ALARA RESOURCES LIMITED

A.C.N. 122 892 719

2008 ANNUAL REPORT

CONTENTS

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CORPORATE DIRECTORY

BOARD

John F. Stephenson	Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director

COMPANY SECRETARY

Victor P H Ho

AUSTRALIAN HEAD OFFICE

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

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PERU OFFICE

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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 CODES

AUQ - Shares
AUQO - $0.25 (30 June 2009) Options

AUDITORS

Grant Thornton (WA) Partnership
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

The Company changed its name from Alara Uranium Limited effective 23 September 2008

COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian based mineral exploration and development company with a prospective portfolio of uranium, gold and mineral sands exploration projects in Peru and Australia (Northern Territory and Western Australia):

PROJECTS		**LOCATION**	**AREA (HECTARES)**
(1)	Crucero	Peru	4,100
(2)	Mt James	Gascoyne, Western Australia	99,861
(3)	Bigrlyi South	Northern Territory	166,565
(4)	Canning Well	Pilbara, Western Australia	26,400
(5)	Kimberley Phosphate	Kimberley, Western Australia	132,701
(6)	King Sound Mineral Sands	Kimberley, Western Australia	65,200
(7)	Santa Rosa	Peru	4,400
(8)	Pampacolca	Peru	4,400
(9)	Coasa	Peru	9,600
(10)	Mt Lawrence Wells	East Murchison, Western Australia	7,600

The Australian uranium tenements occur in the geologically prospective Ngalia Basin in the Northern Territory (**NT**) and the Gascoyne, East Pilbara and Murchison regions of Western Australia (**WA**). The Bigrlyi South and Mt James tenements cover areas previously identified with largely untested radiometric anomalies or are located in close proximity to uranium anomalies and/or uranium occurrences.

The Peruvian concessions encompass uranium mineralisation targets delineated through work conducted by the Peruvian Institute of Nuclear Energy (**IPEN**) and others over the past 20 years in a prospective region in southern Peru where uranium mineralisation has been previously identified. The Company's Peruvian geological team is led by a former exploration manager of IPEN.

Alara continues to investigate prospective mineral resources in Peru, Australia and other countries. This includes applying for mineral concessions, entering into joint ventures and taking options over and acquiring concessions or projects.

The Alara Board comprises members with extensive experience in the resources sector, being **Chairman, Dr John Stephenson**, previously Exploration Director for Rio Tinto Australasia with more than 35 years experience in mineral exploration and **Managing Director, Mr H. Shanker Madan**, an experienced senior geologist with more than 30 years of world-wide experience in the exploration and evaluation of mineral deposits for various commodities and **Executive Director, Mr Farooq Khan** who has extensive experience in corporate law, the securities industry, capital markets and the executive management of ASX listed companies.

On 23 September 2008, the Company changed its name from Alara Uranium Limited to Alara Resources Limited.

Alara currently has the following securities on issue:

	Quoted	**Not Quoted or Subject to Escrow**	**Total**
Fully paid ordinary shares	56,011,285	24,496,215	80,507,500
$0.25 (30 June 2009) Listed Options	60,367,500	-	60,367,500
$0.55 (26 July 2012) Unlisted Employees' Options	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Executive Directors' Options	-	16,400,000	16,400,000
$0.35 (16 September 2013) Unlisted Non-Executive Director's Options	-	900,000	900,000
$0.35 (16 September 2013) Unlisted Employees' Options	-	1,485,000	1,485,000
Total	**116,378,785**	**43,781,215**	**160,160,000**

PROJECT LOCATION

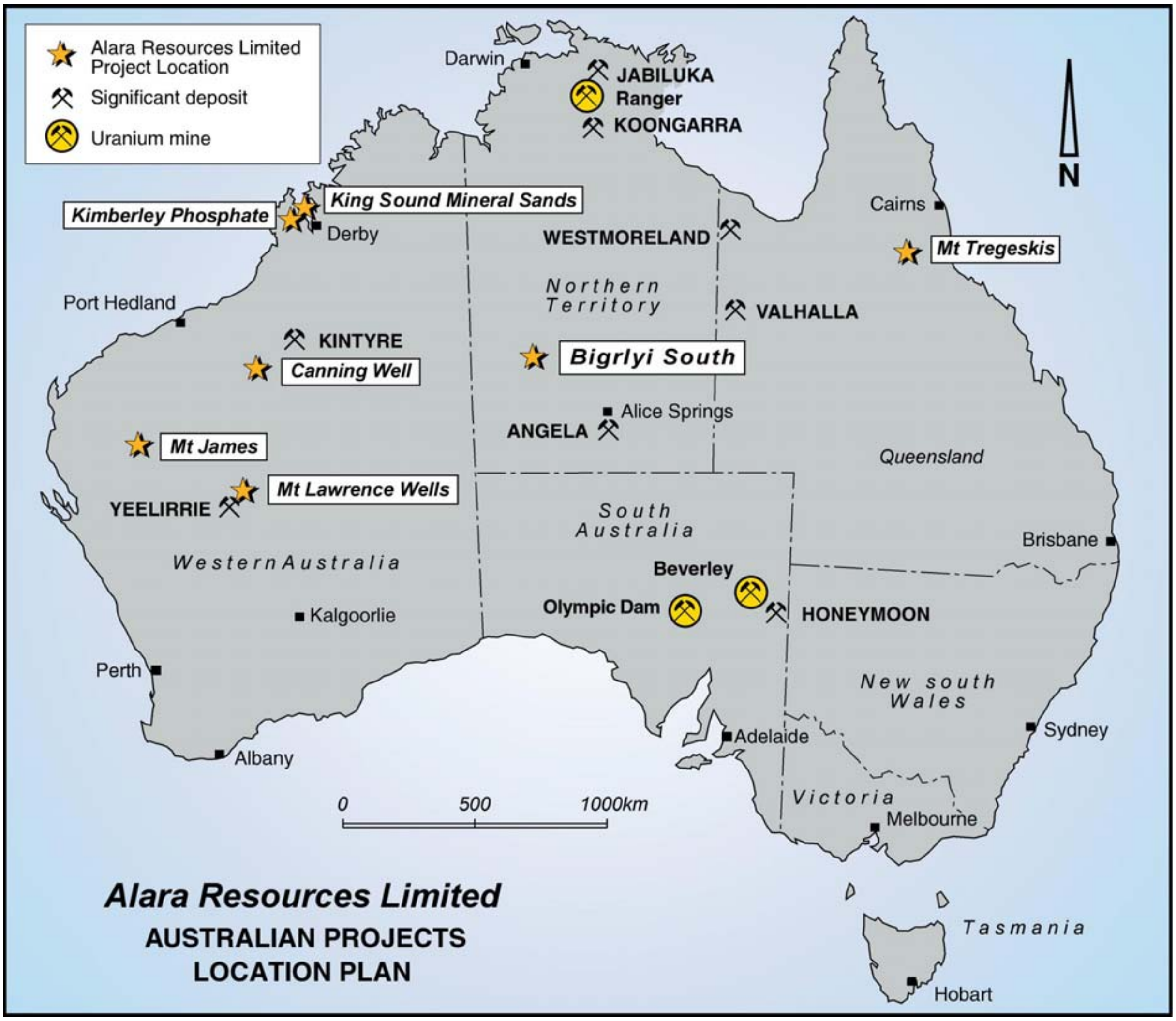
PERUVIAN PROJECTS

The locations of Alara's resource project areas in Peru are shown on the map below.

PROJECT LOCATION

AUSTRALIAN PROJECTS

The locations of Alara's Australian resource projects in the Northern Territory and Western Australia are shown on the map below.

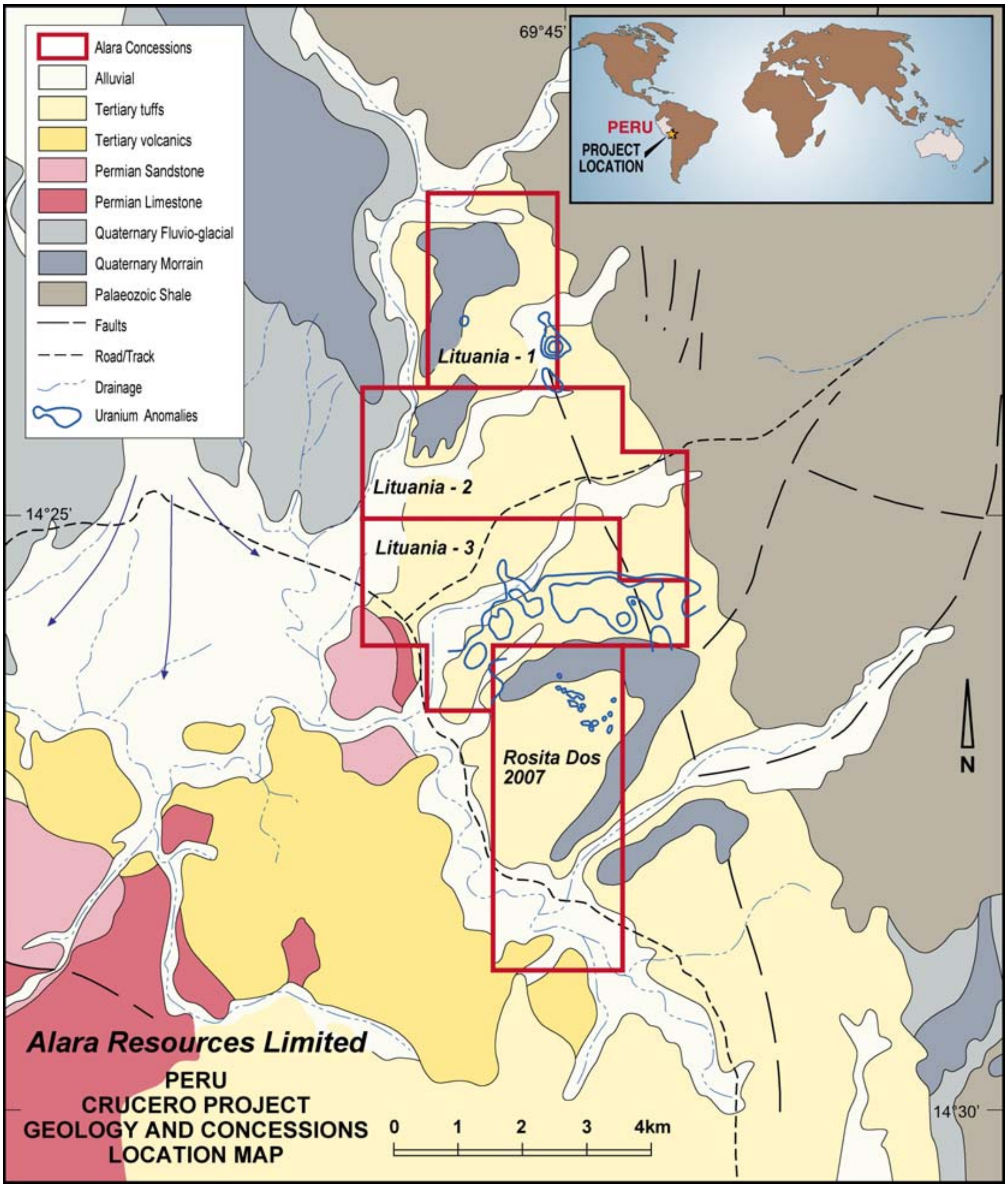


COMPANY PROJECTS

1. CRUCERO PROJECT (PERU)

The Crucero Project comprises 5 concessions covering an area of 4,100 hectares. The concessions are located 45 kilometres southeast of the town of Crucero, in the Macusani district in southern Peru.

Alara is targeting uranium mineralisation hosted by rhyolitic ignimbrites and ash flows of the Picotani Formation of Miocene-Pliocene age. This formation hosts several occurrences of uranium in the Macusani district.

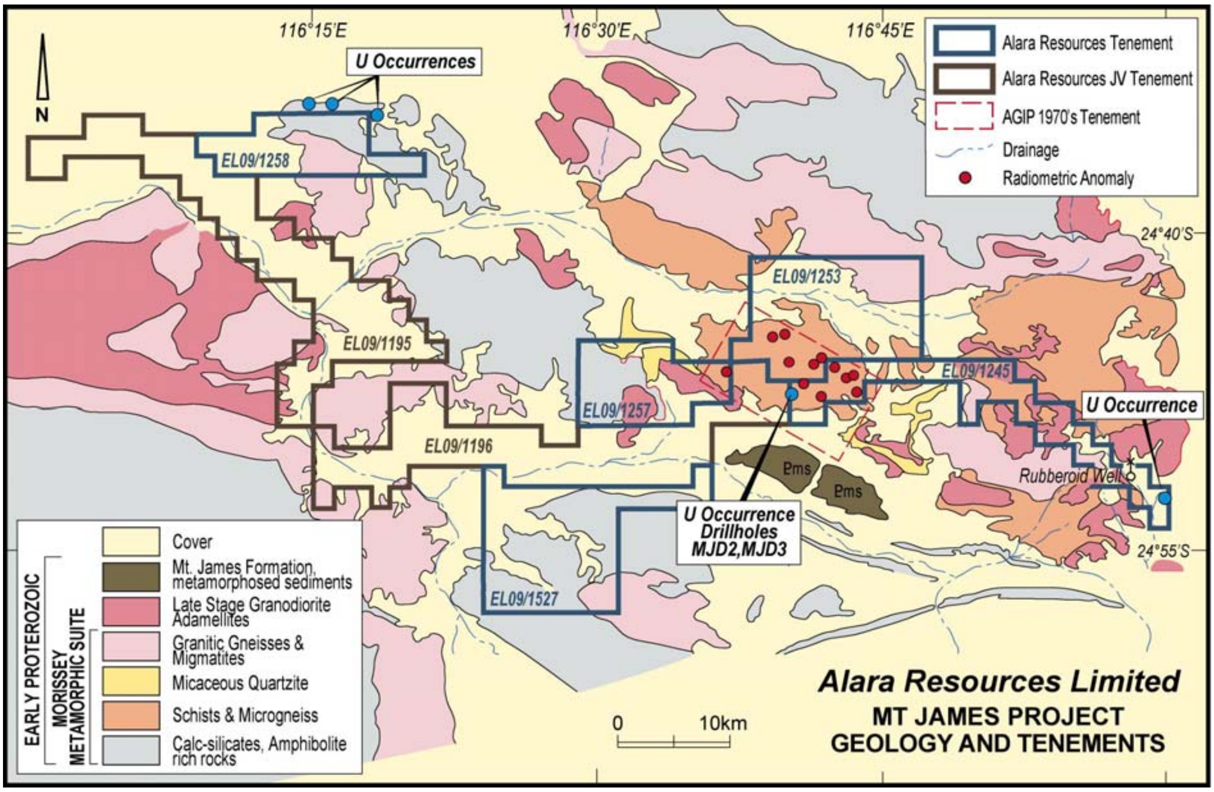


An initial systematic reconnaissance ground radiometric surveying and geological mapping programme within the Lituania 1, 2 and 3 concessions uncovered the occurrence of uranium bearing autunite mineralisation in fractures and joint planes in rhyolite ignimbrites. A total of 15 anomalous areas that extend over a cumulative strike length of ~3,000 metres have been recorded. Alara has undertaken detailed ground radiometric surveying and associated rock sampling over high priority anomalies identified in the high priority Lituania 3 and Rosita Dos 2007 concessions, to define drill targets. Alara proposes to commence a drilling programme within the Lituania 3 and Rosita Dos 2007 concessions during 2008/2009.

COMPANY PROJECTS

2. MT JAMES (GASCOYNE, WESTERN AUSTRALIA)

Alara is exploring for uranium mineralisation using detailed structural analysis coupled with aerial and ground radiometric surveys.



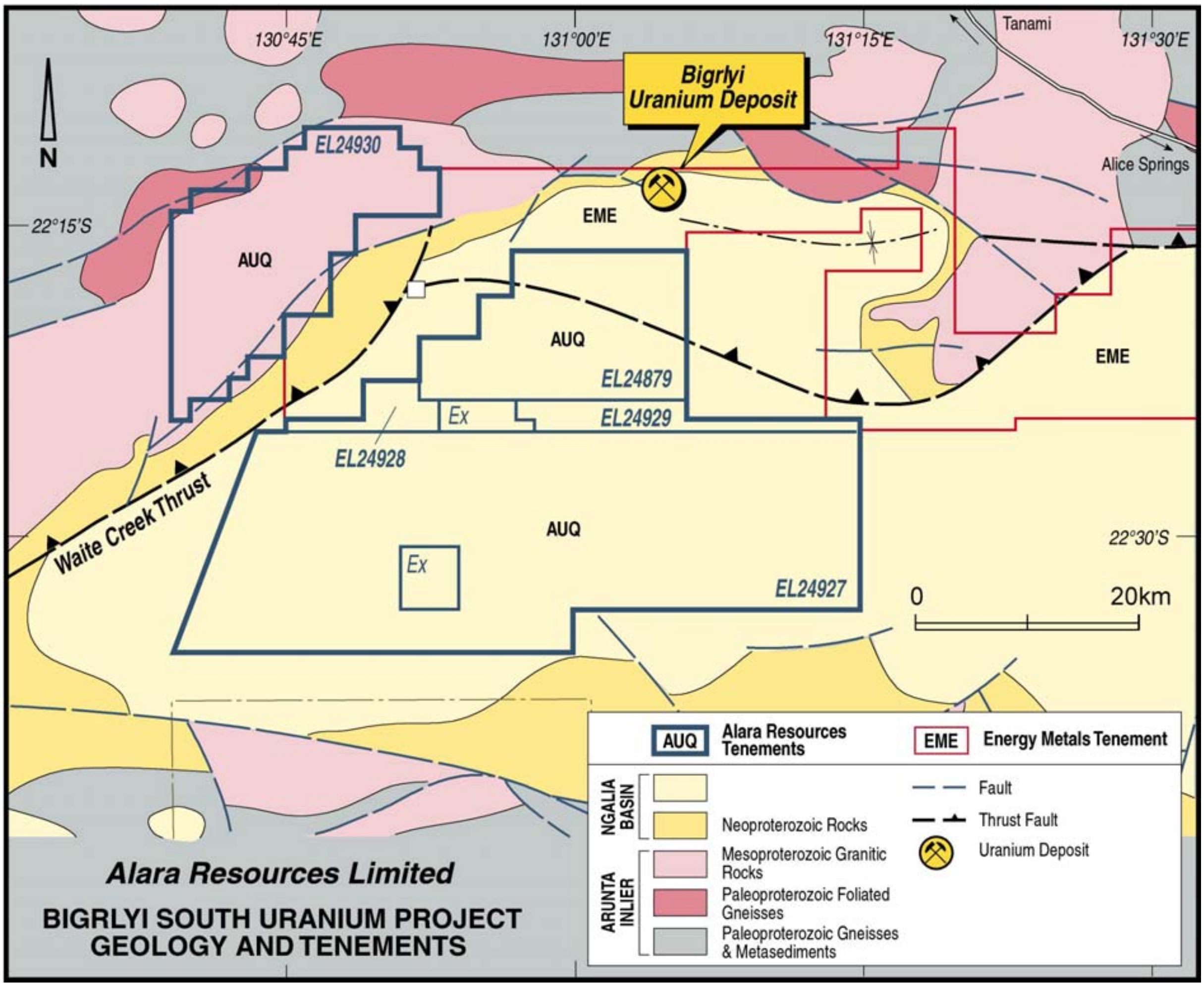
The exploration focus will be on high priority radiometric anomalies selected from an airborne geophysical survey conducted during the year. In addition, known historical workings (drill holes and costeans) that encountered uranium mineralisation and the untested anomalies identified by AGIP Nucleare (Australia) Pty Ltd (**AGIP**), (a subsidiary of Italian multi-national energy group ENI) will be targeted. As well as testing for primary mineralisation at depth, Alara will review the potential for mineable deposits of carnotite at shallow depths in the deeply weathered saprolite zone in the duricrust. Subject to heritage and regulatory approval, Alara proposes to commence an initial drilling programme over selected anomalies.

