FULL YEAR REPORT:

Directors' Report
Auditors' Independence Declaration
Financial Report
Audit Report

30 June 2009

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CONTENTS

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CORPORATE DIRECTORY

BOARD

John F. Stephenson	Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director

COMPANY SECRETARY
Victor P H Ho

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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 year ended 30 June 2009 (**Balance Date**).

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

(1) Alara Operations Pty Ltd ABN 123 780 441 (**AO**), a wholly owned subsidiary incorporated in Western Australia on 5 February 2007;

(2) Hume Mining NL ABN 52 063 994 945 (**Hume**), a wholly owned subsidiary acquired on 18 May 2007;

(3) Alara Peru Operations Pty Ltd ABN 124 334 103 (**APO**), a wholly owned subsidiary acquired on 18 May 2007; and

(4) Alara Peru S.A.C. (**AP**), a wholly owned Peruvian subsidiary of APO.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were:

- exploration and evaluation of existing resource projects in Australia and Peru;
- the pursuit of appropriate resource projects for investment, evaluation and development;
- the management of its net assets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The global financial crisis during the financial year continues to have significant adverse effects on capital markets and the aspirations of resource exploration companies such as Alara. Whilst Alara is in a relatively sound financial position (with net tangible assets of $6.9 million as at 30 June 2009), during the financial year, it adopted a strategic decision to conserve cash for high priority/value opportunities within the resource sector.

Alara has therefore reduced exploration expenditure on existing projects deemed to be of lower priority – being its Peruvian projects and its Australian Canning Well and Mt Lawrence Wells Projects.

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

OPERATING RESULTS

Consolidated	**2009** **$**	**2008** **$**
Total revenue	444,420	784,700
Total expenses	(9,308,774)	(4,653,709)
Loss before tax	(8,864,354)	(3,869,009)
Income tax expense	-	(3,036)
Net loss after tax attributable to members	(8,864,354)	(3,872,045)

Total revenue comprises $444,420 interest received (2008: $635,925).

Total expenses include:

(1) $6,867,383 impairment of resource projects (2008: $196,205);

(2) $843,168 personnel expenses – options remuneration (non-cash) (2008: $3,301,026);

(3) $830,312 personnel expenses – cash remuneration (2008: $745,464);

(4) $272,571 fair value adjustment on share investments (2008: Nil); and

(5) $84,143 professional fees (2008: $29,468).

DIRECTORS' REPORT

LOSS PER SHARE

Consolidated	2009	2008
Basic loss per share (cents)	(11.01)	(4.81)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	80,507,500	80,504,825

DIVIDENDS

No dividends have been paid or declared during the financial year. The Company is not in a position to declare a dividend in respect of the 30 June 2009 financial year.

FINANCIAL POSITION

Consolidated Entity	2009 $	2008 $
Cash	5,492,074	9,174,822
Receivables	138,175	108,676
Resource projects	-	5,885,528
Other assets	1,567,359	42,090
Total assets	7,197,608	15,211,116
Total liabilities	(200,507)	(501,147)
Net assets	6,997,101	14,709,969
Issued capital	14,754,059	14,754,059
Reserves	5,057,118	3,905,632
Accumulated losses	(12,814,076)	(3,949,722)
Total equity	6,997,101	14,709,969

REVIEW OF OPERATIONS

1. Company Projects

Alara Resources Limited (ASX Code: AUQ) is an Australian based mineral exploration and development company with a current portfolio of early stage exploration projects in Peru and Australia (Northern Territory and Western Australia):

	PROJECTS	LOCATION
(1)	Bigrlyi South Uranium	Northern Territory
(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)	Santa Rosa Uranium	Peru
(7)	Pampacolca Uranium	Peru
(8)	Coasa Uranium	Peru

DIRECTORS' REPORT

As referred to above in the Significant Changes in the State of Affairs section of this Directors' Report, Alara has significantly reduced exploration expenditure on existing projects deemed to be of lower priority – being its Peruvian projects and its Australian Canning Well and Mt Lawrence Wells Projects.

Bigrlyi South Uranium Project (Northern Territory)

On 12 May 2009, Alara entered into a joint venture agreement with Thundellara Exploration Ltd (**THX**) for THX to earn a 70% interest in EL 24879, EL 24928 and EL 24929 by incurring $750,000 of expenditure on these tenements over 5 years and a 70% interest in EL 24927 (application) by incurring $750,000 of expenditure on this tenement over 5 years. Under the terms of the THX joint venture agreement:

(a) THX can spend $750,000 within 5 years to earn a 70% interest in EL24879, EL24928 and EL24929 and a further $750,000 to earn a 70% interest in EL 24927 (application pending grant) within 5 years of the date of grant of the tenement.

(b) THX is required to keep the tenements in good standing during the earn-in period.

(c) After THX has earned its 70% interest in the relevant tenements, Alara can elect to contribute its share of expenditure or convert to a 10% interest which is free-carried to a decision to mine. An industry-standard dilution formula applies.

(d) THX can withdraw after the first year and, in the case of EL 24927 (application), also if the tenement is not granted within two years.

(e) Alara has a first right of refusal if THX wishes to dispose of its rights under the joint venture.

THX has tenements (1,950 km^2) contiguous with Alara's tenements (1,350km^2) in the Bigrlyi South project area. Exploration Licence EL 24930, which was not part of the THX joint venture and considered to have low potential for uranium mineralisation, has been relinquished.

King Sound Mineral Sands Project (Kimberley, Western Australia)

Alara had a 70% joint venture (**JV**) interest in the King Sound Mineral Sands Project, comprising three tenement applications covering a total area of 652 square kilometres, located approximately 10 kilometres west of the port town of Derby in the West Kimberley region of Western Australia. The JV had identified the King Sound area as being prospective for the accumulation of heavy minerals, such as zircon, rutile and ilmenite. In July 2009, the traditional owners informed the JV that they were not prepared to consent to any exploration on the tenements due to the cultural significance of the area and respectfully requested that the tenement applications be withdrawn. In light of the significant cultural importance of this area and the prospect for significant opposition to future works, the JV parties have agreed to withdraw the tenement applications and terminate the JV in respect of these tenements.

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.

Investment in Resources Companies

Alara recognises that, with its relatively limited, although sound, cash reserves, the significant expenditure required to evaluate and develop resource projects to a stage where positive cashflows can be generated and or a return on investment realised, and the state of the financial markets making capital raisings to replenish company funds difficult, an opportunity exists where Alara can invest in "undervalued" listed resource companies and share in the upside from the exploration and project development success of the investee companies.

DIRECTORS' REPORT

This investment strategy would provide Alara with the ability to convert liquid investments into cash to meet its own exploration and evaluation aspirations from time to time.

Alara has focussed its investment strategy on well funded companies, with experienced management, with projects with prospects to deliver positive cashflow in the short to medium term, and the potential (based on its sound cash reserves) to secure interests in significantly sized new project opportunities in the resources sector worldwide.

As at 30 June 2009, Alara reported an unrealised net loss on share investments of $272,571 (2008: Nil gain or loss). However, due to an improvement in market conditions since 1 July 2009, Alara is pleased to report a $1.9 million unrealised net gain on these same share investments as at 24 September 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 Employees' Options	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Executive Directors' Options	-	16,400,000	16,400,000
$0.35 (16 September 2013) Unlisted Non-Executive Director's Options	-	900,000	900,000
$0.35 (16 September 2013) Unlisted Employees' Options	-	1,485,000	1,485,000
Total	**80,507,500**	**19,285,000**	**99,792,500**

2. Summary of Unlisted Directors' and Employee Options

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

During the financial year, the Company issued the following unlisted Directors' and Employees' options after receiving shareholder approval on 17 September 2008:

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	No. of Options
17 September 2008	$0.35 (16 September 2013) Unlisted Executive Directors' Options[1]	$0.35	16 September 2013	75% on grant and 25% on 16 September 2009	16,400,000[2]
17 September 2008	$0.35 (16 September 2013) Unlisted Non-Executive Director's Options[1]	$0.35	16 September 2013	75% on grant and 25% on 16 September 2009	900,000
17 September 2008	$0.35 (16 September 2013) Unlisted Employees' Options[1]	$0.35	16 September 2013	50% on 16 March 2009, 25% on 16 September 2009 and 25% on 16 March 2010	1,485,000

[1] 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

[2] Each option will entitle the holder to subscribe for one share in the Company with one free attaching option issued (at the time of subscription) upon the same terms as the options (save that no free attaching options will be issued on exercise of the options and no vesting period applies to the free attaching options

DIRECTORS' REPORT

3. Expiry of Listed Options (former ASX Code: AUQO)

There were no $0.25 (30 June 2009) Listed Options exercised and converted into fully paid ordinary shares during the year. 60,367,500 Listed Options lapsed on expiry on 30 June 2009.

FUTURE DEVELOPMENTS

The Consolidated Entity notes the Government's proposed Carbon Pollution Reduction Scheme (**CPRS**). As the legislation is not yet passed, the Directors are unable to reliably quantify the potential future impact of both direct and indirect costs related to this scheme. As such any costs associated with the CPRS have not been taken into account when preparing budgets, forecasts and/or valuation models for measurement of recognised amounts.

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 is not otherwise subject to any particular or significant environmental regulation under either 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.

LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY

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

BOARD OF DIRECTORS

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

John Stephenson	**Chairman**
Appointed	18 May 2007
Qualifications	BSc (honours) in Geology from the University of London through the former University College of Rhodesia and a PhD in Geology from the University of Manitoba, Canada.
Experience	Dr Stephenson is a highly experienced geologist with over 37 years experience in the mining sector. He has held senior positions in large mining companies, most recently as Exploration Director for Rio Tinto Australasia where he led Rio Tinto's exploration activities for five and a half years based in Perth. Dr Stephenson has also during his career led and managed exploration teams for both junior and major mining companies in several parts of the world, mainly in Southern and East Africa, North America and Australia exploring for gold, uranium, diamonds and base metals. He has also been involved with projects in Europe, South America and India. He led teams responsible for the discovery of a world class diamond deposit, the Diavik diamond mine in Canada's Northwest Territories for which he received an industry award; and a high grade gold deposit, the former Golden Patricia gold mine in Ontario. Dr Stephenson has particular experience in the uranium sector having in the early to mid 1970's led reconnaissance airborne and ground surveys for uranium in Canada. Between 1978-1981, Dr Stephenson headed the ground follow-up of a country-wide airborne radiometric and magnetic survey for uranium and other minerals in Tanzania. In the early 90's Dr Stephenson led exploration for a subsidiary of Rio Tinto exploring for uranium and base metals in eastern Canada. Dr Stephenson also led Rio Tinto's exploration activities in Australia in the late 90's which included the search for uranium.
Relevant interest in securities	Shares – 217,072[3] Unlisted $0.35 (16 September 2013) Non-Executive Director's Options – 900,000[1]
Other current directorships in listed entities	Chairman of Strike Resources Limited (SRK) (since 26 October 2005)
Former directorships in other listed entities in past 3 years	None

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[4] Unlisted $0.35 (16 September 2013) Executive Director's Options – 8,200,000[1]
Other current directorships in listed entities	Managing Director of Strike Resources Limited (SRK) (since 26 September 2005)
Former directorships in other listed entities in past 3 years	None

[3] Held jointly: John Francis Stephenson & Susan Margaret Franklin <Stephenson Franklin FMY A/C>

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

DIRECTORS' REPORT

Farooq Khan	**Executive Director**
Appointed	18 May 2007
Qualifications	BJuris , LLB. (*Western Australia*)
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 sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
Relevant interest in securities	Shares – 98,242 (directly) and 9,512,744 indirectly[5] Unlisted $0.35 (16 September 2013) Executive Director's Options – 8,200,000 directly[1]
Other current directorships in listed entities	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)
Former directorships in other listed entities in past 3 years	Scarborough Equities Limited (merged with BEL on 13 March 2009 and delisted)

COMPANY SECRETARY

Victor P. H. Ho	**Company Secretary**
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[1]
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)

5 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.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

Name of Director	Meetings Attended	Maximum Possible Meetings
John Stephenson	11	11
H. Shanker Madan	11	11
Farooq Khan	11	11

There were no meetings of committees of the Board.

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

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 (3) below has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

(1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Company Executives (being a company secretary or senior manager) (**Key Management Personnel**) having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature), 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 a maximum aggregate base remuneration of $100,000 per annum inclusive of minimum employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined current Key Management Personnel remuneration as follows:

(a) Dr John Stephenson (Chairman) – a base fee of $40,000 per annum plus employer superannuation contributions;

(b) Mr H. Shanker Madan (Managing Director) – a base salary of $150,000 per annum plus employer superannuation contributions;

(c) Mr Farooq Khan (Executive Director) – a base salary of $150,000 per annum plus employer superannuation contributions;

(d) Mr Victor Ho (Company Secretary) – a base salary of $50,000 per annum plus employer superannuation contributions.

Key Management Personnel can also opt to "salary sacrifice" their cash fees/salary and have them paid wholly or partly as further employer superannuation contributions or benefits exempt from fringe benefits tax.

DIRECTORS' REPORT

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 making 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.

Long Term Benefits: Key Management Personnel have no right to termination payments save for payment of accrued annual leave (other than Non-Executive Directors).

Post Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel.

Performance Related Benefits/Variable Remuneration: 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. 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.

Service Agreements: The Company does not presently have formal service agreements or employment contracts with any Key Management Personnel.

Financial Performance of Company: There is no relationship between the Company's current remuneration policy and the Company's performance.

Equity Based Benefits: The Company has issued options to Directors and employees during the year. Further details are provided in section (3) of the Remuneration Report below. The reasons for the grant of these options to Directors and employees are as follows:

- The options issue was designed to act as an incentive for the recipient Directors and employees to strive to achieve the Company's goals with the aim of enhancing shareholder value.
- The options provide an equity holding opportunity for each recipient Director and employee which is linked to the Company's share price performance.
- Based on the option exercise price and the rate at which the options vest, the exercise of the options by the Directors and employees is potentially only likely to occur if there is sustained upward movement in the Company's share price.
- The number of options issued to the Directors and employees have been determined having regard to the level of Directors and employees' 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 the Directors and employees to remain with the Company with a view to improving the future growth of the Company.
- As a relatively junior exploration company with much of its available funds dedicated or committed to its resource projects (and also in seeking opportunities in relation to the same) and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges for its Directors and employees within the industry in which it operates.

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		Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	
2009	Performance related %	Cash, salary and commissions $	Non-cash benefit $	Superannuation $	Long service leave $	Options $	Total $
Non-Executive Director:							
John Stephenson	-	40,000	-	3,600	-	35,662	79,262
Executive Directors:							
Shanker Madan	-	150,000	-	13,500	-	324,396	487,896
Farooq Khan	-	150,000	-	13,500	-	324,240	487,740
Company Secretary							
Victor Ho	-	50,000	-	4,500	-	58,892	113,392

Key Management Person		Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	
2008	Performance related %	Cash, salary and commissions $	Non-cash benefit $	Superannuation $	Long service leave $	Options $	Total $
Non-Executive Director:							
John Stephenson	-	13,334	-	30,266	-	165,300	208,900
Executive Directors:							
Shanker Madan	-	150,000		13,500	-	1,491,940	1,655,440
Farooq Khan	-	150,000	-	13,500	-	1,487,701	1,651,201
Company Secretary							
Victor Ho	-	50,000	682	4,500	-	54,766	109,948

Victor Ho is also Company Secretary of the Company.

Cash fees paid to the Non-Executive Chairman during the year includes payments for the performance of extra services and the undertaking of any executive or other work for the Company beyond their general duties.

The value of Equity based benefits are based on the fair value of vested directors' options expensed up to balance date; this is described in further detail in section (3) of this Remuneration Report.

The Company did not have any Company Executives (other than Executive Directors and the Company Secretary) during the financial year.

(3) Options Cancelled/Issued to Key Management Personnel

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options. Details of these cancelled options previously held by Key Management Personnel are contained in the following table:

Cancelled Options previously held by Key Management Personnel		Date of Issue	Date of Cancellation	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
John Stephenson	975,000	27 July 2007	15 August 2008	$0.55 (26 July 2012) Directors' Options[3]	$0.55	26 July 2012	50% on grant and 50% on 27 July 2008	$3,261,090 or $0.18 each
H. Shanker Madan	8,800,000							
Farooq Khan	8,775,000							
Victor Ho	500,000	27 July 2007	15 August 2008	$0.55 (26 July 2012) Employees' Options[3]	$0.55	26 July 2012	1/3rd on 27 January 2008, 1/3rd on 27 July 2008 and 1/3rd on 27 January 2009	$89,500 or $0.18 each

During the year, a total of 17,300,000 Directors' and 700,000 employees' options were issued to Key Management Personnel pursuant to shareholder approval obtained at a general meeting held on 17 September 2008 as required under the Corporations Act 2001 and under the ASX Listing Rules:

No. of Options Issued to Key Management Personnel		Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	Total Fair Value as at date of issue
H. Shanker Madan	8,200,000[6]	17 September 2008	$0.35 (16 September 2013) Executive Directors' Options[7]	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	$569,080[8] or $0.035 each
Farooq Khan	8,200,000[6]						
John Stephenson	900,000	17 September 2008	$0.35 (16 September 2013) Non-Executive Director's Options[7]	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	$31,230[8] or $0.035 each
Victor Ho	700,000	17 September 2008	$0.35 (16 September 2013) Employees' Options[7]	$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	$24,290[8] or $0.035 each

An additional 785,000 $0.35 (16 September 2013) Employees' Options were also issued to other employees (these employees are not regarded as Company Executives/Key Management Personnel).

There were no shares issued as a result of the exercise of any Directors' or employees options during the year.

