



HALF YEAR REPORT

31 December 2011

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
2011 ANNUAL REPORT OF THE COMPANY
RELEASED ON 11 OCTOBER 2011



ASX Code: AUQ

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

PRINCIPAL & REGISTERED OFFICE:

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

Local T | 1300 762 678
T | +61 8 9214 9787
F | +61 8 9322 1515
E | info@alararesources.com
W | www.alararesources.com

SHARE REGISTRY:

Advanced Share Registry Limited
Suite 2, 150 Stirling Highway
Nedlands, Western Australia 6009
PO Box 1156, Nedlands, WA 6909

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

Level 6, 225 Clarence Street
Sydney, New South Wales 2000
PO Box Q1736,
Queen Victoria Building, NSW 1230
T | +61 2 8096 3502

CONTENTS

Directors' Report	2
Auditor's Independence Declaration	16
Consolidated Statement of Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to Financial Statements	21
Directors' Declaration	31
Auditor's Independent Review Report	32
Mineral Concessions	34
JORC Code Competent Persons' Statements	36
Securities Information	37

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info@alararesources.com

CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Ian J Williams AO	Non-Executive Chairman
H. Shanker Madan	Managing Director
Douglas H. Stewart	Non-Executive Director
Farooq Khan	Non-Executive Director
William M. Johnson	Non-Executive Director

COMPANY SECRETARY

Victor P. H. Ho

REGISTERED AND PRINCIPAL OFFICE

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

SHARE REGISTRY

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

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

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

STOCK EXCHANGE

Australian Securities Exchange (ASX)
Perth, Western Australia

ASX CODE

AUQ

AUDITORS

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

DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and its controlled entities (the **Consolidated Entity**) for the financial half year ended 31 December 2011 (**Balance Date**).

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

FINANCIAL POSITION

Consolidated Entity	Dec 2011	Jun 2011
	\$	\$
Cash	22,922,737	32,240,581
Receivables	525,137	506,182
Financial assets at fair value through profit and loss	661,169	875,603
Resource projects	15,529,440	7,200,540
Other assets	2,721,507	1,865,060
Total assets	42,359,991	42,687,966
Liabilities	(3,167,831)	(2,252,152)
Net assets	39,192,160	40,435,814
Issued capital	53,477,409	53,477,409
Reserves	1,938,578	1,847,665
Accumulated losses	(16,376,122)	(14,978,442)
Parent entity interest	39,039,865	40,346,632
Non-controlling interest	152,295	89,182
Total equity	39,192,160	40,435,814

OPERATING RESULTS

Consolidated	Dec 2011	Dec 2010
	\$	\$
Total revenues	773,057	81,866
Total expenses	(2,215,736)	(1,825,793)
Loss before tax	(1,442,679)	(1,743,927)
Income tax benefit	-	-
Loss after tax	(1,442,679)	(1,743,927)

DIRECTORS' REPORT

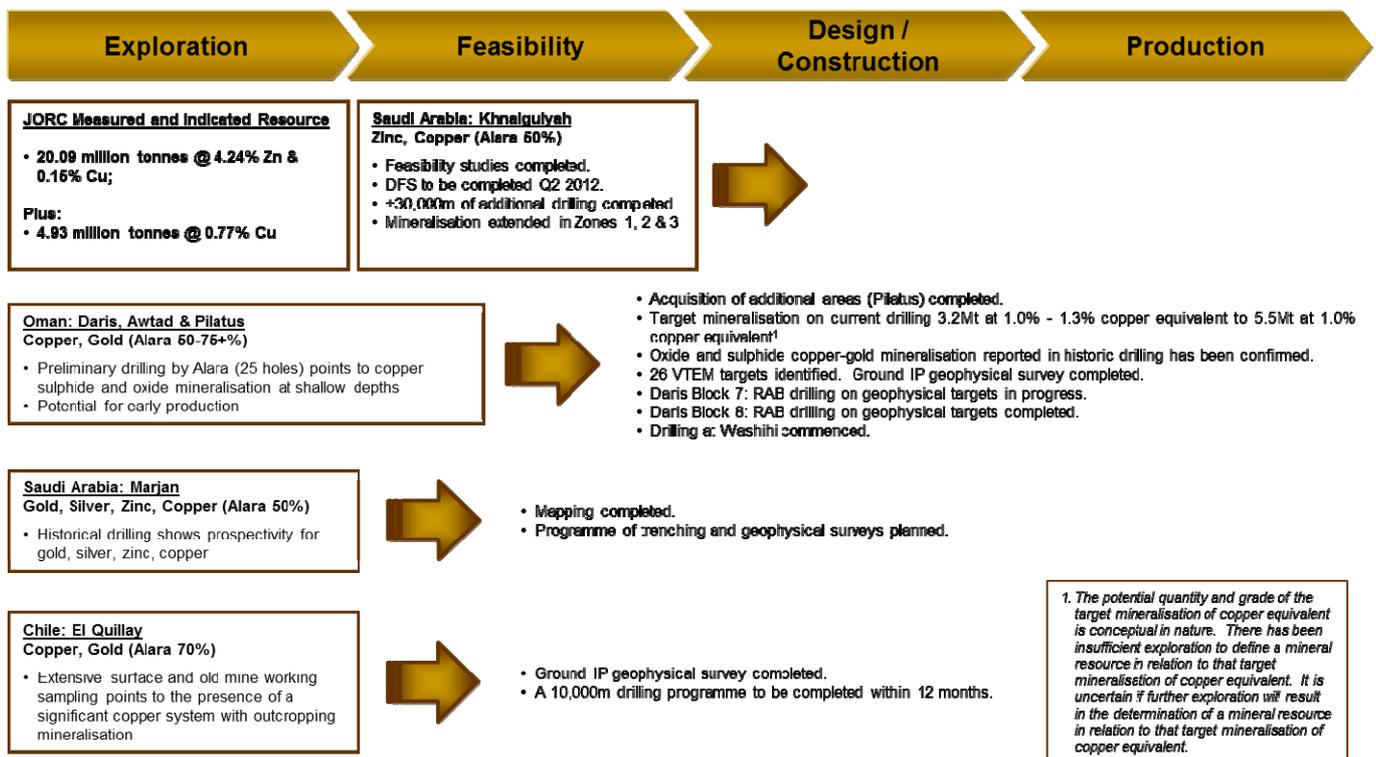
REVIEW OF OPERATIONS

1. Company Projects

Alara has a current portfolio of projects in Saudi Arabia, Oman and Chile as follows:

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

Alara is establishing itself as a base metals development company with a strong pipeline of advanced and early stage projects.



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

² Refer Alara market announcement dated 24 October 2011 and entitled "[Project Acquisition - El Quillay Copper Gold Project in Chile](#)"

³ Refer Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold in Oman](#)"

⁴ Refer Alara market announcement dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

⁵ Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition - Awtad Copper-Gold Project in Oman](#)"

⁶ Refer Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)"

DIRECTORS' REPORT

2. Khnaiguiyah Zinc-Copper Project (Saudi Arabia)

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

Achievements

- Project/joint venture secured – October 2010
- 30 year Mining Licence – granted December 2010⁷
- Environmental Approval – granted January 2012 (provisional)⁸
- Maiden JORC Resource – announced February 2012⁹
- Team – established in Saudi Arabia and Perth head office
- Rigs – currently 3 drilling rigs secured and active
- Drilling – +30,000m drilled since Feb 2011 (237 holes) plus 45,000m historically (345 holes)
- Mineralisation – extensions defined
- Sterilisation – drilling completed
- Geotechnical work – completed on mining with further work underway on plant site
- Water – water bore drilled and pump testing underway. Agreement reached to procure land for water bores
- Fauna and Flora – studies completed
- Metallurgy – Coarse grind of P80 < 106µm, delivered 91.5% recoveries for Zn and 87% for Cu at concentrate grades of around 57% for Zn and 30% for Cu. Moderate hardness (14kWh/t energy). Further grinding and flotation work underway that will allow Ausenco (DFS lead engineers) to undertake process plant design work

Attributes – Country

- Tax – 20% corporate tax (nil personal tax rate)
- Royalties – nil
- Saudi Industrial Development Fund (SIDF) – supports local projects with financing (up to 75%) at sub-LIBOR rates
- Foreign ownership – 100% permitted
- Profits and Capital – 100% repatriation. Nil import duties for CAPEX
- Tenure certainty – from exploration to mining
- Roads – bitumen highway and road to mine gate
- Power – 33KVA power line to site
- Water – 15km to aquifer (low salinity)
- Fuel – <US\$0.03/L (diesel)

Historical Work

- Drilling – 45,000m drilled via 345 holes¹⁰
- Mining – 2 deep shafts sunk for bulk testing
- Metallurgy – testing by BRGM¹¹ and independent consultants
- Feasibility studies – by independent consultants (incorporating pit design work and financial modelling)

⁷ Refer Alara market announcements dated 21 December 2010 and entitled "[Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia](#)"

⁸ Refer Alara market announcement dated 24 January 2012 and entitled "[Environmental Approval – Khnaiguiyah Zinc Copper Project, Saudi Arabia](#)"

⁹ Refer Alara market announcement dated 21 February 2012 and entitled "[Maiden JORC Resource - Khnaiguiyah Zinc Copper Project](#)"

¹⁰ Refer Alara market announcement dated 5 October 2010 and entitled "[Project Acquisition – Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

¹¹ Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (www.brgm.fr)

DIRECTORS' REPORT

Maiden JORC Resource

On 21 February 2012, Alara announced its maiden JORC Resource for the Khnaiguiyah Zinc-Copper project in Saudi Arabia:

- **26.4 Mt at 3.9% Zinc and 0.12% Copper (4.3% Zinc Equivalent) and 7.0 Mt at 0.8% Copper**
- Based on drilling within Mineralised Zones 2, 3 and 4 (refer *Figure 1*)
- Mineralisation in Zones 2 and 3 is distributed as three distinct 'Domains':
 - "Domain 1" - has Zinc but no Copper
 - "Domain 2" - has Zinc and Copper
 - "Domain 3" - has Copper but no Zinc

Table 1 - JORC Resource Summary: Domain 1 (Zinc) and Domain 2 (Zinc/Copper)

JORC Resource (at 1.5% Zinc cut-off grade)	Zone	Tonnes (Mt)	Zinc (%)	Copper (%)	Zinc Equivalent (%) ⁺
Measured and Indicated Resource	2 & 3	20.09	4.24	0.15	4.69
Inferred Resource	2 & 3	1.95	2.97	0.07	3.18
Inferred Resource	4	4.32	2.90	0.03	2.99
Total Resource⁺	2, 3 & 4	26.36	3.93	0.12	4.30

⁺ Zinc equivalent has been calculated as: Zinc grade + (3 x Copper grade)

Table 2 - JORC Resource Summary: Domain 3 (Copper)

JORC Resource (at 0.2% Copper cut-off grade)	Zone	Tonnes (Mt)	Copper (%)
Measured and Indicated Resource	2 & 3	4.93	0.77
Inferred Resource	2 & 3	2.03	0.92
Total Copper Resource	2 & 3	6.96	0.81

Refer to Alara market announcement dated 21 February 2012 and entitled "Maiden JORC Resource - Khnaiguiyah Zinc Copper Project" for further details.

Further upgrades to mineralisation anticipated

- Drilling cut-off (for JORC Resource) – September 2011
- Data cut-off (for JORC Resource) – November 2011
- Additional drilling since cut-off dates – +10,000m in Zones 1 and 2
- Zone 1 – JORC Resource yet to be calculated. Mineralisation drilled on 50x50m grid - shallow with low strip ratio; extends for 600m long; generally 600m wide; average 10m thick and open to the south
- Zone 2 – mineralisation extended a further 400m NE since JORC Resource was calculated
- Zone 3 – mineralisation open to the south
- Zone 4 – previously drilled by BRGM; new drilling pending to upgrade former data

DIRECTORS' REPORT

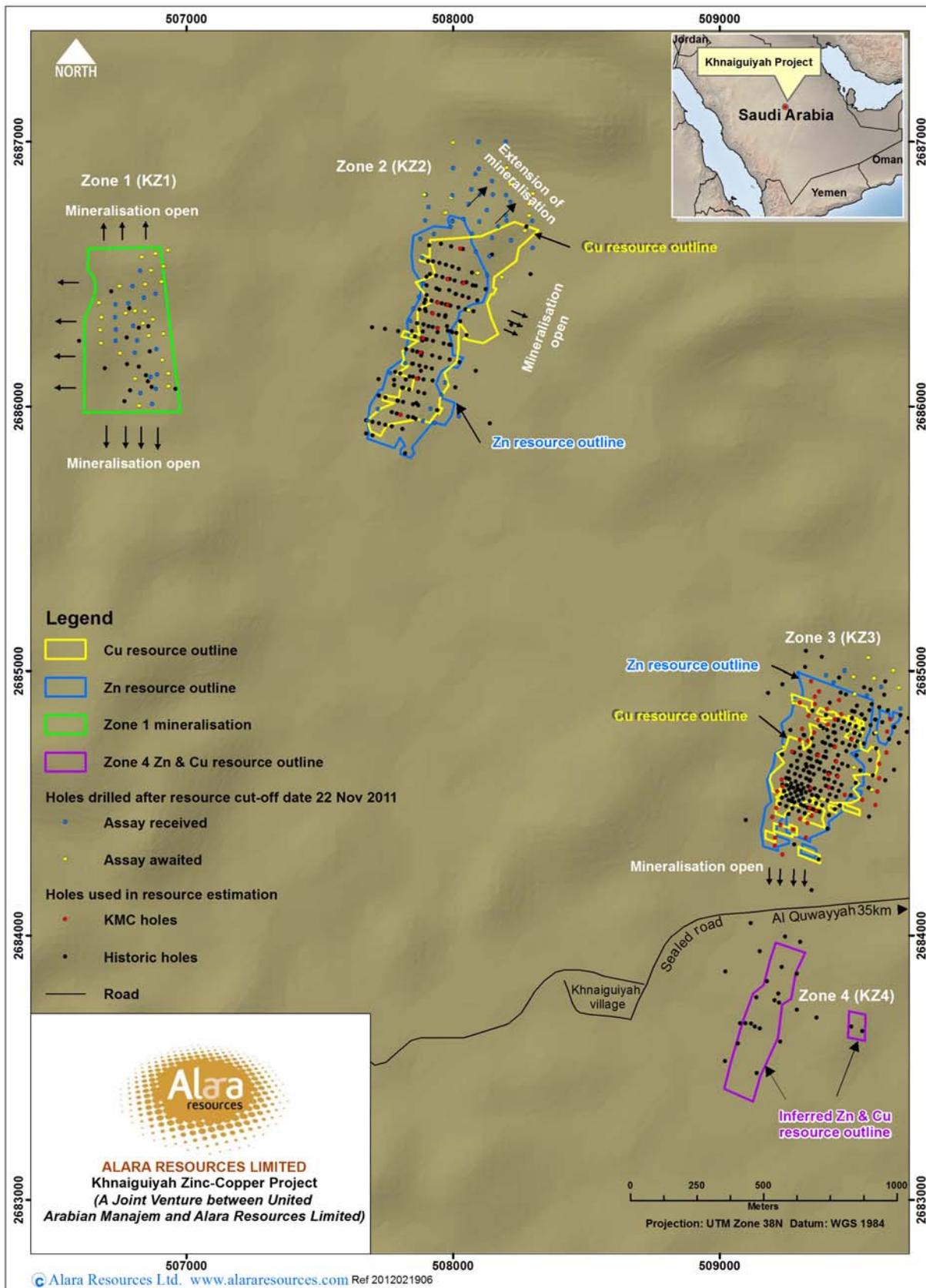


Figure 1
Location of Mineralised Zones 1 to 4, Resource Outlines and Drill Hole Locations

DIRECTORS' REPORT

A summary of ASX market announcements released in relation to technical and DFS progress and results on the Khnaiguiyah Zinc-Copper Project are as follows:

Date	Announcement Title
10 March 2011	Commencement of Drilling – Khnaiguiyah Zinc Copper Project, Saudi Arabia
26 May 2011	Drilling Update - Khnaiguiyah Zinc Copper Project, Saudi Arabia
16 June 2011	Operations Update - Khnaiguiyah Project
29 June 2011	Drilling Rig Update - Khnaiguiyah Project in Saudi Arabia and Daris Project in Oman
29 July 2011	Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc-Copper Project
5 September 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
20 October 2011	Drilling Update - Khnaiguiyah Zinc Copper Project
29 November 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
10 January 2012	Drilling Update - Khnaiguiyah Zinc Copper Project
24 January 2012	Environmental Approval - Khnaiguiyah Zinc Copper Project
21 February 2012	Maiden JORC Resource - Khnaiguiyah Zinc Copper Project
13 March 2012	Drilling Update - Khnaiguiyah Zinc Copper Project

3. El Quillay Copper-Gold Project (Chile)

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

On 24 October 2011, Alara announced it had entered into final agreements to secure the right to a 70% interest in the El Quillay Copper-Gold Project located ~350km north of Santiago, the capital of Chile.

The project comprises ~68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km (refer Figure 2).

Further details about the El Quillay Project and the joint venture agreement terms are referred to in Alara's market announcement dated 24 October 2011 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile.](#)"

Exploration Programme

- Juan Carlos Toro appointed General Manager, Exploration (based in Chile) with considerable previous experience with Codelco, a major copper producer in Chile
- Mapping and geophysical surveys, including magnetic and Induced Polarisation (IP) commenced in January 2012 and was completed in February 2012
- An initial 5,000m of drilling in the El Quillay prospect is planned to commence in April 2012

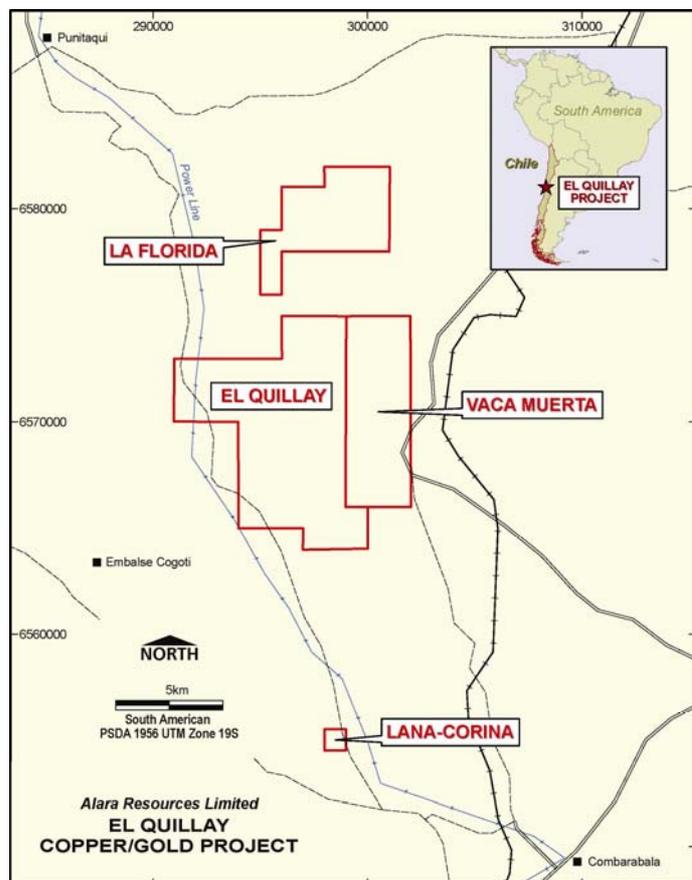


Figure 2
El Quillay Project Areas Location Map

DIRECTORS' REPORT

4. Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman)

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

On 8 December 2011, Alara announced it secured rights to acquire up to a 75% interest in Pilatus Resources Oman LLC (**PRO**) which currently holds three Exploration Licences covering 80km² over the prospective Al Ajal, Washihi and Mullaq Copper-Gold Project areas located in Oman.

