FULL YEAR REPORT

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

30 June 2019

ASX Code: AUQ

Alara Resources Limited
A.B.N. 27 122 892 719

REGISTERED OFFICE:
Suite 1.02, 110 Erindale Road
Balcatta, Western Australia 6021

PO Box 963
Balcatta, Western Australia, 6914

T | +61 8 9240 4211
F | +968 2449 2491
E | info@alararesources.com
W | www.alararesources.com

SHARE REGISTRY:
Advanced Share Registry Ltd
110 Stirling Highway
Nedlands, Western Australia 6009

PO Box 1156
Nedlands, Western Australia 6909

T | + 61 8 9389 8033
F | + 61 8 9262 3723
E | admin@advancedshare.com.au
W | www.advancedshare.com.au

Level 6, 225 Clarence Street
Sydney, New South Wales 2000

PO Box Q1736, Queen Victoria Building
New South Wales 1230

T | +61 2 8096 3502

Contents

Corporate Directory

Directors

James Phipps	Non-Executive Chairman
Justin Richard	Managing Director
Atmavireshwar Sthapak	Executive Director
Vikas Jain	Non-Executive Director
Stephen Gethin	Alternate Director
Avi Sthapak	Non-Executive Director

Company Secretary
Stephen Gethin

Registered Office and Business Address
Suite 1.02,110 Erindale Road
Balcatta Western Australia 6021

PO Box 963
Balcatta, Western Australia 6914

Telephone: + 61 8 9240 4211
E-mail: info@alararesources.com

Auditors
Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, London House
216 St Georges Terrace
Perth, Western Australia 6000

Telephone: +61 8 9226 4500
Facsimile: +61 8 9226 4300
Website: www.bentleys.com.au

ABN: 27 122 892 719

Share Registry
Advanced Share Registry Ltd
110 Stirling Highway
Nedlands, Western Australia 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

Level 6, 225 Clarence Street
Sydney, New South Wales 2000

Telephone: +61 2 8096 3502

E-mail: admin@advancedshare.com.au
Website: www.advancedshare.com.au

Australian Securities Exchange
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000

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 2019 (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**))

In May 2018 a Mining License was granted for the Company's Al Hadeetha Copper-Gold Project in Oman.

The Al Hadeetha feasibility study financial modelling was revised in June 2018 to take account of the fact that copper prices have increased >$1,000/t since the feasibility study and more rapidly than previously forecast. The revised World Bank forecasts shows further rises as supply deficits open up. The Base Case financial modelling shows robust returns as follows (figures in US dollars):

- Forecast Revenue over 10.4 years: $561 million
- Forecast EBITDA over 10.4 years: $252 million
- Forecast Free Cash Flow over 10.4 years: $155 million
- Project NPV: $90 million
- Forecast IRR: 34%

The Base Case used a flat copper price over life-of-mine of US$7,000/t, the LME average Cash Settlement Price for February 2018. The gold price is assumed as US$1300/oz (real).

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	Based on flat Cu price equal to LME average Cash Settlement Price for February 2018	7,000 for Life of Mine	1,300
Market Case	Based on World Bank price forecast for 2018 to 2025[1] (excluding forecast increase post 2025 to 7,000)	Minimum 6,800 Maximum 6,900	1,300
High Case	Based on investment bank projections and copper futures pricing[2]	7,050 rising to 8000	1,300

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

Case Scenario	Total Revenue US$ millions	Total Op. Ex. US$ millions	EBITDA US$ millions	NPV* US$ millions	IRR %
Base Case	561	275	252	90	34
Market Case	553	275	244	85	32
High Case	622	275	309	120	40

**NPV is based on a discount rate of 6% calculated from indicative WACC and 80:20 debt to equity ratio%*

Project Finance

The Company entered into a 60 million Euro Investment Agreement with SAMA Global Investments (**SAMA**), headquartered in Doha, Qatar.[3]

SAMA entered an MOU with a co-investor based in China[4]. SAMA also expressed interest in taking an equity stake in Alara and in Al Hadeetha Resources LLC[5]. No further agreement has yet been executed with SAMA.

Other than those disclosed above and the ARL drilling finance, discussed below, neither the Company nor its related entities have entered any material financing arrangements during the Reporting Period.

Project Contracts

McNally Bharat Engineering Company Limited (**MBE**) was appointed to perform the engineering work for a 1Mtpa copper concentration plant[6] and associated infrastructure. The engineering work has progressed including designing the plant layout, process flow diagrams, single line diagram and piping and instrumentation diagram. The site layout has now been completed with key facilities demarcated. MBE appointed local contractors to commence foundation geotechnical investigations.

Progesys appointed a full-time Muscat-based Project Manager to oversee project progress and delivery and engaged engineering and administrative support personnel to manage the increasing workload.

1 Released 24 April 2018: http://pubdocs.worldbank.org/en/458391524495555669/CMO-April-2018-Forecasts.pdf
2 www.metalbulletin.com/Article/3785039/FORECAST-Copper-price-to-hit-8000-per-tonne-in-2018-Goldman.html. Copper contracts traded on the Shanghai Futures Exchange at approximately 51,860 yuan ($8,003) per tonne as at 20 June 2018.
3 See the Company's ASX announcement "Al Hadeetha Resources executes EUR 60M Investment Agreement" dated 15 March 2019.
4 See the Company's ASX announcement "Project Updates" dated 19 July 2019.
5 See the Company's ASX announcement "Investment Agreement Update" dated 29 March 2019.
6 Alara's ASX Announcement dated 24 January 2017 contains the information required by ASX Listing Rule 5.16 regarding the stated production target. All material assumptions underpinning the production target as announced on that date continue to apply and have not materially changed.

