



HALF YEAR REPORT

31 December 2012

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
2012 ANNUAL REPORT OF THE COMPANY
RELEASED ON 1 NOVEMBER 2012



ASX Code: AUQ

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Douglas H. Stewart	Non-Executive Director
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DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and its controlled entities (the **Consolidated Entity**) for the financial half year ended 31 December 2012 (**Balance Date**).

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

REVIEW OF OPERATIONS

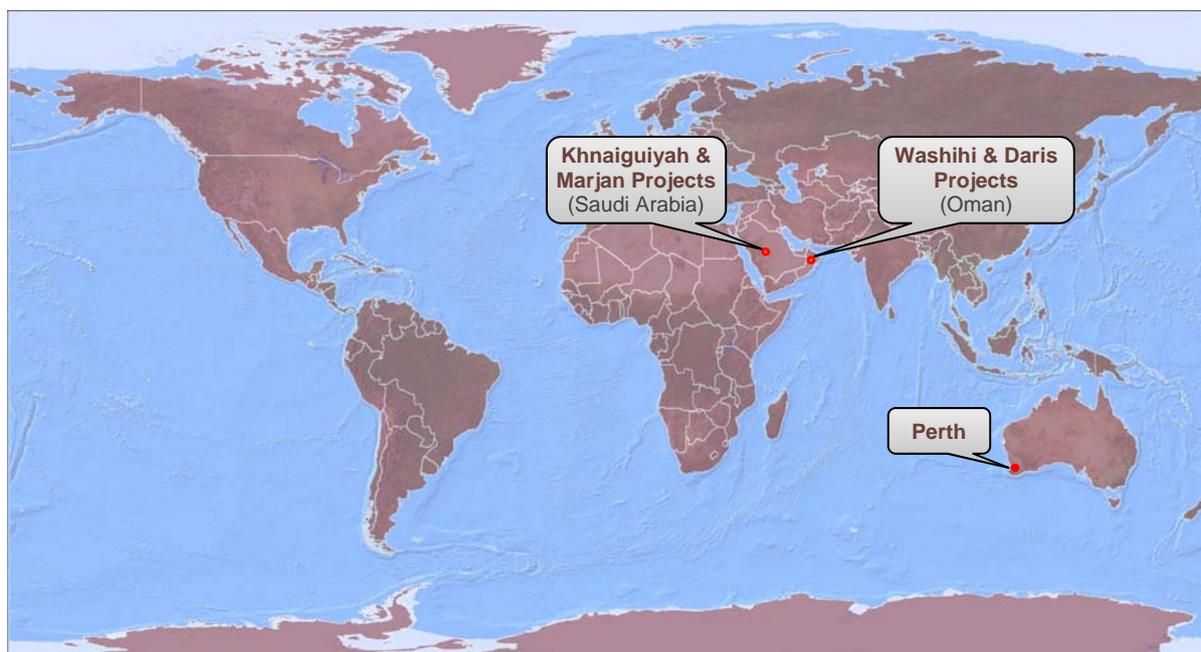
1. Company Projects

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

	PROJECTS	LOCATION	STATUS
(1)	Khnaiguiyah Zinc-Copper Project ¹	Saudi Arabia	DFS
(2)	Washihi-Mullaq-AI Ajal Copper-Gold Project ²	Oman	Exploration
(3)	Daris Copper-Gold Project ³	Oman	Exploration
(4)	Marjan Precious and Base Metals ⁴	Saudi Arabia	Exploration

Khnaiguiyah (50%)
Zinc-Copper, Saudi Arabia

Marjan (50%)
Zinc-Gold-Silver, Saudi Arabia



Washihi (75% Earn In)
Copper-Gold, Oman

Daris (50%-70%+)
Copper-Gold, Oman

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

² Refer Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - AI Ajal-Washihi-Mullaq Copper-Gold Project in Oman](#)"

³ Refer Alara market announcement dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

⁴ Refer Alara market announcement dated 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))

The advanced Khnaiguiyah Zinc-Copper Project in Saudi Arabia is Alara's flagship Project.

The project is the second most advanced base metals project in Saudi Arabia after the Jabal Sayid Copper-Gold Project, previously held by Citadel Resources Group Limited (ASX: CGG), which was taken over by Equinox Minerals Limited (TSX and ASX: EQN) in January 2011, which itself was taken over by Barrick Gold Corporation (TSX and NYSE: ABX) in July 2011.

Alara's focus, upon securing the grant of a 30 year Mining Licence in December 2010, has been to delineate and extend the mineralisation from extensive historical work⁵, define a JORC Code compliant resource and complete a definitive feasibility study (DFS) for a 2Mtpa operation over a 14 year mine life targeting production of 90,000tpa of Zinc concentrate and 6,250tpa of Copper concentrate (in the first 4 years).

The Khnaiguiyah Project has excellent road, power and camp infrastructure and is located adjacent to a bitumen road, approximately 200km west of Riyadh, the capital of Saudi Arabia, near the major Riyadh to Jeddah highway. It is approximately 30km northwest of the town of Al Quwayiyah.

The project comprises the Khnaiguiyah Mining Licence, 3 Exploration Licences and 5 Exploration Licence applications pending grant, totalling approximately 380km². Alara has a 50% interest in joint venture company, Khnaiguiyah Mining Company (KMC).

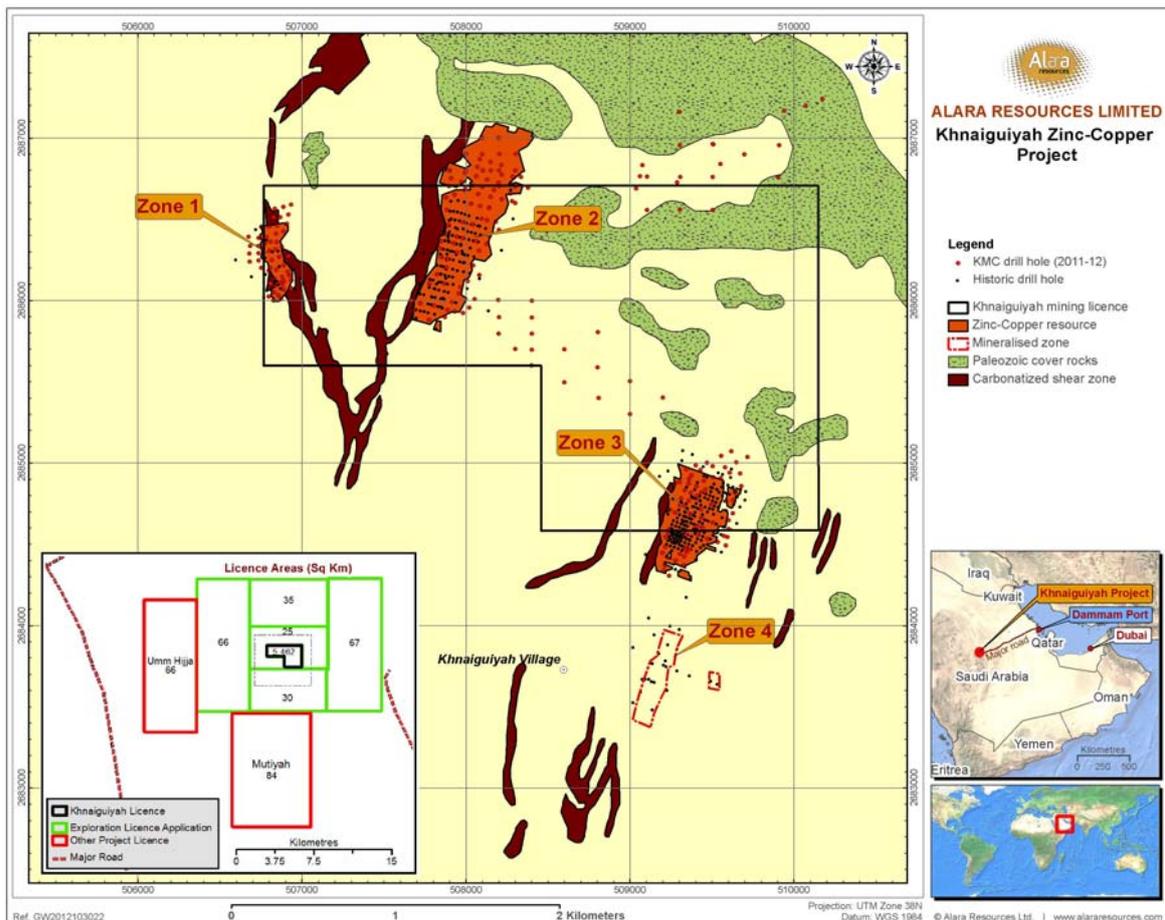


Figure 1
Khnaiguiyah Project Location, Licence Areas and Mineralised Zones

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

DIRECTORS' REPORT

Project Development Summary

- Khnaiguiyah Mining Licence issued in December 2010⁶ with 30 year exclusive term and no mineral royalties payable.
- Maiden JORC Resource Statement announced in February 2012⁷ and Resource upgrade announced in October 2012⁸:
 - Measured and Indicated Zinc and Zinc/Copper Resource of 25.32 Mt at 4.03% Zn and 0.17% Cu⁹; and
 - Measured and Indicated Copper Resource of 8.53Mt at 0.64% Copper¹⁰.
- Since the commencement of Alara's Khnaiguiyah drilling programme in February 2011, a total of 315 holes to ~36,961 metres has been completed.
- Grant of approvals in July 2012¹⁵ from the Presidency of Meteorology and Environment in Saudi Arabia for construction and mining operations at the Khnaiguiyah Project.
- Draft DFS from lead consultant, Ausenco, received in June 2012¹¹; Alara identifies further work required to be completed (eg. finalising operating costs using local Saudi quotes and revising costs based on a focus on lower initial strip ratios that are likely to be available in adding mineralisation (from more recent drilling) from Zone 1 and Zone 2 extensions to the mining schedules).¹²
- Parameters of the DFS have been upgraded to reflect an increase in annual throughput from 1.5 to 2Mtpa⁸, an increase in the project life from 10 to 14 years¹³ and an increase in the production profile to an average of 90,000t of zinc (75,000t previously) and 6,250t of copper (5,800t previously) as concentrates per annum in the first 4 years.¹⁴
- Capital cost estimate of US\$257M based on tender bids received.¹⁴
- Cash operating costs of US\$52/t for years 1 to 9 and US\$41/t for Life of Mine (**LOM**) expected to be in lowest cost quartile of zinc mines currently operating in the western world.¹⁴
- Potential for up to 75% project finance from the Saudi Industrial Development Fund (**SIDF**) reduces expected equity requirement.
- Final components of the DFS scheduled for completion in April 2013.

⁶ Refer Alara market announcements dated 21 December 2010 and entitled "[Award of Mining License – Khnaiguiyah Zinc Copper Project, Saudi Arabia](#)"

⁷ Refer ASX market announcement dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#).

⁸ Refer ASX market announcements dated 12 October 2012: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#) and 30 October 2012: [JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)

⁹ Comprising a Measured Resource of 9.65Mt at 3.37% Zn and 0.16% Cu (in Zones 1 and 2), a Measured Resource of 6.37Mt at 5.28% Zn and 0.25% Cu (in Zone 3), an Indicated Resource of 3.12Mt at 4.45% Zn and 0.30% Cu (in Zones 1 and 2) and an Indicated Resource of 6.18Mt at 3.55% Zn and 0.05% Cu (in Zone 3), as reported in the 30 October 2012 announcement (above)

¹⁰ Comprising a Measured Resource of 4.70Mt at 0.72% Cu (in Zones 1 and 2), a Measured Resource of 1.07Mt at 0.63% Cu (in Zone 3), an Indicated Resource of 1.59Mt at 0.54% Cu (in Zones 1 and 2) and an Indicated Resource of 1.16Mt at 0.43% Cu (in Zone 3), as reported in the 30 October 2012 announcement (above)

¹¹ Refer ASX market announcement dated 10 July 2012: [Definitive Feasibility Study Update – Khnaiguiyah Zinc-Copper Project](#).

¹² Refer ASX market announcements dated 30 July 2012: [Update – Khnaiguiyah Zinc-Copper Project](#) and dated 3 September 2012: [Definitive Feasibility Study Update - Khnaiguiyah Zinc-Copper Project](#)

¹³ Refer ASX market announcement dated 23 January 2013: [Mine Schedule Update – Khnaiguiyah Feasibility Study](#)

¹⁴ Refer ASX market announcement dated 18 February 2013: [Update on Capital and Operating Cost Estimates – Khnaiguiyah Zinc-Copper Project Feasibility Study](#)

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Definitive Feasibility Study (DFS) Summary

- The initial DFS was based on a 1.0 Mt/year and 1.5 Mt/year process throughput from two open pits located within Zones 2 and 3 located ~1.5km apart followed by crushing, grinding and conventional floatation circuits with the 1.5 Mt/year operation as the base case.
- A draft DFS report was received in June 2012, comprising 17 volumes and approximately 3,000 line items of bill of quantities. An initial review of the draft DFS indicates that:
 - Plant, equipment and mine designs are fundamentally sound;
 - Mine scheduling requires further optimisation, including the potential to add mineralisation (from more recent drilling) from Zone 1 and Zone 2 extensions to the mine schedule to reduce lower initial strip ratios;
 - Much of the 'costing estimates' were based on Australian and other international cost structures with only a small portion based on actual Saudi Arabian inputs.
- Whittle optimisation studies on Zones 1, 2 and 3 indicate that the upgraded JORC Measured and Indicated Resource (which was announced on 12 October 2012) will have a high likelihood of conversion to a JORC Reserve status confirming project economics based on:
 - Lower operating cost working environment in Saudi Arabia;
 - Technical sophistication and planning backed up by extensive metallurgical test work reflected in low processing costs; and
 - Lower strip ratios than previously envisaged.
- Given this significant resource upgrade, the parameters of the DFS have been upgraded to reflect an increase in the production profile from an annual throughput of 1.5 to 2 million tonnes per annum.
- An operational overview of the proposed Khnaiguiyah mining project is outlined in an Alara market announcement dated 14 December 2012 and entitled "[Capital and Operating Cost Estimates – Khnaiguiyah Zinc-Copper Project Feasibility Study](#)".
- Metallurgical testwork indicates that 'campaign processing', where material from different mineralised domains are processed separately, is the optimal processing methodology for the project. Campaign processing will offer higher recoveries and considerable operating savings compared to bulk processing.
- Mine scheduling remains the last major outstanding item to be completed for the DFS. This work is being undertaken in two stages:
 - Stage 1: Using advanced mine planning optimisation software and techniques to produce a series of optimal pit shells together with an annual mining and processing schedule; and
 - Stage 2: Using the outputs from Stage 1 to produce detailed pit designs, detailed costings, a JORC Reserve statement and a quarterly production schedule.
- Stage 1 has been completed and has delivered an optimised annual mining schedule that enables the higher grade mineralised materials present in Mineralised Zones K1, K2 and K3 to be accessed and processed in the first few years of operation, rather than progressively over the life of mine.¹⁵ As the higher grade materials are being mined and processed, approximately 10Mt of relatively lower grade material will also be progressively stockpiled, to be processed after the higher grade material.

