

Alara

Resources

Half Year Financial Report

31 December 2016

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Corporate Directory

Directors

James Phipps
Non-Executive Chairman

Justin Richard
Managing Director

Atmavireswar Sthapak
Executive Director

Vikas Jain
Non-Executive Director

Ian Gregory
Alternate Director

Company Secretaries

Elizabeth Hunt
Ian Gregory

Registered Office & Principal Place of Business

Level 11, 216 St Georges Terrace
Perth WA 6000
Australia
Telephone: +61 8 9481 0389
Facsimile: +61 8 9463 6103
E-mail: info@alararesources.com
Website: www.alararesources.com

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723
E-mail: admin@advancedshare.com.au
Website: www.advancedshare.com.au

Stock Exchange

Australian Securities Exchange (ASX)
Perth, Western Australia

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
Perth, WA 6000
Australia
Telephone: +61 8 9226 4500
Facsimile: +61 8 9226 4300
Website: www.bentleys.com.au

ASX Code

AUQ, AUQO

Directors' Report

The Directors present their report on Alara Resources Limited (**Company** or **Alara**) and the entities it controlled (**Consolidated Entity**) at the end of, or during the half-year ended 31 December 2016.

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

Directors

The following persons were Directors of Alara during the half-year to 31 December 2016 and up to the date of this report:

James Phipps	(Non-Executive Chairman)
Justin Richard	(Managing Director)
Atmavireshwar Sthapak	(Executive Director)
Vikas Jain	(Non-Executive Director)
Ian Gregory	(Alternate Director)

Half year overview

- Successful completion of a renounceable pro rata entitlement offer of shares closed oversubscribed.
- In Infill drilling program and revised resource model completed.
- Upgraded mineral resource estimate completed, resulting in significant increase to the Washihi Copper Gold deposit.
- Maiden Ore Reserve announced on Al Hadeetha Copper Gold Project.
- Project Management Company appointed for supervision and administration of the EPC Contract through to commissioning.
- Oman copper consolidation strategy being discussed with key industry participants.
- Positive project review from Oman's Public Authority of Mining.
- Project Presentation delivered at Oman's Mining and Investment Expo and Tanfeedh forum
- EOI's received for Project Finance.
- Legal proceedings in Saudi Arabia progressed slowly but steadily.

Summary

Announcement of a maiden ore reserve in Oman, identification of new shallow gold mineralisation outside the Washihi copper gold resource, and a successful rights issue, were among the Company's key achievements during the period.

The Public Authority of Mining is firmly behind the project and is actively working with relevant ministries to secure the mining licence.

An increasing focus on the future of copper mining in Oman is being supported by several government initiatives and improved copper prices, which are now 33% higher than they were at the start of the period.

Slow but steady progress was made toward obtaining a judgement through legal proceedings in Saudi Arabia.

Entitlements Issue

In July the Company announced a renounceable pro rata entitlement offer of shares, on the basis of 1 new share for every 7 existing share held at 14 July 2016.

A total of 72,287,857 shares were offered to eligible shareholders to raise approximately AUD\$1.45M before costs.

The entitlements issue was concluded within one month and closed with the shortfall being oversubscribed indicating a high level of support from the Company's shareholders and new investors.

Existing shareholders, management and new international investors provided strong support to the rights issue demonstrating the positive economic fundamentals currently underpinning the Company's Al Hadeetha copper-gold project in Oman.

Oman Projects

Alara has joint venture interests in four (copper-gold) exploration licenses in Oman extending over 692km², five mining licences pending grant totalling 10km² and ten (base and precious metals) exploration licence applications pending grant totalling 2,677km².

The Daris Project is located ~116km west of Muscat (the capital of Oman) International Airport. The Al Hadeetha Project includes Al Ajal, Washihi and Mullaq licence areas. Washihi and Mullaq are located ~100km south-southeast of Daris (refer Figure 1). Both Projects are located on or very close to high quality bitumen roads.

