



FULL YEAR REPORT:

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

30 June 2010

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

ASX Code:
AUQ

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CORPORATE DIRECTORY

BOARD

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

COMPANY SECRETARY

Victor P H Ho

REGISTERED AND PRINCIPAL OFFICE

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DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **AUQ**) and its controlled entities (the **Consolidated Entity** of **Alara**) for the financial year ended 30 June 2010 (**Balance Date**).

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

PRINCIPAL ACTIVITIES

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

- the maintenance of its existing early-stage exploration projects;
- the pursuit of new resource projects for investment, exploration, evaluation and development; and
- the management of its net assets.

OPERATING RESULTS

Consolidated	2010	2009
	\$	\$
Total revenue	493,552	444,420
Total expenses	(2,300,866)	(9,308,774)
Loss before tax	(1,807,314)	(8,864,354)
Income tax benefit	3,036	-
Net loss after tax attributable to members	(1,804,278)	(8,864,354)

Total revenue includes:

- (1) \$208,326 interest received (2009: \$444,420); and
- (2) \$285,226 net gain on financial assets held at fair value through profit or loss (2009: \$272,571 net loss).

Total expenses include:

- (1) \$164,805 costs in relation to resources projects (2009: \$256,398);
- (2) \$103,055 impairment of resource projects (2009: \$6,610,985);
- (3) \$822,317 personnel expenses – options remuneration (non-cash) (2009: \$843,168);
- (4) \$766,753 personnel expenses – cash remuneration (2009: \$830,312); and
- (5) \$104,830 travel, accommodation and incidentals (2009: \$24,705).

LOSS PER SHARE

Consolidated	2010	2009
Basic loss per share (cents)	(2.24)	(11.01)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	80,507,500	80,507,500

DIVIDENDS

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

DIRECTORS' REPORT

FINANCIAL POSITION

	2010	2009
	\$	\$
Consolidated Entity		
Cash	4,309,770	5,492,074
Financial assets held at fair value through profit and loss	1,786,260	1,501,034
Receivables	145,126	138,175
Resource projects	-	-
Other assets	42,175	66,325
Total assets	6,283,331	7,197,608
Payables	(496,801)	(119,966)
Provisions	(68,001)	(80,541)
Total liabilities	(564,802)	(200,507)
Net assets	5,718,529	6,997,101
Issued capital	14,754,059	14,754,059
Reserves	1,523,171	5,057,118
Accumulated losses	(10,558,701)	(12,814,076)
Total equity	5,718,529	6,997,101

REVIEW OF OPERATIONS

1. Company Projects

Alara Resources Limited (ASX Code: AUQ) is an Australian-based mineral exploration and development company. Alara has a current portfolio of exploration projects in Oman, Chile, Peru and Australia as follows:

PROJECTS	LOCATION
(1) El Quillay Copper-Gold	Chile
(2) Daris Copper	Oman
(3) Bigrlyi South Uranium	Northern Territory, Australia
(4) Canning Well Base Metals	Pilbara, Western Australia
(5) Mt James Uranium	Gascoyne, Western Australia
(6) Crucero, Pampacolca and Coasa Uranium	Peru

Alara has reviewed and discounted a number of new exploration opportunities and has recently acquired interests in the Daris Copper Project (Oman) and the El Quillay Copper-Gold Project (Chile). The Company is currently in negotiations with vendors in relation to the acquisition of one or more other overseas resource projects

Alara has reduced exploration expenditure on its existing early-stage Australian and Peruvian exploration projects.

No field work was conducted during the financial year and none is planned in the Mt James, Canning Well, Crucero, Pampacolca and Coasa Project areas. The Bigrlyi South Uranium Project and the granted Canning Well Project tenement (EL 46/629) have been farmed out to ASX listed joint venture parties.

DIRECTORS' REPORT

1. Acquisition of Interest in El Quillay Copper-Gold Project (Chile)

(Alara - right to earn-in 70%)

In August 2010, Alara secured rights to acquire (subject to completion of due diligence) a 70% interest in the El Quillay Copper/Gold Project located in the north of Chile.

The project is located south of the town of El Quillay, ~350 kilometres north of Santiago (the capital of Chile) and comprises 68 concessions totaling ~15,000 hectares across four project areas located within a radius of ~10 kilometres.

Geology

Work previously conducted by the vendors (which is the subject to due diligence to be conducted by Alara) indicates that the El Quillay deposit is formed by a series of lentiform mineralised bodies, containing Cu, Cu-Au-Ag and Cu-Au ore. These structures appear to be located within a belt ~6 kilometres long, with NS to NNW strike, related to a low angle fault system.

The mineralised bodies are hosted by volcanic andesitic rocks which show hydrothermal-metasomatic alteration. These mainly contain silica (quartz), sericite, albite-adularia, chlorite-epidote and hematite.

The lengths of the lenses (3 bodies of this type have been recognised to date) potentially range from 300 to 1,000 metres with widths ranging from 20 to 200 metres. The mineralisation appears in the shape of veins, veinlets-stockwork and disseminations. The oxidation zone reaches up to 25 metres depth. Thereafter the primary sulphide zone has been observed to continue to a depth of at least 80 metres in old workings. The widths of mineralisation indicate the potential for open cut mining. The mineralisation appears to continue over a strike length of ~3 kilometres. The hydrothermal alteration has been observed to continue over a further ~3 kilometres.

Alara will develop an initial exploration programme over priority targets within the project area as a precursor to the commencement of a staged 20,000 metre drilling programme over the next 12 months.

Joint Venture Terms

Under the terms of a term sheet (dated 17 August 2010) (the **Term Sheet**) entered into between Alara and Chilean vendors, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the **Vendors**):

- (i) Alara has 60 days to complete its due diligence analysis of the project;
- (ii) The Vendors will establish a new joint venture entity (**JVCo**) in Chile to hold the concessions;
- (iii) Upon completion of due diligence to the satisfaction of Alara and the execution of a more definitive joint venture agreement (**JV Agreement**) between the parties, Alara will pay the Vendors US\$500,000 and JVCO will permit Alara to register a lien over the concessions;
- (iv) Alara will be granted an option to acquire 70% of JVCo in consideration of the following payments to the Vendors over a 3 year term (**Earn-In Period**):
 - (a) US\$1,000,000 due and payable on or before the first anniversary of the JV Agreement;
 - (b) US\$3,000,000 due and payable on or before the second anniversary of the JV Agreement;
 - (c) US\$5,500,000 due and payable on or before the third anniversary of the JV Agreement;
 - (d) A 'Resource Bonus' due and payable on or before the earlier of commencement of production or the third anniversary of the JV Agreement;
- (v) The 'Resource Bonus' is calculated at the rate of US\$0.0255 per pound of contained fine copper equivalent grading at or above 0.7% Cu defined as being economically mineable (within a JORC Proven and/or Probable Reserve and Measured and/or Indicated Resource) within the project area during the Earn-In Period, in excess of a threshold 250,000 tonnes of contained fine copper equivalent grading at or above 0.7% Cu (**Threshold Resource**).
- (vi) During the Earn-In Period, Alara will manage and fund all exploration, evaluation and development costs in relation to the project, including a minimum 20,000 metre drilling programme to be completed over the first two years of the Earn-In Period (with a minimum of 10,000 metres to be completed during the first year);
- (vii) After the completion of the above Vendor payments (US\$10 million plus the 'Resource Bonus') and the completion of a 20,000 metre drilling programme (the **Earn-In**), Alara will secure a 70% shareholding interest in JVCo;

DIRECTORS' REPORT

- (viii) After the completion of the Earn-In, Alara will continue to manage and fund all exploration, evaluation and development costs up to completion of a Definitive (Bankable) Feasibility Study (**DFS**) in respect of each copper prospect within the project area;
- (ix) Thereafter, the parties will contribute to all cash calls in proportion to their respective participating interests in JVCo or be diluted in accordance with an industry standard dilution formula;
- (x) Alara further commits to advancing loan funds of up to US\$10 million to the Vendors (on commercial terms) to fund the Vendors' share of cash calls into JVCo (after the completion of a DFS) – this loan will be repaid to Alara out of the Vendors' share of profits from JVCo;
- (xi) After the Earn-In Period, a further 'Resource Bonus' is payable to the Vendors (calculated in the same manner as described above) in respect of additional contained fine copper defined within the project area (or processed by JVCo at average grades below 0.7% Cu equivalent) in excess of the Threshold Resource; and
- (xii) After the Earn-In, Alara shall have Board and operational control of JVCo.

Alara's due diligence investigations are on-going and the parties are progressing towards the execution of the more definitive JV Agreement.