¹⁵ Key assumptions used in the Stage 1 mine scheduling work are Zinc price (based on LME Future Price) of US\$2,335/tonne, Copper price of US\$7,070/tonne and a maximum mining rate 20Mtpa.

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- The optimised schedule indicates that by 'front-ending' the higher grade material, an average of 90,000 tonnes of zinc metal and 6,250 tonnes of copper metal in concentrate can now be produced in the first four years with the expected average annual production over the first ten years of mine life being an average of 75,000 tonnes of zinc metal and 5,800 tonnes of copper metal. This will have a material positive impact on project economics and, in particular, will accelerate the capital payback period.
- Furthermore, since mining is now scheduled to commence at Mineralised Zone K1, where the mineralised material is close to surface, no pre stripping will be required.
- The combination of incorporating Mineralised Zone K1 into the mine schedule together with enhanced stockpile management also means that the expected mine life has now increased from 10 to 14 years, whilst maintaining the increased throughput rate of 2Mtpa.
- Stage 2 mine scheduling work, which will produce the detailed pit designs and a quarterly production schedule necessary to complete the DFS, is expected to be completed in March 2013.
- Capital cost (capex) estimate of US\$257M (which includes contingencies) based on tender bids received for a fixed price lump sum turnkey EPC contract based on standard international FIDIC (International Federation of Consulting Engineers) Silver Book General Conditions:

	US\$ Million
2Mtpa Process plant from ROM to tailings disposal	157
24MW Diesel Power Plant	15
Accommodation Village	12
Site Infrastructure, including workshops and buildings	15
Concentrate containers	9
Water bore field	6
Mobile plant (non-mining)	4
Earthworks	7
Subtotal	225
Owners Cost and Pre-start	15
Contingencies	17
Total	257

- At least one of the tender bidders has considerable Saudi Arabian experience - this company has recently built and is successfully operating a copper-zinc plant and has recently been awarded another tender to build a gold project within Saudi Arabia.
- A review of contingency costs, owners' costs and infrastructure costs is currently being finalised with a view to reducing these costs from previous estimates.
- Alara is considering opportunities to lease, rather than purchase, major capital items such as the mining fleet (\$US37m of capex), which could reduce the overall capital costs significantly.
- The total cash operating costs averaged over the LOM are expected to be US\$41 per tonne of ore, including mining, processing, transport, treatment and refining. Over the first 9 years when all of the ore will be mined out and either processed or stockpiled, the average cost will be US\$52 per tonne of ore.
- In the first four years of production, with an average annual production of 90,000 tonnes of zinc metal and 6,250 tonnes of copper metal as concentrate, the cash costs are expected to be US40c/lb of payable zinc after copper credits at the current copper price.
- Based upon a report commissioned from CRU Strategies, these operating costs should (subject to costing adjustments related to final quarterly mine schedule) place the Khnaiguiah Project within or close to the lowest quartile in relation to costs of zinc mines currently operating in the western world. The main factors that contribute towards the operating costs being relatively low are the availability of cheap diesel (approximately US 9c per litre delivered to mine site) and low cost labour in Saudi Arabia.

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- The external organisations that contributed to the development of the DFS include:
 - Ausenco Services Pty Ltd
 - SMEC International Pty Ltd
 - Kiandra Engineering
 - George, Orr & Associates
 - Gemcom AustralAsia
 - SRK Consulting (Australasia) Pty Ltd
 - CRU International Limited
 - Megabest Pty Ltd
 - Pinc Group Pty Ltd

Project Financing

Alara has held a number of discussions with potential providers of project finance. In particular, representatives from the Saudi Industrial Development Fund (SIDF) have indicated that this organisation may be prepared to advance up to 75% of the total capital required for the Project.

Discussions with potential supplier and off-take partners has also given Alara confidence that additional levels of non-equity financing may also be available from these parties, further reducing the amount of equity which Alara will be required to raise to advance the Project.

JORC Resource Statement

Alara notes that as reported in its maiden JORC Resource announcement of 21 February 2012¹⁶:

- The Khnaiguiyah Project comprises four ore bodies/mineralised zones located within one to two kilometres from a central area and approximately three kilometres from each other (refer *Figure 2*).
- The mineralisation in Zones 1, 2, 3 and 4 is distributed as three distinct 'Domains':
 - "Domain 1" - has Zinc but no Copper;
 - "Domain 2" - has Zinc and Copper; and
 - "Domain 3" - has Copper but no Zinc.

The current JORC Zinc, Zinc/Copper and Copper Resources at Khnaiguiyah on an individual Measured, Indicated and Inferred basis across the four zones and three domains are as follows¹⁷:

Table 1: JORC Measured and Indicated Zinc (Doman 1) and Zinc/Copper (Domain 2) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Measured	1 and 2	1, 2	9.65	3.37	0.16	1.50
		3	6.37	5.28	0.25	1.50
Indicated		1, 2	3.12	4.45	0.30	1.50
		3	6.18	3.55	0.05	1.50
Measured and Indicated		1, 2 and 3	25.32	4.03	0.17	1.50

Table 2: JORC Measured and Indicated Copper (Doman 3) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Copper %	Cu Cut-off (%)
Measured	3	1, 2	4.70	0.72	0.00
		3	1.07	0.63	0.00
Indicated		1, 2	1.59	0.54	0.00
		3	1.16	0.43	0.00
Measured and Indicated		1, 2 and 3	8.53	0.64	0.00

¹⁶ Refer ASX market announcement dated 21 February 2012: [Maiden JORC Resource – Khnaiguiyah Zinc-Copper Project](#)

¹⁷ Refer ASX market announcements dated 12 October 2012: [JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project](#) and 30 October 2012: [JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project](#)

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Table 3: JORC Inferred Zinc (Doman 1) and Zinc/Copper (Domain 2) Resource

JORC Resource	Domain	Mineralised Zone	Tonnes (Mt)	Zinc %	Copper %	Zn Cut-off (%)
Inferred	1 and 2	4	4.32	2.90	0.03	1.50

Refer *Figure 2* on page 9 for the location of mineralised zones 1 to 4 (KZ1 to KZ 4), the resource outlines and drill hole locations.

Additional Mineralisation Potential

- Zone 1 – Mineralisation drilled on 50x25m grid; shallow with low strip ratio; extends for 600m long; generally 300m wide; average 8-10m thick and open to the north and south.
- Zone 2 – mineralisation extended a further 400m NE since maiden JORC Resource was calculated
- Zone 3 – mineralisation open to the south.
- Zone 4 – previously drilled by BRGM¹⁸; pending drilling to upgrade former data.

Saudi Arabia

Saudi Arabia is considered to be a favourable investment destination, ranked 22nd in 2012 by the World Bank out of 185 countries in terms of “ease of doing business” and ranked 1st in the Middle East region.¹⁹

The country benefits from developed infrastructure including roads and ports, low cost energy and in-country construction expertise.

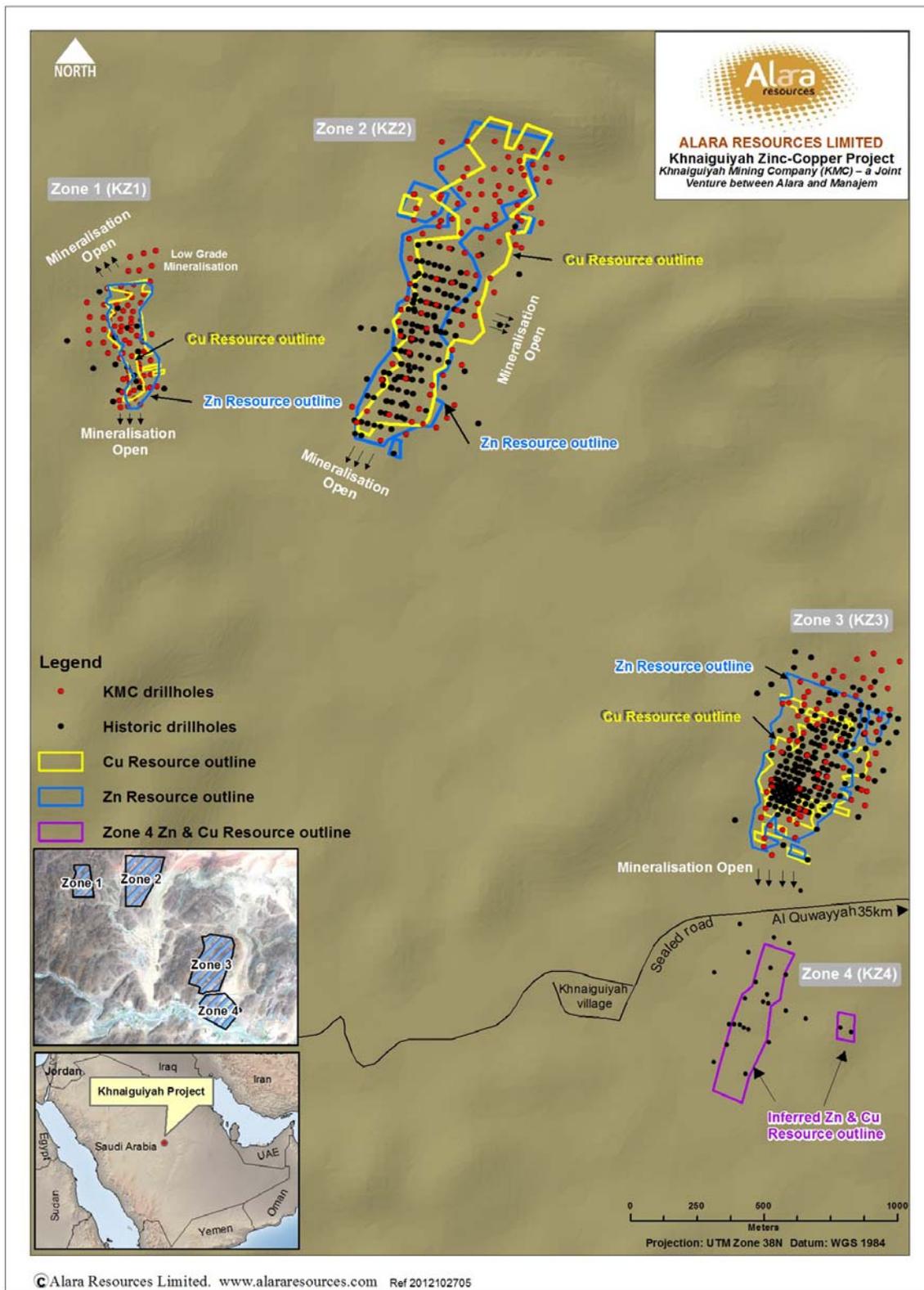
Advantages include:

- 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 and long 10 year tenure.
- 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\$0.09/L (diesel).

¹⁸ Bureau de Recherches Géologiques et Minières (“Office of Geological and Mining Research”) (www.brgm.fr), the French Office of Geological and Mining Research – refer also Alara’s ASX market announcement dated 5 October 2010 and entitled “[Project Acquisition - Khnaihayah Zinc Copper Project in Saudi Arabia](#)”

¹⁹ Source: World Bank, Doing Business Project (<http://www.doingbusiness.org/>).

