



Alara Resources Limited
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31 December 2011 Quarterly Activities Report

Company Profile

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

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

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

Quarterly Highlights

- Exploration drilling and the Khnaiguiyah Zinc-Copper Definitive Feasibility Study continues in Saudi Arabia.
- Alara acquires an interest in the Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman.
- Grant of provisional Environmental Approval for Khnaiguiyah Project.
- Cash reserves of A\$22.9M as at December 2011.

Dated: 31 January 2012

FURTHER INFORMATION:

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ASX Code | **AUQ**





COMPANY PROJECTS

Saudi Arabia

Khnaiguiyah Zinc-Copper Project

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

20 October 2011 – Further assay results from 17 holes drilled on the eastern, western and southern edges of Zone 3 to test the extent of mineralisation and confirm the overall geometry of Zone 3 - all but two holes encountered significant zinc and copper mineralisation; Exceptionally high grades and thicknesses of zinc and copper mineralisation were encountered in two holes at shallow depth (K3DD11_028: 21m at 10.18% Zn and 0.58% Cu from 18m and K3DD11_067: 37m at 1.92% Cu from 28m); Results open up potential for further high grade extensions to mineralisation to the west at shallow depth; High grade zones will underpin overall high average grades in Zone 3.

29 November 2011 – Assay results from a further fifteen recently completed drill-holes in Zone 3 - these holes were drilled on eastern, north western and southern edges of Zone 3 with the objective of understanding and confirming overall geometry, geology, grade distribution and extension of Zone 3. The results from these holes indicate a continuation of mineralisation down-dip and up-dip away from the central shear zone. Further drilling will now be focused along the shear zone to the north and south where thick zones of high grade mineralisation have previously been encountered.

10 January 2012 – Assay results from a further 35 recently completed drill-holes, 29 in the northern extension of Zone 2 and 6 in the northern end of Zone 3 - of the 29 holes drilled in Zone 2, 15 were diamond drill holes and 14 were RC holes. These holes were primarily drilled as step out holes at a 50m grid interval with the objective of testing the extension and orientation of mineralisation in the north of Zone 2. The results from these holes in Zone 2 are exciting in that they confirm an extension of Zinc and Copper mineralisation in a north easterly direction. The mineralisation remains open to the north east and down dip and further drilling will test the extension of mineralisation continuity in these directions.

24 January 2012 – After reviewing an environmental impact study and other information (EIS) relating to the Khnaiguiyah Zinc Copper Project (the Project), the General Presidency of Meteorology and Environmental Protection in Saudi Arabia has granted provisional environmental approval in respect of the Project, with Ministerial approval expected to follow in due course. The approval is based on the EIS submitted in August 2011 by United Arabian Mining Company (Manajem) which contemplated a mill throughput of 1 million tonnes per annum (Mtpa). The definitive feasibility study currently being finalised by Khnaiguiyah Mining Company (KMC), being the joint venture company holding the Project in which Alara has a 50% interest, contemplates a mill throughput of 1 – 1.5 Mtpa. To the extent that the final Project parameters differ from that submitted by Manajem under the EIS, this may require an addendum to the current approval. Alara congratulates Manajem, its joint venture partner in the Khnaiguiyah Mining Project, for achieving this key milestone for the Project.

COMPANY PROJECTS

Saudi Arabia (Cont...)

Recent drilling is seen below in Figure 1 as well as results in Figure 2.