2. Acquisition of Interest in Daris Copper Project (Oman)

(Alara - right to earn-in 70%)

In August 2010, Alara secured rights to acquire up to a 70% interest in the Daris Copper Project located in Oman.

The project is located ~150 km west of Muscat, the capital of Oman and currently comprises a mineral excavation license for copper ores of ~58,728 hectares. The concession owner is seeking to renew the license with mineral rights expanded from copper to include gold, silver and other base metals.

Geology

The project is located in the Semail Ophiolite belt in Northern Oman that extends over 800km. This belt provides a prospective setting for Cyprus-type VMS copper gold deposits. In the past, the Government-owned Oman Mining Company has produced, mined and treated 14 million tonnes of copper resource at between 1-2% copper from open cut mines at their Lasail, Arja and Baida mines. More recently, a privately owned Omani Company has located a large resource of copper nearby within 50km from the Project area.

Alara believes that the project area has the potential to host substantial copper mineralisation. During the course of its due diligence, Alara has identified a number of potential targets in addition to those previously drilled in the project area on a reconnaissance basis by the Government or consultants on its behalf. Drilling to date has identified the possibility of high grade oxide and sulphide mineralisation at shallow depths. The latest drilling was done in the 1990's.

Alara plans to pursue a twofold strategy in the project area:

- (1) To develop high grade oxide resources that may be amenable to heap leaching; and
- (2) To explore shallow and deeper sulphide mineralisation using modern geophysical techniques.

The proximity to the capital city, a paved highway and modern copper extraction facilities nearby (in Sohar) should assist in the development of early cash flow from any discoveries made in the project area.

Initial Drilling Programme

An initial ~25 hole diamond and percussion drilling programme using two drill rigs has commenced on targets identified by Alara. The drilling campaign is focused on 2 prospects within the concession to define a shallow oxide resource as well as a shallow high grade sulphide mineralisation, with a view to development as well as understanding and building an exploration model for the area.

Joint Venture Terms

- (1) Under a Shareholders' Agreement (dated 28 August 2010) entered into between Alara and the concession holder, Al Tamman Trading Establishment LLC (**ATTE**), Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with the concession owner holding 50%) and will advance

DIRECTORS' REPORT

US\$3 million as equity during a 3 year period. Thereafter, Alara will advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%.

- (2) DarisCo will have exclusive rights under a management agreement with the concession owner to manage, operate and commercially exploit the concession. There are no vendor payments to the concession owner.
- (3) The Shareholders Agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of DarisCo, the execution of the management agreement and ancillary and loan agreement and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals.

Other Project Opportunities in Oman

Alara is also forming a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) with Sur United International Co. LLC (**SUR**), to identify, secure and commercially exploit other resource projects in Oman.

Under the terms of a shareholders' agreement (dated 8 August 2010) between Alara and SUR:

- (1) Alara will contribute 100% of the initial capital of 150,000 RO (equivalent to ~US\$400,000) for a 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Thereafter, Alara will advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends);
- (2) SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR;
- (3) There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit.

3. Future Capital Raising

The Directors contemplate that the Company will be undertaking a capital raising to:

- (a) fund the Consolidated Entity's commitments (being vendor payments and exploration and evaluation expenditure commitments) under the El Quillay Project and Daris Project joint ventures;
- (b) fund commitments under new acquisitions undertaken by the Consolidated Entity (if any); and
- (c) supplement existing cash reserves to meet the Consolidated Entity's other working capital requirements.

4. Canning Well Manganese Farm Out Agreement

In March 2010, Alara entered into a farm-out agreement with Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN), for the potential mining of manganese from Alara's Canning Well tenement in the East Pilbara region of Western Australia. Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export, including the mining and sale of manganese in the Pilbara.

Under the agreement, PMI will determine the feasibility of a manganese mining operation on the Canning Well EL 46/629 tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara ~A\$4.20 per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

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

DIRECTORS' REPORT

PMI has conducted an evaluation of exploration data (including Alara's mag/lag and rock chip samples) and is planning further interpretation of magnetic and gravity data and field work (rock chip sampling) on the tenement.

5. Bigrlyi South Uranium (Northern Territory) Joint Venture

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

Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licenses EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration License application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant.

Thundelarra has tenements (~1,950 km²) contiguous with Alara's tenements (~1,350km²) in the Bigrlyi South project area, located ~350 kilometres north-west of Alice Springs in the Northern Territory of Australia and adjacent to tenements surrounding the Bigrlyi uranium deposit (being developed by Energy Metals Limited – ASX Code: "EME").

Thundelarra has advised Alara that it has undertaken the following activities during and since the end of the financial year:

- (a) Thundelarra has recovered digital seismic data from Magellan Petroleum's vaults in Brisbane. This data has been transcribed on to modern media with data recovery specialists in Perth. At least 15 seismic lines have been surveyed over the joint venture area. Field observations by Thundelarra's structural geologist have indicated the deformation of the sediments to be associated with the Yuendumu Thrust, which further refines the interpretation of gravity data;
- (b) A confidentiality agreement has been signed in relation to tenement ELA 24927 (under application) with the Central Land Council (**CLC**) and negotiations with the CLC are on-going in relation to a Tripartite Deed for the conduct of exploration on the tenement, as a precursor to the grant of the tenement;
- (c) Thundelarra entered into an agreement for the Joint Surveys Uranium (JSU) Project with CSIRO, the Northern Territory Geological Survey (NTGS) and 2 other ASX listed resource companies. This collaborative project will involve detailed investigations by CSIRO scientists (which include the application of several CSIRO technologies) at the Bigrlyi uranium project site, surrounding prospects (which include Alara's Bigrlyi South project area) and the surrounding Ngalia Basin region. These investigations will assist the Alara/ Thundelarra joint venture in the interpretation of magnetic, gravity and seismic datasets;
- (d) CSIRO has completed 3D geological modeling of the Bigrlyi prospect (which includes Alara's Bigrlyi South project area) and the surrounding Ngalia Basin region and ASTER satellite night-time thermal imagery data has been processed - a major paleochannel system has been interpreted from this process. Data compilation and analysis is on-going;
- (e) Thundelarra has obtained a grant of \$100,000 from the NT government to conduct a regional airborne EM survey (which includes Alara's Bigrlyi South project area) to map the thickness of the Tertiary sequence, target Tertiary paleochannels, map lithological variation (e.g. shale vs. sandstone) within the Mt Eclipse Sandstone to provide paleo-permeability constraints and detect potential large massive sulphide deposits. This airborne survey is expected to commence in October 2010;
- (f) Thundelarra is in the process of obtaining heritage and regulatory approvals for a regional 53-hole air-core drilling programme (which includes Alara's Bigrlyi South project area) to test Tertiary targets and thickness and provide interface sampling on the Mt Eclipse Sandstone.

DIRECTORS' REPORT

6. Termination of Farm-In Agreements

During the financial year, Alara terminated two farm-in agreements within its Mt James Project in Western Australia as follows:

Status	Tenement	Location / Property Name	Previous Company's Interest
Alara terminated the farm-in agreement with Epsilon Energy Limited	EL 09/1195	Mt James	Right to earn up to a 60% interest (from Epsilon Energy Limited)
	EL 09/1196	Mt James	
Alara terminated the farm-in agreement with United Orogen Limited (formerly Uranium Oil & Gas Limited)/Helen Mary Ansell	E 09/1245	Rubberoid Well	70% held by Alara Operations Pty Ltd (30% retained by United Orogen Limited (formerly Uranium Oil & Gas Limited)/Helen Mary Ansell)

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

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

7. Share Investments

As at 30 June 2010, Alara's investment in listed securities had a total value of \$1.79 million (30 June 2009: \$1.5 million). Alara has posted a \$0.29 million unrealised net gain on its share investments for the financial year ended 30 June 2010 (30 June 2009: \$0.27 million net loss).

SECURITIES IN THE COMPANY

1. Current Issued Capital

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

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options ¹	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ²	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ²	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ³	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ³	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ⁴	-	400,000	400,000
Total	80,507,500	23,985,000	104,492,500

¹ 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](#)

² 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](#)

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

⁴ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

DIRECTORS' REPORT

2. Summary of Unlisted Directors' and Employee Options Issued/Lapsed

During and subsequent to the end of the financial year, the Company issued the following unlisted Directors' and Employees' options:

- (a) The Company issued the following unlisted options to employees, as part of a review of their remuneration package:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
1,000,000	26 October 2009	\$0.60 (25 October 2014) Options	\$0.60	25 October 2014	100% on date of issue
1,650,000	26 October 2009	\$0.35 (25 October 2014) Options	\$0.35	25 October 2014	100% on date of issue
400,000	23 August 2010	\$0.35 (22 August 2015) Options	\$0.35	22 August 2015	100% on date of issue

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

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

During and subsequent to the end of the financial year, the following unlisted employee' and director's options lapsed:

No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
112,500	12 March 2010	\$0.35 (16 September 2013) Employee's Options	\$0.35	16 September 2013
337,500	11 April 2010	\$0.35 (16 September 2013) Employee's Options	\$0.35	16 September 2013
900,000	19 August 2010	\$0.35 (16 September 2013) Director's Unlisted Options	\$0.35	16 September 2013

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no 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.