The Company notes that the Mt James Project area falls within 25 former pastoral leases which the Western Australian Government has endorsed for conversion to conservation parks. The Government has stated that existing mining tenements will co-exist with the proposed conservation reserves in that advanced projects (i.e areas of significant and potentially economic mineralisation with a reasonable expectation of development) may qualify for exclusion from the proposed conservation parks. The Company will be making appropriate submissions in this regard for prospective portions of its tenement portfolio in the area to be excluded from the proposed conservation parks but cannot guarantee that these submissions will be ultimately successful.

COMPANY PROJECTS

3. BIGRLYI SOUTH (NORTHERN TERRITORY)

This project comprises 5 exploration tenements (with a total area of approximately 1,666 square kilometres) located principally in the northern part of the Ngalia Basin in the Northern Territory (located approximately 390 kilometres north-west of Alice Springs).



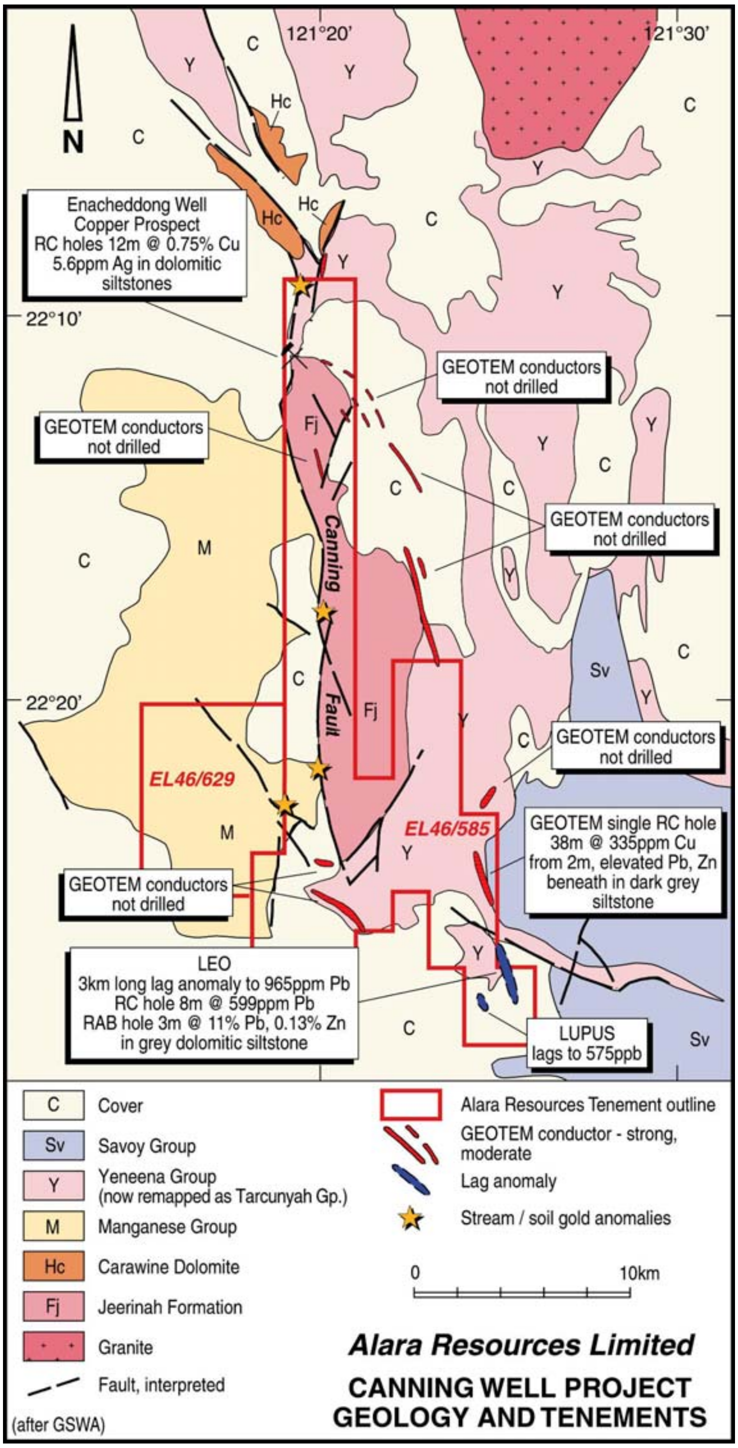
Alara has completed an aerial radiometric and magnetic survey in EL24879, EL24928, EL24929 and EL24930. Results indicate that the Southwark Granite Suite has a strong radiometric signature in all channels. These are "hot" granites and are good source rocks for sedimentary uranium deposits in the overlying younger sediments – as in the Bigrlyi deposit. Field verification of the radiometric anomalies within EL24879, EL24928 and EL24929 identified several uranium anomalies coinciding with the outcropping Mt Eclipse Sandstone unit (host to the Bigrlyi deposit). The majority of the other anomalies were located within predominantly sand covered terrain. Alara is currently negotiating with the Central Land Council on the development of a mine management plan and to obtain heritage approvals for further exploration work on the tenements.

COMPANY PROJECTS

4. CANNING WELL (PILBARA, WESTERN AUSTRALIA)

The project area is located approximately 80 kilometres west of the Kintyre uranium deposit and covers approximately 20 kilometres of the Canning Fault and associated splay and intersecting faults which bring together rocks of the Archaean Fortescue Group in juxtaposition with Proterozoic rocks of the Manganese Groups, the Tacunyah Group, the Yeneena Supergroup and the Savory Group.

Alara is exploring for uranium, gold, copper and base metal mineralisation within the project tenements. A mag/lag sampling programme targeting gold and copper anomalies has been completed and analysis highlights include 52ppb Au, 16.2ppb Au, 1690ppm Pb, 580ppm Zn, 98ppm Cu and 9.6% Mn.



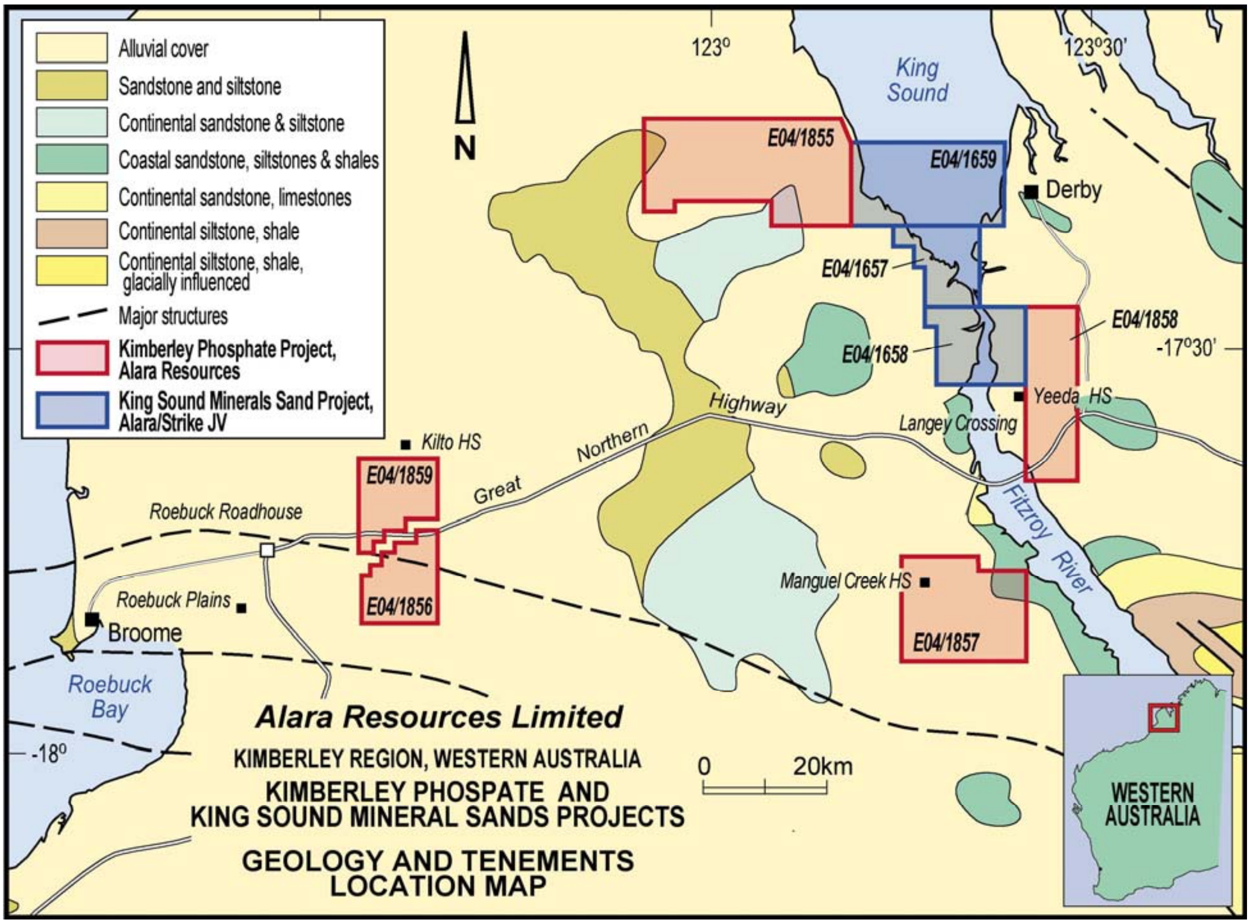
COMPANY PROJECTS

5. KIMBERLEY PHOSPHATE PROJECT (KIMBERLEY, WESTERN AUSTRALIA)

Alara has identified areas of the West Kimberley region of Western Australia as being favourable geological environments where economic concentrations of phosphate may occur. Alara has recently applied for 5 exploration licences (E04/1855-59) that now form Alara's Kimberley Phosphate Project. Within Alara's E04/1859 tenement application, the Geological Survey of Western Australia reports on WAPET Barlee bore that a 10 metre interval of the Jarlemai Siltstone intersected an elevated interval of P_2O_5 averaging 5.7% P_2O_5.

A previous explorer in 1967, Mines Exploration Pty Ltd, reported a phosphatic nodule bed at Langey Crossing approximately one metre wide consisting of 41% by weight nodule at a grade of 17.8% P_2O_5 and 8.2% combined iron-alumina. Recent dramatic price rises in phosphate have led Alara to revisit this vicinity as being a region of potential economic significance.

Upon the grant of these tenements, Alara intends to conduct a systematic exploration programme consisting of soil sampling followed by drilling.



6. KING SOUND MINERAL SANDS PROJECT (KIMBERLEY, WESTERN AUSTRALIA)

Alara has through a joint venture (**JV**) with ASX listed Strike Resources Limited (**Strike**) a 70% interest in the King Sound Mineral Sands Project, currently comprising three tenement applications covering a total area of 652 square kilometres, located approximately 10 kilometres west of the port town of Derby in the West Kimberley region of Western Australia.

The JV has identified the King Sound area as being prospective for the accumulation of heavy minerals, such as zircon, rutile and ilmenite.

COMPANY PROJECTS

The JV is awaiting the grant of these tenements prior to conducting additional sampling for test work to produce and characterise the heavy minerals to determine an effective processing pathway and develop a conceptual work flow sheet as part of an overall scoping study on the feasibility of the project.

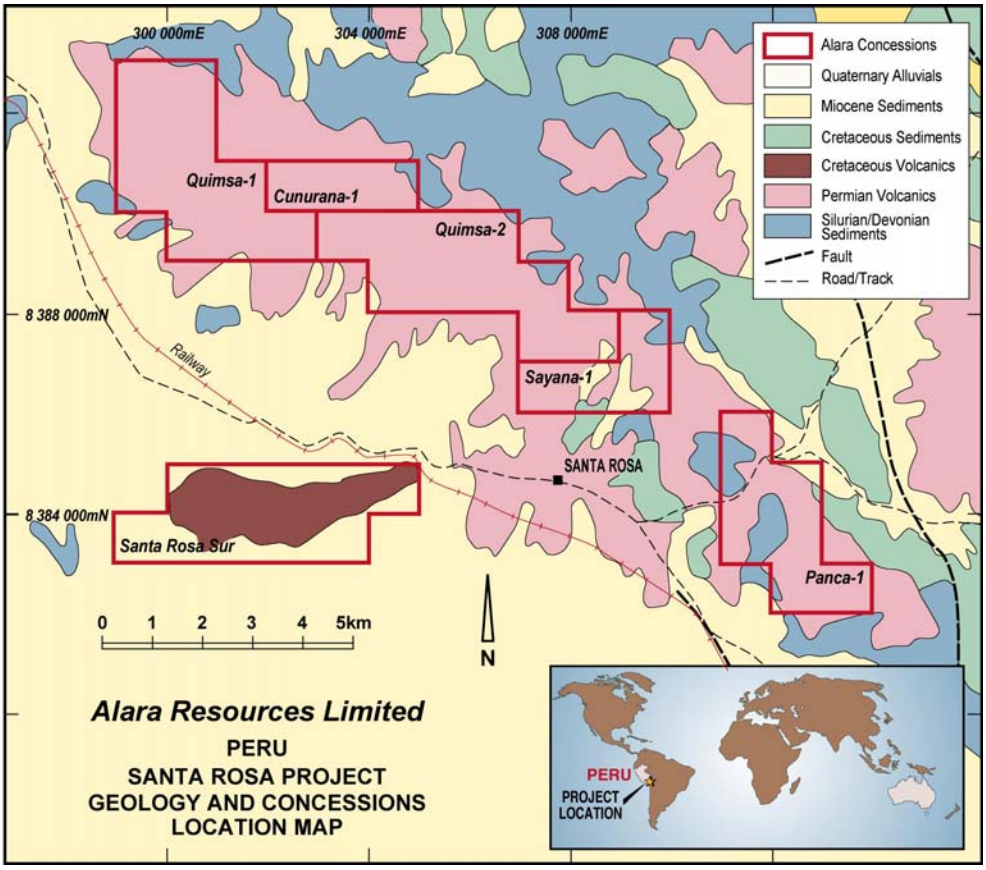

High concentrations of heavy minerals present on surface at low tide, King Sound

7. SANTA ROSA PROJECT (PERU)

The Santa Rosa Project comprises 6 concessions covering an area of 4,400 hectares. The concessions are located between 2 to 5 kilometres north and west of the town of Santa Rosa, in the Macusani district.

Rhyolitic lava flows of the Permian Mitu Group lie adjacent to an unconformity with Ordovician schist. The lavas are the main targets for uranium mineralisation. Large geochemical anomalies of over 1500ppm uranium have been reported by IPEN from chip samples adjacent to the unconformity in the region.

Alara has completed an initial field survey reconnaissance survey within the project area and commenced negotiations with local communities to secure approvals to conduct further exploration works on the concessions.



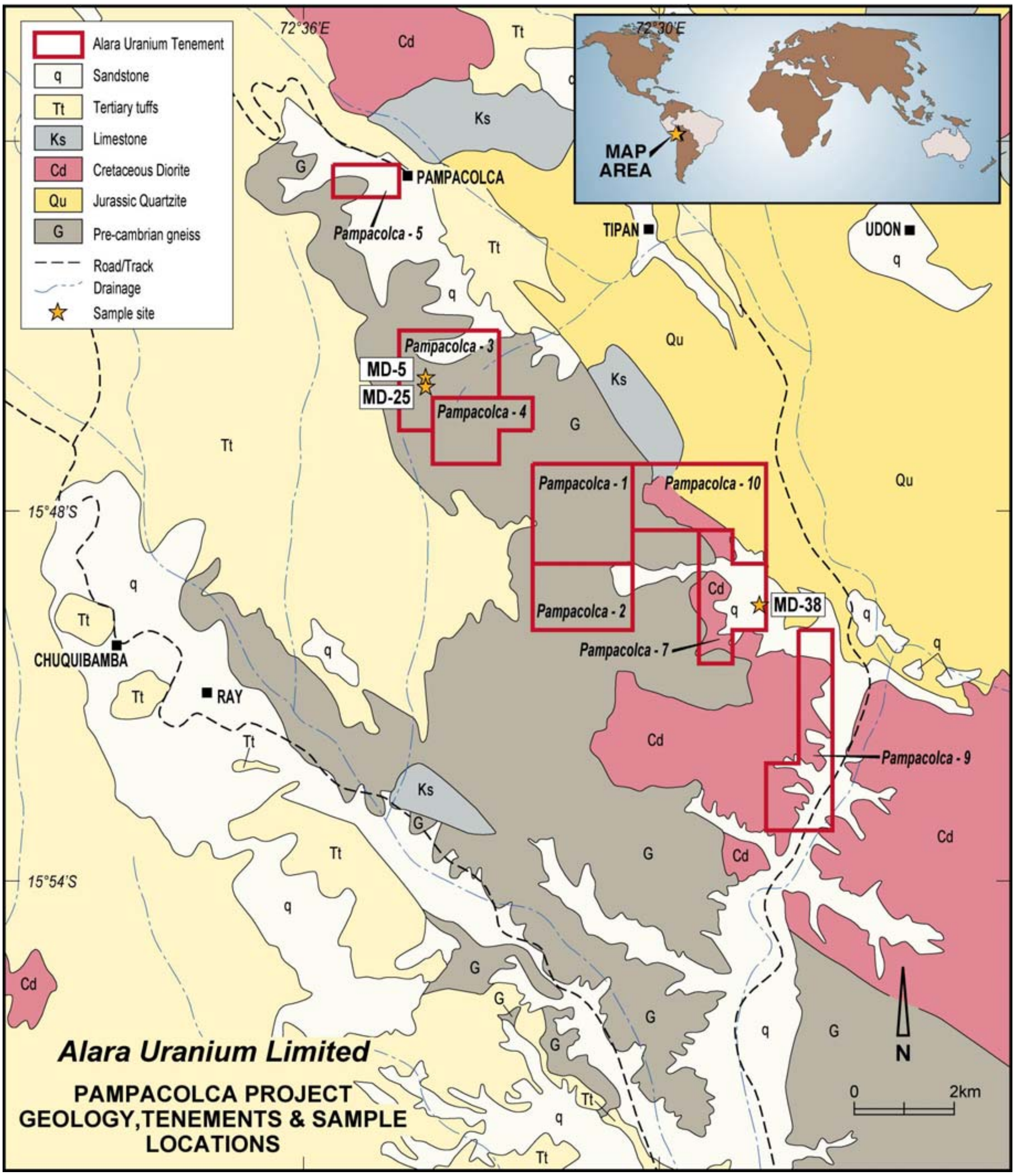
COMPANY PROJECTS

8. PAMPACOLCA PROJECT (PERU)

The Pampacolca Project comprises 7 concessions covering an area of approximately 4,400 hectares. The concessions are situated approximately 4 to 12 kilometres south of the town of Pampacolca, which is located approximately 136 kilometres northwest of the city of Arequipa in southern Peru.