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

Date	Announcement Title
18 February 2013	Update on Capital and Operating Cost Estimates – Khnaiguiyah Zinc-Copper Project Feasibility Study
23 January 2013	Mine Schedule Update – Khnaiguiyah Feasibility Study
14 December 2012	Capital and Operating Cost Estimates – Khnaiguiyah Zinc-Copper Project Feasibility Study
5 December 2012	Processing Optimisations to Impact Positively on Khnaiguiyah Feasibility Study
30 October 2012	JORC Resource Upgrade and Update for Khnaiguiyah Zinc-Copper Project
12 October 2012	JORC Resource Upgrade for Khnaiguiyah Zinc-Copper Project
3 September 2012	Definitive Feasibility Study Update – Khnaiguiyah Zinc-Copper Project
30 July 2012	Update – Khnaiguiyah Zinc-Copper Project
12 July 2012	Drilling Update – Khnaiguiyah Zinc-Copper Project
10 July 2012	Definitive Feasibility Study Update – Khnaiguiyah Zinc-Copper Project
16 May 2012	Drilling Update Khnaiguiyah Zinc-Copper Project
11 April 2012	Drilling Update Khnaiguiyah Zinc-Copper Project
13 March 2012	Drilling Update - Khnaiguiyah Zinc Copper Project
21 February 2012	Maiden JORC Resource - Khnaiguiyah Zinc Copper Project
24 January 2012	Environmental Approval - Khnaiguiyah Zinc Copper Project
10 January 2012	Drilling Update - Khnaiguiyah Zinc Copper Project
29 November 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
20 October 2011	Drilling Update - Khnaiguiyah Zinc Copper Project
5 September 2011	Drilling Update - Khnaiguiyah Zinc-Copper Project
29 July 2011	Drilling and Metallurgical Test Work Update - Khnaiguiyah Zinc-Copper Project
29 June 2011	Drilling Rig Update - Khnaiguiyah Project in Saudi Arabia and Daris Project in Oman
16 June 2011	Operations Update - Khnaiguiyah Project
26 May 2011	Drilling Update - Khnaiguiyah Zinc Copper Project, Saudi Arabia
10 March 2011	Commencement of Drilling – Khnaiguiyah Zinc Copper Project, Saudi Arabia

3. Oman Copper-Gold Projects

Alara has joint venture interests in four exploration licenses in Oman extending over 692 km² (refer Figure 3).

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

The Daris (Block 7) Project is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq prospects are located ~100km south-southeast of Daris. Both projects/ prospects are located on or very close to high quality bitumen roads.

Alara's objective is to delineate a core resource at the Washihi prospect and high grade satellite deposits that can be trucked to a central process plant, taking advantage of low fuel costs in Oman.

Summary of JORC Resources

Washihi Prospect

- 6.9Mt Inferred Resource at 0.76% copper and 0.16g/t gold; and
- 2.1Mt Indicated Resource at 0.70% copper and 0.17g/t gold.

Daris-East Prospect

Ore type	Cut-off grade Cu%	Measured		Indicated		Measured and Indicated		Inferred	
		Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%
Sulphides	0.5	129,155	2.48	110,870	2.24	240,024	2.37	30,566	2.25
Oxides	0.5	96,526	0.77	86,839	0.66	183,365	0.72	1,712	0.61

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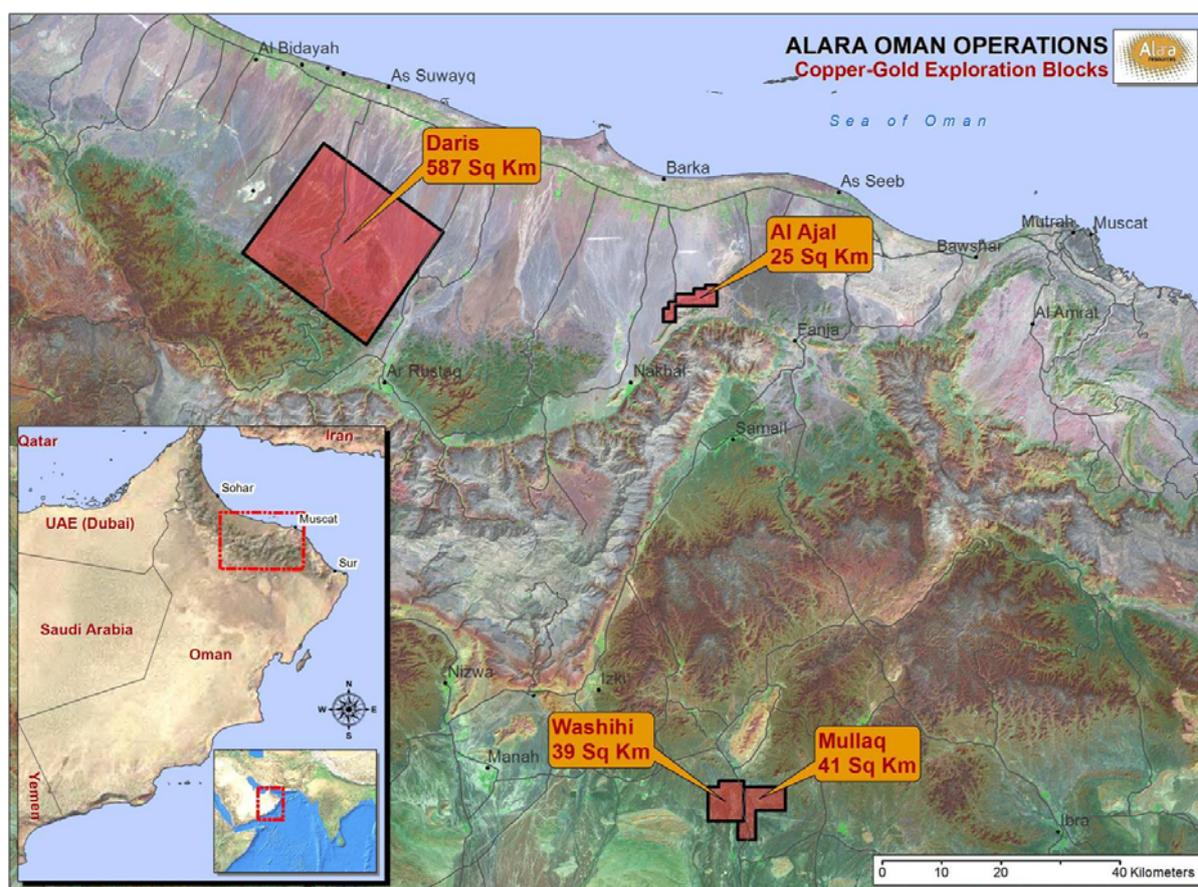


Figure 3
Location Map of Alara's Exploration Licence Areas in Oman

Scoping Study

A Scoping Study was completed during the half year based on a 500,000 Mtpa throughput mining operation (with a 8 year mine life) at the Washihi prospect and incorporating copper-gold mineralisations delineated at the Daris (Block 7), Mullaq and Al-Ajal prospects. Alara notes that:

- The study indicates the potential for a robust project with relatively low capital investment and an early payback of capital development costs.
- The study was initiated in Q2 2012 at which time the full extent of the current Washihi JORC Resource incorporating the recently encountered thick intersections and additional mineralisation was not included.
- Alara believes that the incorporation of recently completed drilling and the resource estimates since the Scoping Study kick-off date will significantly enhance the economics and scope of the project.

DIRECTORS' REPORT

3.1 Washihi-Mullaq-AI Ajal Copper- Gold Project

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

The Washihi, Mullaq and AI Ajal Project comprises 3 prospects/exploration licences (Washihi, Mullaq and AI Ajal) totalling ~80km² located approximately 80 to 160km east and southeast of Alara's Daris Copper-Gold Project (refer *Figure 3*).

A 478 line kilometre high resolution ground geophysical magnetic survey has been completed over the Washihi-Mullaq prospects.

Three Mining Licence applications covering 6.95 km² at Washihi, 1 km² at Mullaq and 1.5 km² at AI Ajal have been filed during the half year.

3.1.1 Washihi Prospect

Initial JORC Resource

On 15 October 2012²⁰, Alara announced an initial JORC Resource at its Washihi Copper-Gold Project as follows:

- 6.9Mt Inferred @ 0.76% Cu and 0.16g/t Au; and
- 2.1Mt Indicated @ 0.70% Cu and 0.17g/t Au.

Since the above resource estimate, an additional 3,970m in 22 drill holes (11 core and 11 RC-cum-Core) have been drilled, targeting further extensions of mineralisation to the northwest and southeast. Alara has so far completed 6,155m of drilling in 23 diamond core and 11 RC-cum-Core drill holes at Washihi (refer Table 1).

The northwest extension drilling results include large intersections of high grade copper mineralisation, confirming the continued expansion of the mineralisation in that direction and highlights include²¹:

- WH12DD015: 18.7m @ 1.99% Cu and 1.92 g/t Au from 116m
- WH12DD016: 88m @ 1.75% Cu and 0.19 g/t Au from 67m
(includes 30m @ 2.99% Cu from 77m)
- WH13DD023: 107.1m @ 1.22% Cu from 109.7m (gold assay results pending)
(includes 5m @ 2.10% Cu from 140m)
- WH13DD022: 49.1m @ 0.86% Cu from 63.5m (gold assay results pending)
(includes 29m @ 1.15% Cu from 78m)
- WH12DD020: 109m @ 0.84% Cu and 0.21 g/t Au from 71m
(includes 58m @ 1.23% Cu and 0.15 g/t Au from 79m)
- WH13DD021: 65.5 m @ 0.63% Cu from 45.5m (gold assay results pending)
(includes 27m @ 1.03% Cu from 66m)

WH13DD023 (107.1m @1.22% Cu) has repeated the large thickness of 100+m Cu intersections earlier reported on 19 February 2013²¹ (109m @ 0.84% Cu in WH12DD020) and on 23 August 2012²¹ (112m @ 0.78% Cu in WH12DD010).

Shallow intersections of 65.5m @ 0.63% Cu from 45.5m depth in WH13DD021 and 49.1m @ 0.86% Cu from 63.5m depth in WH13DD022 also have higher grade inclusions of 27m @ 1.03% Cu and 29m @ 1.15% Cu respectively within this primary mineralisation (Refer Figures 5 and 6).

²⁰ Refer ASX market announcement dated 15 October 2012: [Initial JORC Resource – Washihi Project in Oman](#)

²¹ Refer ASX market announcements dated 9 January 2013: [Washihi Copper Mineralisation Continues To Expand](#), 19 February 2013: [109m Copper Sulphide Intersection – Oman Drilling Update](#) and 18 March 2013: [Drilling Success Continues at Washihi – Oman Project Update](#)

DIRECTORS' REPORT

The drill hole location map (Figure 4) and a tabulation of significant intersection results assayed to date (Table 4), are below.

The mineralisation in the north-western part is still open, albeit affected by the presence of a complex growth fault displacing mineralisation and associated with clay rich alteration zone saturated in ground water as observed in the holes WH12DD011 and WH12RD001 which had to be abandoned in mineralisation due to drilling difficulties. The downward structural dislocation of mineralisation was also observed in another abandoned hole WH12DD014 which intersected top of mineralisation at 279m depth before closure

The southeast extension drilling results appears to have defined the limit of significant mineralisation in that direction, where several RC holes have returned thin and low grade Cu-Au intersections.