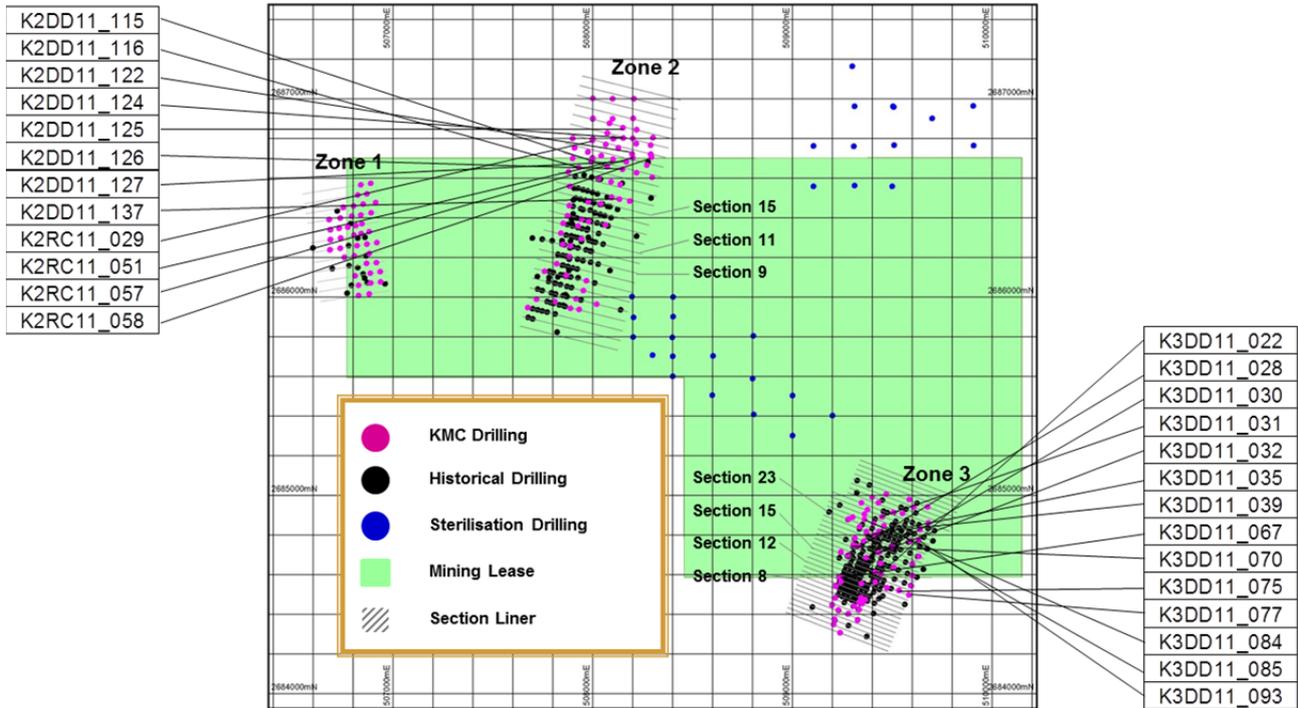


Figure 1

Drill Hole	From (m)	Length (m)	Zinc %	Copper %
K2DD11_115	62	13	4.62	
	66	3	10.60	
K2DD11_116	45	6		0.83
	46	3		1.15
K2DD11_122	116.85	15.15	6.79	
	119	8	10.16	
K2DD11_124	61	13	5.69	
	67	6	8.15	
K2DD11_124	73	9		1.14
	74	4		1.98
K2DD11_125	57	8	0.56	
	59	3	0.94	
K2DD11_126	108	18	4.16	
	114	5	7.06	
K2DD11_126	114	20		0.85
	119	2		5.17
K2DD11_127	126	11	7.54	
	128	6.1	11.12	
K2DD11_127	133	23		0.91
	150	3.2		3.77
K2DD11_137	109	17	5.49	
	118	6	9.30	
K2RC11_029	26	6		0.89
	28	4		1.25
K2RC11_051	89	7		1.26
	144	5	5.98	
K2RC11_057	144	4	6.61	
	170	6	13.94	
K3DD11_022	107	7	5.45	0.22
	132	21		2.32
K3DD11_028	18	21	10.18	0.58
	82	54	8.33	0.39
K3DD11_030		9	20.19	1.52
	168	13	7.39	1.27
K3DD11_030		6		2.06
	155	9	8.68	0.47
K3DD11_031		6	11.75	0.59
	122	65	9.86	1.24
K3DD11_032		12	15.31	3.09
	84	35	7.65	0.18
K3DD11_035		3	38.60	0.87
	125	21	7.03	0.16
K3DD11_035		1	44.40	0.78
	71	84	13.30	0.39
K3DD11_039		19	30.39	0.95
	28	37		1.92
K3DD11_067	62	11	5.05	0.13
	67	6	7.41	0.23
K3DD11_070	157	3	0.21	0.66
	157	1	0.03	1.16
K3DD11_075	241	5	0.46	0.84
	244	2	0.45	1.72
K3DD11_077	110	2	7.27	0.22
	111	1	12.25	0.38
K3DD11_084	172	19	5.14	0.15
	185	6	13.11	0.64
K3DD11_085	255	7	8.33	0.64
	256	5	11.03	0.72