The three license areas are approximately 80-160km east and southeast of Alara's Daris Copper-Gold Project (Block 7)¹² and Awtad Copper-Gold Project (Block 8)¹³ (refer Figure 3).

Alara's strategy in Oman is to build a critical mass of mineralisation across these three project areas to support a feasibility study for development of a copper-gold mining operation in the country.

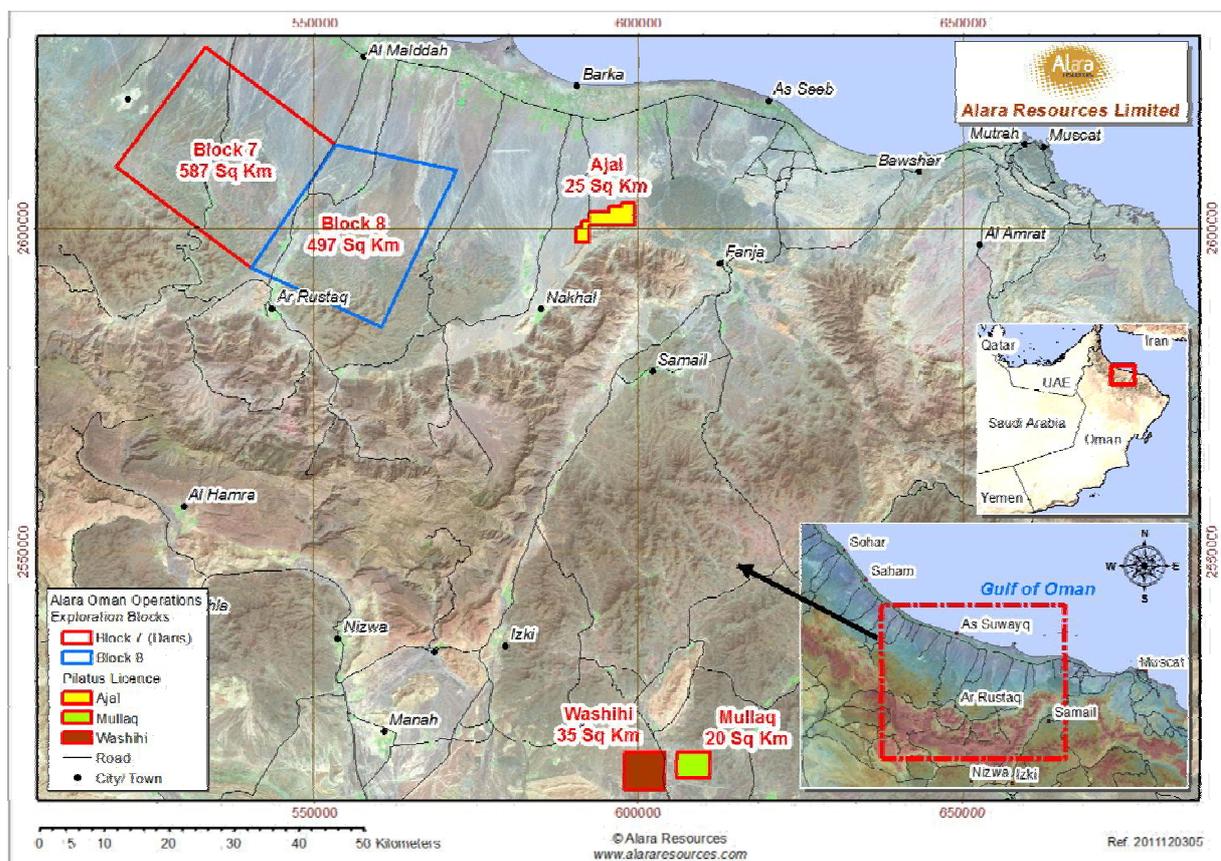


Figure 3 Alara's Oman Project Locations - Al Ajal, Washihi and Mullaq Copper-Gold Project areas and the Daris "Block 7" Project and Awtad "Block 8" Project areas

Further details about the Al Ajal, Washihi and Mullaq Copper-Gold Project and the joint venture agreement terms are outlined in Alara's market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold in Oman.](#)"

¹² Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

¹³ Refer Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)"

DIRECTORS' REPORT

Exploration Programme

- Washihi prospect/licence: 'Order of Magnitude' Study commenced in December 2011 - Independent review of historical geophysical data and interpretation completed. Additional high resolution ground geophysics in progress to delineate existing mineralisation boundaries and to identify targets for drill-testing (which has recently commenced). Orientation stream sediment sampling successfully completed. Further geochemical sampling programme will build on this vector to identify hidden mineralisation prospects within the larger licence area.
- Mullaq prospect/licence: Independent review of historical and recently completed geophysical survey data underway to generate drill targets. Drilling to be conducted as part of current Washihi drilling programme.
- Al Ajal prospect/licence: Geophysical survey completed. More intensive ground geological and geophysical surveys proposed for later in 2012.

5. Daris Copper-Gold Project (Oman)

(Alara – 50% with right to increase to 70%+, Al Tamman Trading Establishment LLC – 50%, of Daris Resources LLC)

In August 2010, Alara secured a 50% interest (with a right to increase this to 70%+) in the Daris Copper-Gold Project located in Oman (~150km west of Muscat), via an initial 50% shareholding interest in joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the Daris exploration licence of ~587km².

The key terms of the shareholders' agreement (dated 28 August 2010) between Alara and Al Tamman Trading Establishment LLC (**ATTE**) (the Vendor) were outlined in Alara's market announcement dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)".

Exploration Programme

- In 2011, 4,553m of drilling in 37 core holes and Induced Polarisation (IP) survey on Daris East, Daris 3A-5 and a number of VTEM targets were completed.
- A 325m long, 80-100m wide and 5-7m thick massive sulphide Copper bearing zone below conspicuous oxide cap has been delineated at Daris-East prospect.
- A total of ~1,100 samples have been generated for analysis. Results for 600 samples have been received recently. Mineralisation grade evaluation will be completed upon receipt of all analysis results. Drilling have also tested several EM and IP targets in the Daris-East area.
- Geological traverses continued over potential stratigraphy in the larger licence area where two prominent airborne EM targets have been identified for drill testing.

A summary of ASX market announcements in relation to exploration and evaluation progress and results on the Daris Copper-Gold Project are as follows:

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

DIRECTORS' REPORT

6. Awtad Copper-Gold Project (Oman)

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

In April 2011, Alara secured rights to earn-in up to a 70% interest in the Awtad Copper-Gold Project located immediately adjacent to the Licence Area No. 7 (Block 7) comprising the Daris Copper-Gold Project and comprises a mineral excavation licence (Block 8) of ~497km (refer *Figure 3*).

Further details about the Awtad Project and the terms of the joint venture agreement are outlined in Alara's market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman.](#)"

Exploration Programme

- Extensive field visits to selected prospective targets were carried out to locate and map the sub-crops of lithologies exposed sparsely through the cover sequences in the licence area. Rock chip samples have been collected from each of such outcrops and sent for analysis. The targets buried under sand cover are earmarked for RAB drilling.
- Analysis results of rock chip samples identified a North-South trending, 3-4km long and 0.5km wide pillow basalt stratigraphy showing at places, evidence of hydrothermal oxidation/leaching and anomalous Copper values.
- A 51 hole shallow RAB drilling programme is currently underway to delineate the extent of geochemical anomaly in the area for further exploration work.

7. Marjan Precious and Base Metals Project (Saudi Arabia)

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

In April 2011, Alara secured rights to acquire a 50% interest in the Marjan Project located in Saudi Arabia. The project comprises 3 exploration licences (predominantly gold prospects with associated silver, zinc and copper) of ~260km² located ~30km south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project.

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

The shareholders' agreement is subject to conditions precedent (to be satisfied or waived by Alara), including, amongst other matters, the incorporation and registration of a new joint venture company ("Marjan Mining Company LLC") and the execution of ancillary agreements arising therein. Completion of these matters is expected within Q2 2012.

8. Alara Resources LLC Joint Venture (Oman)

(Alara – 70%, Sur United International Co. LLC – 30%)

In August 2010, Alara formed a joint venture (via the incorporation of "Alara Resources LLC" (AlaraCo)) with Sur United International Co. LLC (SUR), to identify, secure and commercially exploit other resource projects in Oman. AlaraCo has lodged a number of applications for exploration licences over open areas prospective for base and precious metals, which have not been granted to date.

