



HALF YEAR REPORT

31 December 2010

THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE
2010 ANNUAL REPORT OF THE COMPANY
RELEASED ON 28 OCTOBER 2010

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

ASX Code:
AUQ

FOR SHARE REGISTRY ENQUIRIES:

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

T | + 61 8 9214 9787
F | + 61 8 9322 1515
E | info@alararesources.com.au
W | www.alararesources.com.au



Advanced Share Registry Services
Suite 2, 150 Stirling Highway
Nedlands Western Australia 6009

T | + 61 8 9389 8033
F | + 61 8 9389 7879
E | admin@advancedshare.com.au
W | www.advancedshare.com.au

CONTENTS

Company Profile	2
Project Location	3
Directors' Report	5
Auditor's Independence Declaration	23
Consolidated Statement of Comprehensive Income	24
Consolidated Statement of Financial Position	25
Consolidated Statement of Changes in Equity	26
Consolidated Statement of Cash Flows	27
Notes to Financial Statements	28
Directors' Declaration	37
Auditor's Independent Review Report	38
Mineral Concessions	40
Securities Information	43

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

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

COMPANY SECRETARY

Victor P. H. Ho

REGISTERED OFFICE

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

SHARE REGISTRY

Advanced Share Registry Services
Suite 2, 150 Stirling Highway
Nedlands Western Australia 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871
Email: admin@advancedshare.com.au
Internet: www.advancedshare.com.au

STOCK EXCHANGE

Australian Securities Exchange (ASX)
Perth, Western Australia

ASX CODE

AUQ

AUDITORS

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

NOTE:

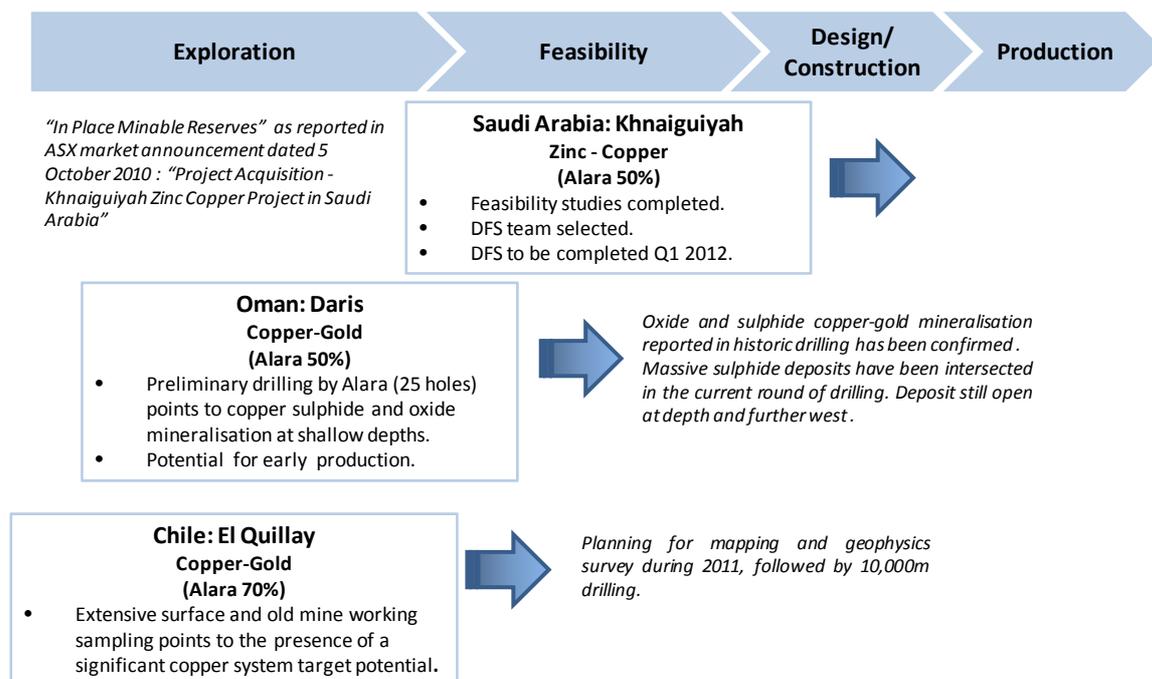
The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of Alara Resources Limited. Mr Madan has sufficient experience 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.

COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian-based minerals 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 a strong pipeline of advanced and early stage projects:



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

² Refer Alara market 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 based on manganese fines and lump mined.

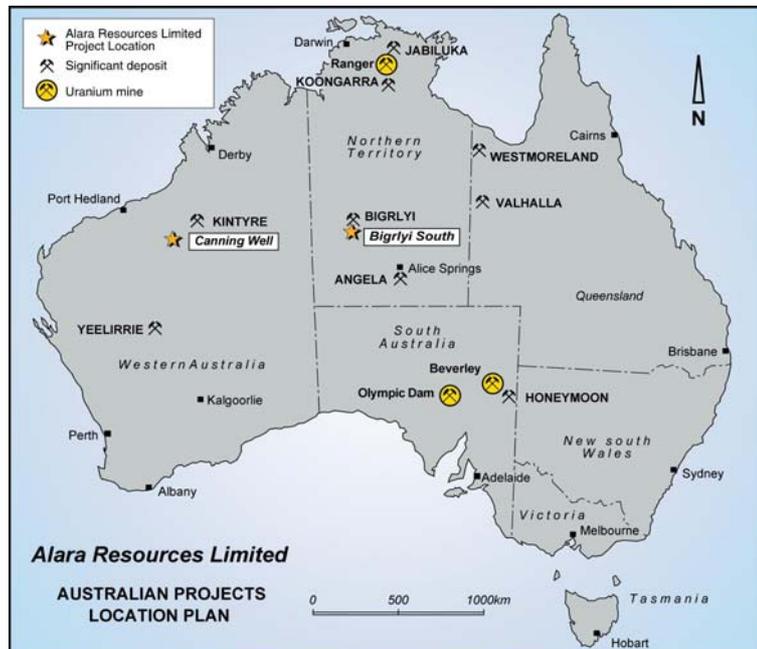


Figure 4

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 2010 (**Balance Date**).

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

OPERATING RESULTS

Consolidated	Dec 2010	Dec 2009
	\$	\$
Total revenues	81,866	977,515
Total expenses	(1,825,793)	(1,673,082)
Loss before tax	(1,743,927)	(695,567)
Income tax benefit	-	3,036
Loss after tax	(1,743,927)	(692,531)

FINANCIAL POSITION

Consolidated Entity	Dec 2010	Jun 2010
	\$	\$
Cash	11,311,070	4,309,770
Receivables	125,034	145,127
Financial assets at fair value through profit and loss	1,523,432	1,786,260
Non-current assets	1,203,340	-
Other assets	81,287	42,174
Total assets	14,244,163	6,283,331
Liabilities	(206,182)	(564,802)
Net assets	14,037,981	5,718,529
Issued capital	24,747,159	14,754,059
Reserves	1,450,274	1,523,171
Accumulated losses	(12,269,446)	(10,558,701)
Parent entity interest	13,927,987	5,718,529
Non-controlling interest	109,994	-
Total equity	14,037,981	5,718,529

DIRECTORS' REPORT

REVIEW OF OPERATIONS

1. Company Projects

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

PROJECTS	LOCATION	STATUS
(1) Khnaiguiyah Zinc-Copper ⁴	Saudi Arabia	Development to BFS
(2) Daris Copper-Gold ⁵	Oman	Exploration
(3) El Quillay Copper-Gold ⁶	Chile	Exploration
(4) Bigrlyi South Uranium	Northern Territory, Australia	Exploration (Farmed-Out)
(5) Canning Well Base Metals	Pilbara, Western Australia	Exploration (Farmed-Out)

Alara also has early stage exploration uranium concessions in Peru, which it is seeking to farm-out or dispose of.

2. Khnaiguiyah Zinc Copper Project (Saudi Arabia)

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

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 estimate⁷ assessed by BRGM⁸, 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 (at page 9 of this Half Year Report).