6 Each option will entitle the holder to subscribe for one share in the Company with one free attaching option issued (at the time of subscription) upon the same terms as the options (save that no free attaching options will be issued on exercise of the options and no vesting period applies to the free attaching options

7 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

8 Fair value determined as at date of grant using a binomial tree options valuation model that takes into account the exercise price ($0.35), the term of the option (5 years), the underlying AUQ share price as at date of grant ($0.07), the expected price volatility of the underlying AUQ shares (95%) and the risk-free interest rate for the term of the option (5 year Commonwealth bond yield rate of 5.46%)

DIRECTORS' REPORT

The fair value of Directors' and employees' options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using a 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 cost of all directors' and employees options assessed at fair value as at date of grant is $651,840 in total; the fair value of vested options expensed up the balance date in the above tables is the fair amount of the total fair value which the Company is required to expense from their date of grant to the balance date, 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 year are as follows:

(a) options are granted for no consideration and vest as described in the table above;

(b) exercise price is as described in the table above;

(c) grant date is as described in the table above;

(d) expiry date is as described in the table above;

(e) share price is based on the last bid price on ASX as at date of grant, as described in the table below;

(f) expected price volatility of the Company's shares has been assessed independently by BDO Kendalls Corporate Finance (WA) Pty Ltd, as described in the table below;

(g) expected dividend yield is nil;

(h) 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	Share Price at Grant Date	Risk Free Rate	Expected price volatility of the Company's shares
17 September 2008	$0.35 (16 September 2013) Non-Executive Director Options	$0.07	5.46%	95%
17 September 2008	$0.35 (16 September 2013) Executive Director Options	$0.07	5.46%	95%
17 September 2008	$0.35 (16 September 2013) Employee Options	$0.07	5.46%	95%

Each Director's holdings of unlisted Directors' options as at balance date are as follows:

Name of Key Management Personnel	Office Held	No. options granted during the year		No. options cancelled during the year		No. options vested during the year	
		2009	2008	2009	2008	2009	2008
John Stephenson	Chairman	900,000 $0.35 (16 September 2013) Non-Executive Director Options	975,000 $0.55 (26 July 2012) Director Options	975,000 $0.55 (26 July 2012) Director Options	-	675,000 $0.35 (16 September 2013) Non-Executive Director Options	487,500 $0.55 (26 July 2012) Director Options s
H. Shanker Madan	Managing Director	8,200,000 $0.35 (16 September 2013) Executive Director Options	8,800,000 $0.55 (26 July 2012) Director Options	8,800,000 $0.55 (26 July 2012) Director Options	-	6,150,000 $0.35 (16 September 2013) Executive Director Options	4,400,000 $0.55 (26 July 2012) Director Options
Farooq Khan	Executive Director	8,200,000 $0.35 (16 September 2013) Executive Director Options	8,775,000 $0.55 (26 July 2012) Director Options	8,775,000 $0.55 (26 July 2012) Director Options	-	6,150,000$0.35 (16 September 2013) Executive Director Options	4,387,500 $0.55 (26 July 2012) Director Options
Victor Ho	Company Secretary	700,000 $0.35 (16 September 2013) Employee Options	500,000 $0.55 (26 July 2012) Employee Options	500,000 $0.55 (26 July 2012) Employee Options	-	350,000 $0.35 (16 September 2013) Employee Options	166,667 $0.55 (26 July 2012) Employee Options

DIRECTORS' REPORT

(4) Employee Share Option Plan

The Company has an Employee Share Option Plan (the **ESOP**) which was approved by shareholder 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 the Alara group. Under the ESOP, the Board will nominate employees to participate and will offer options to subscribe for shares to those employees. A summary of the terms of ESOP is set out in Annexure A to Alara's Notice of Annual General Meeting dated 1 October 2008.

(5) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the 30 June 2009 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.

This concludes the audited Remuneration 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 to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

(i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);

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

AUDITOR

Details of the amounts paid or payable to the Consolidated Entities' auditors (Grant Thornton (WA) Partnership in respect of the Australian Company and the Consolidated Entity and BDO Pazos, López de Romaña S.C. in respect of Peruvian subsidiary, Alara Peru S.A.C.) for audit and non-audit services (paid to a related party of Grant Thornton (WA) Partnership) provided during the financial year are set our below:

Audit & Review Fees $	Fees for Other Services $	Total $
43,088	3,975	47,063

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 (WA) Partnership continues in office in accordance with section 327B of the *Corporations Act 2001*.

DIRECTORS' REPORT

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 16. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

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.

John Stephenson
Chairman

Shanker Madan
Managing Director

Perth, Western Australia

30 September 2009

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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 audit of Alara Resources Limited for the year ended 30 June 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 audit; and

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

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, 30 September 2009

INCOME STATEMENT
for the year ended 30 June 2009

		Consolidated Entity			Company
		2009	2008	2009	2008
	Note	$	$	$	$
Revenue	2	444,420	784,700	444,420	784,494
Resource projects					
- Impairment of resource projects		(6,867,383)	(196,205)	(141,318)	-
Personnel		(1,701,167)	(4,093,326)	(1,407,078)	(3,802,357)
Occupancy costs		(29,318)	(29,653)	(29,318)	(29,653)
Foreign exchange movement		(29,796)	-	(18,807)	-
Finance expenses		(4,800)	(9,043)	(3,121)	(1,970)
Borrowing costs		(39)	(1,434)	(38)	-
Corporate expenses		(54,167)	(80,545)	(52,678)	(79,268)
Administration expenses		(349,533)	(243,503)	(151,856)	(149,596)
- Net loss on financial assets at fair value through profit or loss		(272,571)	-	(272,571)	-
- Impairment of available for sale financial asset		-	-	(5,180,376)	-
- Impairment of subsidiary loans		-	-	(1,630,582)	(926,835)
Loss before income tax		(8,864,354)	(3,869,009)	(8,443,323)	(4,205,185)
Income tax expense	3 a	-	(3,036)	-	(3,036)
Net loss after tax attributable to members		(8,864,354)	(3,872,045)	(8,443,323)	(4,208,221)
Basic loss (cents per share)	7	(11.01)	(4.81)		

The accompanying notes form part of this financial report

BALANCE SHEET
as at 30 June 2009

	Note	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
CURRENT ASSETS					
Cash and cash equivalents	8	5,492,074	9,174,822	5,349,897	9,098,403
Trade and other receivables	9	138,175	108,676	39,782	7,777
Prepayment		18,582	-	-	-
TOTAL CURRENT ASSETS		5,648,831	9,283,498	5,389,679	9,106,180
NON CURRENT ASSETS					
Trade and other receivables	9	-	-	-	59,498
Financial assets at fair value through profit or loss	10	1,501,034	-	1,501,034	-
Property, plant and equipment	11	47,743	42,090	2,337	2,995
Available for sale financial asset	12	-	-	-	5,180,376
Resource projects	13	-	5,885,528	-	124,121
TOTAL NON CURRENT ASSETS		1,548,777	5,927,618	1,503,371	5,366,990
TOTAL ASSETS		7,197,608	15,211,116	6,893,050	14,473,170
CURRENT LIABILITIES					
Trade and other payables	14	119,966	448,293	66,510	72,178
Provisions	15	46,287	52,854	30,773	30,940
TOTAL CURRENT LIABILITIES		166,253	501,147	97,283	103,118
NON CURRENT LIABILITIES					
Provisions	15	34,254	-	25,870	-
TOTAL CURRENT LIABILITIES		34,254	-	25,870	-
TOTAL LIABILITIES		200,507	501,147	123,153	103,118
NET ASSETS		6,997,101	14,709,969	6,769,897	14,370,052
EQUITY					
Issued capital	16	14,754,059	14,754,059	14,754,059	14,754,059
Reserves	17	5,057,118	3,905,632	4,747,991	3,904,823
Accumulated losses		(12,814,076)	(3,949,722)	(12,732,153)	(4,288,830)
TOTAL EQUITY		6,997,101	14,709,969	6,769,897	14,370,052

The accompanying notes form part of this financial report

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2009

Consolidated Entity	Issued Capital $	Reserves $	Accumulated Losses $	Total $
At 1 July 2007	14,819,046	-	(77,677)	14,741,369
Foreign currency translation reserve	-	809	-	809
Net income and expense recognised directly in equity	-	809	-	809
Loss for the year	-	-	(3,872,045)	(3,872,045)
Total income and expense recognised for the year	-	-	(3,872,045)	(3,872,045)
Options reserve	-	3,904,823	-	3,904,823
Options conversion ($0.25 (30 June 2009))	1,875	-	-	1,875
Share issue expenses	(66,862)	-	-	(66,862)
At 30 June 2008	14,754,059	3,905,632	(3,949,722)	14,709,969
At 1 July 2008	14,754,059	3,905,632	(3,949,722)	14,709,969
Foreign currency translation reserve	-	308,318	-	308,318
Net income and expense recognised directly in equity	-	308,318	-	308,318
Loss for the year	-	-	(8,864,354)	(8,864,354)
Total income and expense recognised for the year	-	-	(8,864,354)	(8,864,354)
Options reserve	-	843,168	-	843,168
At 30 June 2009	14,754,059	5,057,118	(12,814,076)	6,997,101
Company				
At 1 July 2007	14,819,046	-	(80,609)	14,738,437
Loss for the year	-	-	(4,208,221)	(4,208,221)
Total recognised income and expense for the year	-	-	(4,208,221)	(4,208,221)
Options reserve	-	3,904,823	-	3,904,823
Options conversion ($0.25 (30 June 2009))	1,875	-	-	1,875
Share issue expenses	(66,862)	-	-	(66,862)
At 30 June 2008	14,754,059	3,904,823	(4,288,830)	14,370,052
At 1 July 2008	14,754,059	3,904,823	(4,288,830)	14,370,052
Loss for the year	-	-	(8,443,323)	(8,443,323)
Total recognised income and expense for the year	-	-	(8,443,323)	(8,443,323)
Options reserve	-	843,168	-	843,168
At 30 June 2009	14,754,059	4,747,991	(12,732,153)	6,769,897