FUTURE DEVELOPMENTS

The Consolidated Entity notes the Carbon Pollution Reduction Scheme (CPRS) previously announced by Government. As the CPRS (or a form of the same) has not yet been implemented, 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.

DIRECTORS' REPORT

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.

BOARD OF DIRECTORS

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

H. Shanker Madan	Managing Director
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	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.
<i>Relevant interest in securities</i>	Shares – 278,375 ⁵ Unlisted \$0.35 (16 September 2013) Options – 8,200,000
<i>Other current directorships in listed entities</i>	Non-Executive Chairman of Strike Resources Limited (SRK) (since 25 March 2010) (Managing Director of SRK between 26 September 2005 and 24 March 2010)

⁵ 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
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BJuris , LLB. (Western Australia)
<i>Experience</i>	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Relevant interest in securities</i>	Shares – 98,242 (directly) and 9,332,744 indirectly ⁶ Unlisted \$0.35 (16 September 2013) Options – 8,200,000 directly
<i>Other current directorships in listed entities</i>	Current Chairman and Managing Director of: (1) Queste Communications Ltd (QUE) (since 10 March 1998) Current Executive Chairman of: (2) Orion Equities Limited (OEQ) (since 23 October 2006) (3) Bentley Capital Limited (BEL) (director since 2 December 2003) Current Non-Executive Director of: (4) Strike Resources Limited (SRK) (since 9 September 1999) (5) ITS Capital Limited (ITS) (since 27 April 2006)
William M. Johnson	Executive Director
<i>Appointed</i>	26 October 2009
<i>Qualifications</i>	MA (Oxon), MBA
<i>Experience</i>	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.
<i>Relevant interest in securities</i>	Shares – 27,000 ⁷ Unlisted \$0.60 (25 October 2014) Options – 1,000,000 Unlisted \$0.35 (25 October 2014) Options – 2,000,000
<i>Other current directorships in listed entities</i>	Current Executive Director of: (1) Orion Equities Limited (OEQ) (since 28 February 2003) (2) Bentley Capital Limited (BEL) (since 13 March 2009) Current Non-Executive Director of: (3) Strike Resources Limited (SRK) (14 July 2006)
<i>Former directorships in other listed entities in past 3 years</i>	(1) Drillsearch Energy Limited (DLS) (24 October 2006 to 11 August 2008) (2) Scarborough Equities Limited (merged with BEL on 13 March 2009 and delisted) (3) Sofcom Limited (SOF) (18 October 2005 to 19 March 2008)

⁶ 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, Mr Khan also holds 98,242 shares directly.

⁷ Held jointly: Mr William Matthew Johnson & Mrs Joanne Doris Johnson <WIJOA SUPER FUND A/C>

DIRECTORS' REPORT

John Stephenson	Former Chairman
<i>Appointed</i>	18 May 2007
<i>Ceased</i>	19 February 2010
<i>Qualifications</i>	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.
<i>Relevant interest in securities</i>	Shares – 217,072 ⁸
<i>Other directorships in listed entities</i>	Chairman of Strike Resources Limited (SRK) (26 October 2005 to 19 February 2010)
<i>Former directorships in other listed entities in past 3 years</i>	None

Vale – Chairman, Dr John Stephenson

The Directors and staff of Alara are greatly saddened by the passing of Chairman Dr John Stephenson on 19 February 2010. In the breadth and depth of his experience in the mining industry, Dr Stephenson had few peers. His industry knowledge, sharp intellect and personal warmth made him an excellent leader, loved and respected by all who knew him. Dr Stephenson fought a battle with cancer, showing exemplary courage and determination. While his illness weakened his body, his great intellectual capacity was undiminished until the last. Dr Stephenson was a great friend and mentor to many in the Company. He will be greatly missed.

COMPANY SECRETARY

Victor P. H. Ho	Company Secretary
<i>Appointed</i>	4 April 2007
<i>Qualifications</i>	BCom, LLB (Western Australia)
<i>Experience</i>	Mr Ho has been in company secretarial/executive roles with a number of public listed companies since 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has extensive experience in the structuring and execution of commercial and corporate transactions, capital raisings, capital management matters, public company administration, corporations law and stock exchange compliance and shareholder relations.
<i>Relevant interest in securities</i>	Shares – 171,090 Unlisted \$0.35 (16 September 2013) Options – 700,000 Unlisted \$0.60 (25 October 2014) Options – 1,000,000 Unlisted \$0.35 (25 October 2014) Options – 1,650,000
<i>Other positions held in listed entities</i>	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) Bentley Capital Limited (BEL) (since 5 February 2004) (3) Queste Communications Ltd (QUE) (since 30 August 2000)
<i>Former directorships in other listed entities in past 3 years</i>	(1) Strike Resources Limited (Secretary between 9 March 2000 and 30 April 2010 and Director between 12 October 2000 and 30 April 2010) (2) Scarborough Equities Limited (merged with BEL on 13 March 2009 and delisted) (3) Sofcom Limited (SOF) (Director between 3 July 2002 and 19 March 2008; Secretary between 23 July 2003 and 19 March 2008)

⁸ Held jointly: John Francis Stephenson & Susan Margaret Franklin <Stephenson Franklin FMY A/C>

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
H. Shanker Madan	9	9
Farooq Khan	9	9
William Johnson (appointed 26 October 2009)	6	6
John Stephenson (ceased 19 February 2010)	4	6

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 (5) 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) Mr H. Shanker Madan (Managing Director) – a base salary of \$200,000 per annum plus employer superannuation contributions;
- (b) Mr Farooq Khan (Executive Director) – a base salary of \$175,000 per annum plus employer superannuation contributions;
- (c) Mr William Johnson (Executive Director) – a base salary of \$85,000 per annum plus employer superannuation contributions;
- (d) Mr Victor Ho (Company Secretary) – a base salary of \$90,000 per annum plus employer superannuation contributions.

DIRECTORS' REPORT

Former Chairman, Dr John Stephenson (ceased on 19 February 2010), received a base fee of \$40,000 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.

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 a Director 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 a Director 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	Performance related %	Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	Total \$
		Cash, salary and commissions \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Options \$	
2010							
Non-Executive Director: John Stephenson (ceased 19 February 2010)	-	26,923	-	2,423	-	1,673	31,019
Executive Directors: Shanker Madan	-	161,538	-	14,538	-	15,243	191,319
Farooq Khan	-	153,361	-	13,803	-	15,243	182,407
William Johnson (appointed 26 October 2009)	-	51,055	-	4,595	-	354,014	409,664
Company Secretary Victor Ho	-	68,363	-	6,153	-	428,703	503,219

Key Management Person	Performance related %	Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	Total \$
		Cash, salary and commissions \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Options \$	
2009							
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

Victor Ho is also Company Secretary of the Company.

The value of Equity based benefits are based on the fair value of vested 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 or the previous financial year.

DIRECTORS' REPORT

(3) Options Issued to Key Management Personnel

During the financial year, a total of 5,650,000 unlisted options were issued to Key Management Personnel as follows:

No. of Options Issued to Key Management Personnel		Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ⁹	Total Fair Value as at date of issue
William Johnson	1,000,000	30 November 2009	\$0.60 (25 October 2014) Options ¹⁰	\$0.60	25 October 2014	100% on date of issue	\$106,698 or \$0.11 each
Victor Ho	1,000,000	26 October 2009					\$147,306 or \$0.15 each
William Johnson	2,000,000	30 November 2009	\$0.35 (25 October 2014) Options ⁹	\$0.35	25 October 2014	100% on date of issue	\$247,316 or \$0.12 each
Victor Ho	1,650,000	26 October 2009					\$276,366 or \$0.17 each

Mr Johnson's options were issued pursuant to shareholder approval obtained at the Company's annual general meeting held on 30 November 2009 as required under the Corporations Act 2001 and the ASX Listing Rules.

