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# HALF YEAR REPORT

**31 December 2009**

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
2009 ANNUAL REPORT OF THE COMPANY  
RELEASED ON 14 OCTOBER 2009

**ALARA RESOURCES LIMITED**  
**A.B.N. 27 122 892 719**

**ASX Code:**  
**AUQ**

**FOR SHARE REGISTRY ENQUIRIES:**

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## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

H. Shanker Madan	Managing Director
Farooq Khan	Executive Director
William Johnson	Executive Director

### COMPANY SECRETARY

Victor P H Ho

### REGISTERED OFFICE

Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000  
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### STOCK EXCHANGE

Australian Securities Exchange (ASX)  
Perth, Western Australia

### ASX CODE

AUQ

### AUDITORS

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Level 1, 10 Kings Park Road  
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# RESULTS FOR ANNOUNCEMENT TO THE MARKET

Current Reporting Period: 1 July 2009 to 31 December 2009  
 Previous Corresponding Period: 1 July 2008 to 31 December 2008  
 Balance Date: 31 December 2009  
 Company: Alara Resources Limited (**Alara** or **AUQ**)  
 Consolidated Entity: Alara and controlled entities.

Consolidated Entity	Dec 2009 \$	Dec 2008 \$	% Change	Up / Down
Total revenues	977,515	295,177	231%	Up
Total expenses	(1,673,082)	(8,319,150)	80%	Down
Loss before tax	(695,567)	(8,023,973)	91%	Down
Income tax benefit/(expense)	3,036	-	100%	Up
Loss after tax attributable to members	(692,531)	(8,023,973)	91%	Down
Basic loss per share (cents)	(0.86)	(9.97)	91%	Down

## Brief Explanation of Results

Total Revenues comprise:

- (1) \$893,472 net gain on financial assets at fair value through profit or loss (Dec 2008: Nil); and
- (2) \$84,043 interest received (Dec 2008: \$295,177).

Total Expenses include:

- (1) \$815,549 personnel expenses in relation to director's and employee's options (Dec 2008: \$738,467);
- (2) \$382,352 other personnel expenses (Dec 2008: \$455,884);
- (3) \$82,285 foreign exchange movement (Dec 2008: \$18,825);
- (4) \$155,081 Impairment loss on exploration and evaluation (Dec 2008: \$6,479,519); and
- (5) \$37,770 occupancy costs (Dec 2008: \$82,094).

Please refer to the attached Directors' Report and Financial Report for further information on a review of the Consolidated Entity's operations and the financial position and performance of the Consolidated Entity and Company for the half year ended 31 December 2009.

For and on behalf of the Directors,



Victor Ho  
Company Secretary

Date: 12 March 2010

Telephone: +61 8 9214 9787  
 Email: info@alararesources.com.au

# COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian-based mineral exploration and development company undertaking an on-going investigation of a number of prospective opportunities in the resources sector throughout the world. Alara has a current portfolio of early-stage exploration projects in Peru and Australia (Northern Territory and Western Australia) as follows:

PROJECTS	LOCATION
(1) Bigryli South Uranium	Northern Territory, Australia
(2) Mt James Uranium	Gascoyne, Western Australia
(3) Canning Well Base Metals/Uranium	Pilbara, Western Australia
(4) Crucero Uranium	Peru
(5) Kimberley Phosphate	Kimberley, Western Australia
(6) Roper Uranium	Northern Territory, Australia
(7) Santa Rosa Uranium	Peru
(8) Pampacolca Uranium	Peru
(9) Coasa Uranium	Peru

Alara is in a relatively sound position holding cash (and investments in listed securities) of \$7.4 million as at 31 December 2009 and is continuing to look for high priority/value opportunities within the resource sector. Alara has reduced exploration expenditure on its existing early-stage exploration projects.

Alara has reviewed and discounted a number of exploration opportunities and is currently in negotiations with vendors/Government authorities in relation to the acquisition/grant of one or more overseas resource projects.

The Alara Board comprises members with extensive experience in the resources and capital markets sectors, being **Managing Director, Mr H. Shanker Madan**, an experienced senior geologist with more than 30 years of world-wide experience in the exploration and evaluation of mineral deposits for various commodities, **Executive Director, Mr Farooq Khan** who has extensive experience in corporate law, the securities industry, capital markets and the executive management of ASX listed companies and recently-appointed (26 October 2009) **Executive Director, Mr William Johnson**, who brings a considerable depth of experience in business strategy, corporate finance and management.

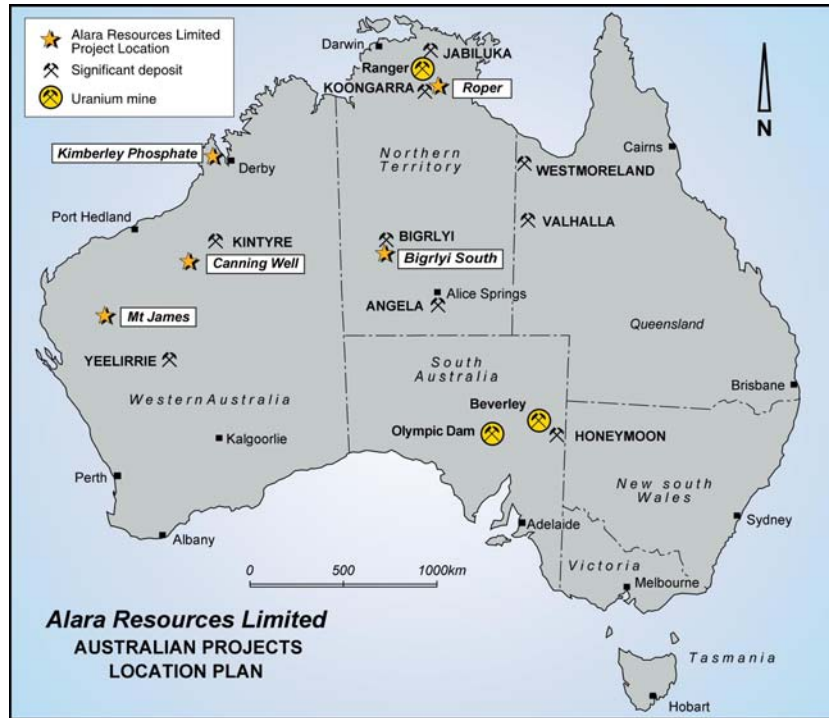
Alara currently has the following securities on issue:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Options	-	1,485,000	1,485,000
\$0.60 (25 October 2014) Unlisted Options	-	2,000,000	2,000,000
\$0.35 (25 October 2014) Unlisted Options	-	3,650,000	3,650,000
<b>Total</b>	<b>80,507,500</b>	<b>24,935,000</b>	<b>105,442,500</b>

# PROJECT LOCATION

## AUSTRALIAN PROJECTS

The location of Alara's Australian projects in the Northern Territory and Western Australia are shown on the map to the right.