Figure 2

Alara has completed 28,500m in 220 drill holes since February 2011.



COMPANY PROJECTS

Saudi Arabia (Cont...)

Alara is targeting completion of Khnaiguiyah DFS in Q2 2012.

A contract has been entered into to purchase land and source water supply for the project. Geophysical survey has been completed. Drilling for water and pump tests are being finalised for drilling to commence this month.

Marjan Precious and Base Metals Project

No activity in the December 2011 quarter pending formation of the joint venture company.

Oman

Daris Copper-Gold Project

Induced Polarisation (IP) survey on Daris East, Daris 3A-5 and a number of VTEM targets was completed. A deep drill hole at Daris East on a prominent IP anomaly intersected sulphides and silicone veins. The sulphide zone from 200-400m is being analysed for gold and copper.

Awtad Copper-Gold Project

Structured analysis of several VTEM targets was completed. Shallow RAB drilling on one such target intersected gossam within 10m from the surface extending for approximately 1km. Analysis of the gossamous material is in progress.

Al Ajal-Washihi-Mullaq Copper-Gold Project

During the quarter, Alara secured rights to acquire up to a 75% interest in Pilatus Resources Oman LLC (Pilatus) which currently holds three Exploration Licences covering 80km² over the prospective Al Ajal, Washihi and Mullaq Copper-Gold Project areas (collectively the Project) located in Oman. These prospects are also located in the Semail Ophiolite belt which hosts Cypress type VMS deposits. The three license areas are approximately 80-160km east and southeast of Daris Copper-Gold Project (Block 7) and Awtad Copper-Gold Project (Block 8). This Project is the third (after Daris Block 7 and Awtad Block 8) of a number of copper-gold opportunities Alara is currently pursuing in Oman.

Target mineralisation based on previous drilling and geophysics (the latter recently undertaken by Alara) of 2.5 million tonnes at 1.3% copper equivalent to 4.5 million tonnes at 1% copper equivalent (which includes gold credits) across the existing areas of drilling within the three licence areas. Further potential for mineralisation remains open laterally and at depth within the broader licence areas.

(The potential quantity and grade of the target mineralisation of copper equivalent is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of copper equivalent. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of copper equivalent.)

At the Al Ajal prospect, several historical drill holes intersected mineralised massive sulphides with combination of narrow high-grade copper zones and wider low-grade gold mineralisation. Significant drill results include 12m at 3.3g/t Au and 1.9% Cu.

At the Washihi Prospect, historical drilling over high chargeability-low resistivity geophysical targets, characteristic of VMS deposits, intercepted multiple Cu-Au-Ag bearing zones. These zones of massive sulphides have analysed up to 8.18g/t Au, 3.78% Cu, 16.83g/t Ag and 0.70% Zn.

Historical drilling at the Mullaq prospect adjacent to Washihi has also identified significant mineralisation ranging from 1.4% to 16.06% Cu.

Previous exploration has been concentrated around known gossans and covered only small pockets of the much larger licence areas.

COMPANY PROJECTS

Oman (Cont...)