The key terms of the Shareholders' Agreement (dated 21 October 2010) between Alara and "Manajem" (the Vendor) are outlined in Alara's ASX market announcement dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and 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;

⁴ 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](#)"

⁵ Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

⁶ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)"

⁷ 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*

⁸ Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (www.brgm.fr)

DIRECTORS' REPORT

- 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 off-take agreements at market prices based upon the price of zinc according to the London Metals 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.

Tranche 1 US\$266,000 was paid to Manajem in October 2010 upon execution of a Heads of Agreement. Tranche 2 US\$1.25 million was paid to Manajem on 18 January 2011 upon completion of the conditions precedent under the Shareholders Agreement. There are 2 further tranches totalling US\$5.984 million outstanding:

- (a) US\$1,750,000 – payable upon the Khnaiguiyah Mining Licence being transferred to KMC; and
- (b) US\$4,234,000 – payable 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.

Manajem has advised Alara and KMC that the transfer of the Khnaiguiyah Mining Licence and the project Exploration Licences is in progress and the parties have agreed that until such time as the Project licences have been transferred to KMC, KMC shall be entitled to develop the Project as though KMC held the licences. To this end, on 2 March 2011, the parties entered into a Mining Rights Agreement to formally grant KMC these rights and Alara has agreed to transfer US\$1.75 million to Manajem as an advance towards the Payment Milestone/Tranche 3 obligation under the Shareholders Agreement, which was completed on 15 March 2011.

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 Project 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 page 18 of this Half Year Report for further details).

Drilling Programme

KMC has commenced an initial drilling programme of approximately 6,500 metres of diamond PQ and HQ drill holes located in Mineralised Zones 2 and 3 (refer Figure 5 at page 9 of this Half Year Report).

The drilling programme builds upon the extensive historical drilling comprising over 45,000 metres in 345 RC and diamond drill holes conducted within the Project area over the last 40 years.⁹

The purpose of this initial drilling campaign is to procure samples for metallurgical testwork for the final flow sheet design, selectively validate historical drilling and complete geotechnical holes for the purposes of completion of the Definitive Feasibility Study (DFS) currently underway.

⁹ 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)

DIRECTORS' REPORT

The programme will shortly be expanded by the addition of 2 to 3 further drilling rigs mobilised to site to commence a detailed programme of works to expand the current mineralisation.

Definitive Feasibility Study (DFS)

KMC is currently finalising the appointment of an internationally recognised lead engineering consultant to undertake the DFS.

A metallurgical specialist consultant has been engaged and test work is due to commence Q2 2011.

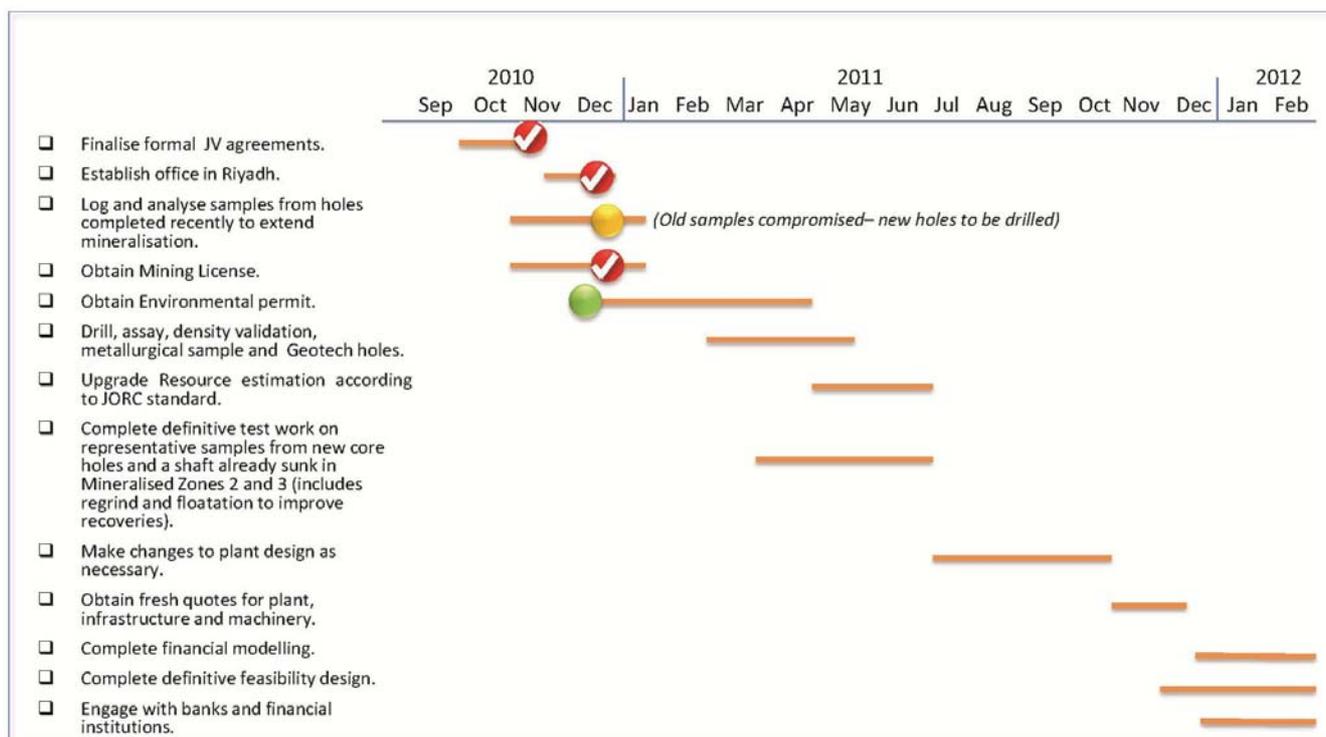
Specialist sub-consultants in areas such as resource estimation, mine planning, hydrology, geotechnical engineering and, environmental are also being appointed to support the lead engineer in the preparation of an all-encompassing DFS.

Next Steps

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

- The appointment of consultants/firms to undertake the DFS for the Khnaiguiyah Project;
- The completion of the initial drilling programme of 6,500 metres (with objectives as described above);
- On-going drilling programmes in order to convert the historical estimates to a JORC compliant resource and or reserve classification and to expand the existing known mineralisation;
- The transfer of the Khnaiguiyah Mining Licence (and other Project exploration licences) from Manajem to KMC; and
- On-going works to facilitate the grant of an Environmental Permit for the commencement of mining operations under the Khnaiguiyah Mining Licence.

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



DIRECTORS' REPORT

3. Daris Copper-Gold Project (Oman)

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

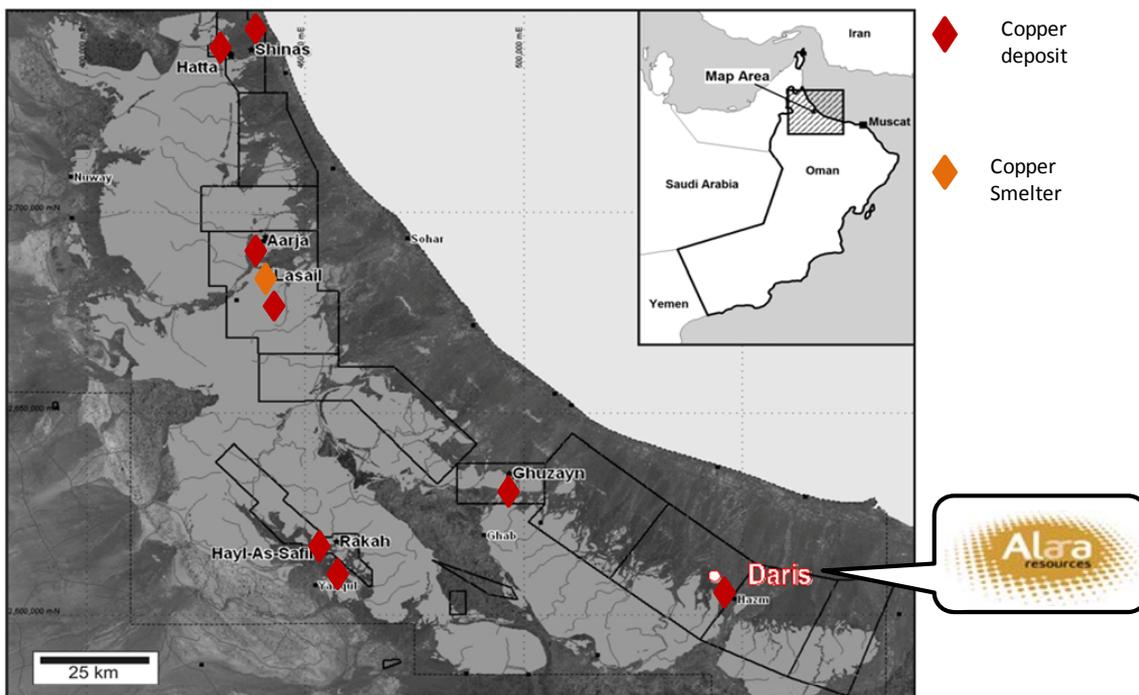
Alara has a 50% interest (with a right to increase this to 70%+) in the Daris Copper-Gold Project located in Oman, via an initial 50% shareholding interest in a newly formed joint venture company, Daris Resources LLC, which holds the exclusive right to manage, operate and commercially exploit the exploration 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 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 Alara's market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)" and are also in Alara's 2010 Annual Report, at page 32.

