FULL YEAR REPORT

Directors' Report
Auditor's Independence Declaration
Financial Report
Audit Report

30 June 2017

ASX Code: AUQ

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Corporate Directory

Directors

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

Company Secretary
Ian Gregory

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ASX Code: AUQ

Corporate Governance Statement

The Company's Corporate Governance Statement is available on the Company's Website**:**
www.alararesources.com

Website: www.alararesources.com

Investors wishing to receive email alerts of all Company ASX Announcements can register their interest here:
http://www.alararesources.com/irm/UserEdit.aspx?masterpage=7&title=Email%20Alerts&RID=317
or by emailing info@alararesources.com.

The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and the entities it controlled at the end of or during the financial year ended 30 June 2017 (the **Consolidated Entity**).

REVIEW OF OPERATIONS

Al Hadeetha Copper-Gold Project — Oman

(Alara - 70%: Al Hadeetha Investments LLC – 30%, of Al Hadeetha Resources LLC (AHR))

Completion of a successful rights issue in Q1 helped move Alara to announce its maiden Ore Reserve for the Al Hadeetha Copper Gold project in Oman[1]. The announcement followed a revision of the Resource Model which incorporated an 81% increase in Indicated Copper Gold Mineral Resource (from 6.84MT@ 0.90%Cu and 0.17g/t Au to 12.39MT@ 0.89%Cu & 0.22g/t Au (using 0.25% Cu cut-off))[2].

Updates to the Al Hadeetha feasibility study took account of 1) the new mining schedule (incorporating the mineral resource upgrade), 2) the maiden ore reserve statement, and 3) copper price forecast trends.

Base Case financial modelling on the Feasibility study for the Al Hadeetha Copper Gold Project shows robust returns as follows:

- Forecast Revenue US$ 452 million over 10.4 years.
- Forecast EBITDA over the same period US$ 159 million
- Pre-Start Capital Expenditure of US$ 49.74 million
- FCFF – Free Cash flow available in 10.4 years US$ 96 million
- Project NPV of US$ 39 million
- Forecast IRR of 26%

The study built on ~$10 million in prior exploration and study work completed by Alara between 2011 and 2015, including scoping study, options analysis study, advanced scoping study and an update to the Advanced Scoping Study.

The base case used a flat copper price of $5,593/t (cf. recent copper prices of >$6,000/t[3]) indicating the Project has potential to deliver even better returns if copper price forecasts and underlying supply constraints are realised.

A summary of case scenarios and associated financial returns are summarised in Tables 1 and 2 below.

Table 1. Copper and Gold prices used for Base Case, Market Case and High Case

	Case Scenario	Cu US$/t	Au US$/oz
Base Case	World Bank forecast copper metal price (nominal) for 2019 fixed for Life of Mine.	5,593 for Life of Mine	$1,200/oz
Market Case	Economist Intelligence Unit forecast price for Copper until 2019 and thereafter flat.	Minimum 5,907 and maximum 6,171	$1,200/oz
High Case	Higher of Economist Intelligence Unit and World Bank Copper price forecast until 2025, thereafter flat for remaining Project life	Minimum 5,593 and maximum 7,000	$1,200/oz

Table 2. Financial Summary of Base Case, Market Case and High Case.

Case Scenario	Total Revenue US$ millions	Total Opex US$ millions	EBITDA US$ millions	NPV US$ millions	IRR
Base Case	452	271	159	39	26%
Market Case	479	271	186	55	33%
High Case	521	271	228	73	37%

**NPV is based on a discount rate of 8.92%*

During the period, the Public Authority of Mining approved the project with issuance of a mining licence now pending, subject to permitting by the other regulatory authorities. The Ministry of Environment and Climate Affairs ('MECA') have issued instructions asking for the Environmental Impact Assessment (EIA) report (originally submitted in 2013 by a consultancy firm approved by MECA) to be submitted through a consultant listed on MECA's 2017 register. MECA also advised that new regulations require MECA to provide its response to the EIA within 30 days of submission.

In accordance with the provisions of the Shareholders Agreement, Al Hadeetha Resources LLC entered a Loan Agreement with Al Hadeetha Investments LLC for up to US$2 million to help cover its operating expenses.

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1 Refer Alara's ASX Announcement of 15 December 2016.
2 Refer Alara's ASX Announcement dated 19 September 2016.
3 LME cash price was $6,353/t at 11 August 2017.

Daris Copper-Gold Project — Oman

(Alara - 50% with option to increase to 70%: Al Tamman Trading Establishment LLC – 50%, of Daris Resources LLC (DRL))

The Daris project comprises two high grade deposits within the 587km² exploration licence, which includes two mining licence applications covering 4.5km². The project fits well with a 'hub and spoke' model, which provides for processing of Daris ore at the Al Hadeetha copper concentration plant to be built 100km to the south. However, new leach processing methods are also being investigated which could allow Daris to operate as a stand-alone project. The processing method has been tested on deposits in Australia and South America and yielded very high recoveries of metal from both low grade copper oxide and sulphide ores.

Khnaiguiyah Zinc-Copper Project — Saudi Arabia

The Khnaiguiyah project includes the development and operation of an open-cut zinc-copper mine and associated infrastructure over an approximate 13-year mine life.

Alara Resources has invested over $30m into this project, including:

- over $3 million in payments to its former joint venture partners for transfer of the Mining Licence to the joint venture company; and
- over $23 million to produce a definitive feasibility study with Proved and Probable JORC Reserves of 26.1Mt at 3.3% Zn and 0.24% Cu and a Base Case Project NPV of $172 million at a zinc price of US$2,315/t[4].

The project reached an impasse after the former licence holder, United Arabian Mining Company LLC, wrote to the Deputy Minister for Mineral Resources asking to halt transfer of the mining licence to the JV company, as required under the JV agreement.

In December 2015, Alara announced it had been advised of the cancellation of the Khnaiguiyah Mining Licence. Alara funded and is now in the unique position of holding the only bankable feasibility study for the project, and remains open to any reasonable solution for advancing the project into production.

Other Developments — Oman and Saudi Arabia

Previous public reports have referred to the establishment of Mining Development Oman ('MDO'), a consortium of four state-owned agencies (i.e. the State General Reserve Fund, the Oman Investment Fund, the Oman Oil Company and the Oman National Investments Development Company) with a focus on both upstream and downstream activities in the mining sector.

Earlier this year, Sheikh Abdullah bin Salim Al Salmi, President of Oman's stock market regulator CMA, reported MDO was in the process of obtaining a licence from the Public Authority for Mining, and that MDO would have a paid-up capital of OMR100 million (AUD$350m) and be offering 40 per cent of its shares to the investing public.

It is also reported that Oman's Public Authority of Mining has engaged SRK Consulting and supporting firms Mayer Brown and Wood Mackenzie to prepare a mining strategy aimed at attracting local and international investment.

In March, Alara announced it had entered an offtake agreement with Statdrome Pte Ltd. Under the agreement, annual concentrate production of approximately 35,000 wmt would be supplied to Statdrome at regular intervals. The agreement includes provision for a pre-payment of US$6m to assist in funding project construction and leaves open the possibility of supplying concentrate to an Omani smelter if applicable.

Board of Grievances

During the period, there were several hearings before the Board of Grievances relating to claims between Manajem and Alara that commenced in 2014[5].

At the latest hearing, the parties confirmed they were not seeking to make further submissions and the judge agreed to consider the facts that are now before the court. The next hearing is scheduled on 21 October 2017.

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4 Compared to the LME price of >$3,000/t as at 28 August 2017 and the High Case of US$2,373/t (see page 21 of the 2013 Annual Report).
5 For further background, refer to Alara's ASX Announcement dated 3 May 2016.

Corporate Information

Alara is a company limited by shares that is incorporated and domiciled in Western Australia.

Cash Position

The Company's cash position at 30 June 2017 was A$1.9 million (30 June 2016: A$1.4 million).

In August 2016, a total of 72,287,857 shares were offered to eligible shareholders under a Rights Issue at an issue price of $0.02 (2 cents) per share. The Rights Issue closed oversubscribed showing a high level of support from the Company's shareholders and new investors. The Company opted to not issue additional shares and returned unsubscribed funds to investors who missed the closing deadline for shortfall shares.

Funds were utilised to incorporate additional 5.55mt high grade copper and gold mineralisation into the Resource Model and declare a maiden Reserve for the Al Hadeetha Copper-Gold project[6] and advance mining licence applications in Oman.

During the period, the Company's partner in the Al Hadeetha project started contributing to the JV operating costs. During the year ended 30 June 2017, the Company requested drawdowns of OMR 63,706 (equivalent of A$215,939). On 9 July 2017, the Company requested a further drawdown of OMR 35,718 (A$121,070).

Share Options

During the year, the Company issued 19,214,695 fully paid ordinary shares. These were pursuant to the exercise of listed options exercisable at $0.02 per option expiring 30 April 2017.

Company Officer Changes

On 31 March 2017 Elizabeth Hunt resigned as a Company Secretary with Ian Gregory (appointed 30 June 2015) continuing in that role. The Company acknowledged the valued contributions made by Ms Hunt and Mining Corporate since August 2015.

Effective 1 April 2017, Corporate Board Services took over the outsourced company secretarial and accounting services for the Company.

Mr Jason Williams was appointed alternate director for the Companies wholly owned subsidiaries.

Principal Activities

The principal activities of entities within the Consolidated Entity during the year were the exploration, evaluation and development of mineral exploration and evaluation in Oman.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Entity save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto.

Dividends

No dividends have been paid or declared during the financial year.

[6] Refer Alara's ASX announcement dated 15 December 2016.

Operating Results

Consolidated	2017 $	2016 $
Total revenue	37,753	199,708
Total expenses	(498,527)	(32,613,851)
Loss before tax	**(460,774)**	**(32,414,143)**
Income tax benefit	55,840	301,306
Loss after tax	**(404,934)**	**(32,112,837)**

Loss per Share

Consolidated	2017	2016
Basic and Diluted profit/(loss) per share (cents)	(0.04)	(7.42)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	584,929,630	412,463,414

Cash Flows

Consolidated	2017 $	2016 $
Net cash flow used in operating activities	(556,704)	(292,905)
Net cash flow from investing activities	(596,781)	(1,631,567)
Net cash flow provided by financing activities	1,684,566	2,366,780
Net change in cash held	531,081	442,308
Cash held at year end	**1,885,556**	**1,365,691**

Financial Position

Outlined below is the Consolidated Entity's Financial Position and prior year comparison.

Consolidated Entity	2017 $	2016 $
Cash	1,885,556	1,365,691
Trade and other receivables	72,299	318,260
Exploration and evaluation	7,996,698	7,327,012
Other assets	63,854	72,482
Total assets	**10,018,407**	**9,083,445**
Trade and other payables	115,368	439,903
Financial liabilities	215,939	439,903
Provisions	100,676	178,082
Total liabilities	**431,983**	**617,985**
Net assets	**9,586,424**	**8,465,460**
Issued capital	65,169,992	63,485,425
Reserves	208,726	367,395
Accumulated losses	(53,568,320)	(53,309,794)
Parent interest	11,810,398	10,543,026
Non-controlling interest	(2,223,974)	(2,077,566)
Total equity	**9,586,424**	**8,465,460**

Securities in the Company

Issued Capital

Fully paid ordinary shares and unlisted options on issue in the Company as at the date of this report are as follows:

	Quoted on ASX	Listed options	Total
Fully paid ordinary shares	597,517,589	–	597,517,589
Total	597,517,589	–	597,517,589

Unlisted Options

During and subsequent to the end of the financial year, the following unlisted options were issued:

№ of Options	Date of Issue	Description of Options	Exercise Price	Date of Issue	Original Expiry Date
3,000,000	9 March 2017	$0.04 (expiring 9 March 2020) Unlisted Options[7]	$0.04	9 March 2017	9 March 2020

Likely Developments and Expected Results

The Consolidated Entity intends to continue exploration, evaluation and development activities in relation to its mineral exploration and evaluation in future years. The results of these activities depend on a range of technical and economic factors and also industry, geographic and company specific issues. In the opinion of the Directors, it is inappropriate to make predictions on the likely results of the Consolidated Entity's activities in Saudi Arabia prior to the Khnaiguiyah Mining licence being secured. In Oman, there is an expectation that construction of the Al Hadeetha Copper Gold Project will commence, subject to the Washihi Mining Licence being granted later in 2017.