On 23 August 2010, 400,000 new \$0.35 (22 August 2015) Unlisted Options were issued to another employee (who is not regarded as a Company Executive/Key Management Personnel).

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

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 the 5,650,000 unlisted options issued to Key Management Personnel during the financial year assessed at fair value as at date of grant is \$777,685 in total; the fair value of vested options expensed up the balance date in the above table 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:

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

⁹ Options which have vested may be exercised at any time thereafter, up to their expiry date

¹⁰ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

DIRECTORS' REPORT

Date of Issue	Description of Unlisted Options	AUQ Share Price at Grant Date	Risk Free Rate	Expected price volatility of the Company's shares
30 November 2009	\$0.60 (25 October 2014) Options	\$0.19	4.95%	95%
26 October 2009	\$0.60 (25 October 2014) Options	\$0.24	5.57%	95%
30 November 2009	\$0.35 (25 October 2014) Options	\$0.19	4.95%	95%
26 October 2009	\$0.35 (25 October 2014) Options	\$0.24	5.57%	95%

On 19 August 2010 (subsequent to the end of the financial year), former Director, Dr John Stephenson's unlisted options lapsed as follows (in accordance with their terms of issue):

Lapsed Options previously held by Key Management Personnel	Date of Issue	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
900,000	17 September 2008	19 August 2010	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	\$31,230 ⁸ or \$0.035 each

Details of each Key Management Personnel's holdings of unlisted options during the year are as follows:

Name of Key Management Personnel	No. options granted during the year		No. options cancelled during the year		No. options vested during the year	
	2010	2009	2010	2009	2010	2009
H. Shanker Madan	-	8,200,000 \$0.35 (16 September 2013) Options	-	8,800,000 \$0.55 (26 July 2012) Options	2,050,000 \$0.35 (16 September 2013) Options	6,150,000 \$0.35 (16 September 2013) Options
Farooq Khan	-	8,200,000 \$0.35 (16 September 2013) Options	-	8,775,000 \$0.55 (26 July 2012) Options	2,050,000 \$0.35 (16 September 2013) Options	6,150,000 \$0.35 (16 September 2013) Options
William Johnson	2,000,000 \$0.35 (25 October 2014) Options	-	-	-	2,000,000 \$0.35 (25 October 2014) Options	-
	1,000,000 \$0.60 (25 October 2014) Options	-	-	-	1,000,000 \$0.60 (25 October 2014) Options	-
John Stephenson	-	900,000 \$0.35 (16 September 2013) Options	-	975,000 \$0.55 (26 July 2012) Options	225,000 \$0.35 (16 September 2013) Options	675,000 \$0.35 (16 September 2013) Options
Victor Ho	1,650,000 \$0.35 (25 October 2014) Options	700,000 \$0.35 (16 September 2013) Options	-	500,000 \$0.55 (26 July 2012) Options	1,650,000 \$0.35 (25 October 2014) Options	350,000 \$0.35 (16 September 2013) Options
	1,000,000 \$0.60 (25 October 2014) Options				1,000,000 \$0.60 (25 October 2014) Options	
	350,000 \$0.35 (16 September 2013) Options				350,000 \$0.35 (16 September 2013) Options	

DIRECTORS' REPORT

(4) Employee Share Option Plan

The Company has an Employee Share Option Plan (the **ESOP**) which was approved by shareholders at the 2008 annual general meeting held on 6 November 2008. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of 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 2010 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 Audit Pty Ltd) for audit and non-audit services (paid to a related party of Grant Thornton Audit Pty Ltd) provided during the financial year are set out below:

Audit & Review Fees \$	Fees for Other Services \$	Total \$
25,275	3,700	28,975

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

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

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 20. 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 23), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

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



Shanker Madan
Managing Director
Perth, Western Australia



Farooq Khan
Director

24 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue	3	493,552	444,420
		<hr/>	<hr/>
	3	493,552	444,420
Net loss on financial assets held at fair value through profit or loss		-	(272,571)
Costs relating to resource projects		(164,805)	(256,398)
- Impairment of resource projects		(103,055)	(6,610,985)
Personnel		(771,102)	(857,999)
- Options remuneration (non-cash)		(822,317)	(843,168)
Occupancy costs		(80,307)	(29,318)
Foreign exchange movement		(14,404)	(29,796)
Finance expenses		(6,156)	(4,800)
Borrowing costs		(471)	(39)
Corporate expenses		(25,379)	(54,167)
Administration expenses		(312,870)	(349,533)
		<hr/>	<hr/>
LOSS BEFORE INCOME TAX	3	(1,807,314)	(8,864,354)
Income tax benefit	4	3,036	-
		<hr/>	<hr/>
LOSS FOR THE YEAR		<u>(1,804,278)</u>	<u>(8,864,354)</u>
Other comprehensive income			
Exchange differences on translation of foreign operations		(296,611)	308,318
Income tax relating to components of other comprehensive income		-	-
		<hr/>	<hr/>
Total other comprehensive income		(296,611)	308,318
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(2,100,889)</u>	<u>(8,556,036)</u>
Total comprehensive income and expense for the year attributable to: Owners of Alara Resources Limited		<u>(2,100,889)</u>	<u>(8,556,036)</u>
Basic and diluted loss per share (cents)	7	(2.24)	(11.01)

The accompanying notes form part of this financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	8	4,309,770	5,492,074
Trade and other receivables	9	145,126	138,175
Other current assets	10	1,891	18,582
TOTAL CURRENT ASSETS		4,456,787	5,648,831
NON CURRENT ASSETS			
Financial assets held at fair value through profit and loss	11	1,786,260	1,501,034
Property, plant and equipment	12	40,284	47,743
Resource projects	13	-	-
TOTAL NON CURRENT ASSETS		1,826,544	1,548,777
TOTAL ASSETS		6,283,331	7,197,608
CURRENT LIABILITIES			
Trade and other payables	14	496,801	119,966
Provisions	15	56,034	46,287
TOTAL CURRENT LIABILITIES		552,835	166,253
NON CURRENT LIABILITIES			
Provisions	15	11,967	34,254
TOTAL NON CURRENT LIABILITIES		11,967	34,254
TOTAL LIABILITIES		564,802	200,507
NET ASSETS		5,718,529	6,997,101
EQUITY			
Issued capital	16	14,754,059	14,754,059
Reserves	17	1,523,171	5,057,118
Accumulated losses		(10,558,701)	(12,814,076)
TOTAL EQUITY		5,718,529	6,997,101

The accompanying notes form part of this financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Note	Issued Capital \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2008		14,754,059	3,904,823	809	(3,949,722)	14,709,969
Foreign currency translation reserve	17	-	-	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 comprehensive income for the year		-	-	308,318	(8,864,354)	(8,556,036)
Transactions with owners in their capacity as owners:						
Options issued during the year	17	-	843,168	-	-	843,168
At 30 June 2009		<u>14,754,059</u>	<u>4,747,991</u>	<u>309,127</u>	<u>(12,814,076)</u>	<u>6,997,101</u>
At 1 July 2009		14,754,059	4,747,991	309,127	(12,814,076)	6,997,101
Foreign currency translation reserve	17	-	-	(296,611)	-	(296,611)
Net income and expense recognised directly in equity		-	-	(296,611)	-	(296,611)
Loss for the year		-	-	-	(1,804,278)	(1,804,278)
Total comprehensive income for the year		-	-	(296,611)	(1,804,278)	(2,100,889)
Transactions with owners in their capacity as owners:						
Reduction of options reserve against accumulated losses	17	-	(4,059,653)	-	4,059,653	-
Options issued during the year	17	-	822,317	-	-	822,317
At 30 June 2010		<u>14,754,059</u>	<u>1,510,655</u>	<u>12,516</u>	<u>(10,558,701)</u>	<u>5,718,529</u>

The accompanying notes form part of this financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	Note	Consolidated	
		2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(799,563)	(1,595,652)
Payments for exploration and evaluation expenditure		(267,860)	(981,855)
Interest received		207,228	411,242
Interest paid		(471)	(39)
Income taxes refunded		3,036	-
		<hr/>	<hr/>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	8 b	(857,630)	(2,166,304)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment	12	(13,659)	(21,362)
Payments for share investments		-	(1,773,604)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(13,659)	(1,794,966)
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(871,289)	(3,961,270)
Cash and cash equivalents at beginning of the financial year		5,492,074	9,174,822
Effect of exchange rate changes on cash		(311,015)	278,522
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	4,309,770	5,492,074

The accompanying notes form part of this financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretation, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

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

Reporting Basis and Conventions

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

AASB 101: Presentation of Financial Statements

The Consolidated Entity has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Consolidated Entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Consolidated Financial Statements Reporting

Pursuant to the *Corporations Amendment (Corporate Reporting Reform) Bill 2010* (which was passed on 24 June 2010 and received Royal Assent on 28 June 2010), the reporting of the Company's financial statements are no longer required. However, there is still a requirement to present the Company's key financial information in the notes to the financial statements (Refer to Note 2 in this regard).