DIRECTORS' REPORT

Drilling Programme

A 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.

The results of this 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 Alara's ASX market announcements dated 6 October 2010 and titled "[High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman](#)" and dated 26 October 2010 and entitled "[Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman](#)" 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](#)".

Highlights of that drilling programme are as follows (refer also Figure 7):

Diamond Core Programme

- 17.20m at 8.05% copper, as copper sulphides and 2.67 g/t gold, from 51.50m including several intersections between 10% to 14.7% copper (D3DC003)
- 11.90m at 5.74% copper, as copper sulphides from 34.35m (D3DC002)
- 3.45m at 10.28% copper (including 1m at 16.0% copper), as copper sulphides from 50.60m (D3DC002)
- 17.85m at 2.61 g/t gold from 28.40m (D3DC002)
- 3.45m at 3.10 g/t gold from 50.60m (D3DC002)
- 6.10m at 5.81% copper, as copper sulphides from 31.55m (D3DC001)
- 18.65m at 3.80 g/t gold from 19.0m(D3DC001)

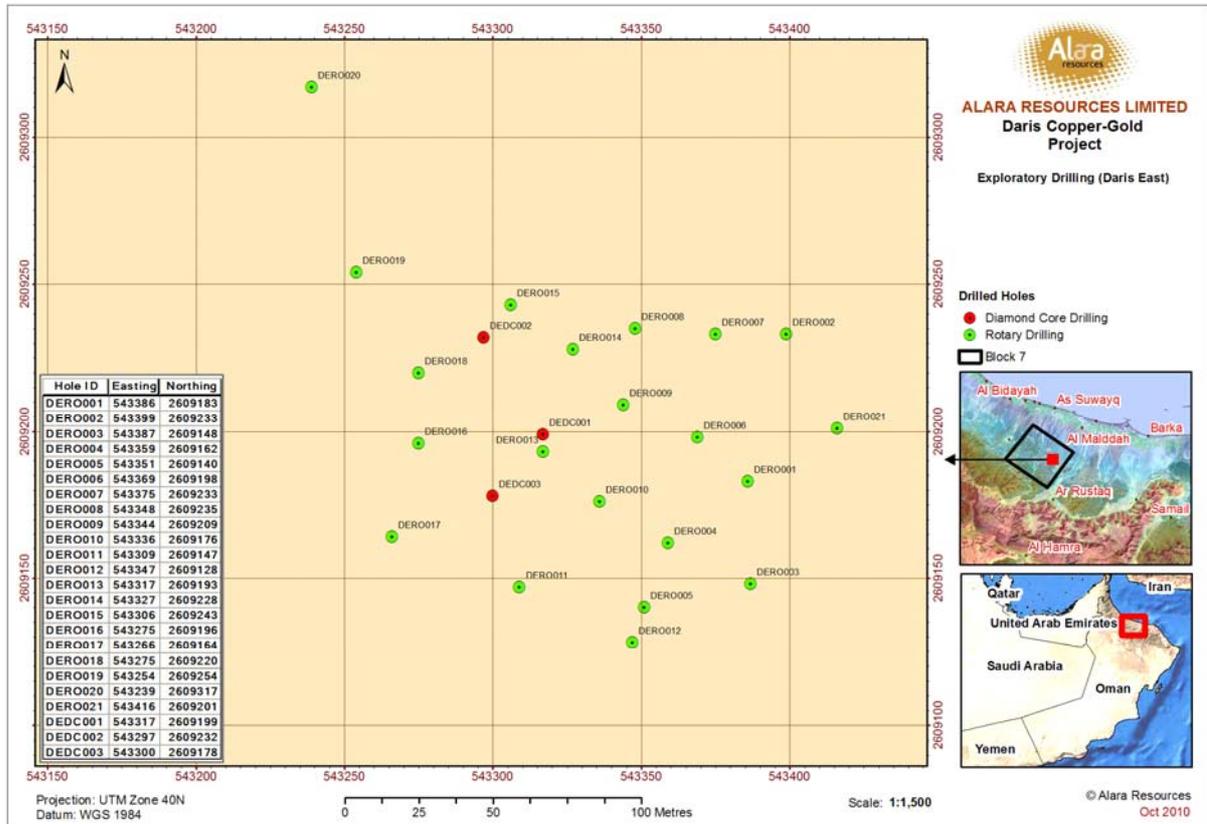
Rotary Hole Programme

- 4m at 5.33% copper as copper sulphides and 0.41g/t gold from 34m including 1m at 6.46% copper from 34m; 7m at 2.45% copper as copper sulphides and 0.25g/t Gold from 38m (DERO009)
- 23m at 1.23% copper as copper oxide from 7m, including 1m at 2.7% copper from 17m (DERO006)
- 8m at 1.26% copper as copper oxide from 28m; 8m at 2.88g/t gold from 1m, including 1m at 12.4 g/t from 4m (DERO004)

Alara has commenced a phase 2 step-out drilling programme at the Daris East prospect to test the presence of sulphide mineralisation to the west of the previously encountered mineralisation. An initial programme of 1000m of diamond HQ holes has commenced, which will be expanded once the helicopter borne electromagnetic VTEM survey (referred to below) has been completed.

DIRECTORS' REPORT

Figure 7: Daris East Prospect Drill Hole Location



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. Various Government and departmental approvals have been obtained for the survey which has commenced recently and interpretation is expected to be completed by April 2011.

Geotech are 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

DIRECTORS' REPORT

The survey is expected to:

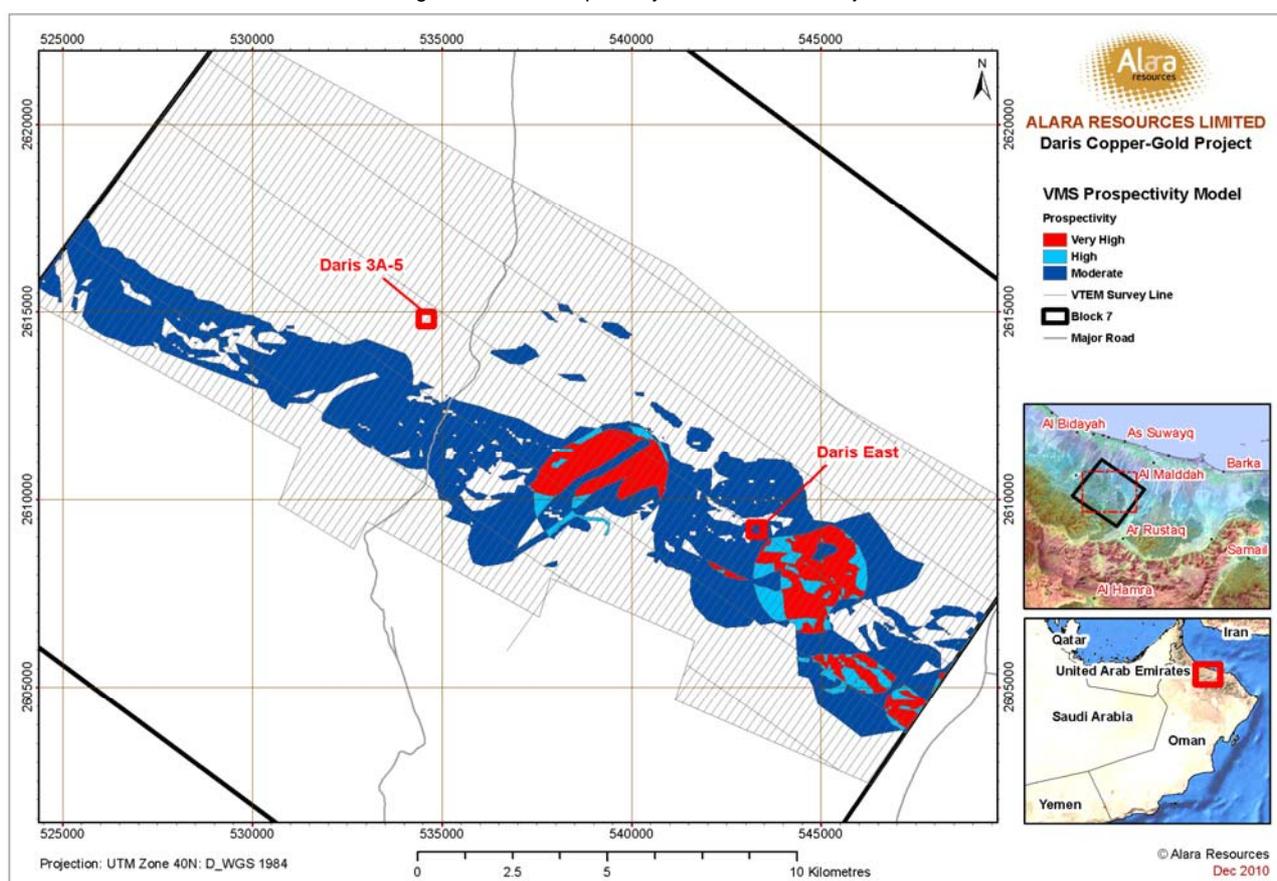
- Outline the potential for extension of the drilled mineralisation along strike and depth; and
- Discover additional areas prospective for massive sulphide mineralisation.

After reviewing the results of the VTEM geophysical survey, on-going drilling programmes will be planned to drill 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.

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.

DIRECTORS' REPORT

The shareholders' agreement is subject to conditions precedent to be satisfied or waived by Alara, including, amongst other matters, the incorporation of DarisCo (which has occurred), the execution of the management agreement and ancillary loan agreement and the exploration licence being renewed with mineral rights expanded from copper to include gold, silver and other base metals. The exploration licence has been renewed and Alara is awaiting the expansion of the mineral rights under the licence.

As at the date of this report, the conditions precedent have not been satisfied. Alara has extended the initial 6 month period (for completion of the conditions precedent) by a further 6 months.

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 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. The parties have extended the initial 6 month period (for completion of the conditions precedent) by a further 6 months.

DIRECTORS' REPORT

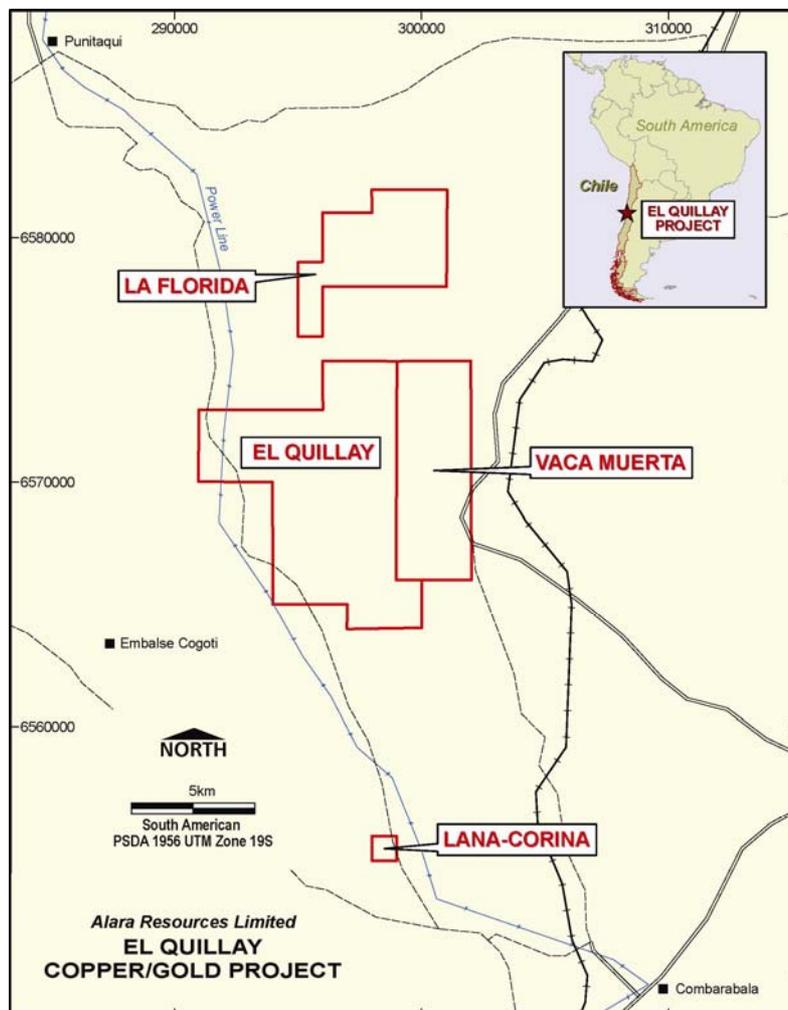
4. El Quillay Copper-Gold Project (Chile)

(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 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 an Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)" and are also in Alara's 2010 Annual Report, at page 27.

Alara's legal 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 1 June 2011.

DIRECTORS' REPORT

5. 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.

Under the agreement (dated March 2010), PMI will determine the feasibility of a manganese mining operation on the Canning Well Exploration Licence 46/629 tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export. PMI has operational experience in the recovery and trucking of minerals, including the mining and sale of manganese in the Pilbara.

The Canning Well Exploration Licence 46/629 tenement is located in the Eastern Pilbara region of Western Australia, approximately 360 kilometres south-east of Port Hedland. A MAGLAG sampling programme carried out by Alara targeting sulphide anomalies yielded samples analysing as high as 9.6% manganese (Mn). A follow-up rock chip sampling programme identified outcropping manganiferous rocks analysing up to 55.3% Mn.

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 field work was undertaken on the tenement during the December 2010 half year 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.

6. Bigrlyi South Uranium Farm-Out Venture

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

Under a joint venture agreement, ASX listed Thundelarra Exploration Ltd (ASX Code: THX) is earning-in a 70% interest in Exploration 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.

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

Thundelarra has provided Alara with the following update of activities undertaken during the financial half year:

- (a) Thundelarra has completed 2267 line kilometres of Tempest Airborne EM survey, which has revealed extensive paleochannel systems with potential for uranium deposits of substantial scale. Interpretation of these EM results has been validated by excellent correlation with existing drill data;
- (b) A helicopter-assisted ground gravity survey (of approximately 1250 stations at one kilometre spacing) on EL 24927 was completed in late November 2010 as part of the Northern Territory Geological Survey's (NTGS) West Arunta Gravity Survey and final data sets delivered in January 2011 are pending interpretation and analysis;
- (c) THX continued its participation in the Joint Surveys Uranium (JSU) Project (commenced with the CSIRO, the NTGS and 2 other ASX listed resource companies), including undertaking a field trip to Bigrlyi to examine core and outcrop and to visit regions within the Ngalia basin and basement;

DIRECTORS' REPORT

- (d) 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;
- (e) The application for EL 24927 is expected to be granted within the March 2011 quarter; and
- (f) 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.

7. 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.

8. \$10.58 Million Capital Raising

In November 2010, Alara successfully completed a capital raising 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 and development 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.

DIRECTORS' REPORT

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.

9. Appointment of General Manager Projects

Mr Eduardo Valenzuela was appointed 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.

Mr 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.