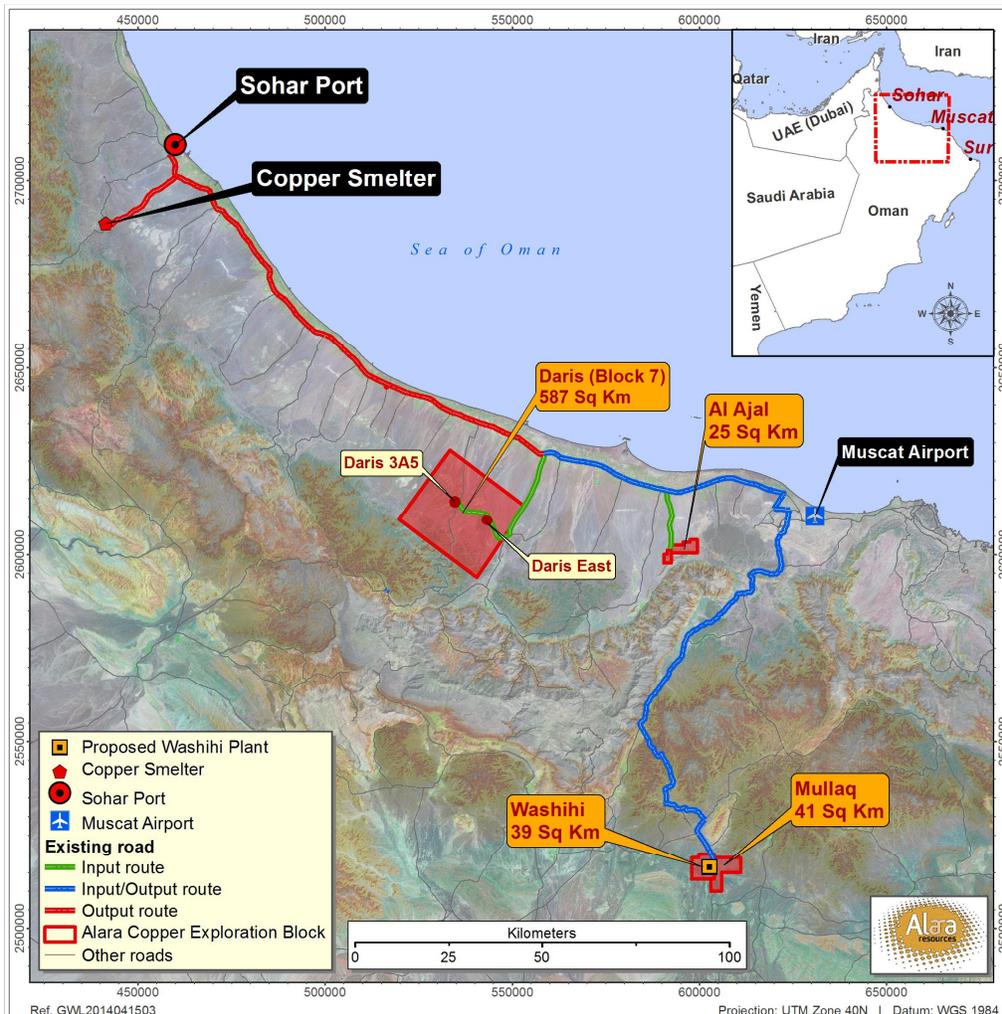


Figure 1: Location Map of Alara's Exploration Licence Areas in Oman

Upgraded Mineral Resource Estimate

During the period a total of six drill-holes were completed at Washihi to convert JORC Inferred Resource to JORC Indicated Resource. Subsequently, an updated resource model was developed which significantly increased the estimate of Indicated Resource from 6.84MT @ 0.9%Cu and 0.17g/t Au to 12.39MT @ 0.89%Cu & 0.22g/t Au (using 0.25% Cu cut-off) which was 81% improvement from the previously reported resource estimate¹.

Current JORC Resource inventory is provided in Table 1 below.

Table 1

Washihi Copper-Gold Mineral Resource, September 2016						
	Indicated			Inferred		
Cut off Cu %	Million Tonnes	Cu %	Au g/t	Million Tonnes	Cu %	Au g/t
0.2	12.40	0.89	0.22	3.74	0.78	0.23
0.25	12.39	0.89	0.22	3.71	0.79	0.23
0.3	12.37	0.89	0.22	3.68	0.79	0.23
0.4	12.16	0.90	0.22	3.54	0.81	0.24
0.5	11.39	0.93	0.23	2.98	0.88	0.25

In addition, a new and shallow occurring gold Inferred Resource of 0.31MT @ 0.51g/t (at 0.25g/t Au cut-off) was also estimated. This gold mineralisation which was intersected in the recent drilling program outside Washihi Resource boundary is delineated and estimated separately under Inferred Resource category. This gold mineralisation was intersected in drill-holes very close to surface and outcropping in the prominent gossan adjacent to the Washihi deposit. The new gold resource estimate is provided in Table 2 below.

Table 2

Gossan Hill Mineralization- Gold			
Inferred			
Cut off Au g/t	Kilo Tonnes (kt)	Au (g/t)	Ounces (k OZ)
0.05	439.00	0.41	5.74
0.10	420.31	0.42	5.69
0.15	405.58	0.43	5.63
0.20	346.93	0.48	5.31
0.25	307.60	0.51	5.03
0.30	274.40	0.54	4.73
0.35	257.40	0.55	4.55
0.40	220.48	0.58	4.09
0.45	197.79	0.60	3.79
0.50	147.82	0.64	3.02

Notes for Tables 1 and 2

1. Mineral Resources are reported in accordance with the JORC 2012.
2. Resource for Cu-Au is stated @ 0.25 % Cu cut-off grade; the mineral resource for gold in the Gossan hill (outside main ore body) in Table 2 has been stated @ .25 g/t Au.
3. Mineral resource tonnages have been rounded to reflect the accuracy of the estimate.
4. 1 ounce of Au = 31.1035 grams.

¹ Refer Alara's ASX Announcement dated 19 September 2016.

Figure 2 below provides Washihi Datamine Block Model with outlines of Indicated and Inferred resource boundaries and drill hole locations.