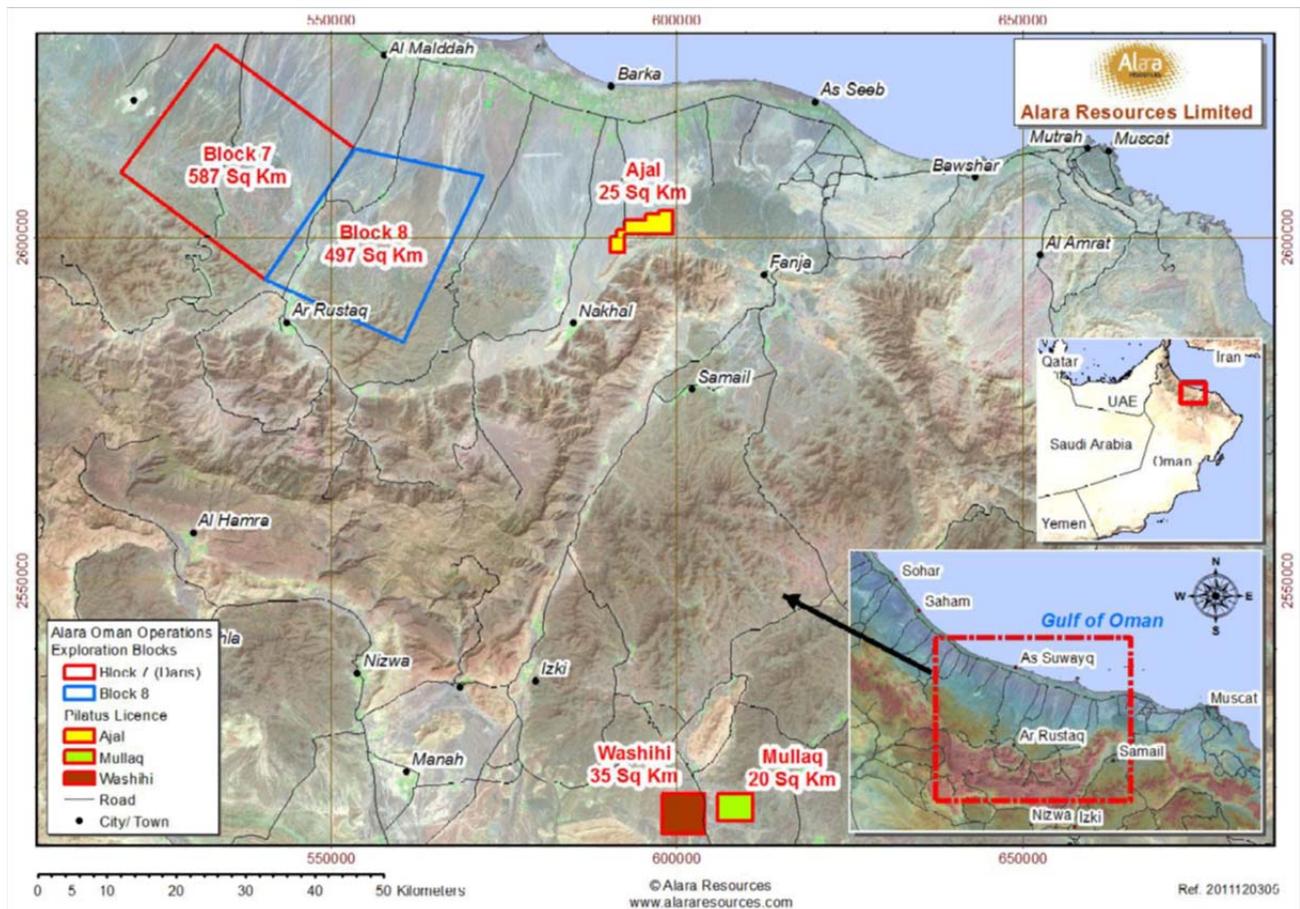


Figure 5

Summary of Joint Venture Terms - Al Ajaal-Washihi-Mullaq Copper-Gold Project

- (1) Alara Oman Operations Pty Limited (a wholly owned subsidiary of Alara) has entered into a Shareholders Agreement with the concession holder, Pilatus Resources Oman LLC (**Pilatus** or **JVCo**) and the existing shareholders of Pilatus (**Pilatus Shareholders**).
- (2) Alara will secure an initial 10% shareholding interest in JVCo by contributing US\$1 million equity capital into JVCo. Alara will then fund on-going exploration, evaluation and development costs. Upon Alara advancing a further US\$3 million into JVCo during a period of up to four years, it will be entitled to increase its shareholding in JVCo to 60%.
- (3) Post completion of a definitive feasibility study, the Pilatus Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If the existing Pilatus Shareholders decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay JVCo the amount which the Pilatus Shareholders were required to contribute under their payment notice and Alara shall increase its economic interest in JVCo to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of the Pilatus Shareholders until such time that 25% of the total amount required under the payment notices is repaid to Alara.
- (4) If a JVCo shareholder's interest falls below 10%, that party shall assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by JVCo.
- (5) JVCo will be governed by a four-member Board. Two directors shall be appointed by Alara and, for so long as the existing Pilatus Shareholders own at least 40% of the issued share capital of JVCo, two directors shall be jointly appointed by the Pilatus Shareholders. Alara is entitled to appoint the Chairman, who has a casting vote, and to nominate the Managing Director.