SECURITIES IN THE COMPANY

(1) Current Issued Capital

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

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	126,507,500	-	126,507,500
\$0.55 (26 July 2012) Unlisted Options ¹⁰	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ¹¹	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ¹¹	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ¹²	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ¹²	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ¹³	-	400,000	400,000
Total	126,507,500	23,985,000	150,492,500

¹⁰ 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](#)

¹¹ 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](#)

¹² 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](#)

¹³ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

DIRECTORS' REPORT

(2) Unlisted Director's and Employee's Options

During the financial half year, the Company issued the following unlisted options to an employee, as part of a review of his remuneration package:

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

During the financial half year, the following unlisted Director's options (formerly held by a former Director, Dr John Stephenson) lapsed:

No. of Options Lapsed	Date of Lapse	Description of Unlisted Options	Exercise Price	Expiry Date
900,000	19 August 2010	\$0.35 (16 September 2013) Director's Unlisted Options	\$0.35	16 September 2013

BOARD 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.

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

H. Shanker Madan		Managing Director
<i>Appointed</i>		18 May 2007
<i>Qualifications</i>		Honours and Masters Science degrees in Applied Geology
<i>Experience</i>		Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group.
		Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits.
		He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.
<i>Relevant interest in securities</i>		Shares – 278,375 ¹⁴ Unlisted \$0.35 (16 September 2013) Executive Director's Options – 8,200,000
<i>Other current directorships in listed entities</i>		None

¹⁴

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

DIRECTORS' REPORT

Farooq Khan		Executive Director
<i>Appointed</i>	18 May 2007	
<i>Qualifications</i>	BJuris , LLB. (<i>Western Australia</i>)	
<i>Experience</i>	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.	
<i>Relevant interest in securities</i>	Shares – 98,242 (directly) and 7,332,744 indirectly ¹⁵ Unlisted \$0.35 (16 September 2013) Executive Director's Options – 8,200,000 directly	
<i>Other current directorships in listed entities</i>	(1)	Executive Chairman and Managing Director of Queste Communications Ltd (QUE) (since 10 March 1998)
	(2)	Executive Chairman of Orion Equities Limited (OEQ) (since 23 October 2006)
	(3)	Executive Bentley Capital Limited (BEL) (director since 2 December 2003)
	(4)	Non-Executive Chairman (interim) of ITS Capital Investments Ltd (ITS) (Director since 27 April 2006)
William M. Johnson		Executive Director
<i>Appointed</i>	26 October 2009	
<i>Qualifications</i>	MA (Oxon), MBA	
<i>Experience</i>	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.	
<i>Relevant interest in securities</i>	Shares – 27,000 ¹⁶ 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>	(1)	Executive Director of Orion Equities Limited (OEQ) (since 28 February 2003)
	(2)	Executive Director of Bentley Capital Limited (BEL) (since 13 March 2009)
	(3)	Non-Executive Director of Strike Resources Limited (SRK) (Director since 14 July 2006)
Ian J. Williams AO		Non-Executive Director
<i>Appointed</i>	30 November 2010	
<i>Qualifications</i>	BE (Elec), FAusIMM, FIEAust	
<i>Experience</i>	Mr Williams was awarded an Officer of the Order of Australia (AO) in June 2010 for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programmes providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives. As Managing Director of Century Zinc Ltd, Ian was responsible for planning and bringing on stream the Century lead/ zinc mine in north western Queensland. Producing some 7% of the world's demand for zinc concentrate, the Century mine is one of the largest zinc mines in the world. Mr Williams is currently Chair of the Port Hedland Port Authority and a director of a major private structural fabrication company. His diverse experience includes executive management of open cut and underground mining operations, brownfield expansions and new major mining projects. He was responsible for the establishment of two iron ore mines and associated infrastructure for Hamersley Iron. He has also assisted the West Australian Government in the facilitation of a major new port and rail infrastructure project in the State's Mid-West Region.	
<i>Relevant interest in securities</i>	None	
<i>Other current directorships in listed entities</i>	Non-Executive Director of Bougainville Copper Limited (BOC) (since 8 May 2008)	

¹⁵ Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 7,332,744 shares held by Orion Equities Limited (OEQ) as Mr Khan has a greater than 20% interest in Queste Communications Ltd (QUE), which is deemed to be in control of OEQ. Mr Khan also holds 98,242 shares directly.

¹⁶ Held jointly: Mr William M. Johnson & Mrs Joanne D. Johnson <WIJOA SUPER FUND 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>Relevant interest in securities</i>	None
<i>Other current directorships in listed entities</i>	Non-Executive Director of Conquest Mining Limited (CQT) (since 30 November 2007)

Mr Williams is also Chairman of the Remuneration Committee and Mr Stewart is also Chairman of the Audit Committee.

COMPANY SECRETARY

Victor P. H. Ho	Company Secretary
<i>Appointed</i>	4 April 2007
<i>Qualifications</i>	BCom, LLB (<i>Western Australia</i>)
<i>Experience</i>	Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, IPO's, various other capital raisings and capital management matters and has extensive experience in public company administration, corporations law and ASX compliance and shareholder relations.
<i>Relevant interest in securities</i>	Shares – 171,090 Unlisted \$0.35 (16 September 2013) Employee's 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>	(1) Executive Director and Company Secretary of Orion Equities Limited (OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003) (2) Company Secretary of Bentley Capital Limited (BEL) (since 5 February 2004) (3) Company Secretary of Queste Communications Ltd (QUE) (since 30 August 2000)

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 23. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

DIRECTORS' REPORT

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



Shanker Madan
Managing Director

Perth, Western Australia

16 March 2011



Douglas Stewart
Director

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

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

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

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alara Resources Limited for the half-year ended 31 December 2010, 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



P W Warr
Director - Audit & Assurance

Perth, 16 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December 2010

	Note	31 Dec 10 \$	31 Dec 09 \$
Revenue	2 (a)	81,866	977,515
Net loss on financial assets held at fair value through profit or loss	2 (b)	(262,827)	-
Costs relating to resource projects		(60,578)	(155,081)
Personnel		(498,512)	(388,173)
- Options remuneration (non-cash)		(21,913)	(815,549)
Occupancy costs		(108,773)	(37,770)
Foreign exchange movement		(314,698)	(82,285)
Finance expenses		(8,319)	(4,680)
Borrowing costs		(54)	(13)
Corporate expenses		(54,108)	(25,486)
Administration expenses		(496,011)	(164,045)
LOSS BEFORE INCOME TAX		(1,743,927)	(695,567)
Income tax benefit		-	3,036
LOSS FOR THE HALF YEAR		(1,743,927)	(692,531)
Other comprehensive income			
Exchange differences on translation of foreign operations		(63,580)	(272,402)
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income		(1,807,507)	(964,933)
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR		(1,743,927)	(692,531)
Loss attributable to:			
Owners of Alara Resources Limited		(1,741,975)	(692,531)
Non-controlling interest		(1,952)	-
Total comprehensive income and expense for the year attributable to:		(1,743,927)	(692,531)
Owners of Alara Resources Limited		(1,805,555)	(964,933)
Non-controlling interest		(1,952)	-
		(1,807,507)	(964,933)
Basic loss per share (cents)	3	(2.06)	(0.86)
Diluted loss per share (cents)	3	n/a	n/a

The accompanying notes form part of this financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Note	31 Dec 10 \$	30 Jun 10 \$
CURRENT ASSETS			
Cash and cash equivalents	4	11,311,070	4,309,770
Trade and other receivables		125,034	145,127
Other current assets		16,119	1,891
TOTAL CURRENT ASSETS		11,452,223	4,456,788
NON CURRENT ASSETS			
Financial assets held at fair value through profit and loss	5	1,523,432	1,786,260
Other non current assets	6	1,203,340	-
Property, plant and equipment		65,168	40,283
TOTAL NON CURRENT ASSETS		2,791,940	1,826,543
TOTAL ASSETS		14,244,163	6,283,331
CURRENT LIABILITIES			
Trade and other payables		48,994	496,801
Provisions		143,118	56,034
TOTAL CURRENT LIABILITIES		192,112	552,835
NON CURRENT LIABILITIES			
Provisions		14,070	11,967
TOTAL NON CURRENT LIABILITIES		14,070	11,967
TOTAL LIABILITIES		206,182	564,802
NET ASSETS		14,037,981	5,718,529
EQUITY			
Issued capital	7	24,747,159	14,754,059
Reserves	8	1,450,274	1,523,171
Accumulated losses		(12,269,446)	(10,558,701)
Parent interest		13,927,987	5,718,529
Non-controlling interest		109,994	-
TOTAL EQUITY		14,037,981	5,718,529