The accompanying notes form part of this financial report

CASH FLOW STATEMENT
for the year ended 30 June 2009

		Consolidated Entity			Company
		2009	2008	2009	2008
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(1,595,652)	(981,331)	(779,016)	(808,822)
Payments for exploration and evaluation expenditure		(981,855)	(833,229)	(17,197)	(124,121)
Dividends received		-	11,657	-	11,657
Interest received		411,242	635,925	411,242	635,719
Interest paid		(39)	(1,434)	(39)	-
Income tax paid		-	(3,036)	-	(3,036)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	8 a	(2,166,304)	(1,171,448)	(385,010)	(288,603)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(21,362)	(31,158)	-	(2,933)
Payments for share investments		(1,773,604)	(2,142,663)	(1,773,604)	(2,142,663)
Proceeds from sale of share investments		-	2,279,780	-	2,279,780
Loans to subsidiaries		-	-	(1,609,686)	(911,334)
Repayments from subsidiaries		-	-	38,602	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(1,794,966)	105,959	(3,344,688)	(777,150)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues and options		-	605,672	-	605,672
Payment for share issue cost		-	(66,861)	-	(66,861)
NET CASH INFLOW FROM FINANCING ACTIVITIES		-	538,811	-	538,811
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(3,961,270)	(526,678)	(3,729,698)	(526,942)
Cash and cash equivalents at beginning of the year		9,174,822	9,700,691	9,098,403	9,625,345
Effect of exchange rate changes on cash		278,522	809	(18,808)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	5,492,074	9,174,822	5,349,897	9,098,403

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report includes separate financial statements for Alara Resources Limited (**AUQ**) as an individual parent entity (the **Company**) and the consolidated entity consisting of Alara Resources Limited, its subsidiaries and its interest in associate entities. Alara Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

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 dependant 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.

Statement of Compliance

Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Company's financial statements and notes also complies with the IFRS except that it has elected to apply the relief provided to parent entities in respect to certain disclosure requirements relating to *AASB 132: Financial Instruments: Disclosure and Presentation*, and *AASB 139: Financial Instruments: Recognition and Measurement*.

Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable by the revaluation of financial assets and financial liabilities at fair value basis of accounting through profit or loss has been applied.

Critical accounting estimates

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

For details of key estimates, refer to Note 4.

1.1. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. In assessing the power to control, the existence and effort and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 12(a) to the financial statements. All controlled entities have a June financial year-end. As at reporting date, the asset and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

1.2. 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 Company 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.

1.3. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The consolidated entity's segment reporting is contained in note 20 of the notes to the financial statements.

1.4. 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**). The following

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

specific recognition criteria must also be met before revenue is recognised:

(a) Sale of Goods and Disposal of Assets
Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

(b) Contributions of Assets
Revenue arising from the contribution of assets is recognised when the consolidated entity gains control of the asset or the right to receive the contribution.

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

(d) Dividend Revenue
Dividend revenue is recognised when the right to receive a dividend has been established. The consolidated entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(e) Other Revenues
Other revenues are recognised on a receipts basis.

1.5. Foreign Currency Transaction 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.

Group companies

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.

1.6. 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 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 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 parent entity 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 equity are also recognised directly in equity.

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

Provision is made for the company'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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

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 at grant date and recognised over the period during which the directors/employees become unconditionally entitled to the options. The fair value at grant date is determined using the binomial tree options 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 with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

1.11. Receivables

Trade receivables 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 instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. 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 income statement 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.

Held-to-maturity investments - These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

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. 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 the remaining 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.

1.14. Property, Plant and Equipment

All property, plant and equipment is 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 depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-40%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

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 income statement.

1.15. Impairment of 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 income statement. 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 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.

1.22 Leases

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

1.23 Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

1.24 New Standards and Interpretations Released But Not Yet Adopted

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact (except where stated below) on the Company's accounts/financial statements or the associated notes therein.

New / revised pronouncement	Explanation of amendments	Effective / Application date
AASB 1 First time *adoption of Australian Accounting Standards* (May 2009) – "AASB 1R"	Structure of the standard has been amended for ease of use.	30 June 2010
AASB 3 Business Combinations (March 2008) – "AASB 3R"	AASB 3R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non-controlling Interest". This standard can be early adopted, but only for reporting periods that begin on or after 30 June 2007. AASB 3 is applied prospectively.	Business combinations occurring on or after an annual reporting **beginning on or** after 1 July 2009
AASB 8 Operating Segments (February 2007)	AASB 8 supersedes AASB 114. AASB 8 has a different scope of application to AASB 114; it is applicable only to listed entities and those in the process of listing, and requires that segment information be disclosed using the management approach. This may result in a different set of segments being identified than those previously disclosed under AASB 114.	31 December 2009
AASB 101 Presentation of Financial Statements (September 2007) – "AASB 101R"	AASB 101R contains a number of changes from the previous AASB 101. The main changes are to require that an entity must: • present all non-owner changes in equity ('comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income • present an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements • disclose income tax relating to each component of other comprehensive income • disclose reclassification adjustments relating to components of other comprehensive income There are other changes to terminology, however these are not mandatory.	31 December 2009
AASB 123 Borrowing Costs (June 2007) – "AASB 123R"	AASB 123R incorporates amendments removing the option to immediately expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	31 December 2009
AASB 127 Consolidated and Separate Financial Statements (March 2008) – "AASB 127R"	AASB 127R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes were made to this standard affecting acquisitions and disposals which do not result in a change of control, partial disposals where control is lost, attribution of profit or loss to non-controlling interests and loss of significant influence or control in relation to Associates and Joint Ventures. AASB 127 replaces the term "Minority Interest" with the "Non-controlling Interest". AASB 127 is applied retrospectively, with certain exceptions relating to the significant changes made in this revision.	30 June 2010
AASB 1039 Concise Financial Reports (August 2008)	AASB 1039 (August 2008) incorporates amendments to terminology and descriptions of the financial statements to achieve consistency with AASB 101 and the rewording of the disclosure requirements relating to segments to achieve consistency with AASB 8.	31 December 2009
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	AASB 2007-3 consequentially amends a number of standards arising from the issue of AASB 8. These amendments result from the changing the name of the segment reporting standard to AASB 8.	31 December 2009
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	The revision of AASB 123 necessitates consequential amendments to a number of existing Standards. The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised.	31 December 2009

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

1.24 New Standards and Interpretations Released But Not Yet Adopted (continued)

New / revised pronouncement	Explanation of amendments	Effective / Application date
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	AASB 2007-8 consequentially amends a number of AASB's as a result of the reissue of AASB 101. Some of the changes include changing the terms: • 'general purpose financial report' to 'general purpose financial statements' • 'financial report' to 'financial statements' in application paragraphs, where relevant, of Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	31 December 2009
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	AASB 2007-10 makes a number of consequential amendments to a number of accounting standards arising from the revision of AASB 101 in September 2007. The changes are largely to terminology for example changing the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	31 December 2009
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations [AASB 2]	AASB 2008-1 was issued after the AASB made changes to AASB 2 Share Based Payments including: • Clarifying that vesting conditions are service conditions and performance conditions only, and that other features of a share-based payment are not vesting conditions. Cancellations, whether by the entity or by other parties, should be accounting for consistently.	31 December 2009
AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]	AASB 2008-2 makes amendments to AASB 132 and AASB 101, permitting certain puttable financial instruments to be classified as equity rather than liabilities, subject to certain criteria being met.	31 December 2009
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	AASB 2008-3 was issued after the AASB revised AASB 3 and AASB 127, as consequential amendments were necessary to other Australian Accounting Standards.	30 June 2010
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038].	AASB 2008-5 makes a number of minor, but necessary amendments to different Standards arising from the annual improvements project. The amendments largely clarify accounting treatments where previous practice had varied, with some new or amended requirements introduced. The changes addressed include accounting for advertising and promotional expenditure, investment property under construction and the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.	31 December 2009
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]	AASB 2008-6 makes further amendments arising from the annual improvements project. These amendments are made to AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary, and the requirements for all assets and liabilities of such subsidiaries to be classified as held for sale. Disclosure requirements are also clarified.	31 December 2009
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]	AASB 2008-7 makes changes to a number of accounting standards, for the purpose of reducing the burden on parent entities when complying with AASB 127 and measuring the cost of a subsidiary at acquisition in their separate financial statements in certain circumstances. The amendments are to apply only on initial application of Australian Equivalents to International Financial Reporting Standards (AASBs).	31 December 2009
AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139]	AASB 2008-8 makes amendments to AASB 139 to clarify the application of some of AASB 139's requirements on designation of a risk or a portion of cash flows for hedge accounting purposes; including: The main issues addressed are: • Designation of one-sided risks • Designation of portions of cash flows of a financial instrument, with reference to inflation components; and • Hedge effectiveness when hedging one-sided risks with a purchased option.	30 Jun 2010