DIRECTORS' REPORT

SECURITIES IN THE COMPANY

1. Current Issued Capital

The Company had the following total securities on issue as at 15 March 2012:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	210,507,500
\$0.55 (26 July 2012) Unlisted Options ¹⁴	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ¹⁵	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options ¹⁵	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options ¹⁶	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ¹⁶	-	2,000,000	2,000,000
\$0.60 (25 May 2014) Unlisted Directors' Options ¹⁷	-	500,000	500,000
\$0.50 (25 May 2014) Unlisted Options ¹⁸	-	700,000	700,000
\$0.60 (25 May 2014) Unlisted Options ¹⁸	-	550,000	550,000
\$0.70 (25 May 2014) Unlisted Options ¹⁸	-	550,000	550,000
\$0.35 (22 August 2015) Unlisted Options ¹⁹	-	400,000	400,000
Total	210,507,500	26,250,000	236,757,500

2. Summary of Unlisted Options Issued/Lapsed

During the half year, the Company issued the following unlisted options to employees (as part of their terms of remuneration) and principal consultants (as part of their terms of engagement) (or their nominees where applicable), pursuant to the Company's Employee Share Option Plan (ESOP)²⁰:

No. Options Issued	Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria
200,000	2 September 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue
125,000	2 September 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue
125,000	2 September 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue
200,000	23 December 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue
125,000	23 December 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue
125,000	23 December 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue

¹⁴ 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 27 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

¹⁵ 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](#)

¹⁶ 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](#)

¹⁷ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

¹⁸ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

¹⁹ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

²⁰ Approved by shareholders at the Annual General Meeting held on 4 November 2011; refer Alara [Notice of AGM \(dated 4 October 2011\), Explanatory Statement and Proxy Form](#)

DIRECTORS' REPORT

During the half year, the following unlisted options previously held by Company personnel lapsed without being exercised:

No. of Options	Date of Lapse	Description of Unlisted Options	Exercise Price	Original Expiry Date
200,000	30 September 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014
125,000	30 September 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014
125,000	30 September 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014

These options lapsed in accordance with their terms of issue on 26 May 2011 as they were not exercised within one month of cessation of engagement.

BOARD OF DIRECTORS

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

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

DIRECTORS' REPORT

H. Shanker Madan **Managing Director**

Appointed 18 May 2007

Qualifications Honours and Masters Science degrees in Applied Geology

Experience Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group.

Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits.

He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.

Relevant interest in Shares – 278,375²¹

securities Unlisted \$0.35 (16 September 2013) Options – 8,200,000

Other current None
directorships in listed
entities

Douglas H. Stewart **Non-Executive Director**

Appointed 30 November 2010

Qualifications BSc, FAusIMM, FAIG

Experience Mr Stewart has 40 years technical and commercial experience in the resources sector in a broad range of consulting, senior technical and operational roles in Australia and overseas.

Mr Stewart was the Founding Managing Director of Territory Resources Limited where he played a principal role in managing the company through IPO and into iron ore production at its Frances Creek Iron Ore project in the Northern Territory. Mr Stewart was also a director of Grange Resources Limited prior to its takeover by Chinese steel interests.

Mr Stewart has worked as a senior mining and geological consultant focused largely on mine planning and optimisation. He was Chief Engineer, Open Pit Mines, for Cassiar Mining and Teck Corporation in Canada. As Senior Planning Officer, he headed an underground mine design team for block caving operations in Africa and has been Chief Geologist for several mines where he was responsible for ore resources and reserves estimations.

As well as acting as an independent consultant for various banks and fund managers on potential investments in Australian and international mining projects, Doug spent eight years as an Associate Director with NM Rothschild & Sons Australia.

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

Relevant interest in None
securities

Other current (1) Non-Executive Director of Conquest Mining Limited (ASX Code: CQT) (since 30
directorships in listed November 2007)
entities (2) Non-Executive Director of Vital Metals Ltd (ASX Code: VML) (since 30 May 2011)

²¹ Held jointly: Mr H. Shanker Madan & Mrs Anupam S. Madan <The AS and HS Madan S/F A/C>

DIRECTORS' REPORT

Farooq Khan	Non-Executive Director
<i>Appointed</i>	18 May 2007 (as Executive Director); Non- Executive Director since 1 July 2011
<i>Qualifications</i>	BJuris , LLB. (UWA)
<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 sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Special Responsibilities</i>	Member of the Remuneration and Nomination Committee
<i>Relevant interest in securities</i>	Shares – 98,242 (directly) and 9,332,744 indirectly ²² Unlisted \$0.35 (16 September 2013) Options – 8,200,000 directly
<i>Other current directorships in listed entities</i>	Current Executive Chairman and Managing Director of: (1) Queste Communications Ltd (ASX Code: QUE) (since 10 March 1998) Current Executive Chairman of: (2) Orion Equities Limited (ASX Code: OEQ) (since 23 October 2006) (3) Bentley Capital Limited (ASX Code: BEL) (director since 2 December 2003)

William M. Johnson	Non-Executive Director
<i>Appointed</i>	26 October 2009 (as Executive Director); Non- Executive Director since 1 July 2011
<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>Special Responsibilities</i>	Member of the Audit Committee
<i>Relevant interest in securities</i>	Shares – 27,000 ²³ 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 (ASX Code: OEQ) (since 28 February 2003) (2) Bentley Capital Limited (ASX Code: BEL) (since 13 March 2009) Current Non-Executive Director of: (3) Strike Resources Limited (ASX Code: SRK) (14 July 2006)

²² 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 21.6% interest in Queste Communications Ltd (QUE), which in turn is deemed to be in control of OEQ

²³ Held jointly: Mr William M. Johnson & Mrs Joanne D. Johnson <WIJOA SUPER FUND A/C>

DIRECTORS' REPORT

COMPANY SECRETARY

Victor P. H. Ho	Company Secretary
<i>Appointed</i>	4 April 2007
<i>Qualifications</i>	BCom, LLB (UWA)
<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>Special Responsibilities</i>	Secretary of Audit Committee and Secretary of Remuneration and Nomination Committee
<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 (ASX Code: OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003) Current Company Secretary of: (2) Bentley Capital Limited (ASX Code: BEL) (since 5 February 2004) (3) Queste Communications Ltd (ASX Code: QUE) (since 30 August 2000)

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 16. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

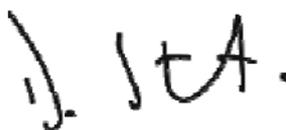
Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Shanker Madan
Managing Director

Perth, Western Australia

14 March 2012



Douglas Stewart
Director

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

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

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

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alara Resources Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner – Audit & Assurance

Perth, 14 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2011

		31 Dec 11	31 Dec 10
	Note	\$	\$
Revenue	2 (a)	773,057	81,866
Net loss on financial assets held at fair value through profit or loss	2 (b)	(214,433)	(262,827)
Costs relating resource projects	2 (b)	(440,715)	(60,578)
Personnel		(619,440)	(498,512)
- Options remuneration (non-cash)		(48,939)	(21,913)
Occupancy costs		(265,210)	(108,773)
Foreign exchange movement		92,509	(314,698)
Finance expenses		(11,380)	(8,319)
Borrowing costs		(38)	(54)
Corporate expenses		(53,518)	(54,108)
Administration expenses		(654,574)	(496,011)
LOSS BEFORE INCOME TAX		(1,442,679)	(1,743,927)
Income tax benefit		-	-
LOSS FOR THE HALF YEAR		(1,442,679)	(1,743,927)
Other comprehensive income			
Exchange differences on translation of foreign operations		41,974	(63,580)
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		41,974	(63,580)
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(1,400,705)	(1,807,507)
Loss attributable to:			
Owners of Alara Resources Limited		(1,397,680)	(1,741,975)
Non-controlling interest		(44,999)	(1,952)
Total comprehensive loss for the year attributable to:		(1,442,679)	(1,743,927)
Owners of Alara Resources Limited		(1,355,706)	(1,805,555)
Non-controlling interest		(44,999)	(1,952)
		(1,400,705)	(1,807,507)
Basic loss per share (cents)	3	(0.81)	(2.06)
Diluted loss per share (cents)	3	n/a	n/a

The accompanying notes form part of this consolidated financial statement

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Note	31 Dec 11 \$	30 Jun 11 \$
CURRENT ASSETS			
Cash and cash equivalents	4	22,922,737	32,240,581
Trade and other receivables		525,137	506,182
Other current assets		47,985	20,846
TOTAL CURRENT ASSETS		23,495,859	32,767,609
NON CURRENT ASSETS			
Financial assets held at fair value through profit and loss	5	661,169	875,603
Property, plant and equipment		252,842	181,833
Resource projects - exploration and evaluation phase	6	15,529,440	7,200,540
Other non-current asset	7	2,420,681	1,662,381
TOTAL NON CURRENT ASSETS		18,864,132	9,920,357
TOTAL ASSETS		42,359,991	42,687,966
CURRENT LIABILITIES			
Trade and other payables		1,215,451	628,694
Provisions		443,585	114,663
TOTAL CURRENT LIABILITIES		1,659,036	743,357
NON CURRENT LIABILITIES			
Provisions		1,508,795	1,508,795
TOTAL NON CURRENT LIABILITIES		1,508,795	1,508,795
TOTAL LIABILITIES		3,167,831	2,252,152
NET ASSETS		39,192,160	40,435,814
EQUITY			
Issued capital	8	53,477,409	53,477,409
Reserves	9	1,938,578	1,847,665
Accumulated losses		(16,376,122)	(14,978,442)
Parent interest		39,039,865	40,346,632
Non-controlling interest		152,295	89,182
TOTAL EQUITY		39,192,160	40,435,814