The Pampacolca Project comprises structurally controlled occurrences of uranium, tantalum and rare earths in pegmatite veins and dykes hosted by quartz-muscovite-feldspar schist. These occurrences lie within Pre-Cambrian gneissic terrain with known tantalum mineralisation.

Alara has completed a sampling and ground radiometric surveying programme of anomalous areas identified as being prospective for uranium mineralisation. Analytical results are pending.



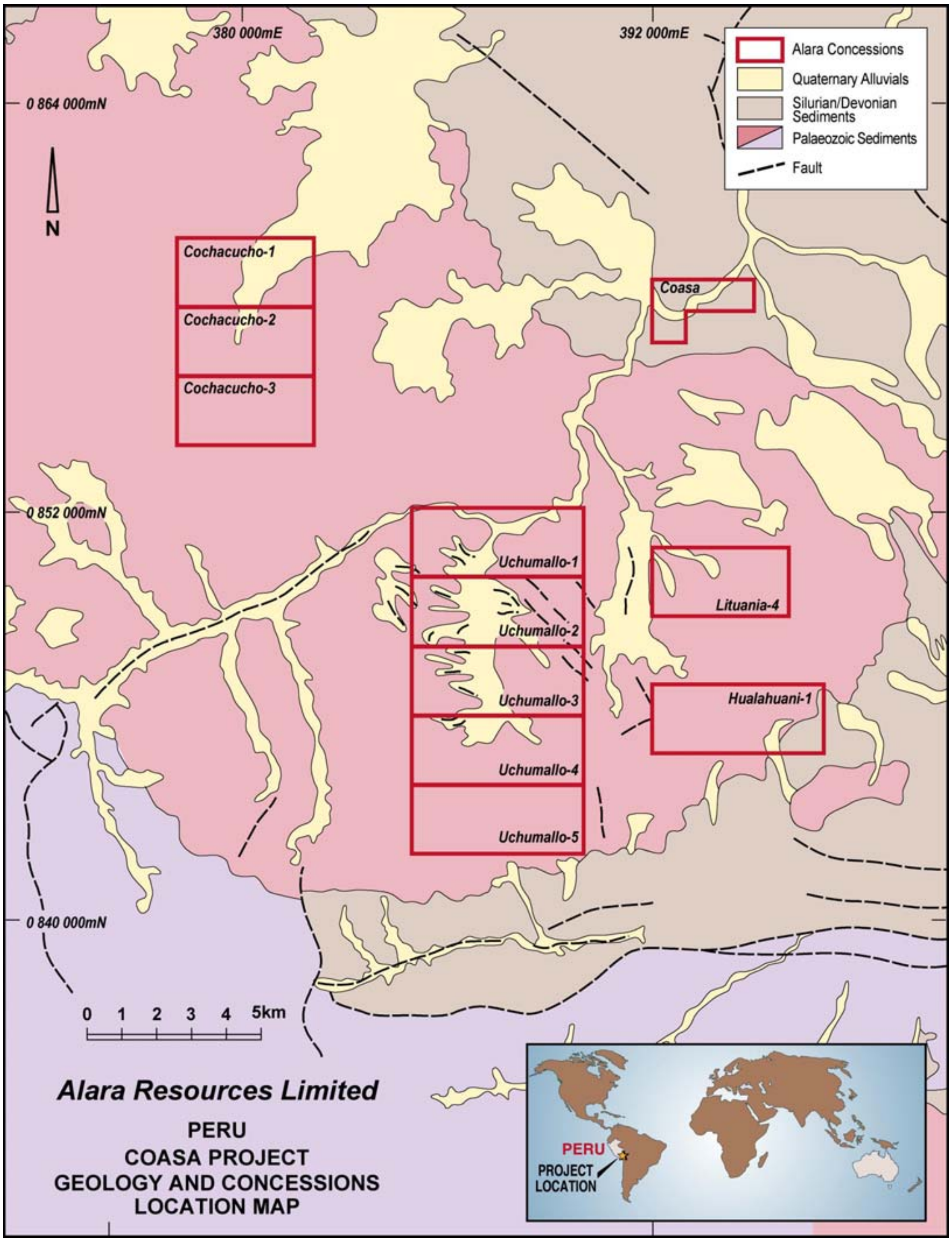
COMPANY PROJECTS

9. COASA PROJECT (PERU)

The Coasa Project comprises 11 concessions covering an area of 9,600 hectares. The concessions are centred on the town of Coasa, located in the Macusani district.

The target is pegmatite veins and dykes in exposed Permian Coasa Granite associated with the Hercinian tectonic event of southern Peru. Historic IPEN data indicate anomalies up to 1900ppm uranium within the project area.

Initial reconnaissance mapping and sampling has identified pegmatitic zones of several metres width with rock chip samples returning 500ppm and 470ppm uranium. Alara has completed an Aster interpretation over the project area and the data are currently being reviewed and assessed to identify priority targets for detailed exploration.

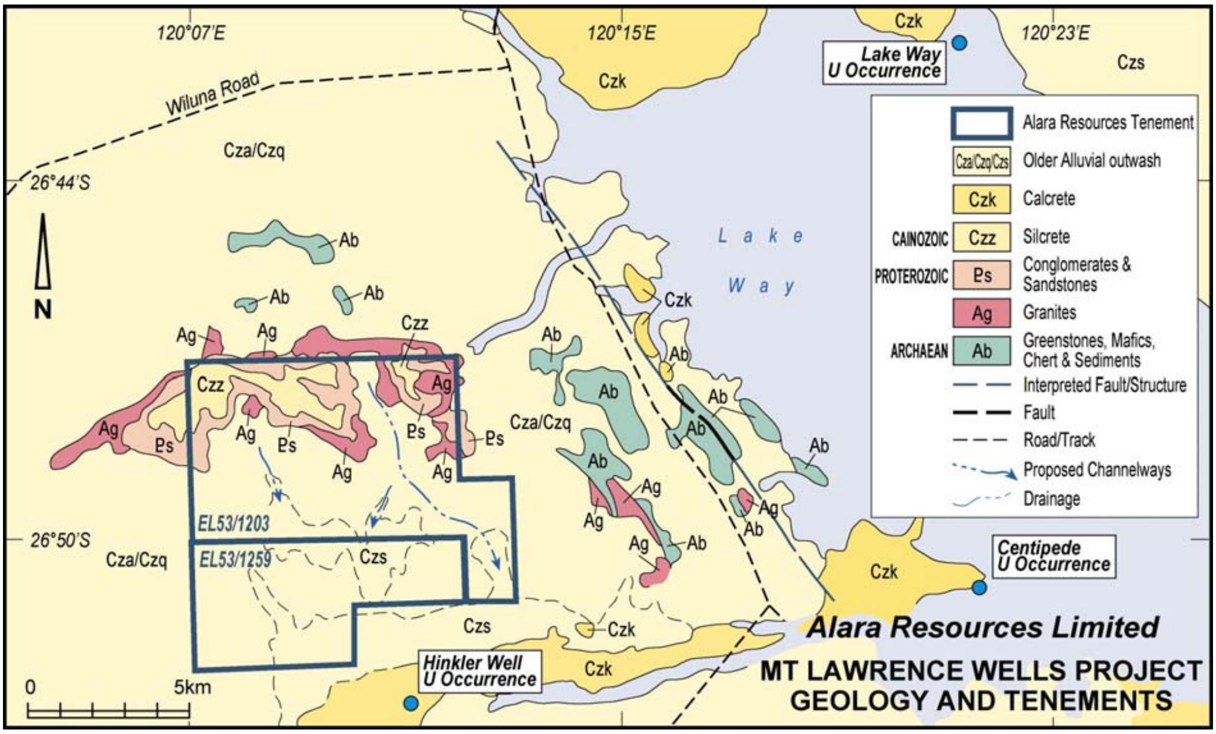


COMPANY PROJECTS

10. MT LAWRENCE WELLS (EAST MURCHISON, WESTERN AUSTRALIA)

The project tenements are located 25 kilometres south of Wiluna and north of a palaeo drainage that hosts the Hinkler Well, Centipede and Millipede uranium prospects.

Alara's main focus is to target the calcrete palaeo-channel hosting the Hinkler Well uranium occurrence to determine whether the uranium mineralisation extends upstream from the palaeo-drainage into Alara's tenements.



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 the Company. 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.

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 year ended 30 June 2008 (**Balance Date**).

On 17 September 2008, shareholders approved a change of company name from Alara Uranium Limited to Alara Resources Limited. This was confirmed by the Australian and Securities Commission (**ASIC**) on 23 September 2008. The Company's ASX Code – AUQ – remains unchanged.

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

(1) Alara Operations Pty Ltd ABN 123 780 441 (formerly Strike Uranium Pty Ltd) (**AO**), a wholly owned subsidiary incorporated in Western Australia on 5 February 2007;

(2) Hume Mining NL ABN 52 063 994 945 (**Hume**), a wholly owned subsidiary acquired on 18 May 2007;

(3) Alara Peru Operations Pty Ltd ABN 124 334 103 (**APO**), a wholly owned subsidiary acquired on 18 May 2007;

(4) Alara Peru S.A.C. (**AP**), a wholly owned Peruvian subsidiary of APO.

PRINCIPAL ACTIVITIES

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

- exploration and evaluation of existing resource projects in Australia and Peru;
- the pursuit of appropriate resource projects for investment, evaluation and development;
- the management of its net assets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

OPERATING RESULTS

Consolidated	**2008** **$**	**2007** **$**
Total revenues	784,700	149,130
Total expenses	(4,653,709)	(226,807)
Loss before tax	(3,869,009)	(77,677)
Income tax	(3,036)	-
Loss after tax attributable to members	(3,872,045)	(77,677)

Total revenues include:

(1) $635,925 interest received (2007: $149,214);

(2) $137,118 gain on sale of share investments (2007: $Nil).

Total expenses include:

(1) $196,205 exploration and evaluation expenses (2007: $40,175);

(2) $3,301,026 personnel expenses – options remuneration (2007: $Nil);

(3) $745,464 personnel expenses – cash remuneration (2007: $84,353);

(4) $80,545 corporate expenses (2007: $46,097);

(5) $243,503 administration expenses (2007: $44,832).

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

DIRECTORS' REPORT

LOSS PER SHARE

Consolidated	2008	2007
Basic loss per share (cents)	(4.81)	(0.69)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	80,504,825	11,323,288

DIVIDENDS

No dividends have been paid or declared during the financial year. The Company is not in a position to declare a dividend in respect of the 30 June 2008 financial year.

FINANCIAL POSITION

Consolidated Entity	2008 $	2007 $
Cash	9,174,822	9,700,691
Receivables	108,676	11,255
Resource projects	5,885,528	5,248,504
Other assets	42,090	13,245
Total assets	**15,211,116**	**14,973,695**
Liabilities	(501,147)	(232,326)
Net assets	**14,709,969**	**14,741,369**
Issued capital	14,754,059	14,819,046
Reserves	3,905,632	-
Accumulated losses	(3,949,722)	(77,677)
Total equity	**14,709,969**	**14,741,369**

REVIEW OF OPERATIONS

1. Company Projects

Alara is an Australian based mineral exploration and development company with a prospective portfolio of uranium, gold and mineral sands exploration projects in Peru and Australia (Northern Territory and Western Australia):

PROJECTS		LOCATION
(1)	Crucero	Peru
(2)	Mt James	Gascoyne, Western Australia
(3)	Canning Well	Pilbara, Western Australia
(4)	King Sound	Kimberley, Western Australia
(5)	Bigrlyi South	Northern Territory
(6)	Santa Rosa	Peru
(7)	Pampacolca	Peru
(8)	Coasa	Peru
(9)	Mt Lawrence Wells	East Murchison, Western Australia

DIRECTORS' REPORT

The Australian uranium tenements occur in the geologically prospective Ngalia Basin in the Northern Territory (**NT**) and the Gascoyne, East Pilbara and Murchison regions of Western Australia (**WA**). The Bigrlyi South and Mt James tenements cover areas previously identified with largely untested radiometric anomalies or are located in close proximity to uranium anomalies and/or uranium occurrences.

The Peruvian concessions represent uranium mineralisation targets delineated through work conducted by the Peruvian Institute of Nuclear Energy (**IPEN**) and others over the past 20 years in a prospective region in southern Peru where uranium mineralisation is known to occur. The Company's Peruvian geological team is led by a former exploration manager of IPEN.

Alara continues to investigate prospective mineral resources in Peru, Australia and other regions. This includes applying for mineral concessions, entering into joint ventures and taking options over and acquiring concessions or projects.

2. Project Acquisitions During The Year

Crucero Project: On 7 December 2007, Alara Peru S.A.C (a Peruvian subsidiary of the Company) entered into an agreement with Sheridan Platinum Group S.A.C. to acquire 100% of the uranium mineral rights (and vanadium, phosphates and other radioactive mineral rights associated with uranium production) in the Rosita 2 concession (adjacent to Alara's concessions Crucero Project area) in consideration for US$200,000 to be paid in 3 tranches - $50,000 on execution, $50,000 in 12 months and $100,000 in 24 months. Alara may withdraw from the agreement after making these payments and its obligations will cease after the date of withdrawal. Alara also has a royalty obligation to Sheridan on all product mined and shipped from exploitation of these mineral rights.

Mt James Project: On 11 February 2008, Alara Operations Pty Ltd (an Australian subsidiary) entered into an agreement with Epsilon Energy Limited (ASX Code: EPS) for Alara to earn up to a 60% interest in two exploration licences (EL 09/1195 and EL 09/1196) totalling ~43,500 hectares by spending up to $400,000 on exploration on the tenements within 2 years. These tenements are adjacent to Alara's tenements in the Mt James project area. Alara has a minimum commitment of $200,000 within the first 12 months to earn a 51% interest with the right to earn an additional 9% interest by spending $200,000 on the tenements within the second 12 months; Alara has the right to withdraw after the initial $200,000 commitment with no further commitments beyond its pro-rata share of the costs required to keep the tenements in good standing up to the date of withdrawal.

King Sound Project: On 10 December 2007, Alara Operations Pty Ltd entered into a farm-in and joint venture agreement with Strike Resources Limited (**Strike**) (ASX Code: SRK) over Strike's King Sound Mineral Sands Project (comprising 3 exploration licence applications pending grant). These applications cover a total area of 652 square kilometres, located approximately 10 kilometres west of the port town of Derby in the West Kimberley region of Western Australia. The JV has identified the King Sound area as being prospective for the accumulation of heavy minerals, such as zircon, rutile and ilmenite. Alara will earn a 70% interest in the tenements by funding the project to a "decision to mine" stage. Alara may withdraw from the agreement on 30 day's notice to Strike with liability for its pro-rata share of the tenements' minimum expenditure commitments up to the date of withdrawal

3. 3 for 4 Non-Renounceable Rights Issue Of Options

On 3 September 2007, the Company lodged a prospectus for a non-renounceable rights issue of 3 options for every 4 shares held by shareholders as at the record date (5.00pm WST on 12 September 2007) at an issue price of 1 cent per option. Each option is exercisable at a price of 25 cents, at any time on or before 30 June 2009. The purpose of the rights issue was to meet the Company's commitment to undertake a loyalty options issue as disclosed in its IPO Prospectus

The rights issue closed on 28 September 2007 with $603,750 raised (before expenses) from subscriptions received in respect of 60,375,000 options. These options were issued on 8 October 2007 and are quoted on ASX under ASX code "AUQO".

DIRECTORS' REPORT

4. Strike's Distribution of 16 Million Alara Shares In Specie

Strike Resources Limited (**Strike**) completed a return of capital via an in specie distribution of 16 million Alara Resources Limited shares on 13 December 2007.

These shares were escrowed until 24 May 2007, however, ASX granted a waiver of the escrow requirements in respect of these shares , other than shares distributed to related parties and promoters of Alara, Strike or any of their associates.

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	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215[1]	80,507,500
$0.25 (30 June 2009) Listed Options[2]	60,367,500	-	60,367,500
$0.55 (26 July 2012) Unlisted Employees' Options[3]	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Executive Directors' Options[4]	-	16,400,000	16,400,000
$0.35 (16 September 2013) Unlisted Non-Executive Director's Options[4]	-	900,000	900,000
$0.35 (16 September 2013) Unlisted Employees' Options[4]	-	1,485,000	1,485,000
Total	**116,378,785**	**43,781,215**	**160,160,000**

2. Summary Of Unlisted Directors' And Employee Options

During the financial year, the Company issued the following unlisted Directors' and Employees' options after receiving shareholder approval on 7 July 2007:

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	No. of Options
27 July 2007	$0.55 (26 July 2012) Directors' Options[3]	$0.55	26 July 2012	50% on grant and 50% on 26 July 2008	18,550,000
27 July 2007	$0.55 (26 July 2012) Employees' Options[3]	$0.55	26 July 2012	1/3rd on 26 January 2008, 1/3rd on 26 July 2008 and 1/3rd on 26 January 2009	1,425,000

1 Escrowed shares comprise:

(i) 4,488,750 shares held by related parties and promoters (founding shareholders) escrowed until 24 May 2009;

(ii) 12,750,000 vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus, escrowed until 24 May 2009;

(iii) 1,007,465 (formerly vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus) distributed in specie under a capital return effected by Strike Resources Limited on 13 December 2007 to various related parties and promoters of Strike Resources Limited and Alara Resources Limited (and their associates), escrowed until 24 May 2009; and

(iv) 6,250,000 vendor shares issued to Orion Equities Limited pursuant to settlement of the Hume Sale Agreement, as defined in the IPO Prospectus, escrowed until 24 May 2009.