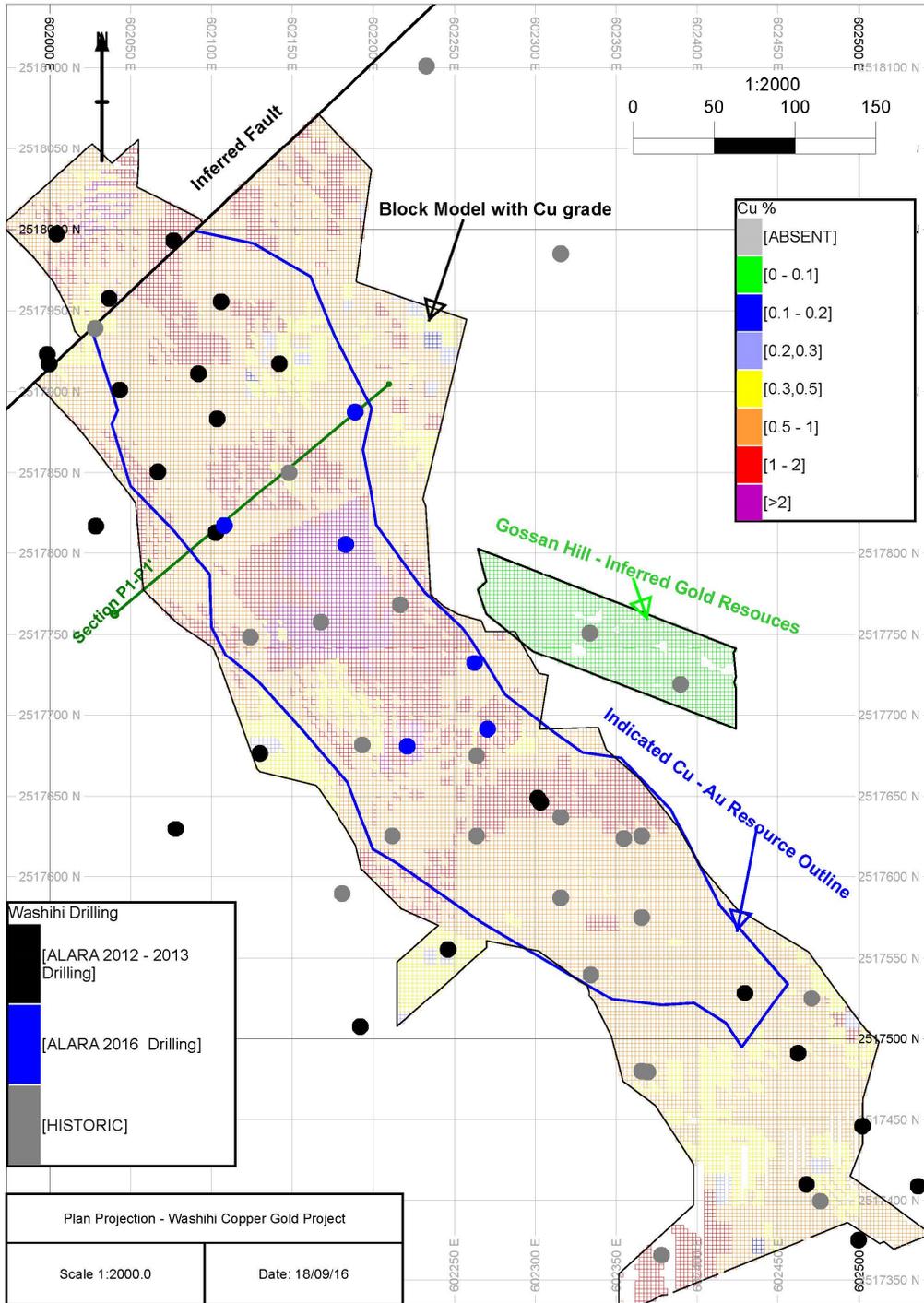


Figure 2: Washihi Datamine Block Model

Maiden Ore Reserve in Oman

Following the upgrade of the Washihi copper-gold resource statement in September, and in light of the assurance given by the Mining Authority with respect to the Mining Licence application, Alara issued an Ore Reserve statement for the Al Hadeetha Copper-Gold Project in December. The Reserve underpins construction of a 1 Mtpa copper concentration plant over an initial 10-year mine life².

The Ore Reserve estimate was based on the previous mineral resource upgrade shown below.

Table 3 – Summary of Washihi Copper Gold Mineral Resources @ 0.25% Cu Cut-off

Resource Classification	Tonnes (Mt)	Cu (%)	Au (g/t)
Indicated	12.4	0.89	0.22
Inferred	3.7	0.79	0.23
Grand Total	16.1	0.87	0.22

Indicated Resources were converted to a Probable Ore Reserve after the application of modifying factors, including pit optimization, mine design and an economic evaluation³.

The Ore Reserve estimate (based on a 0.3% Cu cut-off), and in pit mineral inventory are shown in Tables 4 and 5 below.

Table 4: Washihi Ore Reserve

Classification	Ore Reserve		
	Tonnes (Mt)	Cu (%)	Au (g/t)
Probable	9.7	0.88	0.22

Table 5: Washihi Mining Inventory

Classification	Tonnes (Mt)	Cu (%)	Au (g/t)
Ore Reserve	9.7	0.88	0.22
Inferred Resource	0.35	0.65	0.22
TOTAL	10.05	0.87	0.22

Project Management Company

During the period, Alara engaged Progesys as Project Management Consultants for the Project. Project Management services are scheduled to run for a period of 16 months from project ramp up through to commissioning.

Progesys are Canadian based industrial consultants with relevant Middle East experience. Their project resume includes project management, construction and commissioning services for some of the largest mining companies in the world.

² Refer Alara's ASX Announcement dated 15 December 2016.

³ Detail of the modifying factors supporting the Ore Reserve are contained in Appendix 1 (JORC Code, 2012 Edition - Table 1) of the 15 December announcement.

Oman Copper Strategy

The focus on diversification of the economy in Oman has led to Mining being identified as one of the five sectors for public investment in the Sultanate.

Alara is continuing discussions with key players in the mining sector with a view to creating greater synergies via collaboration and consolidation of copper assets in Oman.

Alara's contribution to its JV projects in Oman now totals more than AUD\$14m. This investment sees the Consolidated Entity well positioned to capitalise on developments within the mining industry in Oman, specifically in relation to copper resources and related infrastructure.

Project Presentations

Alara were invited to deliver project presentation at various forums throughout the period including an Omani CEO forum sponsored by Oman Oil, the Mining Investment Middle East and Central Asia Conference, the Tanfeedh metal manufacturers lab, and to the Public Authority of Mining executive team⁴.

Project Finance

Total project cost, including retrospective costs, has been estimated at AUD\$76m. Forecast capital expenditure to complete construction of project is AUD\$65m, including contingency and working capital.

The Company has received EOI's of up to AUD\$53m for debt finance. In addition, vendor finance and offtake agreements (including pre-production payments) have been offered to fund the balance.

The Company is also considering equity finance at the project level, particularly any strategic benefits an additional equity partner could bring to the project.

Khnaiguiyah Zinc Copper Project in Saudi Arabia

Zinc prices are now well above the level used in the High Case (i.e. US\$2,373/t) to calculate Project revenues. Also, the NPV, revenue and EBITDA figures previously reported⁵ in AUD, were based on a foreign exchange rate of AUD\$0.90 to USD\$1.00.

The project reached an impasse in 2014 and legal proceedings between United Arabian Mining Company LLC ('Manajem') and Alara commenced shortly thereafter. The proceedings have progressed slowly but steadily. At the hearing in October, the representative from the other side asked the judge to give more time to prepare their reply brief. It was argued that the hearing had taken considerably more time than was usual and that the matter should be submitted for judgment.

After some discussion, the judge decided a "final" extension would be given for Manajem to prepare their reply. Manajem's represent did not attend the next hearing and a judgement hearing has now been scheduled for March 2017.

On average, it takes approximately 575 days to enforce a contract in Saudi. It has now been approximately two years since Alara submitted its counterclaim.

Until such time that the mining licence is re-issued and/or further activity on the Khnaiguiyah site is permitted, Alara's focus is primarily on its Oman projects. However, the Company remains committed to preserving its interests in Saudi Arabia and turning the Khnaiguiyah Zinc-Copper project into an operating mine as soon as possible.

⁴ Refer Alara's ASX Announcement of 25 October 2016 for further details.

⁵ Refer Alara's ASX Announcement of 30 April 2013 and page 21 of the Company's 2013 Annual Report.

