus Shareholders (which is currently pending completion).

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2012

23. CONTINGENT ASSETS AND LIABILITIES (continued)

(j) **Option and Shareholders' Agreements - Piedrecillas Copper-Silver Project (Chile) –** On 8 May 2012, a series of agreements were entered into giving Alara the right to secure up to a 100% interest in the Piedrecillas Copper-Silver Project in Chile. Inversiones Alara Chile Limitada (**IAC**), a Chilean subsidiary entity of Alara Chile Operations Pty Ltd (a wholly owned subsidiary of the Company), entered into a shareholders' agreement with the vendors in relation to a newly formed Chilean joint venture company, Alara Piedrecillas SCM (**Piedrecillas**), in which IAC has an initial 0.01% shareholding interest with the vendors holding the balance of 99.99%. IAC has also entered into an option agreement with the vendors to acquire up to 100% of Piedrecillas. Piedrecillas will hold the mining rights and mineral concessions in relation to the project (after transfer from the vendors). IAC is entitled to purchase an initial 50% interest in Piedrecillas through the payment of option fees totalling US$500,000 over a 3 year period (US$75,000 has been paid upon execution of the option agreement with $100,000, $100,000 and $225,000 payable on the first, second and third anniversaries respectively thereafter) and undertaking exploration and evaluation works, including a minimum of 15,000 metres of drilling. IAC may increase its interest in Piedrecillas from 50% up to and including 100%, in 12.5% increments, by making further option payments to the vendors, such payments being calculated according to a prescribed formula.

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

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

24. SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 25 to 59, are in accordance with the *Corporations Act 2001* and:

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

    (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of their performance for the year ended on that date;

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

3. The Remuneration Report disclosures set out (within the Directors' Report) on pages 16 to 21 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;

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

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

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

Shanker Madan
Managing Director

Douglas Stewart
Director

Perth, Western Australia

28 September 2012

Grant Thornton

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of Alara Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Auditor's opinion
In our opinion:

a the financial report of Alara Resources Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report
We have audited the remuneration report included in pages 16 to 21 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Alara Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 28 September 2012

MINERAL CONCESSIONS

KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

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

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

Refer to Alara market announcements dated 5 October 2010 entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia." Also refer to page 56 of the Company's 2012 Full Year Report for further information on the joint venture terms.

AL AJAL-WASHIHI-MULLAQ COPPER-GOLD PROJECT (OMAN)

The Al Ajal-Washihi-Mullaq Copper-Gold Project is located approximately 80-160km east and southeast of Alara's Daris Project and Awtad Project and comprises 3 exploration licences totalling 80km^2.

Alara Oman Operations Pty Limited has the right to subscribe for an initial 10% interest (with a right to increase this to 60% and subsequently to 75%+) in the concession owner, Pilatus Resources Oman LLC (Oman).

Refer to Alara market announcement dated 8 December 2011 and entitled "Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman." Also refer to page 58 of the Company's 2012 Full Year Report for further information on the joint venture terms.

DARIS COPPER-GOLD PROJECT IN OMAN

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

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

Refer to Alara market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman." Also refer to page 56 of the Company's 2012 Full Year Report for further information on the Daris Resources LLC and Alara Resources LLC joint venture terms.

AWTAD COPPER-GOLD PROJECT IN OMAN

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

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

Refer to Alara market announcement dated 27 April 2011 and entitled "Project Acquisition - Awtad Copper-Gold Project in Oman". Also refer to page 58 of the Company's 2012 Full Year Report for further information on the joint venture terms.

MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

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

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

Refer to Alara market announcement dated 18 April 2011 and entitled "Acquisition of Interest in Marjan Project in Saudi Arabia". Also refer to page 57 of the Company's 2012 Full Year Report for further information on the joint venture terms.

MINERAL CONCESSIONS

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises 66 granted concessions covering a total area of ~140km^2 and 22 applications for concessions covering a total area of 65km^2 across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

Alara Chile Operations Pty Ltd (through Alara Chile Limitada, a wholly owned Chilean subsidiary) has a 70% interest in a Chilean joint venture company, El Quillay SpA (**ELQ**). ELQ has an option to acquire SCM Antares, a Chilean mining company which holds mining rights and concessions in relation to the project.

Refer to Alara market announcement dated 24 October 2011 and entitled "Project Acquisition – El Quillay Copper Gold Project in Chile". Also refer to page 57of the Company's 2012 Full Year Report for further information on the joint venture terms.

PIEDRECILLAS COPPER-SILVER PROJECT IN CHILE

The Piedrecillas Copper-Silver Project in Chile is located ~190km south of Santiago and ~7km west of Santa Cruz. The project comprises 1 concessions covering a total area of 29km^2 and 7 applications for concessions covering total area of ~11km^2.

Alara Chile Operations Pty Ltd (through Alara Chile Limitada, a wholly owned Chilean subsidiary) has a 0.01% interest Alara Piedrecillas SCM, a Chilean mining company which holds mining rights and concessions in relation to the project, with an option to acquire 50% and subsequently up to 100%.

Refer to Alara's 30 June 2012 Quarterly Report dated 31 July 2012. Also refer to page 59 of the Company's 2012 Full Year Report for further information on the joint venture terms.