2 Terms and conditions of $0.25 (30 June 2009) listed options are set out in a Rights Issue Options Prospectus dated 3 September 2007 and in an ASX Appendix 3B New Issue Announcement lodged on 3 September 2007

3 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

4 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

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

DIRECTORS' REPORT

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all such options (save for 500,000 $0.55 (27 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

Subsequent to the end of the financial year, the Company issued the following unlisted Directors' and Employees' options after receiving shareholder approval on 17 September 2008:

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	No. of Options
17 September 2008	$0.35 (16 September 2013) Unlisted Executive Directors' Options[4]	$0.35	16 September 2013	75% on grant and 25% on 16 September 2009	16,400,000[6]
17 September 2008	$0.35 (16 September 2013) Unlisted Non-Executive Director's Options[4]	$0.35	16 September 2013	75% on grant and 25% on 16 September 2009	900,000
17 September 2008	$0.35 (16 September 2013) Unlisted Employees' Options[4]	$0.35	16 September 2013	50% on 16 March 2009, 25% on 16 September 2009 and 25% on 16 March 2010	1,485,000

2. Summary of Changes in Issued Share Capital

A summary of share capital changes during and subsequent to the financial year is as follows:

Date	Description	Issue Price	No. Shares	Value of Issue	Running Balance of Issued Share Capital
30/06/2007	**Balance**				**80,500,000**
1/7 to 31/12/2007	Conversion of listed $0.25 (30 June 2009) Options	$0.25	7,500	$1,875.00	80,507,500
30/06/2008 and current	**Balance**				**80,507,500**

FUTURE DEVELOPMENTS

Other than as referred to in this report, additional information as to future developments and business strategies and operations of the Consolidated Entity and the expected results of those operations in subsequent financial years would, in the opinion of the Directors, be speculation and not in the bests interests of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In the course of its mineral exploration, evaluation and development activities, the Consolidated Entity adheres to mineral tenement/concession licence conditions and environmental regulations imposed upon it by various authorities. The Company has complied with all licence conditions and environment requirements up to the date of this report. There have been no material breaches of the Consolidated Entities licence conditions and environmental regulations.

6 Each option will entitle the holder to subscribe for one share in the Company with one free attaching option issued (at the time of subscription) upon the same terms as the options (save that no free attaching options will be issued on exercise of the options and no vesting period applies to the free attaching options

DIRECTORS' REPORT

BOARD OF DIRECTORS

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

John Stephenson	**Chairman**
Appointed	18 May 2007
Qualifications	BSc (honours) in Geology from the University of London through the former University College of Rhodesia and a PhD in Geology from the University of Manitoba, Canada.
Experience	Dr Stephenson is a highly experienced geologist with over 37 years experience in the mining sector. He has held senior positions in large mining companies, most recently as Exploration Director for Rio Tinto Australasia where he led Rio Tinto's exploration activities for five and a half years based in Perth. Dr Stephenson has also during his career led and managed exploration teams for both junior and major mining companies in several parts of the world, mainly in Southern and East Africa, North America and Australia exploring for gold, uranium, diamonds and base metals. He has also been involved with projects in Europe, South America and India. He led teams responsible for the discovery of a world class diamond deposit, the Diavik diamond mine in Canada's Northwest Territories for which he recently received an award; and a high grade gold deposit, the former Golden Patricia gold mine in Ontario. Dr Stephenson has particular experience in the uranium sector having in the early to mid 1970's led reconnaissance airborne and ground surveys for uranium in Canada. Between 1978-1981, Dr Stephenson headed the ground follow-up of a country-wide airborne radiometric and magnetic survey for uranium and other minerals in Tanzania. In the early 90's Dr Stephenson led exploration for a subsidiary of Rio Tinto exploring for uranium and base metals in eastern Canada. Dr Stephenson also led Rio Tinto's exploration activities in Australia in the late 90's which included the search for uranium.
Relevant interest in securities	Shares – 217,072[7] Listed $0.25 (30 June 2009) Options - 135,000[7] Unlisted $0.35 (16 September 2013) Non-Executive Director's Options – 900,000
Other current directorships in listed entities	Chairman of Strike Resources Limited (SRK) (since 26 October 2005)
Former directorships in other listed entities in past 3 years	None

H. Shanker Madan	**Managing Director**
Appointed	18 May 2007
Qualifications	Honours and Masters Science degrees in Applied Geology
Experience	Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group. Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits. He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and more recently completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.
Relevant interest in securities	Shares – 278,375[8] Listed $0.25 (30 June 2009) Options - 138,7368[8] Unlisted $0.35 (16 September 2013) Executive Director's Options – 8,200,000
Other current directorships in listed entities	Managing Director of Strike Resources Limited (SRK) (since 26 September 2005)
Former directorships in other listed entities in past 3 years	None

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

8 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**
Appointed	18 May 2007
Qualifications	BJuris , LLB. (*Western Australia*)
Experience	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.
Relevant interest in securities	Shares – 98,242 (directly) and 9,512,744 indirectly[9] Listed $0.25 (30 June 2009) Options – 9,266,205 indirectly[10] Unlisted $0.35 (16 September 2013) Executive Director's Options – 8,200,000 directly
Other current directorships in listed entities	Current Chairman and Managing Director of: (1) Queste Communications Ltd (QUE) (since 10 March 1998) Current Chairman of: (2) Orion Equities Limited (OEQ) (since 23 October 2006) (3) Bentley International Limited (BEL) (director since 2 December 2003) (4) Scarborough Equities Limited (SCB) (since 29 November 2004) Current Executive Director of: (5) Strike Resources Limited (SRK) (since 9 September 1999) Current Non-Executive Director of: (1) Interstaff Recruitment Limited (ITS) (since 27 April 2006)
Former directorships in other listed entities in past 3 years	(1) Altera Capital Limited (AEA) (26 November 2001 to 18 October 2005) (2) Sofcom Limited (SOF) (since 3 July 2002 to 18 October 2005)

COMPANY SECRETARY

Victor P. H. Ho	**Company Secretary**
Appointed	4 April 2007
Qualifications	BCom, LLB (*Western Australia*)
Experience	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.
Relevant interest in securities	Shares – 171,090 Unlisted $0.35 (16 September 2013) Employee's Options – 700,000
Other positions held in listed entities	Current Executive Director and Company Secretary of: (1) Strike Resources Limited (SRK) (Secretary since 9 March 2000 and Director since 12 October 2000); (2) Orion Equities Limited (OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003); Current Company Secretary of: (3) Queste Communications Ltd (QUE) (since 30 August 2000); (4) Bentley International Limited (BEL) (since 5 February 2004); (5) Scarborough Equities Limited (SCB) (since 29 November 2004).

9 Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 9,332,744 shares held by Orion Equities Limited (**OEQ**) as Mr Khan has a greater than 20% interest in Queste Communications Ltd (**QUE**), which is deemed to be in control of OEQ, and 180,000 shares held by Interstaff Recruitment Limited (**ITS**), as Mr Khan has a greater than 20% interest in ITS. Mr Khan holds 98,242 shares directly.

10 Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 9,131,205 options held by OEQ as Mr Khan has a greater than 20% interest in QUE, which is deemed to be in control of OEQ, and 135,000 options held by ITS, as Mr Khan has a greater than 20% interest in ITS.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Meetings Attended	Maximum Possible Meetings
John Stephenson	13	13
H. Shanker Madan	13	13
Farooq Khan	13	13

There were no meetings of committees of the Board.

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

REMUNERATION REPORT (audited)

This report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior managers with authority and responsibility for planning, directing and controlling the major activities of the Company or Consolidated entity, directly or indirectly) (**Key Management Personnel**) of the Consolidated Entity.

The information provided under headings (1) to (3) below has been audited as required under section 308(3)(c) of the *Corporations Act 2001*.

(1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Company Executives (being a company secretary or senior manager) (**Key Management Personnel**) having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

Fixed Remuneration: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of $100,000 per annum inclusive of minimum employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined current Key Management Personnel remuneration as follows:

(a) Dr John Stephenson (Chairman) – a base fee of $40,000 per annum plus employer superannuation contributions (currently 9%);

(b) Mr H. Shanker Madan (Managing Director) – a base salary of $150,000 per annum plus employer superannuation contributions (currently 9%);

(c) Mr Farooq Khan (Executive Director) – a base salary of $150,000 per annum plus employer superannuation contributions (currently 9%);

(d) Mr Victor Ho (Company Secretary) – a salary of $50,000 per annum plus employer superannuation contributions (currently 9%).

Key Management Personnel can also opt to "salary sacrifice" their cash fees/salary and have them paid wholly or partly as further employer superannuation contributions or benefits exempt from fringe benefits tax.

DIRECTORS' REPORT

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is entitled to receive:

(a) Payment for the performance of extra services or the making of special exertions at the request of the Board and for the purposes of the Company.

(b) Payment for reimbursement of all reasonable expenses (including traveling and accommodation expenses) incurred by a Director for the purpose of attending meetings of the Company or the Board, on the business of the Company, or in carrying out duties as a Director.

Long Term Benefits: Key Management Personnel have no right to termination payments save for payment of accrued annual leave (other than Non-Executive Directors).

Post Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel.

Performance Related Benefits/Variable Remuneration: The Company does not presently provide short or long incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses. The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

Service Agreements: The Company does not presently have formal service agreements or employment contracts with any Key Management Personnel.

Financial Performance of Company: There is no relationship between the Company's current remuneration policy and the Company's performance.

Equity Based Benefits: The Company has issued options to Directors and employees during the year. Further details are provided in section (3) of the Remuneration Report below. The reasons for the grant of these options to Directors and employees are as follows:

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

DIRECTORS' REPORT

(2) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel of the Company paid or payable by the Consolidated Entity during the financial year are as follows:

Key Management Person	Performance related	Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	
2008	**%**	**Cash, salary and commissions $**	**Non-cash benefit $**	**Superannuation $**	**Long service leave $**	**Options $**	**Total $**
Non-Executive Director:							
John Stephenson	-	13,334		30,266		165,300	208,900
Executive Directors:							
Shanker Madan	-	150,000		13,500		1,491,940	1,655,440
Farooq Khan	-	150,000	-	13,500		1,487,701	1,651,201
Company Secretary							
Victor Ho	-	50,000	682	4,500		54,766	109,948

Key Management Person	Performance related	Short-term Benefits		Post Employment Benefits	Other Long-term Benefits	Equity Based Benefits	
2007	**%**	**Cash, salary and commissions $**	**Non-cash benefit $**	**Superannuation $**	**Long service leave $**	**Options $**	**Total $**
Non-Executive Director:							
John Stephenson	-	3,945		355			4,300
Executive Directors:							
Shanker Madan	-	17,671		1,590			19,261
Farooq Khan	-	17,671		1,590			19,261
Company Secretary							
Victor Ho	-	11,918		1,073			12,991

Victor Ho is also Company Secretary of the Company.

Cash fees paid to the Non-Executive Chairman during the year includes payments for the performance of extra services and the undertaking of any executive or other work for the Company beyond their general duties.

The value of Equity based benefits are based on the fair value of vested directors' options expensed up to balance date; this is described in further detail in section (3) of this Remuneration Report.

The Company did not have any Company Executives (other than Executive Directors and the Company Secretary) during the financial year.

DIRECTORS' REPORT

(3) Options Issued to Key Management Personnel

During the year, a total of 18,550,000 Directors' and 500,000 employees' options were issued to Key Management Personnel pursuant to shareholder approval obtained at a general meeting held on 27 July 2007 as required under the Corporations Act 2001 and under the ASX Listing Rules:

No. of Options Issued to Key Management Personnel		Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	Fair Value of vested options expensed up to balance date	Total Fair Value as at date of issue
John Stephenson	975,000	27 July 2007	$0.55 (26 July 2012) Directors' Options[3]	$0.55	26 July 2012	50% on grant and 50% on 27 July 2008	$3,144,942 or $0.17 each	$3,261,090 or $0.18 each
H. Shanker Madan	8,800,000							
Farooq Khan	8,775,000							
Victor Ho	500,000	27 July 2007	$0.55 (26 July 2012) Employees' Options[3]	$0.55	26 July 2012	1/3rd on 27 January 2008, 1/3rd on 27 July 2008 and 1/3rd on 27 January 2009	$54,766 or $0.11 each	$89,500 or $0.18 each

An additional 925,000 $0.55 (26 July 2012) Employees' Options were also issued to other employees (these employees are not regarded as Company Executives/Key Management Personnel).

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

The fair value of Directors' and employees' options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using a binomial tree options valuation model that takes into account the exercise price, the term of the option, the underlying share price as at date of grant, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option.

The cost of all directors' and employees options assessed at fair value as at date of grant is $3,516,165 in total; the fair value of vested options expensed up the balance date in the above tables is the fair amount of the total fair value which the Company is required to expense from their date of grant to the balance date, on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option.

The model inputs for assessing the fair value of options granted during the year are as follows:

(a) options are granted for no consideration and vest as described in the table above;

(b) exercise price is as described in the table above;

(c) grant date is as described in the table above;

(d) expiry date is as described in the table above;

(e) share price is based on the last bid price on ASX as at date of grant, as described in the table below;

(f) expected price volatility of the Company's shares has been assessed independently by BDO Kendalls Corporate Finance (WA) Pty Ltd, as described in the table below;

(g) expected dividend yield is nil;

(h) risk-free interest rate is based on the 5 year Commonwealth bond yield, as described in the table below.

Date of Issue	Description of Unlisted Options	Share Price at Grant Date	Risk Free Rate	Expected price volatility of the Company's shares
27 July 2007	$0.55 (26 July 2012) Directors' Options	$0.27	6.29%	95%
27 July 2007	$0.55 (26 July 2012) Employees' Options	$0.27	6.29%	95%

DIRECTORS' REPORT

Each Director's holdings of unlisted Directors' options as at balance date are as follows:

		No. options granted during the year		No. options vested during the year	
Name of Key Management Personnel	**Office Held**	**2008**	**2007**	**2008**	**2007**
John Stephenson	Chairman	975,000 $0.55 (26 July 2012) Director Options	-	487,500 $0.55 (26 July 2012) Director Options s	-
H. Shanker Madan	Managing Director	8,800,000 $0.55 (26 July 2012) Director Options	-	4,400,000 $0.55 (26 July 2012) Director Options	-
Farooq Khan	Executive Director	8,775,000 $0.55 (26 July 2012) Director Options	-	4,387,500 $0.55 (26 July 2012) Director Options	-
Victor Ho	Company Secretary	500,000 $0.55 (26 July 2012) Employee Options	-	166,667 $0.55 (26 July 2012) Employee Options	-

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

Subsequent to the end of the financial year, the Company issued the following unlisted options to Key Management Personnel after receiving shareholder approval on 17 September 2008:

No. of Options Issued to Key Management Personnel		Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	Total Fair Value as at date of issue
H. Shanker Madan	8,200,000[11]	17 September 2008	$0.35 (16 September 2013) Executive Directors' Options[12]	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	$569,080[13] or $0.035 each
Farooq Khan	8,200,000[11]						
John Stephenson	900,000	17 September 2008	$0.35 (16 September 2013) Non-Executive Director's Options[12]	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	$31,230[13] or $0.035 each
Victor Ho	700,000	17 September 2008	$0.35 (16 September 2013) Employees' Options[12]	$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	$24,290[13] or $0.035 each

An additional 785,000 $0.35 (16 September 2013) Employees' Options were also issued to other employees (these employees are not regarded as Key Management Personnel).

(4) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the 30 June 2008 financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

This concludes the audited Remuneration Report.

11 Each option will entitle the holder to subscribe for one share in the Company with one free attaching option issued (at the time of subscription) upon the same terms as the options (save that no free attaching options will be issued on exercise of the options and no vesting period applies to the free attaching options

12 Terms and conditions of issue are set out in a Notice of Meeting and Explanatory Statement dated 18 August 2008 for a General Meeting held on 17 September 2008

13 Fair value determined as at date of grant using a binomial tree options valuation model that takes into account the exercise price ($0.35), the term of the option (5 years), the underlying AUQ share price as at date of grant ($0.07), the expected price volatility of the underlying AUQ shares (95%) and the risk-free interest rate for the term of the option (5 year Commonwealth bond yield rate of 5.46%)

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' INSURANCE

The Directors have not included details of the nature of the liabilities covered or the amount of premiums paid in respect of a Directors and Officers liability and legal expenses' insurance contract, as such disclosure is prohibited under the terms of the contract.

DIRECTORS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

(i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);

(ii) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director; and

Such deeds (in respect of Messrs Stephenson, Madan and Khan) were approved by shareholders at a general meeting held on 27 July 2007.