Environmental Regulation and Performance

The Consolidated Entity holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities of the various countries in which the Consolidated Entity operates. These licences, Acts and Regulations specify limits and regulate the management of discharges to the air, surface waters and groundwater associated with exploration and mining operations as well as the storage and use of hazardous materials. There have been no significant breaches of the Consolidated Entity's licence conditions.

[7] On 9 March 2017, the Company issued 3,000,000 unlisted options exercisable at $0.04 expiring on or before 9 March 2020. This was granted under the Company's Employee Share Option Plan approved by shareholders at the 19 November 2014 Annual General Meeting.

Board of Directors

The names and details of the directors of the Company in office during the financial year and until the date of this report are as follows.

Names, qualifications, experience and special responsibilities of current Directors

James D. Phipps — Non-Executive Chairman

BA (Philosophy), JD (Law) — Appointed Chairman 31 July 2015; Appointed Director 1 November 2014; Previously Alternate Director to HRH Prince Abdullah (from 28 October 2013 to 1 November 2014)

Experience

James Phipps is a strategic advisor, business executive and lawyer with extensive international and Middle East experience. James serves as principal advisor to His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, providing strategic advice relative to a worldwide portfolio of businesses, properties and investments. James was (until May 2016) Co-Chairman of Sheffield United Football Club, the first "United" and the first association football club worldwide and a founding member of the English Premier League. James also chairs Flashvote Inc., Shout TV, Inc., Delaware corporations engaged in the sports entertainment business. James sits on the board of the publicly listed Saudi Paper Manufacturing Company, the leading manufacturer of tissue paper products in the Gulf Region. James has experience in corporate turnarounds and has served as chief executive or general manager at different companies in a turn-around capacity. James brings experience to the Board in the context of Alara's Middle East and G.C.C. endeavours.

Special Responsibilities

Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

Other Directorships in Listed Companies in Past 3 Years

- Saudi Paper Manufacturing Company (Saudi Stock Exchange (Tadawul): Code 2300) – November 2011 to June 2016.

Justin J Richard — Managing Director

LLB, GradDipACG, MBA, FGIA, FCIS — Appointed 16 June 2015

Experience

Justin Richard had been the Company's General Counsel since 2011 when he took up residence in the Middle East as Alara's Country Manager for Saudi Arabia. His role later expanded to include management of Alara's joint venture companies in Oman and has played a key role in establishing and developing the Company's joint venture businesses and stakeholder relationships.

After being appointed CEO in 2015, he lead the company through capital restructuring to complete a feasibility study and maiden ore reserve statement for the Al Hadeetha Copper Gold project in Oman. He has also established new relationships in Saudi Arabia to navigate the impasse on the Khnaiguiyah Zinc Copper project in preparation for the mining licence being reissued. Prior to joining Alara, Mr Richard worked with UGL Resources and Minter Ellison Lawyers. He has a MBA from London Business School, a law degree from the University of Western Australia and is a Fellow of the Governance Institute in Australia and the UK.

Alternate Director

On 22 June 2015, Justin Richard appointed Ian E. Gregory as his Alternate Director[8]. Ian Gregory was also appointed joint Company Secretary on 30 June 2015.[9] Ian Gregory's experience and qualifications are set out below.

Other Directorships in Listed Companies in Past 3 Years

- None

Ian E. Gregory

BBus, FGIA, FCIS, F Fin, MAICD — Appointed 30 June 2015

Experience

Ian Gregory is a highly regarded Director and Company Secretary with over 30 years' experience in the provision of governance and business administration services covering a variety of industries, including oil and gas, exploration, mining, mineral processing, banking and insurance. Prior to founding his own consulting business in 2005, he was the Company Secretary of Iluka Resources Limited (ASX:ILU), IBJ Australia Bank Ltd Group, the Australian operations of The Industrial Bank of Japan, and the Griffin Coal Mining Group of companies. Ian Gregory is a past member of the Western Australian Branch Council of Governance Institute of Australia (GIA), a past Chairman of that body and has also served on the National Council of GIA. Ian Gregory is also currently Company Secretary of a number of other ASX listed and private companies and consults on company secretarial and governance matters to various listed and unlisted companies.

Other Directorships in Listed Companies in Past 3 Years

- Phoenix Gold Limited

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8 Pursuant to Clause 10.1 of the Company's Constitution.

9 Refer Alara's 1 July 2015 ASX Announcement: Appointment of Joint Company Secretary.

Atmavireshwar Sthapak — Executive Director

Bachelor of Applied Science and Master of Technology, Applied Geology

Appointed 22 September 2015 as Non-Executive Director
Appointed 3 February 2016 as Executive Director

Experience

Atmavireshwar Sthapak is a geologist specializing in mineral resource exploration and evaluation studies. He joined Alara in 2011, making valuable contributions to the Company as an Exploration Manager and a Study Manager based in Muscat; including discovery of large VMS copper mineralisation extensions at the Washihi project in Oman and recent resource upgrade at Washihi. Prior to Alara, his career spanned 10 years with ACC / ACC-CRA Ltd, and 10 years with Rio Tinto (Australasia) where he was awarded a Rio Tinto Discovery Award in 2009. He has worked on world class deposits; including Mt. Isa type copper deposits in Australia, and copper, gold and diamond mines on four continents.

Special Responsibilities

Member of the Audit Committee and Remuneration and Nomination Committee.

Other Directorships in Listed Companies in Past 3 Years

- None

Vikas Jain — Non-Executive Director

MBA

Appointed 6 April 2016

Experience

Vikas Jain holds an MBA obtained in the USA and has a vast experience of around 15 years in the field of mineral exploration and allied activities. He is currently Managing Director and CEO of the Indian Company South West Pinnacle Exploration P/L, founded by him in 2006. Under his leadership and able guidance, this company has grown manifold and at present is a premier exploration company in India. The company started primarily as mineral exploration company and gradually added Coal Bed Methane (CBM) exploration and production, Geophysical logging, transportation and other geological activities into its domain. He also has wide experience in open cast mining of various minerals and allied activities through his earlier stint with other companies as well as existing exposure in other family run business/interest.

Special Responsibilities

Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.

Other Directorships in Listed Companies in Past 3 Years

- None

Retired Directors

All the directors held office during the year and up to the date of this report.

Company Secretaries

Ian E. Gregory

BBus, FGIA, FCIS, F Fin, MAICD

Appointed 30 June 2015

Experience

Refer to Mr Gregory's details on the previous page.

Retired Company Secretary

The following Company Secretary resigned during the financial year:

- Elizabeth Hunt – 31 August 2015 to 31 March 2017.

Directors' Interests in Shares and Options

As at the date of this report, the relevant interests of the Directors in shares and options held in the Company are:

	Fully Paid Ordinary Shares	Options
James Phipps	–	–
Justin Richard	30,757,037[10]	–
Atmavireshwar Sthapak	1,951,451[11]	–
Vikas Jain	34,285,230[12]	–
Ian Gregory	–	–

Directors' Meetings

The number of meetings and resolutions of directors (including meetings of committees of directors) held during the year and the number of meetings (or resolutions) attended by each director were as follows:

Name of Director	Appointment / Resignation	Board		Audit Committee		Remuneration and Nomination Committee	
		Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings	Meetings Attended	Maximum Possible Meetings
James Phipps	Appointed 1 November 2014; appointed member of Audit Committee and Remuneration Committee 30 June 2016	10	12	4	6	2	2
Justin Richard	Appointed 16 June 2015	12	12				
Atmavireshwar Sthapak	Appointed 22 September 2015	11	12	6	6	2	2
Vikas Jain	Appointed 6 April 2016	9	12	5	6	2	2
Ian Gregory *(Alternate Director to Justin Richard)*	Appointed 22 June 2015	–	–				

Audit Committee

The Audit Committee currently comprises Non-Executive Directors, Vikas Jain (as Chairman) (since 6 April 2016), James Phipps (since 30 June 2015) and Atmavireshwar Sthapak (since 28 September 2016).

The Audit Committee has a formal charter to prescribe its objectives, duties and responsibilities, access and authority, composition, membership requirements of the Committee and other administrative matters. Its function includes reviewing and approving the audited annual and reviewed half-yearly financial reports, ensuring a risk management framework is in place, reviewing and monitoring compliance issues, reviewing reports from management and matters related to the external auditor. The Audit Committee Charter may be viewed and downloaded from the Company's website.

[10] Refer Alara's 13 June 2017 ASX Announcement: Appendix 3Y.
[11] Refer Alara's 10 May 2017 ASX Announcement: Appendix 3Y.
[12] Refer Alara's 9 August 2016 ASX Announcement: Appendix 3Y.

REMUNERATION REPORT

The following information in the Remuneration Report has been audited. This Remuneration 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 in respect of the financial year ended 30 June 2017.

Key Management Personnel

Directors	
James Phipps	Non-Executive Director (appointed 1 November 2014); Non-Executive Chairman (from 31 July 2015); Alternate Director to HRH Prince Abdullah (until 1 November 2014)
Justin Richard	Managing Director (appointed 16 June 2015); Country Manager, Saudi Arabia and Oman
Atmavireshwar Sthapak	Executive Director (first appointed 22 September 2015)
Vikas Jain	Non-Executive Director (appointed 31 March 2016)
Ian Gregory	Alternate Director to Justin Richard (appointed 30 June 2015)
Executives	
Ian Gregory	Company Secretary (appointed 30 June 2015)
Elizabeth Hunt	Company Secretary (appointed 31 August 2015, resigned: 31 March 2017)

Remuneration and Nomination Committee

The Remuneration and Nomination Committee currently comprises Non-Executive Directors, James Phipps (member since 30 June 2015 and Chairman since 31 July 2015) and Vikas Jain (since 6 April 2016) and Atmavireshwar Sthapak (since 28 June 2016).

The Remuneration and Nomination Committee has a formal charter to prescribe its purpose, key responsibilities, composition, membership requirements, powers and other administrative matters. The Committee has a remuneration function (with key responsibilities to make recommendations to the Board on policy governing the remuneration benefits of the Managing Director and Executive Directors, including equity-based remuneration and assist the Managing Director to determine the remuneration benefits of senior management and advise on those determinations) and a nomination function (with key responsibilities to make recommendations to the Board as to various Board matters including the necessary and desirable qualifications, experience and competencies of Directors and the extent to which these are reflected in the Board, the appointment of the Chairman and Managing Director, the development and review of Board succession plans and addressing Board diversity). The Remuneration and Nomination Committee Charter may be viewed and downloaded from the Company's website.

Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Key Management Personnel having regard to the Consolidated Entity's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice, 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. The Board recognises that the performance of the Company depends upon the quality of its Directors and Executives. To achieve its financial and operating objectives, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract and retain high calibre Executives.
- Structure remuneration at a level that reflects the Executive's duties and accountabilities and is competitive.

Remuneration Structure

The structure of non-executive director and executive director remuneration is separate and distinct.

Director Remuneration

Objective

The Board seeks to set aggregate remuneration (for directors) at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 26 May 2011 where shareholders approved an aggregate remuneration of $275,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each non-executive director receives a fee for being a director of the Company and for sitting on relevant board committees. The fee size is commensurate with the workload and responsibilities undertaken.

Managing Director and Senior Executive Remuneration

Objective
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration is competitive by market standards. Formal employment contracts are entered into with the Managing Director and senior executives. Details of these contracts are outlined later in this report.

Consequences of Company Performance on Shareholder Wealth

In considering the Company's performance and benefits for shareholder wealth, the Board have regard to the following information in relation to the current financial year and the previous four financial years:

	2017	2016	2015	2014	2013
Basic earnings/(loss) per share – cents	(0.04)	(7.42)	(0.67)	0.30	(2.84)
Dividend – cents per share	–	–	–	–	–
Net Profit/(Loss) attributable to members	(258,526)	(30,595,088)	(1,661,238)	732,003	(6,579,965)
Market Capitalisation	$8.4m	$14m	$4m	$12.1m	$12.1m

Fixed Remuneration

During the financial year, the Key Management Personnel of the Company are paid a fixed base salary/fee per annum plus applicable employer superannuation contributions, as detailed below (Details of Remuneration Provided to Key Management Personnel).