## PERUVIAN PROJECTS

The location of Alara's uranium project areas in Peru are shown on the map to the right.



# DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and its controlled entities (the **Consolidated Entity**) for the financial half year ended 31 December 2009 (**Balance Date**).

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

## OPERATING RESULTS

<b>Consolidated</b>	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>\$</b>	<b>\$</b>
Total revenues	977,515	295,177
Total expenses	<b>(1,673,082)</b>	<b>(8,319,150)</b>
Loss before tax	<b>(695,567)</b>	<b>(8,023,973)</b>
Income tax benefit/(expense)	3,036	-
Loss after tax attributable to members	<b>(692,531)</b>	<b>(8,023,973)</b>

Total Revenues comprise:

- (1) \$893,472 net gain on financial assets at fair value through profit or loss (Dec 2008: Nil); and
- (2) \$84,043 interest received (Dec 2008: \$295,177).

Total Expenses include:

- (1) \$815,549 personnel expenses in relation to director's and employee's options (Dec 2008: \$738,467);
- (2) \$382,352 other personnel expenses (Dec 2008: \$455,884);
- (3) \$82,285 foreign exchange movement (Dec 2008: \$18,825);
- (4) \$155,081 Impairment loss on exploration and evaluation (Dec 2008: \$6,479,519); and
- (5) \$37,770 occupancy costs (Dec 2008: \$82,094).

## LOSS PER SHARE

<b>Consolidated</b>	<b>Dec 2009</b>	<b>Dec 2008</b>
Basic loss per share (cents)	<b>(0.86)</b>	<b>(9.97)</b>
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic loss per share	80,507,500	80,507,500

# DIRECTORS' REPORT

## FINANCIAL POSITION

	Dec 2009	Jun 2009
	\$	\$
<b>Consolidated Entity</b>		
Cash	4,987,318	5,492,074
Receivables	18,513	138,175
Financial assets at fair value through profit and loss	2,394,506	1,501,034
Other assets	49,075	66,325
Deferred tax asset	186,270	-
<b>Total assets</b>	<b>7,635,682</b>	<b>7,197,608</b>
Liabilities	(601,696)	(200,507)
Deferred tax liabilities	(186,270)	-
<b>Net assets</b>	<b>6,847,716</b>	<b>6,997,101</b>
Issued capital	14,754,059	14,754,059
Reserves	1,569,802	5,057,118
Accumulated losses	(9,476,145)	(12,814,076)
<b>Total equity</b>	<b>6,847,716</b>	<b>6,997,101</b>

## REVIEW OF OPERATIONS

### 1. Company Projects

Alara Resources Limited (ASX Code: AUQ) is an Australian-based mineral exploration and development company undertaking an on-going investigation of a number of prospective opportunities in the resources sector throughout the world. Alara has a current portfolio of early-stage exploration projects in Peru and Australia (Northern Territory and Western Australia) as follows:

PROJECTS	LOCATION
(1) Bigrlyi South Uranium	Northern Territory, Australia
(2) Mt James Uranium	Gascoyne, Western Australia
(3) Canning Well Base Metals/Uranium	Pilbara, Western Australia
(4) Crucero Uranium	Peru
(5) Kimberley Phosphate	Kimberley, Western Australia
(6) Roper Uranium	Northern Territory, Australia
(7) Santa Rosa Uranium	Peru
(8) Pampacolca Uranium	Peru
(9) Coasa Uranium	Peru

Alara is in a relatively sound position holding cash (and investments in listed securities) of \$7.4 million as at 31 December 2009 and is continuing to look for high priority/value opportunities within the resource sector. Alara has reduced exploration expenditure on its existing early-stage exploration projects.

No field work was conducted during the financial half year and none is planned in the Mt James, Canning Well, Crucero, Santa Rosa, Pampacolca and Coasa Project areas. The tenements comprising the Kimberley Phosphate and Roper Uranium Projects are currently pending grant. The Bigrlyi South Uranium Project and the granted Canning Well Project tenement (EL 46/629) have been farmed out to ASX listed joint venture parties.

# DIRECTORS' REPORT

## 2. New Projects

Alara has reviewed and discounted a number of exploration opportunities and is undertaking an on-going investigation of a number of prospective opportunities in the resources sector throughout the world. This includes applying for mineral concessions, entering into joint ventures, taking options over and acquiring concessions or tenements and investing in listed securities in the resources sector.

On 28 September 2009, Alara terminated a "Pre IPO Agreement" dated 15 February 2007 between Alara, Strike Resources Limited (**SRK**) and Orion Equities Limited (**OEQ**) pursuant to which, amongst other matters, Alara reserved world-wide uranium rights and SRK reserved world-wide iron ore rights, as between these two companies, for a 3 year period. Alara and SRK are now free to pursue any activity without reference to the other.

## 3. Canning Well Manganese Farm Out Agreement

In March 2010, Alara entered into a farm-out agreement with Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN), for the potential mining of manganese from Alara's Canning Well tenement in the East Pilbara region of Western Australia.

Under the agreement, PMI will determine the feasibility of a manganese mining operation on the Canning Well EL 46/629 tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement.

Upon commencement of mining, PMI will pay Alara ~A\$4.20 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.

Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export. PMI has proven performance in the recovery and trucking of minerals, having considerable experience in the mining and sale of manganese in the Pilbara.

The Canning Well tenement is located in the Eastern Pilbara region of Western Australia, approximately 360 kilometres south-east of Port Hedland. A MAGLAG sampling programme carried out by Alara targeting sulphide anomalies yielded samples analysing as high as 9.6% manganese (Mn). A follow-up rock chip sampling programme identified outcropping manganiferous rocks analysing up to 55.3% Mn.

## 4. Bigrlyi South Uranium (Northern Territory) Joint Venture

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

Summary of activities during the financial half year:

- (a) Alara's joint venture partner, Thundelarra Exploration Ltd (THX), recovered digital seismic data from Magellan Petroleum's vaults in Brisbane. This data has been transcribed on to modern media with data recovery specialists in Perth. At least 15 seismic lines have been surveyed over the joint venture area, and to the date of this data recovery exercise, only one of these has been available in digital format. Field observations by the structural geologist have indicated the deformation to be associated with the Yuendumu Thrust, which further refines the interpretation of gravity data.
- (b) A confidentiality agreement has been signed in relation to tenement ELA 24927 (under application) with the Central Land Council (**CLC**) which now allows for negotiations relating to a Tripartite Deed for Exploration to commence. Negotiations with the CLS are on-going.
- (c) Thundelarra Exploration entered into an agreement for the Joint Surveys Uranium (JSU) Project with CSIRO, the Northern Territory Geological Survey (NTGS) and 2 other ASX listed resource companies. This collaborative project will involve detailed investigations by CSIRO scientists (which include the application of several CSIRO technologies) at the Bigrlyi uranium project site, surrounding prospects (which include Alara's Bigrlyi South project area) and the surrounding Ngalia Basin region.

These investigations will assist the Alara/THX joint venture in the interpretation of magnetic, gravity and seismic datasets. The JSU Project aims to deliver important outcomes and strategies to assist regional uranium exploration and mining. The project has an anticipated 18 month timeframe and commenced in January 2010.



# DIRECTORS' REPORT

## 5. Termination of Farm-In Agreements

During the financial half year, Alara served notice of withdrawal from two farm-in agreements within its Mt James Project in Western Australia as follows:

Project	Status	Previous Status	Tenement	Area (Blocks)	Area (km <sup>2</sup> )	Area (hectares)	Location / Property Name	State	Previous Company's Interest
Mt James	Alara terminated the farm-in agreement with Epsilon Energy Limited	Granted	EL 09/1195	70	TBD	21,784.43	Mt James	WA	Right to earn up to a 60% interest (from Epsilon Energy Limited)
		Granted	EL 09/1196	70	TBD	21,757.06	Mt James	WA	
	Alara terminated the farm-in agreement with United Orogen Limited (formerly Uranium Oil & Gas Limited)/Helen Mary Ansell	Granted	E 09/1245	35	105	10,500	Rubberoid Well	WA	70% held by Alara Operations Pty Ltd (30% retained by United Orogen Limited (formerly Uranium Oil & Gas Limited)/Helen Mary Ansell)

During the financial half year, Alara also terminated an agreement with Sheridan Platinum Group Peru S.A.C in relation to the Rosita 2007 Concession, within the Crucero Project area in Peru.

Alara had determined that, based on exploration activities undertaken to date, that continuing with the exploration activities and expenditure on these tenements/concession was not commercially appropriate. Alara had maintained the tenements/concession in good standing up to the date of withdrawal and has no further liability to the vendors under their respective farm-in agreements.

## 6. Share Investments

As at 31 December 2009, Alara's investment in listed securities had a total value of \$2.4 million (30 June 2009: \$1.5 million). Due to an improvement in market conditions since 1 July 2009, Alara has a posted a \$0.9 million unrealised net gain on its share investments for the half year ended 31 December 2009.

## SECURITIES IN THE COMPANY

### 1. Current Issued Capital

The Company had the following total securities on issue as at the date of this report:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Options	-	1,485,000	1,485,000
\$0.60 (25 October 2014) Unlisted Options	-	2,000,000	2,000,000
\$0.35 (25 October 2014) Unlisted Options	-	3,650,000	3,650,000
<b>Total</b>	<b>80,507,500</b>	<b>24,935,000</b>	<b>105,442,500</b>

# DIRECTORS' REPORT

## 2. Unlisted Director's and Employee's Options Issued

During the financial half year:

- (a) the Company issued the following unlisted options to an employee, as part of a review of his remuneration package:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
1,000,000	26 October 2009	\$0.60 (25 October 2014) Options	\$0.60	25 October 2014	100% on date of issue
1,650,000	26 October 2009	\$0.35 (25 October 2014) Options	\$0.35	25 October 2014	100% on date of issue

- (b) the Company issued the following unlisted options to Director, William Johnson, after receiving shareholder approval at the annual general meeting held on 30 November 2009:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
1,000,000	30 November 2009	\$0.60 (25 October 2014) Options	\$0.60	25 October 2014	100% on date of issue
2,000,000	30 November 2009	\$0.35 (25 October 2014) Options	\$0.35	25 October 2014	100% on date of issue

## BOARD OF DIRECTORS

On 26 October 2009, the Board appointed William Johnson as Executive Director.