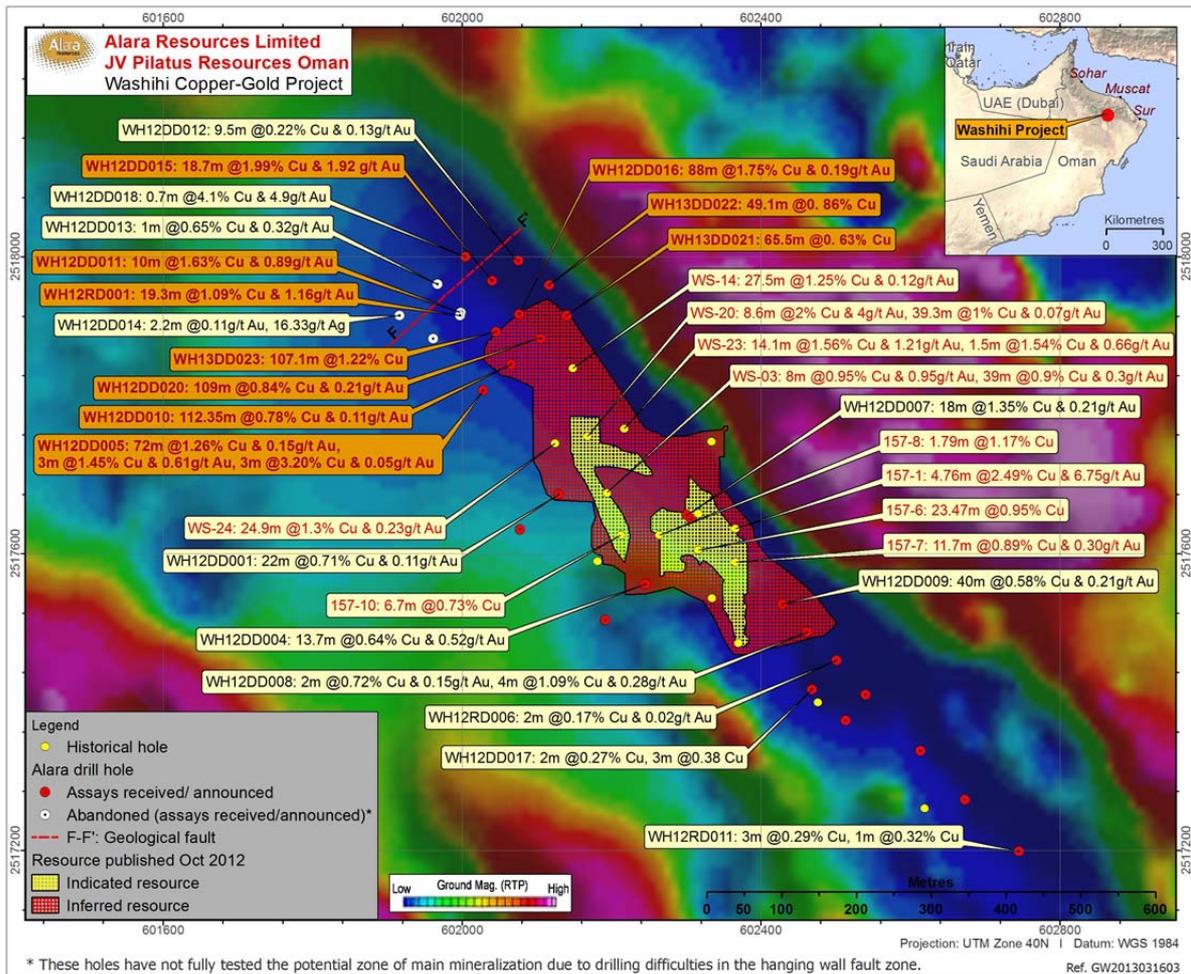


Figure 4
Drill hole locations at the Washihi Copper Gold Prospect

DIRECTORS' REPORT

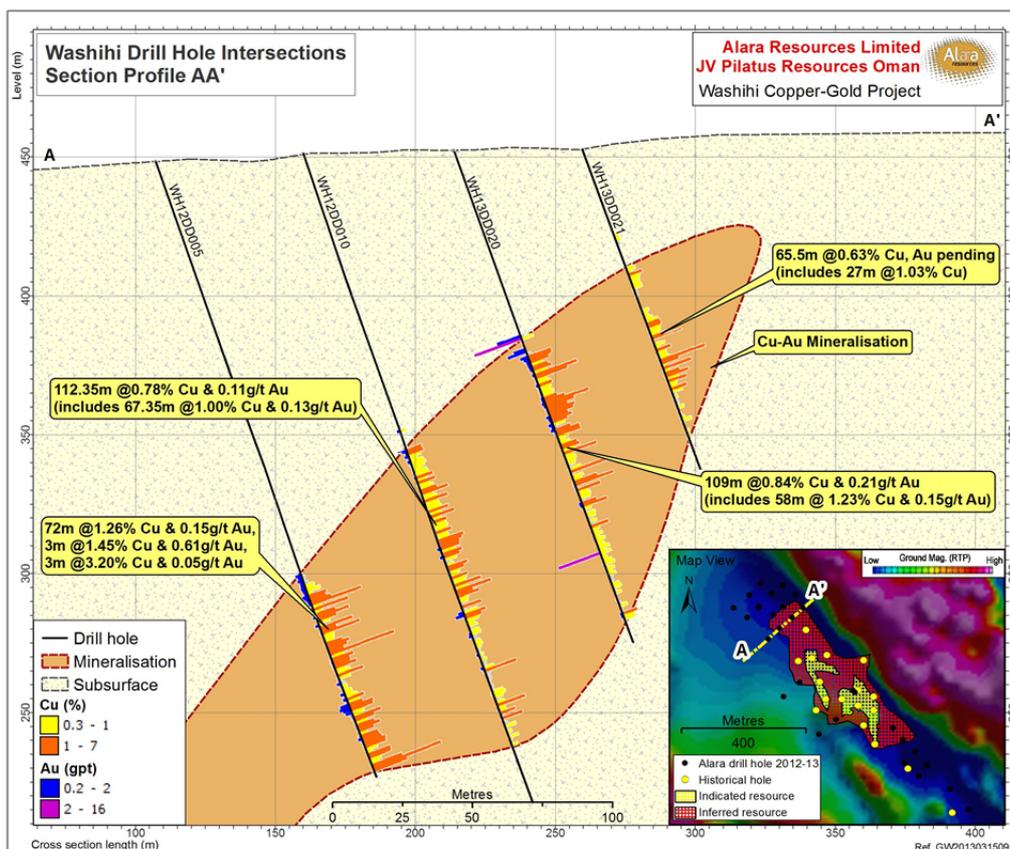


Figure 5
Washihi Cross-section along 250N

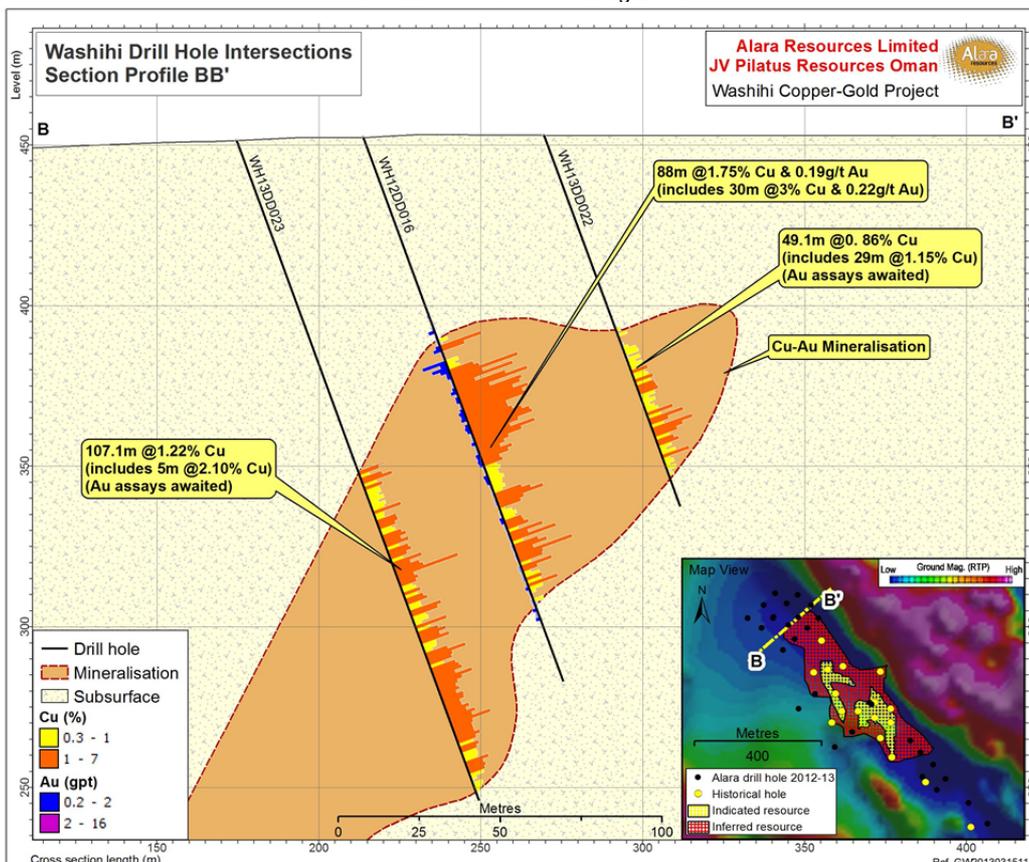


Figure 6
Washihi Cross-section along 300N

DIRECTORS' REPORT

Table 4: Washihi Significant Intersection Results from Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS - WASHIHI PROSPECT						
Drill Hole	Significant Mineralisation				Mineralised Zone	
	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
WH12DD001	Primary	137	159	22	0.71	0.11
	Inclusion	144	153	9	1.08	0.15
WH12DD004	Primary	120.3	134	13.7	0.64	0.52
	Inclusion	120.3	127	6.7	0.78	0.93
	Inclusion	126	128	2	1.16	0.61
WH12DD005	Primary	160	232	72	1.26	0.15
	Inclusion	168	169	1	3.57	0.21
	Inclusion	187	188	1	4.66	0.08
	Primary	206	209	3	1.45	0.61
	Primary	229	232	3	3.20	0.05
WH12DD007	Primary	62	80	18	1.35	0.21
	Inclusion	62	66	4	2.26	0.12
	Inclusion	77	78	1	1.26	0.51
WH12DD008	Primary	74	76	2	0.72	0.15
	Primary	82	86	4	1.09	0.28
	Inclusion	84	85	1	3.19	0.48
WH12DD009	Primary	52	92	40	0.58	0.21
	Inclusion	55	58	3	1.08	0.27
WH12DD010	Primary	112.65	225	112.35	0.78	0.11
	Inclusion	112.65	180	67.35	1.00	0.13
WH12DD011	Primary	155	165	10	1.63	0.89
	Inclusion	159	165	6	2.6	0.86
WH12DD015	Primary	116	134.7	18.7	1.99	1.92
	Inclusion	129	131	2	4.14	1.60
WH12DD016	Primary	67	155	88	1.75	0.19
	Inclusion	77	107	30	3.00	0.22
WH12RD001	Primary	151	170.3	19.3	1.09	1.16
	Inclusion	151	165	14	1.41	1.16
WH12RD008	Primary	48	64	16	0.32	0.05
	Inclusion	54	56	2	1.24	0.01
WH12DD020	Primary	71	180	109	0.84	0.21
	Inclusion	79	137	58	1.23	0.15
WH13DD021	Primary	45.5	111	65.5	0.63	Pending
	Inclusion	66	93	27	1.03	Pending
WH13DD022	Primary	63.5	112.6	49.1	0.86	Pending
	Inclusion	78	107	29	1.15	Pending
WH13DD023	Primary	109.7	216.8	107.1	1.22	Pending
	Inclusion	140	145	5	2.10	Pending

Notes:

- The cut-off grade is 0.2% Cu. In addition to cut-off, a natural break in assay (a marked change in grade) was also considered in calculation of intersections. Assays less than 0.2% Cu within primary interval are included as internal dilution.
- Drill intercepts are reported as drilled; true thicknesses will be calculated at the interpretation and resource modeling stage. The drill intersections are approximately perpendicular to mineralisation and no significant difference is expected in true and intersection thicknesses.
- WH12DD011 and WH12RD001 were drilled at the same location and abandoned due to drilling difficulties in the hanging wall fault zone after intersecting the top of main mineralisation. WH12DD013, WH12DD014 and WH12DD019 were also abandoned due to drilling difficulties in the hanging wall fault zone. WH12DD014 had intersected relatively anomalous Au, Ag and Zn values at 279m depth while WH12DD013 intersected an isolated 1m low grade Cu bearing vein above the fault zone. These five holes have not fully tested the potential zone of main mineralisation.
- WH12DD006 was abandoned at 61.7m due to technical reasons and WH12DD007 is a re-drill at the same location.
- WH12RD006, WH12RD010 and WH12RD011 intersected low grade mineralization.
- WH12DD002, WH12DD003, WH12DD012, WH12DD017, WH12DD018, WH12RD007 and WH12RD009 did not intersect significant mineralisation.
- WH12RD002, WH12RD003, WH12RD004 and WH12RD005 were drilled 0.5-1km northwest of the main mineralisation to test geophysical anomalies. No mineralisation was intercepted in these holes.

DIRECTORS' REPORT

3.1.2 Mullaq Prospect

A high resolution ground EM and nano-TEM geophysical survey has been completed to accurately delineate the EM anomaly (identified from a high resolution ground geophysical magnetic survey over the Washihi-Mullaq prospects) for drill testing.

9 core drill holes totalling 922m have been completed to date.

A drill hole location map (refer *Figure 7* and tabulation of the significant intersection results (refer *Table 5*) are below.

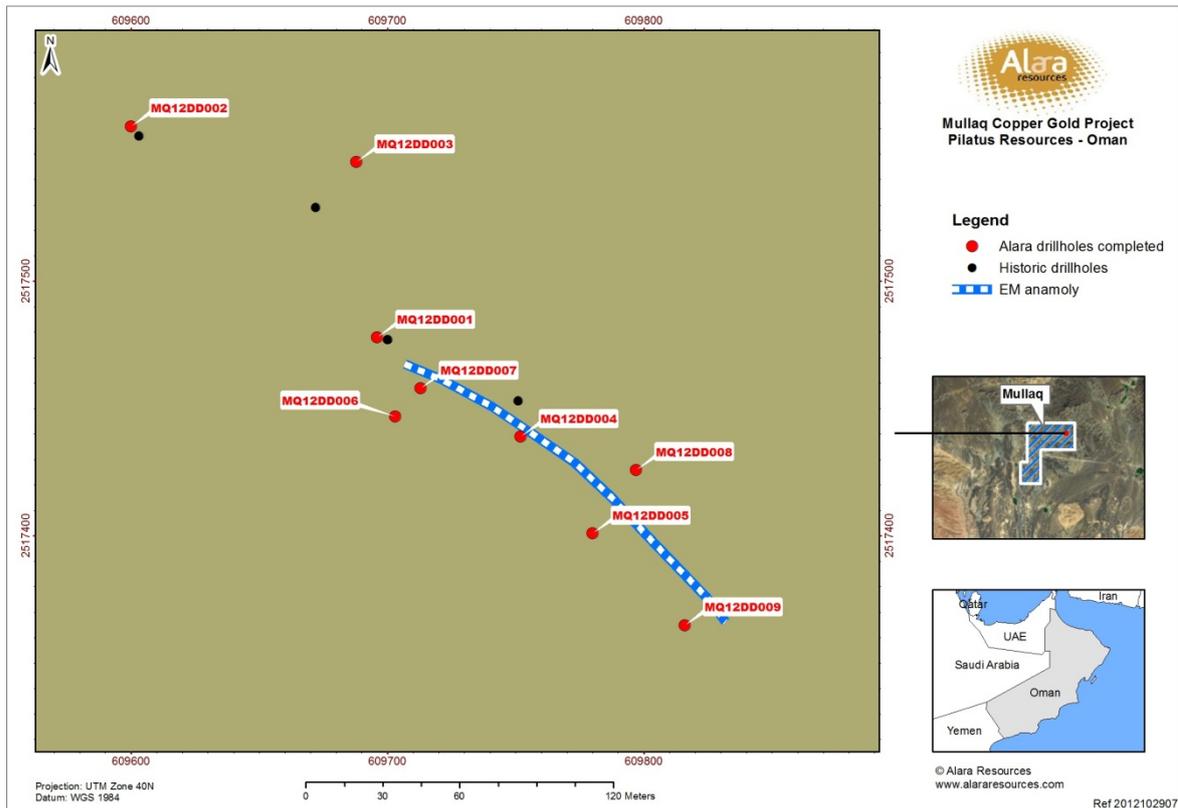


Figure 7
Mullaq Drill hole Location Map

Table 5: Mullaq Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS - MULLAQ PROSPECT						
Drill Hole	Significant Mineralization				Mineralized Zone	
	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
MQ12DD004	Primary	33	36	3	0.60	-
	Primary	75	78	3	4.68	-
	Inclusion	76	78	2	6.91	-
MQ12DD005	Primary	64	65.75	1.75	0.89	0.48
	Inclusion	65.25	65.75	0.5	2.53	1.66
	Primary	76.6	79	2.4	1.46	0.96
MQ12DD006	Primary	69.6	73	3.4	2.50	0.25
	Inclusion	69.6	70.75	1.15	3.75	0.52
	Primary	100	107	7	0.99	0.09
	Inclusion	102	103	1	1.91	0.30
MQ12DD007	Primary	58	68.25	10.25	0.33	0.03
	Inclusion	58	59	1	1.45	0.10
	Primary	74	85	11	0.90	0.07
	Inclusion	75	78	3	2.37	0.19
MQ12DD008	Primary	41.3	42.2	0.9	0.86	0.09
	Primary	47	53.25	6.25	2.65	0.35
	Primary	78.2	81.2	3	0.42	0.27

Notes:

- The cut-off grade is 0.2% Cu. In addition to cut-off, a natural break in assay (a marked change in grade) was also considered in calculation of intersections. Assays less than 0.2% Cu within primary interval are included as internal dilution.
- Holes MQ12DD001, MQ12DD002, MQ12DD003 and MQ12DD009 did not intersect any significant mineralisation.