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

1.24 New Standards and Interpretations Released But Not Yet Adopted (continued)

New / revised pronouncement	Explanation of amendments	Effective / Application date
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	AASB 2008-9 makes amendments to AASB 1049 to ensure consistency with AASB 101 Presentation of Financial Statements (September 2007). This alignment is consistent with the broad approach taken in the AASB's Generally Accepted Accounting Principles/Government Finance Statistics (GAAP/GFS) Harmonisation project.	31 December 2009
AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]	AASB 2008-11 mandates that the requirements in AASB 3 (March 2008) are applicable to business combinations among not-for-profit entities (other than restructures of local governments) that are not commonly controlled. It also allows those requirements to be early adopted by not-for-profit entities. Also included are specific recognition, measurement and disclosure requirements relating to local government restructures.	30 June 2010
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]	AASB 2008-13 makes amendments to AASB 5 and AASB 110 resulting from the issue of Interpretation 17. The amendments relate to the classification, presentation and measurement of non-current assets held for distribution to owners and the disclosure requirements for dividends that are declared after the reporting period but before the financial statements are authorised for issue.	30 June 2010
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project	30 June 2010
AASB 2009-05 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 118, 136, 139]	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project	31 December 2010
Interpretation 15 *Agreements for Construction of Real Estate*	This Interpretation aims to standardise accounting practice among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete, with regards to the recognition of revenue.	31 December 2009
Interpretation 16 Hedges of *a Net Investment in a Foreign Operation*	This Interpretation clarifies when in a group situation hedge accounting can be applied in relation to foreign exchange risks associated with foreign operations.	30 September 2009
Interpretation 17 Distributions of Non-cash Assets to Owners	This Interpretation provides guidance on how entities should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.	30 June 2010
Interpretation 18 Transfers *of Assets from Customers*	This Interpretation clarifies the accounting for agreements in which an entity receives an item of PPE from a customer that they must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.	Asset transfers received on or after 1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

2. LOSS FOR THE YEAR

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

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
(a) Revenue				
Interest received	444,420	635,925	444,420	635,719
Gain on sale of share investments	-	137,118	-	137,118
Dividends revenue	-	11,657	-	11,657
Total revenue	444,420	784,700	444,420	784,494
(b) Expenses				
Resource projects				
- Impairment of resource projects (Note 13)	6,867,383	196,205	141,318	-
Personnel				
- cash remuneration	830,312	745,464	538,207	476,409
- options remuneration (non-cash)	843,168	3,301,026	843,168	3,301,026
- employee benefits	27,687	46,836	25,703	24,922
Occupancy costs	29,318	29,653	29,318	29,653
Foreign exchange movement	29,796	-	18,807	-
Finance expenses	4,800	9,043	3,121	1,970
Borrowing costs - interest paid	39	1,434	38	-
Corporate expenses	54,167	80,545	52,678	79,268
Administration expenses				
- Impairment of available for sale financial asset (Note 12)	-	-	5,180,376	-
- Impairment of subsidiary loans (Note 9b)	-	-	1,630,582	926,835
- Net loss on financial assets at fair value through profit or loss	272,571	-	272,571	-
- Communications	25,641	14,009	22,712	13,359
- Consultancy fees	33,086	22,580	15,360	14,142
- Travel and incidentals	24,705	37,633	24,614	14,232
- Professional fees	84,143	29,468	26,982	26,808
- Insurance	21,218	14,735	19,012	13,270
- Depreciation	15,709	2,313	658	646
- Other	145,031	122,765	42,518	67,139
	9,308,774	4,653,709	8,887,743	4,989,679

3. INCOME TAX EXPENSE

(a) The prima facie income tax on loss from ordinary activities before income tax is reconciled to the income tax provided in the accounts as follows:

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
Loss before income tax	(8,864,354)	(3,869,009)	(8,443,323)	(4,205,185)
Prima facie tax payable on loss from ordinary activities before income tax at 30%	(2,659,306)	(1,160,703)	(2,532,997)	(1,261,556)
Tax effect of permanent differences				
Other non deductible expenses	1,685,946	7,800	1,817,312	7,800
Other deductible expenses	(7,800)	(21,050)	(8,036)	(21,050)
Other non assessable income	(9,953)	-	(9,953)	-
Tax effect of temporary differences				
Provision for impairment of subsidiary loans	-	-	489,175	278,051
Provision for employee entitlements	8,306	14,051	7,711	7,477
Tax losses not brought to account as future income tax benefit	982,807	1,159,902	236,788	989,278
Underprovision for the prior year	-	3,036	-	3,036
Income tax expense	-	3,036	-	3,036

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

3. INCOME TAX EXPENSE (continued)

(b) Deferred Tax Asset (at 30%) not brought to account in the Income Tax Account

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
On Income Tax Account				
Carry forward tax losses	703,486	204,233	479,680	44,572
Provisions	102,247	23,656	870,297	294,326
	805,733	227,889	1,349,977	338,898

The Deferred Tax Asset not brought to account for the 2009 and 2008 year 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.

(c) The Company and controlled entities of the Company have elected to consolidate for taxation purposes and have entered into a tax sharing and funding agreement in respect of such arrangements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgemetns are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

(i) Impairment of receivables (Note 9)

The Consolidated Entity tests annually whether loans to controlled entities have suffered any impairment, in accordance with the accounting policy stated in Note 1.15. The Consolidated Entity made a significant judgement about the impairment of receivables folowing the guidelines in AASB 136 *Impairment of Assets.* Refer to Note 9 for the details for the impairment.

(ii) Impairment of available for sale financial assets (Note 12)

The Consolidated Entity tests annually whether the unlisted shares in controlled entities have suffered any impairment, based on AASB 136 *Impairment of Assets.*

The ultimate recoverability of the acquisition costs related to mining interest is dependant on its successful development or sale. The Consolidated Entity and the Company has made a significant judgement about the impairment of its projects in Peru and Australia. It has been evaluated to fully impair the acquisition costs.

(iii) Impairment of resource projects (Note 13)

The Consolidated Entity tests annually whether the unlisted shares in controlled entities have suffered any impairment, based on AASB 136 *Impairment of Assets.*

The Directors have made a strategic decision to concentrate on resource projects with value opportunities within the resource sector. The Company has therefore reduced exploration expenditure on existing projects deemed to be of lower priority – being the Crucero, Canning Well, Santa Rosa, Pampacolca and Coasa Project areas.

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel (consolidated)

Directors

John Stephenson	Non-Executive Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director

Other key management personnel

Victor Ho	Company Secretary

	Consolidated Entity 2009	Consolidated Entity 2008	Company 2009	Company 2008
Number of employees (including Executive Directors and Officers) at Balance Date	7	14	5	5

(b) Compensation of key management personnel (consolidated and company)

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
Directors				
Short-term employee benefits - cash fees	340,000	313,334	340,000	313,334
Post-employment benefits - superannuation	30,600	57,266	30,600	57,266
Equity based payments	684,299	3,144,942	684,299	3,144,942
	1,054,899	3,515,542	1,054,899	3,515,542

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

(b) Compensation of key management personnel (consolidated and company) (continued)

Other key management personnel	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Company 2009 $	Company 2008 $
Short-term employee benefits - cash fees	50,000	50,682	50,000	50,682
Post-employment benefits - superannuation	4,500	4,500	4,500	4,500
Equity based payments	58,892	54,766	58,892	54,766
	113,392	109,948	113,392	109,948

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(c) Shareholdings of key management personnel (consolidated and company)

Directors	Balance at 1.7. 2007	Net Change *	Balance at 30.6.2008	Net Change *	Balance at 30.6.2009
John Stephenson	180,000	37,072	217,072	-	217,072
H. Shanker Madan	304,983	228,548	533,531	-	533,531
Farooq Khan	11,057,664	2,897,891	13,955,555	-	13,955,555
Other key management personnel					
Victor Ho	186,000	4,635	190,635	18,413	209,048

* Net Change Other refers to net shares purchased, sold or listed $0.25 (30 June 2009) options exercised during the year

(d) Options provided as remuneration and shares issued on exercise of such options

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.

(e) Number options held by key management personnel (consolidated)
Listed $0.25 (30 June 2009) options

Directors	Balance at 1.7. 2007	Net Change Other *	Balance at 30.6.2008	Net Change Other *	Balance at 30.6.2009
John Stephenson	-	135,000	135,000	(135,000)	-
H. Shanker Madan	-	228,736	228,736	(228,736)	-
Farooq Khan	-	13,827,110	13,827,110	(13,827,110)	-
Other key management personnel					
Victor Ho	-	448,118	448,118	(448,118)	-

* Net Change Other refers to net options lapsed during the year

(f) Number options held by key management personnel (consolidated)
Unlisted options

Directors	Balance at 1.7. 2008	Granted as Compensation	Net Change Other *	Balance at 30.6.2009	Vested & Exercisable	Unvested
John Stephenson	975,000	900,000	(975,000)	900,000	675,000	225,000
H. Shanker Madan	8,800,000	8,200,000	(8,800,000)	8,200,000	6,150,000	2,050,000
Farooq Khan	8,775,000	8,200,000	(8,775,000)	8,200,000	6,150,000	2,050,000
Other key management personnel						
Victor Ho	550,000	700,000	(550,000)	700,000	350,000	350,000

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

Details of options provided as remuneration are disclosed in the Remuneration Report section of the Directors' Report. On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

The disclosures of equity holdings in (c), (e) and (f) above are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same.