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

### **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 – 278,375<sup>1</sup>  
Unlisted \$0.35 (16 September 2013) Executive Director's Options – 8,200,000

*Other current directorships in listed entities* Managing Director of Strike Resources Limited (SRK) (since 26 September 2005)

<sup>1</sup> Held jointly: Mr Hem Shanker Madan & Mrs Anupam Shobha Madan <The AS and HS Madan S/F A/C>

# DIRECTORS' REPORT

<b>Farooq Khan</b>	<b>Executive Director</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BJuris , LLB. (Western Australia)
<i>Experience</i>	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 sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Relevant interest in securities</i>	Shares – 98,242 (directly) and 9,512,744 indirectly <sup>2</sup> Unlisted \$0.35 (16 September 2013) Executive Director's Options – 8,200,000 directly
<i>Other current directorships in listed entities</i>	Current Chairman and Managing Director of: (1) Queste Communications Ltd (QUE) (since 10 March 1998)  Current Chairman of: (2) Orion Equities Limited (OEQ) (since 23 October 2006) (3) Bentley Capital Limited (BEL) (director since 2 December 2003)  Current Executive Director of: (4) Strike Resources Limited (SRK) (since 9 September 1999)  Current Non-Executive Director of: (5) Interstaff Recruitment Limited (ITS) (since 27 April 2006)

<b>William M. Johnson</b>	<b>Executive Director</b>
<i>Appointed</i>	26 October 2009
<i>Qualifications</i>	MA (Oxon), MBA
<i>Experience</i>	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.
<i>Relevant interest in securities</i>	Shares – 27,000 <sup>3</sup> Unlisted \$0.60 (25 October 2014) Options – 1,000,000 Unlisted \$0.35 (25 October 2014) Options – 2,000,000
<i>Other current directorships in listed entities</i>	Current Director of: (1) Orion Equities Limited (OEQ) (since 28 February 2003) (2) Strike Resources Limited (SRK) (14 July 2006) (3) Bentley Capital Limited (BEL) (since 13 March 2009)

## Vale – Chairman, Dr John Stephenson

The Directors and staff of Alara are greatly saddened by the passing of Chairman Dr John Stephenson on 19 February 2010.

In the breadth and depth of his experience in the mining industry, Dr Stephenson had few peers. His industry knowledge, sharp intellect and personal warmth made him an excellent leader, loved and respected by all who knew him. Dr Stephenson fought a battle with cancer, showing exemplary courage and determination. While his illness weakened his body, his great intellectual capacity was undiminished until the last. Dr Stephenson was a great friend and mentor to many in the Company. He will be greatly missed.

<sup>2</sup> Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 9,332,744 shares held by Orion Equities Limited (OEQ) as Mr Khan has a greater than 20% interest in Queste Communications Ltd (QUE), which is deemed to be in control of OEQ, and 180,000 shares held by Interstaff Recruitment Limited (ITS), as Mr Khan has a greater than 20% interest in ITS. Mr Khan also holds 98,242 shares directly.

<sup>3</sup> Held jointly: Mr William Matthew Johnson & Mrs Joanne Doris Johnson <WIJOA SUPER FUND A/C>

# DIRECTORS' REPORT

## COMPANY SECRETARY

**Victor P. H. Ho      Company Secretary**

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*Appointed* 4 April 2007

*Qualifications* BCom, LLB (*Western Australia*)

*Experience* Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 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 been actively involved in the structuring and execution of a number of corporate transactions, IPO's, various other capital raisings and capital management matters and has extensive experience in public company administration, corporations law and ASX compliance and shareholder relations.

*Relevant interest in securities* Shares – 171,090  
Unlisted \$0.35 (16 September 2013) Employee's 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 (OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003)  
Current Company Secretary of:  
(2) Strike Resources Limited (SRK) (since 9 March 2000)  
(3) Bentley Capital Limited (BEL) (since 5 February 2004)  
(4) Queste Communications Ltd (QUE) (since 30 August 2000)

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## AUDITORS' 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 12. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

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



**Shanker Madan**  
Managing Director

Perth, Western Australia

12 March 2010



**Farooq Khan**  
Director

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West Perth WA 6005  
PO BOX 570  
West Perth WA 6872

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alara Resources Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Director – Audit & Assurance Services

Perth, 12 March 2010

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2009

		Consolidated Entity	
		31 Dec 09	31 Dec 08
	Note	\$	\$
Revenue	2	977,515	295,177
Resource projects			
- Impairment of resource projects		(155,081)	(6,479,519)
Personnel		(388,173)	(511,702)
- Options remuneration (non-cash)		(815,549)	(738,467)
Occupancy costs		(37,770)	(82,094)
Foreign exchange movement		(82,285)	(18,825)
Finance expenses		(4,680)	(2,933)
Borrowing costs		(13)	(36)
Corporate expenses		(25,486)	(29,086)
Administration expenses		(164,045)	(154,750)
- Net loss on financial assets at fair value through profit or loss		-	(301,738)
<b>Loss before income tax</b>		<b>(695,567)</b>	<b>(8,023,973)</b>
Income tax benefit		3,036	-
<b>Loss after income tax</b>		<b>(692,531)</b>	<b>(8,023,973)</b>
<b>Other comprehensive income for the half year</b>			
Exchange differences on translation of foreign operations		(272,402)	(112,627)
Income tax relating to components of other comprehensive income		-	-
<b>Other comprehensive income, net of tax</b>		<b>(964,933)</b>	<b>(8,136,600)</b>
<b>Loss attributable to:</b>			
Owners of Alara Resources Limited		(692,531)	(8,023,973)
<b>Total comprehensive income for the half year is attributable to:</b>			
Owners of Alara Resources Limited		(964,933)	(8,136,600)
Basic loss (cents per share)	3	(0.86)	(9.97)

*The accompanying notes form part of this financial report*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 31 December 2009

		Consolidated Entity	
		31 Dec 09	30 Jun 09
		\$	\$
	<b>Note</b>		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	4,987,318	5,492,074
Trade and other receivables		18,513	138,175
Prepayment		10,549	18,582
<b>TOTAL CURRENT ASSETS</b>		<b>5,016,380</b>	<b>5,648,831</b>
<b>NON CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	5	2,394,506	1,501,034
Property, plant and equipment		38,526	47,743
Deferred tax asset		186,270	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>2,619,302</b>	<b>1,548,777</b>
<b>TOTAL ASSETS</b>		<b>7,635,682</b>	<b>7,197,608</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		267,837	119,966
Provisions		289,888	46,287
<b>TOTAL CURRENT LIABILITIES</b>		<b>557,725</b>	<b>166,253</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions		43,971	34,254
Deferred tax liability		186,270	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>230,241</b>	<b>34,254</b>
<b>TOTAL LIABILITIES</b>		<b>787,966</b>	<b>200,507</b>
<b>NET ASSETS</b>		<b>6,847,716</b>	<b>6,997,101</b>
<b>EQUITY</b>			
Issued capital		14,754,059	14,754,059
Reserves	6	1,569,802	5,057,118
Accumulated losses		(9,476,145)	(12,814,076)
<b>TOTAL EQUITY</b>		<b>6,847,716</b>	<b>6,997,101</b>