Outlook – Second Half 2017

- Mining Licence for Al Hadeetha Project
- Offtake and financing agreements finalised
- EPC contractor appointed
- Developments in Saudi

Al Hadeetha Copper Project

Processing of the mining licence application for the Washihi deposit in Oman has progressed with approval from several government departments confirmed. The Public Authority for Mining in Oman have completed their review of the project and are actively engaged with Alara, the Ministry of Environment and Ministry of Tourism to help ensure that the project is able to advance to construction as soon as practicable.

Daris Copper Project

In connection with the above, Alara are also pursuing mining licences for the Daris copper project.

The Daris Project comprises one exploration licence (Block 7) of ~587km². Two Mining Licence applications covering 3.2 km² at the Daris East and 1.3 km² at the Daris 3A-5 prospects have been filed.

JORC Mineral Resources

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

**The information in this JORC Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

Offtake Agreement

The Company is currently assessing its options for an offtake agreement and expects to have this finalised within the next period.

EPC Contractor

The Company is currently assessing EPC options and expects to make an appointment within the next period.

Developments in Saudi

Saudi Arabia continues to diversify its economy away from oil and has invested \$35 billion in a mining and minerals complex at Ras al-Khair Industrial City. The 2030 vision announced last year includes plans to increase the mining sector's contribution to gross domestic product to \$25 billion by 2020 and US\$64 billion by 2030.

While the impasse facing the Khnaiguiyah Zinc Project has been frustrating, the Project remains one of the largest and most advanced new mining projects in the Kingdom, including forecast project revenues of US\$2b and the creation of several hundred jobs. The areas surrounding Khnaiguiyah have now also been designated for mining.

No time frame has been given for when the mining licence will be re-issued, but the Ministry of Energy, Industry and Mineral Resources have reportedly issued new instructions on easing procedures to urge foreign investors' involvement in the sector.

During the last reporting period, the Ministry also announced its willingness to launch more investment licenses in the mining sector.

Alara has invested >AUD\$30m into the Project and holds the only Definitive Feasibility Study ('DFS') for the Project, which means the time to production is approximately two years ahead of any other potential applicant without a DFS.

Mineral Licences

Khnaiguiyah Zinc-Copper Project

The Khnaiguiyah Zinc-Copper Project (Khnaiguiyah Project) is located approximately 170km south-west of the capital city Riyadh and 35km north-west of Al-Quwayyah, which is a regional centre located around the Riyadh to Jeddah Expressway.

The Khnaiguiyah Project originally comprised one mining licence, 2 exploration licences and 5 exploration licence applications, totalling approximately 380km². These licences were held by Manajem, but have now been cancelled (refer 'Khnaiguiyah Mining Licence' section in the Quarterly Report - December 2015).

Alara and Manajem are currently engaged in legal proceedings with the judgement hearing scheduled for March 2017.

Meanwhile, Alara has funded and retains ownership of a Definitive Feasibility Study for the Project and has established a new JV Agreement with Bayan Mining Company LLC to deliver mining and mineral exploration projects in Saudi Arabia.

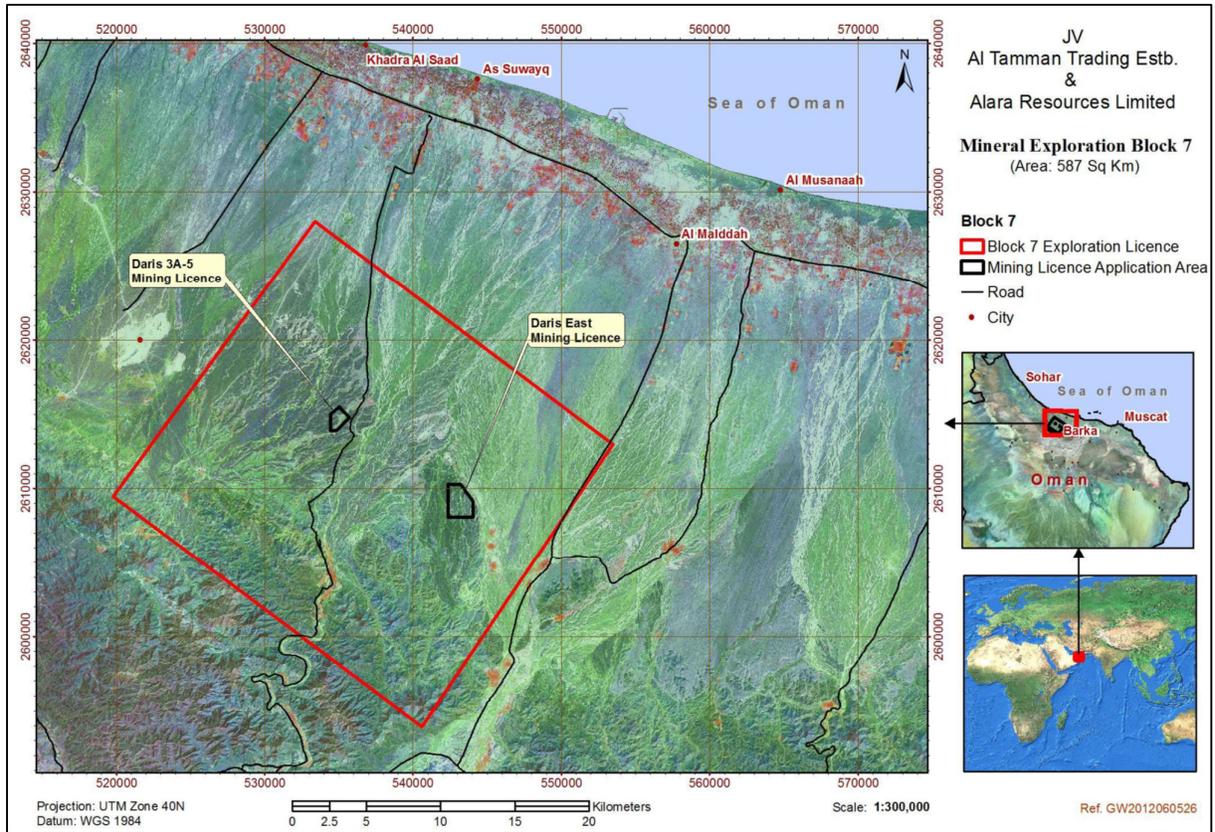
Figure 3: Khnaiguiyah Project location



Daris Copper-Gold Project

Alara holds 50% (with right to earn up to 70%) of the shares in the joint venture company, Daris Resources LLC. The joint venture company Daris Resources LLC holds the licence over the Block 7 area of 587km². The exploration licence Block 7 is located approximately 116km west of Muscat International Airport. The joint venture entity Daris Resources LLC has made applications for two mining licences over the Daris east area of 3.2km² and Daris 3A-5 area of 1.3km². The Daris Project has a JORC Measured and Indicated Resource of 240,024t sulphides at 2.37% Cu and 183,365t oxides at 0.72% Cu.