The accompanying notes form part of this consolidated financial statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2011

Note	Issued Capital \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling Interest \$	Total \$
At 1 July 2010	14,754,059	1,510,655	12,516	(10,558,701)	-	5,718,529
Foreign currency translation reserve	-	-	(63,580)	-	-	(63,580)
Net income and expense recognised directly in equity	-	-	(63,580)	-	-	(63,580)
Loss for the half year	-	-	-	(1,741,975)	1,952	(1,740,023)
Total comprehensive loss for the half year	-	-	(63,580)	(1,741,975)	1,952	(1,803,603)
Transactions with owners in their capacity as owners:						
Share placement	10,580,000					10,580,000
Share placement costs	(586,900)					(586,900)
Options lapsed during the half year		(31,230)		31,230		-
Options lapsed during the half year		21,913				21,913
Non-controlling interests of the new subsidiary					108,042	108,042
At 31 December 2010	24,747,159	1,501,338	(51,064)	(12,269,446)	109,994	14,037,981
At 1 July 2011	53,477,409	1,779,055	68,610	(14,978,442)	89,182	40,435,814
Foreign currency translation reserve	-	-	41,974	-	-	41,974
Net income and expense recognised directly in equity	-	-	41,974	-	-	41,974
Loss for the half year	-	-	-	(1,397,680)	(44,999)	(1,442,679)
Total comprehensive loss for the half year	-	-	41,974	(1,397,680)	(44,999)	(1,400,705)
Transactions with owners in their capacity as owners:						
Share placement	-	-	-	-	-	-
Share placement costs	-	-	-	-	-	-
Options lapsed during the half year	-	(68,279)	-	-	-	(68,279)
Options lapsed during the half year	-	117,217	-	-	-	117,217
Non-controlling interests of the new subsidiary	-	-	-	-	108,112	108,112
At 31 December 2011	53,477,409	1,827,993	110,584	(16,376,122)	152,295	39,192,160

The accompanying notes form part of this consolidated financial statement

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2011

	31 Dec 11	31 Dec 10
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(789,333)	(1,426,344)
Interest received	732,044	116,141
Interest paid	-	(54)
Income taxes refunded	-	-
	<hr/>	<hr/>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(57,288)	(1,310,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(9,189,547)	(1,263,917)
Payments for plant and equipment	(71,008)	(43,111)
	<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(9,260,555)	(1,307,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share placements	-	10,580,000
Payments for share placement costs	-	(586,900)
	<hr/>	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	9,993,100
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	(9,317,843)	7,375,815
Cash and cash equivalents at beginning of the financial year	32,240,580	4,309,770
Effect of exchange rate changes on cash		(374,515)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL HALF YEAR	22,922,737	11,311,070

The accompanying notes form part of this consolidated financial statement

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These half-year financial statements do not include notes of the type normally included in the annual financial statements and shall be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2011 to the date of this report.

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Consolidated Entity's financial statements for the year ended 30 June 2011, except as follows:

Investments in Joint Ventures

The Company undertakes a number of business activities through joint ventures. Joint ventures are those arrangements over whose activities the Consolidated Entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Alara Oman Operations Pty Limited (a wholly owned subsidiary) has a 50% shareholding interest in a jointly controlled entity, Daris Resources LLC (Oman) (gained on 1 December 2010). Alara Saudi Operations Pty Limited (a wholly owned subsidiary) has a 50% shareholding interest in a jointly controlled entity, Khnaiguiyah Mining Company LLC (Saudi Arabia) (gained 10 January 2011). The principal activity of these joint venture entities is exploration, evaluation and development of mineral licences in their respective countries.

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

New or revised Standards and Interpretations that are first effective in the current reporting period

The Consolidated Entity has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period.

Impact of new and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Group include:

AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project':

Amends a number of pronouncements as a result of the IASB's 2009-2010 cycle of annual improvements including:

- Clarification of content of statement of changes in equity, financial disclosures and significant events.
- Accounting policy changes relating to AASB 1 in year of adoption and amendments to deemed cost.

AASB 124 'Related Party Disclosure' (2009), AASB 2009-12 'Amendments to Australian Accounting Standards':

Amends the requirements of the previous version of AASB 124 to:

- Provide a partial exemption from related party disclosure requirements for government-related entities
- Clarify the definition of a related party
- Include an explicit requirement to disclose commitments involving related parties.

AASB 2010-5 'Amendments to Australian Accounting Standards':

This standard amends a range of existing standards to reflect changes made to the text of international Financial Reporting Standards. They have no major impact on the requirements of the amended pronouncements.

AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets':

Makes amendments to AASB 7 'Financial Instruments: Disclosures' including additional disclosures to allow users of the financial statements to improve their understanding of financial asset transfers and potential risks to the transferring entity.

AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9':

The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- (a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI);
- (b) The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

2. LOSS FOR THE HALF YEAR

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

	31 Dec 11	31 Dec 10
	\$	\$
(a) Revenue		
Interest	773,057	81,866
	<u>773,057</u>	<u>81,866</u>
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	(214,433)	(262,827)
Costs relating to resource projects		
- impairment of exploration and evaluation expenditure	(432,610)	(41,469)
- other costs	(8,105)	(19,109)
Personnel		
- cash remuneration	(468,913)	(476,448)
- options remuneration (non-cash)	(48,939)	(21,913)
- employee benefits	(150,527)	(22,064)
Occupancy expenses	(265,210)	(108,773)
Foreign exchange movement	92,509	(314,698)
Finance expenses	(11,380)	(8,319)
Borrowing cost - interest paid	(38)	(54)
Corporate expenses	(53,518)	(54,108)
Administration expenses		
- Communications	(49,933)	(20,197)
- Consultancy fees	(45,446)	(88,271)
- Travel, accommodation and incidentals	(242,076)	(151,692)
- Professional fees	(167,575)	(181,451)
- Insurance	(13,740)	(5,415)
- Depreciation	(50,235)	(13,442)
- Other administration expenses	(85,569)	(34,523)
	<u>(2,215,736)</u>	<u>(1,824,773)</u>

3. LOSS PER SHARE

	31 Dec 11	31 Dec 10
Basic loss per share (cents)	(0.81)	(2.06)
Diluted loss per share (cents)	n/a	n/a
Loss used to calculate earnings per share (\$)	<u>(1,442,679)</u>	<u>(1,743,927)</u>
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	<u>177,417,089</u>	<u>84,682,842</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.

4. CASH AND CASH EQUIVALENTS

	31 Dec 11	30 Jun 11
	\$	\$
Cash at bank	2,391,657	5,089,597
Term Deposits	20,531,080	27,150,984
	<u>22,922,737</u>	<u>32,240,581</u>

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

	31 Dec 11	30 Jun 11
	\$	\$
Listed investments at fair value	<u>661,169</u>	<u>875,603</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

6. RESOURCE PROJECTS - EXPLORATION AND EVALUATION PHASE

	31 Dec 11	30 Jun 11
	\$	\$
Opening balance	7,200,540	-
Excess of consideration of resource projects acquired	-	3,582,558
Exploration and evaluation expenditure	8,761,510	3,659,451
Impairment of exploration and evaluation expenditure	(432,610)	(41,469)
Closing balance	<u>15,529,440</u>	<u>7,200,540</u>

The excess of consideration for resource projects acquired relate to the Consolidated Entity's investment in jointly controlled entity Khnaiguiyah Mining Company (Saudi Arabia) (50%) whereby the Consolidated Entity contributed 100% of the initial share capital on incorporation. The excess value comprises 50% of the value of the initial share capital invested in Khnaiguiyah Mining Company plus 100% of the vendor payments made to Manajem (refer Note 13 for details of the vendor payments).

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

The Consolidated Entity has granted a security bond to the value of \$32,000 (December 2010: \$14,000), which has not been called up as at balance date.

7. OTHER NON-CURRENT ASSETS

	31 Dec 11	30 Jun 11
	\$	\$
Excess of consideration for resource projects acquired	449,224	321,167
Costs incurred in relation to resource projects	1,971,456	1,341,214
	<u>2,420,681</u>	<u>1,662,381</u>

The excess of consideration for resource projects acquired relate to the Consolidated Entity's investment in controlled and jointly controlled joint venture entities whereby the Consolidated Entity contributed 100% of the initial share capital on incorporation in circumstances where the Consolidated Entity has acquired less than 100% of the share capital interest. The excess value comprises the relevant excess of the value of the initial share capital invested in these entities plus any vendor or introduction fee payments (where applicable). The amounts incurred in relation to resource projects have been classified as Other Non-Current Assets and not as Resource Projects (refer Note 6) where, as at balance date, the conditions precedent under the shareholder's agreements for relevant entities are still outstanding or where joint venture entities have not yet been incorporated.

8. ISSUED CAPITAL

	Number of Shares		31 Dec 11	30 Jun 11
	31 Dec 10	30 Jun 11		
Fully paid ordinary shares	210,507,500	210,507,500	\$ 53,477,409	\$ 53,477,409
			<u>53,477,409</u>	<u>53,477,409</u>
		Date of issue	Number of shares	\$
30 Jun 11				
At 1 July 2009			210,507,500	53,477,409
At 30 June 2011			<u>210,507,500</u>	<u>53,477,409</u>
31 Dec 11				
At 1 July 2011			210,507,500	53,477,409
Share placement			-	-
Share placement			-	-
Share placement costs			-	-
At 31 December 2011			<u>210,507,500</u>	<u>53,477,409</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 Company does not have a limit on the amount of its capital.

