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31 DECEMBER 2010 QUARTERLY REPORT

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Dated: 31 January 2011

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SUMMARY

- **Cash position:** Cash (and investments in listed securities) position was \$13.1 million as at 31 December 2010 (30 September 2010: \$5.4million).
- **Capital Raising:** 27 October 2010 - \$10.58 million capital raising completed with clients of Petra Capital - 46 million shares issued at \$0.23 per share in 2 tranches on 2 November and 7 December 2010.
- **New Directors:** 29 November 2011 - Ian Williams and Douglas Stewart appointed Non-Executive Directors effective after the AGM on 30 November 2010.
- **Khnaiguiyah Zinc Copper Project in Saudi Arabia:**

25 October 2010 – Shareholders’ Agreement executed with Manajem (the Vendor) for a new incorporated joint venture entity.

21 December 2010 - Manajem awarded grant of the Khnaiguiyah Mining Licence with a 30 year term.

10 January 2011 – “Khnaiguiyah for Mining Company” (KMC) joint venture entity formed with 50% shareholding held by each of Alara and Manajem.

24 January 2011 - Conditions precedent under the Shareholders’ Agreement satisfied and US\$1.25 million (Tranche 2) paid to Manajem. KMC receives signed documents for the transfer of the Project licences from Manajem to KMC.
- **Daris Copper Gold Project in Oman:**

13 December 2010 - Final results (Daris East prospect) of initial drilling programme released. Drilling indicates the presence of sulphide mineralisation underneath existing copper oxide cap. Hole DEDC002 encountered 6.6m at 8.96% copper as copper sulphides from 36.65m including 3.25m at 11.45% copper from 40m.

6 December 2010 - A helicopter-borne electromagnetic VTEM survey of ~1274 line kilometres commissioned; will commence after receipt of Government approvals.
- **El Quillay Copper-Gold Project in Chile:** Alara and the Vendors are progressing towards the execution of more definitive joint venture agreements; this is expected to be concluded in March 2011.
- **Other Projects:** No field work was conducted by Alara during the quarter ending 31 December 2010 and none is planned in the Company’s other project areas in Australia and Peru for the current quarter ending 31 March 2011 (save for any work undertaken by farm-out joint venture partners on the Australian Bigrlyi South Uranium Project and Canning Well EL 46/629 tenement).



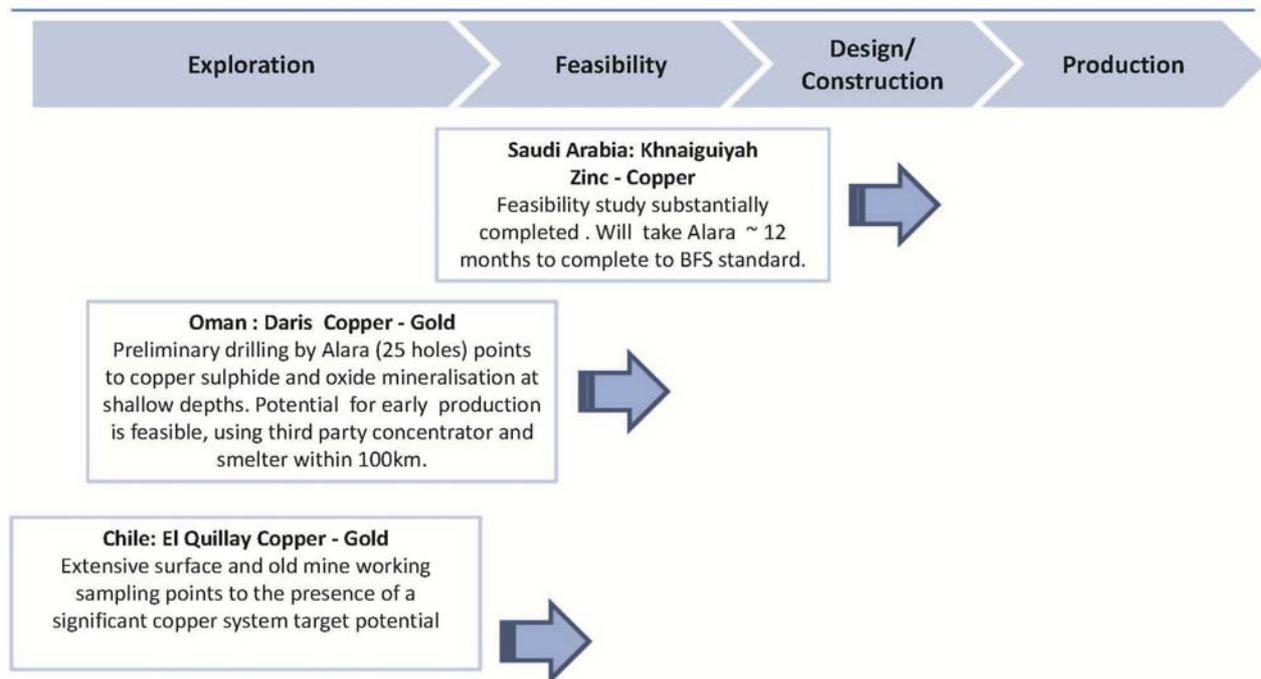


COMPANY PROFILE

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

PROJECTS	LOCATION	STATUS
(1) Khnaiguiyah Zinc-Copper ¹	Saudi Arabia	Development to BFS
(2) Daris Copper-Gold ²	Oman	Exploration
(3) El Quillay Copper-Gold ³	Chile	Exploration
(4) Bigrlyi South Uranium	Northern Territory, Australia	Exploration (Farmed-Out)
(5) Canning Well Base Metals	Pilbara, Western Australia	Exploration (Farmed-Out)

Alara is moving towards establishing itself as a base metals development company with an exciting pipeline of advanced and early stage projects:



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

² Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

³ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)"

PROJECT LOCATION

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 the Khnaiguiyah Mining Licence, 3 Exploration Licences and 5 Exploration Licence applications pending grant, totalling ~380km².

Alara has a 50% interest in a new joint venture company, "Khnaiguiyah for Mining Company", which will hold these mineral licences (after transfers have been processed by relevant authorities).



Figure 1



OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprises a mineral excavation licence of ~587km².

Alara has a 50% interest (with a right to increase this to 70%+) in a new joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

Alara has also formed a separate joint venture company (Alara 70%) in Oman, Alara Resources LLC, which has lodged applications for exploration licences over several prospects.

Figure 2

PROJECT LOCATION



CHILE

The El Quillay Copper-Gold Project in Chile (Alara - right to earn-in 70%) is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

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

Figure 3

AUSTRALIA

The Bigrlyi South Uranium Project comprises is located ~350km north-west of Alice Springs in the Northern Territory of Australia and adjacent to tenements surrounding the Bigrlyi uranium deposit (being developed by Energy Metals Limited – ASX Code: “EME”). The project tenements (totalling ~1,350 km²) have been farmed-out to Thundelarra Exploration Ltd (ASX Code: THX), who has a right to earn-in 70% interest.