Mining Contractor

Several proposals were received from local and international contract mining companies for the long-term mining contract, two of which, including Alara Resources LLC, were shortlisted. A preliminary commercial agreement was achieved between Alara Resources LLC (**ARL**) and Al Hadeetha Resources LLC with the issue of a letter of intent to award ARL the mining contract.

Project Water Supply

A local survey company was engaged to identify the most efficient pipeline route between the Project site and the sewage treatment plant proposed in partnership with Haya Water, Oman. Three possible pipeline routes have been submitted to the Ministry of Housing.

Project Power Supply

A local electrical consultant has been engaged to conduct a survey and finalise the route of power lines between the project site and Mazoon feeder stations located about 5km away. The specific location of the power station at the site has been determined.

Alara Resources LLC

On 26 September 2018, the Group sold a 35% interest in Alara Resources LLC (**ARL**) to South West Pinnacle Exploration Limited (**SWPE**) for OMR 60,000 (AUD $214,442). The Group retains a 35% shareholding in ARL. As a result of this transaction the accounts of ARL were de-consolidated from the accounts of the Group. The Company's investment in ARL is now recognised as an investment in an associate.

SWPE is a Related Party of the Company as it is controlled by Mr Vikas Jain, a Director of Alara Resources Limited. Shareholder approval of the sale pursuant to Chapter 2E of the Corporations Act (2001) was not required as the transaction fell within an exception to the requirement to obtain approval. The Company nevertheless decided to seek, and obtained, shareholders' approval to this transaction on 28 November 2018 at its Annual General Meeting.

On 24 January 2019, Al Tasnim Infrastructure Services LLC (**Al Tasnim**) became a 30% shareholder in ARL[7]. ARL is now backed by three, actively engaged shareholders with complimentary experience and a common vision for the future of Oman's mining sector.

ARL secured a financing facility of up to OMR249,000 (~AUD$921,000) in connection with the purchase of two KORES-1200 drill rigs and associated accessories. The drilling rigs were delivered to the Al Hadeetha Project site in September 2019, after the Reporting Period.

With a new mining law now in effect, the Omani Public Authority to cut mining (**PAM**) has ambitious plans to award 110 new multi-commodity exploration and mining licences in the country.[8] The procurement of the drill rigs and the provision of professional drilling services in Oman is aligned with these development plans.

ARL was also issued with a letter of intent for a ten-year mining contract at Al Hadeetha's Washihi-Mazzaza project site.

Mineral Tenements

The current status of all mineral tenements and 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-Mazzaza ML 10003075.	Al Hadeetha Resources LLC	51%	39km²	Jan 2008	Nov 2016	Active*	3km²	2019	Active
Mullaq	Al Hadeetha Resources LLC	51%	41km²	Oct 2009	Nov 2016	Active*	1km²	Jan 2013	Pending
Al Ajal	Al Hadeetha Resources LLC	51%	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.

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.

The Daris East Mining Licence application, which covers an area that includes measured, indicated and inferred JORC copper resources[9] was opposed by the Ministry of Housing due to its proximity to recently allotted land. Review of a petition supporting the application lodged by Daris is underway at the Public Authority for Mining (**PAM**).

7 See Alara's ASX Announcement "Al Tasnim Acquires 30% stake in Alara JV Company" dated 24 January 2019.
8 See for example http://www.tradearabia.com/news/IND_351573.html
9 The Company has disclosed full details of these resources to investors on various occasions in a form which complies with the 2012 edition of the JORC Code. See, for example, the Company's 2018 Annual Report to shareholders, pp 14-45 and 72-73.

The Daris 3A5 application for a Mining Licence is progressing well with the Government. Alara has been invited by the Ministry of Housing to discuss the proposed size of the mining area.

Discussions for a joint exploration program to discover new mineralisation in Block 7 with Mineral Developments of Oman (**MDO**) progressed after MDO conducted a detailed due diligence on Alara's completed exploration programs over Block 7 and identified exploration targets for further work. While collaborative efforts continue, no binding agreement between the parties has been reached.

Awtad Copper-Gold Project — Oman

(Alara right to subscribe for 10% initially with subsequent earn in up to 70% +, existing local shareholders = balance of shareholding of Awtad Copper LLC)

The Awtad Project comprises an area of ~497 km² (**Block 8**) and is located immediately adjacent to the Block 7 (**Daris Copper-Gold Project**). Alara has a right to an initial 10% interest (increasing to 50-70%+) in the concession owner, Awtad Copper LLC.

Exploration previously undertaken at this project includes:

- 86 line kilometres of airborne VTEM, 14 line kilometres of ground IP, 169 line kilometres of ground magnetics and 202 line kilometres of high-resolution ground magnetics.
- 76 RAB drill holes totalling 1,747m and 11 core drill holes totalling 299m.
- Drilling results (including over the Al Mansur Prospect) were low grade in general and inconclusive.