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.

1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Alara Resources Limited as at 30 June 2010 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiary are referred to in this financial report as the Consolidated Entity.

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

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

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

1.3. Mineral Exploration and Evaluation Expenditure

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

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

1.4. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to Board.

Change in accounting policy

The Consolidated Entity has applied AASB 8 "Operating Segments" from 1 July 2009. The Consolidated Entity now presents the operating segments based on information that is internally provided to the management. Previously operating segments were determined and presented in accordance with AASB 114 "Segment Reporting". An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the management to make decisions on allocation of resources to the relevant segments and assess performance. Unallocated items comprise mainly share investments, corporate and office expenses. The Consolidated Entity's segment reporting is contained in Note 19 of the notes to the financial statements.

1.5. Revenue Recognition

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

Sale of Goods and Disposal of Assets - Revenue from the sale of goods and disposal of other assets is recognised when the

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Consolidated Entity has passed control of the goods or other assets to the buyer.

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

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.

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

1.6. Income Tax

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

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

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

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

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

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

Tax consolidation legislation

The Consolidated Entity implemented the tax consolidation legislation. The head entity, Alara Resources Limited, and the controlled entities in the tax consolidated group continue to

account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

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

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

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

1.7. Goods and Services Tax (GST)

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

1.8. Employee Benefits

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

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

1.9. Director/Employee Options

The fair value of options granted by the Company to directors and employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured 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 Black-Scholes valuation model that takes into account the exercise price, the term of the option, the vesting criteria, the unlisted nature of the option, the share price at grant date and the expected price volatility of the underlying shares in the Company, and the risk-free interest rate for the term of the option. Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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 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.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit and loss".

1.13. Fair value Estimation

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

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

techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

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

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

1.14. Property, Plant and Equipment

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

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

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

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

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

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

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

1.15. Impairment of Non Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.16. Payables

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

1.17. Issued Capital

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

1.18. Earnings Per Share

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

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

1.19. Foreign Currency Translation and Balances

Functional and presentation currency

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

Transaction and balances

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

Consolidated entity

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

- (a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- (b) income and expenses are translated at average exchange rates for the period; and
- (c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

1.20. Leases

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1.21. Summary Of Accounting Standards Issued Not Yet Effective

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact on the Consolidated Entity's financial statements or the associated notes therein.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Changes to AIFRSs as a result of the IASB's 2008 annual improvement process.	Periods commencing on or after 1 January 2010
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i> .	Periods beginning on or after 1 January 2010
AASB 9 (issued December 2009) AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	Financial Instruments	Amends the requirements for classification and measurement of financial assets. AASB 9 introduces new requirements for the classification and measurement of financial assets. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the different rules in AASB 139 and removing the impairment requirement for financial assets held at fair value.	Periods beginning on or after 1 January 2013
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	Periods beginning on or after 1 July 2010
<i>Improvements to IFRSs</i>	<i>Improvements to IFRSs</i>	Changes to IFRSs as a result of IASB's 2009 annual improvements project.	Periods commencing on or after 1 July 2010 or 1 January 2011.
AASB 124 (issued December 2009) AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124.	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.
AASB 2010-04 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Annual Improvements Project	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	Annual reporting periods commencing on or after 1 January 2011.
AASB 101	Presentation of Financial Statements	Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.	Periods commencing on or after 1 January 2010

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

2. COMPANY INFORMATION

The following information provided relates to the Company, Alara Resources Limited as at 30 June 2010. The information presented here has been prepared using accounting policies as outlined in Note 1.

	2010	2009
	\$	\$
Current assets	4,251,516	5,389,679
Non current assets	1,927,260	1,503,371
Total assets	6,178,776	6,893,050
Current liabilities	102,060	97,283
Non current liabilities	11,967	25,870
Total liabilities	114,027	123,153
Net assets	6,064,749	6,769,897
Issued capital	14,754,059	14,754,059
Reserves	1,510,655	4,747,991
Accumulated losses	(10,199,965)	(12,732,153)
Total equity	6,064,749	6,769,897
Loss for the year	(1,527,464)	(8,443,323)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(1,527,464)	(8,443,323)

Notes to the Statement of Financial Position

(a) Current assets

(i) Cash and cash equivalents

Cash at bank	651,044	781,897
Term Deposits	3,553,864	4,568,000
	4,204,908	5,349,897

(b) Non current assets

(i) Financial assets at fair value through profit and loss

Listed investments at fair value	1,786,260	1,501,034
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(c) Related party transactions

(i) Loan to subsidiaries

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

	2010	2009
	\$	\$
Amounts owed by controlled entities	2,825,020	2,601,728
Provision for impairment	(2,695,125)	(2,601,728)
	129,895	-
Movement in loans to subsidiaries		
Opening balance	2,601,728	1,030,644
Loans advanced	223,292	1,609,686
Loans repayment received	-	(38,602)
Closing balance	2,825,020	2,601,728
Movement in provision for impairment of receivables		
At 1 July	(2,601,728)	(971,146)
Provision for impairment recognised during the year	(93,397)	(1,630,582)
Provision for impairment on amounts receivable	(2,695,125)	(2,601,728)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

2. COMPANY INFORMATION (continued)

Investment in Controlled Entities	Percentage of Ownership	
	2010	2009
Hume Mining NL Incorporated in Australia on 29 March 1994	100%	100%
Alara Operations Pty Ltd (AOP) 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%
Alara Chile Operations Pty Ltd (ACO) Incorporated in Australia on 28 October 2009	100%	-
Alara Resources Ghana Limited Incorporated in Ghana on 8 December 2009	100%	-
Alara Oman Operations Pty Limited (AOO) Incorporated in Australia on 28 June 2010	100%	-

3. LOSS FOR THE YEAR

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

	2010	2009
	\$	\$
(a) Revenue		
Interest	208,326	444,420
Net gain on financial assets held at fair value through profit or loss	285,226	-
	<u>493,552</u>	<u>444,420</u>
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	-	272,571
Costs relating to resource projects	164,805	256,398
- Impairment of resource projects	103,055	6,610,985
Personnel		
- cash remuneration	766,753	830,312
- options remuneration (non-cash)	822,317	843,168
- employee benefits	4,349	27,687
Occupancy expenses	80,307	29,318
Foreign exchange movement	14,404	29,796
Finance expenses	6,156	4,800
Borrowing cost - interest paid	471	39
Corporate expenses	25,379	54,167
Administration expenses		
- Communications	11,198	25,641
- Consultancy fees	60,459	33,086
- Travel, accommodation and incidentals	104,830	24,705
- Professional fees	45,348	84,143
- Insurance	18,020	21,218
- Depreciation	21,118	15,709
- Other administration expenses	51,897	145,031
	<u>2,300,866</u>	<u>9,308,774</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

4. INCOME TAX EXPENSE	2010	2009
	\$	\$
(a) Income tax expense		
Current tax		
Current year	(3,036)	-
Total income tax expense/(benefit) per income statement	<u>(3,036)</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable	2010	2009
	\$	\$
Loss before income tax	<u>(1,807,314)</u>	<u>(8,864,354)</u>
Tax at the Australian tax rate of 30% (2009: 30%)	<u>(542,194)</u>	<u>(2,659,306)</u>
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Non-deductible expenses	350,175	1,694,252
Other deductible expenses	(71,567)	(7,800)
Other non assessable income	(85,568)	(9,953)
Tax losses not brought to account	349,154	982,807
Income tax expense/ (benefit) attributable to operating profit	<u>-</u>	<u>-</u>
Under/(over) provision in respect of prior years	<u>(3,036)</u>	<u>-</u>
Income tax expense/ (benefit)	<u>(3,036)</u>	<u>-</u>
(c) Deferred tax assets not brought to account at 30%		
Revenue losses	1,089,777	703,486
Other	11,754	102,247
Potential tax benefit @ 30%	<u>1,101,531</u>	<u>805,733</u>

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

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) the Company is able to meet the continuity of ownership and/or continuity of business tests under tax legislation.