AUDITOR

Details of the amounts paid or payable to the auditor (Grant Thornton (WA) Partnership) for audit and non-audit services provided during the financial year are set our below:

Audit & Review Fees $	Fees for Other Services $	Total $
20,633	4,700	25,333

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

Grant Thornton (WA) Partnership continues in office in accordance with section 327B of the *Corporations Act 2001*.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 28. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 22), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

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

John Stephenson
Chairman

Shanker Madan
Managing Director

Perth, Western Australia

30 September 2008

Grant Thornton (WA) Partnership
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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ALARA RESOURCES LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Alara Resources Limited for the year ended 30 June 2008, 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 audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, 30 September 2008

INCOME STATEMENTS
for the year ended 30 June 2008

		Consolidated Entity		Company	
		2008	2007	2008	2007
	Note	$	$	$	$
Revenue	2	784,700	149,130	784,494	149,214
Personnel - cash remuneration		(745,464)	(84,353)	(476,409)	(84,353)
Personnel - options remuneration		(3,301,026)	-	(3,301,026)	-
Personnel - employee benefits		(46,836)	(6,018)	(24,922)	(6,018)
Occupancy costs		(29,653)	(2,296)	(29,653)	(2,296)
Finance expenses		(9,043)	(3,032)	(1,970)	(3,020)
Borrowing costs		(1,434)	(4)	-	-
Resource projects		(196,205)	(40,175)	-	-
Corporate expenses		(80,545)	(46,097)	(79,268)	(46,097)
Administration expenses		(243,503)	(44,832)	(149,596)	(43,728)
- Provision for impairment of subsidiary loans	2b	-	-	(926,835)	(44,311)
Loss before income tax		(3,869,009)	(77,677)	(4,205,185)	(80,609)
Income tax expense	3	(3,036)	-	(3,036)	-
Net loss after tax attributable to members		(3,872,045)	(77,677)	(4,208,221)	(80,609)
Basic loss (cents per share)	6	(4.81)	(0.69)	(5.23)	(0.71)

The accompanying notes form part of this financial report

BALANCE SHEETS
as at 30 June 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Company 2008 $	Company 2007 $
CURRENT ASSETS					
Cash and cash equivalents	7	9,174,822	9,700,691	9,098,403	9,625,345
Trade and other receivables	8	108,676	11,255	7,777	10,159
TOTAL CURRENT ASSETS		9,283,498	9,711,946	9,106,180	9,635,504
NON CURRENT ASSETS					
Trade and other receivables	8	-	-	59,498	74,999
Property, plant and equipment	9	42,090	13,245	2,995	708
Other financial assets	10	-	-	5,180,376	5,180,376
Resource projects	11	5,885,528	5,248,504	124,121	-
TOTAL NON CURRENT ASSETS		5,927,618	5,261,749	5,366,990	5,256,083
TOTAL ASSETS		15,211,116	14,973,695	14,473,170	14,891,587
CURRENT LIABILITIES					
Trade and other payables	12	448,293	226,308	72,178	147,132
Short term provisions	13	52,854	6,018	30,940	6,018
TOTAL CURRENT LIABILITIES		501,147	232,326	103,118	153,150
TOTAL LIABILITIES		501,147	232,326	103,118	153,150
NET ASSETS		14,709,969	14,741,369	14,370,052	14,738,437
EQUITY					
Issued capital	14	14,754,059	14,819,046	14,754,059	14,819,046
Reserves	15	3,905,632	-	3,904,823	-
Accumulated losses		(3,949,722)	(77,677)	(4,288,830)	(80,609)
TOTAL EQUITY		14,709,969	14,741,369	14,370,052	14,738,437

The accompanying notes form part of this financial report

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2008

<u>Consolidated Entity</u>	Issued Capital $	Reserves $	Accumulated Losses $	Total $
At 1 July 2006	-	-	-	-
Loss for the year	-	-	(77,677)	(77,677)
Total recognised income and expense for the year	-	-	(77,677)	(77,677)
At incorporation	55,000	-	-	55,000
Initial public offering (IPO)	10,000,000	-	-	10,000,000
Acquisition of resource projects (subsidiaries)	5,160,000	-	-	5,160,000
Share issue expenses	(395,954)	-		(395,954)
At 30 June 2007	14,819,046	-	(77,677)	14,741,369
At 1 July 2007	14,819,046	-	(77,677)	14,741,369
Loss for the year	-	-	(3,872,045)	(3,872,045)
Total recognised income and expense for the year	-	-	(3,872,045)	(3,872,045)
Options reserve	-	3,904,823	-	3,904,823
Foreign currency translation reserve	-	809	-	809
Options conversion ($0.25 (30 June 2009))	1,875	-	-	1,875
Share issue expenses	(66,862)	-	-	(66,862)
At 30 June 2008	14,754,059	3,905,632	(3,949,722)	14,709,969

<u>Company</u>	Issued Capital $	Reserves $	Accumulated Losses $	Total $
At 1 July 2006	-	-	-	-
Loss for the year	-	-	(80,609)	(80,609)
Total recognised income and expense for the year	-	-	(80,609)	(80,609)
At incorporation	55,000	-	-	55,000
Initial public offering (IPO)	10,000,000	-	-	10,000,000
Acquisition of resource projects (subsidiaries)	5,160,000	-	-	5,160,000
Share issue expenses	(395,954)	-	-	(395,954)
At 30 June 2007	14,819,046	-	(80,609)	14,738,437
At 1 July 2007	14,819,046	-	(80,609)	14,738,437
Loss for the year	-	-	(4,208,221)	(4,208,221)
Total recognised income and expense for the year	-	-	(4,208,221)	(4,208,221)
Options reserve	-	3,904,823	-	3,904,823
Options conversion ($0.25 (30 June 2009))	1,875	-	-	1,875
Share issue expenses	(66,862)	-	-	(66,862)
At 30 June 2008	14,754,059	3,904,823	(4,288,830)	14,370,052

The accompanying notes form part of this financial report

CASH FLOW STATEMENTS
for the year ended 30 June 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Company 2008 $	Company 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(981,331)	(93,092)	(808,822)	(100,245)
Dividends received		11,657	-	11,657	-
Interest received		635,925	149,214	635,719	149,214
Interest paid		(1,434)	4	-	-
Income tax paid		(3,036)	-	(3,036)	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	7 a	(338,219)	56,126	(164,482)	48,969
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration and evaluation expenditure		(833,229)	(58,814)	(124,121)	-
Payments for plant and equipment		(31,158)	(13,325)	(2,933)	(726)
Payments for share investments		(2,142,663)	-	(2,142,663)	-
Proceeds from sale of share investments		2,279,780	-	2,279,780	-
Payments for investment in subsidiaries		-	-	-	(20,376)
Loans to subsidiaries		-	-	(911,334)	(119,310)
NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES		(727,270)	(72,139)	(901,271)	(140,412)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues and options		605,672	10,055,000	605,672	10,055,000
Payment for share issue cost		(66,861)	(338,212)	(66,861)	(338,212)
NET CASH INFLOW FROM FINANCING ACTIVITIES		538,811	9,716,788	538,811	9,716,788
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		(526,678)	9,700,775	(526,942)	9,625,345
Cash and cash equivalents at beginning of the year		9,700,691	-	9,625,345	-
Effect of exchange rate changes on cash		809	(84)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	9,174,822	9,700,691	9,098,403	9,625,345

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report includes separate financial statements for Alara Resources Limited (**AUQ**) as an individual parent entity (the **Company**) and the consolidated entity consisting of Alara Resources Limited, its subsidiaries and its interest in associate entities. Alara Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependant upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the consolidated entity. The directors are confident that sufficient funding can be secured if required to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Statement of Compliance

Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Company's financial statements and notes also complies with the IFRS except that it has elected to apply the relief provided to parent entities in respect to certain disclosure requirements relating to *AASB 132: Financial Instruments: Disclosure and Presentation*, and *AASB 139: Financial Instruments: Recognition and Measurement*.

Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable by the revaluation of financial assets and financial liabilities at fair value basis of accounting through profit or loss has been applied.

Critical accounting estimates

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2008.

1.1. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. In assessing the power to control, the existence and effort and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 10 to the financial statements. All controlled entities have a June financial year-end. As at reporting date, the asset and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

1.2. Mineral Exploration and Evaluation Expenditure

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

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

1.3. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The consolidated entity's segment reporting is contained in note 17 of the notes to the financial statements.

1.4. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (**GST**). The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of Goods and Disposal of Assets
Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

(b) Contributions of Assets
Revenue arising from the contribution of assets is recognised when the consolidated entity gains control of the asset or the right to receive the contribution.

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

(d) Dividend Revenue
Dividend revenue is recognised when the right to receive a dividend has been established. The consolidated entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(e) Other Revenues
Other revenues are recognised on a receipts basis.

1.5. Foreign Currency Transaction and Balances

Functional and presentation currency

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

Transaction and balances

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

Group companies

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

(a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

(b) income and expenses are translated at average exchange rates for the period; and

(c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

1.6. Income Tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1.7. Goods and Services Tax ("GST")

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

1.8. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the consolidated

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

entity in accordance with statutory obligations and are charged as an expense when incurred.

1.9. Director/Employee Options

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

1.10. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

1.11. Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

1.12. Investments and Other Financial Assets

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments - These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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

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

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

1.13. Fair Value Estimation

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

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

1.14. Property, Plant and Equipment

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

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

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

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-40%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1.15. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.16. Payables

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

1.17. Issued Capital

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

1.18. Earnings Per Share

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

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

1.22 Leases

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

1.23 Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespec1,ive of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1 (t)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

1.24 New Standards and Interpretations Released But Not Yet Adopted

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact (except where stated below) on the Company's accounts/financial statements or the associated notes therein.

AASB reference	Title and Affected Standard(s):	Applies to:	Application date:
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009
AASB 3 (reissued March 2008)	Business Combinations	Released as part of long term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill.	Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2009 or later
AASB 127 (reissued March 2008)	Consolidated and Separate Financial Statements	The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debit balance for the non-controlling interest. Investments retained where there has been a loss of control will be recognised at fair value at date of sale.	Periods commencing on or after 1 July 2009
AASB 2008-3 (issued March 2008)	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 101, AASB 107, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, Interpretation 9 and Interpretation 107]	Makes consequential amendments to 20 standards and 2 interpretations arising from the reissue of AASB 3 and AASB 127, including to AASB 128: Investments in Associates and AASB 131: Interests in Joint Ventures. When an investment ceases to be an associate or jointly controlled entity and is subsequently accounted for under AASB 139, the fair value of the investment at the date when it ceases to be an associate or jointly controlled entity is its fair value.	Periods commencing on or after 1 July 2009
AASB 2008-5 and AASB 2008-6 (issued July 2008)	Improvements to IFRSs	Accounting changes for presentation, recognition and measurement, as well as terminology and editorial changes.	Periods commencing on or after 1 July 2009

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

1.24 New Standards and Interpretations Released But Not Yet Adopted (continued)

AASB 8 (Issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: *Segment Reporting. The adoption of this standard will result in changes to the nature and extent of segment reporting for the entity. The full impact has not yet been quantified.*	Periods commencing on or after 1 January 2009
AASB 101 (Revised Sep 2007)	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009
AASB Interpretation 4 (revised Feb 2007)	Determining whether an Arrangement contains a Lease [revised]	Scope has been amended to exclude service concession arrangements because these are now covered by AASB Interpretation 12.	Periods commencing on or after 1 January 2008
AASB 2007-2 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Mainly editorial changes	Periods commencing on or after 1 January 2008
AASB 2007-3 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Mainly editorial changes	Periods commencing on or after 1 January 2009
AASB 2007-6 (issued Jun 2007)	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Mainly editorial changes.	Periods commencing on or after 1 January 2009
AASB 2007-8 (issued Sep 2007)	Amendments to Australian Accounting Standards arising from AASB 101	Mainly editorial changes.	Periods commencing on or after 1 January 2009
AASB 2007-10 (issued Dec 2007)	Further Amendments to Australian Accounting Standards Arising from AASB 101	Replaces the term 'financial report' with the term used in the corresponding IFRS	Periods commencing on or after 1 January 2009

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

2. LOSS FOR THE YEAR

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

	Consolidated Entity 2008	Consolidated Entity 2007	Company 2008	Company 2007
(a) Revenue	$	$	$	$
Interest received	635,925	149,214	635,719	149,214
Gain on sale of share investments	137,118	-	137,118	-
Dividends revenue	11,657	-	11,657	-
Foreign exchange movement	-	(84)	-	-
Total revenue	784,700	149,130	784,494	149,214
(b) Expenses				
Personnel - cash remuneration	745,464	84,353	476,409	84,353
Personnel - options remuneration	3,301,026	-	3,301,026	-
Personnel - employee benefits	46,836	6,018	24,922	6,018
Occupancy costs	29,653	2,296	29,653	2,296
Finance expenses	9,043	3,032	1,970	3,020
Borrowing costs - interest paid	1,434	4	-	-
Resource projects				
- Exploration and evaluation impairment	196,205	40,175	-	-
Corporate expenses	80,545	46,097	79,268	46,097
Administration expenses				
- Communications	14,009	3,832	13,359	3,832
- Consultancy fees	22,580	1,159	14,142	1,159
- Travel and entertainment	37,633	400	14,232	400
- Professional fees	29,468	96	26,808	96
- Insurance	14,735	25,100	13,270	25,100
- Depreciation	2,313	80	646	18
- Provision for impairment of subsidiary loans	-	-	926,835	44,311
- Other	122,765	14,165	67,139	13,123
	4,653,709	226,807	4,989,679	229,823

3. INCOME TAX EXPENSE

(a) The prima facie income tax on loss from ordinary activities before income tax is reconciled to the income tax provided in the accounts as follows:

	Consolidated Entity 2008	Consolidated Entity 2007	Company 2008	Company 2007
Loss before income tax	(3,869,009)	(77,677)	(4,205,185)	(80,609)
Prima facie tax payable on loss from ordinary activities before income tax at 30%	(1,160,703)	(23,303)	(1,261,556)	(24,182)
Tax effect of permanent differences				
Other non deductible expenses	7,800	6,900	7,800	6,900
Other deductible expenses	(21,050)	-	(21,050)	-
Tax effect of temporary differences				
Provision for impairment of subsidiary loans	-	-	278,051	13,293
Provision for employee entitlements	14,051	1,805	7,477	1,805
Tax losses not brought to account as future income tax benefit	1,159,902	14,598	989,278	2,184
Underprovision for the prior year	3,036	-	3,036	-
Income tax expense	3,036	-	3,036	-

(b) Deferred Tax Asset (at 30%) not brought to account in the Income Tax Account

	Consolidated Entity 2008	Consolidated Entity 2007	Company 2008	Company 2007
On Income Tax Account				
Carry forward tax losses	204,233	-	44,572	-
Provisions	23,656	8,705	294,326	21,999
	227,889	8,705	338,898	21,999

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

3. INCOME TAX EXPENSE (continued)

The Deferred Tax Asset not brought to account for the 2008 and 2007 year will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) the Company is able to meet the continuity of ownership and/or continuity of business tests.

(c) Deferred Tax Liability (at 30%)
There were no deferred tax liabilities identified.

(d) The Company and controlled entities of the Company have elected to consolidate for taxation purposes and have entered into a tax sharing and funding agreement in respect of such arrangements.

4. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel (consolidated)

Directors

John Stephenson	Non-Executive Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director
Other key management personnel	
Victor Ho	Company Secretary

(b) Compensation of key management personnel

	Consolidated Entity		Company	
	2008	**2007**	**2008**	**2007**
Directors	**$**	**$**	**$**	**$**
Short-term employee benefits - cash fees	313,334	39,287	313,334	39,287
Post-employment benefits - superannuation	57,266	3,535	57,266	3,535
Equity based payments	3,144,942	-	3,144,942	-
	3,515,542	42,822	3,515,542	42,822
Other key management personnel				
Short-term employee benefits - cash fees	50,682	11,918	50,682	11,918
Post-employment benefits - superannuation	4,500	1,073	4,500	1,073
Equity based payments	54,766	-	54,766	-
	109,948	12,991	109,948	12,991

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

(c) Shareholdings of key management personnel

Directors	**Balance at 1.7. 2006**	**Balance at Appointment**	**Net Change ***	**Balance at Resignation**	**Balance at 30.6.2007**	**Net Change ***	**Balance at 30.6.2008**
John Stephenson		180,000			180,000	37,072	217,072
H. Shanker Madan		304,983			304,983	228,548	533,531
Farooq Khan		11,487,664	(430,000)		11,057,664	2,897,891	13,955,555
Other key management personnel							
Victor Ho		-	186,000		186,000	4,635	190,635

* Net Change Other refers to net shares purchased, sold or listed $0.25 (30 June 2009) options exercised during the year

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

4. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Options provided as remuneration and shares issued on exercise of such options

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

(e) Number options held by key management personnel (consolidated)
Listed $0.25 (30 June 09) options

Directors	Balance at 1.7.07	Net Change Other *	Balance at 30.6.08
John Stephenson		135,000	135,000
H. Shanker Madan		228,736	228,736
Farooq Khan		13,827,110	13,827,110
Other key management personnel			
Victor Ho		448,118	448,118

* Net Change Other refers to net options purchased, sold or exercised during the year

(f) Number options held by key management personnel (consolidated)
Unlisted Directors options

Directors	Balance at 1.7.07	Granted as Compensation	Net Change Other *	Balance at 30.6.08	Vested & Exercisable	Unvested
John Stephenson		975,000	-	975,000	487,500	487,500
H. Shanker Madan		8,800,000	-	8,800,000	4,400,000	4,400,000
Farooq Khan		8,775,000	-	8,775,000	4,387,500	4,387,500
Other key management personnel						
Victor Ho		500,000	-	500,000	166,667	333,333

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

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same.

(g) Loans to key management personnel

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

(h) Other transactions with key management personnel

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

5. AUDITORS' REMUNERATION

	Consolidated Entity		Company	
Amounts paid or due and payable:	**2008**	**2007**	**2008**	**2007**
Auditors of the Consolidated Entity (Grant Thornton (WA) Partnership)	**$**	**$**	**$**	**$**
Audit and review of financial reports	20,633	8,000	20,633	8,000
Non-audit services (Grant Thornton (WA) Partnership)				
Other services - tax services	4,700	6,147	4,700	6,147
Auditors of the subsidiaries (BDO Pazos, López de Romaña S.C.)				
Audit and review of financial reports	8,849	-	-	-
	34,182	14,147	25,333	14,147

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

6. LOSS PER SHARE	Consolidated Entity 2008	2007	Company 2008	2007
Basic loss per share (cents)	(4.81)	(0.69)	(5.23)	(0.71)
Diluted loss per share (cents)	n/a	n/a	n/a	n/a
Net Loss	(3,872,045)	(77,676)	(4,208,221)	(80,609)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	80,504,825	11,323,288	80,504,825	11,323,288

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.

Diluted EPS is not calculated as it does not increase the loss per share.

7. CASH AND CASH EQUIVALENTS	Consolidated Entity 2008 $	2007 $	Company 2008 $	2007 $
Cash at bank	474,822	9,700,691	398,403	9,625,345
Term deposit	8,700,000	-	8,700,000	-
	9,174,822	9,700,691	9,098,403	9,625,345

(a) Reconciliation of Loss after Tax to Net Cash Flows from Operations

Operating loss after tax	(3,872,045)	(77,677)	(4,208,221)	(80,609)
Non cashflows in loss from ordinary activities				
Gain on sale of share investments	(137,118)	-	(137,118)	-
Depreciation - plant & equipment	2,313	80	646	18
Foreign exchange movement	-	84	-	-
Exploration and evaluation impairment	196,205	40,175	-	-
Provision for non recovery of subsidiary loans	-	-	926,835	44,311
Directors' and Employee options	3,301,026	-	3,301,026	-
Decrease/(Increase) in assets:				
Receivables	(97,421)	(11,255)	2,382	(10,159)
Intangible assets	-	-	-	-
Increase/(Decrease) in liabilities:				
Trade creditors and accruals	221,985	98,701	(74,954)	89,390
Other Provisions	46,836	6,018	24,922	6,018
Net cash flows from/(used in) operating activities	(338,219)	56,126	(164,482)	48,969

(b) Disclosure of non-cash financing and investing activities

On 27 July 2007, the Company issued 18,550,000 unlisted director's options with an exercise price of $0.55, a term of 5 years and a vesting period over 12 months (50% on grant and 50% on 26 July 2008) from date of issue ($0.55, 26 July 2012 Directors' Options) to directors, J Stephenson, HS Madan and F Khan, after receiving shareholder approval at a general meeting held that day.

The Company also issued a further 1,425,000 unlisted employees' options with an exercise price of $0.55, a term of 5 years and a vesting period over 2 years (one-third on 26 January 2008, one-third on 26 July 2008 and one-third on 26 January 2009) from the date of issue ($0.55, 26 July 2012 Employees' Options) to 5 employees.

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

8. TRADE AND OTHER RECEIVABLES	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Company 2008 $	Company 2007 $
Current				
Amounts receivable from				
Sundry debtors	60,561	-	3,251	-
Goods and services tax recoverable	48,115	11,255	4,526	10,159
	108,676	11,255	7,777	10,159
Non-Current				
Amounts receivable from				
Amounts owed by controlled entities	-	-	1,030,644	119,310
Provision for impairment	-	-	(971,146)	(44,311)
	-	-	59,498	74,999

Refer to Note 18 for the Consolidated Entity and Company's exposure to credit risk, foreign exchange risk and interest rate risk.

(a) Impaired receivables and receivables past due

The non-current receivables are partly impaired in 2008 and 2007 and have been provided for.