Previous exploration identified anomalies worthy of further exploration. The fact that prospective geological formations within the licence area are under cover of alluvial and aeolian deposits enhances the chances of further copper mineralisation.

Detailed work plans were submitted to PAM for renewal of the exploration licence, which remains pending. Meetings were held with the Company's JV partners in this project to register Alara's interest in Awtad Resources LLC with the Ministry of Commerce.

Mineral Tenements
The current status of all mineral tenements and 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% (earn in to 70%)	587km²	Nov 2009	Feb 2016	Active*	Daris 3A5 & East	Resubmitted 2018	Pending
Block 8	Awtad Resources LLC	10% (earn in to 70%)	597km²	Nov 2009	Oct 2013	Renewal pending	NA	NA	NA

*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.

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 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[10].

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. The cancellation became the subject of a legal appeal by Manajem, a former JV partner of the Company. The appeal was dismissed, creating the potential for the licence to be reissued. Alara is working with relevant parties in both the private and public sectors to prepare for a reissue of the licence. Alara funded and is now in the unique position of holding the only bankable feasibility study for the project. Alara remains open to any reasonable solution for advancing the Project into production.

The Company has communicated with the Council of Economic Development Affairs' Priority Project Office (**PPO**) in respect to this Project. These communications were later extended to include representatives from United Arabian Mining Company and Metals Corners Holdings. The PPO is a government initiative empowered by HRH Mohammed Bin Salman, Crown Prince of Saudi Arabia in his capacity as President of Council for Economic and Development Affairs. The PPO was established to assist selected private sector projects that face implementation difficulties and provide them with needed support, as an authorised escalation entity, to obtain fast-track government approvals.

South West Pinnacle JV — Oman

At the Company's AGM on 28 November 2018 shareholders approved Alara entering into a joint venture with South West Pinnacle Exploration Limited (**SWPE**), a related party, to provide drilling and mineral exploration services in Oman. SWPE is a Related Party of the Company as it is controlled by Mr Vikas Jain, a Director of Alara Resources Limited.

10 Compared to the LME price of >$3,000/t as at 28 August 2018 and the High Case of US$2,373/t (see page 21 of the Company's 2013 Annual Report).

Under the JV agreement:

- Alara Resources LLC (ARL) serves as a joint-venture vehicle. Alara holds 35% of ARL. SWPE acquired another 35% of ARL previously held by Alara. SWPE paid an Alara Subsidiary OMR 60,000 for the transfer of the ARL shares. Alara contributed the amount of OMR 60,000 that it received from SWPE, plus a further OMR 60,000 from its own funds to ARL, less a credit of OMR 8000 for prior expenditure.
- ARL is engaged in drilling, exploration and mine development activities and offers these services to other mining and exploration companies in Oman.
- ARL has already begun submitting work proposals.

AOOPL held 70% interest of which 35% was sold to SWPE.

Al Tasnim Joins Alara JV Companies — Oman

In December 2018 Alara executed a share sale agreement with Al Tasnim Infrastructure Services LLC (**Al Tasnim**) a member of the Al Tasnim Group, a leading Omani construction and infrastructure business[11]. The Company, through its subsidiary Alara Oman Operations Pty Ltd (**Alara Oman**) sold a 19% shareholding in joint venture company Al Hadeetha Resources LLC (**AHR**)[12] to Al Tasnim for OMR 3 million (~AUD 11.028 million). The transaction was completed with the sale price received approximately two weeks later.

Due diligence and joint venture negotiations extended over several months[13] to ensure the parties were a good fit, with shared values and vision for AHR's current and future projects.

On 26 September 2018, the Group sold a 35% interest in Alara Resources LLC ("ARL") to South West Pinnacle Exploration Limited ("SWPE") for a consideration of OMR 60,000 (AUD $214,442). The Group retains a 35% shareholding in ARL and as a result has been de-consolidated and reflected as an investment in associate.

On 24 January 2019 Al Tasnim also became a 30% shareholder in another Alara joint venture, Alara Resources LLC (**ARL**), replacing the previous 30% local shareholder in that company. ARL is the vehicle through which the Company conducts its mineral exploration services JV business with South West Pinnacle Exploration Limited (**SW Pinnacle**) - see further above. Alara's 35% shareholding in ARL remained unchanged, as did that of ARL's other shareholder, SW Pinnacle, which also holds 35% of ARL.

Corporate Information

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

Cash Position

The Company's cash position at 30 June 2019 was A$7.56 million (30 June 2018: A$3.3 million).

Company Officer Changes

On 9 January 2019 Avi Sthapak was appointed alternate Director to Mr. Atmavireshwar Sthapak. On 11 January 2019 Stephen Gethin (who was until that time an alternate Director for Managing Director Mr Justin Richard) and Avi Sthapak were appointed Non-Executive Directors.

Principal Activities

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

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11 The buyer, Al Tasnim Infrastructure, is part of the Al Tasnim Group, a leading Omani construction conglomerate with a diversified investment portfolio across multiple industry sectors, including a 600-person mining and quarrying division. Al Tasnim completed due diligence on Al Hadeetha in the third quarter of this year. Due to the size and reputation of Al Tasnim, Alara did not conduct due diligence on the counterparty.