Performance Related Benefits/Variable Remuneration

Performance related benefits/variable remuneration payable to Key Management Personnel is disclosed in the table Details of Remuneration Provided to Key Management Personnel. Justin Richard was paid expat allowances, including house, school, travel and medical insurance and Atmavireshwar Sthapak was paid allowances including house, travel and medical insurance.

Special Exertions and Reimbursements

Pursuant to the Company's Constitution, each Director is entitled to receive:

- Payment for the performance of extra services or the undertaking of special exertions at the request of the Board and for the purposes of the Company.
- 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.

Post-Employment Benefits

Other than employer contributions to nominated complying superannuation funds or gratuity of Key Management Personnel (where applicable) and entitlements to accrued unused annual and long service leave (where applicable), the Company does not presently provide retirement benefits to Key Management Personnel.

The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

Long Term Benefits

Other than early termination benefits disclosed in 'Employment Contracts' below, Key Management Personnel have no right to termination payments save for payment of accrued unused annual and long service and/or end of service leave (where applicable).

Details of Remuneration Provided to Key Management Personnel

Key Management Person	Perfor-mance based	Fixed	At risk STI	Options related	Short-term benefits: Cash payments: Salary, and fees	Short-term benefits: Cash payments: Allo-wances[i]	Short-term benefits: Cash payments: Cash Bonus	Short-term benefits: Non-cash[ii]	Short-term benefits: Other[iii]	Post-employment benefits: Super-annuation	Post-employment benefits: End of Service[iv] / Termi-nation	Other long-term benefits: Other	Equity based benefits: Options	Total
2017	%	%	%	%	$	$	$	$	$	$	$	$	$	$
Executive Directors:														
Justin Richard	–	100%	–	–	282,150	205,383	–	17,695	78,637	–	11,484	–	–	595,349
Atmavireshwar Sthapak	–	100%	–	–	148,341	24,723	–	3,633	–	–	6,179	–	–	182,876
Non-Executive Directors:														
James Phipps	–	100%	–	–	75,000	–	–	–	–	–	–	–	–	75,000
Vikas Jain	–	100%	–	–	50,000	–	–	–	–	–	–	–	–	50,000
Ian Gregory	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Executives:														
	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Company Secretary:														
Elizabeth Hunt[v]	–	100%	–	–	113,655	–	–	–	–	–	–	–	–	113,655

Notes:

(i) Allowances is based on the executive agreement and may include company car allowance, rent allowance and security bond, and school allowance received from subsidiaries and related joint venture entities.
(ii) Non-cash benefits include net annual leave expensed but not paid during the year.
(iii) Other short-term benefits consist of exchange gain/(loss) due to foreign currency translation from Oman Riyal to Australia Dollars and Saudi Riyal to Australian Dollars on Mr Richard's salary.
(iv) Under Omani labour law, an End of Service Gratuity is payable upon termination of employment.
(v) Resigned on 31 March 2017, remuneration paid to Mining Corporate Pty Ltd.

Key Management Person	Perfor-mance based	Fixed	At risk STI	Options related	Short-term benefits: Cash payments: Salary, and fees	Short-term benefits: Cash payments: Allo-wances[i]	Short-term benefits: Cash payments: Cash Bonus	Short-term benefits: Non-cash[ii]	Short-term benefits: Other[iii]	Post-employment benefits: Super-annuation	Post-employment benefits: End of Service[iv] / Termi-nation	Other long-term benefits: Other	Equity based benefits: Options	Total
2016	%	%	%	%	$	$	$	$	$	$	$	$	$	$
Executive Directors:														
Justin Richard	–	100%	–	–	282,150	247,234	–	7,039	65,055	–	6,843	–	–	608,321
H. Shanker Madan[v]	58%	42%	–	–	77,220	–	–	–	–	–	–	–	–	77,220
Atmavireshwar Sthapak[vi]	28%	72%	–	–	118,137	12,521	50,716	–	–	–	–	–	–	181,374
Non-Executive Directors:														
Ian Williams[vii]	–	100%	–	–	4,167	–	–	–	–	2,177	18,750	–	–	25,094
James Phipps	–	100%	–	–	72,977	–	–	–	–	–	–	–	–	72,977
Vikas Jain[viii]	–	100%	–	–	11,806	–	–	–	–	–	–	–	–	11,806
Ian Gregory	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Executives:														
	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Company Secretary:														
Victor Ho[ix]	–	100%	–	–	16,781	–	–	–	–	–	–	–	–	16,781
Elizabeth Hunt[x]	–	100%	–	–	111,947	–	–	–	–	–	–	–	–	111,947

Notes:

(i) Allowances is based on the executive agreement and may include company car allowance, rent allowance and security bond, and school allowance received from subsidiaries and related joint venture entities.
(ii) Non-cash benefits include net annual leave expensed but not paid during the year.
(iii) Other short-term benefits consist of exchange gain/(loss) due to foreign currency translation from Oman Riyal to Australia Dollars and Saudi Riyal to Australian Dollars on Mr Richard's salary.
(iv) Under Omani labour law, an End of Service Gratuity is payable upon termination of employment.
(v) Appointed 31 July 2015 and resigned 31 March 2016.
(vi) Appointed 2 September 2015 with remuneration and allowances commencing January 2016.
(vii) Resigned 31 July 2015, termination payment was accrued at 30 June 2015.
(viii) Appointed 6 April 2016
(ix) Resigned 31 August 2015.
(x) Appointed 31 August 2015, remuneration paid to Mining Corporate Pty Ltd.

Equity Based Benefits

The Company has not provided equity based benefits (e.g. grant of shares or options) to Key Management Personnel during the financial year. The Company received approval by shareholders at the 2016 AGM for issuing a total of up to 72,000,000 options with varying exercise prices, expiry dates and milestones to be reached to James Phipps, Justin Richard and Atmavireshwar Sthapak (including grant of mining licence and financing for the Al Hadeetha Project, and commencing construction on the Khnaiguiyah Zinc Copper Project). Refer to the ASX Announcement for further detail. Milestones 2, 3 and 4 were not reached in time and no options were granted to Key Management Personnel during the year.

There were 4,250,000 shares issued as a result of the exercise of options previously held by Key Management Personnel during the financial year.

Options Lapsed During the Year

During and subsequent to the end of the financial year, listed options lapsed without being exercised, as detailed below:

№ of Options	Date of Lapse	Description of Listed Options	Exercise Price	Date of Issue	Expiry Date
228,792,805	30 April 2017	$0.02 (14 October 2015) Listed Options[13]	$0.02	14 October 2015	30 April 2017

Details of Shares Held By Key Management Personnel

2017	Ordinary Fully Paid Shares				
Name of Director/KMP	Balance at 1 July 2016	Balance at appointment	Net change	Balance at cessation	Balance at 30 June 2017
Justin Richard(i)	20,500,000		10,257,037		30,757,037
Atmavireshwar Sthapak(ii)	–		900,000		900,000
James Phipps	–		–		–
Vikas Jain	30,000,000		4,285,230		34,285,230
Ian Gregory	–		–		–
Elizabeth Hunt(iii)	–		–	–	

Notes: (i) Mr Richard submitted a request for trading approval to the Company on 3 occasions during the relevant period.
(ii) Mr Sthapak submitted a request for trading approval to the Company on 2 occasions during the relevant period. (iii) Resigned 31 March 2017.

2016	Ordinary Fully Paid Shares				
Name of Director/KMP	Balance at 1 July 2015	Balance at appointment	Net change	Balance at cessation	Balance at 30 June 2016
Justin Richard(i)	–	–	20,500,000		20,500,000
H. Shanker Madan(ii)	713	713	–	713	713
Atmavireshwar Sthapak(iii)		–	–		–
Ian Williams(iv)	100,000	–	–	100,000	100,000
James Phipps	–		–		–
Vikas Jain(v)	–	30,000,000	–		30,000,000
Ian Gregory	–		–		–
Victor Ho(vi)	–		–	–	–
Elizabeth Hunt(vii)		–	–		–

Notes: (i) Mr Richard submitted a request for trading approval to the Company on at least 1 occasion during the relevant period. (ii) Appointed 31 July 2015 and resigned 31 March 2016 (iii) Appointed 22 September 2015 (iv) Resigned 31 July 2015 (v) Appointed 6 April 2016 (vi) Resigned 31 August 2015 (vii) Appointed 31 August 2015.

The following Key Management Personnel retired during the 2017 year with balances at cessation:

- Elizabeth Hunt – 31 March 2017: Nil shares

[13] Refer Alara's 10 May 2017 ASX Announcement: Appendix 3B

Details of Options Held By Key Management Personnel

2017 Name of Director/KMP	Balance at 1 July 2016	Granted	Exercised	Acquired	Lapsed / Cancelled	Balance at Cessation	Balance at 30 June 2017	Granted and vested during year	Vested and exercisable at 30 June 2017
Justin Richard	20,000,000	–	4,250,000	–	(15,750,000)		–	–	–
Atmavireshwar Sthapak	–	–	–	–	–		–	–	–
James Phipps	–	–	–	–	–		–	–	–
Vikas Jain	30,000,000	–	–	–	(30,000,000)		–	–	–
Ian Gregory	–	–	–	–	–		–	–	–
Elizabeth Hunt(i)	–	–	–	–	–	–		–	–

Notes: (i) Resigned 31 March 2017.

2016 Name of Director/KMP	Balance at 1 July 2015	Granted	Exercised	Acquired	Lapsed / Cancelled	Balance at Cessation	Balance at 30 June 2016	Granted and vested during year	Vested and exercisable at 30 June 2016
Justin Richard	–	–	–	20,000,000	–		20,000,000	–	20,000,000
H. Shanker Madan(i)	–	–	–	–	–	–		–	–
Atmavireshwar Sthapak(ii)	–	–	–	–	–		–	–	–
Ian Williams(iii)	–	–	–	–	–	–		–	–
James Phipps	–	–	–	–	–		–	–	–
Vikas Jain(iv)	–	–	–	30,000,000	–		30,000,000	–	30,000,000
Ian Gregory	–	–	–	–	–		–	–	–
Victor Ho(v)	–	–	–	–	–	–		–	–
Elizabeth Hunt(vi)	–	–	–	–	–		–	–	–

Notes: (i) Appointed 31 July 2015 and resigned 31 March 2016; (ii) Appointed 22 September 2015 (iii) Resigned 31 July 2015 (iv) Appointed 6 April 2016 (v) Resigned 31 August 2015 (vi) Appointed 31 August 2015.

Employment Contracts

(a) Managing Director/CEO – Justin Richard

Justin Richard has been the Company's Legal & Commercial Manager since August 2011 and also Alara's Country Manager in Saudi Arabia (since November 2012) and Oman (since December 2013). He was appointed as Managing Director on 16 June 2015. The terms of his employment contract were carried over from his previous agreement contract with no increase in salary or allowance, the material terms of which are as follows:

- One year term with annual base salary of A$282,150 (subject to adjustments for exchange rate variations* for salaries paid in Saudi Arabian Riyals and Omani Rials);
- Expatriate allowances (including housing, school and travel) totalling approximately A$175,000 per annum (subject to adjustments for exchange rate variations*);
- Provision of medical insurance cover;
- Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements plus any additional entitlements prescribed under Saudi Arabian Labour Law;
- 60 days long service leave after 6 years of service and 5 days long service leave in respect of each year of service thereafter;
- Compulsory statutory 'end of service' payments due under Saudi Arabian Labour and Omani Law;
- One month's notice of termination within first six months, subject to repatriation provisions which total approximately three months remuneration; and
- As announced on 31 March 2016[14] and as approved by shareholders at the 2016 AGM, it was resolved that the Company will grant the following options as a long term incentive subject to the following milestones being achieved:
  - Tranche 1 – 7,000,000 $0.04 options expiring 31 October 2016 upon attainment of Milestone 2;
  - Tranche 2 – 7,000,000 $0.04 options expiring 31 December 2016 upon attainment of Milestone 3; and
  - Tranche 3 – 10,000,000 $0.10 options expiring 31 December 2016 upon attainment of Milestone 4.