Capital risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

9. RESERVES

	31 Dec 11	30 Jun 10
	\$	\$
Foreign currency translation reserve	110,584	68,610
Options reserve	1,827,994	1,779,055
	<u>1,938,578</u>	<u>1,847,665</u>

Foreign currency translation reserve

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

Options Reserve

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

	Grant date	Number of options	Consolidated Entity	
			31 Dec 11	30 Jun 11
			\$	\$
Directors' Options				
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	16,400,000	569,080	569,080
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	30-Nov-09	2,000,000	247,317	247,317
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	30-Nov-09	1,000,000	106,698	106,698
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-11	500,000	74,601	74,601
Employees' Options				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	500,000	89,500	89,500
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,000,000	43,159	43,159
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	276,365
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	147,306
Unlisted options exercisable at \$0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	21,913
Unlisted options exercisable at \$0.50; expiring 25 May 2014	26-May-14	300,000	48,395	80,643
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-14	300,000	44,757	63,411
Unlisted options exercisable at \$0.70; expiring 25 May 2014	26-May-14	300,000	41,687	59,062
Unlisted options exercisable at \$0.50; expiring 25 May 2014	02-Sep-11	200,000	33,072	-
Unlisted options exercisable at \$0.60; expiring 25 May 2014	02-Sep-11	125,000	19,001	-
Unlisted options exercisable at \$0.70; expiring 25 May 2014	02-Sep-11	125,000	17,594	-
Unlisted options exercisable at \$0.50; expiring 25 May 2014	23-Dec-11	200,000	22,887	-
Unlisted options exercisable at \$0.60; expiring 25 May 2014	23-Dec-11	125,000	12,908	-
Unlisted options exercisable at \$0.70; expiring 25 May 2014	23-Dec-11	125,000	11,754	-
		<u>26,250,000</u>	<u>1,827,994</u>	<u>1,779,055</u>

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

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

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

Equity based remuneration

On 2 September 2011, 400,000 unlisted (25 May 2014) options were granted to an employee as part of his remuneration package. On 23 Dec 2011, 400,000 unlisted (25 May 2014) options were granted to a nominee of an employee as part of his remuneration package.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

10. SHARE BASED PAYMENTS

A total of 900,000 unlisted (25 May 2014) options were issued during the half year (Refer to Note 9).

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

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

- (i) The number of options issued have been determined having regard to the level of salaries/fees being paid and is a cash free, effective and efficient way of providing an appropriate level of remuneration as well as providing ongoing equity based incentives for them to remain with the Company with a view to improving the future growth of the Company
- (ii) The options issue was designed to act as an incentive to strive to achieve the Company's goals with the aim of enhancing shareholder value.
- (iii) The options provide an equity holding opportunity which is linked to the Company's share price performance.
- (iv) Based on the option exercise price and the rate at which the options vest, the exercise of the options is potentially only likely to occur if there is sustained upward movement in the Company's share price.
- (v) As an exploration company with much of its available funds dedicated or committed to its resource projects and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges within the industry in which it operates.

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

Grant date	Expiry date	Exercise price	Movement during the half year				Closing balance	As at 31 Dec 2011	
			Opening balance	Granted	Exercised	Lapsed		Vested and exercisable	Fair value \$
17-Sep-08	16-Sep-13	0.35	16,400,000				16,400,000	16,400,000	569,080
30-Nov-09	25-Oct-14	0.35	2,000,000				2,000,000	2,000,000	247,317
30-Nov-09	25-Oct-14	0.60	1,000,000				1,000,000	1,000,000	106,698
26-May-11	26-May-14	0.60	500,000				500,000	500,000	74,601
27-Jul-07	16-Sep-12	0.55	500,000				500,000	500,000	89,500
17-Sep-08	16-Sep-13	0.35	1,000,000				1,000,000	1,000,000	43,159
26-Oct-09	25-Oct-14	0.35	1,650,000				1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	0.60	1,000,000				1,000,000	1,000,000	147,306
23-Aug-10	22-Aug-15	0.35	400,000				400,000	400,000	21,913
26-May-11	25-May-14	0.50	500,000			(200,000)	300,000	300,000	48,395
26-May-11	25-May-14	0.60	425,000			(125,000)	300,000	300,000	44,757
26-May-11	25-May-14	0.70	425,000			(125,000)	300,000	300,000	41,687
02-Sep-11	25-May-14	0.50		200,000			200,000	200,000	33,072
02-Sep-11	25-May-14	0.60		125,000			125,000	125,000	19,001
02-Sep-11	25-May-14	0.70		125,000			125,000	125,000	17,594
23-Dec-11	25-May-14	0.50	-	200,000	-	-	200,000	200,000	22,887
23-Dec-11	25-May-14	0.60	-	125,000	-	-	125,000	125,000	12,908
23-Dec-11	25-May-14	0.70	-	125,000	-	-	125,000	125,000	11,754
			25,800,000	900,000	-	(450,000)	26,250,000	26,250,000	1,827,994
Weighted average exercise price			0.39	0.58		0.58	0.39	0.39	

The weighted average balance of the contractual term of the options outstanding at the balance date was 2.4 years.

There were no shares issued as a result of the exercise of any Directors' or Employees options during the year (2010: 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:

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

10. SHARE BASED PAYMENTS (continued)

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk free rate	Price volatility
27-Jul-07	\$0.55 (26 July 2012) 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%
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%
23-Aug-10	\$0.35 (22 August 2015) Employees' Options	vested at the date of the issue of the options	\$0.10	4.50%	95%
26-May-11	\$0.60 (25 May 2014) Directors' Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.50 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.60 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.70 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
02-Sep-11	\$0.50 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.33	3.81%	95%
02-Sep-11	\$0.60 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.33	3.81%	95%
02-Sep-11	\$0.70 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.33	3.81%	95%
23-Dec-11	\$0.50 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.60 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.70 (25 May 2014) Employees' Options	vested at the date of the issue of the options	\$0.27	3.12%	95%

11. SEGMENT INFORMATION

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

	Resource					Unallocated	Total
	Australia	Oman	Saudi Arabia	Peru	Chile		
6 months to 31 Dec 2011	\$	\$	\$	\$	\$	\$	\$
Total segment revenues		-	-	-	-	(773,057)	(773,057)
Total segment loss before tax	(850,448)	(154,174)	60,636	(470,674)	(37,008)	8,989	(1,442,679)
Total segment assets	27,285,565	1,990,580	11,691,233	108,908	622,536	661,169	42,359,991
Total segment liabilities	(941,211)	(51,298)	(2,153,659)	(19,682)	(1,981)	-	(3,167,831)
6 months to 31 Dec 2010							
Total segment revenues	-	-	-	-	-	81,866	81,866
Total segment loss before tax	(66,197)	(256,232)	-	(33,136)	-	(1,388,362)	(1,743,927)
12 months to 30 June 2011							
Total segment assets	32,513,393	1,529,291	7,659,673	110,006	-	875,603	42,687,966
Total segment liabilities	(499,690)	(16,819)	(1,727,278)	(8,365)	-	-	(2,252,152)

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

12. COMMITMENTS

- (a) A condition of the Mining Licence pertaining to the Khnaiguiyah Zinc-Copper Project in Saudi Arabia issued by the Ministry of Petroleum and Mineral Resources in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (**SAR**) (approximately A\$5 million based on a current exchange rate of A\$1.00/4 SAR) over the 30 year term of the licence. KMC has not yet submitted a training programme and plan to the Ministry for approval and it is not possible to establish a time frame around this commitment as at the date of this report. The Mining Licence is also pending transfer from United Arabian Mining Company LLC (**Manajem**) to the joint venture company, Khnaiguiyah Mining Company LLC (**KMC**) (Alara: 50% and Manajem: 50%).
- (b) A condition of the Khnaiguiyah Mining Licence is the payment of a nominal annual surface rental based on the area of the mining licence.

13. CONTINGENT ASSETS AND LIABILITIES

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

- (a) **Shareholders' Agreement - Khnaiguiyah Mining Company - Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** - On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining ("Manajem" in Arabic) Company (**Manajem**) pursuant to which Alara will pay a total of US\$7.5 million to Manajem in stages subject to completion of project milestones and the parties forming a new joint venture company, ("Khnaiguiyah Mining Company" (**KMC**), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. Alara has paid Manajem a total of US\$3.533 million (including an advance of US\$2.017 million in respect of the tranche payable on completion of transfer of the Khnaiguiyah Mining Licence into KMC which is pending completion) with US\$3.967 million payable (US\$1.957 million payable in cash and US\$2.01 million to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.28 per share based on the current A\$1.00/US\$1.06 exchange rate) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to completion of the transfer of the Mining Licence from Manajem to KMC). A 'Resource Bonus' is also payable to Manajem (based on Manajem's shareholding interest in KMC at the relevant time) calculated at the rate of US 0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade). Alara will fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project (**shortfall**) shall be met by the parties as follows; Alara is entitled firstly to provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US\$15 million plus 25% of the project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by KMC shareholders, Alara is entitled to contribute its half share of the shortfall (being 25% of the project capital costs) and will also fund a maximum of US\$15 million of Manajem's contribution towards the shortfall. The balance of the shortfall (and subsequent funding calls by KMC) shall be satisfied by each shareholder (pro-rata to their respective shareholding interests) providing additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price. Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US\$3 million from Manajem, shall be repayable from KMC's net profits. The Alara loan accrues interest at LIBOR plus 2% per annum. 30% of net profits shall be applied towards repayment of shareholder loans each year prior to the distribution of dividends. KMC is managed by a Board of Directors with 2 nominees from each of Alara and Manajem and a local independent Director to be appointed by agreement of the parties. Alara's Managing Director, Shanker Madan, is currently the Managing Director of KMC. Mr Madan is also currently Chairman of KMC (with a casting vote in the event of a voting deadlock as a local independent Director has not yet been appointed).
- (b) **Introduction Fee - Net Profit Royalty Obligation - Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** - A 0.5% net profit royalty is due and payable to the individual who introduced the Khnaiguiyah Zinc Copper Project (Saudi Arabia) to Alara, based on Alara's share of net profits from KMC.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