12 AHR is the vehicle through which the Company holds its interest in the Al Hadeetha Copper Project (**Al Hadeetha Project**).

Operating Results

Consolidated	2019 $	2018 $
Total revenue	263,249	26,817
Total expenses	(582,368)	(750,603)
Profit/Loss before tax	**(319,119)**	**(723,786)**
Income tax benefit	-	-
Profit/Loss after tax	**(319,119)**	**(723,786)**

Loss per Share

Consolidated	2019	2018
Basic and Diluted profit/(loss) per share (cents)	(0.07)	(0.011)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	629,017,589	614,087,452

Cash Flows

Consolidated	2019 $	2018 $
Net cash flow used in operating activities	(776,556)	1,294,000
Net cash flow from investing activities	5,138,340	(1,139,922)
Net cash flow provided by financing activities	(157,155)	1,296,159
Net change in cash held	4,204,629	1,450,237
Cash held at year end	**7,562,407**	**3,346,943**

Financial Position

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

Consolidated Entity	2019 $	2018 $
Cash	7,562,407	3,346,943
Trade and other receivables	87,823	12,896
Exploration and evaluation	4,919,660	9,415,666
Mine properties & Development assets	6,534,088	-
Investment in Associate	162,415	-
Term deposits	4,696,887	-
Other current assets	129,479	70,418
Non-Current assets	657,161	-
Total assets	**24,749,920**	**12,845,923**
Trade and other payables	624,424	66,850
Unearned Income	1,624,382	1,624,382
Financial liabilities	644,232	583,756
Provisions	44,654	73,265
Total liabilities	**2,937,692**	**2,348,253**
Net assets	**21,812,228**	**10,497,670**
Issued capital	66,107,405	66,107,405
Reserves	10,241,067	906,345
Accumulated losses	(54,714,409)	(54,259,832)
Parent interest	21,634,063	12,753,918
Non-controlling interest	178,165	(2,256,248)
Total equity	**21,812,228**	**10,497,670**

Securities in the Company

Issued Capital

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

	Fully paid ordinary shares quoted on ASX	Listed options	Unlisted options	Total
	629,017,589	-	3,000,000	632,017,589
Total	**629,017,589**	**-**	**3,000,000**	**632,017,589**

Unlisted Options

During and subsequent to the end of the financial year, no unlisted options were issued.

Likely Developments and Expected Results

The Consolidated Entity intends to construct mining infrastructure for its Al Hadeetha Copper Gold Project, with the expected construction period being 15 months. Thereafter the Company intends to commence production and sale of copper and gold from the Al Hadeetha mine. Financial projections for the Al Hadeetha Project are set out on page 2 of this Report. The Company intends to continue exploration, evaluation and development activities in relation to its other mineral exploration licences in Oman 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.

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 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.

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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.

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 (28 October 2013 to 1 November 2014)

Experience

James D. Phipps is a strategic advisor, entrepreneur, angel investor and people person. Jim practiced law (international commercial matters involving more than 67 countries) in a big law firm environment (Jones Day Reavis & Pogue and Wiley Rein LLP) for 10 years and then moved over to the business side of the house, where his work has involved business leadership, governance, entrepreneurship and strategic consulting. Jim has served on the boards of numerous publicly traded and closely held companies across a number of industries, including mining/mining exploration (copper, zinc, gold and silver), heavy industry (paper), consumer goods (paper, aluminum foil), infrastructure development and O&M (drinking water, waste water, storm water, etc.), technology (gaming and social media), sports entertainment (English football, gaming, fantasy football, sports talk radio), fitness (establishment of the largest MMA gym in the Middle East) and film making ("Dave Made a Maze"). Jim has headed up various board committees including executive, nomination and remuneration, audit and risk. Jim currently serves on the board of MMA Global, Inc. (US OTC: Pink Sheets: LUSI), having been appointed in October 2018. Jim has conducted business on four continents and has over 30 years of experience involving the Middle East. Jim is fluent in Arabic and lived full-time in the Arab world for about 18 years (15 years in Saudi Arabia and 3 years in Iraq). Jim is a combat veteran of the U.S. Army, having served in Operations Desert Shield and Desert Storm from 1990-1991, on the front line with the Brave Rifles of the 3rd Armoured Cavalry Regiment. Jim also served three years as a civilian in harm's way in Baghdad, Iraq from 2008-2010. Jim holds a Bachelor of Arts in Philosophy (1992) and Juris Doctorate (1996) both from Brigham Young University. In 1994 and 1995, Jim studied Islamic shariah as a Fulbright Fellow at the King Faisal Centre for Research and Islamic Studies in Riyadh, Saudi Arabia.

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

MBA, LLB, Grad Dip ACG, FGIA, FCIS, FAusIMM

Appointed 16 June 2015

Experience

Justin Richard is a corporate lawyer and accomplished business manager. He joined Alara in 2011, and for the past eight years has been working in the Middle East as CEO of Alara's international joint venture companies Al Hadeetha Resources, Daris Resources and Alara Resources.