DIRECTORS' REPORT

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

Date	Announcement Title
19 February 2013	109m Copper Sulphide Intersection – Oman Drilling Update
9 January 2013	Washihi Copper Mineralisation Continues to Expand - Oman Projects Update
15 October 2012	Initial JORC Resource – Washihi Project in Oman
23 August 2012	Substantial Copper Discovery - 112m at 0.8% Cu and 72m at 1.3% Cu Washihi Project Oman
20 June 2012	Washihi Copper-Gold Project Alara intersects 72m at 1.3% Copper
8 December 2011	Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman

3.2 Daris Copper-Gold Project (Block 7)

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

The Daris Project comprises one exploration licence (Block 7) of ~587km² located adjacent (contiguous) to the Awtad Copper-Gold Project (refer *Figure 4*).

Extensive geophysical surveys (1,200 line kilometres of helicopter-borne electromagnetic VTEM survey, 163 line kilometres of ground magnetic surveys and 20 line kilometres of ground IP and EM survey) have been completed over prospective areas within the Daris Project.

Mineralisation has been confirmed by Alara drilling at the following two prospects (refer *Figure 6*):

- **Daris East prospect** – 21 rotary and 40 diamond core holes have been drilled to date totalling 5,146m to test shallow oxide mineralisation and to locate massive sulphide and stringer zones beneath the oxide cap; and
- **Daris 3A-5 prospect** located ~10 kilometres north-west of Daris East – 10 diamond core holes have been drilled to date totalling 857m to test shallow sulphide mineralisation around a known gossan.

During the half year, two Mining Licence applications covering 3.2 km² and 1.3 km² were filed over the Daris East and Daris 3A-5 prospects.

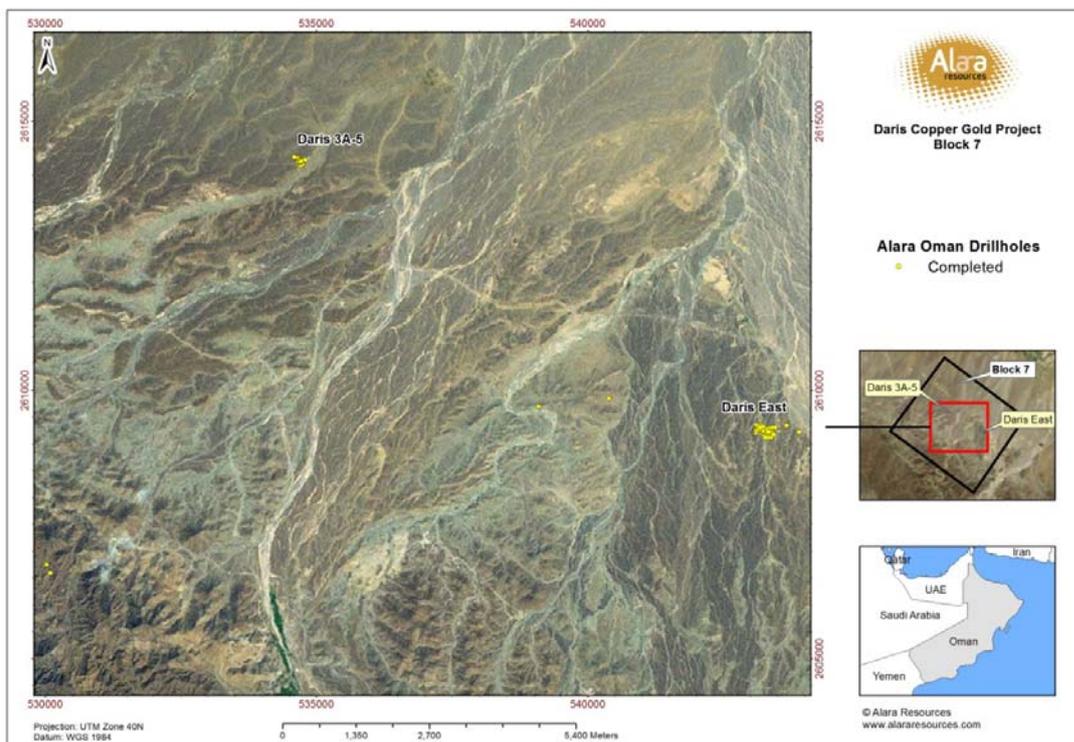


Figure 6
Daris (Block 7) Copper-Gold Project – Daris-East and Daris 3A-5 Prospects Location Map on Satellite Image

DIRECTORS' REPORT

JORC Resource at Daris-East Prospect

Resource modelling and estimation has recently been completed based on 5,146m of exploration and definition drilling completed at the Daris-East prospect:

Ore type	Cut-off grade Cu%	Measured		Indicated		Measured and Indicated		Inferred	
		Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%	Tonnes	Cu%
Sulphides	0.5	129,155	2.48	110,870	2.24	240,024	2.37	30,566	2.25
Oxides	0.5	96,526	0.77	86,839	0.66	183,365	0.72	1,712	0.61

A drill hole location map (refer *Figure 7*) and tabulation of the significant intersection results for Daris-East (refer *Table 6*) are below.

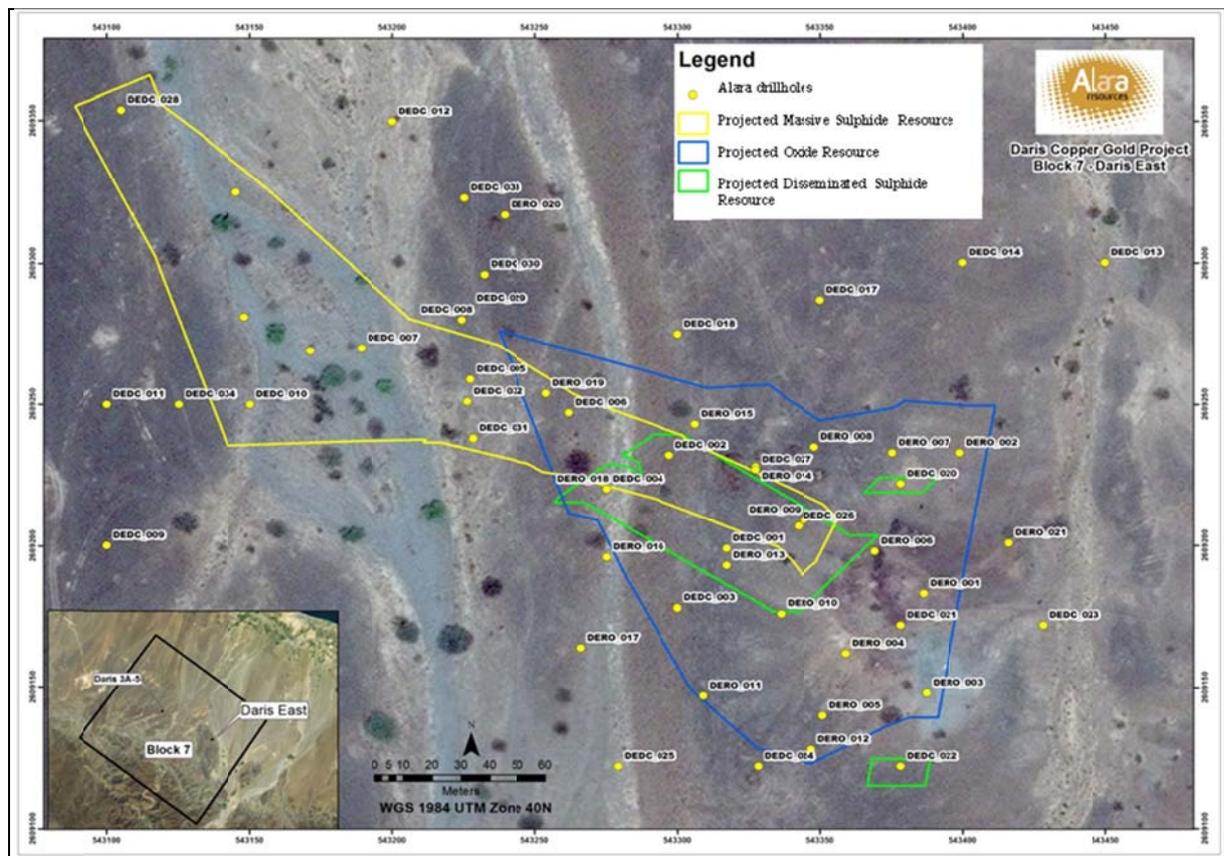


Figure 7
Daris-East Drill hole Location and Resource Outlines

DIRECTORS' REPORT

Table 6: Daris East Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS – DARIS EAST PROSPECT						
Drill Hole	Significant Mineralisation				Mineralised Zone	
	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)
DEDC_001	Primary	25	35	10	1.12	0.02
	<i>Inclusion</i>	27.85	33	5.15	1.89	0.00
DEDC_002	Primary	2.3	15	12.7	0.32	0.00
	<i>Inclusion</i>	5	6.5	1.5	0.88	0.00
	Primary	31.85	52	20.15	4.04	0.21
	<i>Inclusion</i>	37	43.25	6.25	9.38	0.55
DEDC_003	Primary	1	21	20	0.87	0.03
	<i>Inclusion</i>	13	21	8	1.05	0.02
	Primary	23.5	37	13.5	0.55	0.01
DEDC_004	<i>Inclusion</i>	23.5	25.5	2	1.18	0.00
	Primary	15	25	10	2.11	0.03
	Primary	45	49	4	0.37	0.03
DEDC_005	Primary	49.25	60	10.75	2.90	0.58
	<i>Inclusion</i>	52.3	56	3.7	5.88	0.97
DEDC_006	Primary	3.15	14	10.85	0.62	0.00
	<i>Inclusion</i>	10	12	2	1.70	0.01
	Primary	50.45	56	5.55	1.67	0.49
	<i>Inclusion</i>	54	55.1	1.1	4.15	0.59
DEDC_007	Primary	30.65	33.5	2.85	4.48	0.27
DEDC_008	Primary	56	62.5	6.5	3.06	0.50
	<i>Inclusion</i>	57	59	2	6.41	0.73
DEDC_010	Primary	12	25	13	1.03	0.40
	<i>Inclusion</i>	15.9	18	2.1	3.67	1.51
DEDC_011	Primary	16	18	2	0.24	0.00
DEDC_013	Primary	6	9	3	0.23	0.00
DEDC_020	Primary	0	18	18	0.33	0.02
	<i>Inclusion</i>	12	15	3	0.52	0.04
	Primary	51	53	2	0.65	0.01
DEDC_021	Primary	0	27	27	0.67	0.02
	<i>Inclusion</i>	6	12	6	1.19	0.01
DEDC_022	Primary	78	83	5	0.60	0.01
	<i>Inclusion</i>	79	81	2	1.22	0.02
	Primary	95	96	1	0.71	0.01
DEDC_023	Primary	60	61	1	5.27	0.02
DEDC_026	Primary	3	52	49	1.15	0.06
	<i>Inclusion</i>	35.2	37.45	2.25	12.01	0.85
DEDC_027	Primary	15	21	6	0.76	0.01
	Primary	33	53	20	1.82	0.09
	<i>Inclusion</i>	40.4	42.5	2.1	7.19	0.60
DEDC_029	Primary	68.6	69.8	1.2	1.06	0.35
DEDC_032	Primary	34	36	2	0.96	0.47
	Primary	41	45	4	2.33	0.41
DEDC_037	Primary	47	53.7	6.7	2.82	0.58
DEDC_038	Primary	25	44	19	0.37	0.16
	<i>Inclusion</i>	25	27	2	1.29	1.23
DEDC_039	Primary	15	31	16	2.68	0.35
	<i>Inclusion</i>	18	22	4	5.37	0.31

Notes:

- The cut-off grade is 0.2% Cu.
- Oxide and sulphide zone intersections are combined for the purpose of this table.

DIRECTORS' REPORT

Daris 3A-5 Prospect

A drill hole location map (refer *Figure 8*) and tabulation of the significant intersection results for Daris 3A-5 (refer *Table 7*) are below.