(g) Loans to key management personnel

There were no loans to key management personnel (or their personally related entities) during the financial year.

(h) Other transactions with key management personnel

There were no transactions with key management personnel (or their personally related entities) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

6. AUDITORS' REMUNERATION

	Consolidated Entity		Company	
Amounts received or due and receivable:	2009	2008	2009	2008
Auditors of the Consolidated Entity (Grant Thornton (WA) Partnership)	$	$	$	$
Audit and review of financial reports	27,380	20,633	27,380	20,633
Non-audit services (Grant Thornton Australia Limited)				
Other services - tax services	3,975	4,700	3,975	4,700
Auditors of Peruvian subsidiary (BDO Pazos, López de Romaña S.C.)				
Audit and review of financial reports	15,708	8,849	-	-
	47,063	34,182	31,355	25,333

7. LOSS PER SHARE

	Consolidated Entity	
	2009	2008
Basic loss per share (cents)	(11.01)	(4.81)
Diluted loss per share (cents)	n/a	n/a
Net Loss	(8,864,354)	(3,872,045)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	80,507,500	80,504,825

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.

8. CASH AND CASH EQUIVALENTS

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank	924,074	474,822	781,897	398,403
Term deposit	4,568,000	8,700,000	4,568,000	8,700,000
	5,492,074	9,174,822	5,349,897	9,098,403

(a) Reconciliation of Loss after Tax to Net Cash Flows from Operations

Operating loss after tax	(8,864,354)	(3,872,045)	(8,443,323)	(4,208,221)
Non cashflows in loss from ordinary activities				
Impairment of resource projects	6,867,383	-	-	-
Impairment of available for sale financial asset	-	-	5,180,376	-
Gain on sale of share investments	-	(137,118)	-	(137,118)
Unrealised loss of share investment	272,571	-	272,571	-
Depreciation - plant & equipment	15,709	2,313	658	646
Foreign exchange movement	29,796	-	18,807	-
Provision for non recovery of subsidiary loans	-	-	1,630,582	926,835
Directors' and Employee options	843,168	3,301,026	843,168	3,301,026
Decrease/(Increase) in assets:				
Receivables	(48,082)	(97,421)	(32,005)	2,382
Resource projects	(981,855)	(637,024)	124,121	(124,121)
Increase/(Decrease) in liabilities:				
Trade creditors and accruals	(273,656)	221,985	25,105	(74,954)
Other Provisions	(26,984)	46,836	(5,070)	24,922
Net cash flows used in operating activities	(2,166,304)	(1,171,448)	(385,010)	(288,603)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

9. TRADE AND OTHER RECEIVABLES

	Consolidated Entity		Company	
	2009	2008	2009	2008
Current	$	$	$	$
Amounts receivable from				
Sundry debtors	93,531	60,561	350	3,251
Goods and services tax recoverable	11,466	48,115	6,254	4,526
Other receivables	33,178	-	33,178	-
	138,175	108,676	39,782	7,777
Non-Current				
Amounts owed by controlled entities	-	-	2,601,728	1,030,644
Provision for impairment	-	-	(2,601,728)	(971,146)
	-	-	-	59,498

Refer to Note **21** for the Consolidated Entity and Company's exposure to credit risk, foreign exchange risk and interest rate risk.

(a) Impaired receivables and receivables past due

The non-current receivables are impaired in 2009 and 2008 and have been provided for.

(b) Movement in the provision for impairment of non-current receivables

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
Opening balance	-	-	(971,146)	(44,311)
Additional provisions (Note **2**(b))	-	-	(1,630,582)	(926,835)
Closing balance	-	-	(2,601,728)	(971,146)

(c) Fair values

The fair values and carrying values of non-current receivables are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2009	2009	2008	2008
Company	$	$	$	$
Loans to subsidiaries	-	-	59,498	59,498
	-	-	59,498	59,498

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
Listed investments at fair value	1,501,034	-	1,501,034	-
Total financial assets at fair value	1,501,034	-	1,501,034	-

Changes in fair value of financial assets at fair value through profit and loss are recorded as Income (Note 2(a)). The fair value of listed shares has been determined directly by reference to published price quotations in an active market

	Consolidated Entity		Company	
	2009	2008	2009	2008
Net loss on financial assets	$	$	$	$
at fair value through profit or loss	272,571	-	272,571	-

Risk Exposure

Information about the Consolidated Entity's exposure to market and price risk is provided in Note **21**.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

11. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Plant and Equipment	Total
2009 Consolidated	$	$	$
At 1 July 2008, net of accumulated depreciation and impairment	780	41,310	42,090
Additions	-	21,362	21,362
Depreciation expense	(205)	(15,504)	(15,709)
At 30 June 2009, net of accumulated depreciation and impairment	575	47,168	47,743
At 1 July 2008			
Cost or fair value	973	43,510	44,483
Accumulated depreciation and impairment	(193)	(2,200)	(2,393)
Net carrying amount	780	41,310	42,090
At 30 June 2009			
Cost or fair value	973	64,872	65,845
Accumulated depreciation and impairment	(398)	(17,704)	(18,102)
Net carrying amount	575	47,168	47,743
2008 Consolidated			
At 1 July 2007, net of accumulated depreciation and impairment	-	13,245	13,245
Additions	973	30,185	31,158
Depreciation expense	(193)	(2,120)	(2,313)
At 30 June 2008, net of accumulated depreciation and impairment	780	41,310	42,090
At 1 July 2007			
Cost or fair value	-	13,325	13,325
Accumulated depreciation and impairment	-	(80)	(80)
Net carrying amount	-	13,245	13,245
At 30 June 2008			
Cost or fair value	973	43,510	44,483
Accumulated depreciation and impairment	(193)	(2,200)	(2,393)
Net carrying amount	780	41,310	42,090
2009 Company			
At 1 July 2008, net of accumulated depreciation and impairment	780	2,215	2,995
Depreciation expense	(205)	(453)	(658)
At 30 June 2009, net of accumulated depreciation and impairment	575	1,762	2,337
At 1 July 2008			
Cost or fair value	973	2,686	3,659
Accumulated depreciation and impairment	(193)	(471)	(664)
Net carrying amount	780	2,215	2,995
At 30 June 2009			
Cost or fair value	973	2,686	3,659
Accumulated depreciation and impairment	(398)	(924)	(1,322)
Net carrying amount	575	1,762	2,337

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office Equipment	Plant and Equipment	Total
2008 Company	$	$	$
At 1 July 2007, net of accumulated depreciation and impairment	-	708	708
Additions	973	1,960	2,933
Depreciation expense	(193)	(453)	(646)
At 30 June 2008, net of accumulated depreciation and impairment	780	2,215	2,995
At 1 July 2007			
Cost or fair value	-	726	726
Accumulated depreciation and impairment	-	(18)	(18)
Net carrying amount	-	708	708
At 30 June 2008			
Cost or fair value	973	2,686	3,659
Accumulated depreciation and impairment	(193)	(471)	(664)
Net carrying amount	780	2,215	2,995

12. AVAILABLE FOR SALE FINANCIAL ASSET

	Consolidated Entity		Company	
	2009	2008	2009	2008
Available-for-sale Financial Asset comprise:	$	$	$	$
Shares in controlled entities - at cost	-	-	5,180,376	5,180,376
Provision for impairment (Note 2 b)	-	-	(5,180,376)	-
	-	-	-	5,180,376

The controlled entities' acquisition cost is directly related to the mining interest held. The Directors have made a strategic decision to minimise or cease current exploration expenditure on certain low priority projects. The Company has therefore determined that this represents an impairment of the investments in the controlled entities and as such, the impairment expense of $5,180,376 was recognised (Note 2b).

In accordance with AASB 136: Impairment of Assets, an impairment loss has been recognised for the year in relation to all of the Company's unlisted investment in controlled entities

(a) Investment in Controlled Entities

	Percentage of Ownership 2009	Percentage of Ownership 2008
Hume Mining NL Incorporated in Australia on 29 March 1994	100%	100%
Alara Operations Pty Ltd (APO) Incorporated in Australia on 5 February 2007	100%	100%
Alara Peru Operations Pty Ltd (APO) Incorporated in Australia on 5 February 2007	100%	100%
Alara Peru S.A.C (subsidiary of APO) Incorporated in Peru on 1 March 2007.	100%	100%

13. RESOURCE PROJECTS

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$	$	$	$
Balance at the beginning of the year	5,885,528	5,248,504	124,121	-
Exploration and evaluation expenditure	981,855	833,229	17,197	124,121
Exploration and evaluation expenditure impairment	(6,867,383)	(196,205)	(141,318)	-
Balance at the end of the year	-	5,885,528	-	124,121

The Directors have made a strategic decision to conserve the Company's cash for high priority/value opportunities within the resource sector. The Company has therefore reduced exploration expenditure on existing projects deemed to be of lower priority – being the Crucero, Canning Well, Santa Rosa, Pampacolca and Coasa Project areas.