- (6) The Shareholders Agreement is subject to conditions precedent to be satisfied or waived by Alara within six months, including completion of due diligence, renewal of the Project licences (expanded to include gold ores/minerals) (where applicable) and JVCo settling all liabilities with the Pilatus Shareholders (where applicable).

COMPANY PROJECTS

Chile

El Quillay Copper-Gold Project (Alara: right to earn-in 70%)

Final agreements have now been executed in relation to Alara's acquisition of a 70% interest in the El Quillay Copper-Gold Project (the **Project**) located in the north of Chile.¹

Execution of such agreements paves the way for commencement of formal works in advancing this Project.

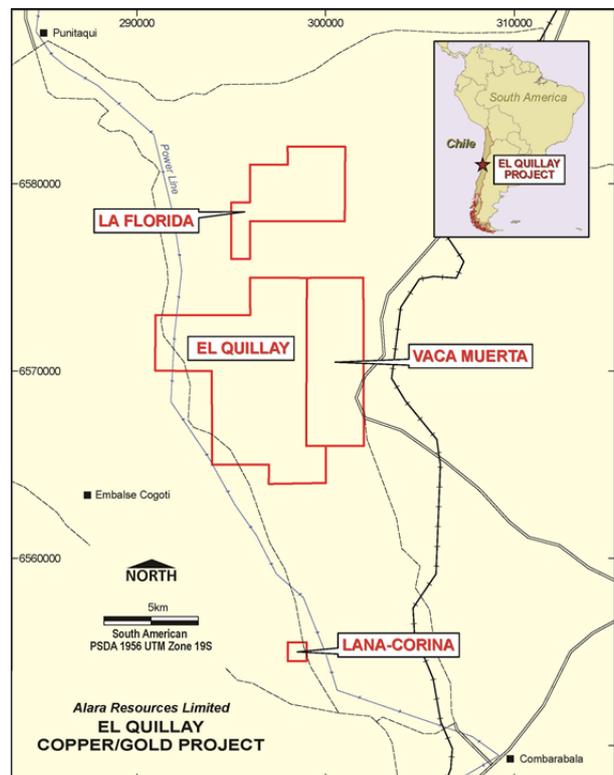
Summary

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

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

The Project presents several drill targets:

- El Quillay Norte (North) – Copper prospect along the El Quillay regional fault zone (which has a decline that has supported recent mining activity);
- El Quillay Central – Copper prospect along the El Quillay fault zone;
- El Quillay Sue (South) – Copper-Gold prospect along the regional fault zone;
- Lana-Corina – Two breccia pipes 40m to 50m wide with a deep shaft and underground workings. The breccia pipes extend into a porphyry copper deposit where 2 holes have intersected greater than 130m of mineralisation, one of which intersected 180m of 0.70% Cu and up to 200ppm Mo (refer Figures 2 and 3);
- Vaca Muerta – Along the El Quillay regional fault zone with many workings in parallel near vertical structures with grades encountered from due diligence sampling of up to 3.8% Cu over 2m; and
- La Florida – Exploration potential along the El Quillay regional fault zone.