  Milestones 2, 3 and 4 were not reached in time and no options were granted during the year.

*Exchange rate variations based on rates prevailing at the time the expatriate assignments commenced.

[14] Refer Alara's 31 March 2016 ASX Announcement: Board Changes and Employee Options

(b) Technical Director – Atmavireshwar Sthapak

Atmavireshwar Sthapak was appointed Non-Executive Director on 22 September 2015 and subsequently appointed as Executive Director on 3 February 2016. The material terms of his contract are as follows[15]:

- An annual base salary of OMR 43,200 per annum;
- Use of a company car;
- Provision of medical insurance cover;
- Allowances totalling approximately OMR 7,695 per annum;
- Compulsory statutory 'end of service' payments due under Oman Labour Law;
- Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements plus any additional entitlements prescribed under Oman Labour Law;
- Separate bonus totalling up to OMR 28,000 paid in 2016;
- Either party may terminate this agreement by providing one months' notice; and
- As announced on 31 March 2016[16] and as approved by shareholders at the 2016 AGM, it was resolved that the Company will grant the following options as a long term incentive subject to the following milestones being achieved:
  - Tranche 1 – 7,000,000 $0.04 options expiring 31 October 2016 upon attainment of Milestone 2;
  - Tranche 2 – 7,000,000 $0.04 options expiring 31 December 2016 upon attainment of Milestone 3; and
  - Tranche 3 – 10,000,000 $0.10 options expiring 31 December 2016 upon attainment of Milestone 4.

  Milestones 2, 3 and 4 were not reached in time and no options were granted during the year.

(c) Other Executives

Details of the material terms of formal employment/consultancy agreements (as the case may be) between the Company and other Key Management Personnel during the period are as follows:

Key Management Personnel and Position(s) Held	Relevant Date(s)	Base Salary/Fees per annum	Other Terms
Elizabeth Hunt Company Secretary	31 August 2015 *(commencement date)* 31 March 2017 *(resignation date)*	$132,000 per annum (including accounting services) payable to Mining Corporate Pty Ltd, of which Elizabeth Hunt is the managing director.	• Notice period 1 month.

Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the 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. There were no loans to directors or executives during the reporting period.

Employee Share Option Plan

The Company has an Employee Share Option Plan (the ESOP) which was most recently approved by shareholders at the 2014 Annual General Meeting held on 19 November 2014. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) of Alara. Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares to those personnel. A summary of the terms of ESOP is set out in Annexure A to Alara's Notice of Annual General Meeting and Explanatory Statement dated 2 October 2014. No securities were issued to KMP under the ESOP during the financial year (2016: Nil).

Director Loan Agreement

There were no loan agreements with the Directors during the year.

On 9 September 2015 Justin Richard entered into a loan agreement with the Consolidated Entity providing a $250,000 loan facility to the Consolidated Entity. $60,000 was drawn down by the Consolidated Entity during the relevant period and was settled upon the rights issue announced 12 November 2015. 20,000,000 shares were issued to Justin Richard at the issue price of $0.01, raising $200,000 in capital and extinguishing the $60,000 loan payable with no interest charged. The loan was fully repaid during the year.

Securities Trading Policy

The Company has a Securities Trading Policy, a copy of which is available for viewing and downloading from the Company's website.

Voting and Comments on the Remuneration Report at the 2016 Annual General Meeting

At the Company's most recent (2016) Annual General Meeting (AGM), a resolution to adopt the 2016 Remuneration Report was put to a vote and passed unanimously on a show of hands with the proxies received also indicating majority (89.7%) support in favour of adopting the Remuneration Report.[17] No comments were made on the Remuneration Report at the AGM.

[15] Refer Alara's 3 February 2016 ASX Announcement: Appointment of Executive Director
[16] Refer Alara's 31 March 2016 ASX Announcement: Board Changes and Employee Options
[17] Refer Alara's 23 November 2016 ASX Announcement: Results of Meeting

Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Remuneration and Nomination Committee be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel.

This concludes the audited Remuneration Report.

Directors' and Officers' Insurance

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed 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 (Officer) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act).
- Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

Legal Proceedings on Behalf of Consolidated Entity (Derivative Actions)

Except for the legal proceedings in Saudi Arabia as noted above, no person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings and the Consolidated Entity was not a party to any such proceedings during and since the financial year.

Auditor

Details of the amounts paid or payable to the Company's auditors (Bentleys Audit & Corporate (WA) Pty Ltd for 30 June 2017 and Moore Stephens Chartered Accountants for the Oman entity audits) for audit and non-audit services (paid to a related party of Bentleys Audit and Corporate (WA) Pty Ltd) provided during the financial year are set out below (refer to Note 5):

Audit and Review Fees $	Fees for Other Non-Audit Services $	Total $
38,181	–	38,181

The Board is satisfied that the provision of non-audit services by the auditors 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.

Bentleys Audit & Corporate (WA) Pty Ltd continue in office in accordance with section 327B of *the Corporations Act 2001.*

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 17. This relates to the Audit Report, where the Auditors state that they have issued an Independence Declaration.

Events Subsequent to Reporting 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 or the financial statements or notes thereto, 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:

Justin Richard
Managing Director

19 September 2017

Bentleys
THINKING AHEAD

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To the Board of Directors

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

As lead audit director for the audit of the financial statements of Alara Resources Limited for the financial year ended 30 June 2017, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 19th day of September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	3	37,753	199,708
Provision for impairment of exploration expenditure	11	–	(33,906,473)
Personnel		(379,902)	(211,170)
Occupancy costs		(51,355)	(35,198)
Finance expenses		(3,043)	(3,949)
Corporate expenses		(61,985)	(173)
Extinguishment of financial liability	12,14	236,413	1,713,737
Administration expenses		(238,655)	(170,625)
LOSS BEFORE INCOME TAX		**(460,774)**	**(32,414,143)**
Income tax benefit		55,840	301,306
PROFIT/(LOSS) FOR THE YEAR		**(404,934)**	**(32,112,837)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(178,669)	364,946
Total other comprehensive income/(loss)		**(178,669)**	**364,946**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(583,603)**	**(31,747,891)**
Profit/(loss) attributable to:			
Owners of Alara Resources Limited		(258,526)	(30,595,089)
Non-controlling interest		(146,408)	(1,517,748)
		(404,934)	**(32,112,837)**
Total comprehensive income/(loss) for the year attributable to:			
Owners of Alara Resources Limited		(437,195)	(30,230,143)
Non-controlling interest		(146,408)	(1,517,748)
		(583,603)	**(31,747,891)**
Earnings/Loss per share:			
Basic earnings/(loss) per share cents	6	(0.04)	(7.42)
Diluted earnings/(loss) per share cents	6	(0.04)	(7.42)

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Financial Position

for the year ended 30 June 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,885,556	1,365,691
Trade and other receivables	8	72,299	318,260
Other current assets	9	9,728	7,979
TOTAL CURRENT ASSETS		**1,967,583**	**1,691,930**
NON CURRENT ASSETS			
Property, plant and equipment	10	54,126	64,503
Exploration and evaluation	11	7,996,698	7,327,012
TOTAL NON CURRENT ASSETS		**8,050,824**	**7,391,515**
TOTAL ASSETS		**10,018,407**	**9,083,445**
CURRENT LIABILITIES			
Trade and other payables	12	115,368	439,903
Provisions	13	75,450	130,296
TOTAL CURRENT LIABILITIES		**190,818**	**570,199**
NON CURRENT LIABILITIES			
Financial liabilities	14	215,939	–
Provisions	13	25,226	47,786
TOTAL NON CURRENT LIABILITIES		**241,165**	**47,786**
TOTAL LIABILITIES		**431,983**	**617,985**
NET ASSETS		**9,586,424**	**8,465,460**
EQUITY			
Issued capital	15	65,169,992	63,485,425
Reserves	16	208,726	367,395
Accumulated losses		(53,568,320)	(53,309,794)
Parent interest		11,810,398	10,543,026
Non-controlling interest		(2,223,974)	(2,077,566)
TOTAL EQUITY		**9,586,424**	**8,465,460**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued Capital $	Options Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-Controlling Interest $	Total $
Balance as at 1 July 2015		61,018,659	358,980	2,449	(23,073,685)	(559,818)	37,746,585
Foreign currency translation reserve		–	–	364,946	–	–	364,946
Net income and expense recognised directly in equity		–	–	364,946	–	–	364,946
Loss for the year		–	–	–	(30,595,089)	(1,517,748)	(32,112,837)
Total comprehensive loss for the year		–	–	364,946	(30,595,089)	(1,517,748)	(31,747,891)
Transactions with owners in their capacity as owners:							
Share placement	15	2,580,075	–	–	–	–	2,580,075
Share placement costs	15	(113,309)	–	–	–	–	(113,309)
Options lapsed during the year	16	–	(358,980)	–	358,980	–	–
Balance as at 30 June 2016		**63,485,425**	**–**	**367,395**	**(53,309,794)**	**(2,077,566)**	**8,465,460**
Balance as at 1 July 2016		63,485,425	–	367,395	(53,309,794)	(2,077,566)	8,465,460
Foreign currency translation reserve		–	–	(178,669)	–	–	(178,669)
Net income and expense recognised directly in equity		–	–	(178,669)	–	–	(178,669)
Loss for the year		–	–	–	(258,526)	(146,408)	(404,934)
Total comprehensive loss for the year		–	–	(178,669)	(258,526)	(146,408)	(583,603)
Transactions with owners in their capacity as owners:							
Share placement	15	1,830,052	–	–	–	–	1,830,052
Share placement costs	15	(145,485)	–	–	–	–	(145,485)
Options issued during the year	16	–	20,000	–	–	–	20,000
Balance as at 30 June 2017		**65,169,992**	**20,000**	**188,726**	**(53,568,320)**	**(2,223,974)**	**9,586,424**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(895,640)	(323,911)
Interest received		37,753	31,041
Interest paid		–	(35)
Income tax refunded/(paid)		301,183	–
NET CASHFLOWS USED IN OPERATING ACTIVITIES	7b	(556,704)	(292,905)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(1,079)	(28,777)
Payments for exploration and evaluation activities		(811,641)	(1,602,790)
NET CASHFLOWS USED IN INVESTING ACTIVITIES		(812,720)	(1,631,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing ordinary shares		1,445,821	2,480,089
Proceeds from exercise of options		384,230	–
Costs of issuing ordinary shares		(145,485)	(113,309)
Proceeds from borrowings		215,939	–
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES		1,900,505	2,366,780
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		531,081	442,308
Cash and cash equivalents at beginning of the financial year		1,365,691	937,192
Effect of exchange rate changes on cash		(11,216)	(13,809)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**7**	**1,885,556**	**1,365,691**

The accompanying notes form part of this consolidated financial statement.

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Significant Accounting Policies
The principal accounting policies adopted in the preparation of these financial statements are set out below.

The financial report includes the financial statements for the Consolidated Entity consisting of Alara Resources Limited and its controlled and jointly controlled entities. Alara Resources Limited is a company limited by shares, incorporated in Western Australia, Australia and whose shares are publicly traded on the Australian Securities Exchange (ASX).

1.1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretation, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Alara Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the Consolidated Entity, Alara Resources Limited, also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Conventions
The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern Assumption
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.

During the year the Consolidated Entity incurred an operating loss before tax of $460,774 (2016: $32,414,143), and has a working capital position of $1,776,765 (2016: $1,121,731). The receipt of a research and development rebate of $55,840 was received after the year end. The ability of the Consolidated Entity to continue as a going concern is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to be focused on meeting the Consolidated Entity's business objectives and are mindful of the funding requirements to meet these objectives. To enable the Consolidated Entity to advance its Projects into production, 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 consider the basis of going concern to be appropriate given the current cash and working capital position of the Consolidated Entity relative to its fixed and discretionary commitments.

As part of the joint venture (JV) arrangement the Group entered into an unsecured loan agreement with Al Hadeetha Investments LLC on 16 April 2017 for a maximum of USD 2 million to assist in the working capital funding requirements. The interest rate will be calculated and accrued monthly at a rate of LIBOR plus two percent per annum. The loan agreement will be in effect for the duration of the JV arrangement. During the year a total of OMR 63,706 (equivalent of A$215,939) was received. On 9 July 2017, the Company requested a further drawdown of OMR 35,718 (A$121,070).