The Canning Well Base Metals Project is located in the Eastern Pilbara region of Western Australia, ~360km south-east of Port Hedland. The manganese rights on the granted Exploration Licence 46/629 has been farmed-out to Process Minerals International Pty Ltd, a subsidiary of Mineral Resources Limited (ASX Code: MIN) in consideration for a royalty payment of ~A\$4.20/tonne manganese fines and lump mined.

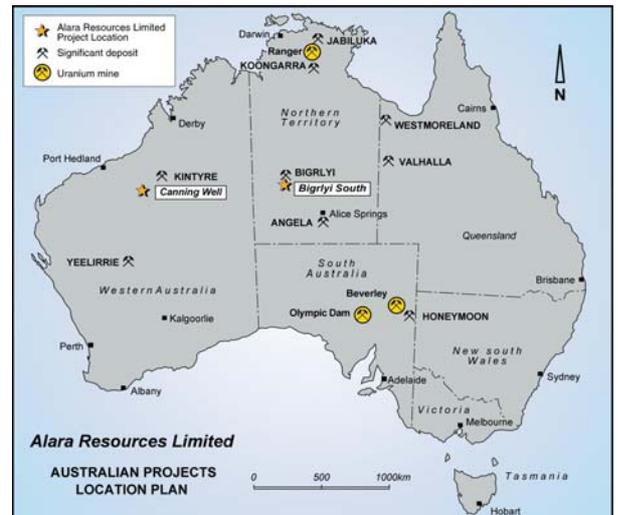


Figure 4



COMPANY PROJECTS

1. Khnaiguiyah Zinc Copper Project (Saudi Arabia)

(Alara - 50%)

Background

Alara has a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia via a 50% shareholding interest in a newly formed joint venture company, "Khnaiguiyah for Mining Company" (**KMC**).

The Khnaiguiyah Project is an advanced near production project having a non-JORC compliant resource estimate⁴ assessed by BRGM⁵, the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 10 to 23 of Alara's 2010 Annual Report).

Please also refer to Figure 5: Khnaiguiyah Project Location, Licence Areas and Mineralised Zones.

The key terms of the Shareholders' Agreement (dated 21 October 2010) between Alara and "Manajem" (the Vendor) were outlined in the September 2010 Quarterly Report and are also in Alara's 2010 Annual Report, at page 8.

Award of the Khnaiguiyah Mining Licence

Manajem received grant of the Khnaiguiyah Mining Licence on or about 13 December 2010.

Material conditions attached to the Mining Licence issued by the Ministry of Petroleum and Mineral Resources (the **Ministry**) are as follows:

- 30 year exclusive term for the mining of Zinc, Copper, Gold and Silver from the licence area;
- No mineral royalties are payable (the corporate tax rate in the Kingdom of Saudi Arabia is 20%);
- An environmental impact assessment and economic feasibility study must be submitted to the Ministry prior to the commencement of mining; and
- Preference must be given to domestic zinc smelters for long term offtake agreements at market prices based upon the price of zinc according to the London Metal Exchange.

Conditions Precedent Satisfied Under Shareholders' Agreement

The conditions precedent under the Shareholders' Agreement were declared satisfied on 18 January 2011 upon, amongst other matters, completion of the formation of KMC and the receipt of signed documents to facilitate the transfer of the Project licences from Manajem to KMC.

Alara has recently effected payment of US\$1.25 million to Manajem due under Payment Milestone/Tranche 2 of the Shareholders' Agreement. Tranche 1 US\$266,000 was paid to Manajem in October 2010 (upon execution of a Heads of Agreement) and there are 2 further tranches outstanding:

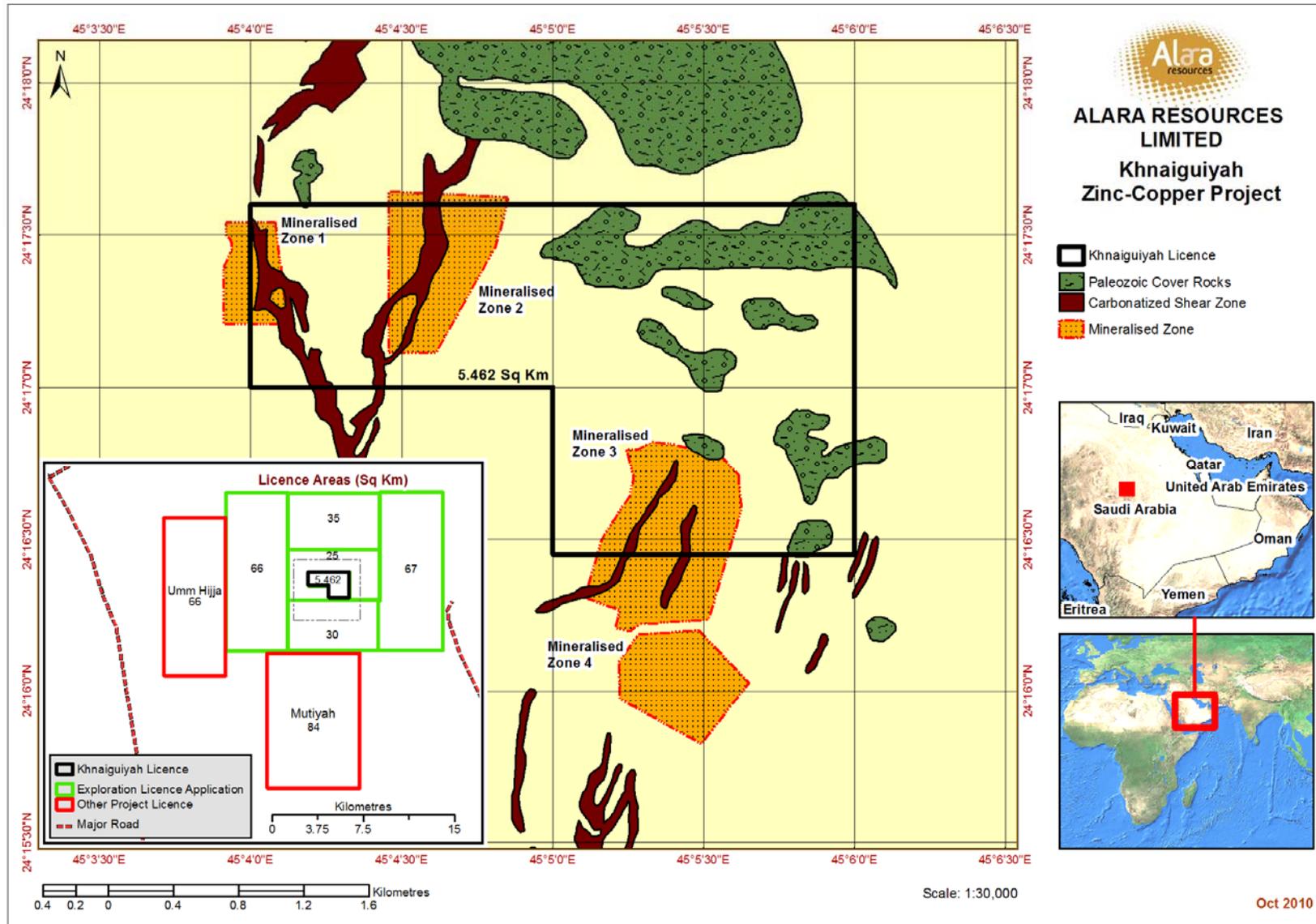
- (a) US\$1,750,000 – upon the Khnaiguiyah Mining Licence being transferred to KMC; and
- (b) US\$4,234,000 – upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence with such consideration to be satisfied as follows:
 - (i) US\$2,010,000 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\$0.302 per share based on the current A\$1.00/US\$0.994 exchange rate); and
 - (ii) US\$2,224,000 to be satisfied by the payment of cash.