Target Mineralisation

The Project comprises known Copper/Gold mineralisation in old workings presenting as lenticular bodies extending over a strike distance of ~3 kilometres with widths of up to 200 metres.

In particular, five copper, copper gold and copper moly IOCG (Iron oxide-Copper-Gold) type and porphyry prospects have been identified with deep workings along a ~6 kilometre strike located along a major fault system in andesitic lavas and in diorite.

¹ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)"

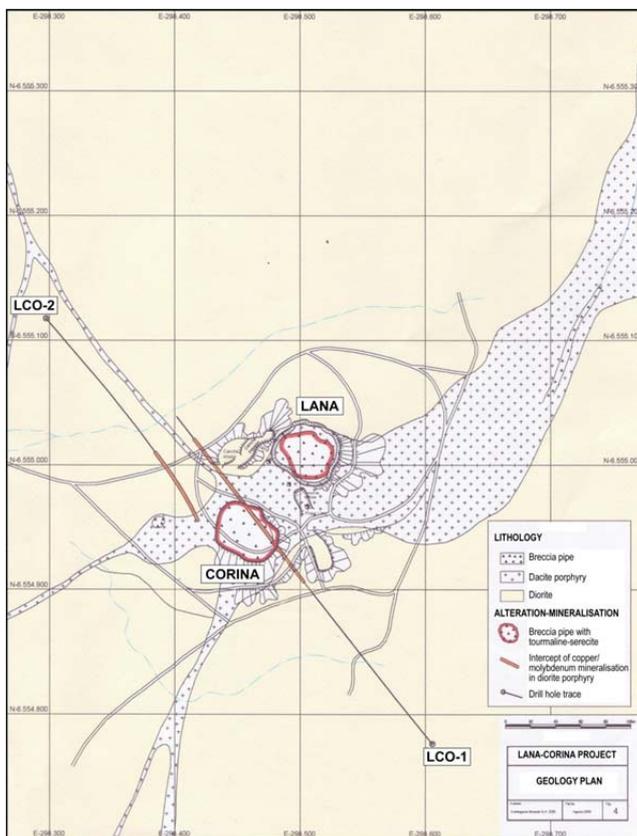
COMPANY PROJECTS

Chile (Cont...)

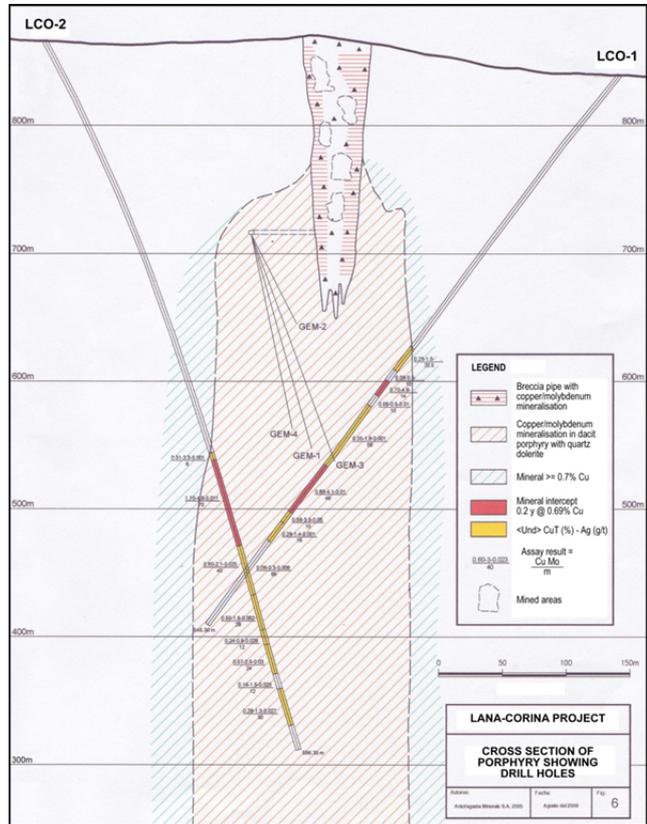
Alara projects the following target mineralisation ranges:

- 8 to 10Mt of oxide cap at 0.5% to 1.00% Cu to 30m depth and 20Mt to +40Mt at 1.5% Cu equivalent as copper sulphides, gold and silver below an oxide cap (based upon 550 samples extracted from outcroppings, underground and surface mine workings, assumed continuity of mineralisation along strike between the samples and assumed continuity of mineralisation to a depth of 200 metres); and
- 30Mt to 60Mt at 0.7% to 0.8% Cu equivalent in breccia pipes and porphyry (based on 2 drill holes which intersected greater than 130m of mineralisation, one of which intersected 180m at 0.70% Cu and up to 200ppm Mo) (refer Figures 2 and 3).

(The potential quantity and grade of the target mineralisation of copper equivalent is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target mineralisation of copper equivalent. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target mineralisation of copper equivalent).



Lana-Corina Project Area Geology Plan



Lana-Corina Project Area Cross Section

Exploration Programme

Alara has appointed Juan Carlos Toro as Exploration Manager (based in Chile) with considerable previous experience with Codelco, a major copper producer in Chile. Juan Carlos is presently finalising an initial exploration programme over priority targets within the Project area as a precursor to the commencement of a staged 10,000 metre drilling programme within 12 months, as follows:

- Mapping and geophysical surveys, including magnetic and Induced Polarisation (IP) commenced in January 2012; and
- An initial 5,000m of drilling in the El Quillay prospect is planned to commence in March 2012.



COMPANY PROJECTS

Chile (Cont...)

Summary of Agreements

The Shareholder Agreement grants Alara a 70% interest in Chilean joint venture company El Quillay SpA (**ELQ**). Under this agreement, Alara agrees to sole fund the Project's planned exploration program up to and including the completion of one or more Definitive Bankable Feasibility Studies.

An Option Agreement provides ELQ with a three year option to acquire 100% of the shares in SCM Antares. SCM Antares is a Chilean mining company which holds mining rights and concessions for the Project. This agreement also provides that ELQ (funded by Alara) shall carry out a minimum of 10,000m of drilling on the concessions within the next 12 months and 20,000m within 24 months.

The option fee payable by Alara under the Option Agreement comprises the following:

- (1) US\$10 million, payable over 3 years as follows:
 - (a) \$500,000 upon execution of the Option Agreement (paid 21 October 2011)
 - (b) \$1,000,000 by 21 October 2012
 - (c) \$3,000,000 by 21 October 2013
 - (d) \$5,500,000 by 21 October 2014
- (2) A variable bonus payment, calculated at the rate of US\$0.03 for each pound of Copper Resource discovered in the Project attributable to Alara's pro-rata share in the Project (70%), in excess of 250,000 tonnes of Copper Resource.

The variable bonus payment also applies to any additional Copper Resources discovered after the option is exercised.

Under a Loan Agreement, Alara grants a US\$10m line of credit to the 30% shareholders (the **Vendors**) in ELQ. The loan shall be applied exclusively toward the Vendors' equity financing portion (if any) of the Project financing required to bring the Project into commercial production and repaid out of the Vendors' share of profits arising from the Project.

NOTE:

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



CORPORATE

Corporate

The Annual General meeting (AGM) of Alara shareholders was held on 4 November 2011 in Perth, Western Australia. All resolutions were passed by shareholders. For more information refer to the Results of the AGM announcement made by Alara to the ASX on 4 November 2011.

Shareholder Information

As at 31 December 2011, Alara had 2,386 shareholders and 210,507,500 listed ordinary fully paid shares on issue with 26,250,000 unlisted options on issue.