The Directors are confident that the Consolidated Entity can 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.

1.2. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Alara Resources Limited as at 30 June 2017 and the results of its subsidiaries for the year then ended. Alara Resources Limited and its subsidiaries are referred to in this financial report as the Consolidated Entity. All transactions and balances between Consolidated Entity companies are eliminated on consolidation, including unrealised gains and losses on transactions between Consolidated Entity companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Consolidated Entity perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Consolidated Entity. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Consolidated Entity. The Consolidated Entity attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

1.3. Foreign Currency Translation 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 profit or loss, 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 profit or loss.

Consolidated entity
The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity'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 statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

1.4. Joint Arrangements
Joint arrangements exist when two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control, in the event the Company does not share control the financials are consolidated (or deconsolidated in the event of loss of control) (refer to 1.2 for further information). The Consolidated Entity's joint arrangements are currently of one type:

Joint operations
Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The activities of a joint operation are primarily designed for the provision of output to the parties to the arrangement, indicating that:
- the parties have the rights to substantially all the economic benefits of the assets of the arrangement; and
- all liabilities are satisfied by the joint participants through their purchases of that output. This indicates that, in substance, the joint participants have an obligation for the liabilities of the arrangement.

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

1.6. Comparative Figures
Certain comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1.7. Critical Accounting Judgements and Estimates
The preparation of the Consolidated Financial Statements requires Directors to make judgements and estimates and form assumptions that affect how certain assets, liabilities, revenue, expenses and equity are reported. At each reporting period, the Directors evaluate their judgements and estimates based on historical experience and on other various factors they believe to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities (that are not readily apparent from other sources, such as independent valuations). Actual results may differ from these estimates under different assumptions and conditions.

Exploration and evaluation expenditure
The Consolidated Entity's accounting policy for exploration, evaluation and development expenditure being capitalised include the Daris Project where these costs are expected to be recoverable 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. In the case of the Al Hadeetha project, a maiden reserve announcement was issued in December 2016. This policy requires management to make certain estimates to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is not possible, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Share-based payments transactions
The Consolidated Entity measures the cost of equity-settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes options valuation model, taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in Note 17. The accounting estimates have no impact on the carrying amounts of assets and liabilities but will impact expenses and equity.

1.8. New, Revised or Amending Accounting Standards and Interpretations Adopted
The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

1.9. New Accounting Standards and Interpretations Not Yet Mandatory or Early Adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2017. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Institutions
The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Based on preliminary analysis the directors anticipate that the adoption of AASB 9 is unlikely to have a material impact on the Group's financial instruments.

AASB 15 Revenue from Contracts with Customers
When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Given the nature of the Group there is not expected to be a material impact on adoption of this standard.

AASB 16 Leases
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:
- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The group is currently continuing to assess the impact of these changes.

2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Alara Resources Limited, as at 30 June 2017.

	2017 $	2016 $
Statement of Financial Position		
Current assets	1,690,036	1,397,117
Non-current assets	7,995,422	6,888,540
Total assets	9,685,458	8,285,657
Current liabilities	73,808	132,017
Non-current liabilities	25,226	47,786
Total liabilities	99,034	179,803
Net assets	9,586,424	8,465,460
Issued capital	65,169,992	63,485,425
Options Reserve	20,000	–
Accumulated losses	(55,603,568)	(55,019,965)
Total equity	9,586,424	8,465,460
Profit/(loss) for the year	(583,603)	(31,388,911)
Other comprehensive income for the year	–	–
Total comprehensive income /(loss) for the year	**(583,603)**	**(31,388,911)**

3. LOSS FOR THE YEAR

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

	2017 $	2016 $
Revenue		
Interest	37,753	199,708
	37,753	199,708

ACCOUNTING POLICY NOTE

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") except where the amount of GST incurred is not recoverable from the Australian Tax Office. The following specific recognition criteria must also be met before revenue is recognised:

- Interest Revenue – Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Other Revenues – Other revenues are recognised on a receipts basis.

4. INCOME TAX EXPENSE

	2017 $	2016 $
(a) Income tax expense		
Current tax benefit	(55,840)	(301,306)
Deferred tax expense	–	–
Total income tax benefit per statement of profit or loss and other comprehensive income	(55,840)	(301,306)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(460,774)	(32,414,143)
Tax at the Australian tax rate of 27.5% (2016: 30%)	(126,713)	(9,724,243)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-assessable income	(1,048)	(1,214)
Non-deductible expenses	123,457	9,743,361
(Refund) of Research & Development Claim	(55,840)	(301,306)
Tax losses not brought to account	4,304	(17,904)
Income tax benefit	(55,840)	(301,306)
(c) Deferred tax assets		
Tax losses	6,020	431,547
Other	392,310	2,996
Potential tax benefit at 30%	398,330	434,543
Set-off deferred tax liabilities	(398,330)	(434,543)
Net deferred tax assets	–	–
(d) Deferred tax liabilities		
Exploration and evaluation expenditure	(398,330)	(434,543)
	(398,330)	(434,543)
Set-off deferred tax assets	398,330	434,543
Potential tax liability at 30%	–	–
(e) Deferred tax assets not recognised		
Deferred tax assets have not been recognised in relation to the following matters:		
Tax losses	856,569	923,922
Capital losses	450,990	491,989
	1,307,559	1,415,911

The benefit of the deferred tax assets not recognised will only be obtained if:

(i) The Consolidated Entity derives future income that is assessable for Australian income tax purposes and is of a type and an amount sufficient to enable the benefit of them to be realised;

(ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and

(iii) There are no changes in tax law which will adversely affect the Consolidated Entity in realising the benefit of them.

The Consolidated Entity has elected to consolidate for taxation purposes and has entered into a tax sharing and funding agreement in respect of such arrangements.

4. INCOME TAX EXPENSE (continued)

ACCOUNTING POLICY NOTE

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 taxing 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 taxing 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 Company 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 other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

Tax consolidation legislation

The Consolidated Entity implemented the tax consolidation legislation. The head entity, Alara Resources Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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 statement of financial position 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.

5. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditors to the Consolidated Entity, their related practices and non-audit related firms:

	2017 $	2016 $
Bentleys Audit and Corporate (WA) Pty Ltd – Auditors of the Consolidated Entity (Audit and review of financial reports)	32,000	22,000
Grant Thornton Audit Pty Ltd – Auditors of the Consolidated Entity (Audit and review of financial reports)	–	29,875
Grant Thornton Australia Limited – related practice of Grant Thornton Audit Pty Ltd (Taxation services)	–	27,625
Moore Stephens Chartered Accountants – Auditors of Oman controlled entities (Audit and review of financial reports)	6,181	5,217
	38,181	84,717

6. EARNINGS/(LOSS) PER SHARE

	2017 $	2016 $
Basic earnings/(loss) per share cents	(0.04)	(7.42)
Diluted earnings/(loss) per share cents	(0.04)	(7.42)
Profit/(loss) $ used to calculate earnings/(loss) per share	(258,526)	(30,595,090)
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	584,929,630	412,463,414
Weighted average number of ordinary shares during the period used in calculation of diluted earnings/(loss) per share	584,929,630	412,463,414

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.

ACCOUNTING POLICY NOTE
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.

7. CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash in hand	4,047	7,245
Cash at bank	551,193	742,619
Term deposits	1,330,316	615,827
	1,885,556	1,365,691

The Consolidated Entity has granted numerous term deposit security bonds to the value of $93,468 (2016: $107,044) which has not been called up as at the reporting date. The Parent Entity also has a bank guarantee for the sublease of the former office to the value of $64,943 (2016: $ 64,943).

The effective interest rate on short-term bank deposits was 2.41% (2016: 2.77%) with an average maturity of 76 days.

(a) Risk exposure
The Consolidated Entity's exposure to interest rate and foreign exchange risk is discussed in Note 19. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

ACCOUNTING POLICY NOTE
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the statement of financial position.

7. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow From Operations	2017 $	2016 $
Profit/(Loss) after income tax	(404,934)	(32,112,837)
Provision for impairment of exploration expenditure	–	33,906,473
Loan extinguishment	(236,413)	(1,713,737)
Foreign exchange movement	(100,092)	(254,544)
Depreciation	15,562	18,037
Equity settled share-based payments	256,413	–
Write off/down fixed assets	–	29,424
(Increase)/Decrease in Assets:		
Trade and other receivables	245,961	(62,298)
Other current assets	(1,749)	65,148
Increase/(Decrease) in Liabilities:		
Trade and other payables	(254,045)	(220,887)
Provisions	(77,407)	52,316
Net cashflows from/(used in) operating activities	(556,704)	(292,905)
(c) Non-cash financing and investing activities		
Share based payments (Refer to Note 17)	(20,000)	(100,000)

8. TRADE AND OTHER RECEIVABLES

Current	2017 $	2016 $
Amounts receivable from:		
Sundry debtors	63,785	310,821
Goods and services tax recoverable	8,514	7,439
	72,299	318,260

(a) Risk exposure
Information about the Consolidated Entity's exposure to credit risk, foreign exchange risk and interest rate risk is in Note 19.

(b) Impaired receivables
None of the above receivables are impaired or past due.

ACCOUNTING POLICY NOTE
Trade 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.

9. OTHER CURRENT ASSETS

	2017 $	2016 $
Prepayments	9,728	7,979
	9,728	7,979

10. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Total $
Year ended 30 June 2016				
Carrying amount at beginning	–	49,071	19,862	68,933
Additions	28,777	–	–	28,777
Write-offs	–	(10,294)	(19,130)	(29,424)
Depreciation expense	(1,692)	(14,454)	(1,891)	(18,037)
Exchange Difference	–	9,309	4,945	14,254
Closing amount at reporting date	27,085	33,632	3,786	64,503
Year ended 30 June 2016				
Cost or fair value	28,777	164,925	12,898	206,600
Accumulated depreciation	(1,692)	(131,293)	(9,112)	(142,097)
Net carrying amount	27,085	33,632	3,786	64,503
Year ended 30 June 2017				
Carrying amount at beginning	27,085	33,632	3,786	64,503
Additions	–	1,079	–	1,079
Write-offs	–	–	–	–
Depreciation expense	(3,865)	(10,448)	(1,249)	(15,562)
Exchange Difference	(1,715)	5,908	(87)	4,106
Closing amount at reporting date	21,505	30,171	2,450	54,126
Year ended 30 June 2017				
Cost or fair value	26,932	189,253	21,056	237,241
Accumulated depreciation	(5,427)	(159,082)	(18,606)	(183,115)
Net carrying amount	21,505	30,171	2,450	54,126

ACCOUNTING POLICY NOTE

All plant and equipment are 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 profit or loss during the financial period in which they are incurred. The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	15 – 37.5%
Motor Vehicles	33.3%
Plant and Equipment	15 – 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

11. EXPLORATION AND EVALUATION

	2017 $	2016 $
Opening balance	7,327,012	38,566,735
- Exploration and evaluation expenditure	613,007	660,647
- Exchange differences	56,679	2,006,103
- Impairment of exploration and evaluation expenditure	–	(33,906,473)
Closing balance	7,996,698	7,327,012

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 are 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 (see accounting policy note on mineral exploration and evaluation expenditure below).

Alara Oman Operations Pty Limited (a wholly owned Australian subsidiary) gained a 70% shareholding interest in a jointly controlled company, Al Hadeetha Resource LLC (Oman), on 23 November 2011. The principal activity of the company is exploration, evaluation and development of mineral licences in Oman.

Alara Oman Operations Pty Limited (a wholly owned Australian subsidiary) gained a 50% shareholding interest in a jointly controlled company, Daris Resources LLC (Oman), on 1 December 2010. The principal activity of this company is exploration, evaluation and development of mineral licences in Oman. The Consolidated Entity has a valid and legally enforceable contractual right to commercially exploit the Daris Project held by Daris Resources LLC (in which the Consolidated Entity has a 50% shareholding interest) and does not hold the legal title to the mineral exploration licence (which is held by the other 50% shareholder of Daris Resources LLC). The financial statements have been prepared on this basis (refer Note 22 for further disclosures). Should these legal rights not be enforceable, the carrying value of Exploration and Evaluation Expenditure attributable to the Daris Project would be impaired.