*The accompanying notes form part of this financial report*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the half year ended 31 December 2009

<u>Consolidated Entity</u>	Note	Issued Capital \$	Foreign Currency Translation Reserve \$	Options Reserve \$	Accumulated Losses \$	Total \$
<b>At 1 July 2008</b>		14,754,059	809	3,904,823	(3,949,722)	14,709,969
Foreign currency translation reserve		-	(112,627)	-	-	(112,627)
Net income and expense recognised directly in equity		-	(112,627)	-	-	(112,627)
Loss for the half year		-	-	-	(8,023,973)	(8,023,973)
Total comprehensive income for the half year		-	(112,627)	-	(8,023,973)	(8,136,600)
Options issued during the half year	6	-	-	738,467	-	738,467
<b>At 31 December 2008</b>		14,754,059	(111,818)	4,643,290	(11,973,695)	7,311,836
<b>At 1 July 2009</b>		14,754,059	309,127	4,747,991	(12,814,076)	6,997,101
Foreign currency translation reserve		-	(272,402)	-	-	(272,402)
Net income and expense recognised directly in equity		-	(272,402)	-	-	(272,402)
Loss for the half year		-	-	-	(692,531)	(692,531)
Total comprehensive income for the half year		-	(272,402)	-	(692,531)	(964,933)
Reduction of options reserve against accumulated losses	6	-	-	(4,030,462)	4,030,462	-
Options issued during the half year	6	-	-	815,548	-	815,548
<b>At 31 December 2009</b>		14,754,059	36,725	1,533,077	(9,476,145)	6,847,716

*The accompanying notes form part of this financial report*



# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the half year ended 31 December 2009

	Note	Consolidated Entity	
		31 Dec 09	31 Dec 08
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(386,460)	(555,993)
Payments for exploration and evaluation expenditure		(155,082)	(593,992)
Interest received		117,221	295,177
Interest paid		(13)	(36)
Income tax refund		3,036	-
		<hr/>	<hr/>
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>		<b>(421,298)</b>	<b>(854,844)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(191)	(13,126)
Payments for share investments		-	(446,738)
		<hr/>	<hr/>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<b>(191)</b>	<b>(459,864)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>(421,489)</b>	<b>(1,314,708)</b>
Cash and cash equivalents at beginning of the year		5,492,074	9,174,822
Effect of exchange rate changes on cash		(83,267)	(112,627)
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF HALF YEAR</b>	<b>4</b>	<b>4,987,318</b>	<b>7,747,487</b>

*The accompanying notes form part of this financial report*

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and the Company's ASX announcements released from 1 July 2009 to the date of this report.

#### Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the year ended 30 June 2009 except as follows:

#### Operating segment

The Consolidated Entity has applied AASB 8 "Operating Segments" from 1 July 2009. The Consolidated Entity now presents the operating segments based on information that is internally provided to the management. Previously operating segments were determined and presented in accordance with AASB 114 "Segment Reporting". 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.

#### Presentation of financial statements

The Consolidated Entity has applied AASB 101 "Presentation of Financial Statements" which became effective as of 1 January 2009. The Consolidated Entity presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement in comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months period ended on 31 December 2009.

### 2. LOSS FOR THE HALF YEAR

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

	<b>Consolidated Entity</b>	
	<b>31 Dec 09</b>	<b>31 Dec 08</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue</b>		
Interest received	84,043	295,177
Net gain on financial assets at fair value through profit or loss	893,472	-
<b>Total revenue</b>	<b>977,515</b>	<b>295,177</b>
<b>(b) Expenses</b>		
Resource projects		
- Impairment of resource projects	155,081	6,479,519
Personnel		
- cash remuneration	382,352	455,884
- options remuneration (non-cash)	815,549	738,467
- employee benefits	5,821	55,818
Occupancy costs	37,770	82,094
Foreign exchange movement	82,285	18,825
Finance expenses	4,680	2,933
Borrowing costs - interest paid	13	36
Corporate expenses	25,486	29,086

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2009

2. LOSS FOR THE HALF YEAR (continued)	Consolidated Entity	
	31 Dec 09	31 Dec 08
Administration expenses	\$	\$
- Net loss on financial assets at fair value through profit or loss	-	301,738
- Communications	2,274	22,642
- Consultancy fees	37,824	18,546
- Travel and incidentals	57,400	17,128
- Professional fees	25,329	16,913
- Insurance	17,477	20,723
- Depreciation	1,964	5,315
- Other	21,777	53,483
	<u>1,673,082</u>	<u>8,319,150</u>

3. LOSS PER SHARE	Consolidated Entity	
	31 Dec 09	31 Dec 08
Basic loss per share (cents)	(0.86)	(9.97)
Diluted loss per share (cents)	n/a	n/a
Net Loss	<u>(692,531)</u>	<u>(8,023,973)</u>
Weighted average number of ordinary shares outstanding during the half year used in calculation of basic earnings per share	<u>80,507,500</u>	<u>80,507,500</u>

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

4. CASH AND CASH EQUIVALENTS	Consolidated Entity	
	31 Dec 09	30 Jun 09
	\$	\$
Cash at bank	1,403,454	924,074
Term deposit	3,583,864	4,568,000
	<u>4,987,318</u>	<u>5,492,074</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	Consolidated Entity	
	31 Dec 09	30 Jun 09
	\$	\$
Listed investments at fair value	2,394,506	1,501,034
Total financial assets at fair value	<u>2,394,506</u>	<u>1,501,034</u>

Net gains in the fair value of "financial assets at held fair value through profit and loss" are recorded as Income (Note 2(a)) and net loss on the "fair value of financial assets held at fair value through profit and loss" are recorded as an Expense (Note 2(b)). The fair value of listed shares has been determined directly by reference to published price quotations in an active market.