Since Mr Richard's appointment as Managing Director, Alara has completed a feasibility study, announced a maiden ore reserve statement, and secured a mining licence for the Al Hadeetha Copper Gold project in Oman. He has established key business relationships for the Company as it moves to expand its business beyond mineral exploration to mine development and production of copper concentrate. Prior to joining Alara, Mr Richard worked with UGL Limited (Resources Division), Bateman Engineering and Minter Ellison Lawyers (Insurance & Corporate Risk, and Construction, Engineering and Infrastructure). He has an MBA from London Business School, a law degree from the University of Western Australia and is a Fellow of the Governance Institute of Australia and the Australasian Institute of Mining and Metallurgy.

Alternate Director

On 1 May 2018, Justin Richard appointed Stephen Gethin as his Alternate Director[14]. Mr Gethin's experience and qualifications are set out below.

Other Directorships in Listed Companies in Past 3 Years

Nil

Atmavireshwar Sthapak — Executive Director

Bachelor of Applied Science and Master of Technology, Applied Geology

Appointed Executive Director
Previously Non-Executive Director (22 September 2015 to 3 February 2016)

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

Nil

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

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 19 years in the field of mineral exploration, mining, oil-field exploration and allied activities. He is currently Managing Director and CEO of the Indian Company South West Pinnacle Exploration Limited (SWPE), founded by him in 2006 and also listed on the National Stock Exchange, India. 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 a mineral exploration company and progressively added coal bed methane exploration and production, aquifer mapping, HDD, geophysical logging, transportation and other geological activities into its domain. This year SWPE has also ventured into 3D seismic acquisition and processing for oil field exploration services. 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 his current involvement in other family run businesses and interests.

Special Responsibilities

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

Other Directorships in Listed Companies in Past 3 Years

South West Pinnacle Exploration Limited, listed on the National Stock Exchange, Emerge Platform in February 2018, India.

Stephen Gethin — Alternate Director to Justin Richard

Barrister and Solicitor of the Supreme Court of Western Australia and of the High Court of Australia — Appointed 1 May 2018

Experience

Stephen Gethin is a highly regarded Director and Company Secretary with over 23 years' experience in the provision of corporate legal advice and documentation and over 14 years' experience in the provision of ASX-listed secretarial services in a range of industries, including resources, technology and investment. Prior to founding a private legal practice in 2013, he served as General Counsel and Company Secretary of Strike Resources Limited (ASX:SRK) and before that held the same roles at ERG Limited (ASX:ERG). Mr Gethin also provides legal advice for a number of other ASX listed and private companies.

Other Directorships in Listed Companies in Past 3 Years

Nil

Avi Sthapak — Non-Executive Director

Appointed 11 January 2019

Experience

Avi is a graduate with a degree in Computer Science Engineering with a focus on infrastructure management. He is currently enrolled in a Master of Business Administration with the key areas of study including strategy development, accounting, global mobility and talent acquisition, marketing, leadership and finance. He has experience as a Business Development Consultant and a Junior Management Consultant.

Other Directorships in Listed Companies in Past 3 Years

Nil

Retired Directors

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

Company Secretary

Stephen Gethin — Company Secretary

Barrister and Solicitor of the Supreme Court of Western Australia and of the High Court of Australia — Appointed 1 May 2018

Experience

Refer to Mr Gethin's details above.

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	34,119,526[15]	-
Atmavireshwar Sthapak	2,544,838[16]	-
Vikas Jain	37,745,930[17]	-
Stephen Gethin	-	-

15 Includes shares held/acquired by Mr Richard's spouse.
16 Refer Alara's 3 December 2018 ASX Announcement: Appendix 3Y.
17 Refer Alara's 29 March 2019 ASX Announcement: Appendix 3Y.

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	11	12	4	4	2	2
Justin Richard	Appointed 16 June 2015	12	12			2	2
Atmavireshwar Sthapak	Appointed 22 September 2015	10	12	3	4	2	2
Vikas Jain	Appointed 6 April 2016	12	12	3	4	2	2
Avi Sthapak	Appointed 11 January 2019	2	6	-	-	-	-
Stephen Gethin[18]	Appointed 1 May 2018	6	6				

Audit Committee

The Audit Committee currently comprises Non-Executive Directors, Vikas Jain (as Chairman) (since 6 April 2016), Non-Executive Director and Chairman of the Board James Phipps (since 30 June 2015) and Executive Director 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.

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18 Mr Gethin attended all 12 Board meetings in the Reporting Period in his capacity as Company Secretary. He also attended all Board meetings since his appointment as Non-Executive Director in January 2016 in his capacity as such. Before his transition from Alternate Director to Non-Executive Director he did not attend any Board meetings in his capacity as Alternate Director.

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** or **KMP**) of the Consolidated Entity in respect of the financial year ended 30 June 2019.

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)
Stephen Gethin	Non-Executive Director (appointed 11 January 2019)
Avi Sthapak	Non-Executive Director (appointed 11 January 2019)
Executives	
Stephen Gethin	Company Secretary (appointed 1 May 2018)

Remuneration and Nomination Committee

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

	2019	2018	2017	2016	2015
–Total Equity	$21.8m	$10.4m	$9.5m	$8.4m	$37.7m
Basic earnings/(loss) per share – cents	(0.07)	(0.11)	(0.04)	(7.42)	(0.67)
Net Profit/(Loss) attributable to members	(454,577)	(691,512)	(258,526)	(30,595,088)	(1,661,238)
Market Capitalisation	$15.1m	$18.2m	$8.4m	$14m	$4m

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).