13. CONTINGENT ASSETS AND LIABILITIES (continued)

- (c) **Shareholders' Agreement - Daris Resources LLC - Daris Copper-Gold Project (Oman)** - On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. 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 has exclusive rights (to be formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession. The shareholders' agreement is subject to conditions precedent, including, amongst other matters, the incorporation of DarisCo (which has occurred), the execution of the management agreement and ancillary loan agreement (which are currently pending finalisation) and the exploration licence being renewed. As at the date of this report, all of the conditions precedent have not been satisfied. Completion of these matters is expected by the end of April 2012.
- (d) **Shareholders' Agreement - Alara Resources LLC (Oman)** - On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) will be established to identify, secure and commercially exploit other resource projects in Oman introduced to AlaraCo by SUR. Alara will contribute 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000 at that time) 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, including the incorporation of AlaraCo (which has occurred), the execution of an ancillary loan agreement (which is currently pending finalisation) and an exploration license being granted to AlaraCo - AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR (which are currently pending grant by the Oman Government). As at the date of this report, all of the conditions precedent have not been satisfied. The timetable for completion of these matters is subject to the grant of the first exploration licence to AlaraCo.
- (e) **Introduction Fees - Net Smelter Return Royalty and Bonus Obligation - Oman Projects** - A 0.5% Net Smelter Return (NSR) royalty is due and payable to the individual who introduced the prospects the subject of exploration licence applications by Alara Resources LLC (Oman). A US\$25,000 cash bonus is also due and payable to the same individual upon commencement of production from the Daris Copper-Gold Project (Oman).
- (f) **Option Agreement - El Quillay Copper-Gold Project (Chile)** - On 21 October 2011, a series of agreements were entered into giving Alara the right to secure a 70% interest in the El Quillay Copper-Gold Project in Chile. Inversiones Alara Chile Limitada (**IAC**), a Chilean subsidiary entity of Alara Chile Operations Pty Ltd (a wholly owned subsidiary of the Company), entered into a shareholders' agreement with the vendors in relation to a newly formed Chilean joint venture company, El Quillay SpA (**ELQ**), in which IAC has a 70% shareholding interest with the vendors holding the balance of 30%. ELQ also entered into an option agreement with the vendors to acquire 100% of the shares in a Chilean mining company, SCM Antares. SCM Antares holds the mining rights and mineral concessions in relation to the project. The option fee of US\$10 million is payable by ELQ to the vendors in tranches over 3 years (also the option term). US\$0.5 million has been paid upon execution of the option agreement with \$1 million, \$3 million and \$5.5 million payable on the first, second and third anniversaries thereafter. ELQ has an obligation to pay the vendors a variable 'Resource Bonus' payment, calculated at the rate of US\$0.03 for each pound of 'Copper Resource' (grading, on average, at or above 0.7% and being economically mineable) discovered in the project attributable to Alara's pro-rata economic share in the project (70%), in excess of a threshold 250,000 tonnes of 'Copper Resource'. Alara will fund payment of the option fee and manage and sole fund the project's planned exploration programme up to and including the completion of one or more definitive bankable feasibility studies (in respect of each mine proposed to be developed within the project area), including a minimum 20,000 metres of drilling over 2 years (with a minimum of 10,000 metres of drilling in the first year). Future funding into ELQ may take the form of shareholder loans (at LIBOR plus 2% interest per annum) or shareholders will be asked to contribute cash calls in proportion to their respective interests or be diluted in accordance with an agreed or independently determined price. Alara has committed to advancing loan funds of up to US\$10 million to the vendors (at LIBOR plus 2% interest per annum) to fund the vendors' share of equity cash calls into ELQ - this loan will be repaid to Alara out of the vendors' share of dividends from ELQ. ELQ is governed by a 3 member board of directors with 2 nominees from Alara and one nominee from the vendors. Alara's Managing Director is currently the Chairman of ELQ.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

13. CONTINGENT ASSETS AND LIABILITIES (continued)

- (g) **Shareholders' Agreement – "Marjan Mining Company LLC" (pending formation) – Marjan Base and Precious Metals Project (Saudi Arabia)** – On 17 April 2011, Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with United Arabian Mining Company (Manajem) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company ("Marjan Mining Company" LLC (**MMC**)), which will receive transfer of the project licences from Manajem and in which Alara will have a 50% shareholding interest. Alara will fund (as loan capital to MMC repayable out of MMC's net profits) all exploration, evaluation and development costs up to a "decision to mine" (supported by a BFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective interests in MMC or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set at the capital costs defined under the DFS. The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US\$1 million funding into MMC (within a 2 year term). A 'Resource Bonus' is also payable to Manajem calculated at the rate of US\$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the project area. MMC will be managed by a board of directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. A condition precedent to the shareholders agreement is the incorporation and registration of MMC and the execution of ancillary agreements arising therein. As at the date of this report, all of the conditions precedent have not been satisfied. Completion of these matters is expected within Q2 2012.
- (h) **Shareholders' Agreement - Awtad Copper LLC (Oman)** - On 24 April 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with holder on 3 mineral exploration licences, Awtad Copper LLC (**Awtad**), and the local shareholders of Awtad (**Awtad Shareholders**). Alara is entitled to earn-in up to a 70% shareholding interest in Awtad by funding exploration and evaluation and completion of a definitive bank feasibility study (DFS) over a 5 year term. Alara will secure an initial 10% shareholding interest in Awtad by contributing US\$0.5 million equity capital into Awtad (currently being contributed in stages). Alara will then fund all on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$2.5 million into Awtad during the first 3 years, it will increase its shareholding interest in Awtad to 51%. This will increase to 70% upon the completion of a DFS (funded by Alara) within the balance of the term. Post completion of DFS, the Awtad shareholders have to contribute any required equity funding or dilute in accordance with an industry standard dilution formula. If a shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholders in exchange for a 2% net smelter return. Awtad Shareholders are entitled to a once-off election to maintain their interest at 49% (with Alara holding 51%) if a threshold resource of 20,000 or more tonnes of contained Copper has been delineated within the Project area (within a JORC Measured Copper Resource with a cut-off grade above 0.5% and an average grade above 2%) as at the date Alara has completed its 51% earn-in (prior to completion of a DFS). If the Awtad Shareholders exercise this election, on-going funding of Awtad (including to complete the DFS) will be pro-rata to Awtad's shareholding interest (ie. Alara 51% and Awtad Shareholders 49%). Awtad is governed by a 4 member board of directors with 2 nominees appointed by Alara and the Awtad Shareholders. Alara's Managing Director is currently the Chairman, who has a casting vote, and also the Managing Director of Awtad.
- (i) **Shareholders Agreement - Al Ajal-Washihi-Mullaq Copper-Gold Project (Oman)** – On 23 November 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with the concession holder, Pilatus Resources Oman LLC (**Pilatus**) and the existing shareholders of Pilatus (**Pilatus Shareholders**). Alara will secure an initial 10% shareholding interest in Pilatus by contributing US\$1 million equity capital into Pilatus. Alara will then fund on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$3 million into Pilatus during a period of up to four years, it will be entitled to increase its shareholding in Pilatus to 60%. Post completion of a definitive feasibility study, the Pilatus Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If the existing Pilatus Shareholders decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay Pilatus the amount which the Pilatus Shareholders were required to contribute under their payment notice and Alara shall increase its economic interest in Pilatus to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of the Pilatus Shareholders until such time that 25% of the total amount required under the payment notices is repaid to Alara. If a Pilatus shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by Pilatus. Pilatus will be governed by a four-member board of directors. Two directors shall be appointed by Alara and, for so long as the existing Pilatus Shareholders own at least 40% of the issued share capital of Pilatus, two directors shall be jointly appointed by the Pilatus Shareholders. Alara is entitled to appoint the Chairman, who has a casting vote, and to nominate the Managing Director. The Shareholders Agreement is subject to conditions precedent, including completion of due diligence (which has been satisfied), renewal of the project licences (expanded to include gold ores/minerals) (where applicable) (which is currently pending renewal for 2012) and Pilatus settling all liabilities with the Pilatus Shareholders (where applicable). As at the date of this report, all of the conditions precedent have not been satisfied. Completion of these matters is expected within Q2 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2011

13. CONTINGENT ASSETS AND LIABILITIES (continued)

- (j) **Land and Water Rights Acquisition (Saudi Arabia)** – KMC is a party to a real estate sale agreement for the purchase of land and an accompanying water right in Saudi Arabia for the Khnaiguiyah Zinc-Copper Project. A final payment of 2,500,000 SAR (approximately A\$0.625 million based on the current exchange rate of A\$1.00/4 SAR) is payable upon the transfer of the land and water licence from the local vendor to KMC (or its nominee).
- (k) **Canning Well Manganese Farm Out Agreement Royalty Benefit** – On 10 March 2010, the Company 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 Exploration Licence 46/629 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 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 royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.
- (l) **Royalty Obligation to Orion Equities Limited** – The Consolidated Entity is liable to pay a royalty of 2% of gross revenues (exclusive of goods and services tax) to Orion Equities Limited from any commercial exploitation of any minerals from various Australian tenements - EL 24879, 24928 and 24929 and ELA 24927 (the Bigrlyi South Project tenements in the Northern Territory), and 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), pursuant to the acquisition of these tenements.
- (m) **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.