⁴ Source: *BRGM Geoscientists, 1993, Khnaiguiyah zinc-copper deposit – prefeasibility study – 1,2, and 3: Saudi Arabian Directorate General of Mineral Resources Technical BRGM-TR-13-4, 651p., 209 figs., 171 tables, 78 appendixes, 23 photoplates*

⁵ Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (brgm.fr)

COMPANY PROJECTS

Figure 5: Khnaiguiyah Project Location, Licence Areas and Mineralised Zones





COMPANY PROJECTS

Establishment of Office and Engagement of Personnel in Saudi Arabia

KMC has established an office in Riyadh, Saudi Arabia and put in place a local geological team (led by an expatriate Chief Geologist and expatriate Project Geologist) and office and field/site support personnel.

The management team will be led by Alara Managing Director, Shanker Madan, who will be Managing Director of KMC and Eduardo Valenzuela, Alara's recently appointed General Manager, Projects (refer Corporate section of this Quarterly Report for further details).

Drilling

Company Geologists have finalised a 5,000m core drilling programme designed to obtain:

- ~900m of large diameter (PQ 3) representative samples for metallurgical test work;
- ~ 3000m of HQ core holes to validate existing data from previous drilling campaigns undertaken at Khnaiguiyah; and
- the balance of drilled metres to compile geotech information for mine planning and design and to close-off mineralisation in certain open sections.

This drilling is expected to start by mid-February 2011.

Definitive Feasibility Study (DFS)

Alara is currently finalising the appointment of a high profile lead engineering consultant to undertake the DFS.

Specialist sub-consultants in areas such as resource estimation, mine planning, metallurgical test work, hydrology, geotechnical engineering and, environmental are also being appointed to support the lead engineer in the preparation of an all-encompassing DFS.

Next Steps

Alara's focus over the coming months will be to work closely with Manajem to progress the following matters:

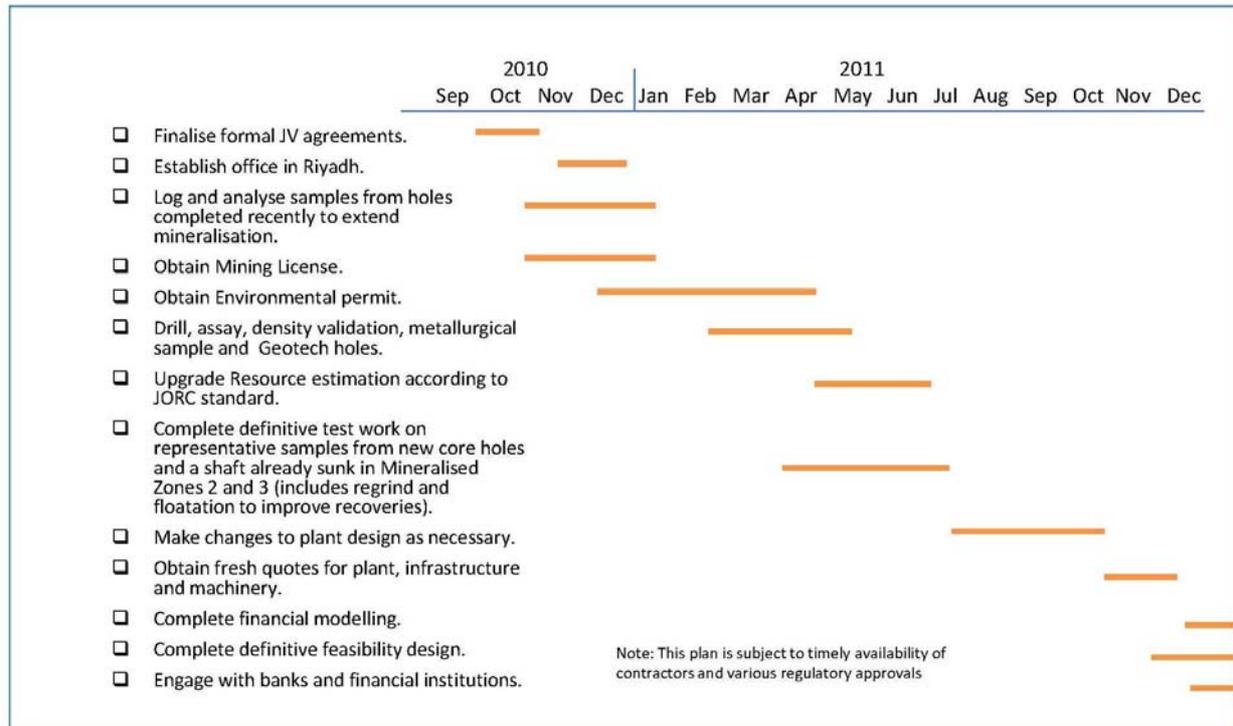
- The transfer of the Khnaiguiyah Mining Licence (and other Project exploration licences) from Manajem to KMC;
- The appointment of consultants/firms to commence the BFS for the Khnaiguiyah Project;
- The grant of an Environmental Permit for the commencement of mining operations under the Khnaiguiyah Mining Licence;
- The completion of validation drilling in order to convert the historical estimates to a JORC compliant resource and or reserve classification.



COMPANY PROJECTS

Alara's indicative development work programme for the next 12 months is illustrated below:

Khnaiguiyah Project – 12 Month Development Work Programme



Other Projects in Saudi Arabia

Alara is currently in advance negotiations with a local vendor to secure an interest in several explorations licences prospective for base and precious metals.