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Details of Remuneration Provided to Key Management Personnel

Key Management Person	Performance based	Fixed	At risk STI	Options related	Short-term benefits: Cash payments: Salary, and fees	Short-term benefits: Cash payments: Allowances(i)	Short-term benefits: Cash payments: Cash Bonus	Short-term benefits: Non-cash(ii)	Short-term benefits: Other(iii)	Post-employment benefits: Superannuation	Post-employment benefits: Termination	Other long-term benefits: Other	Equity based benefits: Options	Total
2019	%	%	%	%	$	$	$	$	$	$	$	$	$	$
Executive Directors:														
Justin Richard	-	100%	-	-	374,101	160,307	-	23,440	-	-	-	12,486	-	570,334
Atmavireshwar Sthapak	-	100%	-	-	249,508	28,305	-	1,400	-	-	-	10,320	-	289,533
Non-Executive Directors:														
James Phipps	-	100%	-	-	75,000	-	-	-	-	-	-	-	-	75,000
Vikas Jain	-	100%	-	-	50,000	-	-	-	-	-	-	-	-	50,000
Stephen Gethin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avi Sthapak	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Company Secretary:														
Stephen Gethin(iv)	-	100%	-	-	39,105	-	-	-	-	-	-	-	-	39,105

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 leave and/or end of service gratuity accrued or paid pursuant to relevant labour laws.
(iii) Other short-term benefits consist of exchange gain/(loss) due to foreign currency translation from Oman Riyal to Australia Dollars to Australian Dollars on Mr Richard's salary.
(iv) Appointed 1 May 2018. Remuneration, in his capacity as Company Secretary, paid to Fortuna Advisory Group.

Key Management Person	Performance based	Fixed	At risk STI	Options related	Short-term benefits: Cash payments: Salary, and fees	Short-term benefits: Cash payments: Allowances(i)	Short-term benefits: Cash payments: Cash Bonus	Short-term benefits: Non-cash(ii)	Short-term benefits: Other(iii)	Post-employment benefits: Superannuation	Post-employment benefits: End of Service(iv) / Termination	Other long-term benefits: Other	Equity based benefits: Options	Total
2018	%	%	%	%	$	$	$	$	$	$	$	$	$	$
Executive Directors:														
Justin Richard	-	100%	-	-	282,150	168,797	-	22,652	64,102	-		-	-	537,701
Atmavireshwar Sthapak(v)	-	100%	-	-	151,104	25,908	-	12,035	-	-		-	-	189,047
Non-Executive Directors:														
James Phipps	-	100%	-	-	75,000	-	-	-	-	-	-	-	-	75,000
Vikas Jain(vi)	-	100%	-	-	50,000	-	-	-	-	-	-	-	-	50,000
Stephen Gethin	-	100%	-	-	-	-	-	-	-	-	-	-	-	-
Company Secretary:														
Ian Gregory(vii)	-	100%	-	-	110,220	-	-	-	-	-	-	-	-	110,220
Stephen Gethin	-	100%	-	-	7,110	-	-	-	-	-	-	-	-	7,110

Notes:

(i) Allowances are 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 2 September 2015 with remuneration and allowances commencing January 2016.
(vi) Appointed 6 April 2016
(vii) Appointed 30 June 2015, remuneration paid to Corporate Board Services.

Equity Based Benefits

The Company has not provided any equity based benefits (e.g. grant of shares or options) to Key Management Personnel during the financial year. No shares were issued as a result of the exercise of options held by Key Management Personnel during the financial year.

Options Lapsed During the Year

During and subsequent to the end of the financial year, no listed or unlisted options lapsed without being exercised.

Details of Shares Held by Key Management Personnel

2019	Ordinary Fully Paid Shares				
Name of Director/KMP	**Balance at 1 July 2018**	**Balance at appointment**	**Net change**	**Balance at cessation**	**Balance at 30 June 2019**
Justin Richard	33,369,526		750,000		34,119,526(i)
Atmavireshwar Sthapak(ii)	1,951,451		593,387		2,544,838
James Phipps	-		-		-
Vikas Jain	34,285,230		3,460,700		37,745,930
Avi Sthapak)					
Stephen Gethin(iv)		-	-		-

2018	Ordinary Fully Paid Shares				
Name of Director/KMP	**Balance at 1 July 2017**	**Balance at appointment**	**Net change**	**Balance at cessation**	**Balance at 30 June 2018**
Justin Richard	30,757,037		2,612,489		33,369,526(i)
Atmavireshwar Sthapak(ii)	900,000		1,051,451		1,951,451
James Phipps	-		-		-
Vikas Jain	34,285,230		-		34,285,230
Ian Gregory(iii)	-		-	-	
Stephen Gethin(iv)		-	-		-

Notes:
(i) Includes shares held / acquired by Mr Richard's spouse. Mr Richard submitted a request for trading approval to the Company on 2 occasions during the period.
(ii) Mr Sthapak submitted a request for trading approval to the Company on 1 occasion during the relevant period. (iii) Resigned 30 April 2018. (iv) Appointed 1 May 2018.