Figure 4: Locations of Block 7 (Daris) Exploration Licence and Mining Licence Applications



The current status of all licences/applications for this Project are presented in the table below.

Block Name	Licence Owner	Alara JV Interest	Exploration Licence				Mining Licences within EL		
			Area	Date of Grant	Date of Expiry	Status	Area	Date of Application	Status
Block 7	Al Tamman Trading and Est. LLC, Oman	50%	587km ²	Nov 2009	Feb 2016	Deemed renewal	Daris East 3.2km ²	Dec 2012	Application accepted in April 2013; in progress
							Daris 3A-5 1.3km ²		

Al Hadeetha Copper-Gold Project

Al Hadeetha Project incorporates three exploration licenses in Oman located east and southeast of Alara's Daris Project. Two of the exploration licences Washihi and Mullaq are located approximately 100km south-southeast of the Daris Project (Block 7 licence). One exploration licence, Al Ajal, is located approximately 80km east of the Daris Project by road. Alara holds 70% (with a right to earn 75%) of the shares in the joint venture company, Al Hadeetha Resources LLC (Al Hadeetha). Al Hadeetha holds exploration licences over the Washihi area of 39km², the Mullaq area of 41km², and the Al Ajal area of 25km². The joint venture entity has made applications for mining licences over Washihi area of 3km², Mullaq area of 3km² and Al Ajal area of 1.5km².

Figure 5: Location of Al Hadeetha Project Licences



The current status of all licences/applications for this project is presented in the table below.

Licence Name	Licence Owner	Alara JV Interest	Exploration Licence			Mining Licence Application within EL		
			Area	Date of Grant	Status	Area	Date of Application	Status
Washihi	Al Hadeetha Resources LLC, Oman	70%	39km ²	Jan 2008	Deemed renewal	2.1km ²	Dec 2012	FS accepted by Mining Authority; issuance pending
Mullaq	Al Hadeetha Resources LLC, Oman	70%	41km ²	Oct 2009	Deemed renewal	1km ²	Jan 2013	Application accepted in April 2013; in progress
Al Ajal	Al Hadeetha Resources LLC, Oman	70%	25km ²	Jan 2008	Deemed renewal	1.5km ²	Jan 2013	Application accepted in April 2013; in progress

ASX and JORC Code Cautionary Statements:

The information in this announcement that relates to the feasibility study of the Al Hadeetha Copper-Gold project is based on information compiled by Mr Shanker Madan, who is a Member of the Australasian Institute of Mining and Metallurgy, and consultant to Alara Resources. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2012 edition. Mr Madan consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to JORC Resources of the Daris Copper Gold Project and the Al Hadeetha Copper-Gold Project (Oman) are based on, and fairly represents, information and supporting documentation prepared by Mr Ravi Sharma, who is a Chartered Member of The Australasian Institute of Mining and Metallurgy, Registered Member of The Society for Mining, Metallurgy and Exploration. Mr Sharma was a principal consultant to Alara Resources and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2012 edition. Mr Sharma approves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Ore Reserve of the Al Hadeetha Project was compiled by Mr Harry Warries, who is a Fellow of the Australasian Institute of Mining and Metallurgy, and a consultant to Alara Resources. Mr Warries 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 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' In assessing the appropriateness of the Ore Reserve estimate, Mr Warries has relied on various reports, from both internal and external sources, in either draft or final version, which form part of or contribute to the Al Hadeetha Project Feasibility Study. These reports are understood to be compiled by persons considered by Alara to be competent in the field on which they have reported. Mr Warries consents to the inclusion in the report of the information in the form and context in which it appears.

Financial

Cash position

Alara's cash position as at 31 December 2016 was \$2.250m (30 June 2016: \$1.366m). Alara's current cash position is ~\$1.934m (as at 29 February 2017).

Working capital and operating costs review

During this half year, the Consolidated Entity continued to implement cost conservation initiatives. The cost savings implemented during this half can be applied in the medium to long term without further liability.

Corporate

Securities on issue

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	592,506,073	-	592,506,073
\$0.02 (30 April 2017) Quoted Entitlement Offer Options ⁶	233,804,321	-	233,804,321
Total	826,310,394	-	826,310,394

⁶ Terms and conditions of issue are set out in a Prospectus dated 15 October 2015 for an entitlements issue and in ASX Appendix 3B Rights Issue lodged on 14 October 2015

Lapse and cancellation of Unlisted Options

No options lapsed or were cancelled during the period.

2016 Annual General Meeting

At the Company's Annual General Meeting⁷ held on 23 November 2016⁸:

- The Consolidated Entity's 2016 Remuneration Report was passed;
- James Phipps and Vikas Jain were re-elected as Directors;
- The appointment of Bentleys Audit & Corporate (WA) Pty Ltd was passed;
- The grant of Director options was passed^A; and
- The additional placement capacity was passed.

^A As the milestones upon which the option grants were contingent were not reached by the deadlines, no Director options were granted during the period and as such there was no financial impact.

Major Shareholders

Refer to Securities Information on page 29.

Auditor's 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 16.

This report is made in accordance with a resolution of Directors.