The accompanying notes form part of this financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2010

	Note	Issued Capital \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- controlling Interest \$	Total \$
At 1 July 2009		14,754,059	4,747,991	309,127	(12,814,076)	-	6,997,101
Foreign currency translation reserve		-	-	(272,402)	-	-	(272,402)
Net income and expense recognised directly in equity		-	-	(272,402)	-	-	(272,402)
Loss for the half year		-	-	-	(692,531)	-	(692,531)
Total comprehensive loss for the half year		-	-	(272,402)	(692,531)	-	(964,933)
Transactions with owners in their capacity as owners:							
Reduction of options reserve against accumulated losses	8	-	(4,030,462)	-	4,030,462	-	-
Options issued during the half year	8	-	815,548	-	-	-	815,548
At 31 December 2009		14,754,059	1,533,077	36,725	(9,476,145)	-	6,847,716
At 1 July 2010		14,754,059	1,510,655	12,516	(10,558,701)	-	5,718,529
Foreign currency translation reserve		-	-	(63,580)	-	-	(63,580)
Net income and expense recognised directly in equity		-	-	(63,580)	-	-	(63,580)
Loss for the half year		-	-	-	(1,741,975)	1,952	(1,740,023)
Total comprehensive loss for the half year		-	-	-	(1,741,975)	1,952	(1,803,603)
Transactions with owners in their capacity as owners:							
Share placement	7	10,580,000	-	-	-	-	10,580,000
Share placement costs	7	(586,900)	-	-	-	-	(586,900)
Reduction of options reserve against accumulated losses	8	-	(31,230)	-	31,230	-	-
Options issued during the half year	8	-	21,913	-	-	-	21,913
Non-controlling interests of the new subsidiary		-	-	-	-	108,042	108,042
At 31 December 2010		24,747,159	1,501,338	(51,064)	(12,269,446)	109,994	14,037,981

The accompanying notes form part of this financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2010

	31 Dec 10	31 Dec 09
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,426,344)	(386,460)
Interest received	116,141	117,221
Interest paid	(54)	(13)
Income taxes refunded	-	3,036
	<hr/>	<hr/>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,310,257)	(266,216)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(1,263,917)	(155,082)
Payments for plant and equipment	(43,111)	(191)
	<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,307,028)	(155,273)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share placements	10,580,000	-
Payments for share placement costs	(586,900)	-
	<hr/>	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	9,993,100	-
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	7,375,815	(421,489)
Cash and cash equivalents at beginning of the financial year	4,309,770	5,492,074
Effect of exchange rate changes on cash	(374,515)	(83,267)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL HALF YEAR	11,311,070	4,987,318

The accompanying notes form part of this financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

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 2010 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 2010, except as follows:

Investments in Joint Ventures

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

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

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

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

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

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

This amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters.

The key clarifications include:

- The measurement of non-controlling interests in a business combination;
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008); and
- Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

The adoption of these amendments have not resulted in any material changes to the Consolidated Entity's accounting policies and have no effect on the amounts reported for the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

2. LOSS FOR THE HALF YEAR

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

	31 Dec 10	31 Dec 09
	\$	\$
(a) Revenue		
Interest	81,866	84,043
Net gain on financial assets held at fair value through profit or loss	-	893,472
	<u>81,866</u>	<u>977,515</u>
(b) Expenses		
Net loss on financial assets held at fair value through profit or loss	262,827	-
Costs relating to resource projects	60,578	155,081
Personnel		
- cash remuneration	476,448	382,352
- options remuneration (non-cash)	21,913	815,549
- employee benefits	22,064	5,821
Occupancy expenses	108,773	37,770
Foreign exchange movement	314,698	82,285
Finance expenses	8,319	4,680
Borrowing cost - interest paid	54	13
Corporate expenses	54,108	25,486
Administration expenses		
- Communications	20,197	2,274
- Consultancy fees	88,271	37,824
- Travel, accommodation and incidentals	151,692	57,400
- Professional fees	181,451	25,329
- Insurance	5,415	17,477
- Depreciation	13,442	1,964
- Other administration expenses	34,523	21,777
	<u>1,824,773</u>	<u>1,673,082</u>

3. LOSS PER SHARE

	31 Dec 10	31 Dec 09
Basic loss per share (cents)	(2.06)	(0.86)
Diluted loss per share (cents)	n/a	n/a
Loss used to calculate earnings per share (\$)	<u>(1,742,907)</u>	<u>(692,531)</u>
Weighted average number of ordinary shares during the period used in calculation of basic loss per share	<u>84,682,842</u>	<u>80,507,500</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

4. CASH AND CASH EQUIVALENTS

	31 Dec 10	30 Jun 10
	\$	\$
Cash at bank	11,259,070	741,906
Term Deposits	52,000	3,567,864
	<u>11,311,070</u>	<u>4,309,770</u>

Cash at bank includes approximately US\$8 million (approximately A\$7.9 million) held in at call accounts.

The Consolidated Entity has granted a term deposit security bond to the value of \$52,000 (2010: \$52,000) which has not been called up as at balance date. A total of \$32,000 of the security bond is in relation to its Australian tenements.

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

	31 Dec 10	30 Jun 10
	\$	\$
Listed investments at fair value	<u>1,523,432</u>	<u>1,786,260</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)) 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)). The fair value of listed shares has been determined directly by reference to published price quotations in an active market.

6. OTHER NON-CURRENT ASSETS

	31 Dec 10	30 Jun 10
	\$	\$
Excess of consideration for resource projects acquired	331,139	-
Costs incurred in relation to resource projects	872,201	-
	<u>1,203,340</u>	<u>-</u>

The excess of consideration for resource projects acquired relate to the Consolidated Entity's investment in joint venture entities, Daris Resources LLC (Oman) (50%) and 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 Resource Projects as, at balance date, the conditions precedent under the shareholder's agreements for Alara Resources LLC and Daris Resources LLC were still outstanding and the joint venture company for the Khnaiguiyah Project (Saudi Arabia) had not been formed and other conditions precedent under the applicable shareholders' agreement were still outstanding.

7. ISSUED CAPITAL

	Number of Shares		31 Dec 10	30 Jun 10
	31 Dec 10	30 Jun 10	\$	\$
Fully paid ordinary shares	126,507,500	80,507,500	24,747,159	14,754,059
			<u>\$</u>	<u>\$</u>
30 Jun 10				
At 1 July 2009		80,507,500		14,754,059
At 30 June 2010			<u>80,507,500</u>	<u>14,754,059</u>
31 Dec 10				
At 1 July 2010			80,507,500	14,754,059
Share placement	02-Nov-10		12,000,000	2,760,000
Share placement	7-Dec-10		34,000,000	7,820,000
Share placement costs			-	(586,900)
At 31 December 2010			<u>126,507,500</u>	<u>24,747,159</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.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

7. ISSUED CAPITAL (continued)

Capital risk management

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

The Directors contemplate that the Company may in the future, as required, undertake a capital raising to:

- fund the Consolidated Entity's commitments (being vendor payments and exploration and evaluation expenditure commitments) under its resource joint ventures as disclosed in Note 12;
- fund commitments under new acquisitions undertaken by the Consolidated Entity (if any); and
- supplement existing cash reserves to meet the Consolidated Entity's other working capital requirements.

8. RESERVES

	31 Dec 10	30 Jun 10
	\$	\$
Foreign currency translation reserve	(51,064)	12,516
Options reserve	1,501,338	1,510,655
	<u>1,450,274</u>	<u>1,523,171</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 10	30 Jun 10
			\$	\$
Directors' Options				
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	16,400,000	569,080	600,310
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
Employees' Options				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	500,000	89,500	89,500
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,035,000	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	-
		<u>23,985,000</u>	<u>1,501,338</u>	<u>1,510,655</u>

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

- lapsed unlisted Director's 900,000 \$0.35 (16 September 2013) Options amounted to \$31,230.