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Details of Options Held by Key Management Personnel

2019 Name of Director/KMP	Balance at 1 July 2018	Granted	Exercised	Acquired	Lapsed / Cancelled	Balance at Commencement / Cessation	Balance at 30 June 2019	Granted and vested during year	Vested and exercisable at 30 June 2019
Justin Richard	-	-	-	-	-		-	-	-
Atmavireshwar Sthapak	-	-	-	-	-		-	-	-
James Phipps	-	-	-	-	-		-	-	-
Vikas Jain	-	-	-	-	-		-	-	-
Stephen Gethin(i)	-	-	-	-	-	-	-	-	-
Avi Sthapak	-	-	-	-	-	-		-	-

2018 Name of Director/KMP	Balance at 1 July 2017	Granted	Exercised	Acquired	Lapsed / Cancelled	Balance at Commencement / Cessation	Balance at 30 June 2018	Granted and vested during year	Vested and exercisable at 30 June 2018
Justin Richard	-	-	-	-	-		-	-	-
Atmavireshwar Sthapak	-	-	-	-	-		-	-	-
James Phipps	-	-	-	-	-		-	-	-
Vikas Jain	-	-	-	-	-		-	-	-
Stephen Gethin(i)	-	-	-	-	-	-	-	-	-
Ian Gregory(ii)	-	-	-	-	-	-		-	-

Notes: (ii) Appointed 1 May 2018. (ii) Resigned 30 April 2018.

Employment Contracts

(a) Managing Director/CEO – Justin Richard

Justin Richard was the Company's Legal & Commercial Manager since August 2011 and Alara's Country Manager for Saudi Arabia since November 2012 and Oman since December 2013. He was appointed 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$374,101 (subject to adjustments for exchange rate variations* for salary paid in Omani Rials). His employment contract was subsequently extended on the same terms indefinitely;
- 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 relevant Labour Law;
- Compulsory statutory 'end of service' payments due under Omani Law; and
- One month's notice of termination within first six months, subject to repatriation provisions which total approximately three months remuneration.

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

(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[19]:

- An annual base salary of OMR 67,200 per annum;
- Use of a company car;
- Provision of medical insurance cover;
- Allowances totalling up to OMR 10,200 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; and
- Either party may terminate the agreement by providing three months' notice.

19 Refer Alara's 3 February 2016 ASX Announcement: "Appointment of Executive Director".

(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
Stephen Gethin Director and Company Secretary	1 May 2018 *(commencement date)*	$39,105 plus GST per annum. (The Company pays Fortuna Advisory group $110,400 as a combined amount for Company Secretarial and Chief Financial Officer services. Mr Gethin is a consultant to Fortuna Advisory Group through Fortuna Legal Pty Ltd, of which he is a director. Of the annual fee received by Fortuna Advisory Group, it pays Fortuna Legal $39,105).	Initially appointed under a one year fixed-term contract expiring on 30 April 2019, reviewable at the end of the year, extended on the same terms for an additional year expiring on 30 April 2020.

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.

On 26 September 2018, the Group sold a 35% interest in Alara Resources LLC (**ARL**) to South West Pinnacle Exploration Limited (**SWPE**) for a consideration of OMR 60,000 (AUD $214,442). The Group retains a 35% shareholding in ARL and as a result has been de-consolidated and reflected as an investment in associate.

SWPE is a Related Party of the Company as it is controlled by Mr Vikas Jain, a Director of Alara Resources Limited. Shareholder approval of the sale pursuant to Chapter 2E of the Corporations Act (2001) was not required as the transaction fell within an exception to the requirement to obtain approval. The Company nevertheless decided to seek, and obtained, shareholders' approval on 28 November 2018 at the Annual General Meeting.

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 (2018: Nil).

Director Loan Agreement

There were no loan agreements with the Directors 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 2018 Annual General Meeting

At the Company's most recent (2018) Annual General Meeting (**AGM**), a resolution to adopt the 2018 Remuneration Report was put to a vote and passed unanimously on a show of hands with the proxies received also indicating majority (95.74%) support in favour of adopting the Remuneration Report.[20] No comments were made on the Remuneration Report at the AGM.

Engagement of Remuneration Consultants

The Company engaged a remuneration consultant Godfrey Remuneration Group Pty Limited to provide remuneration recommendations in relation to the remuneration of the Managing Director and the Non-Executive Directors during the year.

The Board has established a policy for engaging external 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 and to ensure that the making of remuneration recommendations would be free from undue influence by the member or members of the key management personnel to whom the recommendation relates.

The policy was complied with in relation to the above appointment. In the case of the appointment of this remuneration consultant all communications between the Company and the consultant were handled on the Company's part by the Chairman of the Remuneration and Nomination Committee (**Committee Chairman**) who is also the Chairman of the Board. The Committee Chairman is satisfied that there was no undue influence on the remuneration consultant by any member of key management personnel to whom the remuneration consultant's recommendations related. The remuneration consultant included with its remuneration recommendation a declaration that its recommendation was made free from undue influence by the members of the key management personnel to whom the recommendation related. The remuneration consultant is a leading and highly respected consultant within the Australian listed company remuneration advisory field.

20 Refer Alara's 17 November 2017 ASX Announcement: Results of Meeting.

For the reasons specified above the Board is satisfied that the remuneration recommendations were made free from undue influence by the members of key management personnel to whom they relate. The remuneration consultant did not provide any other kind of advice to the Company. The Company paid the remuneration consultant $16,000 plus GST for its remuneration recommendation.

