



HALF YEAR FINANCIAL REPORT

31 December 2017



ASX Code: AUQ

Alara Resources Limited
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Corporate Directory

Directors

James Phipps
Non-Executive Chairman

Justin Richard
Managing Director

Atmavireswar Sthapak
Executive Director

Vikas Jain
Non-Executive Director

Ian Gregory
Alternate Director

Company Secretary

Ian Gregory

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Auditors

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ASX Limited
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ASX Code

AUQ

Directors' Report

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 half year ended 31 December 2017 (the **Consolidated Entity**).

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

DIRECTORS

The following persons were Directors of Alara during the half-year to 31 December 2017 and up to the date of this report:

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

HALF YEAR OVERVIEW

A share placement in December saw Al Hadeetha Investments LLC become a substantial shareholder in the Company¹; Alara's issued capital now totals over \$66m. The bulk of this investment has focused on mineral projects in the Middle East and resulted in two reserve statements and six resource estimates².

Oman was the focal point of the Company's activities in preparation for advancing from mineral exploration to mine development and construction on the Al Hadeetha Copper-Gold Project.

Al Hadeetha Copper-Gold Project

Oman

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

Following the announcement of a maiden Ore Reserve for the Al Hadeetha Copper-Gold Project³, the Company has been actively working with the government ministries in Oman to obtain approval/no objection letters preparatory to commencing construction at the site.

During the period, renewed Expressions of Interest were received in respect to project financing, and a new Environmental Impact Assessment was completed in accordance with direction from the Ministry of Environment and Climate and Affairs (MECA), and was accepted and approved by MECA.

The Public Authority of Mining (PAM) also received approval letters from the Ministry of Heritage, and Royal Omani Police, following review of a traffic and road access report. Further updates are included in the Company's 2018 ASX announcements⁴.

At the beginning of the year, there was a revision of the Feasibility Study⁵ taking account of: 1) a new mining schedule (incorporating the mineral resource upgrade), 2) the maiden ore reserve statement, and 3) then-current copper price forecasts.

A summary of case scenarios are summarised in Table 1 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

Accordingly, the Project has further upside potential in light of current metal prices.

Alara became a shareholder in Al Hadeetha Resources LLC in 2011, when the Project's copper resource sat at around 14mt less than it is today (current resource sits at 16.1mt 0.87% Cu and .22g/t Au). The existing resource remains open at depth and unilaterally along strike. Further exploration targets have also been identified and reported via ASX Announcement "Oman Project Update: Positive Advanced Scoping Study Outcomes", 14th October 2014 for both Washihi, the adjoining block Mullaq, and at Al Ajal. The Company looks forward to continuing exploration at these other sites in parallel with construction of the mine at Washihi.

¹ Refer Alara's ASX Announcement dated 1 December 2017: Share Placement

² Refer JORC tables on page 18 of this report

³ Refer Alara's ASX Announcement of 15 December 2016: Maiden Ore Reserve – Al Hadeetha Copper-Gold Project

⁴ See Alara's ASX Announcement of 29 January 2018: Activity Update

⁵ Refer Alara's ASX Announcement of 24 January 2017: Oman Activities Update

In December 2017, Al Hadeetha Investments LLC acquired 31,500,000 shares in Alara (at AUD\$0.03/share), making them the fourth largest shareholder in the Company at that time. This transaction did not involve funds advanced under the US\$2 million loan agreement⁶ with Al Hadeetha Investments LLC, which is still in place.

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. Other processing options are also being investigated, which would see Daris operate as a stand-alone project, if it became more beneficial to do so.

Alara and Al Tamman (which is a wholly-owned subsidiary of the Muscat Overseas Group) have established a strong relationship over the past six years of business together, and the Company looks forward to extending this relationship, in time and scope, as opportunities for further collaboration arise.

Other Developments

Oman

Previous public reports 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. MDO is no longer 'under formation' and has now been formally incorporated and has commenced building a project portfolio.

Oman's Public Authority of Mining engaged SRK Consulting and supporting firms Mayer Brown and Wood Mackenzie to prepare a mining strategy aimed at attracting local and international investment. This strategy document was completed and has now been submitted to PAM.