(b) Movement in the provision for impairment of non-current

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Company 2008 $	Company 2007 $
Opening balance	-	-	(44,311)	-
Additional provisions (Note 2(b))	-	-	(926,835)	(44,311)
Closing balance	-	-	(971,146)	(44,311)

(c) Fair values

The fair values and carrying values of non-current receivables are as follows:

	Carrying Amount 2008 $	Fair Value 2008 $	Carrying Amount 2007 $	Fair Value 2007 $
Company				
Loans to subsidiaries	59,498	59,498	74,999	74,999
	59,498	59,498	74,999	74,999

9. PROPERTY, PLANT AND EQUIPMENT	Office Equipment $	Plant and Equipment $	Total $
2008 Consolidated			
At 1 July 2007, net of accumulated depreciation and impairment	-	13,245	13,245
Additions	973	30,185	31,158
Depreciation expense	(193)	(2,120)	(2,313)
At 30 June 2008, net of accumulated depreciation and impairment	780	41,310	42,090
At 1 July 2007			
Cost or fair value	-	13,325	13,325
Accumulated depreciation and impairment	-	(80)	(80)
Net carrying amount	-	13,245	13,245
At 30 June 2008			
Cost or fair value	973	43,510	44,483
Accumulated depreciation and impairment	(193)	(2,200)	(2,393)
Net carrying amount	780	41,310	42,090

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office Equipment	Plant and Equipment	Total
2007 Consolidated	$	$	$
At 1 July 2006, net of accumulated depreciation and impairment	-	-	-
Additions	-	13,325	13,325
Depreciation expense	-	(80)	(80)
At 30 June 2007, net of accumulated depreciation and impairment	-	13,245	13,245
At 1 July 2006			
Cost or fair value	-	-	-
Accumulated depreciation and impairment	-	-	-
Net carrying amount	-	-	-
At 30 June 2007			
Cost or fair value	-	13,325	13,325
Accumulated depreciation and impairment	-	(80)	(80)
Net carrying amount	-	13,245	13,245
2008 Company			
At 1 July 2007, net of accumulated depreciation and impairment	-	708	708
Additions	973	1,960	2,933
Depreciation expense	(193)	(453)	(646)
At 30 June 2008, net of accumulated depreciation and impairment	780	2,215	2,995
At 1 July 2007			
Cost or fair value	-	726	726
Accumulated depreciation and impairment	-	(18)	(18)
Net carrying amount	-	708	708
At 30 June 2008			
Cost or fair value	973	2,686	3,659
Accumulated depreciation and impairment	(193)	(471)	(664)
Net carrying amount	780	2,215	2,995
2007 Company			
At 1 July 2006, net of accumulated depreciation and impairment	-	-	-
Additions	-	726	726
Depreciation expense	-	(18)	(18)
At 30 June 2007, net of accumulated depreciation and impairment	-	708	708
At 1 July 2006			
Cost or fair value	-	-	-
Accumulated depreciation and impairment	-	-	-
Net carrying amount	-	-	-
At 30 June 2007			
Cost or fair value	-	726	726
Accumulated depreciation and impairment	-	(18)	(18)
Net carrying amount	-	708	708

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

10. OTHER NON-CURRENT FINANCIAL ASSETS	Consolidated Entity		Company	
	2008	2007	2008	2007
Available-for-sale Financial Assets comprise:	$	$	$	$
- unlisted shares in controlled entities - at cost	-	-	5,180,376	5,180,376
	-	-	5,180,376	5,180,376

(a) Investment in Controlled Entities	Percentage of Ownership	
	2008	2007
Hume Mining NL Incorporated in Australia on 29 March 1994; acquired from Orion Equities Limited on 18 May 2007	100%	100%
Alara Operations Pty Ltd (AO) Incorporated in Australia on 5 February 2007; acquired from Strike Resources Limited on 18 May 2007	100%	100%
Alara Peru Operations Pty Ltd (APO) Incorporated in Australia on 5 February 2007; acquired from Strike Resources Limited on 18 May 2007	100%	100%
Alara Peru S.A.C (subsidiary of APO) Incorporated in Peru on 1 March 2007.	100%	100%

11. EXPLORATION AND EVALUATION EXPENDITURE	Consolidated Entity		Company	
	2008	2007	2008	2007
	$	$	$	$
Balance at the beginning of the year	5,248,504	-	-	-
Mining assets acquired	-	506,015	-	-
Excess of consideration for mining assets acquired	-	4,742,489	-	-
Exploration and evaluation expenditure	833,229	40,175	124,121	-
Exploration and evaluation expenditure impairment	(196,205)	(40,175)	-	-
Balance at the end of the year	5,885,528	5,248,504	124,121	-

The Directors' assessment of the carrying amount is made in accordance with Note 1.2 and after consideration of prevailing market conditions, previous expenditure carried out on the tenements, and the potential for mineralisation based on both the entity's and independent geological reports. The ultimate value of these assets is dependent on recoupment (which cannot be ascertained at balance date) by commercial development or the sale of the whole, or part, of the Group's interests in those areas for an amount at least equal to the carrying value. There may exist, on the Group's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

12. TRADE AND OTHER PAYABLES	Consolidated Entity		Company	
	2008	2007	2008	2007
	$	$	$	$
Trade creditors	2,942	37,272	2,942	37,272
Other payables	445,351	189,036	69,236	109,860
	448,293	226,308	72,178	147,132

Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 18.

13. PROVISIONS	Consolidated Entity		Company	
	2008	2007	2008	2007
	$	$	$	$
Provision for employee entitlements	52,854	6,018	30,940	6,018
Movement in provision for employee entitlements				
Opening balance	6,018	-	6,018	-
Additional provisions	46,836	6,018	24,922	6,018
Closing balance	52,854	6,018	30,940	6,018
Number of employees (including Executive Directors and Officers) at Balance Date	14	6	5	6

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

14. ISSUED CAPITAL	Consolidated Entity 2008	2007	Company 2008	2007
	$	$	$	$
Issued and Paid-Up Capital				
80,507,500 fully paid ordinary shares (2007: 80,500,000)	14,754,059	14,819,046	14,754,059	14,819,046

Each fully paid ordinary share carries one vote per share and the right to participate in dividends.

	Date of movement	Number of shares	2008	2007
Movement in Ordinary Share Capital			$	$
At 1 July 2006		-	-	-
At incorporation	06-Dec-06	5,500,000	55,000	55,000
Initial public offering (IPO)	18-May-07	40,000,000	10,000,000	10,000,000
IPO expenses			(395,954)	(395,954)
Acquisition of Alara Peru Operations Pty Ltd	18-May-07	18,750,000	3,430,000	3,430,000
Acquisition of Alara Operations Pty Ltd	18-May-07	10,000,000	980,000	980,000
Acquisition of Hume Mining NL	18-May-07	6,250,000	750,000	750,000
At 30 June 2007		80,500,000	14,819,046	14,819,046
IPO expenses		-	(66,862)	
Options conversion	Nov-07	7,500	1,875	
		80,507,500	14,754,059	

Capital risk management

The consolidated entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt. 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.

15. RESERVES	Consolidated Entity 2008	2007	Company 2008	2007
	$	$	$	$
Foreign currency translation reserve	809	-	-	-
Options reserve	3,904,823	-	3,904,823	-
	3,905,632	-	3,904,823	-

Foreign currency translation reserve

Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve as described in Note 1. The reserve is recognised when the net investment is disposed off. The movement of the foreign currency translation reserve is mainly the translation of the foreign currency accounts of the foreign controlled subsidiaries.

Movement in Options Reserve The number of unlisted options outstanding over unissued ordinary shares at balance date is as follows	Grant date	Number of options	2008	Company 2007
Directors' Options				
Unlisted options exercisable at $0.55; expiring 26 Jul 2012	27-Jul-07	18,550,000	3,144,942	-
Employees' Options				
Unlisted options exercisable at $0.55; expiring 26 Jul 2012	27-Jul-07	1,425,000	156,084	-
		19,975,000	3,301,026	-
Listed $0.25 (30 June 2009) options		60,375,000	603,797	-
Options exercised		(7,500)	-	-
		60,367,500	603,797	-

The Option Reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to options issued to Directors and Employees for nil consideration, the fair value of these options are included in the Option Reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

15. RESERVES (continued)

60,375,000 listed $0.25 (30 June 2009) Options (AUQO) were issued on 8 October 2007 under a non-renounceable rights issue of 3 options for every 4 shares held by shareholders as at the record date (5.00pm WST on 12 September 2007) at an issue price of 1 cent per option.

Equity based remuneration (Refer to Note 19)
18,550,000 $0.55 (26 July 2012) Directors' Options were granted to 3 directors of the Company on 27 July 2007 after receiving shareholder approval on 27 July 2007. The vesting conditions were: 50% on grant and 50% on 26 July 2008.

1,425,000 $0.55 (26 July 2012) Employees' Options were granted to 5 employees of the Company on 27 July 2007 after receiving shareholder approval on 27 July 2007. The vesting conditions were: 1/3rd on 26 January 2008, 1/3rd on 26 July 2008 and 1/3rd on 26 January 2009.

The fair value of Directors' and employees' options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using a binomial tree options valuation model that takes into account the exercise price, the term of the option, the underlying share price as at date of grant, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option.

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

16. RELATED PARTY DISCLOSURES

	Company	
	2008	**2007**
Loan to subsidiaries	**$**	**$**
Beginning of the year	119,310	-
Loans advanced	949,936	119,310
Loans repayment received	(38,602)	-
End of year	1,030,644	119,310
Balances outstanding at Balance Date		
Hume Mining NL	25,000	25,000
Alara Operations Pty Ltd	612,714	56,711
Alara Peru Operations Pty Ltd	25,000	25,000
Subsidiary of Alara Peru Operations Pty Ltd		
Alara Peru S.A.C	367,930	12,599
	1,030,644	119,310

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 10 to the financial statements. The above amounts remain outstanding at balance date. Interest is not charged on such outstanding amounts.

17. SEGMENT REPORTING

The Consolidated Entity is based in Australia but has resource projects in Peru and is predominantly involved in mineral exploration and evaluation.

Geographical segments	Segment revenues		Segment results	
	2008	2007	2008	2007
Australia	784,494	149,214	(3,554,043)	(76,487)
Peru	206	-	(318,002)	(1,190)
	784,700	149,214	(3,872,045)	(77,677)

Geographical segments	Segment assets		Segment liabilities		Acquisition of non-current segment	
	2008	2007	2008	2007	2008	2007
Australia	13,864,102	13,883,552	(159,321)	(162,461)	6,971	4,628,257
Peru	1,347,014	1,090,143	(341,826)	(69,865)	24,187	1,058,134
	15,211,116	14,973,695	(501,147)	(232,326)	31,158	5,686,391

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

18. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The consolidated entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, loans to related parties and shares in listed securities. The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board of Directors is responsible for the overall internal control framework (which includes risk management) but no cost effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the consolidated entity and company in the table below are due or payable within 30 days except for employee entitlements.

	Variable Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
Consolidated Entity	2008	2007	2008	2007	2008	2007	2008	2007
Financial assets								
Cash	474,822	9,700,691	8,700,000	-	-	-	9,174,822	9,700,691
Receivables	-	-	-	-	108,676	11,255	108,676	11,255
	474,822	9,700,691	8,700,000	-	108,676	11,255	9,283,498	9,711,946
Financial liabilities								
Payables	-	-	-	-	(448,293)	(226,308)	(448,293)	(226,308)
Employee entitlements	-	-	-	-	(52,854)	(6,018)	(52,854)	(6,018)
	-	-	-	-	(501,147)	(232,326)	(501,147)	(232,326)
Net financial assets	474,822	9,700,691	8,700,000	-	(392,471)	(221,071)	8,782,351	9,479,620
Company								
Financial assets								
Cash	398,403	9,625,345	8,700,000	-	-	-	9,098,403	9,625,345
Receivables	-	-	-	-	7,777	10,159	7,777	10,159
	398,403	9,625,345	8,700,000	-	7,777	10,159	9,106,180	9,635,504
Financial liabilities								
Payables	-	-	-		(72,178)	(147,132)	(72,178)	(147,132)
Employee entitlements	-	-	-		(30,940)	(6,018)	(30,940)	(6,018)
	-	-	-	-	(103,118)	(153,150)	(103,118)	(153,150)
Net financial assets	398,403	9,625,345	8,700,000	-	(95,341)	(142,991)	9,003,062	9,482,354

(a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The consolidated entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The consolidated entity has no borrowings. The average interest rate for the year for the table below is 6.93% (2007:6.2%)

	Consolidated Entity		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Cash at bank	474,822	9,700,691	398,403	9,625,345
Term deposit	8,700,000	-	8,700,000	-
	9,174,822	9,700,691	9,098,403	9,625,345

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

18. FINANCIAL RISK MANAGEMENT (continued)

(b) Foreign Currency Risk

The consolidated entity is exposed to foreign currency risk on cash held by a controlled foreign entity, foreign resource project investment commitments and exploration and evaluation expenditure on foreign resource projects. The currency risk giving rise to this risk is primarily US dollars (USD). The consolidated entity has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk. The Consolidated Entity's exposure to foreign currency risk at reporting date was as follows:

	Consolidated Entity		Company	
	2008	2007	2008	2007
	USD	USD	USD	USD
Cash at bank	58,999	-	-	-
Receivables	80,429	-	-	-
Payables	(216,013)	-	-	-
	(76,585)	-	-	-

(c) Credit Risk

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

The credit quality of the financial assets are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below:

	Consolidated Entity		Company	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank	9,174,822	9,700,691	9,098,403	9,625,345
Receivables	108,676	11,255	7,777	10,159
	9,283,498	9,711,946	9,106,180	9,635,504

The consolidated entity measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the consolidated entity's maximum exposure to credit risk.

All receivables noted above are due within 30 days. None of the above receivables are past due.

(d) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity has no borrowings. There is sufficient cash and cash equivalents to meet accounts payable arising in the normal course of business.

The financial liabilities disclosed in the above table have a maturity obligation of within 30 days.

(f) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in Note 1. The aggregate fair value and carrying amount of financial assets at balance date are set out in Note 10 and financial liabilities at balance date are set out in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

18. FINANCIAL RISK MANAGEMENT (continued)

(g) Sensitivity Analysis

The Consolidated Entity's exposure to the US dollars is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

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

	Consolidated Entity		Company	
Interest rate risk - cash and cash equivalents	2008	2007	2008	2007
Change in profit	$	$	$	$
Increase by 3%	275,245	272,952	291,021	288,760
Decrease by 3%	(275,245)	(272,952)	(291,021)	(288,760)
Change in equity				
Increase by 3%	275,245	272,952	291,021	288,760
Decrease by 3%	(275,245)	(272,952)	(291,021)	(288,760)

19. SHARE-BASED PAYMENTS

A total of 18,550,000 Directors' and 1,425,000 employees' options were issued during the year (Refer to Note 15). Shareholder approvals were obtained for the issue of options to Directors as required under the Corporations Act 2001 and under the ASX Listing Rules. The reasons for the grant of these options to Directors and employees are as follows:

(i) The options issue was designed to act as an incentive for the recipient Directors and employees to strive to achieve the Company's goals with the aim of enhancing shareholder value.

(ii) The options provide an equity holding opportunity for each recipient Director and employee which is linked to the Company's share price performance.

(iii) Based on the option exercise price and the rate at which the options vest, the exercise of the options by the Directors and employees is potentially only likely to occur if there is sustained upward movement in the Company's share price.

(iv) The number of options issued to the Directors and employees have been determined having regard to the level of Directors and employees' salaries/fees being paid and is a cash free, effective and efficient way of providing an appropriate level of remuneration as well as providing ongoing equity based incentives for the Directors and employees to remain with the Company with a view to improving the future growth of the Company.

(v) As a relatively junior exploration company with much of its available funds dedicated or committed to its resource projects (and also in seeking opportunities in relation to the same) and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges for its Directors and employees within the industry in which it operates.

Options granted under the plan carry no dividend or voting rights.

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at end of the year	Vested and exercisable at end of the year	Fair value at balance date
27-Jul-07	26-Jul-12	0.55	-	18,550,000	-	18,550,000	9,275,000	$ 3,144,942
27-Jul-07	26-Jul-12	0.55	-	1,425,000	-	1,425,000	475,000	$ 156,084
			-	19,975,000	-	19,975,000	9,750,000	$ 3,301,026
Weighted average exercise price			-	0.55		0.55	0.55	

The weighted average remaining contractual life of share options outstanding at the end of the period was 4 years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

19. SHARE-BASED PAYMENTS (continued)

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 (2006: nil).

The fair value of directors' and employees' options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using 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 cost of all directors' and employees options assessed at fair value as at date of grant is $3,516,165 in total; the value in the above table reflects the fair value of options which the Company is required to expense for the year, on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option.

The model inputs for assessing the fair value of options granted during the year are as follows:
(a) options are granted for no consideration and vest as described in the table above;
(b) exercise price is as described in the table above;
(c) grant date is as described in the table above;
(d) expiry date is as described in the table above;
(e) share price is based on the last bid price on ASX as at date of grant, as described in the table below;
(f) expected price volatility of the Company's shares has been assessed independently by BDO Kendalls Corporate Finance (WA) Pty Ltd, as described in the table below;
(g) expected dividend yield is nil;
(h) risk-free interest rate is based on the 5 year Commonwealth bond yield, as described 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) Directors' Options	50% on grant and 50% on 26 July 2008	$0.27	6.29%	95%
27-Jul-07	$0.55 (26 July 2012)) Employee Options	1/3rd on 26 January 2008, 1/3rd on 26 July 2008 and 1/3rd on 26 January 2009	$0.27	6.29%	95%

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 $0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

20. COMMITMENTS

(a) Agreement with Sheridan Platinum Group Peru S.A.C in relation to Rosita 2007 Concession (Peru)

On 7 December 2007, Alara Peru S.A.C (a Peruvian subsidiary of the Company) entered into an agreement with Sheridan Platinum Group S.A.C. to acquire 100% of the uranium mineral rights (and vanadium, phosphates and other radioactive mineral rights associated with uranium production) in the Rosita 2 concession in consideration for US$200,000 to be paid in 3 tranches - $50,000 on execution, $50,000 in 12 months and $100,000 in 24 months.

Alara may withdraw from the agreement after making these payments and its obligations will cease after the date of withdrawal.

Alara is also liable for a royalty on all product mined and shipped from exploitation of these mineral rights as follows:

(a) Within 5 years - the greater of 3% of net smelter value or gross sales value;

(b) After 5 years - 5% of gross sales value.

(Alara may elect to reduce by 50% the rate of these royalties by payment of US$1 million within 12 months of production)

An advance royalty payment of US$25,000 per annum is payable after the initial 24 months from execution of the agreement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

20. COMMITMENTS (continued)

(b) King Sound Farm-In and Joint Venture Agreement with Strike Resources Limited (Western Australia)

On 10 December 2007, Alara Operations Pty Ltd (an Australian subsidiary) entered into a farm-in and joint venture agreement with Strike Resources Limited (Strike) over Strike's King Sound Mineral Sands Project (comprising 3 exploration licence applications pending grant). Alara will earn a 70% interest in the tenements by funding the project to a “decision to mine” stage.