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

Equity based remuneration (Refer to Note 9)

On 23 August 2010, 400,000 \$0.35 (22 August 2015) Options were granted to an employee of the Company as part of a review of his remuneration package of \$21,913.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

9. SHARE BASED PAYMENTS

A total of 400,000 employee's options were issued during the half year (Refer to Note 8).

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

Grant date	Expiry date	Exercise price	Movement during the half year				Closing balance	As at 31 Dec 2010	
			Opening balance	Granted	Exercised	Lapsed		Vested and exercisable	Fair value \$
27-Jul-07	26-Jul-12	0.55	500,000	-	-	-	500,000	500,000	89,500
17-Sep-08	16-Sep-13	0.35	17,300,000	-	-	(900,000)	16,400,000	16,400,000	569,080
17-Sep-08	16-Sep-13	0.35	1,035,000	-	-	-	1,035,000	1,035,000	43,159
26-Oct-09	25-Oct-14	0.35	1,650,000	-	-	-	1,650,000	1,650,000	276,365
26-Oct-09	25-Oct-14	0.60	1,000,000	-	-	-	1,000,000	1,000,000	147,306
30-Nov-09	25-Oct-14	0.35	2,000,000	-	-	-	2,000,000	2,000,000	247,317
30-Nov-09	25-Oct-14	0.60	1,000,000	-	-	-	1,000,000	1,000,000	106,698
23-Aug-10	22-Aug-15	0.35	-	400,000	-	-	400,000	400,000	21,913
			24,485,000	400,000	-	(900,000)	23,985,000	23,985,000	1,501,338
Weighted average exercise price			0.37	0.35		0.35	0.38	0.38	

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.9 years.

No options expired during the periods covered by the above tables. There were no shares issued as a result of the exercise of any Directors' or Employees options during the year (2010: nil).

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

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

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk free rate	Price volatility
27-Jul-07	\$0.55 (26 July 2012) Employee's Options	1/3 on 26 January 2008, 1/3 on 26 July 2008 and 1/3 on 26 January 2009	\$0.27	6.29%	95%
17-Sep-08	\$0.35 (16 September 2013) Directors' Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Employees' Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	\$0.07	5.46%	95%
26-Oct-09	\$0.60 (24 October 2014) Employee's Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
26-Oct-09	\$0.35 (24 October 2014) Employee's Options	vested at the date of the issue of the options	\$0.24	5.57%	95%
30-Nov-09	\$0.60 (24 October 2014) Director's Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Employees' Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
30-Nov-09	\$0.35 (24 October 2014) Employees' Options	vested at the date of the issue of the options	\$0.19	4.95%	95%
23-Aug-10	\$0.35 (22 August 2015) Employees' Options	vested at the date of the issue of the options	\$0.10	4.50%	95%

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

10. 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 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				Total
	Australia	Oman	Peru	Unallocated	
	\$	\$	\$	\$	\$
6 months to 31 Dec 2010					
Total segment revenues	-	-	-	81,866	81,866
Total segment loss before tax	(66,197)	(256,232)	(33,136)	(1,388,362)	(1,743,927)
Total segment assets	11,165,532	757,646	135,187	2,185,798	14,244,163
Total segment liabilities	(202,422)	-	(3,760)	-	(206,182)
6 months to 31 Dec 2009					
Total segment revenues	-	-	-	977,515	977,515
Total segment loss before tax	(297,635)	-	(38,661)	(359,271)	(695,567)
12 months to 30 June 2010					
Total segment assets	4,293,396	-	203,675	1,786,260	6,283,331
Total segment liabilities	(123,910)	-	(440,892)	-	(564,802)

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

11. COMMITMENTS

- (a) A condition of the Khnaiguiyah Mining Licence issued (by the Ministry of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia) to Khnaiguiyah Mining Company (**KMC**) in January 2011 is the implementation of training programmes for Saudi nationals at a minimum cost of 20 million Saudi Riyals (**SAR**) (approximately A\$5.3 million based on an exchange rate of A\$1.00/3.8 SAR) over the 30 year term of the licence. KMC has not yet formulated 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.
- (b) A condition of the Khnaiguiyah Mining Licence issued to KMC is the payment of a nominal annual surface rental based on the area of the mining licence.

12. 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 form a new joint venture company, ("Khnaiguiyah Mining Company" (**KMC**)), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. Alara has paid Manajem a total of US\$1.516 million with \$1.75 million payable on completion of transfer of the Khnaiguiyah Mining Licence into KMC and US\$4.234 million payable (US\$2.224 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\$0.296 per share based on the current A\$1.00/US\$1.0172 exchange rate) upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Mining Licence. A 'Resource Bonus' is also payable to Manajem (based on Manajem's shareholding interest in KMC at the relevant time) calculated at the rate of US\$0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the Project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade). Alara will fund (as loan capital to KMC) all exploration, evaluation and development costs in relation to the Project up to completion of a bankable feasibility study (**BFS**). Upon Alara having made a "decision to mine" following completion of a BFS, KMC will seek project financing to fund development of the Project. The difference between the amount of project financing raised and the capital costs of the Project shall be met by the parties as follows; Alara shall firstly 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 will contribute its half share of the shortfall and will also fund a maximum of US\$15 million of Manajem's contribution towards the shortfall. Thereafter, each shareholder shall (pro-rata to their respective shareholding interests) provide additional capital contributions in return for new shares issued in KMC. The new shares issued shall be issued at a price equal to the sum of the capital cost of the Project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in KMC at that time. Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price. Any loan funds advanced by Alara to KMC, together with an existing (deemed) loan of US\$3 million from Manajem, shall be repayable from KMC's net profits. The Alara loan accrues interest at LIBOR plus 2% per annum. 30% of net profits shall be applied towards repayment of shareholder loans each year prior to the distribution of dividends. KMC is managed by a Board of Directors with 2 nominees from each of Alara and Manajem and a local independent Director to be appointed by agreement of the parties. Alara's Managing Director, Shanker Madan, is the Managing Director of KMC. Mr Madan is also Chairman of KMC for the first 12 months.
- (b) **Consultancy Agreement - Shahayd Trading Establishment (Saudi Arabia)** - On 19 October 2010, Alara Saudi Operations Pty Limited entered into a consultancy agreement with Shahayd Trading Establishment (**Shahayd**) for Shahayd to introduce base metals, precious metals and or ferrous metals projects in Saudi Arabia to Alara and assist Alara to secure a joint venture interest in one of the same. US\$300,000 has been paid to Shahayd under such agreement for the introduction of a project to Alara and US\$200,000 is payable upon Alara executing a joint venture agreement with the vendors.
- (c) **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.
- (d) **Shareholders' Agreement - Daris Resources LLC - Daris Copper-Gold Project (Oman)** - On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (**ATTE**) pursuant to which Alara will invest up to a total of US\$7 million into a new joint venture company ("Daris Resources LLC" (**DarisCo**)) to gain up to a 70% shareholding. Alara will have 50% of DarisCo on incorporation (with the concession owner holding 50%) and will advance US\$3 million as equity during a 3 year period. Thereafter, Alara will advance a further US\$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo will have

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

exclusive rights under a management agreement with the concession owner to manage, operate and commercially exploit the concession. The shareholders agreement is subject to conditions precedent to be satisfied or waived by Alara, including the incorporation of DarisCo, the execution of the management agreement and ancillary loan agreement and the concession being renewed with mineral rights expanded from copper to include gold, silver and other base metals. 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 and the exploration licence being renewed with mineral rights expanded from copper to include gold, silver and other base metals. The exploration licence has been renewed and the expansion of the mineral rights under the licence is pending. As at the date of this report, the conditions precedent have not been satisfied. Alara has extended the initial 6 month period (for completion of the conditions precedent) by a further 6 months.