COMPANY PROJECTS

2. Daris Copper-Gold Project (Oman)

(Alara – 50% with right to increase to 70%+)

Alara has a 50% interest (with a right to increase this to 70%+) in the Daris Copper-Gold Project located in Oman, via an initial 50% shareholding interest in a newly formed joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

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

- (1) To develop high grade oxide / sulphide mineralisation that may be amenable to heap leaching or at custom treatment facilities nearby; and
- (2) To explore shallow and deeper sulphide mineralisation using modern geophysical and geochemical techniques.

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

Figure 6: Daris Copper Project Location



Please refer to the September 2010 Quarterly Report and Alara's 2010 Annual Report, at pages 28 to 31, for further technical information on the Daris Project.

The key terms of the Shareholders' Agreement (dated 28 August 2010) between Alara and Al Tamman Trading Establishment LLC (**ATTE**) (the Vendor) were outlined in the September 2010 Quarterly Report and are also in Alara's 2010 Annual Report, at page 32.

Initial Drilling Programme

An initial 27 hole diamond and rotary drilling programme has been completed on targets identified by Alara within two of the twelve known copper occurrences within the Daris Project area:

- (i) **Daris East prospect** - 21 rotary and 3 diamond core holes were drilled to test shallow oxide mineralisation for a potential heap leach operation and to locate massive sulphide zones beneath the oxide cap; and
- (ii) **Daris 3A-5 prospect** (located ~10 kilometres north-west of Daris East) - 3 diamond core holes were drilled to test shallow sulphide mineralisation around a known gossan, based upon previously conducted reconnaissance work by Oman Copper.

COMPANY PROJECTS

The results of this initial drilling campaign have confirmed the presence of sulphide mineralisation over a strike distance of over 100m covered by a wider cap of oxide mineralisation with variable thicknesses and grades.

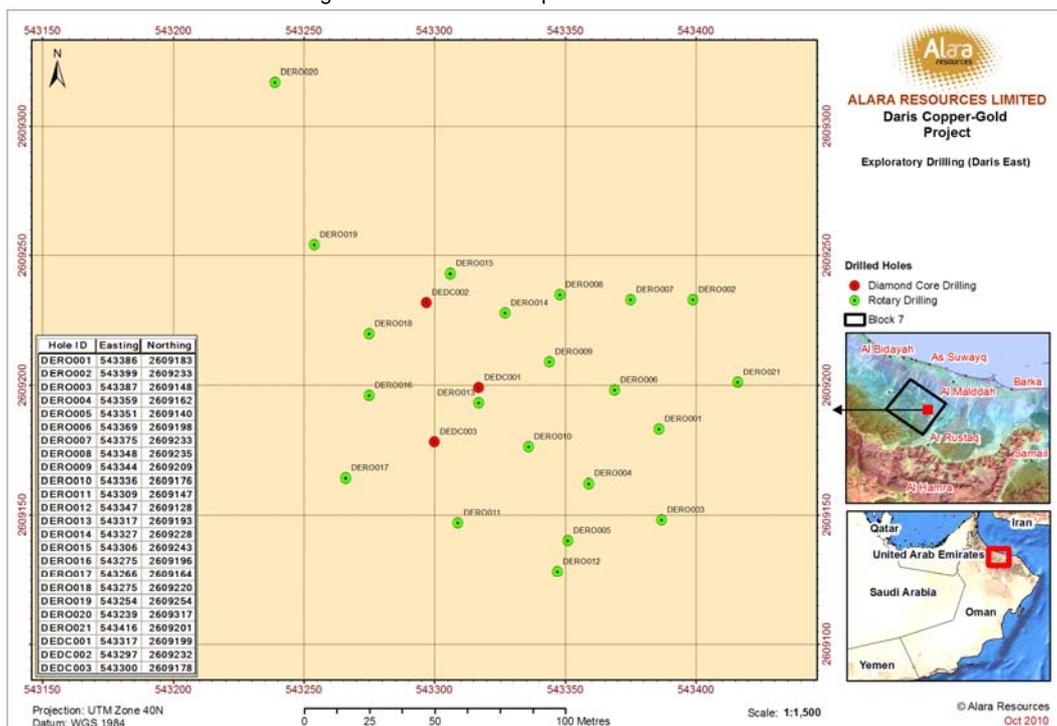
The results of the 21 rotary holes at Daris East and 3 diamond core holes at Daris 3A-5 were outlined in the September 2010 Quarterly Report and are also in Alara's 2010 Annual Report, at pages 29 to 31.

The results of the 3 diamond core holes at Daris East were announced in an Alara market announcement dated 13 December 2010 and entitled "[Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman](#)".

A summary of these drilling results at Daris East is as follows:

- Copper mineralisation was encountered in all 3 holes together with gold mineralisation:
 - DEDC002:**
 - 6.6m at 8.96% copper as copper sulphides from 36.65m including 3.25m at 11.45% copper from 40m
 - 3.15m at 2.36% copper as disseminated sulphides from 45.85m.
 - DEDC001:**
 - 10m at 1.12% copper as copper oxide from 25m including 5.15m at 1.89% copper as copper oxide from 27.85m
 - 13.85m at 1.25g/t gold from 7m
 - DEDC003:**
 - 20m at 0.87% copper as copper oxide from 1m
 - 9.5m at 0.67% copper as copper oxide from 23.5m
- Drilling indicates the presence of sulphide mineralisation underneath existing copper oxide cap
- Mineralisation is open to the northwest of previously the drilled DERO009 hole

Figure 7: Daris East Prospect Drill Hole Location





COMPANY PROJECTS

VTEM Electromagnetic Survey

Alara has commissioned a helicopter-borne electromagnetic VTEM survey covering prospective areas within the Daris Project, including areas with high grade copper and copper gold intersections (from an initial drilling programme) reported within the Daris 3A-5 and Daris East prospects.

The VTEM survey is a geophysical technique appropriate for the region for locating volcanogenic massive sulphide (**VMS**) style of mineralisation. The electromagnetic and magnetic geophysical survey of ~1274 line kilometres will be conducted by Geotech Airborne Malta Limited. The survey is expected to commence within the next month, subject to receipt of various Government and departmental approvals.

Geotech will be deploying their Versatile Time-Domain Electromagnetic (**VTEM**) geophysical system for the survey which has the latest technology and significant advantages over other commercially available systems. The main instrumentation and measurements for this survey are:

- B-field VTEM system for locating conductive anomalies and mapping earth resistivities.
- High-sensitivity cesium magnetometer for mapping geologic structure and lithology.
- A cesium magnetometer base station for diurnal correction.
- A Radar altimeter with an accuracy of approximately 1m.
- A GPS Navigation System providing an in-flight accuracy up to 3m.

An optimal flight line direction and a spacing of 200m apart with tie lines at 2000m spacing has been designed for this survey. The optimal terrain clearances for the helicopter and instrumentation during the flying are:

- Helicopter - 75 to 80m
- Electro-magnetic (EM) sensor - 35 to 45m
- Magnetic sensor - 60 to 70m

The survey is expected to:

- Outline the potential for extension of the drilled mineralisation along strike and depth; and
- Discover additional areas prospective for massive sulphide mineralisation.