In accordance with AASB 136: Impairment of Assets, an impairment loss has been recognised for the year in relation to all of the Company's capitalised exploration and evaluation expenditure.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

14. TRADE AND OTHER PAYABLES	Consolidated Entity 2009	Consolidated Entity 2008	Company 2009	Company 2008
	$	$	$	$
Trade creditors	32,415	2,942	(1,624)	2,942
Other payables	87,551	445,351	68,134	69,236
	119,966	448,293	66,510	72,178

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

15. PROVISIONS	Consolidated Entity 2009	Consolidated Entity 2008	Company 2009	Company 2008
	$	$	$	$
Current				
Employee benefits - annual leave	46,287	52,854	30,773	30,940
Non Current				
Employee benefits - long service leave	34,254	-	25,870	-
	80,541	52,854	56,643	30,940
Movement in provision for employee benefits - annual leave				
Opening balance	52,854	6,018	30,940	6,018
Additional/ (Reversal) of provision	(6,567)	46,836	(167)	24,922
Closing balance	46,287	52,854	30,773	30,940

(a) Amounts not expected to be settled within the next 12 months
Other creditors and accruals include accruals for annual leave. The entire 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.

Movement in provision for employee benefits - long service leave	Consolidated Entity 2009	Consolidated Entity 2008	Company 2009	Company 2008
	$	$	$	$
Opening balance	-	-	-	-
Additional/ (Reversal) of provision	34,254	-	25,870	-
Closing balance	34,254	-	25,870	-

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

16. ISSUED CAPITAL	Consolidated Entity 2009	2008	Company 2009	2008
	$	$	$	$
Issued and Paid-Up Capital				
80,507,500 fully paid ordinary shares (2008: 80,507,500)	14,754,059	14,754,059	14,754,059	14,754,059

Each fully paid ordinary share carries one vote per share and the right to participate in dividends.

Movement in Ordinary Share Capital	Date of movement	Number of shares	Company 2009 $	2008 $
At 1 July 2007		80,500,000	14,819,046	14,819,046
IPO expenses		-	(66,862)	(66,862)
Options conversion	Nov-07	7,500	1,875	1,875
At 1 July 2008		80,507,500	14,754,059	14,754,059
		-	-	
At 30 June 2009		80,507,500	14,754,059	

Capital risk management

The Consolidated Entity's and Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy backs, capital reductions and the payment of dividends.

The Consolidated Entity has no borrowings. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

17. RESERVES	Consolidated Entity 2009	2008	Company 2009	2008
	$	$	$	$
Foreign currency translation reserve	309,127	809	-	-
Options reserve	4,747,991	3,904,823	4,747,991	3,904,823
	5,057,118	3,905,632	4,747,991	3,904,823

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 2009 $	2008 $
Directors' Options				
Unlisted options exercisable at $0.55; expiring 27 Jul 2012	27-Jul-07	18,550,000	3,261,090	3,144,942
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	17,300,000	568,151	-
Employees' Options				
Unlisted options exercisable at $0.55; expiring 27 Jul 2012	27-Jul-07	1,425,000	255,075	156,084
Unlisted options exercisable at $0.35; expiring 16 Sep 2013	17-Sep-08	1,735,000	59,878	-
		39,010,000	4,144,194	3,301,026
Listed $0.25 (30 June 2009) options		60,375,000	603,797	603,797
Options exercised		(7,500)	-	-
		60,367,500	603,797	603,797

The Option Reserve records the consideration (net of expenses) received by the Company on the issue of options.

17. RESERVES (continued)

Equity based remuneration

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

On 17 September 2008, 1,485,000 $0.35 (16 September 2013) Employees' Options were granted to 7 employees of the Company upon receiving shareholder approval.

On 17 September 2008, 17,300,000 $0.35 (16 September 2013) Directors' Options were granted to 3 directors of the Company upon receiving shareholder approval.

The fair value of directors' and employees' 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:

18. SHARE BASED PAYMENTS

A total of 17,300,000 Directors' and 1,485,000 employees' options were issued during the year (Refer to Note 17). Shareholder approvals were obtained for the issue of options to Directors as required under the Corporations Act 2001 and under the ASX Listing Rules. The reasons for the grant of these options to Directors and employees are as follows:

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

(i) The options issue was designed to act as an incentive for the recipient Directors and employees to strive to achieve the Company's goals with the aim of enhancing shareholder value.

(ii) The options provide an equity holding opportunity for each recipient Director and employee which is linked to the Company's share price performance.

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

(iv) The number of options issued to the Directors and employees have been determined having regard to the level of Directors and employees' 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 the Directors and employees to remain with the Company with a view to improving the future growth of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

18. SHARE BASED PAYMENTS (continued)

Options granted under the plan carry no dividend or voting rights.

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year	Fair value at balance date
17-Sep-08	16-Sep-13	0.35	-	17,300,000	-	17,300,000	12,975,000	$ 568,150
17-Sep-08	16-Sep-13	0.35	-	1,485,000	-	1,485,000	742,500	$ 59,878
			-	18,785,000	-	18,785,000	13,717,500	$ 628,028
Weighted average exercise price			-	0.35		0.35	0.35	

The weighted average remaining contractual life of share options outstanding at the end of the period was 4 years.

No options expired during the periods covered by the above tables. There were no shares issued as a result of the exercise of any Directors' or Employees options during the year (2008: nil).

The fair value of directors' and employees' 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 cost of all directors' and employees options assessed at fair value as at date of grant is $672,659 in total; the value in the above table reflects the fair value of options which 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 year are as follows:
(a) options are granted for no consideration and vest as described in the table above;
(b) exercise price is as described in the table above;
(c) grant date is as described in the table above;
(d) expiry date is as described in the table above;
(e) share price is based on the last bid price on ASX as at date of grant, as described in the table below;
(f) expected price volatility of the Company's shares has been assessed independently by BDO Kendalls Corporate Finance (WA) Pty Ltd, as described in the table below;
(g) expected dividend yield is nil;
(h) 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%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

19. RELATED PARTY DISCLOSURES

	Company 2008	2007
Loan to subsidiaries	**$**	**$**
Beginning of the year	1,030,644	119,310
Loans advanced	1,609,686	949,936
Loans repayment received	(38,602)	(38,602)
End of year	2,601,728	1,030,644
Provision for impairment on amounts receivable	(2,601,728)	(971,146)

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note **12** to the financial statements. The above amounts remain outstanding at balance date. Interest is not charged on such outstanding amounts.

20. SEGMENT REPORTING

The Consolidated Entity is based in Australia but has resource projects in Peru and Australia and is predominantly involved in resource exploration and evaluation.

Geographical segments	Segment revenues 2009	2008	Segment results 2009	2008
Australia	444,420	784,494	(8,486,782)	(3,554,043)
Peru	-	206	(377,572)	(318,002)
	444,420	784,700	(8,864,354)	(3,872,045)

Geographical segments	Segment assets 2009	2008	Segment liabilities 2009	2008	Acquisition of non-current segment 2009	2008
Australia	6,959,914	13,864,102	(185,307)	(159,321)	-	6,971
Peru	237,694	1,347,014	(15,200)	(341,826)	512,719	24,187
	7,197,608	15,211,116	(200,507)	(501,147)	512,719	31,158

21. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Consolidated Entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, loans to related parties and shares in listed securities. The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

Risk management is carried out by the Management with the approval of the Board of Directors. Management 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 and the Company 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 of Directors.

	Variable Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
Consolidated Entity	2009	2008	2009	2008	2009	2008	2009	2008
Financial assets	$	$	$	$	$	$	$	$
Cash	924,074	474,822	4,568,000	8,700,000	-	-	5,492,074	9,174,822
Receivables	-	-	-	-	138,175	108,676	138,175	108,676
Financial assets (Note 10)	-	-	-	-	1,501,034	-	1,501,034	-
	924,074	474,822	4,568,000	8,700,000	1,639,209	108,676	7,131,283	9,283,498
Financial liabilities at amortised cost								
Payables	-	-	-	-	(119,966)	(448,293)	(119,966)	(448,293)
	-	-	-	-	(119,966)	(448,293)	(119,966)	(448,293)
Net financial assets	924,074	474,822	4,568,000	8,700,000	1,519,243	(339,617)	7,011,317	8,835,205

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

21. FINANCIAL RISK MANAGEMENT (continued)

	Variable Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
Company	2009	2008	2009	2008	2009	2008	2009	2008
Financial assets	$	$	$	$	$	$	$	$
Cash	781,897	398,403	4,568,000	8,700,000	-	-	5,349,897	9,098,403
Receivables	-	-	-	-	39,782	7,777	39,782	7,777
Financial assets (Note 10)	-	-	-	-	1,501,034	-	1,501,034	-
	781,897	398,403	4,568,000	8,700,000	1,540,816	7,777	6,890,713	9,106,180
Financial liabilities at amortised cost								
Payables	-	-	-	-	(66,510)	(72,178)	(66,510)	(72,178)
	-	-	-	-	(66,510)	(72,178)	(66,510)	(72,178)
Net financial assets	781,897	398,403	4,568,000	8,700,000	1,474,306	(64,401)	6,824,203	9,034,002

(a) 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 consolidated entity has no borrowings. The average interest rate for the year for the table below is 4.18% (2008: 6.93%)

	Consolidated Entity		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash at bank	924,074	474,822	781,897	398,403
Term deposit	4,568,000	8,700,000	4,568,000	8,700,000
	5,492,074	9,174,822	5,349,897	9,098,403

(b) Foreign Currency Risk

The Consolidated Entity is exposed to foreign currency risk on cash held by a 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:

	Consolidated Entity		Company	
Foreign Currency Risk	**2009**	**2008**	**2009**	**2008**
	USD	**USD**	**USD**	**USD**
Cash and cash equivalents	128,839	58,999	66,840	-
Receivables	71,928	80,429	-	-
Payables	(12,234)	(216,013)	-	-
	188,533	(76,585)	66,840	-

(c) 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 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 the reporting date is the carrying amount of the financial assets as summarised below:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

21. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit Risk (continued)

	Consolidated Entity		Company	
	2009	2008	2009	2008
Cash and cash equivalents	$	$	$	$
AA	1,633,177	8,700,000	1,633,177	8,700,000
A	2,702,251	398,403	2,702,251	398,403
C+	1,000,000	-	1,000,000	-
No external credit rating available	156,646	76,419	14,469	-
Receivables				
No external credit rating available	138,175	108,676	39,782	7,777
	5,630,249	9,283,498	5,389,679	9,106,180

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.