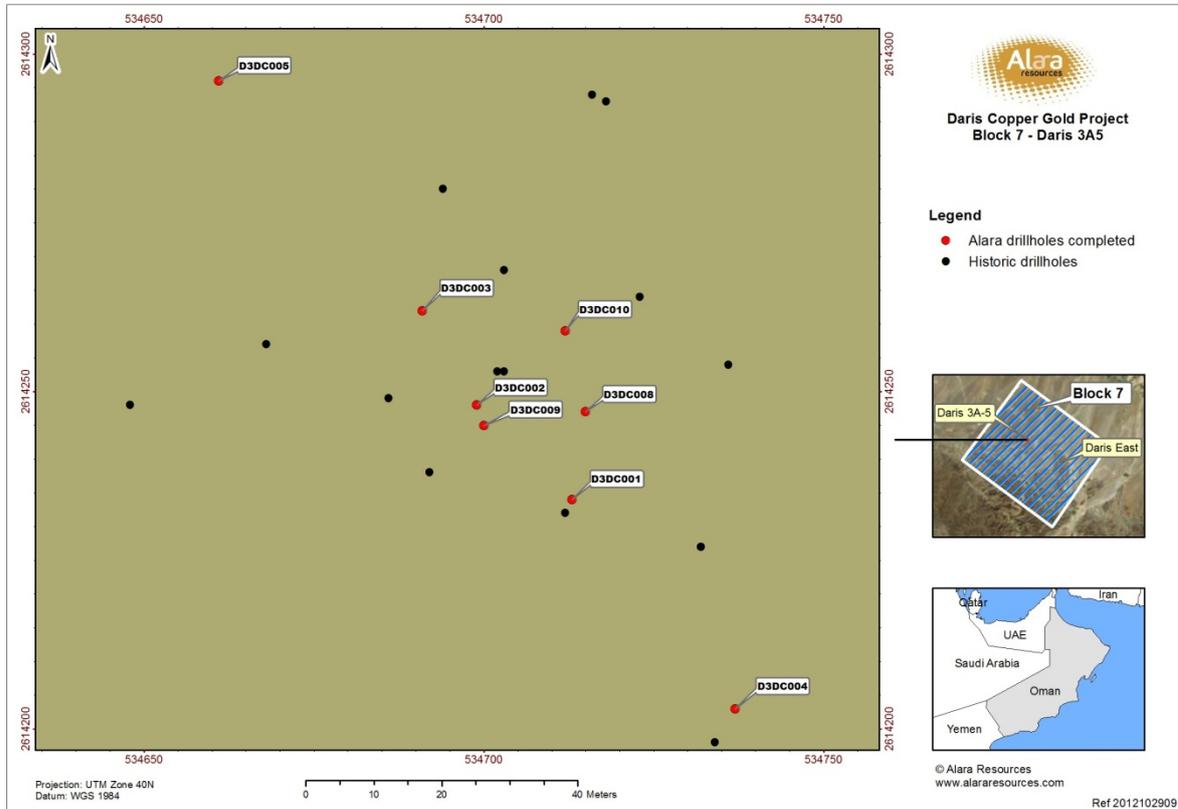


Figure 8
Daris 3A-5 Prospect Drill hole Location Map

Table 7: Daris 3A-5 Significant Intersections from Alara Core Drilling

MINERALISED ZONE - SIGNIFICANT INTERSECTIONS – DARIS 3A5 PROSPECT							
Drill Hole	Significant Mineralisation				Mineralised Zone		
	Intersections	From (m)	To (m)	Length (m)	Cu (%)	Au (g/t)	Ag (g/t)
D3DC001	Primary	15	37.65	22.65	1.61	3.39	50.68
	Inclusion	30	37.65	7.65	4.69	3.71	77.95
D3DC002	Primary	28.4	46.25	17.85	3.85	2.61	22.51
	Inclusion	34.35	46.25	11.9	5.74	2.06	24.07
	Primary	50.6	59	8.4	4.45	1.36	20.34
	Inclusion	50.6	54.05	3.45	10.28	3.10	46.79
D3DC003	Primary	41	71.75	30.75	4.69	1.56	16.75
	Inclusion	51.5	68.7	17.2	8.05	2.67	28.95
D3DC008	Primary	23	35.8	12.8	0.74	6.62	31.11
	Inclusion	33.5	35.8	2.3	3.92	5.20	106.37
D3DC009	Primary	21	31	10	0.07	3.34	5.41
	Inclusion	23	25	2	0.06	7.13	23.67
D3DC010	Primary	36	39	3	0.85	0.01	1.23
	Primary	57	67	10	5.62	1.16	17.82
	Inclusion	59.35	65.7	6.35	8.58	1.78	27.48

Notes:

- The cut-off grade is 0.2% Cu in respect of intersections within the copper-rich zone.
- The drill intercepts are reported as drilled. True thickness will be calculated at the interpretation and resource modelling stage.

DIRECTORS' REPORT

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

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

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

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

The Marjan Project comprises 3 exploration licences (predominantly gold prospects with associated silver, zinc and copper) of ~260km² located ~30km south south-west of Alara's flagship Khnaiguiyah Zinc Copper Project.

A summary of the Marjan Project is as follows:

- Predominantly gold prospect with associated silver, zinc and copper.
- Historical drilling in the Marjan Project area has returned values up to 7g/t Au, 31.3 g/t Ag, 4.7% Zn, and 1.6% Pb over 3m.
- Grab samples from the Marjan Project area have returned values of up to 0.7% Cu, 22.4% Zn, 100g/t Ag, 2.18g/t Au and 5.4% Pb.

Alara has undertaken mapping and preliminary reconnaissance drilling in high priority areas targeting gold, silver and zinc mineralisation. Assay results confirm previously identified and drilled mineralisation.

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

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

5. Awtad Copper- Gold Project (Block 8) (Oman)

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

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

A summary of exploration undertaken on the project is as follows:

- Extensive geophysical surveys have been completed - 86 line kilometres of airborne VTEM, 14 line kilometres of ground IP, 169 line kilometres of ground magnetics and 202 line kilometres of high resolution ground magnetics;
- 76 RAB drill holes totalling 1,747m and 11 core drill holes totalling 299m have been completed;

DIRECTORS' REPORT

- Drilling results (including over the Al Mansur prospect) were low grade in general and inconclusive;
- Rock chip samples collected 250m southeast of Hole AM12DD002 from oxidized, hematitic altered basalt (Gossan) having malachite stains returned a multi-elemental enrichment in the rocks of up to 2.68% Copper, 2.4ppm Silver, 0.1% Zinc and 48ppm arsenic indicating potential base metal deposit below.

During the half year, based on an assessment of the exploration work conducted to date and the exploration prospects for the Awtad Copper-Gold Project relative to Alara's other projects in Oman, a decision was made to withdraw from the project.

6. El Quillay Copper-Gold Project (Chile)

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

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile. The project comprises 66 granted concessions covering a total area of ~140km² and 22 applications for concessions covering a total area of 65km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida).

On 22 October 2012²², the Company announced that it had elected not to progress further with the El Quillay joint venture.

The decision was made in advance of a US\$1 million option payment which was due to be paid to Alara's joint venture partner before 21 October 2012. As a consequence of not paying the option payment, the Company has relinquished all rights to the project.

Whilst the project initially showed good prospects, with old artisanal workings, prospective geology and clear walk up drill targets, the 5,000 metres of targeted drilling undertaken in 2012 failed to confirm the presence of the mineralisation that the Company was expecting. Given these results, the Company considered that the project did not warrant paying the US\$1 million option fee, together with a commitment to a further 15,000 metres of drilling, to maintain its rights to the project for a further 12 months (until the next option payment). The Company's attempts to renegotiate the October 2012 tranche of option payment were not successful.

7. Piedrecillas Copper-Silver Project (Chile)

(Alara – option to acquire 50 to 100%)

The Piedrecillas Project is located ~190km south of Santiago and 7km west of Santa Cruz and comprises 19 exploration concessions covering a total area of ~40km². Historical sampling taken in outcroppings both at surface and from small underground mining works show grades between 0.30% Cu to 3.30% Cu with up to 77g/t Ag, 0.15g/t Au and 0.001% Mo.

Based on an assessment of the exploration prospects for the Piedrecillas Copper-Silver Project relative to Alara's other projects in Saudi Arabia and Oman, the Company is unlikely to advance the next tranche (US\$100,000) of option fee due to the vendors in May 2013 to maintain its option in the project.

²² Refer ASX market announcement dated 22 October 2012: [Relinquishment of Interest in El Quillay Project, Chile](#).

DIRECTORS' REPORT

9. **Bigrlyi South Uranium Project, Northern Territory**

Alara - 100%; Thundelarra Exploration Ltd has a right to earn a 70% interest

Thundelarra Exploration Ltd (ASX: THX) has provided the following update:

- During the half year, a ground gravity survey was completed within titles comprising the Alara Joint Venture (Bigrlyi South Farm-Out) in the north of the Ngalia Basin Project;
- A total of 847 stations along 82kms of transects were collected;
- The transects were designed to cross features identified from a combined AEM and regional gravity image which, in Thundelarra's ground to the southeast, were found to represent Tertiary palaeovalleys;
- Initial processing and interpretation of the data appears to indicate that some of the features investigated conform with the geological and geophysical models for Tertiary palaeovalleys; and
- Follow up work is continuing.

10. **Canning Well Base Metals/Uranium Project, Western Australia**

Alara - Right to earn 85% (excluding all manganese mineral rights)

Based on an assessment of the exploration prospects for Exploration Licence EL 46/629 (application) relative to Alara's other projects in Saudi Arabia and Oman, Alara has determined not to pursue the earn-in of the tenement.

DIRECTORS' REPORT

FINANCIAL POSITION

	Dec 2012	Jun 2012
Consolidated Entity	\$	\$
Cash	8,538,056	10,950,432
Receivables	299,662	982,485
Other current assets	87,570	108,727
Financial assets at fair value through profit and loss	571,822	393,128
Property, plant and equipment	279,831	314,390
Resource projects	27,424,787	25,666,040
Other non-current assets	5,918,503	3,265,060
Total assets	43,120,231	41,680,262
Liabilities	(2,731,626)	(4,158,806)
Net assets	40,388,605	37,521,456
Issued capital	60,958,659	53,477,409
Reserves	1,518,683	1,859,695
Accumulated losses	(22,005,320)	(18,061,494)
Parent entity interest	40,472,022	37,275,610
Non-controlling interest	(83,417)	245,845
Total equity	40,388,605	37,521,456

OPERATING RESULTS

	Dec 2012	Dec 2011
Consolidated	\$	\$
Total revenues	160,304	773,057
Total expenses	(4,536,570)	(2,215,736)
Loss before tax	(4,376,266)	(1,442,679)
Income tax benefit	-	-
Loss after tax	(4,376,266)	(1,442,679)

DIRECTORS' REPORT

SECURITIES IN THE COMPANY

1. Current Issued Capital

The Company had the following total securities on issue as at 15 March 2013:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (16 September 2013) Unlisted Options ²³	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options ²³	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options ²⁴	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ²⁴	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options ²⁵	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options ²⁶	-	500,000	500,000
\$0.60 (25 May 2014) Unlisted Options ²⁵	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options ²⁵	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options ²⁷	-	400,000	400,000
Total	242,007,500	24,850,000	266,857,500

2. Summary of Unlisted Options Issued/Lapsed

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

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

No. of Lapsed Options	Date of lapse	Description of Unlisted Options	Exercise Price	Expiry Date
500,000	26 July 2012	\$0.55 (26 Jul 2012) Options	\$0.55	26 Jul 2012
300,000	12 August 2012	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014
300,000	12 August 2012	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014
300,000	12 August 2012	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014

²³ Terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an ASX [Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

²⁴ Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

²⁵ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

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

²⁷ Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

DIRECTORS' REPORT

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>	<p>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.</p> <p>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.</p> <p>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.</p>
<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)
<i>Former directorships in other listed entities in past 3 years</i>	Brandrill Limited (former ASX Code: BDL) (1 August 2006 to 16 December 2009) (merged with Ausdrill Limited (ASX Code: ASL) on 16 December 2009 and delisted)

H. Shanker Madan	Managing Director
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	<p>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.</p> <p>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.</p> <p>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.</p>
<i>Relevant interest in securities</i>	Shares – 508,527 ²⁸ Unlisted \$0.35 (16 September 2013) Options – 8,200,000
<i>Other current directorships in listed entities</i>	None
<i>Former directorships in other listed entities in past 3 years</i>	Strike Resources Limited (ASX Code: SRK) (26 September 2005 to 3 February 2011)

²⁸ Held jointly: Mr H. Shanker Madan & Mrs Anupam S. Madan <The AS and HS Madan S/F A/C>

DIRECTORS' REPORT

Douglas H. Stewart	Non-Executive Director
<i>Appointed</i>	30 November 2010
<i>Qualifications</i>	BSc, FAusIMM, FAIG
<i>Experience</i>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<i>Special Responsibilities</i>	Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee
<i>Relevant interest in securities</i>	Nil
<i>Other current directorships in listed entities</i>	Non-Executive Director of Vital Metals Ltd (ASX Code: VML) (since 30 May 2011)
<i>Former directorships in other listed entities in past 3 years</i>	(1) Conquest Mining Limited (ASX Code: CQT) (30 November 2007 to 18 October 2011) (2) Grange Resources Limited (ASX Code: GRR) (1 November 2007 to 2 January 2009)
William M. Johnson	Non-Executive Director
<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 ²⁹ 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) (3) Strike Resources Limited (ASX Code: SRK) (Director since 14 July 2006)
<i>Former directorships in other listed entities in past 3 years</i>	None

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

²⁹ 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), Chartered Tax Adviser (CTA)
<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>	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)
<i>Former positions in other listed entities in past 3 years</i>	Strike Resources Limited (ASX Code: SRK) (secretary between 9 March 2000 and 30 April 2010 and director between 12 October 2000 and 25 September 2009)

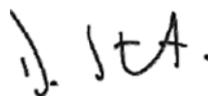
AUDITORS' INDEPENDENCE DECLARATION

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 28. 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



Douglas Stewart
Director

Perth, Western Australia

15 March 2013

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alara Resources Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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, 15 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2012