Saudi Arabia

During the period, Alara participated in an Australian business delegation to Saudi Arabia which was led by the Hon Keith Pitt MP, Assistant Minister for Trade, Tourism and Investment.

The Company also had meetings with Saudi Arabian Mining Company Ma'aden, and Saudi government officials, at the IMARC conference in Melbourne, and is corresponding with the Priority Project Office (PPO) of the Council for Economic and Development Affairs.

With reference to note 10 of the consolidated financial statements which appear later in this report December, the judge who was overseeing the Board of Grievances proceedings in Saudi has been transferred to a different district, and a new judge has been appointed. The Company's lawyers noted that comments of the new judge supported their view that no realistic claim had been made by Manajem and that he would be seeking proposals from liquidators to liquidate Khnaiguiyah Mining Company (KMC). KMC is a limited liability company controlled by one more shareholders of Manajem and has no assets or liabilities included in Alara's consolidated financial statements.

⁶ Refer page 2 of Alara's September 2017 Quarterly Activity Report

Directors' Report

Financial

Cash Position

The Company's cash position at 31 December 2017 was A\$2.3 million (30 June 2017: A\$1.9 million). The Company's current cash position is circa A\$2.1 million as at 12 March 2018.

The Company's total liabilities at 31 December 2017 was A\$661,057 (30 June 2017: A\$431,983), which includes a A\$504,858 (30 June 2017: A\$215,939) loan from Al Hadeetha Investments LLC to Al Hadeetha Resources LLC. Pursuant to AASB 139 "Financial instruments: Recognition and Measurement" and AASB 127 "Consolidated and Separate Financial Statements" a loan of A\$6.4 million from the Consolidated Entity to the Al Hadeetha Resources LLC is not shown in the assets of the Consolidated Entity.

Corporate

Securities on issue

	Quoted on ASX	Unlisted options	Total
Fully paid ordinary shares	629,017,589	–	629,017,589
\$0.04 (9 March 2020) Unlisted options	–	3,000,000	3,000,000
Total	629,017,589	3,000,000	632,017,589

2017 Annual General Meeting

At the Company's Annual General Meeting⁷ held on 14 November 2017⁸:

- (1) The Consolidated Entity's 2017 Remuneration Report was passed;
- (2) Mr Atmavireswar Sthapak was re-elected as a Director;
- (3) Alara's Employee Share Option Plan for a further three (3) years was passed;
- (4) Additional 10% placement facility was passed; and
- (5) Additional placement to raise up to \$2 million was passed.

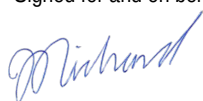
Major Shareholders

Refer to Securities Information on page 21.

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 6.

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



Justin Richard
Managing Director

14 March 2018

⁷ Refer Notice of Annual General Meeting lodged on ASX on 13 October 2017

⁸ Refer ASX announcement dated 14 November 2017 entitled 'Results of Annual General Meeting'

Auditor's Independence Declaration



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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 review of the financial statements of Alara Resources Limited for the period ended 31 December 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 14th day of March 2018



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- Accountants
- Auditors
- Advisors

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue	2	15,656	18,887
Personnel		(195,224)	(219,488)
Occupancy costs		(33,418)	(23,111)
Finance expenses		(8,346)	(1,539)
Corporate expenses		(24,151)	(32,406)
Administration expenses		(117,750)	(35,784)
LOSS BEFORE INCOME TAX		(363,233)	(293,441)
Income tax benefit		–	–
LOSS FOR THE YEAR		(363,233)	(293,441)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		116,229	294,183
Total other comprehensive income		116,229	294,183
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(247,004)	742
Loss attributable to:			
Owners of Alara Resources Limited		(218,397)	(270,033)
Non-controlling interest		(144,836)	(23,408)
		(363,233)	(293,441)
Total comprehensive (loss)/income for the year attributable to:			
Owners of Alara Resources Limited		14,061	24,150
Non-controlling interest		(144,836)	(23,408)
		(130,775)	742
Loss per share:			
Basic loss per share cents	3	(0.04)	(0.05)
Diluted loss per share cents	3	(0.04)	(0.05)