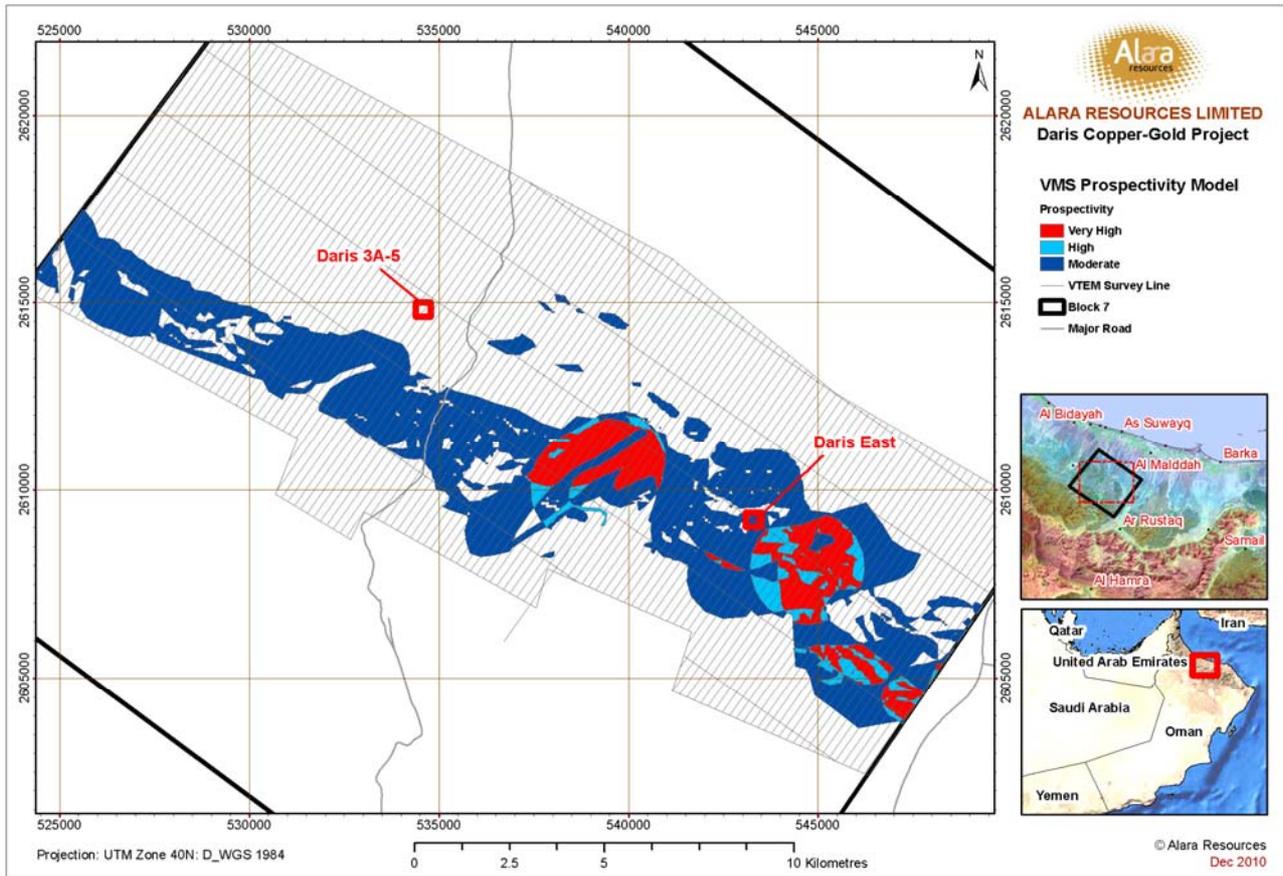
After reviewing the results of the VTEM geophysical survey, a further drilling programme will be planned, in the first instance to extend the previously drilled mineralisation and secondly to drill additional high priority potential clusters.

Prospectivity Analysis and VTEM Survey Coverage

Alara has completed a detailed prospectivity analysis using conceptual geological models of mineralisation, available geochemical, geophysical and geological data to determine the extent of the VTEM survey coverage, as illustrated in Figure 8.

COMPANY PROJECTS

Figure 8: VMS Prospectivity Model for Daris Project



Daris Resources LLC Joint Venture Agreement

On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with ATTE holding 50%) and will advance US\$3 million as equity during a 3 year period - Alara has contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000). Thereafter, Alara will advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%.

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

The shareholders' agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including, amongst other matters, the incorporation of DarisCo (which has occurred), the execution of the management agreement and ancillary loan agreement (which is expected to be executed within the next month) and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals.

As at the date of this report, the conditions precedent have not been satisfied. Alara is entitled to extend the 6 month period by a further 6 months if there is a delay in completion of the conditions precedent.



COMPANY PROJECTS

Alara Resources LLC Joint Venture

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

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

The shareholders agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of AlaraCo (which has occurred), the execution of an ancillary loan agreement (which is expected to be executed within the next month) and an exploration license being granted to AlaraCo – AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals.

As at the date of this report, the conditions precedent have not been satisfied. Alara envisages this to occur during the current quarter ending 31 March 2011. Alara intends to seek an amendment to the agreement to extend the 6 month if there is a delay in completion of the conditions precedent.

COMPANY PROJECTS

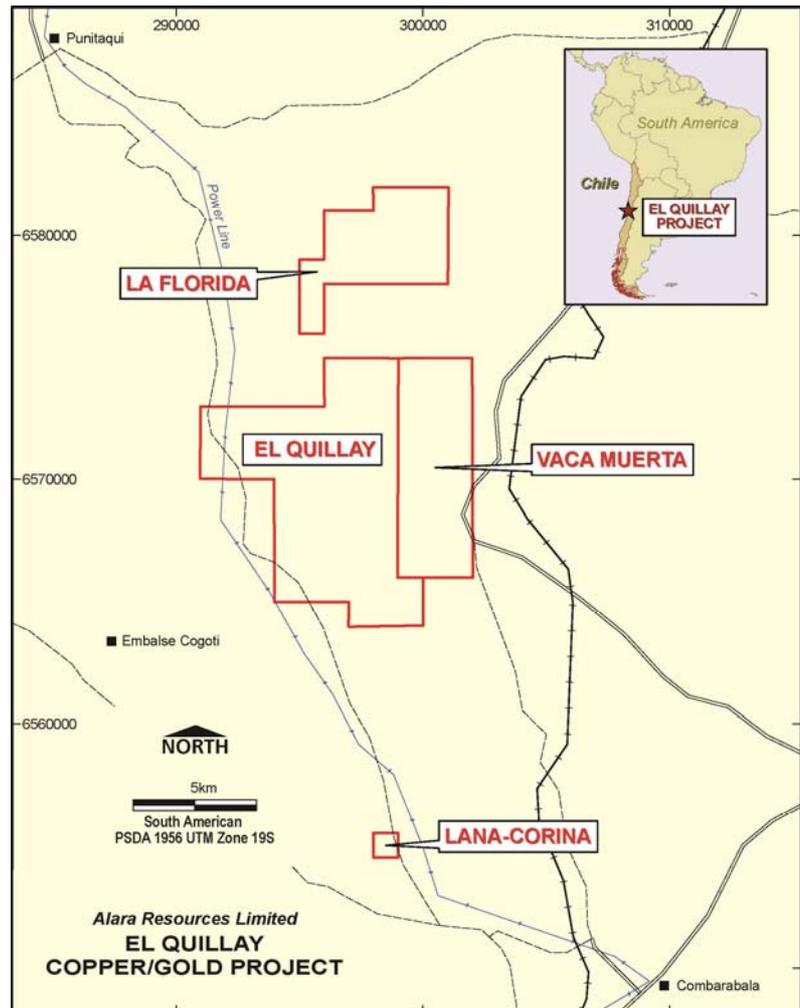
3. El Quillay Copper-Gold Project (Chile)