	Note	31 Dec 12 \$	31 Dec 11 \$
Revenue	2 (a)	160,304	773,057
Net gain/(loss) on financial assets held at fair value through profit or loss	2 (b)	178,694	(214,433)
Costs relating resource projects	2 (b)	(2,689,769)	(440,715)
Personnel		(1,115,287)	(619,440)
- Options remuneration (non-cash)		-	(48,939)
Occupancy costs		(215,475)	(265,210)
Foreign exchange movement		(83,047)	92,509
Finance expenses		(10,294)	(11,380)
Borrowing costs		(1,476)	(38)
Corporate expenses		(95,128)	(53,518)
Administration expenses		(504,788)	(654,574)
LOSS BEFORE INCOME TAX		(4,376,266)	(1,442,679)
Income tax benefit		-	-
LOSS FOR THE HALF YEAR		(4,376,266)	(1,442,679)
Other comprehensive income			
Items that may be re-classified to profit and loss			
Exchange differences on translation of foreign operations		(116,673)	41,974
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		(116,673)	41,974
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(4,492,939)	(1,400,705)
Loss attributable to:			
Owners of Alara Resources Limited		(4,168,165)	(1,397,680)
Non-controlling interest		(208,101)	(44,999)
Total comprehensive loss for the year attributable to:		(4,376,266)	(1,442,679)
Owners of Alara Resources Limited		(4,284,838)	(1,355,706)
Non-controlling interest		(208,101)	(44,999)
		(4,492,939)	(1,400,705)
Basic loss per share (cents)	3	(1.89)	(0.81)
Diluted loss per share (cents)	3	(1.89)	(0.81)

The accompanying notes form part of this consolidated financial statement

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	31 Dec 12 \$	30 Jun 12 \$
CURRENT ASSETS			
Cash and cash equivalents	4	8,538,056	10,950,432
Trade and other receivables		299,662	982,484
Other current assets		87,570	108,726
TOTAL CURRENT ASSETS		8,925,288	12,041,642
NON CURRENT ASSETS			
Financial assets held at fair value through profit and loss	5	571,822	393,128
Property, plant and equipment		279,831	314,390
Resource projects - exploration and evaluation phase	6	27,424,787	25,666,040
Other non-current asset	7	5,918,503	3,265,060
TOTAL NON CURRENT ASSETS		34,194,943	29,638,618
TOTAL ASSETS		43,120,231	41,680,260
CURRENT LIABILITIES			
Trade and other payables		939,887	2,356,612
Provisions		196,312	293,398
TOTAL CURRENT LIABILITIES		1,136,199	2,650,010
NON CURRENT LIABILITIES			
Provisions		1,595,427	1,508,795
TOTAL NON CURRENT LIABILITIES		1,595,427	1,508,795
TOTAL LIABILITIES		2,731,626	4,158,805
NET ASSETS		40,388,605	37,521,455
EQUITY			
Issued capital	8	60,958,659	53,477,409
Reserves	9	1,518,683	1,859,695
Accumulated losses		(22,005,320)	(18,061,494)
Parent interest		40,472,022	37,275,610
Non-controlling interest		(83,417)	245,845
TOTAL EQUITY		40,388,605	37,521,455

The accompanying notes form part of this consolidated financial statement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2012

Note	Issued Capital \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling Interest \$	Total \$
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 income/(loss) for the half year	-	-	41,974	(1,397,680)	(44,999)	(1,400,705)
Transactions with owners in their capacity as owners:						
Options lapsed during the half year	-	(68,279)	-	-	-	(68,279)
Options issued 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	39,192,159
At 1 July 2012	53,477,409	1,827,993	31,702	(18,061,494)	245,845	37,521,455
Foreign currency translation reserve	-	-	(116,673)	-	-	(116,673)
Net income and expense recognised directly in equity	-	-	(116,673)	-	-	(116,673)
Loss for the half year	-	-	-	(4,168,165)	(208,101)	(4,376,266)
Total comprehensive income/(loss) for the half year	-	-	(116,673)	(4,168,165)	(208,101)	(4,492,939)
Transactions with owners in their capacity as owners:						
Share placement	7,875,000	-	-	-	-	7,875,000
Share placement costs	(393,750)	-	-	-	-	(393,750)
Options lapsed during the half year	-	(224,339)	-	224,339	-	-
Non-controlling interests of the new subsidiary	-	-	-	-	(121,161)	(121,161)
At 31 December 2012	60,958,659	1,603,654	(84,971)	(22,005,320)	(83,417)	40,388,605

The accompanying notes form part of this consolidated financial statement

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2012

	31 Dec 12	31 Dec 11
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,937,380)	(789,333)
Interest received	134,200	732,044
	<hr/>	<hr/>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,803,180)	(57,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(7,884,057)	(9,189,547)
Payments for plant and equipment	(7,746)	(71,008)
	<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(7,891,803)	(9,260,555)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share placements	7,875,000	-
Payments for share placement costs	(393,750)	-
	<hr/>	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,481,250	-
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	(2,213,733)	(9,317,843)
Cash and cash equivalents at beginning of the financial year	10,950,432	32,240,580
Effect of exchange rate changes on cash	(198,643)	-
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL HALF YEAR	8,538,056	22,922,737

The accompanying notes form part of this consolidated financial statement

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

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 2012 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 2012.

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 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income':

Requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Comparative figures have been reclassified as required to be consistent with the presentation of current year figures as required by the above AASB Amendment. The reclassification does not have an impact on the results presented.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

2. LOSS FOR THE HALF YEAR

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

	31 Dec 12	31 Dec 11
	\$	\$
(a) Revenue		
Interest	159,530	773,057
Other Income	774	-
	<u>160,304</u>	<u>773,057</u>
(b) Expenses		
Net gain/(loss) on financial assets held at fair value through profit or loss	178,694	(214,433)
Impairment of exploration and evaluation expenditure	(2,689,769)	(440,715)
Personnel		
- cash remuneration	(1,180,259)	(468,913)
- options remuneration (non-cash)	-	(48,939)
- employee benefits	64,972	(150,527)
Occupancy expenses	(215,475)	(265,210)
Foreign exchange movement	(83,047)	92,509
Finance expenses	(10,294)	(11,380)
Borrowing cost - interest paid	(1,476)	(38)
Corporate expenses	(95,128)	(53,518)
Administration expenses		
- Communications	(27,929)	(49,933)
- Consultancy fees	(79,106)	(45,446)
- Travel, accommodation and incidentals	(151,184)	(242,076)
- Professional fees	(187,683)	(167,575)
- Insurance	(13,445)	(13,740)
- Depreciation	(43,304)	(50,235)
- Fixed Assets Written Down	(2,137)	-
- Other administration expenses	-	(85,569)
	<u>(4,536,570)</u>	<u>(2,215,736)</u>

3. LOSS PER SHARE

	31 Dec 12	31 Dec 11
	\$	\$
Basic loss per share (cents)	(1.89)	(0.81)
Diluted loss per share (cents)	(1.89)	(0.81)
Loss used to calculate earnings per share (\$)	<u>(4,168,165)</u>	<u>(1,397,680)</u>
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	<u>221,007,500</u>	<u>177,417,089</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 12	30 Jun 12
	\$	\$
Cash at bank	878,319	2,473,092
Term Deposits	7,659,737	8,477,340
	<u>8,538,056</u>	<u>10,950,432</u>

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

	31 Dec 12	30 Jun 12
	\$	\$
Listed investments at fair value	<u>571,822</u>	<u>393,128</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 2012

6. RESOURCE PROJECTS	31 Dec 12	30 Jun 12
	\$	\$
Opening balance	25,666,040	7,200,540
Exploration and evaluation expenditure	4,448,516	18,898,110
Impairment of exploration and evaluation expenditure	(2,689,769)	(432,610)
Closing balance	<u>27,424,787</u>	<u>25,666,040</u>

As a result of the decision to withdraw from the El Quillay and Awtad projects during the half year, the Company has undertaken an impairment of assets review in accordance with AASB 136: Impairment of Assets. An impairment loss relating to a write off of the Company's capitalised exploration and evaluation expenditure of \$2,689,769 (June 2012 : \$432,610) has been recognised for the half year as a result of this review.

7. OTHER NON-CURRENT ASSETS	31 Dec 12	30 Jun 12
	\$	\$
Excess of consideration for resource projects acquired	341,112	341,112
Costs incurred in relation to resource projects	5,577,391	2,923,948
	<u>5,918,503</u>	<u>3,265,060</u>

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

8. ISSUED CAPITAL	Number of Shares		31 Dec 12	30 Jun 12
	31 Dec 12	30 Jun 12		
Fully paid ordinary shares	242,007,500	210,507,500	60,958,659	53,477,409
			\$	\$
30 Jun 12				
At 1 July 2011		Date of issue	210,507,500	53,477,409
At 30 June 2012			<u>210,507,500</u>	<u>53,477,409</u>
31 Dec 12				
At 1 July 2012			210,507,500	53,477,409
Share placement			-	-
Share placement at \$0.25 per share - 31 Oct 2012			31,500,000	7,875,000
Share placement costs			-	(393,750)
At 31 December 2012			<u>242,007,500</u>	<u>60,958,659</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 2012

9. RESERVES

	31 Dec 12	30 Jun 12
	\$	\$
Foreign currency translation reserve	(84,971)	31,702
Options reserve	1,603,654	1,827,993
	<u>1,518,683</u>	<u>1,859,695</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 12	30 Jun 12
			\$	\$
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	-	-	89,500
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,000,000	43,159	43,159
Unlisted options exercisable at \$0.35; expiring 25 Oct 2014	26-Oct-09	1,650,000	276,365	276,365
Unlisted options exercisable at \$0.60; expiring 25 Oct 2014	26-Oct-09	1,000,000	147,306	147,306
Unlisted options exercisable at \$0.35; expiring 22 Aug 2015	23-Aug-10	400,000	21,913	21,913
Unlisted options exercisable at \$0.50; expiring 25 May 2014	26-May-11	-	-	48,395
Unlisted options exercisable at \$0.60; expiring 25 May 2014	26-May-11	-	-	44,757
Unlisted options exercisable at \$0.70; expiring 25 May 2014	26-May-11	-	-	41,687
Unlisted options exercisable at \$0.50; expiring 25 May 2014	02-Sep-11	200,000	33,072	33,072
Unlisted options exercisable at \$0.60; expiring 25 May 2014	02-Sep-11	125,000	19,001	19,001
Unlisted options exercisable at \$0.70; expiring 25 May 2014	02-Sep-11	125,000	17,594	17,594
Unlisted options exercisable at \$0.50; expiring 25 May 2014	23-Dec-11	200,000	22,887	22,887
Unlisted options exercisable at \$0.60; expiring 25 May 2014	23-Dec-11	125,000	12,908	12,908
Unlisted options exercisable at \$0.70; expiring 25 May 2014	23-Dec-11	125,000	11,753	11,753
		<u>24,850,000</u>	<u>1,603,654</u>	<u>1,827,993</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) 500,000 lapsed unlisted \$0.55 (27 Jul 2012) Options amounted to \$89,500.
- (ii) 300,000 lapsed unlisted \$0.50 (25 May 2014) Options amounted to \$48,395.
- (iii) 300,000 lapsed unlisted \$0.60 (25 May 2014) Options amounted to \$44,745.
- (iv) 300,000 lapsed unlisted \$0.70 (25 May 2014) Options amounted to \$41,687.

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

10. SHARE BASED PAYMENTS

A total of 1,400,000 unlisted options lapsed during the half year (refer Note 9).

There were no options granted during the half year (December 2011: 900,000 options).

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

Grant date	Expiry date	Exercise price	Movement during the half year				As at 31 Dec 2012		
			Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested and exercisable	Fair value \$
Directors									
17-Sep-08	16-Sep-13	0.35	16,400,000				16,400,000	569,080	
30-Nov-09	25-Oct-14	0.35	2,000,000				2,000,000	247,317	
30-Nov-09	25-Oct-14	0.60	1,000,000				1,000,000	106,698	
26-May-11	26-May-14	0.60	500,000				500,000	74,601	
Employee									
27-Jul-07	16-Sep-12	0.55	500,000		(500,000)	-	-	-	
17-Sep-08	16-Sep-13	0.35	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	300,000		(300,000)	-	-	-	
26-May-11	25-May-14	0.60	300,000		(300,000)	-	-	-	
26-May-11	25-May-14	0.70	300,000		(300,000)	-	-	-	
02-Sep-11	25-May-14	0.50	200,000			200,000	200,000	33,072	
02-Sep-11	25-May-14	0.60	125,000			125,000	125,000	19,001	
02-Sep-11	25-May-14	0.70	125,000			125,000	125,000	17,594	
23-Dec-11	25-May-14	0.50	200,000			200,000	200,000	22,887	
23-Dec-11	25-May-14	0.60	125,000			125,000	125,000	12,908	
23-Dec-11	25-May-14	0.70	125,000			125,000	125,000	11,753	
			<u>26,250,000</u>	<u>-</u>	<u>-</u>	<u>(1,400,000)</u>	<u>24,850,000</u>	<u>24,850,000</u>	<u>1,603,654</u>
Weighted average exercise price			0.37	-	-	0.28	0.38	0.38	

The weighted average balance of the contractual term of the options outstanding at the balance date was 1.49 years.