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Financial Position as at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
CURRENT ASSETS			
Cash and cash equivalents	4	2,329,564	1,885,556
Trade and other receivables		78,301	72,299
Other current assets		18,690	9,728
TOTAL CURRENT ASSETS		2,426,555	1,967,583
NON CURRENT ASSETS			
Property, plant and equipment		47,298	54,126
Exploration and evaluation	5	8,471,624	7,996,698
TOTAL NON CURRENT ASSETS		8,518,922	8,050,824
TOTAL ASSETS		10,945,477	10,018,407
CURRENT LIABILITIES			
Trade and other payables		75,525	115,368
Provisions		44,410	75,450
TOTAL CURRENT LIABILITIES		119,935	190,818
NON CURRENT LIABILITIES			
Financial liabilities	6	504,858	215,939
Provisions		36,264	25,226
TOTAL NON CURRENT LIABILITIES		541,122	241,165
TOTAL LIABILITIES		661,057	431,983
NET ASSETS		10,284,420	9,586,424
EQUITY			
Issued capital	7	66,114,992	65,169,992
Reserves		324,955	208,726
Accumulated losses		(53,786,717)	(53,568,320)
Parent interest		12,653,230	11,810,398
Non-controlling interest		(2,368,810)	(2,223,974)
TOTAL EQUITY		10,284,420	9,586,424

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Changes in Equity for the half year ended 31 December 2017

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest	Total
		\$	\$	\$	\$	\$	\$
Balance as at 1 July 2016		63,485,425	–	367,395	(53,309,794)	(2,077,566)	8,465,460
Foreign currency translation reserve		–	–	294,183	–	–	294,183
Net income and expense recognised directly in equity		–	–	294,183	–	–	294,183
Loss for the year		–	–	–	(270,033)	(23,408)	(293,441)
Total comprehensive loss for the year		–	–	294,183	(270,033)	(23,408)	742
Transactions with owners in their capacity as owners:							
Share placement	7	1,729,821	–	–	–	–	1,729,821
Share placement costs	7	(145,485)	–	–	–	–	(145,485)
Balance as at 31 Dec 2016		65,069,761	–	661,578	(53,579,827)	(2,100,974)	10,050,538
Balance as at 1 July 2017		65,169,992	20,000	188,726	(53,568,320)	(2,223,974)	9,586,424
Foreign currency translation reserve		–	–	116,229	–	–	116,229
Net income and expense recognised directly in equity		–	–	116,229	–	–	116,229
Loss for the year		–	–	–	(218,397)	(144,836)	(363,233)
Total comprehensive loss for the year		–	–	116,229	(218,397)	(144,836)	(247,004)
Transactions with owners in their capacity as owners:							
Share placement	7	945,000	–	–	–	–	945,000
Share placement costs		–	–	–	–	–	–
Options issued during the year		–	–	–	–	–	–
Balance as at 31 Dec 2017		66,114,992	20,000	304,955	(53,786,717)	(2,368,810)	10,284,420

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Cash Flows for the half year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(382,480)	(691,973)
Interest received		12,179	20,591
Interest paid		–	–
Research and development tax credit received		–	301,306
Income tax (paid)/received		55,963	–
NET CASHFLOWS USED IN OPERATING ACTIVITIES		(314,338)	(370,076)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		–	(1,079)
Payments for exploration and evaluation activities		(474,927)	(325,544)
NET CASHFLOWS USED IN INVESTING ACTIVITIES		(474,927)	(326,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing ordinary shares		945,000	1,729,821
Costs of issuing ordinary shares		–	(145,485)
Loan from outside entities		291,734	–
NET CASHFLOWS PROVIDED BY INVESTING ACTIVITIES		1,236,734	1,584,336
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		447,469	887,637
Cash and cash equivalents at beginning of the financial year		1,885,556	1,365,691
Effect of exchange rate changes on cash		(3,461)	(3,625)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4	2,329,564	2,249,703

The accompanying notes form part of this consolidated financial statement.

Notes to the Consolidated Financial Statements for the half year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These half-year financial statements do not include notes of the type normally included in the annual financial statements and shall be read in conjunction with the most recent annual financial statements and the Company's ASX announcements released from 1 July 2017 to the date of this report.