AUSTRALIAN MINERAL TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km²)	Area (hectares)	Location / Property Name	State	Company's Interest
Bigrlyi South Uranium Project, Northern Territory	Granted	EL 24879	15/08/06	14/08/12	27	85	8,500	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest[31]
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	6	14	1,400	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	13	28.4	2,840	Mount Doreen	NT	
Canning Well Base Metals / Uranium Project, Western Australia	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)

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

JORC CODE COMPETENT PERSONS' STATEMENTS

The information in this report that relates to Mineral Resources within Mineralised Zones 2 and 3 of the Khnaiguiyah Project is based on information compiled by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Guibal 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 Exploration Results pertaining to the Khnaiguiyah Project and Mineral Resources within Mineralised Zone 4 of the Khnaiguiyah Project is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr Sharma is a principal consultant to Alara Resources Limited. Mr Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Sharma 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 other Exploration Results is based on information compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

SECURITIES INFORMATION

as at 24 September 2012

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	**210,507,500**
$0.35 (16 September 2013) Unlisted Options[32]	-	1,000,000	1,000,000
$0.35 (16 September 2013) Unlisted Options[32]	-	16,400,000	16,400,000
$0.35 (25 October 2014) Unlisted Options[33]	-	3,650,000	3,650,000
$0.60 (25 October 2014) Unlisted Options[33]	-	2,000,000	2,000,000
$0.50 (25 May 2014) Unlisted Options[34]	-	400,000	400,000
$0.60 (25 May 2014) Unlisted Directors' Options[35]	-	500,000	500,000
$0.60 (25 May 2014) Unlisted Options[34]	-	250,000	250,000
$0.70 (25 May 2014) Unlisted Options[34]	-	250,000	250,000
$0.35 (22 August 2015) Unlisted Options[36]	-	400,000	400,000
Total	**210,507,500**	**24,850,000**	**235,357,500**

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEES' OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[37]	No. of Options
17 Sep 2008	$0.35 (16 September 2013) Options	$0.35	16 Sep 2013	75% on grant, 25% on 17 September 2009	16,400,000
17 Sep 2008	$0.35 (16 September 2013) Options	$0.35	16 Sep 2013	50% on 17 March 2009, 25% on 17 September 2009, 25% on 17 March 2010	1,000,000
26 Oct 2009	$0.60 (25 October 2014) Options	$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	$0.35 (25 October 2014) Options	$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	$0.35 (22 August 2015) Options	$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	$0.60 (25 May 2014) Directors' Options	$0.60	25 May 2014	100% on date of issue	500,000
2 Sept 2011	$0.50 (25 May 2014) Options	$0.50	25 May 2014	100% on date of issue	400,000
23 Dec 2011					
2 Sept 2011	$0.60 (25 May 2014) Options	$0.60	25 May 2014	100% on date of issue	250,000
23 Dec 2011					
2 Sept 2011	$0.70 (25 May 2014) Options	$0.70	25 May 2014	100% on date of issue	250,000
23 Dec 2011					

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

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

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

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

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

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

SECURITIES INFORMATION
as at 24 September 2012

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,108	416,995	0.198%
1,001	-	5,000	351	867,545	0.412%
5,001	-	10,000	212	1,824,773	0.867%
10,001	-	100,000	384	13,587,707	6.455%
100,001	-	and over	122	193,810,480	92.068%
Total			**2,177**	**210,507,500**	**100%**

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder		Total Shares	% Issued Capital
1 *	JP MORGAN NOMINEES AUSTRALIA LIMITED	43,989,902		
	JP MORGAN NOMINEES AUSTRALIA LIMITED - CASH INCOME A/C	4,897,727		
		Sub-total	48,887,629	23.224
2*	NATIONAL NOMINEES LIMITED		31,945,616	15.176
3*	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,206,564		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	8,385,984		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,300,081		
		Sub-total	29,892,629	14.200
4*	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,152,348		
	CITICORP NOMINEES PTY LIMITED	12,619,120		
		Sub-total	14,771,468	7.017
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - NMSMT A/C	3,365		
	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - BKCUST A/C	2,138,838		
	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED - PISELECT A/C	4,841,204		
		Sub-total	6,983,407	3.317
6	MR PETER KELVIN RODWELL		4,000,000	1.900
7	BNP PARIBAS NOMS PTY LTD <DRP>	1,938,972		
	BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	1,632,115		
		Sub-total	3,571,087	1.696
8	DEEP INVESTMENTS PTY LTD		3,300,000	1.568
9	GWYNVILL TRADING PTY LTD		3,182,021	1.512
10	FLANNERY FOUNDATION PTY LTD		3,100,000	1.476
11	SANDHURST TRUSTEES LTD		2,758,136	1.310
12	THORPE ROAD NOMINEES PTY LTD		2,344,814	1.114
13	SURFLODGE PTY LTD		1,629,000	0.774
14	UBS NOMINEES PTY LTD <TP00014 15 A/C>	1,762		
	UBS NOMINEES PTY LTD	1,600,000		
		Sub-total	1,601,762	0.761
15	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY		1,420,000	0.675
16	HGT INVESTMENTS PTY LTD		1,250,000	0.594
17	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING		1,192,991	0.567
18	MR ANDREW BRUCE RICHARDS		1,180,560	0.561
19	BLUEFLAG HOLDINGS PTY LTD		1,053,000	0.500
20	HOUVAN PTY LTD		1,000,000	0.475
Total			**165,064,120**	**78.417%**

* Substantial shareholders

ASX Code: AUQ

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

PRINCIPAL & REGISTERED OFFICE:
Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia 6000

T | +61 8 9214 9787
F | +61 8 9322 1515
E | info@alararesources.com
W | www.alararesources.com

SHARE REGISTRY:
Advanced Share Registry Limited
Suite 2, 150 Stirling Highway
Nedlands, Western Australia 6009

PO Box 1156, Nedlands, WA 6909

T | + 61 8 9389 8033
F | + 61 8 9389 7871
E | admin@advancedshare.com.au
W | www.advancedshare.com.au

Level 6, 225 Clarence Street
Sydney, New South Wales 2000

PO Box Q1736,
Queen Victoria Building, NSW 1230
T | +61 2 8096 3502