Justin Richard
Managing Director
Perth, Western Australia

9 March 2017

7 Refer Notice of Annual General Meeting/Proxy Form lodged on ASX on 21 October 2016

8 Refer AUQ ASX announcement dated 23 November 2016 entitled "Results of Meeting"

**Bentleys Audit & Corporate
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Alara Resources Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 9th day of March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2016	Note	31 Dec 2016 \$	31 Dec 2015 \$
Revenue	3	18,887	56,783
Provision of impairment for exploration expenditure		-	(33,873,582)
Personnel		(219,488)	(330,858)
Occupancy costs		(23,111)	(55,790)
Finance expenses		(1,539)	(4,201)
Corporate expenses		(32,406)	(8,462)
Administration expenses		(35,784)	1,477,965
Profit/(Loss) before income tax		(293,441)	(32,738,145)
Income tax benefit		-	-
Profit/(Loss) for the half year		(293,441)	(32,738,145)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		294,183	457,375
Total other comprehensive income		294,183	457,375
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE HALF YEAR		742	(32,280,770)
Income/(Loss) attributable to:			
Owners of Alara Resources Limited		(270,033)	(32,742,666)
Non-controlling interest		(23,408)	4,521
		(293,441)	(32,738,145)
Total comprehensive income/(loss) for the half year attributable to:			
Owners of Alara Resources Limited		24,150	(32,285,291)
Non-controlling interest		(23,408)	4,521
		742	(32,280,770)
Basic earnings/(loss) per share (cents)	4	(0.05)	(10.25)
Diluted earnings/(loss) per share (cents)	4	(0.05)	(10.25)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2016	Note	31 Dec 2016 \$	30 Jun 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	2,249,703	1,365,691
Trade and other receivables		72,921	318,260
Other current assets		53,566	7,979
Total current assets		2,376,190	1,691,930
Non-current assets			
Property, plant and equipment		64,180	64,503
Exploration and evaluation	6	8,087,182	7,327,012
Total non-current assets		8,151,362	7,391,515
Total assets		10,527,552	9,083,445
LIABILITIES			
Current liabilities			
Trade and other payables		374,267	439,903
Provisions		52,182	130,296
Total current liabilities		426,449	570,199
Non-current liabilities			
Provisions		50,565	47,786
Total non-current liabilities		50,565	47,786
Total liabilities		477,014	617,985
Net assets		10,050,538	8,465,460
EQUITY			
Issued capital	7	65,069,761	63,485,425
Reserves	8	661,578	367,395
Accumulated losses		(53,579,827)	(53,309,794)
Parent interest		12,151,512	10,543,026
Non-controlling interest		(2,100,974)	(2,077,566)
Total equity		10,050,538	8,465,460

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2016	Note	Issued Capital \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Non- Controlling Interest \$	Total \$
Balance as at 1 Jul 2015		61,018,659	358,980	2,449	(23,073,685)	(559,818)	37,746,585
Foreign currency translation reserve	8	-	-	457,375	-	-	457,375
Net income and expense recognised directly in equity		-	-	457,375	-	-	457,375
Profit/(Loss) for the half year		-	-	-	(32,742,666)	4,521	(32,738,145)
Total comprehensive income/(loss) for the half year		-	-	457,375	(32,742,666)	4,521	(32,280,770)
Transactions with owners in their capacity as owners:							
Share placement	7	2,580,075	-	-	-	-	2,580,075
Share placement costs	7	(96,737)	-	-	-	-	(96,737)
Options lapsed during the half year		-	(21,913)	-	21,913	-	-
Transactions with non-controlling interest		-	-	-	-	(72,623)	(72,623)
Balance as at 31 Dec 2015		63,501,997	337,067	459,824	(55,794,438)	(627,920)	7,876,530
Balance as at 1 Jul 2016		63,485,425	-	367,395	(53,309,794)	(2,077,566)	8,465,460
Foreign currency translation reserve		-	-	294,183	-	-	294,183
Net income and expense recognised directly in equity		-	-	294,183	-	-	294,183
Profit/(Loss) for the half year		-	-	-	(270,033)	(23,408)	(293,441)
Total comprehensive income/(loss) for the half year		-	-	294,183	(270,033)	(23,408)	742
Transactions with owners in their capacity as owners:							
Share placement	7	1,729,821	-	-	-	-	1,729,821
Share placement costs	7	(145,485)	-	-	-	-	(145,485)
Balance as at 31 Dec 2016		65,069,761	-	661,578	(53,579,827)	(2,100,974)	10,050,538

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2016	Note	31 Dec 2016 \$	31 Dec 2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(691,973)	(513,810)
Interest received		20,591	26,660
Research and development tax credit received		301,306	-
Net cash provided by/(used in) operating activities		(370,076)	(487,150)
Cash flows from investing activities			
Payments for plant and equipment		(1,079)	-
Payments for exploration and evaluation activities		(325,544)	(976,365)
Net cash (used in) investing activities		(326,623)	(976,365)
Cash flows from financing activities			
Proceeds from issuing ordinary shares		1,729,821	2,480,075
Costs of issuing ordinary shares		(145,485)	(96,737)
Net cash provided by financing activities		1,584,336	2,383,338
Net increase / (decrease) in cash and cash equivalents held		887,637	919,823
Cash and cash equivalents at beginning of the financial year		1,365,691	937,192
Effect of exchange rate changes on cash		(3,625)	525,936
Cash and cash equivalents at the end of the financial half year	5	2,249,703	2,382,951

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Significant Accounting Policies

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These half-year financial statements do not include notes of the type normally included in the annual financial statements and shall be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2016 to the date of this report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going Concern Assumption

The half-year 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.

During the period the Consolidated Entity incurred an operating loss before tax of \$293,441 (2015: \$32,738,145), and has a working capital surplus position of \$1,949,741 (30 June 2016: \$1,121,731). Other than the work that is being performed by Alara staff that is already budgeted for, there is no minimum exploration commitments required to be spent during the next 12 months.

The Directors continue to be focused on meeting the Consolidated Entity's business objectives and is mindful of the funding requirements to meet these objectives.

To enable the Consolidated Entity to develop its projects, it would be required to raise funds from debt or equity sources. Should the Consolidated Entity not be able to obtain this funding it has the ability to defer these plans and meet its contractual commitments and manage cash flow in line with its available funds.

The Directors have prepared a cashflow forecast which indicates the Consolidated Entity has sufficient funds to meet all contractual commitments and corporate costs for a period of at least 12 months from the date of this interim financial report.

Furthermore based on advice from external legal counsel, the Directors are confident of receiving a favourable outcome with respect to the Manajem claim as disclosed in note 9 of the half-year financial report.

The Directors consider the basis of going concern to be appropriate given the current cash position exceeds the minimum contractual commitments to be spent over the next 12 months.