(d) Equity Price Risk

Equity price risk represents the risk that 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. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

Equity securities price risk arises on the financial assets at fair value through profit or loss.

(e) 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 to meet accounts payable arising in the normal course of business.

The financial liabilities maturity obligation is disclosed below:

	Consolidated Entity		Company	
Non-derivatives	2009	2008	2009	2008
Non-interest bearing	$	$	$	$
less than 6 months	32,415	2,942	(1,624)	2,942
6 - 12 months	87,551	445,351	68,134	69,236
	119,966	448,293	66,510	72,178

(f) 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 10 and financial liabilities at balance date are set out in Note 14.

(g) Sensitivity Analysis

The Consolidated Entity's exposure to the US dollars is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

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

The Consolidated Entity has performed a sensitivity analysis on its exposure to equity price risk at balance date. The management assessment is based upon an analysis of current and future market position. The analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The All Ordinaries Index was utilised as the benchmark for the listed share investments which are at fair value through profit or loss.

	Consolidated Entity		Company	
Interest rate risk - cash and cash equivalents	2009	2008	2009	2008
Change in profit	$	$	$	$
Increase by 3%	164,762	275,245	291,021	291,021
Decrease by 3%	(164,762)	(275,245)	(291,021)	(291,021)
Change in equity				
Increase by 3%	164,762	275,245	291,021	291,021
Decrease by 3%	(164,762)	(275,245)	(291,021)	(291,021)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

21. FINANCIAL RISK MANAGEMENT (continued)

(g) Sensitivity Analysis

	Consolidated Entity			Company
Equity price risk - listed investments	**2009**	**2008**	**2009**	**2008**
Change in profit	**$**	**$**	**$**	**$**
Increase by 15%	194,065	-	194,065	-
Decrease by 15%	(194,065)	-	(194,065)	-
Change in equity				
Increase by 15%	194,065	-	194,065	-
Decrease by 15%	(194,065)	-	(194,065)	-

22. COMMITMENTS

(a) Agreement with Sheridan Platinum Group Peru S.A.C in relation to Rosita 2007 Concession (Peru)

On 7 December 2007, Alara Peru S.A.C (a Peruvian subsidiary of the Company) entered into an agreement with Sheridan Platinum Group S.A.C. to acquire 100% of the uranium mineral rights (and vanadium, phosphates and other radioactive mineral rights associated with uranium production) in the Rosita 2 concession in consideration for US$200,000 to be paid in 3 tranches - $50,000 on execution, $50,000 in 12 months and $100,000 in 24 months. The third-tranche is payable in December 2009. Alara may withdraw from the agreement after making these payments and its obligations will cease after the date of withdrawal. Alara is also liable for a royalty on all product mined and shipped from exploitation of these mineral rights (within 5 years - the greater of 3% of net smelter value or gross sales value and after 5 years - 5% of gross sales value; Alara may elect to reduce by 50% the rate of these royalties by payment of US$1 million within 12 months of production; An advance royalty payment of US$25,000 per annum is payable after the initial 24 months from execution of the agreement.)

(b) Agreement with Epsilon Energy Limited in relation to EL 09/1195 and 09/1196 tenements (Western Australia)

On 11 February 2007, Alara Operations Pty Ltd entered into an agreement with Epsilon Energy Limited (ASX Code: EPS) for Alara to earn up to a 60% interest in two exploration licences (EL 09/1195 and EL 09/1196) totalling ~43,500 hectares by spending up to $400,000 on exploration on the tenements within 2 years. These tenements are adjacent to Alara's tenements in the Mt James project area. Alara has a minimum commitment of $200,000 within the first 12 months to earn a 51% interest with the right to earn an additional 9% interest by spending $200,000 on the tenements within the second 12 months; Alara has the right to withdraw after the initial $200,000 commitment with no further commitments beyond its pro-rata share of the costs required to keep the tenements in good standing up to the date of withdrawal.

(c) 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 $170,000 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.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

22. COMMITMENTS (continued)

(e) 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.

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.

(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 Bigrlyi 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.

24. EVENTS AFTER BALANCE DATE

(a) As at 30 June 2009, the Consolidated Entity reported an unrealised net loss on share investments of $272,571. Due to improve market conditions since 1 July 2009, as at 24 September 2009, the Consolidated Entity has reported a $1.9 million unrealised net gain on these same share investments.

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

The Directors of the Company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and accompanying notes as set out on pages 17 to 43, 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 Company's and Consolidated Entity's financial position as at 30 June 2009 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 disclosures set out in the Directors' Report on pages 9 to 13 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*; and

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 performs the chief financial officer function) as required by section 295A of the *Corporations Act 2001*.

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

John Stephenson
Chairman

Shanker Madan
Managing Director

Perth, Western Australia

30 September 2009

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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we 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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

Independence
In conducting our audit, we complied with applicable 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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraphs or pages 9 to 14 of the directors' report for the year ended 30 June 2009. 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
In our opinion the Remuneration Report of Alara Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, 30 September 2009

SECURITIES INFORMATION
as at 16 September 2009

ISSUED SECURITIES

	Quoted	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
$0.55 (26 July 2012) Unlisted Employees' Options[9]	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Executive Directors' Options[10]	-	16,400,000	16,400,000
$0.35 (16 September 2013) Unlisted Non-Executive Director's Options[10]	-	900,000	900,000
$0.35 (16 September 2013) Unlisted Employees' Options[10]	-	1,485,000	1,485,000
Total	**80,507,500**	**19,285,000**	**99,792,500**

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[11]	No. of Options
27 July 2007	$0.55 (27 July 2012) Employees' Options	$0.55	26 July 2012	1/3rd on 27 January 2008, 1/3rd on 27 July 2008 and 1/3rd on 27 January 2009	500,000
17 September 2008	$0.35 (16 September 2013) Unlisted Executive Directors' Options	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	16,400,000
17 September 2008	$0.35 (16 September 2013) Unlisted Non-Executive Director's Options	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	900,000
17 September 2008	$0.35 (16 September 2013) Unlisted Employees' Options	$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	1,485,000

VOTING RIGHTS

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

9 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

10 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

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

SECURITIES INFORMATION

as at 16 September 2009

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,535	702,516	0.873
1,001	-	5,000	499	1,196,474	1.486
5,001	-	10,000	375	3,189,444	3.962
10,001	-	100,000	514	16,255,688	20.192
100,001	-	and over	106	59,163,378	73.488
Total			**3,029**	**80,507,500**	**100%**

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 PTD LTD	81,483		
	LISA SHALLARD AND LINDA SALA TENNA	700,000		
	KATANA ASSET MANAGEMENT LTD	287,304		
	KB33 CAPITAL PTY LTD (CHARITY)	100,000		
	KB33 CAPITAL PTY LTD	100,000		
	LISA SHALLARD AND LINDA SALA TENNA	2,124,144		
	KATANA EQUITY PTY LTD (SALA TENNA FAMILY ACC)	999,900		
		Sub-total	4,612,100	5.729
4	KATANA ASSET MANAGEMENT LTD		3,044,240	3.781
5	DATABASE SYSTEMS LIMITED		2,712,021	3.369
6	ANZ NOMINEES LIMITED		1,746,394	2.169
7	RAMSA PTY LTD <BAILEY SUPERFUND A/C>		1,471,925	1.828
8	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>		1,205,563	1.497
9	M & K KORKIDAS PTY LTD		954,562	1.186
10	BLUE CRYSTAL PTY LTD		829,751	1.031
11	ROSANNA DE CAMPO		800,000	0.994
12	TWINLAND HOLDINGS PTY LTD		781,024	0.970
13	RENMUIR HOLDINGS LIMITED		688,402	0.830
14	CASTLE BAILEY PTY LTD		657,056	0.816
15	MR BRIAN PETER BYASS		518,537	0.644
16	ZHIVAN PTY LTD		502,203	0.624
17	KATANA EQUITY PTY LTD		500,000	0. 621
18	MIDAS INVESTMENTS (WA) PTY LTD		500,000	0.621
19	MR ROBERT SPADANUDA <SUPER FUND A/C>		500,000	0.621
20	TOLTEC HOLDINGS PTY LTD		450,000	0.559
Total			**44,556,522**	**54.698**

* Substantial shareholders

ALARA RESOURCES LIMITED
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