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

Schedule 5 of Taxation Laws Amendment (2010 Measures No.1) Act 2010, which was passed on 3 June 2010, introduced a number of new amendments that may have an impact on the taxation treatment of tax consolidated groups. These amendments seek to clarify the operation of certain aspects of the consolidation regime, to improve interactions with other parts of the law and introduce substantive new modifications to the tax consolidation regime. The amendments have different application dates, with some applying retrospectively from 1 July 2002.

As this legislation was only passed on 3 June 2010, and due to the complexity of some of the amendments, at the date of signing this report, the entity had not yet had sufficient time to assess and quantify the impact of these amendments on the financial statements. Accordingly, there is certain level of uncertainty as to the accuracy of the following tax balances contained in these financial statements: income tax expense, income tax liabilities, deferred tax assets and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

	2010	2009
	\$	\$
(a) Key management personnel compensation		
Directors		
Short-term employee benefits - cash fees and bonus	392,877	340,000
Post-employment benefits - superannuation	35,359	30,600
Equity based payments	386,174	684,299
	<u>814,410</u>	<u>1,054,899</u>
Other key management personnel		
Short-term employee benefits - cash fees, bonus and allowance	68,363	50,000
Post-employment benefits - superannuation	6,153	4,500
Equity based payments	428,703	58,892
	<u>503,219</u>	<u>113,392</u>

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report.

(b) Shareholdings of key management personnel

	Balance at start of the year	Balance at appointment/ cessation	Net Changes	Balance at end of the year
2010				
Directors				
H. Shanker Madan	278,375	-	-	278,375
Farooq Khan	10,271,912	-	-	10,271,912
William Johnson (appointed - 26/10/09)	-	27,000	-	27,000
John Stephenson (ceased -19/02/10)	217,072	217,072	-	-
Other key management personnel				
Victor Ho (Company Secretary)	189,503	-	-	189,503
2009				
Directors				
H. Shanker Madan	278,375	-	-	278,375
Farooq Khan	10,271,912	-	-	10,271,912
John Stephenson	217,072	-	-	217,072
Other key management personnel				
Victor Ho (Company Secretary)	189,503	-	-	189,503

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

Details of options provided as remuneration are disclosed in the Remuneration Report section of the Director's Report. There were no shares issued on the exercise of these options during the financial year.

(d) Unlisted option holdings of key management personnel

	Balance at appointment/ start of the year	Granted as compensation	Net Changes	Balance at cessation/ end of the year	Vested & Exercisable
2010					
Directors					
H. Shanker Madan	8,200,000	-	-	8,200,000	8,200,000
Farooq Khan	8,200,000	-	-	8,200,000	8,200,000
William Johnson (appointed - 26/10/09)	-	3,000,000	-	3,000,000	3,000,000
John Stephenson (ceased -19/02/10)	900,000	-	-	900,000	900,000
Other key management personnel					
Victor Ho (Company Secretary)	700,000	2,650,000	-	3,350,000	3,350,000

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

Details of options provided as remuneration are disclosed in the Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The disclosures of equity holdings in (b) and (d) above are in accordance with Accounting Standard AASB 124 (Related Party Disclosures) which requires a disclosure of direct, indirect and beneficial interests held by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence.

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

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

6. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2010	2009
	\$	\$
Grant Thornton Audit Pty Ltd - Auditors of the Consolidated Entity		
Audit and review of financial reports	25,275	27,380
Grant Thornton Australia Limited - related practice of Grant Thornton Audit Pty Ltd		
Taxation services	3,700	3,975
BDO Pazos, López de Romaña S.C. - Auditors of Peruvian subsidiary		
Audit and review of financial reports	13,469	15,708
	<u>42,444</u>	<u>47,063</u>

7. LOSS PER SHARE

	2010	2009
Basic loss per share (cents)	<u>(2.24)</u>	<u>(11.01)</u>
Diluted loss per share (cents)	<u>(2.24)</u>	<u>(11.01)</u>
Loss used to calculate earnings per share (\$)	<u>(1,804,278)</u>	<u>(8,864,354)</u>
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	<u>80,507,500</u>	<u>80,507,500</u>

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

8. CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash at bank	741,906	924,074
Term Deposits	3,567,864	4,568,000
	<u>4,309,770</u>	<u>5,492,074</u>

(a) Risk exposure

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

8. CASH AND CASH EQUIVALENTS (continued)

	2010	2009
	\$	\$
(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow from Operations		
Loss after income tax	(1,804,278)	(8,864,354)
Net gain/(loss) on financial assets held at fair value through profit or loss	(285,226)	272,571
Impairment of resource projects	103,055	6,610,985
Directors' and Employee options	822,317	843,168
Foreign exchange movement	14,404	29,796
Depreciation	21,118	15,709
(Increase)/Decrease in Assets:		
Trade and other receivables	(6,951)	(48,082)
Resource projects	(103,055)	(725,457)
Other current assets	16,691	-
Increase/(Decrease) in Liabilities:		
Trade and other payables	376,835	(273,656)
Provisions	(12,540)	(26,984)
Net cash outflow from operating activities	<u>(857,630)</u>	<u>(2,166,304)</u>

9. TRADE AND OTHER RECEIVABLES

Current

Amounts receivable from		
Sundry debtors	98,847	93,531
Goods and services tax recoverable	12,004	11,466
Other receivables	34,275	33,178
	<u>145,126</u>	<u>138,175</u>

(a) Risk exposure

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

(b) Impaired receivables and receivables

None of the above receivables are impaired or past due.

10. OTHER CURRENT ASSETS

	2010	2009
	\$	\$
Prepayments	<u>1,891</u>	<u>18,582</u>

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

Current

Listed investments at fair value	<u>1,786,260</u>	<u>1,501,034</u>
Net gain/(loss) on financial assets held at fair value through profit or loss	<u>285,226</u>	<u>(272,571)</u>

All financial assets held at fair value through profit or loss were designated as such upon initial recognition. Changes in fair value of financial assets at fair value through profit and loss are recorded as Income (Note 3(a)). The fair value of listed shares has been determined directly by reference to published price quotations in an active market.

Risk exposure

Information about the Consolidated Entity's exposure to price risk is in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

12. PROPERTY, PLANT AND EQUIPMENT	Office Equipment \$	Plant and Equipment \$	Total \$
At 30 June 2010			
Cost or fair value	3,008	76,496	79,504
Accumulated depreciation	(569)	(38,651)	(39,220)
Net carrying amount	2,439	37,845	40,284
At 1 July 2009			
Cost or fair value	973	64,872	65,845
Accumulated depreciation	(398)	(17,704)	(18,102)
Net carrying amount	575	47,168	47,743
2010			
Carrying amount at beginning	575	47,168	47,743
Additions	2,035	11,624	13,659
Depreciation expense	(171)	(20,947)	(21,118)
Closing amount at balance date	2,439	37,845	40,284
2009			
Carrying amount at beginning	780	41,310	42,090
Additions	-	21,362	21,362
Depreciation expense	(205)	(15,504)	(15,709)
Closing amount at balance date	575	47,168	47,743

13. RESOURCE PROJECTS	2010 \$	2009 \$
Opening balance	-	5,885,528
Exploration and evaluation expenditure	103,055	981,855
Exploration and evaluation expenditure impairment	(103,055)	(6,867,383)
Closing balance	-	-

In accordance with AASB 136: Impairment of Assets, an impairment loss of \$103,055 (2009: \$6,610,985) has been recognised for the year in relation to the Consolidated Entity's capitalised exploration and evaluation expenditure.

The Consolidated Entity may be required to grant a security bond in relation to its Australian tenements. The Consolidated Entity has granted a security bond to the value of \$14,000 (2009: \$14,000), which has not been called up as at balance date.

14. TRADE AND OTHER PAYABLES	2010 \$	2009 \$
Trade payables	450,316	32,415
Other payables	46,485	87,551
	496,801	119,966

(a) Risk exposure

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

15. PROVISIONS	2010	2009
	\$	\$
Current		
Employee benefits - annual leave	56,034	46,287
Non Current		
Employee benefits - long service leave	11,967	34,254
	<u>68,001</u>	<u>80,541</u>
(a) Movement in provision for employee benefits - annual leave		
Opening balance	46,287	52,854
Additional/(Reversal) of provision	9,747	(6,567)
Closing balance	<u>56,034</u>	<u>46,287</u>

Amounts not expected to be settled within the next 12 months

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

(b) Movement in provision for employee benefits - long service leave	2010	2009
	\$	\$
Opening balance	34,254	-
Additional/(Reversal) of provision	(22,287)	34,254
Closing balance	<u>11,967</u>	<u>34,254</u>

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.