14. SUBSEQUENT EVENTS

- (a) On 24 January 2012, the Company announced the General Presidency of Meteorology and Environmental Protection in Saudi Arabia had granted provisional environmental approval in respect of the Khnaiguiyah Zinc-Copper Project located in Saudi Arabia (Alara: 50%), with Ministerial approval expected to follow thereafter in due course. The approval is based on an environmental report which contemplated a mill throughput of 1 million tonnes per annum (Mtpa). The definitive feasibility study currently being finalised contemplates a mill throughput of 1 to 1.5 Mtpa. To the extent that the final project parameters differ from that submitted under the original environmental report, an addendum to the current environmental approval may be required. The environmental approval is also pending transfer from Manajem to KMC.
- (b) On 21 February 2012, the Company reported its maiden JORC Resource for the Khnaiguiyah Zinc-Copper Project of:
- 26.4 Mt at 3.9% Zinc and 0.12% Copper (4.3% Zinc Equivalent); and
 - 7.0 Mt at 0.8% Copper.

Further details are in the Company's ASX market announcement dated 21 February 2012 and entitled "Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project".

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

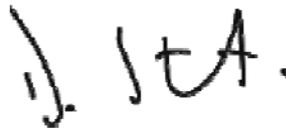
On behalf of the Board,



Shanker Madan
Managing Director

Perth, Western Australia

14 March 2012



Douglas Stewart
Director

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

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

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

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

We have reviewed the accompanying half-year financial report of Alara Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Alara Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance

with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner – Audit & Assurance

Perth, 14 March 2012

MINERAL CONCESSIONS

KHNAIGUIYAH ZINC COPPER PROJECT IN SAUDI ARABIA

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway. The project comprises one Mining Licence (granted in December 2010), 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km².

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

Refer to Alara market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 13 to 26 of this 2011 Annual Report) and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)." Also refer to pages 4 to 26 and 89 of the Company's 2011 Annual Report for further information on the project and the joint venture terms.

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises ~68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

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

Refer to Alara market announcement dated 24 October 2011 and entitled "[Project Acquisition - El Quillay Copper Gold Project in Chile](#)". Also refer to pages 31 to 34 of the Company's 2011 Annual Report for further information on the project.

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

The Al Ajal-Washihi-Mullaq Copper-Gold Project is located approximately 80-160km east and southeast of Alara's Daris Project and Awtad Project and comprises 3 exploration licences totalling 80km².

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

Refer to Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold in Oman](#)."

DARIS COPPER-GOLD PROJECT IN OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprise a mineral excavation licence of ~587km². Alara Oman Operations Pty Limited has a 50% interest (with a right to increase this to 70%+) in a new joint venture company, Daris Resources LLC (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

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

Refer to Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)." Also refer to pages 27 to 30 and 89 to 90 of the Company's 2011 Annual Report for further information on the project and the Daris Resources LLC and Alara Resources LLC joint venture terms.

AWTAD COPPER-GOLD PROJECT IN OMAN

The Awtad Copper Gold Project is located immediately adjacent to the Daris Project and comprises a mineral excavation licence of ~497km².

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

Refer to Alara market announcement dated 27 April 2011 and entitled "[Project Acquisition- Awtad Copper-Gold Project in Oman](#)". Also refer to pages 35 and 91 of the Company's 2011 Annual Report for further information on the project and the joint venture terms.

MINERAL CONCESSIONS

MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

The Marjan Precious and Base Metals Project (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project comprising 3 Exploration Licences (totalling 260km²) prospective for gold, silver, copper and zinc.

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

Refer to Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)". Also refer to pages 34 and 90 of the Company's 2011 Annual Report for further information on the project and the joint venture terms.

AUSTRALIAN MINERAL TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km ²)	Area (hectares)	Location / Property Name	State	Company's Interest
Bigriyi South	Granted	EL 24879	15/08/06	14/08/12	54	170	17,000	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest ²⁴
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	12	28	2,800	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	
Canning Well	Granted	E 46/629	02/08/05	21/08/12	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); subject to a farm-out agreement with Process Minerals International Pty Ltd, a subsidiary of ASX-listed Mineral Resources Limited ²⁵
	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)

²⁴ Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration Licences EL 24879, EL 24928 and EL 24929 by incurring \$750,000 of expenditure on these tenements over a period of 5 years from the date of the agreement on 12 May 2009 and a 70% interest in Exploration License application EL 24927 by incurring \$750,000 of expenditure on this tenement over a period of 5 years from the date of grant. Refer Alara market announcement dated 14 May 2010 and entitled "[Bigriyi South Uranium Joint Venture with Thundelarra Exploration](#)".

²⁵ Under an agreement dated March 2010, Process Minerals International Pty Ltd (PMI) will determine the feasibility of a manganese mining operation on the Canning Well Exploration Licence 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 royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

JORC CODE COMPETENT PERSONS' STATEMENTS

The information in this report that relates to Mineral Resources within Mineralised Zones 2 and 3 of the Khnaiguiyah Project is based on information compiled by Mr Daniel Guibal, an employee of SRK Consulting (Australasia) Pty Ltd, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Guibal has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results pertaining to the Khnaiguiyah Project and Mineral Resources within Mineralised Zone 4 of the Khnaiguiyah Project is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy. Mr Sharma is a principal consultant to Alara Resources Limited. Mr Sharma has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition). Mr Sharma consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to other Exploration Results is based on information compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

SECURITIES INFORMATION

as at 31 December 2011

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	210,507,500	-	210,507,500
\$0.55 (26 July 2012) Unlisted Options ²⁶	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ²⁷	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options ²⁷	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options ²⁸	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ²⁸	-	2,000,000	2,000,000
\$0.60 (25 May 2014) Unlisted Directors' Options ²⁹	-	500,000	500,000
\$0.50 (25 May 2014) Unlisted Options ³⁰	-	700,000	700,000
\$0.60 (25 May 2014) Unlisted Options ³⁰	-	550,000	550,000
\$0.70 (25 May 2014) Unlisted Options ³⁰	-	550,000	550,000
\$0.35 (22 August 2015) Unlisted Options ³¹	-	400,000	400,000
Total	210,507,500	26,250,000	236,757,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ³²	No. of Options
27 Jul 2007	\$0.55 (27 July 2012) Options	\$0.55	26 Jul 2012	1/3 on 27 January 2008, 1/3 on 27 July 2008, 1/3 on 27 January 2009	500,000
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	75% on grant, 25% on 17 September 2009	16,400,000
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	50% on 17 March 2009, 25% on 17 September 2009, 25% on 17 March 2010	1,000,000
26 Oct 2009	\$0.60 (25 October 2014) Options	\$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	1,650,000
26 Oct 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	2,000,000
30 Nov 2009	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
23 Aug 2010	\$0.60 (25 May 2014) Directors' Options	\$0.60	25 May 2014	100% on date of issue	500,000
26 May 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue	700,000
2 Sept 2011					
23 Dec 2011					
26 May 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue	550,000
2 Sept 2011					
23 Dec 2011					
26 May 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue	550,000
2 Sept 2011					
23 Dec 2011					

²⁶ 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 27 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

²⁷ 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](#)

²⁸ 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](#)

²⁹ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

³⁰ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

³¹ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

³² Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 31 December 2011

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	1,194	460,235	0.219
1,001	-	5,000	395	955,797	0.454
5,001	-	10,000	260	2,178,550	1.035
10,001	-	100,000	467	15,597,609	7.410
100,001	-	and over	117	191,315,309	90.883
Total			2,675	210,507,500	100.00%

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1 *	J P MORGAN NOMINEES AUSTRALIA LIMITED	44,200,741	
	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,484,804	
	Sub-total	48,685,545	23.128
2 *	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,949,177	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	10,582,382	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	25,351	
	Sub-total	32,556,910	15.466
3 *	NATIONAL NOMINEES LIMITED	29,612,636	14.067
4 *	CITICORP NOMINEES PTY LIMITED	17,959,312	
	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,415,524	
	Sub-total	19,374,836	9.203
5	ORION EQUITIES LIMITED	6,332,744	3.008
6	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C>	3,365	
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	5,281,862	
	Sub-total	5,285,227	2.511
7	MR PETER KELVIN RODWELL	4,000,000	1.900
8	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>	3,225,000	1.532
9	GWYNVILL TRADING PTY LTD	3,167,521	1.505
10	COGENT NOMINEES PTY LIMITED	2,294,418	1.090
11	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>	2,189,814	1.040
12	SURFLODGE PTY LTD	1,629,000	0.774
13	HGT INVESTMENTS PTY LTD	1,250,000	0.594
14	BLUEFLAG HOLDINGS PTY LTD	1,053,000	0.500
15	MR LUCAS JAMES KOEKOEK	1,000,000	0.475
16	BT PORTFOLIO SERVICES LIMITED	1,000,000	0.475
17	HOUVAN PTY LTD	1,000,000	0.475
18	MR ANDREW BRUCE RICHARDS	1,000,000	0.475
19	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING <TREG TRAILERS DIS S/F A/C>	1,000,000	0.475
20	COVELANE GOLD COAST PTY LTD <COVELANE SUPER FUND A/C>	929,561	0.442
Total		166,586,212	79.135%

* Substantial shareholders