Assets previously classified as other non-current assets have been reclassified to exploration and evaluation expenditure. The Consolidated Entity has granted numerous security bonds to the value of $93,468 (2016: $107,380) which have not been called up as at reporting date.

ACCOUNTING POLICY NOTE

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 where they are expected to be recoverable through the successful development of the area or where activities in the area and includes areas that 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. Exploration and evaluation expenditure is written-off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment loss will be measured in accordance with the Consolidated Entity's impairment policy (Note 1.7). This policy requires management to make certain estimates to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is not possible, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Impairment of Non-Financial 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 profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

12. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current		
Trade payables	65,383	393,435
Other payables	49,985	46,468
	115,368	439,903

Due to the short-term nature of the trade and other payables, their carrying value is assumed to approximate their fair value.

The liabilities of the Khnaiguiyah Mining Company LLC ('KMC') of $236,413 were extinguished from the financial statements after the Consolidated Entity ceased to control KMC. As disclosed in note 11, the KMC assets were fully provided for in 2016.

(a) Risk exposure
Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 19.

ACCOUNTING POLICY NOTE
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.

13. PROVISIONS

	2017 $	2016 $
Current		
Employee benefits – annual leave	75,450	21,586
Income tax	–	108,710
Non-Current		
Employee benefits – long service leave	25,226	47,786
	100,676	178,082

Amounts not expected to be settled within the next 12 months
The entire annual leave obligation is presented as current as the Consolidated Entity does not have an unconditional right to defer settlement. The non-current provision for long service leave is a provision towards the future entitlements of employees who will have completed the required period of long service and that is not expected to be taken or paid within the next 12 months.

ACCOUNTING POLICY NOTE
Employee Benefits
(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in other payables and accruals together with other employee benefit obligations.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employee renders the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

14. FINANCIAL LIABILITIES

	2017 $	2016 $
Non-Current		
Loan with unrelated third party (i)	215,939	–
Financial liabilities	–	1,509,585
Exchange differences	–	204,152
Extinguishment of financial liability (ii)	–	(1,713,737)
	215,939	–

(i) Pursuant to the Shareholders' Agreement with Al Hadeetha Investments LLC (**AHI**), Al Hadeetha Resources LLC (**AHR**) (a controlled entity of Alara Resources Limited) executed a Loan Agreement of up to USD 2 million with AHI on 16 April 2017. As at 30 June 2017, the loan balance was OMR63,706 (A$215,939). Under the Loan Agreement, interest accrues at a rate of LIBOR plus 2%. The loan is repayable (alongside the loan of OMR1,853,822 (A$6,241,586) from Alara Resources Limited and its controlled entities, which has been eliminated on consolidation of these financial statements) from profits of AHR prior to any dividends being issued to the shareholders of AHR, or in the event that AHI ceases to be a shareholder of AHR. AHI and/or Alara Resources Limited may elect to convert all or part of the loan into equity in AHR.

On 9 July 2017, the Company requested a drawdown from AHI of OMR 35,718 (A$121,070).

(ii) The financial liability with United Arabian Mining Company LLC (Manajem) was extinguished pursuant to the terms of the shareholders agreement whereby repayment can only be made from profits of the joint venture and shall be discharged pro rata for funds contributed by Alara. The Company has impaired its interest in the Khnaiguiyah project upon cancellation of the Khnaiguiyah mining licence.

15. ISSUED CAPITAL

	2017 №	2016 №	2017 $	2016 $
Fully paid ordinary shares	597,517,589	506,015,000	65,169,992	63,485,425

2016	**№**	**$**
Balance as at 1 July 2015	248,007,500	61,018,659
- Share movement during the 2016 financial year	258,007,500	2,580,075
- Share issue costs during the 2016 financial year	–	(113,309)
Balance as at 30 June 2016	506,015,000	63,485,425
2017	**№**	**$**
Balance as at 1 July 2016	506,015,000	63,485,425
- Share movement during the 2017 financial year	91,502,589	1,830,052
- Share issue costs during the 2017 financial year	–	(145,485)
Balance as at 30 June 2017	597,517,589	65,169,992

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.

Capital risk management

The Consolidated Entity's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders. The Board will consider capital management initiatives as is appropriate and in the best interests of the Consolidated Entity and shareholders from time to time. The Consolidated Entity had no external borrowings as at 30 June 2017. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

Accounting Policy Note

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, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

16. RESERVES

	2017 $	2016 $
Foreign currency translation reserve	188,726	367,395
Options reserve	20,000	–
	208,726	367,395

Foreign currency translation reserve
Exchange differences arising on translation of a foreign controlled entity's financial results and position are taken to the foreign currency translation reserve. The reserve is de-recognised when the investment is disposed of.

Options reserve
The number of unlisted options outstanding over unissued ordinary shares at the reporting date is as follows:

	Grant date	Number of options	2017 $	2016 $
Employees' Options				
Unlisted options exercisable at $0.04; expiring 9 March 2020	9 Mar 2017	3,000,000	20,000	–
		3,000,000	20,000	–

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

17. SHARE BASED PAYMENTS

A total of 3,000,000 unlisted options expiring 9 March 2020 were issued to consultants during the year.

			Movement during the year					As at 30 June 2017	
Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested and exercisable	Fair value $
Employees									
9 Mar 2017	9 Mar 2020	$0.04	–	3,000,000	–	–	3,000,000	3,000,000	20,000
Weighted average exercise price			–	3,000,000	–	–	3,000,000	3,000,000	20,000
Weighted average exercise price			$0.04	$0.04	–	–	$0.04	$0.04	

Other than options exercised by Mr Richard (which were not share based payments), there were no shares issued as a result of the exercise of any options during the year (2016: nil).

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

(i) Options are granted for no consideration and vest as detailed in the table below;
(ii) Exercise price is as detailed in the table above;
(iii) Grant or issue date is as detailed in the table above;
(iv) Expiry date is as detailed in the table above;
(v) Share price is based on the last bid price on ASX as at date of grant, as detailed in the table below;
(vi) Expected price volatility of the Company's shares has been assessed independently as described in the table below;
(vii) Expected dividend yield is nil; and
(viii) Risk-free interest rate is based on the 3/5 year Commonwealth bond yield, as detailed in the table below.

Date of issue	Description of unlisted options	Vesting criteria	Share price at grant date	Risk free rate	Price volatility
9 Mar 2017	$0.04 (9 Mar 2020) Options	Vested at the date of the issue of the options	$0.022	2.08%	100%

17. SHARE BASED PAYMENTS (continued)

As announced on 31 March 2016 and approved by shareholders at the 2016 AGM, it was resolved that the Company will grant the following options as a long term incentive subject to the following milestones being achieved:

- Tranche 1: 21,000,000 $0.04 options expiring 3 years from grant date upon attainment of Milestone 2 before 31 October 2016;
- Tranche 2: 21,000,000 $0.04 options expiring 3 years from grant date upon attainment of Milestone 3 before 31 December 2016; and
- Tranche 3: 30,000,000 $0.10 options expiring 3 years from grant date upon attainment of Milestone 4 before 31 December 2016.

Milestones 2, 3 and 4 were not reached before the due date and no options were granted during the year.

ACCOUNTING POLICY NOTE
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 as at grant date and is expensed in full as at their date of issue where they are 100% vested on grant and otherwise over their vesting period (where applicable). The fair value at grant date is determined using the Black-Scholes 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.

18. SEGMENT INFORMATION

The Board has considered the activities/operations and geographical perspective within the operating results and have determined that the Consolidated Entity operates in the resource exploration, evaluation and development sector within geographic segments - Australia, Saudi Arabia and Oman.

2017	Australia $	Oman $	Saudi Arabia $	Total $
Total segment revenues	37,491	262	–	37,753
Total segment loss before tax	(378,106)	(293,175)	210,507	(460,774)
Total segment assets	2,208,115	7,810,292	–	10,018,407
Total segment liabilities	(99,034)	(332,949)	–	(431,983)
2016				
Total segment revenues	199,262	446	–	199,708
Total segment loss before tax	(16,480,443)	(5,573,028)	(10,360,672)	(32,414,143)
Total segment assets	2,839,835	6,243,610	–	9,083,445
Total segment liabilities	(413,675)	(95,599)	(108,711)	(617,985)

(a) Reconciliation of segment information	2017 $	2016 $
(i) Total Segment Assets		
Total Assets as per Statement of Financial Position	10,018,407	9,083,445
(ii) Total Segment Revenues		
Total Revenue as per Statement of Profit or Loss and Other Comprehensive Income	37,753	199,708
(iii) Total Segment profit/(loss) before tax		
Total Consolidated Entity profit/(loss) before tax	(460,774)	(32,414,143)

ACCOUNTING POLICY NOTE
Operating Segments
The Consolidated Entity has applied AASB 8: Operating Segments which requires that segment information be presented on the same basis as that used for internal reporting purposes. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the management to make decisions on allocation of resources to the relevant segments and assess performance. Unallocated items comprise mainly share investments, corporate and office expenses.

19. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, and investments in a listed security. The principal activity of the Consolidated Entity is resource exploration, evaluation and development. The main risks arising from the Consolidated Entity's financial instruments are market (which includes price, interest rate and foreign exchange risks), credit and liquidity risks. Risk management is carried out by the Board of Directors. The Board evaluates, monitors and manages the Consolidated Entity's financial risk in close co-operation with its operating units. The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board.

The Consolidated Entity holds the following financial instruments:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	1,885,556	1,365,691
Trade and other receivables	72,299	318,260
	1,957,855	1,683,951
Financial liabilities at amortised cost		
Trade and other payables	(115,368)	(439,903)
Total segment revenue	(215,939)	–
	(331,307)	(439,903)
Net Financial Assets	1,626,548	1,244,048

(a) Market Risk

(i) Price risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the statement of financial position at fair value through profit or loss. The Consolidated Entity is not directly exposed to commodity price risk. The value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. The Consolidated Entity does not manage this risk through entering into derivative contracts, futures, options or swaps. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

(ii) 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 and its loan from third parties. The average interest rate applicable to funds held on deposit during the year was 2.41% (2016: 2.77%).

	2017 $	2016 $
Cash at bank	551,193	742,619
Term deposits	1,330,316	615,827
Loan from third parties	(215,939)	–
	1,665,570	1,358,446

The Consolidated Entity has borrowings subject to interest rate risk. The possible impact on profit or loss or total equity on this exposure is displayed below:

Loan with unrelated third party	2017 $	2016 $
Change in profit		
Increase by 1%	(2,159)	–
Decrease by 1%	2,159	–
Change in equity		
Increase by 1%	(2,159)	–
Decrease by 1%	2,159	–

19. FINANCIAL RISK MANAGEMENT (continued)

Revenue	2017 $	2016 $
Change in profit		
Increase by 3%	56,567	40,971
Decrease by 3%	(56,567)	(40,971)
Change in equity		
Increase by 3%	56,567	40,971
Decrease by 3%	(56,567)	(40,971)

(iii) Foreign exchange risk

The Consolidated Entity is exposed to foreign currency risk in cash held in Omani Riyals (OMR) by the Consolidated Entity's foreign controlled entity, foreign resource project investment commitments and exploration and evaluation expenditure on foreign exploration and evaluation. The primary currency giving rise to this risk is Omani Riyals (OMR). The Consolidated Entity has not entered into any forward exchange contracts as at reporting 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:

	2017 OMR	2016 OMR
Cash and cash equivalents	78,855	80,426
Trade and other receivables	261	32
Trade and other payables	(13,447)	(21,632)
Non-current financial liabilities	(64,144)	–
	1,525	58,826

The Consolidated Entity's exposure to foreign exchange risk is mitigated by having comparable asset and liability balances in US dollars. Therefore a sensitivity analysis has not been performed. The Consolidated Entity enters into forward exchange contracts with its Australian bank from time to time to hedge against foreign exchange risk.