Cash Assets

Alara's cash balance as at 31 December 2011 was A\$22.9M.

Expenditure

The Pro-forma Statement of Consolidated Cash Flows is provided in a separate report – Appendix 5B.

Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Alara Resources Limited and controlled/jointly controlled entities

ACN or ARBN

122 892 719

Quarter Ended

31 December 2011

Consolidated statement of cash flows

	Consolidated	
	Current Quarter December 2011 \$' 000	Year to Date 6 months \$' 000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(3,593)	(6,706)
(b) development	-	-
(c) production	-	-
(d) administration	(897)	(2,237)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	419	615
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
(a) Professional fees	(104)	(166)
Net operating cash flows	(4,175)	(8,494)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(744)	(744)
(c) other fixed assets	(273)	(326)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1,017)	(1,070)
1.13 Total operating and investing cash flows	(5,192)	(9,564)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(5,192)	(9,564)
1.20 Cash at beginning of quarter/year to date	28,053	32,208
1.21 Exchange rate adjustments to item 1.20	138	355
1.23 Cash at end of quarter	22,999	22,999

Payments to directors of the entity and associates of the directors

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

	Current Quarter December 2011 \$' 000
1.24 Aggregate amount of payments to the parties included in item 1.2	(129)
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation for the quarter.

Non-cash financing and investing activities

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

None.

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

None.

Financing facilities available

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

Estimated cash outflows for next quarter

	Next Quarter \$' 000
4.1 Exploration and evaluation	(6,800)
4.2 Development	-
4.3 Production	-
4.4 Administration	(1,100)
Total	(7,900)

Reconciliation of cash

	Consolidated	
	Current Quarter \$' 000	Previous Quarter \$' 000
Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows		
5.1 Cash on hand and at bank	2,468	3,822
5.2 Deposits at call	20,531	24,231
5.3 Bank overdraft	-	-
5.4 Other (Bank Bills)	-	-
Total: cash at end of quarter (item 1.22)	22,999	28,053

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (see note 5) (cents)	Amount paid up per security (see note 5) (cents)
7.1 Preference securities+				
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 Ordinary securities+	210,507,500	210,507,500	-	-
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 Convertible debt securities+				
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted \$0.55 (26 July 2012) Options	500,000	-	55 cents	26 July 2012
Unlisted \$0.35 (16 September 2013) Options	16,400,000	-	35 cents	16 September 2013
Unlisted \$0.35 (16 September 2013) Options	1,000,000	-	35 cents	16 September 2013
Unlisted \$0.35 (25 October 2014) Options	3,650,000	-	35 cents	25 October 2014
Unlisted \$0.60 (25 October 2014) Options	2,000,000	-	60 cents	25 October 2014
Unlisted \$0.50 (25 May 2014) Options	700,000	-	50 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Directors' Options	500,000	-	60 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Options	550,000	-	60 cents	25 May 2014
Unlisted \$0.70 (25 May 2014) Options	550,000	-	70 cents	25 May 2014
Unlisted \$0.35 (22 August 2015) Options	400,000	-	35 cents	22 August 2015
7.8 Issued during quarter				
Unlisted \$0.50 (25 May 2014) Options	200,000	-	50 cents	25 May 2014
Unlisted \$0.60 (25 May 2014) Options	125,000	-	60 cents	25 May 2014
Unlisted \$0.70 (25 May 2014) Options	125,000	-	70 cents	25 May 2014
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled during quarter	-	-	-	-
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes	-	-		

Compliance statement

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

31 January 2012

Elvio Ruggiero
Chief Financial Officer

Notes:

The **Company** currently holds the following listed share investments:

Listed securities

	31-Dec-11 Market Value	30-Sep-11 Market Value
	\$661,169	\$875,603
	\$661,169	\$875,603

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

+ See Chapter 19 for defined terms

NOTES

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- The Company holds foreign currencies denominated in US dollars and Peruvian Nuevo Soles. Fluctuations in foreign exchange rates have been accounted for in this cashflow report using the exchange rate as at 31 December 2011.