Basis of preparation

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

Going Concern Assumption

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

During the period, the Consolidated Entity incurred an operating loss before tax of \$363,233 (31 December 2016 loss: \$293,441), net cash outflows from operating activities of \$314,338 (31 December 2016: \$370,076), and had a working capital surplus position of \$2,306,620 (30 June 2017: \$1,776,765). Other than the work that is being performed by Alara staff that is already budgeted for, there are no minimum exploration commitments required to be spent during the next 12 months.

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

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. As at balance date, the Consolidated Entity has drawn down OMR 149,867 (USD 388,674) and has USD 1,611,325 available for drawdown.

The Directors have prepared a cashflow forecast which indicates the Consolidated Entity has sufficient funds to meet all contractual commitments and corporate costs for a period of at least 12 months from the date of this interim financial report. The Directors consider the basis of going concern to be appropriate given the current cash position exceeds the minimum contractual commitments to be spent over the next 12 months.

New, 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.

New Accounting Standards and Interpretations Not Yet Mandatory or Early Adopted

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

Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Consolidated Entity's last annual financial statements for the year ended 30 June 2017.

2. REVENUE

	31 Dec 2017 \$	31 Dec 2016 \$
Revenue		
Interest	15,656	18,887
	<u>15,656</u>	<u>18,887</u>

Notes to the Consolidated Financial Statements for the half year ended 31 December 2017

3. EARNINGS/(LOSS) PER SHARE

	31 Dec 2017 \$	31 Dec 2016 \$
Basic earnings/(loss) per share cents	(0.04)	(0.05)
Diluted earnings/(loss) per share cents	(0.04)	(0.05)
Profit/(loss) \$ used to calculate earnings/(loss) per share	(218,397)	(270,033)
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	599,400,741	575,395,749
Weighted average number of ordinary shares during the period used in calculation of diluted earnings/(loss) per share	599,400,741	575,395,749

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.

4. CASH AND CASH EQUIVALENTS

	31 Dec 2017 \$	30 Jun 2017 \$
Cash in hand	2,591	4,047
Cash at bank	1,298,394	551,193
Term deposits	1,028,579	1,330,316
	2,329,564	1,885,556

The Consolidated Entity has granted a term deposit security bond to the value of \$87,447 (30 June 2017: \$93,468) which has not been called up as at balance date. A total of \$64,943 of the security bond is in relation to the West Perth office lease.

The effective interest rate on short-term bank deposits was 2.48% (30 June 2017: 2.41%) with an average maturity of 182 days.

5. EXPLORATION AND EVALUATION

	31 Dec 2017 \$	30 Jun 2017 \$
Opening balance	7,996,698	7,327,012
- Exploration and evaluation expenditure	593,760	613,007
- Exchange differences	(118,834)	56,679
- Impairment of exploration and evaluation expenditure	—	—
Closing balance	8,471,624	7,996,698

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. Should these legal rights not be enforceable, the carrying value of Exploration and Evaluation Expenditure attributable to the Daris Project would be impaired.

The Consolidated Entity has granted a term deposit security bond to the value of \$87,447 (30 June 2017: \$93,468) which has not been called up as at balance date.

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.

Notes to the Consolidated Financial Statements for the half year ended 31 December 2017

6. FINANCIAL LIABILITIES

	31 Dec 2017 \$	30 Jun 2017 \$
Non-Current		
Loan with unrelated third party (i)	504,858	215,939
	<u>504,858</u>	<u>215,939</u>

- (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 31 December 2017, the loan balance was OMR 151,946 (AUD 504,858) (30 June 2017: OMR 63,706 (AUD 215,939)). Under the Loan Agreement, interest accrues at a rate of LIBOR plus 2%. The loan is repayable (alongside the loan of OMR 1,930,754 (AUD 6,428,818) (30 June 2017: OMR 1,853,822 (AUD 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.

The Company requested drawdowns from AHI of OMR 87,803 (AUD 288,918) (30 June 2017: OMR 64,143 (AUD 215,939)) during the 6 month period ending 31 December 2017.