(b) 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 and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2017 $	2016 $
Cash and cash equivalents		
AA-	1,881,509	1,358,446
No external credit rating available	4,047	7,245
	1,885,556	1,365,691
Trade and other receivables (due within 30 days)		
No external credit rating available	72,299	318,260

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.

19. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk
Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. There is sufficient cash and cash equivalents and the non-cash investments can be realised to meet accounts payable arising in the normal course of business. The financial liabilities maturity obligation is disclosed below:

2017	Less than 6 months $	6-12 months $	1-5 years $	Total $
Financial assets				
Cash and cash equivalents	1,885,556	–	–	1,885,556
Trade and other receivables	72,299	–	–	72,299
	1,957,855	–	–	1,957,855
Financial liabilities				
Trade and other payables	(115,368)	–	–	(115,368)
Non-current financial liabilities	–	–	(215,939)	(215,939)
	(115,368)	–	(215,939)	(331,307)
Net inflow/(outflow)	1,842,487	–	(215,939)	1,626,548
2016				
Financial assets				
Cash and cash equivalents	1,365,691	–	–	1,365,691
Trade and other receivables	318,260	–	–	318,260
	1,683,951	–	–	1,683,951
Financial liabilities				
Trade and other payables	(439,903)	–	–	(439,903)
Net inflow/(outflow)	1,244,048	–	–	1,244,048

(d) Fair Value of Financial Assets and Liabilities
The carrying amount of financial instruments recorded in the financial statements represents 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 reporting date are set out in Note 9 and Note 10. The financial liabilities at reporting date are set out in Note 14.

(e) Fair value measurements
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Consolidated Entity's financial assets and liabilities approximate their fair values.

ACCOUNTING POLICY NOTE
Financial Instruments
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).
Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately. Subsequent to initial recognition, these instruments are measured as set out below:

- *Financial assets at fair value through profit or 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 profit or loss 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.
- *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. Impairment losses are recognised in the profit or loss. The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as "financial assets at fair value through profit or loss".

19. FINANCIAL RISK MANAGEMENT (continued)

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 reporting 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, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The Consolidated Entity may use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other 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. The Consolidated Entity's investment portfolio (comprising listed and unlisted securities) is accounted for as a "financial assets at fair value through profit or loss" and is carried at fair value based on the quoted last bid prices at reporting date.

20. COMMITMENTS

	2017 $	2016 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Within 1 year	23,750	39,211
1-5 years	460	12,460
After 5 years	–	–
Total	24,210	51,671

The Group leases office space under a non-cancellable operating lease. On renewal, the terms of the lease are renegotiated. The Group does not have an option to purchase the leased asset at the expiry of the lease period. During the year the Group has signed a sub-lease for the office space hence mitigating the outstanding lease commitments remaining on the lease.

21. CONTROLLED ENTITIES

Investment in Controlled Entities	Controlled entity	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-17	Jun-16
Alara Resources Limited (AUQ)	Parent	Exploration	Australia	6-Dec-06	100%	100%
Alara Peru Opertaions Pty Ltd (APO)	AUQ	Inactive	Australia	9-Mar-07	100%	100%
Alara Saudi Operations Pty Ltd (ASO)	AUQ	Management	Australia	4-Aug-10	100%	100%
Saudi Investments Pty Limited (SIV) *(formerly Alara Saudi Marjan Operations Pty Limited)*	AUQ	Development	Australia	14-Feb-11	100%	100%
Alara Oman Operations Pty Limited (AOO)	AUQ	Management	Australia	28-Jun-10	100%	100%
Alara Kingdom Operations Pty Limited (AKO)	AUQ	Management	Australia	5-Sep-11	100%	100%
Alara Saudi Holdings Pty Limited (ASH)	AUQ	Inactive	Australia	5-Jun-13	100%	100%
Alara Resources LLC	AOO	Exploration	Oman	2-Oct-10	70%	70%
Al Hadeetha Resources LLC *(formerly Pilatus Resources Oman LLC)*	AOO	Exploration	Oman	6-Feb-07	70%	70%
Alara Resource Ghana Limited	AUQ	Inactive	Ghana	8-Dec-09	100%	100%
Alara Peru S.A.C	APO	Inactive	Peru	1-Mar-07	100%	100%

22. JOINTLY CONTROLED ENTITIES

Investment in Jointly Controlled Entities	Controlled entity	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-17	Jun-16
Daris Resources LLC	AOO	Exploration	Oman	1-Dec-10	50%	50%

23. RELATED PARTY TRANSACTIONS

(a) Controlled and Jointly Controlled Entities
Details of the interest in controlled entities and jointly controlled entities are set out in Notes 21 and 22.

(b) Transactions with other related parties
The following transactions occurred with related parties during the year ending 30 June 2017:

(i) Controlled and Jointly Controlled Entities
Details of the interest in controlled entities and jointly controlled entities are set out in Notes 21 and 22.

(ii) Director loan agreement

There was no outstanding directors' loan during the year.

On 9 September 2015 Justin Richard entered into a loan agreement with the Consolidated Entity providing a $250,000 loan facility to the Consolidated Entity. $60,000 was drawn down by the Consolidated Entity during the relevant period and was settled upon the rights issue announced 12 November 2015. 20,000,000 shares were issued to Justin Richard at the issue price of $0.01, raising $200,000 in capital and extinguishing the $60,000 loan payable with no interest charged. The loan was fully repaid during the year.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL
Key Management of the Consolidated Entity are 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. Details of key management personnel individual remuneration are disclosed in the remuneration report section of the directors' report.
Key Management Personnel remuneration includes the following expenses:

	2017 $	2016 $
Short term employee benefits:		
Remuneration including bonuses and allowances	999,217	1,084,592
Social security costs	–	–
Total short term employee benefits	999,217	1,084,592
Long service leave	–	–
Total other long-term benefits	–	–
Post-employment benefits:		
Defined benefit pension plans	–	–
Defined contribution pension plans	–	2,177
Total post-employment benefits	–	2,177
Termination benefits	17,663	18,750
Share-based payments	–	–
Total remuneration	1,016,880	1,105,519

24. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities exist in relation to certain exploration and evaluation of the Consolidated Entity subject to the continued development and advancement of the same, as described below.

(a) **Shareholders' Agreement (SHA) – Khnaiguiyah Mining Company – Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** – On 21 October 2010, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with mineral licences holder, United Arabian Mining ("Manajem" in Arabic) Company (Manajem) pursuant to which Alara would pay a total of US$7.5 million to Manajem in stages subject to completion of project milestones and the parties forming a new joint venture company, Khnaiguiyah Mining Company LLC (KMC), which will hold the Khnaiguiyah Zinc-Copper Project mineral licences. KMC was incorporated in Saudi Arabia on 10 January 2010. Alara has paid Manajem a total of US$3.654 million (including advance payments of US$3.388 million in respect of the tranches payable under the Shareholders Agreement in connection with the transfer of the Khnaiguiyah Mining Licence to KMC.

In November 2014, Alara served notice on Manajem suspending Alara's obligations under the SHA and reserving Alara's rights to file claims against Manajem (in addition to the counter-claims referred to in (c) below) pursuant to Manajem's breaches under the SHA and updated JV Agreement (referred to in (b) below).

(b) **Updated Joint Venture Agreement – Khnaiguiyah Mining Company – Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** – In March 2014, Alara Saudi Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a series of agreements with Manajem to update the joint venture between the parties. This included amendments to the Shareholders' Agreement referred to in (a) above and provided for Alara to acquire an additional 10% of the joint venture entity, KMC, thus increasing its equity to 60% (from 50%) and have control of KMC and the Project. Under these updated joint venture agreements Alara would pay a total of US$6,664,120 to Manajem (principally) in stages conditional on attainment defined milestones (with such amount to be added to Alara's loan to KMC, repayable from KMC net profits) and issue 60 million shares to Manajem subject to Alara shareholder approval. The parties also agreed to settle and/or waive all historical claims in relation to the KMC joint venture and or the Khnaiguiyah Project. As at the date of this report, no payment has been effected as Manajem has, inter alia, not yet complied with its initial obligation under the same to notify the Deputy Ministry of Mineral Resources (DMMR) to recommence the process to effect the transfer of the ML to KMC.

(c) **'Financial Claim' – Khnaiguiyah Zinc-Copper Project (Saudi Arabia)** – In November 2014, former Khnaiguiyah Project joint venture partner, Manajem, filed a 'claim' against Alara Saudi Operations Pty Limited before the Board of Grievance in Riyadh, Kingdom of Saudi Arabia. Manajem alleges broad unspecified breaches of the SHA and Saudi law by Alara. Alara, based on the advice of external legal counsel maintain that Manajem's claims are unsubstantiated and has lodged a counter-claim against Manajem based on a number of specific breaches of the SHA by Manajem (including via acting through Manajem company executives) pursuant to Manajem's obligations under the SHA and in relation to a number of operational matters involving the JV Company, KMC. Alara will defend Manajem's claim and pursue its counter-claims against Manajem before the Board of Grievance in accordance with due process. There next court date is scheduled for October 2017.

(d) **Shareholders' Agreement – Daris Resources LLC – Daris Copper-Gold Project (Oman)** – On 28 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Daris Copper Project concession holder, Al Tamman Trading Establishment LLC (ATTE) pursuant to which Alara will invest up to a total of US$7 million into a new joint venture company ("Daris Resources LLC" (DarisCo)) to gain up to a 70% shareholding. DarisCo was incorporated in Oman on 1 December 2010 (Alara 50%:ATTE 50%). To the extent that further funding is required, Alara is entitled to advance up to US$4 million to DarisCo as a loan (on commercial terms and repayable as a priority before distribution of dividends) - convertible into equity in DarisCo to take Alara's interest to 70%. DarisCo has exclusive rights (to be further formalised under a management agreement with ATTE) to manage, operate and commercially exploit the concession. DarisCo is governed by a 6 member board of directors with 3 nominees (including the Chairman) from Alara and 3 nominees from ATTE.

(e) **Shareholders' Agreement – Alara Resources LLC (Oman)** – On 8 August 2010, Alara Oman Operations Pty Limited, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Sur United International Co. LLC (SUR) pursuant to which a new joint venture company ("Alara Resources LLC" (AlaraCo)) will be established to identify, secure and commercially exploit other exploration and evaluation in Oman introduced to AlaraCo by SUR. AlaraCo was incorporated in Oman in 2 October 2010. Alara contributed 100% of the initial capital of 150,000 Omani Rials (RO) (equivalent to ~A$425,000 at that time) for its 70% shareholding interest in AlaraCo with SUR holding the balance of 30%. Alara is entitled to advance funds to AlaraCo as a loan (on commercial terms and repayable as a priority before distribution of dividends). SUR is entitled to receive a priority payment out of net profits equivalent to 2% NSR (Net Smelter Return) – which amount is deducted from the dividend entitlement of SUR. There is a mechanism for the dilution of SUR's profit interest (ie. 30%) if SUR fails to meet capital calls after a 'Decision to Mine' has been made by Alara in respect of a proposed 'Mine' (supported by the results of any feasibility study confirming the commercial viability of the exploitation of a 'Mine'). If SUR's entitlement to dividends is diluted below 10% as above, SUR has an option to assign its dividend rights to Alara in return for a 2% NSR payment from AlaraCo, subject to AlaraCo making a net profit. The shareholders agreement is subject to conditions precedent including, amongst other matters, the execution of an ancillary loan agreement (which is currently pending execution by the parties) and an exploration licence being granted to AlaraCo – AlaraCo has lodged several applications for exploration licences over open areas prospective for base and precious metals introduced by SUR (which are currently pending grant by the Oman Government). AlaraCo is governed by a 5 member board of directors with 3 nominees (including the Chairman) from Alara and 2 nominees from SUR.

(f) **Introduction Fees – Net Smelter Return Royalty and Bonus Obligation – Oman Projects** – A 5.0% Net Smelter Return (NSR) royalty is due and payable to the individual who introduced the prospects the subject of exploration licence applications by Alara Resources LLC or Al Hadeetha Resources LLC. An OMR25,000 cash bonus is also due and payable to the same individual upon commencement of production from the Daris Copper-Gold Project (Oman).