16. ISSUED CAPITAL	2010	2009	2010	2009
	shares	shares	\$	\$
Fully paid ordinary shares	<u>80,507,500</u>	<u>80,507,500</u>	<u>14,754,059</u>	<u>14,754,059</u>
2010			Number of	Company
At 1 July 2009			shares	\$
At 30 June 2010			<u>80,507,500</u>	<u>14,754,059</u>
2009			<u>80,507,500</u>	<u>14,754,059</u>
At 1 July 2008			<u>80,507,500</u>	<u>14,754,059</u>
At 30 June 2009			<u>80,507,500</u>	<u>14,754,059</u>

Each fully paid ordinary share carries one vote per share and the right to participate in dividends. Ordinary shares have no par value and the Consolidated Entity does not have a limited amount of authorised capital.

Capital risk management

The Consolidated Entity's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders. The Board will consider capital management initiatives as is appropriate and in the best interests of the Consolidated Entity and shareholders from time to time, including undertaking capital raisings to fund its commitments and working capital requirements, 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.

The Directors contemplate that the Company will be undertaking a capital raising to:

- fund the Consolidated Entity's commitments (being vendor payments and exploration and evaluation expenditure commitments) under the El Quillay Project and Daris Project joint ventures;
- fund commitments under new acquisitions undertaken by the Consolidated Entity (if any); and
- supplement existing cash reserves to meet the Consolidated Entity's other working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

17. RESERVES

	2010	2009
	\$	\$
Foreign currency translation reserve	12,516	309,127
Options reserve	1,510,655	4,747,991
	<u>1,523,171</u>	<u>5,057,118</u>

Foreign currency translation reserve

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

Options Reserve

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

	Grant date	Number of	2010	2009
			\$	\$
Directors' Options				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	-	-	3,261,090
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	17,300,000	600,310	568,151
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	-
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	-
Employees' Options				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	500,000	89,500	255,075
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,035,000	43,159	59,878
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	-
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	-
		<u>24,485,000</u>	<u>1,510,655</u>	<u>4,144,194</u>

During the year, the following cancelled and lapsed options (with a carrying value of \$4,059,652) were transferred from the Options Reserve to Accumulated Losses pursuant to IFRS 2 "Share based payments":

- (i) cancelled unlisted Directors' and Employees' options exercisable at \$0.55 and \$0.35 respectively amounted to \$3,426,665 and \$29,190 respectively; and
- (ii) lapsed listed (30 June 2009) options amounted to \$603,797.

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

Equity based remuneration (Refer to Note 18)

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

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

18. SHARE BASED PAYMENTS

A total of 3,000,000 Director's and 2,650,000 employee's options were issued during the year (Refer to Note 17). Shareholder approval was obtained for the issue of options to the Director as required under the Corporations Act 2001 and under the ASX Listing Rules. The reasons for the grant of these options to a Director and an employee are as follows:

- (i) The options issue was designed to act as an incentive for the recipient Director and employee 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 Director and employee 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 Director and employee has been determined having regard to the level of the Director's and employee's 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 Director and employee to remain with the Company with a view to improving the future growth of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

18. SHARE BASED PAYMENTS (continued)

(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.

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

Grant date	Expiry date	Exercise price	Movement during the year				As at 30 June 2010		
			Opening balance	Granted	Exercised	Forfeited	Closing balance	Vested and exercisable	Fair value \$
27-Jul-07	26-Jul-12	0.55	500,000	-	-	-	500,000	500,000	89,500
17-Sep-08	16-Sep-13	0.35	17,300,000	-	-	-	17,300,000	17,300,000	600,310
17-Sep-08	16-Sep-13	0.35	1,485,000	-	-	(450,000)	1,035,000	1,035,000	43,159
26-Oct-09	25-Oct-14	0.35	-	1,650,000	-	-	1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	0.60	-	1,000,000	-	-	1,000,000	1,000,000	147,306
30-Nov-09	25-Oct-14	0.35	-	2,000,000	-	-	2,000,000	2,000,000	247,317
30-Nov-09	25-Oct-14	0.60	-	1,000,000	-	-	1,000,000	1,000,000	106,698
			<u>19,285,000</u>	<u>5,650,000</u>	<u>-</u>	<u>(450,000)</u>	<u>24,485,000</u>	<u>24,485,000</u>	<u>1,510,655</u>
Weighted average exercise price			0.36	0.44		0.35	0.37	0.37	

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.7 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 (2009: nil).

The fair value of these options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using the 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 the fair value of options granted, on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option. The model inputs for assessing the fair value of options granted during the period are as follows:

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

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk free rate	Price volatility
27-Jul-07	\$0.55 (26 July 2012) Employee's Options	1/3 on 26 January 2008, 1/3 on 26 July 2008 and 1/3 on 26 January 2009	\$0.27	6.29%	95%
17-Sep-08	\$0.35 (16 September 2013) Directors' Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Employees' Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	\$0.07	5.46%	95%
26-Oct-09	\$0.60 (24 October 2014) Employee's Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
26-Oct-09	\$0.35 (24 October 2014) Employee's Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
30-Nov-09	\$0.60 (24 October 2014) Director's Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Employees' Options	vested at the date of the issue of the options	\$0.19	4.95%	95%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

19. SEGMENT INFORMATION

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

2010	Resource			Total
	Australia	Peru	Unallocated	
	\$	\$	\$	\$
Total segment revenues	-	-	493,552	493,552
Total segment loss before tax	(2,228,478)	(72,388)	493,552	(1,807,314)
Total segment assets	4,293,396	203,675	1,786,260	6,283,331
Total segment liabilities	(123,910)	(440,892)	-	(564,802)
2009				
Total segment revenues	-	-	444,420	444,420
Total segment loss before tax	(8,190,935)	(845,268)	171,849	(8,864,354)
Total segment assets	5,458,880	237,694	1,501,034	7,197,608
Total segment liabilities	(185,307)	(15,200)	-	(200,507)

20. FINANCIAL RISK MANAGEMENT

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

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

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

The Consolidated Entity holds the following financial instruments:

	2010	2009
	\$	\$
Financial assets		
Cash and cash equivalents	4,309,770	5,492,074
Trade and other receivables	145,126	138,175
Financial assets at fair value through profit or loss	1,786,260	1,501,034
	<u>6,241,156</u>	<u>7,131,283</u>
Financial liabilities		
Trade and other payables	(496,801)	(119,966)
	<u>(496,801)</u>	<u>(119,966)</u>
Net Financial Assets	<u>5,744,355</u>	<u>7,011,317</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

20. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Price risk

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

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

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

	2010	2009
	\$	\$
Change in profit		
Increase by 15%	267,939	225,155
Decrease by 15%	(267,939)	(225,155)
Change in equity		
Increase by 15%	267,939	225,155
Decrease by 15%	(267,939)	(225,155)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The average interest rate applicable to funds held on deposit during the year was 5.79% (2009: 4.18%)

	2010	2009
	\$	\$
Cash at bank	741,906	924,074
Term deposits	3,567,864	4,568,000
	<u>4,309,770</u>	<u>5,492,074</u>

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

	2010	2009
	\$	\$
Change in profit		
Increase by 3%	129,293	164,762
Decrease by 3%	(129,293)	(164,762)
Change in equity		
Increase by 3%	129,293	164,762
Decrease by 3%	(129,293)	(164,762)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

20. FINANCIAL RISK MANAGEMENT (continued)

(iii) Foreign exchange 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:

	2010 USD	2009 USD
Cash and cash equivalents	450,378	128,839
Trade and other receivables	80,626	71,928
Trade and other payables	(377,713)	(12,234)
	<u>153,291</u>	<u>188,533</u>

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

(b) Credit risk

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

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

	2010 \$	2009 \$
Cash and cash equivalents		
AA	2,704,405	1,633,177
A	512,094	2,702,251
BBB	1,086,570	-
C+	-	1,000,000
No external credit rating available	6,701	156,646
	<u>4,309,770</u>	<u>5,492,074</u>
Trade and other receivables (due within 30 days)		
No external credit rating available	145,126	138,175
	<u>145,126</u>	<u>138,175</u>

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

(c) Liquidity risk

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

	2010 \$	2009 \$
Trade and other payables		
Non-interest bearing		
Less than 6 months	55,908	32,415
6 - 12 months	440,893	87,551
	<u>496,801</u>	<u>119,966</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

20. FINANCIAL RISK MANAGEMENT (continued)

(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 9 and Note 11. The financial liabilities at balance date are set out in Note 14.

(d) Fair value measurements

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

As at 1 July 2009, the Consolidated Entity has adopted the amendment to *AASB 7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy :

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

The following tables present the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of *AASB 7 Financial Instruments: Disclosures*.