There were no shares issued as a result of the exercise of any Directors' or Employees options during the half year (December 2011):

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

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) Options	1/3 on 26 January 2008, 1/3 on 26 July 2008 and 1/3 on 26 January 2009	\$0.27	6.29%	95%
17-Sep-08	\$0.35 (16 September 2013) Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	\$0.07	5.46%	95%
26-Oct-09	\$0.60 (24 October 2014) Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
26-Oct-09	\$0.35 (24 October 2014) Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
30-Nov-09	\$0.60 (24 October 2014) Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
23-Aug-10	\$0.35 (22 August 2015) Options	vested at the date of the issue of the options	\$0.10	4.50%	95%
26-May-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.50 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
26-May-11	\$0.70 (25 May 2014) Options	vested at the date of the issue of the options	\$0.31	4.96%	95%
02-Sep-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
02-Sep-11	\$0.70 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
02-Sep-11	\$0.50 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.50 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.60 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%
23-Dec-11	\$0.70 (25 May 2014) Options	vested at the date of the issue of the options	\$0.27	3.12%	95%

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

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 Projects					Unallocated	Total
	Australia	Oman	Saudi Arabia	Peru	Chile		
	\$	\$	\$	\$	\$	\$	\$
6 months to 31 Dec 2012							
Total segment revenues	160,304	-	-	-	-	-	160,304
Total segment loss before tax	(1,427,601)	(380,667)	(268,716)	-	(2,299,282)	-	(4,376,266)
Total segment assets	13,608,070	4,716,775	24,623,869	69,749	101,768	-	43,120,231
Total segment liabilities	(274,220)	(162,628)	(2,275,098)	(19,682)	-	-	(2,731,626)
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)
12 months to 30 June 2012							
Total segment assets	13,676,474	3,586,572	21,778,557	69,749	2,175,781	-	41,287,133
Total segment liabilities	(485,649)	(120,507)	(3,158,009)	(19,682)	(124,958)	-	(3,908,805)

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

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\$5.1 million based on an exchange rate of A\$1.00/3.89 SAR as at balance date) 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 LLC (**KMC**), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. KMC was incorporated in Saudi Arabia on 10 January 2010. Alara has paid Manajem a total of US\$3.558 million (including advance payments of US\$2.042 million in respect of the tranches payable Under the Shareholders Agreement with US\$3.942 million payable (US\$1.932 million payable in cash and US\$2.01 million to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.289 per share based on a A\$1.00/US\$1.038 exchange rate as at balance date) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence (subject to completion of the transfer of the Mining Licence from Manajem to KMC). A 'Resource Bonus' is also payable to Manajem (based on Manajem's shareholding interest in KMC at the relevant time) calculated at the rate of US 0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade). Alara is entitled to fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project (**shortfall**) shall be met by the parties as follows; Alara is entitled firstly to provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US\$15 million plus 25% of the project capital costs. That is, if the Project is financed as to 50% debt from external financiers with a 50% shortfall to be met by KMC shareholders, Alara is entitled to contribute its half share of the shortfall (being 25% of the project capital costs) and will also fund a maximum of US\$15 million of Manajem's contribution towards the shortfall. The balance of the shortfall (and subsequent funding calls by KMC) shall be satisfied by each shareholder (pro-rata to their respective shareholding interests) providing additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price. Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US\$3 million from Manajem, shall be repayable from KMC's net profits. KMC is currently managed by a Board of Directors with 2 nominees from each of Alara and Manajem
- (b) **Introduction Fee - Net Profit Royalty Obligation - Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** - A 0.5% net profit royalty is due and payable to the individual who introduced the Khnaiguiyah Zinc Copper Project (Saudi Arabia) to Alara, based on Alara's share of net profits from KMC.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

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. DarisCo was incorporated in Oman on 1 December 2010 (Alara 50%:ATTE 50%). Alara is entitled to advance US\$3 million as equity during a 3 year period. Thereafter, Alara is entitled to advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be further formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession. The shareholders' agreement is subject to conditions precedent, including, amongst other matters, the execution of a management agreement (which is currently pending execution by the parties). DarisCo is governed by a 6 member board of directors with 3 nominees from Alara and 3 nominees from ATTE. Alara's Managing Director is currently the Chairman of DarisCo.
- (d) **Shareholders' Agreement - Alara Resources LLC (Oman)** - On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (**SUR**) pursuant to which a new joint venture company ("Alara Resources LLC" (**AlaraCo**)) will be established to identify, secure and commercially exploit other resource projects in Oman introduced to AlaraCo by SUR. AlaraCo was incorporated in Oman in 2 October 2010. Alara contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000 at that time) for its 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Alara is entitled to advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends). SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) - which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit. The shareholders agreement is subject to conditions precedent including, amongst other matters, the execution of an ancillary loan agreement (which is currently pending execution by the parties) and an exploration licence being granted to AlaraCo - AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR (which are currently pending grant by the Oman Government). AlaraCo is governed by a 5 member board of directors with 3 nominees from Alara and 2 nominee from SUR. Alara's Managing Director is currently the Chairman of AlaraCo.
- (e) **Introduction Fees - Net Smelter Return Royalty and Bonus Obligation - Oman Projects** - A 0.5% Net Smelter Return (NSR) royalty is due and payable to the individual who introduced the prospects the subject of exploration licence applications by Alara Resources LLC (Oman). A US\$25,000 cash bonus is also due and payable to the same individual upon commencement of production from the Daris Copper-Gold Project (Oman).
- (f) **Shareholders' Agreement - "Marjan Mining Company LLC" (pending formation) - Marjan Base and Precious Metals Project (Saudi Arabia)** - On 17 April 2011, Alara Saudi Marjan Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with United Arabian Mining Company (Manajem) for Alara to acquire a 50% interest in the Marjan Project licences via the formation of a new joint venture company ("Marjan Mining Company" LLC (**MMC**)), which will receive transfer of the project licences from Manajem and in which Alara will have a 50% shareholding interest. Alara is entitled to fund (as loan capital to MMC repayable out of MMC's net profits) all exploration, evaluation and development costs up to a "decision to mine" (supported by a BFS). Thereafter, the parties will contribute to all cash calls in proportion to their respective interests in MMC or be diluted in accordance with an industry standard dilution formula whereby the initial base value shall be set at the capital costs defined under the DFS. The Marjan Project exploration licences will be transferred from Manajem into MMC upon Alara completing a minimum US\$1 million funding into MMC (within a 2 year term). A 'Resource Bonus' is also payable to Manajem calculated at the rate of US\$0.50 per ounce of contained gold (or gold equivalent of copper, zinc and silver) within a JORC Code compliant Indicated Resource determined at a cut-off grade of 0.5g/t gold (or equivalent) and with a minimum average grade of 3g/t gold (or equivalent) delineated within the project area. MMC will be managed by a board of directors with 2 nominees from each of Alara and Manajem and with a Saudi Arabian independent Director to be appointed by agreement of the parties. A condition precedent to the shareholders agreement is the incorporation and registration of MMC (currently pending completion) and the execution of ancillary agreements arising therein (currently pending execution upon the incorporation of MMC). MMC will be governed by a 4 member board of directors with 2 nominees from Alara and 2 nominees from Manajem. Alara's Managing Director will be the Chairman of MMC.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2012

13. CONTINGENT ASSETS AND LIABILITIES (continued)

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

14. SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

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:

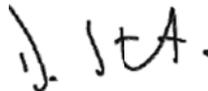
In the opinion of the directors:

- (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 2012 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



Douglas Stewart
Director

Perth, Western Australia

15 March 2013

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

We have reviewed the accompanying half-year financial report of Alara Resources Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information 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 Alara Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Alara Resources Limited consolidated entity’s financial position as at 31 December 2012 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 2012 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, 15 March 2013

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 Mining Company LLC (Saudi Arabia) (incorporated on 10 January 2011), which will hold these mineral licences (after transfers have been processed by relevant authorities).

Refer to Alara market announcements dated 5 October 2010 entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)." Also refer to Note 13 for further information on the joint venture terms.

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

The Washihi-Mullaq-Al Ajal 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 (Oman).

Refer to Alara market announcement dated 8 December 2011 and entitled "[Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman](#)." Also refer to Note 13 for further information on the joint venture terms.

DARIS COPPER-GOLD PROJECT IN OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprises a mineral excavation licence of ~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 (Oman) (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

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

Refer to Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)." Also refer to Note 13 for further information on the Daris Resources LLC and Alara Resources LLC joint venture terms.

MARJAN PRECIOUS AND BASE METALS PROJECT IN SAUDI ARABIA

The Marjan Precious and Base Metals Project (Alara 50%) is located ~30km south south-west of the Khnaiguiyah Project. The project comprising 3 Exploration Licences (totalling 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 in Saudi Arabia ("Marjan Mining Company"), which will hold these licences (after Alara has completed a minimum US\$1 million funding and transfers have been processed by relevant authorities).

Refer to Alara market announcement dated 18 April 2011 and entitled "[Acquisition of Interest in Marjan Project in Saudi Arabia](#)". Also refer to Note 13 for further information on 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
Bigirlyi South	Granted	EL 24879	15/08/06	14/08/12	27	85	8,500	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest ³⁰
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	6	14	1,400	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	13	28.4	2,840	Mount Doreen	NT	

³⁰ 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 "[Bigirlyi South Uranium Joint Venture with Thundelarra Exploration](#)"

JORC CODE COMPETENT PERSONS' STATEMENTS

- (1) *The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zones 1 and 2 in relation to the Khnaiguiyah Project (Saudi Arabia) is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. 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.*
- (2) *The information in this report that relates to Zinc and Copper Mineral Resources within Mineralised Zone 3 in relation to the Khnaiguiyah Project (Saudi Arabia) 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.*
- (3) *The information in this report that relates to Mineral Resources in relation to the Daris Project (Oman) and the Washihi prospect (Oman) is based on information compiled by Mr Ravindra Sharma, who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and Registered Member of The Society for Mining, Metallurgy and Exploration. 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 has given his consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.*
- (4) *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 11 March 2013

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (16 September 2013) Unlisted Options ³¹	-	1,000,000	1,000,000
\$0.35 (16 September 2013) Unlisted Options ³¹	-	16,400,000	16,400,000
\$0.35 (25 October 2014) Unlisted Options ³²	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ³²	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options ³³	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options ³⁴	-	500,000	500,000
\$0.60 (25 May 2014) Unlisted Options ³³	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options ³³	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options ³⁵	-	400,000	400,000
Total	242,007,500	24,850,000	266,857,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ³⁶	No. of Options
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	75% on grant, 25% on 17 September 2009	16,400,000
17 Sep 2008	\$0.35 (16 September 2013) Options	\$0.35	16 Sep 2013	50% on 17 March 2009, 25% on 17 September 2009, 25% on 17 March 2010	1,000,000
26 Oct 2009	\$0.60 (25 October 2014) Options	\$0.60	25 Oct 2014	100% on date of issue	1,000,000
30 Nov 2009					1,000,000
26 Oct 2009	\$0.35 (25 October 2014) Options	\$0.35	25 Oct 2014	100% on date of issue	1,650,000
30 Nov 2009					2,000,000
23 Aug 2010	\$0.35 (22 August 2015) Options	\$0.35	22 Aug 2015	100% on date of issue	400,000
26 May 2011	\$0.60 (25 May 2014) Directors' Options	\$0.60	25 May 2014	100% on date of issue	500,000
2 Sept 2011	\$0.50 (25 May 2014) Options	\$0.50	25 May 2014	100% on date of issue	400,000
23 Dec 2011					
2 Sept 2011	\$0.60 (25 May 2014) Options	\$0.60	25 May 2014	100% on date of issue	250,000
23 Dec 2011					
2 Sept 2011	\$0.70 (25 May 2014) Options	\$0.70	25 May 2014	100% on date of issue	250,000
23 Dec 2011					

³¹ Terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an ASX [Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

³² Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

³³ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

³⁴ Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

³⁵ Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

³⁶ Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 11 March 2013

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1	-	1,000	1,077	397,785	0.164
1,001	-	5,000	338	823,958	0.340
5,001	-	10,000	206	1,774,278	0.733
10,001	-	100,000	402	15,325,106	6.332
100,001	-	and over	132	223,686,373	92.430
Total			2,155	242,007,500	100.00%

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Shares Held	Total Shares	% Issued Capital
1 *	J P MORGAN NOMINEES AUSTRALIA LIMITED	47,209,210		
	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	13,237,806		
	Sub-total		60,447,016	24.977
2 *	NATIONAL NOMINEES LIMITED		46,344,202	19.150
3 *	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,300,081		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - <NT-COMNWLTH SUPER CORP A/C>	3,172,000		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	8,385,984		
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,503,700		
	Sub-total		30,361,765	12.546
4	CITICORP NOMINEES PTY LIMITED	6,542,211		
	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,263,901		
	Sub-total		8,806,112	3.639
5	GWYNVILL TRADING PTY LTD		4,682,021	1.935
6	ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD	2,000,000		
	ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD	2,100,000		
	Sub-total		4,100,000	1.694
7	MR PETER KELVIN RODWELL		4,000,000	1.653
8	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>		3,588,083	1.483
9	BNP PARIBAS NOMS PTY LTD <DRP>		3,113,443	1.287
10	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C>	3,365		
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,747,741		
	Sub-total		2,751,106	1.137
11	MR WARREN WILLIAM BROWN & MRS MARILYN HELENA BROWN		2,500,000	1.033
12	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>		2,444,814	1.010
13	SANDHURST TRUSTEES LTD <DMP ASSET MANAGEMENT A/C>		2,074,447	0.857
14	MRS FELICITY CLAIRE KOEKOEK		2,000,000	0.826
15	HGT INVESTMENTS PTY LTD		2,000,000	0.826
16	MR LUCAS JAMES KOEKOEK		2,000,000	0.826
17	HOUVAN PTY LTD		2,000,000	0.826
18	SURFLODGE PTY LTD		1,629,000	0.673
19	MR BRIAN JOSEPH FLANNERY & MRS PEGGY ANN FLANNERY		1,500,000	0.620
20	MR IAN EDWARD TREGONING & MRS LISA ANTONIETTA TREGONING <TREG TRAILERS DIS S/F A/C>		1,443,491	0.596
Total			187,785,500	77.594%

* Substantial shareholders