24. CONTINGENT ASSETS AND LIABILITIES (continued)

(g) **Shareholders Agreement – Al Hadeetha Copper-Gold Project (Oman)** – On 23 November 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) entered into a shareholders agreement with the concession holder, Al Hadeetha Resources LLC ('Al Hadeetha') and the then shareholders of Al Hadeetha. An Amendment Agreement between Alara and Al Hadeetha Investments LLC dated 3 August 2013 acknowledges Alara now holds a 70% shareholding in Al Hadeetha and Al Hadeetha Investments LLC ('AHI') holds 30%. Post completion of a definitive feasibility study, the Al Hadeetha Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If AHI decline to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay Al Hadeetha the amount which AHI were required to contribute under their payment notice and (subject to Omani law) Alara may increase its economic interest in Al Hadeetha to 75%. This payment shall be treated as a loan and Alara shall be entitled to 60% of all dividends in favour of AHI until such time that 25% of the total amount required under the payment notices is repaid to Alara. If a Al Hadeetha shareholder's interest falls below 10%, that party shall (subject to Omani law) assign its dividend and voting rights to the other shareholder(s) in exchange for a 2% net smelter return on production payable by Al Hadeetha. Al Hadeetha is governed by a 3 member board of directors with 2 nominees appointed by Alara (including the Chairman) and 1 nominees appointed by the Al Hadeetha Investments LLC (30% shareholder).

(h) **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 the reporting 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.

(i) **Bayan Mining LLC JV Agreement** – On 16 July 2015 Saudi Investments Pty Ltd (a wholly owned subsidiary of the Company) entered into a JV agreement with Bayan Mining LLC. 40,000,000 shares are to be issued upon satisfaction of all of the conditions precedent, which includes the granting of the Khnaiguiyah mining licence to Bayan or the JV.

(j) **Off-take agreement – Al Hadeetha Copper Gold Project** – On 15 March 2017 Alara Oman Operations Pty Ltd (a wholly owned subsidiary of the Company) entered into an off-take agreement for the supply of copper concentrate from the Al Hadeetha Project to Statdrome Pte Ltd. Under the agreement, annual concentrate production of approximately 35,000 wmt will be shipped at regular intervals from the Sohar port. There also exists the possibility of supplying the material to the Omani smelter in case it restarts. However, the project financial model allows for sea freight and other charges associated with the sale of concentrate from the port at Sohar. The agreement also includes a pre-payment of US$6 million to assist in funding project construction costs and mine start up, and will be drawn down in instalments during the project construction phase, starting once the mining licence is issued.

25. SUBSEQUENT EVENTS

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 or the financial statements or notes thereto, 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.

Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 22 to 42, are in accordance with the *Corporations Act 2001* and:

   (a) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) Give a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its 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 Report disclosures set out (within the Directors' Report) on pages 10 to 15 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;

4. The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

5. The Directors have received the declarations required to be made to the Directors by the Managing Director (the person who performs the chief executive officer function) and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

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

Justin Richard
Managing Director

19 September 2017

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THINKING AHEAD

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Independent Auditor's Report

To the Members of Alara Resources Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Alara Resources Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter identified in the Basis for Qualified Opinion – Comparative Financial Information section of our report:

a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

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

Basis for Qualified Opinion – Comparative Financial Information

As disclosed in note 11 to the financial statements, during the year ended 30 June 2016 the Consolidated Entity reported impairment of $33,906,473 of capitalised exploration and evaluation expenditure in respect to the Khnaiguiyah Project in the Kingdom of Saudi Arabia. The continuation of further activities in relation to the project was uncertain as a result of Alara's 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 were 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 year ended 30 June 2016 is affected to the extent of misstatement (if any) as at 30 June 2015. For the avoidance of doubt, this qualification does not apply to the capitalised exploration and evaluation balance as at 30 June 2016 or 30 June 2017.

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

Bentleys THINKING AHEAD

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 24 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 or asset that may result has been made in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation $7,996,698 (Refer to Note 11) Exploration and evaluation is a key audit matter due to: › The significance of the balance to the Consolidated Entity's financial position. › The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources ("AASB 6")*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.	Our procedures included, amongst others: › Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements; › For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; › We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

Bentleys THINKING AHEAD

Key audit matter	How our audit addressed the key audit matter
The assessment of impairment of exploration and evaluation expenditure being inherently difficult.	We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest; We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: - the licenses for the right to explore expiring in the near future or are not expected to be renewed; - substantive expenditure for further exploration in the specific area is neither budgeted or planned; - decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale. Assessing the adequacy of the disclosures in Note 11 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

Bentleys
THINKING AHEAD

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

To the Members of Alara Resources Limited *(Continued)*

Bentleys
THINKING AHEAD

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 2017, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 19th day of September 2017

SAUDI ARABIA

Khnaiguiyah Zinc-Copper Project

The Khnaiguiyah Zinc-Copper Project[18] is located approximately 170km south-west of the capital city Riyadh and 35km north-west of Al-Quwayiyah, which is a regional centre located around the Riyadh to Jeddah Expressway.

The Khnaiguiyah Project previously comprised one mining licence, 2 exploration licences and 5 exploration licence applications, totalling approximately 380km^2 held or applied for by United Arabian Mining Company ("Manajem"). The two exploration licences expired and are considered by Alara to be non-core to the Khnaiguiyah Project. The mining licence that was issued in December 2010, was cancelled in or about December 2015, and is currently the subject of a legal appeal by Manajem.

As at the date of this report, a final appeal decision had not made, nor had the mining licence been reissued.

Project	Licence Owner	Status	Tenement	Grant/ Application Date	Area	Location/ Property Name	Country
Khnaiguiyah Zinc-Copper Project	TBC	Cancelled – appeal decision pending	Mining Lease No 2. Qaaf	2010	5.462km^2	~170km west of Riyadh	Saudi Arabia

[18] Refer to 18 April 2013 ASX Announcement: Maiden JORC Ore Reserves – Khnaiguiyah Zinc-Copper Project

OMAN

Daris and Al Hadeetha Copper-Gold Projects

Alara has joint venture interests in five copper-gold deposits located within four Exploration Licences in Oman extending over 692km². These deposits are also covered by 5 Mining Licence applications pending grant, totalling ~9km².

The Daris Copper-Gold Project[19] is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq[20] prospects are located ~100km south-southeast of Daris. Both projects/prospects are located on or very close to high quality bitumen roads.

Al Hadeetha Copper-Gold Project

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 within EL		
			Area	Date of Grant	Date of Expiry	Status	Area	Date of Application	Status
Washihi	Al Hadeetha Resources LLC	70%	39km²	Jan 2008	Nov 2016	Active*	2.1km²	Dec 2012	Pending
Mullaq	Al Hadeetha Resources LLC	70%	41km²	Oct 2009	Nov 2016	Active*	1km²	Jan 2013	Pending
Al Ajal	Al Hadeetha Resources LLC	70%	25km²	Jan 2008	Nov 2016	Active*	1.5km²	Jan 2013	Pending

*Pursuant to Ministerial decree (38/2013) which declares that the exploration licence ends when its duration ends, unless the licensee has submitted an application for a mining licence, in which case the duration for the exploration licence extends until the date that a determination is made on the mining application.

Table 1: Washihi JORC Mineral Resources

Cu % Cut off	Indicated Resource			Inferred Resource		
	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t	Tonnes (Million)	Copper (Cu) %	Gold (Au) g/t
0.20	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**
0.30	12.37	0.89	0.22	3.68	0.79	0.23
0.40	12.16	0.90	0.22	3.54	0.81	0.24
0.50	11.39	0.93	0.23	2.98	0.88	0.25

[19] Refer Alara's 30 August 2010 ASX Announcement: Project Acquisition - Daris Copper Project in Oman
[20] Refer Alara's 8 December 2011 ASX Announcement: Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman

Table 2: Gossan Hill Mineralisation - Gold[21]

Cut off Au g/t	Inferred Resource		
	Kilo Tonnes (kt)	Gold (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
1. Mineral Resources are not Mineral Reserves. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
2. Mineral Resources reported in accordance with the JORC 2012.
3. 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) has been stated @ .25 g/t Au.
4. Mineral resource tonnages have been rounded to reflect the accuracy of the estimate.
5. 1 ounce of Au = 31.1035 grams.

Table 3: Summary of Washihi Copper Gold Mineral Resources @ 0.25% Cu Cut-off[22]

Resource classification	Tonnes Mt	Copper (Cu) %	Gold (Au) g/t
Indicated	12.4	0.89	0.22
Inferred	3.71	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 evaluation[23].

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	Copper (Cu) %	Gold (Au) g/t
Probable	9.7	0.88	0.22

Table 5: Washihi Mining Inventory

Classification	Tonnes Mt	Copper (Cu) %	Gold (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**

21 Refer Alara's 19 September 2016 ASX Announcement
22 Refer Alara's 15 December 2016 ASX Announcement: Maiden JORC Ore Reserves – Al Hadeetha Copper-Gold Project
23 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.

Daris Copper-Gold Project

The current status of all licences/applications for this project is 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	50%	587km^2	Nov 2009	Feb 2016	Active*	Daris East 3.2km^2	Dec 2012	Pending
							Daris 3A-5 1.3km^2		

*Pursuant to Ministerial decree (38/2013) which declares that the exploration licence ends when its duration ends, unless the licensee has submitted an application for a mining licence, in which case the duration for the exploration licence extends until the date that a determination is made on the mining application.

Table 6: 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.

JORC Competent Persons 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 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.

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.

Forward Looking Statements

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.

Securities Information
as at 18 September 2017

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	597,517,589	–	597,517,589
Total	**597,517,589**	**–**	**597,517,589**

At a general meeting of shareholders: (a) on a show of hands, each person who is a member or sole proxy has one vote; and
(b) on a poll, each shareholder is entitled to one vote for each fully paid share.

Summary of Directors' and Employees' Unlisted Options

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria[24]	No. of Options
9 March 2017	$0.04 (9 Mar 2020) Options	$0.04	9 March 2020	None	3,000,000

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 – 1,000	893	303,663	0.05%
1,001 – 5,000	297	701,298	0.12%
5,001 – 10,000	146	1,217,740	0.20%
10,001 – 100,000	369	14,818,381	2.48%
100,001 – and over	293	580,476,507	97.15%
Total	**1,998**	**597,517,589**	**100%**

Unmarketable parcel

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.013 per unit	38,461	1,545	6,704,793

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	Ms Meng Meng*	38,521,027	6.45%
2.	Mr Vikas Jain*	34,285,230	5.74%
3.	Mr Justin Richard* + Mrs Debbie Ann Richard	30,757,037	5.15%
4.	Metals Corners Holding Co*	30,500,000	5.10%
5.	Citicorp Nominees Pty Limited	28,982,631	4.85%
6.	Mr Vikas Malu	28,571,025	4.78%
7.	Mr Mul Chand Malu	28,571,025	4.78%
8.	Mr Jay Hughes + Mrs Linda Hughes <Inkese Super A/C>	27,060,532	4.53%
9.	Mr Piyush Jain	22,856,820	3.83%
10.	Whitechurch Developments Pty Ltd <Whitechurch S/F A/C>	20,575,550	3.44%
11.	Hsbc Custody Nominees (Australia) Limited	16,661,229	2.79%
12.	Mr Tyrone James Giese	12,483,376	2.09%
13.	Mr Warren William Brown + Mrs Marilyn Helena Brown	10,628,572	1.78%
14.	Mr Brian Joseph Flannery + Mrs Peggy Ann Flannery <Flannery Family S/F A/C>	10,085,464	1.69%
15.	Mr Peter Kelvin Rodwell	9,142,858	1.53%
16.	Bnp Paribas Noms Pty Ltd <Drp>	8,108,873	1.36%
17.	Baron Nominees Pty Ltd	6,860,397	1.15%
18.	Ferguson Superannuation Pty Ltd <Ferguson Superfund A/C>	6,000,000	1.00%
19.	Mrs Liliana Teofilova	5,778,200	0.97%
20.	Thorpe Road Nominees Pty Ltd <Ian Tregoning Family 2 A/C>	5,622,858	0.94%
Total		**382,052,704**	**63.95%**

* Substantial shareholders

On-Market Buy Back

There is no current on-market buy back.

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