	Consolidated Entity	
	31 Dec 09	30 Jun 09
	\$	\$
Net gain/(loss) on financial assets at fair value through profit or loss	<u>893,472</u>	<u>(272,571)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2009

### 6. RESERVES

	Consolidated Entity	
	31 Dec 09	30 Jun 09
	\$	\$
Foreign currency translation reserve	36,725	309,127
Options reserve	1,533,077	4,747,991
	<u>1,569,802</u>	<u>5,057,118</u>

#### Foreign currency translation reserve

Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised when the net investment is disposed off.

#### Movement in Options Reserve

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

	Grant date	Number of options	Consolidated Entity	
			31 Dec 09	30 Jun 09
			\$	\$
<b>Directors' Options</b>				
Unlisted options exercisable at \$0.55; expiring 26 Jul 2012	27-Jul-07	-	-	3,261,090
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	17,300,000	600,310	568,151
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	-
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	-
<b>Employees' Options</b>				
Unlisted options exercisable at \$0.55; expiring 26 Jul 2012	27-Jul-07	500,000	89,500	255,075
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,485,000	69,860	59,878
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	145,476	-
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	273,916	-
		<u>24,935,000</u>	<u>1,533,077</u>	<u>4,144,194</u>

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

During the half year, the movement in Options Reserve of \$4,030,462 is attributable to the cancellation of unlisted directors' and employees' options (which had an expiry date of 26 July 2012) and the lapse of listed options on their expiry date on 30 June 2009, valued at \$3,426,665 and \$603,797 respectively. In accordance with the recommendation under IFRS 2 "Share based payments", the Company has transferred the carrying value of cancelled and lapsed options to accumulated losses/retained earnings.

#### **Equity based remuneration**

On 26 October 2009, 1,000,000 \$0.60 (24 October 2014) and 1,650,000 \$0.35 (24 October 2014) Options were granted to an employee of the Company as part of a review of his remuneration package.

On 30 November 2009, 1,000,000 \$0.60 (24 October 2014) and 2,000,000 \$0.35 (24 October 2014) Options were granted to a Director upon receiving shareholder approval.

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 binomial tree 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 for the year, 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:

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2009

### 6. RESERVES (continued)

The model inputs for assessing the fair value of options granted during the year are as follows:

- options are granted for no consideration and vest as described in the table above;
- exercise price is as described in the table above;
- grant date is as described in the table above;
- expiry date is as described in the table above;
- share price is based on the last bid price on ASX as at date of grant, as described in the table below;
- expected price volatility of the Company's shares is based on an independent assessment;
- expected dividend yield is nil;
- risk-free interest rate is based on the 5 year Commonwealth bond yield, as described in the table below.

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk free rate	Price volatility
17-Sep-08	\$0.35 (16 September 2013) Directors' Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Employees' 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) Employee's Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
26-Oct-09	\$0.35 (24 October 2014) Employee's Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
30-Nov-09	\$0.60 (24 October 2014) Director's Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Employees' Options	vested at the date of the issue of the options	\$0.19	4.95%	95%

### 7. SEGMENT REPORTING

The Consolidated Entity has applied AASB 8 "Operating Segments" from 1 July 2009 as described in Note 1. Management has considered the product and geographical perspective of the operating results and have determined that the Consolidated Entity operates in Australia and Peru within one major segment - the resource exploration and evaluation sector - during the financial half year. Unallocated items comprise share investments, corporate assets, office expenses and income tax assets and liabilities. The current operating segments are the same as that reported in the financial statements as at 30 June 2009.

#### Operating segments

	Resource			Total
	Australia	Peru	Unallocated	
6 months to 31 Dec 09	\$	\$	\$	\$
Revenue	-	-	977,515	977,515
Loss before income tax	(297,635)	(38,661)	(359,271)	(695,567)
6 months to 31 Dec 08				
Revenue	-	-	295,177	295,177
Loss before income tax	(6,220,025)	(295,447)	(1,508,501)	(8,023,973)

### 8. COMMITMENTS

#### (a) Mineral Tenement/Concession - Commitments for Expenditure

##### Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately \$120,500 over a 12 month period, based on Australian tenements which have been granted as at balance date. Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

##### Peruvian concessions

The Consolidated Entity is required to pay annual license fees by 30 June of each year, currently charged at the rate of US\$3.00 per hectare per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2009

### 8. COMMITMENTS (continued)

#### (b) Australian Heritage Protection Agreements

These agreements facilitate the preservation of aboriginal heritage through the protection of aboriginal sites and objects upon the grant of mining tenements in Western Australia. The Heritage Protection Agreements require the Consolidated Entity to conduct aboriginal heritage surveys prior to conducting exploration that is not low impact in nature and detail procedures to be followed if an aboriginal site is identified.

#### (c) Agreements with Peruvian Landowners and Community Groups

The Company notes that holding a mineral concession in Peru does not grant automatic access to the surface land. Notwithstanding an easement procedure is contemplated in Peruvian law, in practice, mining companies have to negotiate and enter into private agreements with landowners/community groups in order to have access to their land for the purposes of conducting mining activities (exploration, evaluation, development and mining). With respect to the Consolidated Entity's Peruvian concession, there are often multiple landowners/community groups who are affected by the Consolidated Entity's proposed mineral exploration and potential mining activities. To date, approvals have been sought and obtained on drilling on a programme by programme basis.

The obtaining of approvals from landowners/community groups can be complicated and time consuming. The Consolidated Entity will have to commit funds to community groups and or landowners to secure land access agreements to develop its Peruvian projects. There can be no guarantees as to the obtaining of such approvals or the terms upon which approvals are obtained. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity in this regard.

### 9. 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.

- (a) **Royalty to Orion Equities Limited** - The Consolidated Entity is liable to pay a royalty of 2% of gross revenues (exclusive of GST) to Orion Equities Limited from any commercial exploitation of any minerals from various Australian tenements - EL 24879, 24928, 24928 and 24729 and ELA 24927 (the Bigryli South Project tenements in the Northern Territory), EL 09/1253 (a Mt James Project tenement in Western Australia) and EL 46/629 and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the Canning Well Project tenements in Western Australia).
- (b) **Native Title** - The Consolidated Entity's tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Consolidated Entity.
- (c) **Government Royalties** - The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions. For example, the applicable Government royalties in Peru is between 1 to 3% based on the value of production. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalties.
- (d) **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.