New and amended standards adopted by the Consolidated Entity

The accounting policies adopted in the preparation of the interim financial reports are consistent with those followed in the preparation of the Consolidated Entity's annual financial statements for the year ended 30 June 2016. A number of new or amended standards became applicable for the current reporting period, however, the Consolidated Entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Consolidated Entity

There are no standards that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions. The Consolidated Entity has not early adopted any of the standards, interpretations or amendments that have been issued but are not yet effective.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Consolidated Entity's last annual financial statements for the year ended 30 June 2016.

2. Segment Information

Management has considered the activities/operations and geographical perspective within the operating results and have determined that the Consolidated Entity currently operates in Australia, Oman and Saudi Arabia within one major segment - the resource exploration, evaluation and development sector. Unallocated items comprise corporate assets, office expenses and income tax assets and liabilities.

	Australia \$	Oman \$	Saudi Arabia \$	Total \$
6 months to 31 Dec 2016				
Total segment revenue before tax	18,887	-	-	18,887
Total segment loss before tax	(343,455)	(174,337)	224,351	(293,441)
Total segment assets	1,046,660	9,480,892	-	10,527,552
Total segment liabilities	(418,571)	(58,443)	-	(477,014)
6 months to 31 Dec 2015				
Total segment revenue before tax	56,783	-	-	56,783
Total segment loss before tax	(453,872)	(12,137)	(32,272,136)	(32,738,145)
Total segment assets	2,764,534	5,621,424	10,205	8,396,163
Total segment liabilities	(376,168)	(32,717)	(110,748)	(519,633)
As at 30 June 2016				
Total segment assets	2,839,835	6,243,610	-	9,083,445
Total segment liabilities	(413,675)	(95,599)	(108,711)	(617,985)

3. Revenue

	31 Dec 2016 \$	31 Dec 2015 \$
Revenue		
Interest	18,887	56,783
	18,887	56,783

4. Loss per Share

	31 Dec 2016	31 Dec 2015
Basic profit/(loss) per share (cents)	(0.05)	(10.25)
Diluted profit/(loss) per share (cents)	(0.05)	(10.25)
Profit/(Loss) used to calculate earnings per share (\$)	(270,033)	(32,742,666)
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	575,395,749	319,423,038

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.

5. Cash and Cash Equivalents

	31 Dec 2016 \$	30 Jun 2016 \$
Cash in hand	5,480	7,245
Cash at bank	607,105	742,619
Term deposits	1,637,118	615,827
	2,249,703	1,365,691

The Consolidated Entity has granted numerous term deposit security bonds to the value of \$113,119 (30 June 2016: \$107,380) which has not been called up as at the reporting date. A total of \$18,000 of the security bond is in relation to its Australian tenements.

The effective interest rate on short-term bank deposits was 1.68% (30 June 2016: 2.77%) with an average maturity of 116 days.

6. Exploration and Evaluation

	31 Dec 2016 \$	30 Jun 2016 \$
Opening balance	7,327,012	38,566,735
- Exploration and evaluation expenditure	465,364	660,647
- Exchange differences	294,806	2,006,103
- Impairment of exploration and evaluation expenditure	-	(33,906,473)
Closing balance	8,087,182	7,327,012

a) On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining LLC (Manajem). Pursuant to the shareholders' agreement a joint venture entity, Khnaiguiyah Mining Company LLC (KMC) (in which the Consolidated Entity has a 50% shareholding interest) was established and Manajem were required to transfer legal title to the mining licence and exploration licences over the Khnaiguiyah Project to KMC. The Consolidated Entity has obtained independent advice confirming that valid and legally enforceable rights existed for KMC to commercially exploit the Khnaiguiyah Project. The financial statements of previous Annual Reports were prepared on this basis with the asset carried at \$33,190,221 as at 30 June 2015. Following cancellation of the Khnaiguiyah Mining Licence, a provision for impairment of the carrying value of exploration and evaluation attributable to the Khnaiguiyah Project was made. It is expected this provision for impairment will be reversed once Alara can demonstrate its exploration and evaluation expenses (relating to the Khnaiguiyah Project and the accompanying Feasibility Study) will be recovered via its agreement with Bayan Mining Company LLC or otherwise.

7. Issued Capital

	31 Dec 2016 No	30 Jun 2016 No	31 Dec 2016 \$	30 Jun 2016 \$
Fully paid ordinary shares	592,506,073	506,015,000	65,069,761	63,485,425
30 Jun 2016			No	\$
Balance as at 1 July 2015			248,007,500	61,018,659
- Share movement during the 2016 financial year			258,007,500	2,580,075
- Share issue costs during the 2016 financial year			-	(113,309)
Balance as at 30 June 2016			506,015,000	63,485,425
31 Dec 2016			No	\$
Balance as at 1 July 2016			506,015,000	63,485,425
- Share movement during the 2017 financial year			86,491,073	1,729,821
- Share issue costs during the 2017 financial year			-	(145,485)
Balance as at 31 December 2016			592,506,073	65,069,761

Each fully paid ordinary share carries one vote per share and the right to participate in dividends. Ordinary shares have no par value and the Company does not have a limit on the amount of its capital.

8. Commitments

There are no material changes to capital commitments since those reported as at 30 June 2016.

9. Contingent Assets and Liabilities

There are no changes to contingent assets and liabilities since 30 June 2016 apart from the following:

'Financial Claim' – Khnaiguiyah Zinc-Copper Project (Saudi Arabia) – In November 2014, Khnaiguiyah Project joint venture partner, United Arabian Mining Company LLC ('Manajem'), filed a 'financial claim' against Alara Saudi Operations Pty Limited before the Board of Grievance in Riyadh, Kingdom of Saudi Arabia. Manajem has claimed broadly unspecified and unsubstantiated alleged breaches by Alara under the Shareholders' Agreement ('SHA') and alleged violations by Alara of Saudi Arabian law. Alara has rejected these allegations and lodged a counter-claim against Manajem based on a number of specific breaches of the SHA by Manajem. The latest court hearing was in January 2017. This hearing had been carried over from months earlier when Manajem's representative had requested more time to prepare a response. Manajem's representative did not attend the hearing and the judge agreed to set a judgement hearing for March 2017.

Alara, with the advice of external legal counsel and in light of the non-appearances by Manajem's representative at hearings, continues to hold the view that Manajem's claims are unsubstantiated.