	Level 1	Level 2	Level 3	Total
2010	\$	\$	\$	\$
Financial assets held at fair value through profit or loss				
- Listed investments at fair value	1,786,260	-	-	1,786,260

21. COMMITMENTS

(a) Mineral Tenement/Concession - Commitments for Expenditure

Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately \$234,215 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. The Bigryli South Uranium Project exploration licences (EL 24879, EL24928, EL24929 and application for EL 24927) and the granted Canning Well Project tenement (EL 46/629) have been farmed-out to ASX listed joint venture parties, who bears the obligation to maintain these tenements in good standing during the term of the joint venture.

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.

(b) Australian Heritage Protection Agreements

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

22. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

23. EVENTS AFTER BALANCE DATE

(a) Daris Copper Project (Oman) - Shareholders' Agreement

On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with the concession owner holding 50%) and will advance US\$3 million as equity during a 3 year period. Thereafter, Alara will advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%.

DarisCo will have exclusive rights under a management agreement with the concession owner to manage, operate and commercially exploit the concession.

The shareholders agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of DarisCo, the execution of the management agreement and ancillary loan agreement and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals.

(b) Other Oman Projects - Shareholders' Agreement

On 8 August 2010, Alara Oman Operations Pty Limited entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) **will be established to** identify, secure and commercially exploit other resource projects in Oman. Alara will contribute 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000) for a 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Thereafter, Alara will advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends).

SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit.

The shareholders agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of AlaraCo, the execution of an ancillary loan agreement and an exploration license being granted to AlaraCo – it is the intention of the parties for AlaraCo to lodge an application for an exploration licence over an open area prospective for base metals.

(c) El Quillay Copper-Gold Project (Chile) Term Sheet

On 22 August 2010, Alara Resources Limited entered into a term sheet (dated 17 August 2010) (the **Term Sheet**) with Chilean vendors of the El Quillay Copper-Gold Project in Chile, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the **Vendors**) pursuant to which:

- (i) The Vendors will establish a new joint venture entity (**JVCo**) in Chile to hold the concessions;
- (ii) Upon completion of due diligence to the satisfaction of Alara (within 60 days) and the execution of a more definitive joint venture agreement (**JV Agreement**) between the parties, Alara will pay the Vendors US\$500,000 and JVCo will permit Alara to register a lien over the concessions;
- (iii) Alara will be granted an option to acquire 70% of JVCo in consideration of the following payments to the Vendors over a 3 year term (**Earn-In Period**):
 - (a) US\$1,000,000 due and payable on or before the first anniversary of the JV Agreement;
 - (b) US\$3,000,000 due and payable on or before the second anniversary of the JV Agreement;
 - (c) US\$5,500,000 due and payable on or before the third anniversary of the JV Agreement;
 - (d) A 'Resource Bonus' due and payable on or before the earlier of commencement of production or the third anniversary of the JV Agreement;
- (iv) The 'Resource Bonus' is calculated at the rate of US\$0.0255 per pound of contained fine copper equivalent grading at or above 0.7% Cu defined as being economically mineable (within a JORC Proven and/or Probable Reserve and Measured and/or Indicated Resource) within the project area during the Earn-In Period, in excess of a threshold 250,000 tonnes of contained fine copper equivalent grading at or above 0.7% Cu (**Threshold Resource**).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

- (v) During the Earn-In Period, Alara will manage and fund all exploration, evaluation and development costs in relation to the project, including a minimum 20,000 metre drilling programme to be completed over the first two years of the Earn-In Period (with a minimum of 10,000 metres to be completed during the first year);
- (vi) After the completion of the Earn-In, Alara will continue to manage and fund all exploration, evaluation and development costs up to completion of a Definitive (Bankable) Feasibility Study (DFS) in respect of each copper prospect within the project area. Thereafter, the parties will contribute to all cash calls in proportion to their respective participating interests in JVCo or be diluted in accordance with an industry standard dilution formula;
- (vii) Alara further commits to advancing loan funds of up to US\$10 million to the Vendors (on commercial terms) to fund the Vendors' share of cash calls into JVCo (after the completion of a DFS) – this loan will be repaid to Alara out of the Vendors' share of profits from JVCo; and
- (viii) After the Earn-In Period, a further 'Resource Bonus' is payable to the Vendors (calculated in the same manner as described above) in respect of additional contained fine copper defined within the project area (or processed by JVCo at average grades below 0.7% Cu equivalent) in excess of the Threshold Resource.

(d) Issue of Employee Unlisted Options

On 23 August 2010, the Company issued unlisted options to an employee as follows:

No. of Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
400,000	23 August 2010	\$0.35 (22 August 2015) Options	\$0.35	22 August 2015	100% on date of issue

(e) Lapse of Former Director's Unlisted Options

On 19 August 2010, former Director, Dr John Stephenson's unlisted options lapsed as follows (in accordance with their terms of issue):

Lapsed Options	Date of Issue	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria	Total Fair Value as at date of issue
900,000	17 September 2008	19 August 2010	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	\$31,230 or \$0.035 each

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 Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 21 to 46, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 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 13 to 18 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;
4. The Directors have been given the declarations by the Managing Director (the person who performs the chief executive function) and the Company Secretary (the person who performs the chief financial officer function) as required by section 295A of the *Corporations Act 2001*; and
5. The Consolidated Entity has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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



Shanker Madan
Managing Director

Perth, Western Australia

24 September 2010



Farooq Khan
Director

SECURITIES INFORMATION

as at 31 August 2010

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options ¹¹	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ¹²	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ¹²	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ¹³	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ¹³	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ¹⁴	-	400,000	400,000
Total	80,507,500	23,985,000	104,492,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ¹⁵	No. of Options
27 July 2007	\$0.55 (27 July 2012) Options	\$0.55	26 July 2012	1/3 rd on 27 January 2008, 1/3 rd on 27 July 2008 and 1/3 rd on 27 January 2009	500,000
17 September 2008	\$0.35 (16 September 2013) 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) 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
26 October 2009	\$0.60 (25 October 2014) Options	\$0.60	25 October 2014	100% on date of issue	1,000,000
30 November 2009					1,000,000
26 October 2009	\$0.35 (25 October 2014) Options	\$0.35	25 October 2014	100% on date of issue	1,650,000
30 November 2009					2,000,000
23 August 2010	\$0.35 (22 August 2015) Options	\$0.35	22 August 2015	100% on date of issue	400,000

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.

¹¹ 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](#)

¹² 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](#)

¹³ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

¹⁴ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

¹⁵ Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 31 August 2010

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,379	601,836	0.748
1,001	-	5,000	428	1,031,300	1.281
5,001	-	10,000	322	2,754,329	3.421
10,001	-	100,000	458	14,846,891	18.442
100,001	-	and over	103	61,273,144	76.108
Total			2,690	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	
	LISA SHALLARD AND LINDA SALA TENNA	2,824,144	
	KATANA ASSET MANAGEMENT LTD	3,110,000	
	KB33 CAPITAL PTY LTD (CHARITY)	100,000	
	KB33 CAPITAL PTY LTD	100,000	
	KATANA EQUITY PTY LTD (SALA TENNA FAMILY A/C)	765,000	
	KATANA EQUITY PTY LTD (SALA TENNA FAMILY CHARITY A/C)	625,000	
	Sub-total	7,743,413	9.618
4	DATABASE SYSTEMS LIMITED	2,712,021	3.369
5	TWINLAND HOLDINGS PTY LTD	1,681,024	2.088
6	MR ROBERT GEMELLI	1,500,000	1.863
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,300,000	1.615
8	MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MISS CAROL ROBIN JONES <SCOPA FAMILY A/C>	1,250,268	1.553
9	HANOBINE HOLDINGS PTY LTD	1,123,756	1.396
10	MR ROBERT SPADANUDA <SUPER FUND A/C>	1,000,000	1.242
11	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>	1,000,000	1.242
12	BLUE CRYSTAL PTY LTD	829,751	1.031
13	ROSANNA DE CAMPO	800,000	0.994
14	RENMUIR HOLDINGS LIMITED	688,402	0.830
15	MRS KIERSTYN EDGAR	600,000	0.745
16	FOTI HOLDING PTY LTD <CHARIOT SUPER FUND A/C>	545,877	0.678
17	MR JOHN WILLIAM LLOYD FORREST	541,000	0.672
18	ZHIVAN PTY LTD	540,703	0.672
19	MIDAS INVESTMENTS (WA) PTY LTD	520,794	0.647
20	MR BRIAN PETER BYASS	518,537	0.644
Total		46,978,290	58.328

* Substantial shareholders

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