### 10. EVENTS AFTER BALANCE DATE

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

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Alara Resources Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

---

**Shanker Madan**  
**Managing Director**

Perth, Western Australia

12 March 2010



**Farooq Khan**  
**Director**

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

We have reviewed the accompanying half-year financial report of Alara Resources Limited ("Company"), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

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

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

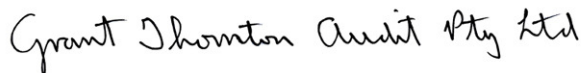
### **Independence**

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

### **Conclusion**

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Director – Audit & Assurance Services

Perth, 12 March 2010

# AUSTRALIAN TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km <sup>2</sup> )	Area (hectares)	Location / Property Name	State	Company's Interest
Bigrlyi South	Granted	EL 24879	15/08/06	14/08/12	82	260.5	26,050	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	15	34.95	3,495	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	
Mt James	Granted	E 09/1253	29/06/06	28/06/11	25	75	7,500	Mt James	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	E 09/1257	28/06/06	27/06/11	14	42	4,200	Injinu Hills	WA	100% held by Alara Operations Pty Ltd
	Granted	E 09/1258	29/09/06	28/09/11	13	39	3,900	Mortimer Hills	WA	100% held by Alara Operations Pty Ltd
Canning Well	Granted	E 46/629	02/08/05	01/08/10	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	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)
	Application	E46/801	01/10/2008	N/A	19	60	60,000	Canning Well	WA	100% (Alara Resources Limited)
Kimberley Phosphate	Application	E 04/1855	14/08/08	N/A	150	490	48,992	Kimberley	WA	100% held by Alara Operations Pty Ltd
	Application	E 04/1856	14/08/08	N/A	45	146	14,649	Kimberley	WA	
	Application	E 04/1857	14/08/08	N/A	95	309	30,922	Kimberley	WA	
	Application	E 04/1858	14/08/08	N/A	75	245	24,456	Kimberley	WA	
	Application	E 04/1859	14/08/08	N/A	42	137	13,682	Kimberley	WA	
Roper Project	Application	EL 27620	02/09/09	N/A	14	46.58	4,650		NT	100% (Alara Resources Limited)

## Surrendered/Withdrawn Tenements During the Financial Half Year

Project	Status	Previous Status	Tenement	Area (Blocks)	Area (km <sup>2</sup> )	Area (hectares)	Location / Property Name	State	Previous Company's Interest
Bigrlyi South	Surrendered	Granted	EL 24930	99	314.7	31,470	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
King Sound Mineral Sands	Withdrawn	Application	EL 04/1657	43	141	14,100	King Sound	WA	Right to earn 70% (100% held by Strike Resources Limited)
	Withdrawn	Application	EL 04/1658	58	190	19,000	King Sound	WA	
	Withdrawn	Application	EL 04/1659	98	321	32,100	King Sound	WA	
	Withdrawn	Application	EL 04/1799	43	141	14,100	King Sound	WA	
	Withdrawn	Application	EL 04/1800	58	190	19,000	King Sound	WA	
	Withdrawn	Application	EL 04/1801	98	321	32,100	King Sound	WA	
Mt James	Alara terminated the farm-in agreement with Epsilon Energy Limited	Granted	EL 09/1195	70	TBD	21,784.43	Mt James	WA	Right to earn up to a 60% interest (from Epsilon Energy Limited)
		Granted	EL 09/1196	70	TBD	21,757.06	Mt James	WA	
	Alara terminated the farm-in agreement with United Orogen Limited (formerly Uranium Oil & Gas Limited)/Helen Mary Ansell	Granted	E 09/1245	35	105	10,500	Rubberoid Well	WA	70% held by Alara Operations Pty Ltd (30% retained by United Orogen Limited (formerly Uranium Oil & Gas Limited)/Helen Mary Ansell)
		Surrendered	Granted	E09/1527	49	152	15,220	Mt James	WA

# PERUVIAN CONCESSIONS

## Crucero Project (3,100 hectares):

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

## Santa Rosa Project (4,400 hectares):

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Sayana 1	01-02465-07	5 September 2007	400	30-U	Santa Rosa	Melgar	Puno
Quimsa 1	01-02480-07	7 September 2007	1000	30-U	Santa Rosa	Melgar	Puno
Quimsa 2	01-02460-07	9 August 2007	1000	30-U	Santa Rosa	Melgar	Puno
Cunurana 1	01-02451-07	7 September 2007	300	30-U	Santa Rosa	Melgar	Puno
Panca 1	01-02479-07	5 September 2007	700	30-U	Santa Rosa	Melgar	Puno
Santa Rosa Sur	01-03647-07	2 July 2007	1,000	30-U	Santa Rosa, Macarí	Melgar	Puno

## Pampacolca Project (4,400 hectares):

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Pampacolca 3	01-01852-07	18 July 2008	700	32Q	Pampacolca	Castilla	Arequipa
Pampacolca 4	01-01851-07	9 August 2007	500	32Q	Pampacolca	Castilla	Arequipa
Pampacolca 5	01-03649-07	12 May 2008	200	32Q	Pampacolca	Castilla	Arequipa
Pampacolca 7	01-04637-07	29 August 2007 (application)	600	32Q	Aplao	Castilla	Arequipa
Pampacolca 10	01-06361-07	19 November 2008	900	32Q	Aplao	Castilla	Arequipa