(Alara - right to earn-in 70%)

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

The project, which comprises 4 project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida), presents several drill targets:

- El Quillay Norte (North) - Copper prospect along the El Quillay regional fault zone (which has a recent decline);
- El Quillay Central - Copper prospect along the El Quillay fault zone;
- El Quillay Sue (South) - Copper-gold prospect along the regional fault zone;
- Lana-Corina - Two breccia pipes 40m to 50m wide with a deep shaft and underground workings. The breccia pipes extend into a porphyry copper deposit where 2 holes have intersected greater than 130m of mineralisation, one of which intersected 180m of 0.70% Cu and up to 200ppm Mo;
- Vaca Muerta - along the El Quillay regional fault zone with many workings in parallel near vertical structures with grades encountered from due diligence sampling of up to 3.8% Cu over 2m; and
- La Florida - exploration potential along the El Quillay regional fault zone.



Please refer to the September 2010 Quarterly Report and Alara's 2010 Annual Report, at pages 24 to 27, for further technical information on the El Quillay Projects.

The key terms of the term sheet (dated 17 August 2010) executed with Chilean vendors, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Río (the Vendors), were outlined in the September 2010 Quarterly Report and are also in Alara's 2010 Annual Report, at page 27.

Alara's due diligence investigations are on-going and the parties are progressing towards the execution of the more definitive joint venture agreements. The timetable for completion of these matters has been extended by mutual agreement of the parties to 9 March 2011.

COMPANY PROJECTS

4. Update: Canning Well Manganese Farm-Out

(Alara 100% with Process Minerals International Pty Ltd having manganese rights)

Alara has farmed-out the Canning Well Exploration Licence 46/629 tenement to Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN) for the potential mining of manganese.

Exploration Licence 46/629 was granted on 22 August 2005 and was due to expire on 21 August 2010. The Mines Department has recently granted a 2 year extension to the term of the licence, to 21 August 2012.

PMI has advised that no further work was undertaken on the tenement during the December 2010 quarter pending a decision from the Mines Department in relation to the application for an extension of term.

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

5. Update: Bigrlyi South Uranium Farm-Out Venture

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

Alara's joint venture partner, Thundelarra Exploration (THX) has provided Alara with the following update:

- A regional airborne electro-magnetic survey was completed in late November 2010 and final data sets delivered in January 2011 are pending interpretation and analysis;
- THX continued its participation in the Joint Surveys Uranium (JSU) Project (commenced with the CSIRO, the NTGS and 2 other ASX listed resource companies);
- Heritage and regulatory approvals are still pending from the Central Land Council (CLC) for a 53 hole air-core drilling programme on EL 24879, EL 24928 and EL 24929;
- Subject to receipt of CLC approval,
- The application for EL 24927 is expected to be granted within the current March 2011 quarter; and
- A 25% reduction of the area comprising each of EL 24879, EL 24928, EL 24929 will be effected as per Northern Territory Department of Resources requirements.

6. Peruvian Uranium Concessions



The Crucero Uranium Project comprises 4 concessions covering an area of ~31km². The concessions are located 45km south-east of the town of Crucero.

The Coasa Project comprises 4 concessions covering an area of ~32km². The concessions are centred on the town of Coasa, located in the Macusani east district.

Alara is currently seeking to farm-out or dispose of its interests in these Peruvian uranium concessions.



CORPORATE

Cash Position and Listed Securities

The Alara group's cash (and investments in listed securities) position as at 31 December 2010 was \$13.1 million (30 September 2010: \$5.4 million).

The Alara group has a major exposure to the United States Dollar. This foreign currency holding is applicable to and facilitate the Alara group's overseas operations and activities.

As at 31 December 2010, Alara's investment in listed securities had a total value of \$1.54 million (30 September 2010: \$1.82 million in respect of the same shareholding).

Appointment of Directors

The Board appointed Ian Williams and Doug Stewart as Non-Executive Directors after the Company's Annual General Meeting (**AGM**) held on 30 November 2010.

Ian has considerable experience in the development of large scale base metal mining operations, including responsibility for the development and commissioning of the world class Century lead/ zinc mine in Queensland, Australia.

Doug has extensive mining industry experience in development and commissioning of mines, project finance, mine planning, mine optimisation and due diligence. Most recently, he was responsible for developing and commissioning of the Frances Creek iron ore mine in the Northern Territory, Australia.

Their qualifications and experience are set out below.

Ian J. Williams AO, FAusIMM, FIEAust

Ian Williams has had a distinguished career in the mining and processing industries.

Ian was awarded an Officer of the Order of Australia (AO) in June 2010 for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programmes providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives.

As Managing Director of Century Zinc Ltd, Ian was responsible for planning and bringing on stream the Century lead/ zinc mine in north western Queensland. Producing some 7% of the world's demand for zinc concentrate, the Century mine is one of the largest zinc mines in the world.

Ian is currently a Non-Executive Director of Bougainville Copper Limited, Chair of the Port Hedland Port Authority and a director of a major private structural fabrication company. He is also an independent director on three Aboriginal benefits trusts in the Kimberley and Pilbara regions of Western Australia.

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.

Ian has qualifications in Electrical Engineering and is a Fellow of the Australasian Institute of Mining and Metallurgy and of the Institution of Engineers Australia.



CORPORATE

Douglas H. Stewart BSc, FAusIMM, FAIG

Doug 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.

Doug 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.

Doug was also a director of Grange Resources Limited prior to its takeover by Chinese steel interests.

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

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

Currently, Doug has a Non-Executive Board role with Conquest Mining Limited.