Alara may withdraw from the agreement on 30 day's notice to Strike with liability for its pro-rata share of the tenements' minimum expenditure commitments up to the date of withdrawal.

(c) Agreement with Epsilon Energy Limited in relation to EL 09/1195 and 09/1196 tenements (Western Australia)

On 11 February 2007, Alara Operations Pty Ltd entered into an agreement with Epsilon Energy Limited (ASX Code: EPS) for Alara to earn up to a 60% interest in two exploration licences (EL 09/1195 and EL 09/1196) totalling ~43,500 hectares by spending up to $400,000 on exploration on the tenements within 2 years. These tenements are adjacent to Alara’s tenements in the Mt James project area. Alara has a minimum commitment of $200,000 within the first 12 months to earn a 51% interest with the right to earn an additional 9% interest by spending $200,000 on the tenements within the second 12 months; Alara has the right to withdraw after the initial $200,000 commitment with no further commitments beyond its pro-rata share of the costs required to keep the tenements in good standing up to the date of withdrawal.

(d) Mineral Tenement/Concession - Commitments for Expenditure

Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately $360,000 over a 12 month period, based on Australian tenements which have been granted as at balance date. Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

Peruvian concessions

The Consolidated Entity is required to pay annual license fees by 30 June of each year, currently charged at the rate of US$3.00 per hectare per annum. This is estimated at US$77,000.

(e) Australian Heritage Protection Agreements

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

(f) Agreements with Peruvian Landowners and Community Groups

The Company notes that holding a mineral concession in Peru does not grant automatic access to the surface land. Notwithstanding an easement procedure is contemplated in Peruvian law, in practice, mining companies have to negotiate and enter into private agreements with landowners/community groups in order to have access to their land for the purposes of conducting mining activities (exploration, evaluation, development and mining). With respect to the Consolidated Entity's Peruvian concession, there are often multiple landowners/community groups who are affected by the Consolidated Entity’s proposed mineral exploration and potential mining activities. To date, approvals have been sought and obtained on drilling on a programme by programme basis.

The obtaining of approvals from landowners/community groups can be complicated and time consuming. The Consolidated Entity will have to commit funds to community groups and or landowners to secure land access agreements to develop its Peruvian projects. There can be no guarantees as to the obtaining of such approvals or the terms upon which approvals are obtained. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity in this regard.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

21. CONTINGENT ASSETS AND LIABILITIES

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

(a) **Royalty to Orion Equities Limited -** The Consolidated Entity is liable to pay a royalty of 2% of gross revenues (exclusive of GST) to Orion Equities Limited from any commercial exploitation of any minerals from various Australian tenements - EL 24879, 24928, 24928 and 24729 and ELA 24927 (the Bigrlyi South Project tenements in the Northern Territory), EL 09/1253 (a Mt James Project tenement in Western Australia) and EL 46/629 and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the Canning Well Project tenements in Western Australia).

(b) **Native Title** - The Consolidated Entity's tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Consolidated Entity.

(c) **Government Royalties -** The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions in Australia and Peru. For example, the applicable Government royalties in Peru is between 1 to 3% based on the value of production. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalty regimes.

(d) **Directors' Deeds** - The Company has entered into deeds of indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as directors/officers of the Consolidated Entity. As at balance date, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

22. EVENTS AFTER BALANCE DATE

(a) On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all such options (save for 500,000 $0.55 (27 July 2012) Unlisted Employees’ Options held by one employee). The options were cancelled as part of a review of the Company’s directors and employee option plan. Expenses incurred in relation to this equity based remuneration, from 1 July 2008 to the date of cancellation, amount to $98,991.

(b) On 17 September 2008, the Company issued the following options to Directors and employees pursuant to shareholder approval given on the same date:

(i) 16,400,000 $0.35 (16 September 2013) Executive Directors’ Options . The vesting conditions are: 75% on grant and 25% on 17 September 2010. Each option will entitle the holder to subscribe for one share in the Company with one free attaching option issued (at the time of subscription) upon the same terms as the options (save that no free attaching options will be issued on exercise of the options and no vesting period applies to the free attaching options.

(ii) 900,000 $0.35 (16 September 2013) Non-Executive Director’s Options . The vesting conditions are: 75% on grant and 25% on 17 September 2010.

(iii) 1,485,000 $0.35 (16 September 2013) Employees’ Options. The vesting conditions are: 50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010.

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and accompanying notes as set out on pages 29 to 53, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures set out in the Directors' Report on pages 21 to 25 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*; and
4. The Directors have been given the declarations by the Managing Director (the person who performs the chief executive function) and the Company Secretary (the person who performs the chief financial officer function) as required by section 295A of the *Corporations Act 2001*.

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

John Stephenson
Chairman

Shanker Madan
Managing Director

Perth, Western Australia

30 September 2008

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
To the members of Alara Resources Limited

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Report on the Financial Report

We have audited the accompanying financial report of Alara Resources Limited (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Grant Thornton

Electronic Presentation of Audited Financial Report

This auditor's report relates to the financial report of Alara Resources Limited (the company) for the year ended 30 June 2008 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Alara Resources Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Alara Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P. W. WARR
Partner

Perth, 30 September 2008

CORPORATE GOVERNANCE

Compliance with Corporate Governance Council's Principles

The extent to which the Company has followed the ASX Corporate Governance Council's 10 principles of good corporate governance and best practice recommendations are as follows:

Principle 1: Lay solid foundations for management and oversight	**Compliance**	**CGS References / Comments**
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	CGS 2, 4.1
1.2 Provide the information indicated in Guide to reporting on Principle 1.		
The following material should be included in the corporate governance section of the annual report:		
• an explanation of any departure from best practice recommendation 1.1.	N/A	No departure
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• the statement of matters reserved for the board or a summary of the board charter or the statement of delegated authority to management.	Yes	Website CGS 2, 4.1
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	No	CGS 3.5
2.2 The chairperson should be an independent director.	Yes	CGS 3.2, 3.5
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	CGS 3.2
2.4 The board should establish a nomination committee.	No	CGS 4.2
2.5 Provide the information indicated in Guide to reporting on Principle 2.		
The following material should be included in the corporate governance section of the annual report:		
• the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	Yes	Annual Report
• the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds;	Yes	CGS 3.5
• a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company;	Yes	CGS 2, 3.13
• the term of office held by each director in office at the date of the annual report;	Yes	CGS 3.10
• the names of members of the nomination committee and their attendance at meetings of the committee; and	N/A	No committee
• an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5.	Yes	CGS 4.2
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• a description of the procedure for the selection and appointment of new directors to the board;	Yes	Website CGS 3.1, 3.10, 4.2
• the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and	N/A	No committee
• the nomination committee's policy for the appointment of directors.	N/A	No committee
Principle 3: Promote ethical and responsible decision-making		
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity; and 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	No	CGS 6, 7.1 (many aspects of a code of conduct are, however, covered by other Company policies)
3.2 Disclose the policy concerning trading in company securities by directors officers and employees.	Yes	CGS 3.8

CORPORATE GOVERNANCE

Principle 3: Promote ethical and responsible decision-making (continued)	**Compliance**	**CGS References / Comments**
3.3 Provide the information indicated in Guide to reporting on Principle 3.		
The following material should be included in the corporate governance section of the annual report:		
• explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3.	Yes	CGS 6, 7.1 (many aspects of a code of conduct are covered by other Company policies)
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10; and	N/A	No code of conduct, although see first dot point in 3.3 above.
• the trading policy or a summary of its main provisions.	Yes	Website CGS 3.8
Principle 4: Safeguard integrity in financial reporting		
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	CGS 4.1, 7.1
4.2 The board should establish an audit committee.	No	CGS 2(8), 4.2
4.3 Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the board; and • at least three members.	N/A	No committee
4.4 The audit committee should have a formal charter.	N/A	No committee
4.5 Provide the information indicated in Guide to reporting on Principle 4.		
The following material should be included in the corporate governance section of the annual report:		
• details of the names and qualifications of those appointed to the audit committee or, where an audit committee has not been formed, those who fulfil the functions of an audit committee;	Yes	CGS 2(8), 3.2
• the number of meetings of the audit committee and the names of the attendees; and	N/A	No committee
• explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5.	Yes	CGS 4.2
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• the audit committee charter; and	N/A	No committee
• information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	Yes	Website CGS 7.2

CORPORATE GOVERNANCE

Principle 5: Make timely and balanced disclosure	Compliance	CGS References / Comments
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	CGS 7.1, 8.2
5.2 Provide the information indicated in Guide to reporting on Principle 5. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendation 5.1 or 5.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section: • a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	N/A Yes	No departures Website CGS 8.2
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	CGS 8.1, 8.2
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	CGS 7.2
Principle 6: Respect the rights of shareholders		
6.3 Provide the information indicated in Guide to reporting on Principle 6. The following material should be included in the corporate governance section of the annual report: • an explanation of any departures from best practice recommendations 6.1 or 6.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section: • a description of the arrangements the company has to promote communication with shareholders.	N/A	No departures Website CGS 8.1, 8.2
Principle 7: Recognise and manage risk		
7.1 The board or appropriate board committee should establish policies on risk oversight and management.	Yes	CGS 7.1
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	CGS 7.1
7.3 Provide the information indicated in Guide to reporting on Principle 7. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendations 7.1, 7.2 or 7.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section: • a description of the company's risk management policy and internal compliance and control system.	N/A Yes	No departures Website CGS 7.1

CORPORATE GOVERNANCE

Principle 8: Encourage enhanced performance	**Compliance**	**CGS References / Comments**
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	CGS 3.11
8.2 Provide the information indicated in Guide to reporting on Principle 8.		
The following material should be included in the corporate governance section of the annual report:		
• whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted; and	Yes	CGS 3.11
• an explanation of any departure from best practice recommendation 8.1.	N/A	No departure
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• a description of the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	Website CGS 3.11
Principle 9: Remunerate fairly and responsibly		
9.1 Provide disclosure in relation to the company's remuneration polices to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	Remuneration Report within the Annual Report
9.2 The board should establish a remuneration committee.	No	CGS 4.2
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Annual Report
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	Issue of options to Directors are subject to shareholder approval (refer also Remuneration Report within the Annual Report)
Principle 9: Remunerate fairly and responsibly (continued)		
9.5 Provide the information indicated in Guide to reporting on Principle 9.		
The following material should be included in the corporate governance section of the annual report:		
• disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1;	Yes	Remuneration Report within the Annual Report
• the names of the members of the remuneration committee and their attendance at meetings of the committee;	N/A	No committee
• the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors; and	Yes	There are no such retirement schemes in place
• an explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5.	Yes	CGS 4.2
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	N/A	No committee

CORPORATE GOVERNANCE

Principle 10: Recognise the legitimate interests of stakeholders	Compliance	CGS References / Comments
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations.	No	CGS 6, 7.1 (many aspects of a code of conduct are, however, covered by other Company policies)
10.2 Provide the information indicated in Guide to reporting on Principle 10.		
The following material should be included in the corporate governance section of the annual report:		
• an explanation of any departure from best practice recommendation 10.1.	Yes	CGS 6
The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:		
• any applicable code of conduct or a summary of its main provisions.	N/A	No code of conduct, although see 10.1 above

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CGS)

1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (**"Council"**). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of all of the Council's recommendations can be found on the ASX website at:
http://www.asx.com.au/supervision/governance/index.htm.

2. Board of Directors - Role and responsibilities

In general the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the matters set out below, subject to delegation as specified elsewhere in this Statement or as otherwise appropriate:

(1) formulation and approval of the strategic direction, objectives and goals of the Company;

(2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;

(3) the resourcing, review and monitoring of executive management;

(4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;

(5) the identification of significant business risks and ensuring that such risks are adequately managed;

(6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;

(7) the establishment and maintenance of appropriate ethical standards;

(8) responsibilities typically assumed by an audit committee including:

   (a) reviewing and approving the audited annual and reviewed half yearly financial reports; and

   (b) reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;

(9) responsibilities typically assumed by a remuneration committee including:

   (a) reviewing the remuneration and performance of both Executive and Non-Executive Directors;

   (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executives' performance, including, setting goals and reviewing progress in achieving those goals; and

   (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes.

(10) responsibilities typically assumed by a nomination committee including:

   (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors; and

   (b) oversight of Board and Executive succession plans.

3. Board of Directors – Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and the scale and nature of the Company's activities. The names of the Directors in office currently and during the 2007/2008 year and their qualifications and experience are stated in the Directors' Report for the year ended 30 June 2008.

3.1. Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board recognises its need to contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and Director-level business or corporate experience, having regard to the scale and nature of the Company's activities. A Director is initially appointed by the Board and retires (and stands for re-election) at the next Annual General Meeting after their appointment.

CORPORATE GOVERNANCE

3.2. Chairman, Managing Director and Executive Directors

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Chairman of the Company is Dr John Stephenson whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2008.

The Managing Director is responsible and accountable to the Board for the Company's management. The Managing Director of the Company is Mr H. Shanker Madan whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2008.

Mr Farooq Khan is an Executive Director of the Company, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2008.

3.3. Non-Executive Directors

The Chairman is the Company's only Non-Executive Director.

3.4. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The Company Secretary is Mr Victor Ho, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2008.

3.5. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

(1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(2) within the last 3 years has not been employed in an Executive capacity by the Company, or been a Director after ceasing to hold any such employment;

(3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company , or an employee materially associated with a service provider;

(4) is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(5) has no material contractual relationship with the Company other than as a Director of the Company;

(6) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

(7) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Non-Executive Chairman, Dr Stephenson, is not regarded as an independent Director as he is Chairman of substantial shareholder, Strike Resources Limited ("**SRK**"). The balance of the Board, being Executive Directors, are not considered independent within the definition outlined above. Messrs Madan and Khan are also Executive Directors of SRK.

The Board considers that the Company was and is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically to determine the optimum number of Directors required for the Board to properly perform its responsibilities and functions.

3.6. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

(1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and

(2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

3.7. Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

3.8. Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities is set by the Board. The Board prohibits Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in prices of the Company's securities. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities of the Company or other companies with which the Company has a relationship.

Dealings in the Company's securities by officers and employees are not permitted at any time whilst they are in the possession of price sensitive information not already available to the market.

3.9. Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

3.10. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director (other than the Managing Director) may not retain office for more than three calendar years or beyond the third annual general meeting following his election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (save for a Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

The initial appointment and last re-election dates of each Director are listed below.

Director	Appointed	AGM Last Re-elected
John Stephenson	18 May 2007	30 November 2007
H. Shanker Madan	18 May 2007	N/A
Farooq Khan	18 May 2007	30 November 2007 (standing for re-election at AGM to be held on 6 November 2008

3.11. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Non-Executive Directors are responsible for reviewing the performance and remuneration of Executive Directors. The Chairman also speaks to Directors individually regarding their role as a Director.

3.12. Meetings of the Board

The Chairman and Company Secretary generally schedule monthly formal Board meetings. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between scheduled monthly meetings. Circulatory Resolutions are also utilised where appropriate either in place of or in addition to formal Board meetings.

It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

3.13. Independent Professional Advice

Subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

3.14. Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive Management. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.15. Directors' and Officer's Deeds

The Company has also entered into a deed with each of the current Directors and the Company Secretary to regulate certain matters between the Company and each Director and the Secretary, both during the time the Directors/Secretary hold office and after the Directors/Secretary cease to be an officer of the Company (or of any of its wholly-owned subsidiaries). A summary of the terms of such deed as far as it concerns the Directors is contained in Section 14.5 of the Company's IPO Prospectus dated 3 April 2007. The Company entered a deed with the Company Secretary that is identical to the Directors' deeds in all material respects in [ ] 2008.

4. Management

4.1. Executives

Please refer to section 3.2 for details of the Company's Managing Director and Executive Directors. The Company presently has one other Executive Officer being the Company Secretary. The Company does not presently have a Chief Financial Officer (**"CFO"**).

The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the chief executive and CFO equivalent declarations respectively in respect of the year ended 30 June 2008, as required under section 295A of the Corporations Act and recommended by the Council.

4.2. Board and Management Committees

In view of the current composition of the Board and the nature and scale of the Company's activities, the Board has considered that establishing formally-constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is matters typically dealt with by audit, nominations and remuneration committees are dealt with by the full Board.

CORPORATE GOVERNANCE

5. Remuneration Policy

Please refer to the Remuneration Report in the Director's Report for the year ended 30 June 2008.

6. Code of Conduct and Ethical Standards

The Company was not of a size that warranted the establishment of a formal code of conduct that guides compliance with obligations to stakeholders during the 2007/2008 financial year. However, the Company's policies are focussed on ensuring that all Directors, Executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company. Many of the items commonly found in a code of conduct are covered by the Company's policies designed to deal with compliance risk identified in section 7.1 of this Statement.

7. Internal Control, Risk Management and Audit

7.1. Internal Control and Risk Management

The Board has ultimate responsibility for risk management. The Board is responsible to oversee the Company's policies on and management of risks that have the potential to impact significantly on safety, financial performance or reputation.

On a day-to-day basis, managing the various risks inherent in the Company's operations is the responsibility of Executive Directors in their respective areas of responsibility, with appropriate delegation to the line managers reporting to them, guided by applicable policies. Line manager accountability is the "first line of defence", against realisation of risks.

Risks facing the Company can be divided into the broad categories of health and safety, operations, compliance and market.

Health and safety risk is an important risk faced by a resources company. Apart from the inherent unacceptability of threats to life or health, safety incidents have the potential to seriously damage the Company's reputation and ability to operate its business. The Company takes a "zero tolerance" approach to any situation that might compromise the health or safety of staff, contractors or members of the community. This risk is addressed by comprehensive safety policies and training and a requirement that any safety incident or "near miss" is reported up to the Board.

Operations risk refers to risks arising from day to day operational activities which may result in direct or indirect loss from inadequate or failed internal processes, people or systems or external events. Executive Directors have delegated responsibility from the Board for identification of potential operations risks, for putting processes in place to mitigate them and monitoring compliance with those processes, with appropriate input from line managers. The Board takes ultimate responsibility for this aspect of risk management by considering significant items in response to regular reports from Executive Directors. The Company has clear accounting and internal control systems to manage risks to the accuracy of financial information and other financial risks.

Compliance risk is the risk of failure to comply with all applicable legal and regulatory requirements and industry standards and the corresponding impact on the Company's business, reputation and financial condition. The Company's compliance risk management strategy ensures compliance with key legislation affecting the Company's activities. The Company Secretary has oversight responsibility for managing the Company's compliance risk. A key principle of the Company's compliance risk management strategy is to foster an integrated approach where line managers are responsible and accountable for compliance, within their job descriptions and within overall guidance developed by the Company Secretary assisted by the General Counsel.