## Coasa Project (9,600 hectares):

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Cochacucho 1	01-02461-07	5 September 2007	800	28-V	Ituata/Coasa	Carabaya	Puno
Cochacucho 2	01-02463-07	31 July 2007	800	28-V	Coasa/Ituata	Carabaya	Puno
Cochacucho 3	01-02463-07	31 July 2007	800	28-V	Ituata/Coasa	Carabaya	Puno
Umachullo 1	01-02449-07	31 July 2007	1000	29-V	Coasa	Carabaya	Puno
Umachullo 2	01-02450-07	14 August 2007	1000	29-V	Coasa	Carabaya	Puno
Uchumallo 3	01-02445-07	14 August 2007	1000	29-V	Coasa	Carabaya	Puno
Uchumallo 4	01-02447-07	31 July 2007	1000	29-V	Coasa	Carabaya	Puno
Uchumallo 5	01-02446-07	6 September 2007	1000	29-V	Coasa / Usicayos	Carabaya	Puno
Coasa 1	01-02464-07	31 July 2007	400	28-X	Coasa	Carabaya	Puno
Lituania 4	01-02484-07	5 September 2007	800	29-X	Coasa	Carabaya	Puno
Hualahuani 1	01-02448-07	10 September 2007	1000	29-X	Usicayos / Coasa	Carabaya	Puno

## Withdrawn Concessions During the Financial Half Year

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Pampacolca 1	01-01084-07	21 October 2008	900	32Q	Pampacolca / Tipan Aplao	Castilla	Arequipa
Pampacolca 2	01-01085-07	29 May 2008	600	32Q	Aplao / Iray	Castilla / Condesuyos	Arequipa
Crucero Project	Rosita Dos 2007 *	01-00306-07	1000	29-X	Crucero	Carabaya	Puno

\* 100% of uranium rights and vanadium, phosphates, and other radioactive mineral rights associated with uranium production

# SECURITIES INFORMATION

## as at 31 December 2009

### ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options <sup>4</sup>	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options <sup>5</sup>	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options <sup>5</sup>	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Options <sup>5</sup>	-	1,485,000	1,485,000
\$0.60 (25 October 2014) Unlisted Options <sup>6</sup>	-	2,000,000	2,000,000
\$0.35 (25 October 2014) Unlisted Options <sup>6</sup>	-	3,650,000	3,650,000
<b>Total</b>	<b>80,507,500</b>	<b>24,935,000</b>	<b>105,442,500</b>

### SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>7</sup>	No. of Options
\$0.55 (26 July 2012) Employees' Options <sup>4</sup>	\$0.55	26 July 2012	1/3 <sup>rd</sup> on 27 January 2008, 1/3 <sup>rd</sup> on 27 July 2008 and 1/3 <sup>rd</sup> on 27 January 2009	500,000
\$0.35 (16 September 2013) Unlisted Executive Directors' Options <sup>5</sup>	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	16,400,000
\$0.35 (16 September 2013) Unlisted Non-Executive Director's Options <sup>5</sup>	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	900,000
\$0.35 (16 September 2013) Unlisted Employees' Options <sup>5</sup>	\$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	1,485,000
\$0.35 (25 October 2014) Employee's and Director's Options <sup>6</sup>	\$0.35	25 October 2014	100% on date of issue	3,650,000
\$0.60 (25 October 2014) Employee's and Director's Options <sup>6</sup>	\$0.60	25 October 2014	100% on date of issue	2,000,000

<sup>4</sup> Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

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

<sup>6</sup> 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](#)

<sup>7</sup> Options which have vested may be exercised at any time thereafter, up to their expiry date

# SECURITIES INFORMATION

## as at 31 December 2009

### DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,487	672,078	0.835
1,001	-	5,000	467	1,127,378	1.400
5,001	-	10,000	355	3,024,393	3.757
10,001	-	100,000	511	16,388,987	20.357
100,001	-	and over	102	59,294,664	73.651
<b>Total</b>			<b>2,922</b>	<b>80,507,500</b>	<b>100%</b>

### TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1 *	STRIKE RESOURCES LIMITED	12,750,000	15.837
2 *	ORION EQUITIES LIMITED	9,332,744	11.592
3 *	BRW CONSULTING SERVICES PTY LTD	219,269	
	KATANA EQUITY PTY LTD <CHARITY A/C>	81,483	
	MRS LISA SHALLARD AND MRS LINDA SALA TENNA	700,000	
	KATANA ASSET MANAGEMENT LTD	287,304	
	KB33 CAPITAL PTY LTD <CHARITY A/C>	100,000	
	KB33 CAPITAL PTY LTD	100,000	
	MRS LISA SHALLARD AND MRS LINDA SALA TENNA	2,124,144	
	KATANA EQUITY PTY LTD <SALA TENNA FAMILY A/C>	999,900	
	KATANA EQUITY PTY LTD <CHARITY A/C>	625,000	
	Sub-total	5,237,100	6.505
4	KATANA ASSET MANAGEMENT LTD	3,044,240	3.781
5	DATABASE SYSTEMS LIMITED	2,712,021	3.369
6	ANZ NOMINEES LIMITED <CASH INCOME A/C>	1,613,565	2.004
7	TWINLAND HOLDINGS PTY LTD	1,421,591	1.766
8	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>	1,205,563	1.497
9	S JONES & R JONES & C JONES <THE SCOPA FAMILY ACCOUNT>	1,194,531	1.484
10	BLUE CRYSTAL PTY LTD	829,751	1.031
11	MS ROSANNA DE CAMPO	800,000	0.994
12	M & K KORKIDAS PTY LTD <M&K KORKIDAS P/L S/FUND A/C>	752,351	0.935
13	MR ROBERT SPADANUDA <SUPER FUND A/C>	700,000	0.869
14	RENMUIR HOLDINGS LIMITED	688,402	0.830
15	MR JOHN WILLIAM LLOYD FORREST <FORREST FAMILY A/C>	541,000	0.672
16	MIDAS INVESTMENTS (WA) PTY LTD <MIDAS INVESTMENTS A/C>	520,794	0.647
17	MR BRIAN PETER BYASS	518,537	0.644
18	ZHIVAN PTY LTD <SUPER FUND A/C>	302,203	
	ZHIVAN PTY LTD	200,000	
	Sub-total	502,203	0.624
19	SPADANUDA HOLDINGS PTY LTD	500,000	0.621
20	MRS KIERSTYN EDGAR	500,000	0.621
<b>Total</b>		<b>45,364,393</b>	<b>56.323%</b>

\* Substantial shareholders