- (e) **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. Alara will contribute 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A\$425,000) for a 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Thereafter, Alara will advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends). SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit. The shareholders agreement is subject to conditions precedent to be satisfied or waived by Alara within 6 months, including the incorporation of AlaraCo (which has occurred), the execution of an ancillary loan agreement 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. The parties have extended the initial 6 month period (for completion of the conditions precedent) by a further 6 months.
- (f) **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).
- (g) **Term Sheet - El Quillay Copper-Gold Project (Chile)** – On 22 August 2010, Alara Resources Limited entered into a term sheet (dated 17 August 2010) (the **Term Sheet**) with Chilean vendors of the El Quillay Copper-Gold Project in Chile, Inversiones EM DOS Limitada and Mr Miguel Nenadovich del Rio (the **Vendors**) pursuant to which upon completion of due diligence to the satisfaction of Alara and the execution of more definitive joint venture agreements (**JV Agreements**) between the parties, Alara will pay the Vendors US\$500,000 and Alara will be granted an option to acquire 70% of a new joint venture entity (**JVCo**) (which will hold the mineral concessions) in consideration of 3 tranche payments totalling US\$9.5 million to the Vendors over a 3 year term (**Earn-In Period**). A 'Resource Bonus' is also due and payable to the Vendors on or before the earlier of commencement of production or the third anniversary of the JV Agreement, calculated at the rate of US\$0.0255 per pound of contained fine copper equivalent grading at or above 0.7% Cu defined as being economically mineable (within a JORC Proven and/or Probable Reserve and Measured and/or Indicated Resource) within the project area during the Earn-In Period, in excess of a threshold 250,000 tonnes of contained fine copper equivalent grading at or above 0.7% Cu (**Threshold Resource**). After the Earn-In Period, a further 'Resource Bonus' is payable to the Vendors (calculated in the same manner as described above) in respect of additional contained fine copper defined within the project area (or processed by JVCo at average grades below 0.7% Cu equivalent) in excess of the Threshold Resource. During the Earn-In Period, Alara will manage and fund all exploration, evaluation and development costs, including a minimum 20,000 metre drilling programme to be completed over the first two years of the Earn-In Period (with a minimum of 10,000 metres to be completed during the first year). After the completion of the Earn-In, as a 70% shareholder, Alara will have Board and operational control of JVCo and will continue to fund development costs up to completion of a Definitive (Bankable) Feasibility Study (**DFS**) in respect of each copper prospect within the project area. Thereafter, the parties will contribute to all cash calls in proportion to their respective participating interests in JVCo or be diluted in accordance with an industry standard dilution formula. Alara further commits to advancing loan funds of up to US\$10 million to the Vendors (on commercial terms) to fund the Vendors' share of cash calls into JVCo (after the completion of a DFS) – this loan will be repaid to Alara out of the Vendors' share of profits from JVCo. The date for completion of legal due diligence and execution of the JV Agreements has been extended to 1 June 2011.
- (h) **Canning Well Manganese Farm Out Agreement Royalty Benefit** – On 10 March 2010, the Company entered into a farm-out agreement with Process Minerals International Pty Ltd (**PMI**), a subsidiary of ASX-listed Mineral Resources Limited (ASX Code: MIN), for the potential mining of manganese from Alara's Canning Well Exploration Licence 46/629 tenement in the East Pilbara region of Western Australia. Mineral Resources Limited is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export, including the mining and sale of manganese in the Pilbara. Under the agreement, PMI will determine the feasibility of a manganese mining operation on the tenement. If the operation is feasible, PMI will acquire the manganese rights in the tenement and

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2010

develop an operation to mine and process manganese from the tenement. Upon commencement of mining, PMI will pay Alara a royalty based on a rate per dry metric tonne of manganese fines and lump mined - subject to variation in accordance with manganese price benchmarks and to the levels of manganese fines and lump produced.

- (i) **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 Biglyi South Project tenements in the Northern Territory), and EL 46/629 and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the Canning Well Project tenements in Western Australia), pursuant to the acquisition of these tenements.
- (j) **Directors' Deeds** - The Company has entered into deeds of indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as directors/officers of the Consolidated Entity. As at balance date, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

13. SUBSEQUENT EVENTS

- (a) On or about 10 January 2011, Alara contributed one million SAR (equivalent to A\$267,835) to new joint venture company, Khnaiguiyah Mining Company (KMC) (in respect of the Khnaiguiyah Zinc-Copper Project (Saudi Arabia)) (in which Alara is a 50% shareholder), as the initial share capital of KMC, pursuant to the terms of the KMC Shareholders Agreement.
- (b) On 18 January 2011, the conditions precedent under the KMC Shareholders Agreement were declared satisfied upon, amongst other matters, completion of the formation of KMC (on 10 January 2011) and the receipt of signed documents to facilitate the transfer of the Project licences from Manajem to KMC. On 18 January 2011, Alara completed payment of US\$1.25 million to Manajem due under Payment Milestone/Tranche 2 of the Shareholders' Agreement.
- (c) Manajem has advised Alara and KMC that the transfer of the Khnaiguiyah Mining Licence and the Khnaiguiyah Zinc-Copper Project Exploration Licences is in progress and the parties have agreed that until such time as the Project licences have been transferred to KMC, KMC shall be entitled to develop the project as though KMC held the licences. To this end, on 2 March 2011, Alara Saudi Operations Pty Limited, Manajem and KMC entered into a Mining Rights Agreement to formally grant KMC these rights and Alara has agreed to transfer US\$1.75 million to Manajem as an advance towards the US\$1.75 million payment milestone/tranche 3 obligation under the Shareholders Agreement, which was completed on 15 March 2011.
- (d) On 15 February 2011, Alara completed payment of US\$200,000 to Shahayd Trading Establishment (Saudi Arabia) pursuant to a Consultancy Agreement for the introduction of a project to Alara.

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Shanker Madan
Managing Director

Perth, Western Australia

16 March 2011



Douglas Stewart
Director

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

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

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

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

We have reviewed the accompanying half-year financial report of Alara Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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 2010 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



P W Warr
Director - Audit & Assurance

Perth, 16 March 2011

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)

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 28 February 2011

ISSUED SECURITIES

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	126,507,500	-	126,507,500
\$0.55 (26 July 2012) Unlisted Options ¹⁷	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ¹⁸	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ¹⁸	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ¹⁹	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ¹⁹	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ²⁰	-	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 ²¹	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

¹⁷ 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](#)

¹⁸ 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](#)

¹⁹ 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](#)

²⁰ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

²¹ Options which have vested may be exercised at any time thereafter, up to their expiry date

SECURITIES INFORMATION

as at 28 February 2011

DISTRIBUTION OF ORDINARY FULLY PAID SHARES

Spread of Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1 - 1,000	1,277	520,144	0.411
1,001 - 5,000	441	1,102,561	0.872
5,001 - 10,000	303	2,608,464	2.062
10,001 - 100,000	534	18,115,359	14.320
100,001 - and over	118	104,160,972	82.336
Total	2,673	126,507,500	100%

TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	18,190,934	
	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	777,319	
	Subtotal	18,968,253	14.993
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,165,650	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	10,218,092	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	25,351	
	Subtotal	17,409,093	13.761
3	NATIONAL NOMINEES LIMITED	14,900,701	11.779
4	ORION EQUITIES LIMITED	7,332,744	5.796
5	MRS LINDA SALA TENNA & MRS LISA SHALLARD	2,824,144	2.232
6	CITICORP NOMINEES PTY LIMITED	2,747,888	2.172
7	KATANA ASSET MANAGEMENT LTD	2,250,000	1.779
8	GWYNVILL TRADING PTY LTD	1,971,527	1.558
9	COGENT NOMINEES PTY LIMITED	1,784,991	1.411
10	TWINLAND HOLDINGS PTY LTD	1,369,525	1.083
11	URBAN PAT PTY LTD	1,300,000	1.028
12	MR ROBERT SPADANUDA	1,140,000	0.901
13	MR SCOTT PAUL JONES & MR RODNEY MALCOLM JONES & MISS CAROL ROBIN JONES <SCOPA FAMILY A/C>	1,105,737	0.874
14	MR ROBERT GEMELLI	1,100,000	0.870
15	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <NMSMT A/C>	3,365	
	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,094,397	
	Subtotal	1,097,762	0.868
16	BLUEFLAG HOLDINGS PTY LTD	1,053,000	0.832
17	NACE NOMINEES PTY LTD	1,000,000	0.790
18	THORPE ROAD NOMINEES PTY LTD	915,000	0.723
19	MF CUSTODIANS LTD	825,000	0.652
20	FLANNERY FOUNDATION PTY LTD	814,924	0.644
Total		81,910,289	64.746%