7. ISSUED CAPITAL

	31 Dec 2017 No	30 Jun 2017 No	31 Dec 2017 \$	30 Jun 2017 \$
Fully paid ordinary shares	<u>629,017,589</u>	<u>597,517,589</u>	<u>66,114,992</u>	<u>65,169,992</u>

30 Jun 2017	No	\$
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	<u>597,517,589</u>	<u>65,169,992</u>
31 Dec 2017	No	\$
Balance as at 1 July 2017	597,517,589	65,169,992
- Share movement during the period	31,500,000	945,000
- Share issue costs during the period	—	—
Balance as at 31 December 2017	<u>629,017,589</u>	<u>66,114,992</u>

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

Notes to the Consolidated Financial Statements for the half year ended 31 December 2017

8. SEGMENT INFORMATION

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

6 months to 31 Dec 2017	Australia \$	Oman \$	Saudi Arabia \$	Total \$
Total segment revenues	15,656	–	–	15,656
Total segment loss before tax	(195,877)	(167,356)	–	(363,233)
Total segment assets	1,758,381	9,187,096	–	10,945,477
Total segment liabilities	(85,176)	(575,881)	–	(661,057)
6 months to 31 Dec 2016				
Total segment revenues	18,887	–	–	18,887
Total segment loss before tax	(343,455)	(174,337)	224,351	(293,441)
Total segment assets	1,046,660	9,480,892	–	10,527,552
Total segment liabilities	(418,571)	(58,443)	–	(477,014)

Reconciliation of segment information	31 Dec 2017 \$	30 Jun 2017 \$
(i) Total Segment Assets		
Total Assets as per Statement of Financial Position	10,945,477	10,018,407
(ii) Total Segment Liabilities		
Total Liabilities as per Statement of Financial Position	(661,057)	(431,983)

9. COMMITMENTS

There are no material changes to capital commitments since those reported as at 30 June 2017.

10. CONTINGENT ASSETS AND LIABILITIES

There are no changes to contingent assets and liabilities since 30 June 2017 apart from the changes describe below:

- (a) **'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 maintains 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.

At the hearing in October, the parties were informed that the judge required time and the matter was rescheduled until December. Subsequently, the judge who had been overseeing the Board of Grievances proceedings in Saudi was transferred to a different district. The Company's lawyers reported that comments of the new judge support their view that no realistic claim had been made by Manajem and that he is seeking proposals from liquidators to liquidate Khnaiguiyah Mining Company (KMC). KMC is a limited liability company controlled by one more shareholders of Manajem and has no assets or liabilities included in Alara's consolidated financial statements.

11. 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 other than the following:

On 28 February 2018, Alara acquired an interest in the Awtad Copper-Gold Project located adjacent to the Daris Copper-Gold Project. Alara signed a binding Heads of Agreement (HOA) granting Alara with an initial 10% interest in the Project and a right to increase to a 70% shareholding in Awtad Copper LLC. Refer to the ASX announcement dated 1 March 2018 for further information.

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 11 to 14, 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 31 December 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 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 303 of the *Corporations Act 2001* for the financial half year ended 31 December 2017.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Justin Richard
Managing Director

14 March 2018



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Independent Auditor's Review Report

To the Members of Alara Resources Limited

We have reviewed the accompanying financial report of Alara Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

Directors Responsibility 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 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



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Independent Auditor's Review Report

To the Members of Alara Resources Limited (Continued)



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Alara Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 10 to the financial statements. Alara Saudi Operations Pty Ltd, a wholly-owned subsidiary of Alara Resources Ltd, is the defendant in a legal claim alleging breaches of the Shareholders' Agreement and Saudi Arabian law. Alara Saudi Operations Pty Ltd has filed a counter-action. Several preliminary hearings have been held and as at the date of this report, the ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial report. Our conclusion is not modified in respect of this matter.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 14th day of March 2018

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 five Mining Licence applications pending grant, totalling ~9km².