The Company has policies on responsible business practices and ethical behaviour including anti-corruption, conflict of interest and share trading policies to maintain confidence in the Company's integrity and ensue legal compliance.

Market risk encompasses risks to the Company's performance from changes in markets, particularly resource prices and demand. The Board regularly assesses the Company's exposure to these risks and sets the strategic direction for managing them.

The Company's approach to risk management is not stationary; it evolves constantly in response to developments in operations and changing market conditions.

The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the chief executive and CFO equivalent declarations respectively in respect of the year ended 30 June 2008, on the risk management and internal compliance and control systems recommended by the Council.

7.2. Audit

The Company's external auditor (**Auditor**) is selected for its professional competence, reputation and the provision of value for professional fees. Within the audit firm, the partner responsible for the conduct of the Company's audits is rotated every three years.

The Auditor is asked to send its responsible partner to Annual General Meetings to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

8. Communications

8.1. Market and Shareholder Communications

The Company is owned by shareholders. Increasing shareholder value is a key part of the Company's mission. Shareholders require an understanding of the Company's operations and performance to enable them to see how that mission is being fulfilled. The Directors are the shareholders' representatives. In order to properly perform their role, the Directors must be able to ascertain the shareholders' views on matters affecting the Company.

The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders and the market through various means including:

CORPORATE GOVERNANCE

(1) the Annual Report which is distributed to shareholders if they have elected to receive a printed version and is otherwise available for viewing and downloading from the Company's website;

(2) the Annual General Meeting ("**AGM**") and other general meetings called to obtain shareholder approvals as appropriate. The Chairman or the Managing Director give addresses at AGMs updating shareholders on the Company's activities;

(3) the Half-Yearly Directors' and Financial Reports which are posted on to the Company's website;

(4) Quarterly Activities and Cash Flow Reports which are posted on to the Company's website; and

(5) other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which is also posted on the Company's website.

Shareholders communicate with Directors through various means including:

(1) having the opportunity to ask questions of Directors at all general meetings;

(2) the presence of the external auditor at Annual General Meetings to take shareholder questions on any issue relevant to their capacity as auditor;

(3) the Company rotating shareholder meetings around capital cities to allow as many shareholders as possible to have an opportunity to attend a meeting;

(4) the Company's policy of expecting Directors to be available to meet shareholders at Annual General Meetings; and

(5) the Company making Directors and selected senior employees available to answer shareholder questions submitted by telephone, email and other means.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.alararesources.com.au or the ASX website: www.asx.com.au under ASX code "AUQ". The Company also maintains an email list for the distribution of the Company's announcements via email in a timely manner.

8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the Corporations Act and ASX Listing Rule 3.1 the Company immediately notifies ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, subject to exceptions permitted by that rule. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

All staff are required to inform their reporting manager of any potentially price-sensitive information concerning the Company as soon as they become aware of it. Reporting managers are in turn required to inform an Executive Director or the Company Secretary of any potentially price-sensitive information.

In general, the Company will not respond to market speculation or rumours unless ASX or an applicable law requires it to do so.

Only Directors, the Company Secretary and employees who have been authorised by them may speak on the Company's behalf to the media, investors and analysts.

The Company may request a trading halt from ASX to prevent trading in its securities if the market appears to be uninformed. The Executive Directors and the Company Secretary are, collectively, authorised to determine whether to seek a trading halt.

9 October 2008

AUSTRALIAN TENEMENTS

Project	Status	Tenement	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km²)	Area (hectares)	Location / Property Name	State	Company's Interest
Bigrlyi 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)
	Application	EL 24927	12/09/05	N/A	338	998.7	99,870	Haasts Bluff	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	EL 24928	24/08/06	23/08/12	15	34.95	3,495	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	EL 24929	24/08/06	23/08/12	26	56.8	5,680	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	EL 24930	24/08/06	23/08/12	99	314.7	31,470	Mount Doreen	NT	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
Mt James	Granted	EL 09/1195	28/03/06	27/03/11	70	TBD	21,784.43	Mt James	WA	Right to earn up to a 60% interest (from Epsilon Energy Limited)
	Granted	EL 09/1196	28/03/06	27/03/11	70	TBD	21,757.06	Mt James	WA	Right to earn up to a 60% interest (from Epsilon Energy Limited)
	Application	E09/1527	28/04/08	N/A	49	152	15,220	Mt James	WA	100% held by Alara Operations Pty Ltd
	Granted	E 09/1253	29/06/06	28/06/11	49	147	14,700	Mt James	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	Granted	E 09/1245	23/03/07	22/03/11	35	105	10,500	Rubberoid Well	WA	70% held by Alara Operations Pty Ltd (30% retained by Uranium Oil & Gas Limited/Helen Mary Ansell)
	Granted	E 09/1257	28/06/06	27/06/11	27	81	8,100	Injinu Hills	WA	100% held by Alara Operations Pty Ltd
	Granted	E 09/1258	29/09/06	28/09/11	26	78	7,800	Mortimer Hills	WA	100% held by Alara Operations Pty Ltd
Mt Lawrence Wells	Granted	E 53/1259	02/03/07	01/03/12	8	24	2,400	Millgool Camp	WA	100% held by Alara Operations Pty Ltd
	Granted	E 53/1203	02/08/06	01/08/11	17	52	5,200	Mt Wilkinson	WA	100% held by Alara Operations Pty Ltd
Canning Well	Granted	E 46/629	02/08/05	01/08/10	19	57	5,700	Canning Well	WA	100% (75% held by Alara Operations Pty Ltd and 25% held by Hume Mining NL)
	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)
King Sound Mineral Sands	Application	E 04/1657	26/02/07	N/A	43	141	14,100	King Sound	WA	Right to earn 70% (100% held by Strike Resources Limited)
	Application	E 04/1658	26/02/07	N/A	58	190	19,000	King Sound	WA	Right to earn 70% (100% held by Strike Resources Limited)
	Application	E 04/1659	26/02/07	N/A	98	321	32,100	King Sound	WA	Right to earn 70% (100% held by Strike Resources Limited)
Kimberley Phosphate	Application	E 04/1855	14/08/08	N/A	150	490	48,992	Kimberley	WA	100% held by Alara Operations Pty Ltd
	Application	E 04/1856	14/08/08	N/A	45	146	14,649	Kimberley	WA	100% held by Alara Operations Pty Ltd
	Application	E 04/1857	14/08/08	N/A	95	309	30,922	Kimberley	WA	100% held by Alara Operations Pty Ltd
	Application	E 04/1858	14/08/08	N/A	75	245	24,456	Kimberley	WA	100% held by Alara Operations Pty Ltd
	Application	E 04/1859	14/08/08	N/A	42	137	13,682	Kimberley	WA	100% held by Alara Operations Pty Ltd

PERUVIAN CONCESSIONS

Crucero Project (4,100 hectares):

Concession	Code	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
Rosita Dos 2007*	01-00306-07	TBA	1000	29-X	Crucero	Carabaya	Puno

* 100% of uranium rights and vanadium, phosphates, and other radioactive mineral rights associated with uranium production

Santa Rosa Project (4,400 hectares):

Concession	Code	Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Sayana 1	01-02465-07	5 September 2007	400	30-U	Santa Rosa	Melgar	Puno
Quimsa 1	01-02480-07	7 September 2007	1000	30-U	Santa Rosa	Melgar	Puno
Quimsa 2	01-02460-07	9 August 2007	1000	30-U	Santa Rosa	Melgar	Puno
Cunurana 1	01-02451-07	7 September 2007	300	30-U	Santa Rosa	Melgar	Puno
Panca 1	01-02479-07	5 September 2007	700	30-U	Santa Rosa	Melgar	Puno
Santa Rosa Sur	01-03647-07	Application Pending	1,000	30-U	Santa Rosa, Macarí	Melgar	Puno

Pampacolca Project (4,400 hectares):

Concession	Code	Grant Date	Area (Hectares)	National Map	LOCATION		
					District	Province	Department
Pampacolca 1	01-01084-07	Application Pending	900	32Q	Pampacolca / Tipan Aplao	Castilla	Arequipa
Pampacolca 2	01-01085-07	28 May 2008	600	32Q	Aplao / Iray	Castilla / Condesuyos	Arequipa
Pampacolca 3	01-01852-07	18 July 2008	700	32Q	Pampacolca	Castilla	Arequipa
Pampacolca 4	01-01851-07	9 August 2007	500	32Q	Pampacolca	Castilla	Arequipa
Pampacolca 5	01-03649-07	12 May 2008	200	32Q	Pampacolca	Castilla	Arequipa
Pampacolca 7	01-04637-07	Application Pending	600	32Q	Aplao	Castilla	Arequipa
Pampacolca 10	01-06361-07	Application Pending	900	32Q	Aplao	Castilla	Arequipa

Coasa Project (9,600 hectares):

Concession	Code	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
Umachullo 1	01-02449-07	31 July 2007	1000	29-V	Coasa	Carabaya	Puno
Umachullo 2	01-02450-07	14 August 2007	1000	29-V	Coasa	Carabaya	Puno
Uchumallo 3	01-02445-07	14 August 2007	1000	29-V	Coasa	Carabaya	Puno
Uchumallo 4	01-02447-07	31 July 2007	1000	29-V	Coasa	Carabaya	Puno
Uchumallo 5	01-02446-07	6 September 2007	1000	29-V	Coasa / Usicayos	Carabaya	Puno
Coasa 1	01-02464-07	31 July 2007	400	28-X	Coasa	Carabaya	Puno
Lituania 4	01-02484-07	5 September 2007	800	29-X	Coasa	Carabaya	Puno
Hualahuani 1	01-02448-07	10 September 2007	1000	29-X	Usicayos / Coasa	Carabaya	Puno

ADDITIONAL ASX INFORMATION
as at 8 October 2008

ISSUED SECURITIES

	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215 [1]	80,507,500
$0.25 (30 June 2009) Listed Options[2]	60,367,500	-	60,367,500
$0.55 (26 July 2012) Unlisted Employees' Options[3]	-	500,000	500,000
$0.35 (16 September 2013) Unlisted Executive Directors' Options[4]	-	16,400,000	16,400,000
$0.35 (16 September 2013) Unlisted Non-Executive Director's Options[4]	-	900,000	900,000
$0.35 (16 September 2013) Unlisted Employees' Options[15]	-	1,485,000	1,485,000
Total	**116,378,785**	**43,781,215**	**160,160,000**

SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[5]	No. of Options
27 July 2007	$0.55 (27 July 2012) Employees' Options	$0.55	26 July 2012	1/3rd on 27 January 2008, 1/3rd on 27 July 2008 and 1/3rd on 27 January 2009	500,000
17 September 2008	$0.35 (16 September 2013) Unlisted Executive Directors' 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) Unlisted Non-Executive Director's Options	$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	900,000
17 September 2008	$0.35 (16 September 2013) Unlisted Employees' Options	$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	1,485,000

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

(1) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(2) on a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote; and

(3) on a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share.

1 Escrowed shares comprise:

(i) 4,488,750 shares held by related parties and promoters (founding shareholders) escrowed until 24 May 2009;

(ii) 12,750,000 vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus, escrowed until 24 May 2009;

(iii) 1,007,465 (formerly vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus) distributed in specie under a capital return effected by Strike Resources Limited on 13 December 2007 to various related parties and promoters of Strike Resources Limited and Alara Resources Limited (and their associates), escrowed until 24 May 2009; and

(iv) 6,250,000 vendor shares issued to Orion Equities Limited pursuant to settlement of the Hume Sale Agreement, as defined in the IPO Prospectus, escrowed until 24 May 2009.

2 Terms and conditions of $0.25 (30 June 2009) listed options are set out in a Rights Issue Options Prospectus dated 3 September 2007 and in an ASX Appendix 3B New Issue Announcement lodged on 3 September 2007

3 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

4 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

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

ADDITIONAL ASX INFORMATION

as at 8 October 2008

DISTRIBUTION OF LISTED AND UNLISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,594	736,104	0.914
1,001	-	5,000	553	1,333,870	1.657
5,001	-	10,000	418	3,539,597	4.397
10,001	-	100,000	552	17,035,519	21.160
100,001	-	and over	100	57,862,410	71.872
Total			**3,217**	**80,507,500**	**100.000%**

TOP 20 LISTED AND UNLISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder		Total Shares	% Issued Capital
1	STRIKE RESOURCES LIMITED		12,750,000	15.837
2	ORION EQUITIES LIMITED		9,332,744	11.592
3	BRW CONSULTING SERVICES PTY LTD	219,269		
	KATANA EQUITY PTD LTD	1,381,383		
	LISA SHALLARD AND LINDA SALA TENNA	2,824,144		
	CLASSIC CAPITAL PTY LTD	3,431,544		
	KB33 CAPITAL PTY LTD	200,000		
		Sub-total	8,056,340	10.007
4	NATIONAL NOMINEES LIMITED		2,874,423	3.570
5	DATABASE SYSTEMS LIMITED		2,712,021	3.369
6	ANZ NOMINEES LIMITED		1,724,236	2.142
7	RAMSA PTY LTD <BAILEY SUPERFUND A/C>		1,071,925	1.331
8	BLUE CRYSTAL PTY LTD		829,751	1.031
9	MS ROSANNA DE CAMPO		800,000	0.994
10	CITYSIDE INVESTMENTS PTY LTD		727,210	0.903
11	MANNHEIM INVESTMENTS PTY LTD		725,000	0.901
12	RENMUIR HOLDINGS LIMITED		668,402	0.830
13	HSBC CUSTODY NOMINEES		664,938	0.826
14	TWINLAND HOLDINGS PTY LTD		631,024	0.784
15	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>		605,929	0.753
16	ZHIVAN PTY LTD		566,814	0.704
17	MR BRIAN PETER BYASS		518,537	0.644
18	S JONES & R JONES & C JONES <THE SCOPA FAMILY ACCOUNT>		503,708	0.626
19	MISS HEI YE LAM		410,000	0.509
20	MIDAS INVESTMENTS (WA) PTY LTD		356,600	0.443
Total			**46,529,602**	**57.796**

ADDITIONAL ASX INFORMATION

as at 8 October 2008

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,594	733,796	1.310
1,001	-	5,000	554	1,336,495	2.386
5,001	-	10,000	416	3,525,475	6.294
10,001	-	100,000	545	16,759,985	29.923
100,001	-	and over	91	33,655,534	60.087
Total			**3,200**	**56,011,285**	**100.000%**

Unmarketable Parcel

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	11,904	2,646	6,525965	11.651
11,905	-	and over	554	49,485,320	88.349

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 11,904 shares or less, being a value of $500 or less in total, based upon the Company's last bid share price on 8 October 2008 of $0.042 per share.

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder		Total Shares	% Issued Capital
1	BRW CONSULTING SERVICES PTY LTD	69,269		
	KATANA EQUITY PTD LTD	1,356,383		
	LISA SHALLARD AND LINDA SALA TENNA	774,000		
	CLASSIC CAPITAL PTY LTD	2,431,544		
	KB33 CAPITAL PTY LTD	200,000		
		Sub-total	4,831,196	8.625
2	ORION EQUITIES LIMITED		3,082,744	5.504
3	NATIONAL NOMINEES LIMITED		2,874,423	5.132
4	DATABASE SYSTEMS LIMITED		2,712,021	4.842
5	ANZ NOMINEES LIMITED		1,724,236	3.078
6	RAMSA PTY LTD <BAILEY SUPERFUND A/C>		1,071,925	1.914
7	BLUE CRYSTAL PTY LTD		829,751	1.481
8	MS ROSANNA DE CAMPO		800,000	1.428
9	RENMUIR HOLDINGS LIMITED		668,402	1.193
10	HSBC CUSTODY NOMINEES		664,938	1.187
11	TWINLAND HOLDINGS PTY LTD		631,024	1.127
12	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>		605,929	1.082
13	ZHIVAN PTY LTD		566,814	1.012
14	MR BRIAN PETER BYASS		518,537	0.926
15	S JONES & R JONES & C JONES <THE SCOPA FAMILY ACCOUNT>		503,708	0.899
16	MISS HEI YE LAM		410,000	0.732
17	MIDAS INVESTMENTS (WA) PTY LTD		356,600	0.637
18	MR ROB FOTI & MRS SUE FOTI <ROBSU SUPER A/C>		336,000	0.600
19	MR JASON CHANH LAM		329,927	0.589
20	MR DAVIDE PALERMO & MRS FRANCINE GINA PALERMO <D F PALERMO FAMILY TST A/C>		320,536	0.572
Total			**23,838,711**	**42.561**

ADDITIONAL ASX INFORMATION
as at 8 October 2008

DISTRIBUTION OF LISTED $0.25 (30 JUNE 2009) OPTIONS

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	4	2,045	0.003
1,001	-	5,000	51	151,963	0.252
5,001	-	10,000	372	2,337,971	3.873
10,001	-	100,000	284	9,123,402	15.113
100,001	-	and over	54	48,752,119	80.759
Total			**765**	**60,367,500**	**100.000%**

TOP 20 LISTED $0.25 (30 JUNE 2009) OPTIONS

Rank	Optionholder		Total Options	% Total Options On Issue
1	STRIKE RESOURCES LIMITED		21,562,500	35.719
2	ORION EQUITIES LIMITED		9,131,205	15.126
3	BRW CONSULTING SERVICES PTY LTD	157,500		
	KATANA EQUITY PTD LTD	423,600		
	LISA SHALLARD AND LINDA SALA TENNA	1,626,000		
	CLASSIC CAPITAL PTY LTD	1,552,200		
	KB33 CAPITAL PTY LTD	105,000		
		Sub-total	3,864,300	6.401
4	RENMUIR HOLDINGS LIMITED		3,200,475	5.302
5	M & K KORKIDAS PTY LTD <SUPERANNUATION A/C>		1,200,400	1.988
6	DATABASE SYSTEMS LIMITED		730,430	1.210
7	MS ROSANNA DE CAMPO		600,000	0.994
8	CITYSIDE INVESTMENTS PTY LTD		506,250	0.839
9	MS SUE LYNN WONG		426,000	0.497
10	ANZ NOMINEES LIMITED		416,400	0.690
11	ZHIVAN PTY LTD <SUPER FUND A/C>		395,400	0.655
12	CHARLES FOTI CORPORATION PTY		393,750	0.652
13	BLUE CRYSTAL PTY LTD		375,000	0.621
14	MR BRIAN PETER BYASS		375,000	0.621
15	TWINLAND HOLDINGS PTY LTD		360,767	0.598
16	EZR SYSTEMS PTY LTD		270,625	0.448
17	MRS JOANNE JOHNSON		267,500	0.443
18	MIDAS INVESTMENTS (WA) PTY LTD		265,960	0.441
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		250,833	0.416
20	MR ROB FOTI & MRS SUE FOTI <ROBSU SUPER A/C>		240,000	0.398
Total			**44,832,795**	**74.059**

ALARA RESOURCES LIMITED
A.C.N. 122 892 719

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