10. Subsequent Events

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 other than the following:

A Court Hearing occurred in January 2017, refer to note 9.

Grant of 500,000 unlisted options exercisable at \$0.04 expiring 9 March 2020 on 9 March 2017.

Directors' Declaration

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 17-24 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standards (AASB 134: Interim Financial reporting), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Justin Richard
Managing Director

Perth, Western Australia

9 March 2017

Independent Auditor's Review Report

To the Members of Alara Resources Limited

We have reviewed the accompanying half-year financial report of Alara Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Bentleys Audit & Corporate
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Basis for Qualified Conclusion – Comparative Financial Information

As disclosed in note 6 to the financial statements, as at 30 June 2016 the Consolidated Entity reported impairment of capitalised exploration and evaluation expenditure in respect to the Khnaiguiyah Project in the Kingdom of Saudi Arabia of \$33,906,473. The continuation of further activities in relation to the project was uncertain as a result of reaching an impasse with the former licence holder and the Board's subsequent decision to halt further expenditure in June 2014. In December 2015, the Mining License was cancelled, and a provision for impairment of the carrying value of the Khnaiguiyah Project was made.

The 30 June 2015 audit report was qualified on the basis that due to the period of inactivity, the previous auditor was unable to obtain sufficient assurance on the recoverable amount of the capitalised exploration balance of \$33,190,221. Accordingly due to the limitation of scope opinion issued on the financial report for 30 June 2015, we are unable to obtain evidence to support the carrying value of the Exploration Expenditure balance as at 30 June 2015. As a result, the financial performance for the comparative period being the half-year ended 31 December 2015 is affected to the extent of the misstatement (if any) as at 30 June 2015. For the avoidance of doubt, this qualification does not apply to the capitalised exploration and evaluation expenditure balance as at 30 June 2016 or 31 December 2016.

Qualified Conclusion

Based on our review, which is not an audit, except for the possible effects of the matter identified in the Basis for Qualified Conclusion paragraph we have not become aware of any matter that makes us believe that the half-year financial report of Alara Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without further qualifying our conclusion, we draw attention to Note 9 to the financial statements. Alara Saudi Operations Pty Ltd, a wholly-owned subsidiary of Alara Resources Ltd, is the defendant in a legal claim alleging breaches of the Shareholders' Agreement and Saudi Arabian law. Alara Saudi Operations Pty Ltd has filed a counter-action. Several preliminary hearings have been held and as at the date of this report, the ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial report.



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 9th day of March 2017

JORC Statements

Al Hadeetha Copper-Gold Project (Oman)

Table 1 - Washihi JORC Mineral Resources⁹

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0	7.16	0.87	0.17	7.77	0.67	0.2
0.25	6.84	0.9	0.17	7.27	0.71	0.2
0.5	5.66	1.01	0.18	5	0.85	0.21
0.75	4.04	1.17	0.18	2.57	1.07	0.23
1	2.39	1.37	0.2	1.24	1.31	0.27

Daris Copper-Gold Project (Oman)

Table 2 - Daris-East JORC Mineral Resources

Ore type	Cut-off grade Cu%	Measured			Indicated			Measured and Indicated			Inferred		
		Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t	Tonnes	Cu%	Gold (Au) g/t
Sulphides	0.5	129,155	2.48	0.23	110,870	2.24	0.51	240,024	2.37	0.43	30,566	2.25	0.55
Oxides	0.5	96,526	0.77	0.03	86,839	0.66	0.14	183,365	0.72	0.08	1,712	0.61	0.97

The information in these JORC Resource tables was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Disclaimer

This report contains “forward-looking statements” and “forward-looking information”, including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Alara, industry growth and other trend projections. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “is expecting”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management’s expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Alara and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of gold and silver, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Alara believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Alara does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

⁹ Refer Alara’s 16 July 2013 ASX Announcement: Upgrade to JORC Resource at Washihi Copper-Gold Project in Oman Providing Strategic Options for the Asset

Securities Information

as at 7 March 2017

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	592,506,073	-	592,506,073
\$0.02 (30 April 2017) Quoted Entitlements Offer Options ¹⁰	233,804,321	-	233,804,321
Total	826,310,394	-	826,310,394

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	903	308,155	0.052%
1,001 - 5,000	299	701,735	0.118%
5,001 - 10,000	152	1,268,018	0.214%
10,001 - 100,000	395	16,043,018	2.708%
100,001 - and over	304	574,185,147	96.908%
Total	2,053	592,506,073	100.00%

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	MENG MENG	38,521,027	6.501%
2.	VIKAS JAIN	34,285,230	5.786%
3.	METALS CORNERS HOLDING CO	30,500,000	5.148%
4.	CITICORP NOMINEES PTY LIMITED	28,990,045	4.893%
5.	VIKAS MALU	28,571,025	4.822%
6.	MUL CHAND MALU	28,571,025	4.822%
7.	JUSTIN RICHARD	26,107,143	4.406%
8.	PIYUSH JAIN	22,856,820	3.858%
9.	WHITECHURCH DEVELOPMENTS PTY LTD	20,575,550	3.473%
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,514,760	2.787%
11.	INKESE PTY LTD	13,000,000	2.194%
12.	WARREN WILLIAM BROWN & MARILYN HELENA BROWN	10,628,572	1.794%
13.	BRIAN JOSEPH FLANNERY & PEGY ANN FLANNERY <FLANNERY FAMILY S/F A/C> & FLANNERY FOUNDATION PTY LTD <THE FLANNERY FOUNDATION AA/C>	10,085,464	1.702%
14.	PETER KELVIN RODWELL	9,142,858	1.543%
15.	TYRONE JAMES GIESE	7,364,252	1.243%
16.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	7,217,418	1.218%
17.	BARON NOMINEES PTY LTD	6,860,397	1.158%
18.	FERGUSON SUPERANNUATION PTY LTD <FERGUSON SUPERFUND A/C>	6,250,000	1.055%
19.	THORPE ROAD NOMINEES PTY LTD	5,622,858	0.949%
20.	LUCAS JAMES KOEKOEK	5,500,000	0.928%
Total		357,164,444	60.280%

¹⁰ Terms and conditions of issue are set out in a Prospectus dated 15 October 2015 for an entitlements issue and in ASX Appendix 3B Rights Issue lodged on 14 October 2015