The Daris Copper-Gold Project⁹ is located ~170km northwest of Muscat (the capital of Oman). The Washihi/Mullaq¹⁰ 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

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

Table 2: Gossan Hill Mineralisation - Gold¹¹

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-off¹²

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

⁹ Refer Alara's 30 August 2010 ASX Announcement: Project Acquisition - Daris Copper Project in Oman

¹⁰ Refer Alara's 8 December 2011 ASX Announcement: Project Acquisition - Al Ajal-Washihi-Mullaq Copper-Gold Project in Oman

¹¹ Refer Alara's 19 September 2016 ASX Announcement: 5.55MT Increase in Indicated Resource - Al Hadeetha Project

¹² Refer Alara's 15 December 2016 ASX Announcement: Maiden JORC Ore Reserves – Al Hadeetha Copper-Gold Project

JORC Statements

Indicated Resources were converted to a Probable Ore Reserve after the application of modifying factors, including pit optimisation, mine design and an economic evaluation¹³.

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	0.25
Total	10.05	0.87	0.22

Daris Copper-Gold Project

Table 6: Daris-East JORC Mineral Resources

Ore type	Cut-off grade Cu%	Measured		Gold (Au) g/t	Indicated		Gold (Au) g/t	Measured and Indicated		Gold (Au) g/t	Inferred		Gold (Au) g/t
		Tonnes	Cu%		Tonnes	Cu%		Tonnes	Cu%		Tonnes	Cu%	
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.

Khnaiguiyah Zinc-Copper Project

Historical JORC statements for the Khnaiguiyah Zinc-Copper Project (listed in the Company's 2013 Annual Report) are not included here following a \$33,906,473 provision in the Company's 2016 financial statements.

¹³ Details of the modifying factors supporting the Ore Reserve are contained in Appendix 1 (JORC Code, 2012 Edition - Table 1) of the 15 December 2016 announcement: Maiden Ore Reserve – Al Hadeetha Copper-Gold Project

JORC Competent Person's Statements

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) is 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 12 March 2018

Issued Securities

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	629,017,589	–	629,017,589
Total	629,017,589	–	629,017,589

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 ¹⁴	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	894	305,441	0.05%
1,001 – 5,000	289	684,683	0.11%
5,001 – 10,000	140	1,166,504	0.19%
10,001 – 100,000	358	13,918,384	2.21%
100,001 – and over	281	612,942,577	97.44%
Total	1,962	629,017,589	100%

Unmarketable parcel

	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$0.027 per unit	18,518	1,411	3,375,724

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	Mr Vikas Malu*	57,142,050	9.08%
2.	Ms Meng Meng*	40,620,227	6.46%
3.	Mr Vikas Jain*	34,285,230	5.45%
4.	Mr Justin Richard* + Mrs Debbie Ann Richard	31,757,037	5.05%
5.	Al Hadeetha Investment Services LLC*	31,500,000	5.01%
6.	Metals Corners Holding Co	28,197,973	4.48%
7.	Citicorp Nominees Pty Limited	23,300,965	3.70%
8.	Mr Piyush Jain	22,856,820	3.63%
9.	Whitechurch Developments Pty Ltd <Whitechurch S/F A/C>	20,575,550	3.27%
10.	Mr Jay Hughes + Mrs Linda Hughes <Inkese Super A/C>	20,000,000	3.18%
11.	HSBC Custody Nominees (Australia) Limited	17,602,933	2.80%
12.	Mr Tyrone James Giese	17,356,189	2.76%
13.	BNP Paribas Nominees Pty Ltd	16,553,625	2.63%
14.	Mr Warren William Brown + Mrs Marilyn Helena Brown	10,628,572	1.69%
15.	Mr Brian Joseph Flannery + Mrs Peggy Ann Flannery <Flannery Family S/F A/C>	10,085,464	1.60%
16.	Mr Peter Kelvin Rodwell	9,142,858	1.45%
17.	Ferguson Superannuation Pty Ltd <Ferguson Superfund A/C>	8,500,000	1.35%
18.	Thorpe Road Nominees Pty Ltd <Ian Tregoning Family 2 A/C>	5,622,858	0.89%
19.	Mr Albert Moses	5,500,000	0.87%
20.	Mrs Liliana Teofilova	5,378,200	0.86%
Total		416,606,551	66.21%

* Substantial shareholders

On-Market Buy Back

There is no current on-market buy back.

¹⁴ Options which have vested may be exercised at any time thereafter, up to their expiry date