Doug is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists.

\$10.58 Million Capital Raising

Alara has successfully completed a capital raising to professional, institutional and sophisticated investors of \$10.58 million through a placement of 46 million shares at \$0.23 per share (**Placement**).

The Placement was managed by Petra Capital Pty Ltd (**Petra Capital**) and received strong support from a range of professional, institutional and sophisticated investors and was well oversubscribed.

The Placement was conducted in two tranches:

- (1) **Tranche 1:** 12 million shares (raising \$2.76 million gross) were issued on 2 November 2010 within the Company's existing 15% placement capacity under ASX Listing Rule 7.1; and
- (2) **Tranche 2:** 34 million shares (raising \$7.82 million gross) were issued on 7 December 2010 after receiving shareholder approval at the AGM.

The \$10.58 million funds raised under the Placement, after expenses of the issue, will be applied principally towards the costs of acquisition of the Company's flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia. The balance of the funds, together with the Company's existing cash and liquid investments, will be applied towards the advancement of exploration, evaluation and development of the Company's other mineral exploration and development projects and for general working capital purposes.

In addition, its then largest shareholder, Strike Resources Limited, also sold down its entire 12.75 million interest in the Company as part of the book build for the Placement, with such shares being placed to professional, institutional and sophisticated investor clients of Petra Capital.

Alara was originally spun-out of Strike in May 2007, with Strike retaining a significant non-core interest in the Company. This divestment by Strike removed a large stock overhang, with the resulting separation of Strike and Alara having benefits for both companies.



CORPORATE

Appointment of General Manager Projects

Alara is pleased to confirm the appointment of Eduardo Valenzuela as General Manager Projects in January 2011.

Reporting directly to the Managing Director, Mr. Valenzuela will have overall responsibility for managing Alara's development and exploration projects in Saudi Arabia, Oman and Chile.

Eduardo Valenzuela is a mining engineer with a Master of Business in international management from Curtin University in Western Australia, and over 30 years experience in mine operations, project management, technical services, and project financing covering most key mineral commodities including copper, iron ore, nickel, gold and coal.

Mr. Valenzuela's international management experience includes senior roles in Australia, Latin America, USA and Asia, including those of Technical Director with Sundance Resources Limited (November 2003 – August 2005), industry specialist with the International Finance Corporation in Washington DC (January 2002 – March 2003), Mining Manager at the Murrin Murrin Nickel operations in Western Australia (September 2000 – January 2002), Project Manager with BHP Copper at Escondida in Chile, Manager Latin America with BHP Engineering Pty Ltd. in Chile, and Manager Mining Services with BHP Utah Minerals International in Western Australia.

Prior to joining Alara, Mr. Valenzuela was Project Director with FerrAus Limited in Perth.

NOTES:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been 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.



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

Refer to 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](#)."

Also refer to Alara's 2010 Annual Report (at page 8) for further information on the Khnaiguiyah Project joint venture terms.

DARIS COPPER-GOLD PROJECT IN OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprise a mineral excavation licence of ~587km².

Alara has a 50% interest (with a right to increase this to 70%+) in a new joint venture company, Daris Resources LLC (incorporated on 1 December 2010), which holds the exclusive right to manage, operate and commercially exploit the exploration licence.

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

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

Also refer to Alara's 2010 Annual Report (at page 32) for further information on the Daris Resources LLC and Alara Resources LLC joint venture terms.

EL QUILLAY COPPER-GOLD PROJECT IN CHILE

The El Quillay Copper-Gold Project in Chile is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

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

Alara and the Vendors have signed a binding term sheet and are progressing towards the execution of the more definitive joint venture agreements.

Refer to market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)".

Also refer to Alara's 2010 Annual Report (at pages 36 to 37) for further information on the El Quillay joint venture terms.



MINERAL CONCESSIONS

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
Bigryli South	Granted	EL 24879	15/08/06	14/08/12	82	260.5	26,050	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); Thundelarra Exploration Ltd has a right under a joint venture with Alara to earn a 70% interest
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	
	Granted	EL 24928	24/08/06	23/08/12	15	34.95	3,495	Mount Doreen	NT	
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	
Canning Well	Granted	E 46/629	02/08/05	21/08/12	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL); subject to a farm-out agreement with Process Minerals International Pty Ltd, a subsidiary of ASX-listed Mineral Resources Limited
	Application	E 46/585	17/10/03	N/A	69	207	20,700	Canning Well	WA	Right to earn 85% (excluding all manganese mineral rights) (63.75% held by Alara Operations Pty Ltd and 21.25% held by Hume Mining NL)
	Application	E46/801	01/10/2008	N/A	19	60	60,000	Canning Well	WA	100% (Alara Resources Limited)

Tenements Surrendered During the December 2010 Quarter:

Project	Status	Tenement	GRANT / APPLICATION DATE	Expiry Date	Area (Blocks)	Area (km ²)	Area (hectares)	Location / Property Name	State	Company's Former Interest
Mt James	Granted	E 09/1253	29/06/06	28/06/11	13	39	3,900	Mt James	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	E 09/1257	28/06/06	27/06/11	7	21	2,100	Injinu Hills	WA	100% held by Alara Operations Pty Ltd
	Granted	E 09/1258	29/09/06	28/09/11	13	39	3,900	Mortimer Hills	WA	100% held by Alara Operations Pty Ltd



MINERAL CONCESSIONS

PERUVIAN MINERAL CONCESSIONS

Crucero Project:

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

Coasa Project:

Concession	Code	Application/Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Cochacucho 1	01-02461-07	5 September 2007	800	28-V	Ituata/Coasa	Carabaya	Puno
Cochacucho 2	01-02463-07	31 July 2007	800	28-V	Coasa/Ituata	Carabaya	Puno
Cochacucho 3	01-02463-07	31 July 2007	800	28-V	Ituata/Coasa	Carabaya	Puno
Lituania 4	01-02484-07	5 September 2007	800	29-X	Coasa	Carabaya	Puno

SECURITIES INFORMATION

as at 31 December 2010



ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	126,507,500	-	126,507,500
\$0.55 (26 July 2012) Unlisted Options ⁶	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ⁷	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ⁷	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ⁸	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ⁸	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ⁹	-	400,000	400,000
Total	126,507,500	23,985,000	150,492,500

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ¹⁰	No. of Options
27 July 2007	\$0.55 (27 July 2012) Options	\$0.55	26 July 2012	1/3 rd on 27 January 2008, 1/3 rd on 27 July 2008 and 1/3 rd on 27 January 2009	500,000
17 September 2008	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	16,400,000
17 September 2008	\$0.35 (16 September 2013) Options	\$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	1,035,000
26 October 2009	\$0.60 (25 October 2014) Options	\$0.60	25 October 2014	100% on date of issue	1,000,000
30 November 2009					1,000,000
26 October 2009	\$0.35 (25 October 2014) Options	\$0.35	25 October 2014	100% on date of issue	1,650,000
30 November 2009					2,000,000
23 August 2010	\$0.35 (22 August 2015) Options	\$0.35	22 August 2015	100% on date of issue	400,000

⁶ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

⁷ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

⁸ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

⁹ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

¹⁰ Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 31 December 2010



DISTRIBUTION OF ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,312	541,602	0.428
1,001	-	5,000	413	1,001,210	0.791
5,001	-	10,000	289	2,483,562	1.963
10,001	-	100,000	508	17,919,705	14.165
100,001	-	and over	121	104,561,421	82.652
Total			2,643	126,507,500	100%

TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	NATIONAL NOMINEES LIMITED	16,813,535	13.291
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,986,886	
	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	713,108	
	Sub-total	16,699,994	13.201
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,926,208	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,064,370	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	25,351	
	Sub-total	14,015,929	11.079
4	ORION EQUITIES LIMITED	7,332,744	5.796
5	MRS LINDA SALA TENNA & MRS LISA SHALLARD	2,824,144	
	KATANA ASSET MANAGEMENT LTD	3,060,000	
	KB33 CAPITAL PTY LTD <CHARITY A/C>	100,000	
	Sub-total	5,984,144	4.730
6	CITICORP NOMINEES PTY LIMITED	2,555,083	2.020
7	GWYNVILL TRADING PTY LTD	1,971,527	1.558
8	COGENT NOMINEES PTY LIMITED	1,881,791	1.487
9	MR ROBERT GEMELLI	1,500,000	1.186
10	TWINLAND HOLDINGS PTY LTD	781,024	
	TWINLAND HOLDINGS PTY LTD	538,976	
	Sub-total	1,320,000	1.043
11	MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MISS CAROL ROBIN JONES <SCOPA FAMILY A/C>	55,737	
	MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MISS CAROL ROBIN JONES <SCOPA FAMILY A/C>	795,952	
	S JONES & R JONES & C JONES <THE SCOPA FAMILY ACCOUNT>	452,079	
	Sub-total	1,303,768	1.031
12	URBAN PAT PTY LTD <THE SUPERACE FUND A/C>	1,300,000	1.028
13	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C>	3,365	
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,207,818	
	Sub-total	1,211,183	0.957
14	BLUEFLAG HOLDINGS PTY LTD <THE BLUEFLAG A/C>	1,053,000	0.832
15	MR ROBERT SPADANUDA <SUPER FUND A/C>	1,000,000	0.790
16	NACE NOMINEES PTY LTD	1,000,000	0.790
17	THORPE ROAD NOMINEES PTY LTD <IAN TREGONING FAMILY 2 A/C>	963,391	0.762
18	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>	900,000	0.711
19	MF CUSTODIANS LTD	825,000	0.652
20	FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION A/C>	807,984	0.639
Total		80,439,073	63.583%

Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Alara Resources Limited and controlled entities

ACN or ARBN

122 892 719

Quarter Ended

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities

1.1 Receipts from product sales and related debtors

1.2 Payments for

(a) exploration and evaluation

(b) development

(c) production

(d) administration

1.3 Dividends received

1.4 Interest and other items of a similar nature received

1.5 Interest and other costs of finance paid

1.6 Income taxes paid

1.7 Other (provide details if material)

Net operating cash flows

Consolidated	
Current Quarter December 2010 \$' 000	Year to Date 6 months \$' 000
-	-
(326)	(479)
-	-
-	-
(1,198)	(1,761)
-	-
68	117
-	-
-	-
-	-
(1,456)	(2,123)

	Consolidated	
	Current Quarter December 2010 \$' 000	Year to Date 6 months \$' 000
1.8 Net operating cash flows (carried forward)	(1,456)	(2,123)
Cash flows related to investing activities		
1.9 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(401)	(401)
(c) other fixed assets	-	-
1.10 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(401)	(401)
1.14 Total operating and investing cash flows	(1,857)	(2,524)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	10,580	10,580
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Share issue costs	(587)	(587)
Net financing cash flows	9,993	9,993
Net increase (decrease) in cash held	8,136	7,469
1.21 Cash at beginning of quarter/year to date	3,569	4,332
1.22 Exchange rate adjustments to item 1.20	(182)	(278)
1.23 Cash at end of quarter	11,523	11,523

**Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the
related entities**

	Current Quarter December 2010 \$' 000
1.24 Aggregate amount of payments to the parties included in item 1.2	(150)
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

Financing facilities available

	Amount available \$' 000	Amount used \$' 000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		Next Quarter \$' 000
4.1	Exploration and evaluation	(1,860)
4.2	Development	-
4.3	Production	-
4.4	Administration	(665)
Total		(2,525)

Reconciliation of cash

Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Consolidated	
	Current Quarter \$' 000	Previous Quarter \$' 000
5.1 Cash on hand and at bank	11,470	2,501
5.2 Deposits at call	53	1,068
5.3 Bank overdraft	-	-
5.4 Other (Bank Bills)	-	-
Total: cash at end of quarter (item 1.22)	11,523	3,569

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (4))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Quarterly Activities Report		
6.2	Interests in mining tenements acquired or increased	Refer to Quarterly Activities Report		

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (see note 5) (cents)	Amount paid up per security (see note 5)
7.1 Preference securities+				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities+	126,507,500	126,507,500		
7.4 Changes during quarter				
(a) Increases through issues	46,000,000	46,000,000	23 cents	23 cents
(b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities+				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted \$0.55 (26 July 2012) Employee's Options	500,000	-	55 cents	26 July 2012
Unlisted \$0.35 (16 September 2013) Executive Directors' Options	16,400,000	-	35 cents	16 September 2013
Unlisted \$0.35 (26 July 2012) Employees' Options	1,035,000	-	35 cents	16 September 2013
Unlisted \$0.35 (25 October 2014) Employee's and Director's Options	3,650,000	-	35 cents	25 October 2014
Unlisted \$0.60 (25 October 2014) Employee's and Director's Options	2,000,000	-	60 cents	25 October 2014
Unlisted \$0.35 (22 August 2015) Employee's Options	400,000	-	35 cents	22 August 2015
7.8 Issued during quarter				
7.9 Exercised during quarter		-	-	-
7.10 Cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



31 January 2011

Victor Ho
Company Secretary

Notes:

The Company currently holds the following listed share investments:

	31-Dec-10
	Market Value
Shares (Other)	\$1,536,772
	<u>\$1,536,772</u>

Share investments are regarded as liquid assets to supplement the Company's cash reserves.

+ See Chapter 19 for defined terms

NOTES

- 1) The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note
- 2) The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent
- 3) Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4) The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5) Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6) The Company holds foreign currencies denominated in US dollars and Peruvian Nuevo Soles. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 31 December 2010.