This concludes the audited Remuneration Report.

Directors' and Officers' Insurance

The Company had a policy of Directors' and Officers' Insurance until the policy expired during the period (**Former D&O Policy**). The Company's insurer withdrew from the Directors' and Officers' Insurance market and did not offer terms for renewing the that Policy. The Company engaged two brokers to endeavour to source alternative Directors' and Officers' Insurance. Quotes for replacement insurance were obtained, however these were significantly higher than the premium payable under the Former D&O Policy. The Company took advice from its brokers about the reason for the level of the quotes. The Directors were satisfied that despite the Company's reduced risk profile, the cost of obtaining Directors' and Officers' Insurance had increased due to a hardening in the market for insurance of the relevant kind.

The Directors are keeping the market for Directors' and Officers' Insurance under review and will periodically consider whether the Company should take out a new policy of Directors' and Officers' Insurance.

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 (Officers) 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 Officers to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and before the outcome of 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 2019 and RSM 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 $
36,072	–	36,072

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 21. 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

27 September 2019

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To the Board of Directors

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

As lead audit partner for the audit of the financial statements of Alara Resources Limited for the financial year ended 30 June 2019, 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
Partner

Dated at Perth this 27th day of September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	3	97,401	26,817
Other income	3	165,848	-
Personnel		(426,714)	(345,462)
Occupancy costs		(38,356)	(59,631)
Finance expenses		(142,311)	(9,048)
Corporate expenses		(69,115)	(49,899)
Gain on disposal of subsidiaries	11	425,895	-
Administration expenses		(279,740)	(286,563)
Share of profit/(losses) of associates	12	(52,027)	-
PROFIT/(LOSS) BEFORE INCOME TAX		**(319,119)**	**(723,786)**
Income tax benefit		-	-
PROFIT/(LOSS) FOR THE YEAR		**(319,119)**	**(723,786)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		740,869	697,619
Total other comprehensive income/(loss)		740,869	**697,619**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**421,750**	**(26,167)**
Profit/(loss) attributable to:			
Owners of Alara Resources Limited		(454,577)	(691,512)
Non-controlling interest		135,458	(32,274)
		(319,119)	**(723,786)**
Total comprehensive income/(loss) for the year attributable to:			
Owners of Alara Resources Limited		286,292	6,107
Non-controlling interest		135,458	(32,274)
		421,750	**(26,167)**
Earnings/Loss per share:			
Basic earnings/(loss) per share cents	6	(0.07)	(0.11)
Diluted earnings/(loss) per share cents	6	(0.07)	(0.11)

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	7	7,562,407	3,346,943
Trade and other receivables	8	87,823	12,896
Other current assets	9	129,479	26,615
Financial assets	10	4,696,887	-
TOTAL CURRENT ASSETS		**12,476,596**	**3,386,454**
NON-CURRENT ASSETS			
Financial assets	10	617,667	-
Investment in Associate	12	162,415	-
Property, plant and equipment	13	39,494	43,803
Mine properties & Development assets	13	6,534,088	-
Exploration and evaluation	14	4,919,660	9,415,666
TOTAL NON CURRENT ASSETS		**12,273,324**	**9,459,469**
TOTAL ASSETS		**24,749,920**	**12,845,923**
CURRENT LIABILITIES			
Trade and other payables	15	624,424	66,850
Unearned income	16	1,624,382	-
Provisions	17	8,390	37,001
TOTAL CURRENT LIABILITIES		**2,257,196**	**103,851**
NON CURRENT LIABILITIES			
Financial liabilities	18	644,232	583,756
Unearned Income	19	-	1,624,382
Provisions	17	36,264	36,264
TOTAL NON CURRENT LIABILITIES		**680,496**	**2,244,402**
TOTAL LIABILITIES		**2,937,692**	**2,348,253**
NET ASSETS		**21,812,228**	**10,497,670**
EQUITY			
Issued capital	20	66,107,405	66,107,405
Reserves	21	10,241,067	906,345
Accumulated losses		(54,714,409)	(54,259,832)
Parent interest		21,634,063	12,753,918
Non-controlling interest		178,165	(2,256,248)
TOTAL EQUITY		**21,812,228**	**10,497,670**

The accompanying notes form part of this consolidated financial statement.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Transactions with minority interests $	Non-Controlling Interest	Total
		$	$	$	$		$	$
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		-	-	697,619	-	-	-	697,619
Net income and expense recognised directly in equity		-	-	697,619	-	-	-	697,619
Profit/(Loss) for the year		-	-	-	(691,512)	-	(32,274)	(723,786)
Total comprehensive income/ (loss) for the year		-	-	697,619	(691,512)	-	(32,274)	(26,167)
Transactions with owners in their capacity as owners:								
Share placement		945,000	-	-	-	-	-	945,000
Share placement costs		(7,587)	-	-	-	-	-	(7,587)
Options issued during the year		-	-	-	-	-	-	-
Balance as at 30 June 2018		**66,107,405**	**20,000**	**886,345**	**(54,259,832)**	-	**(2,256,248)**	**10,497,670**
Balance as at 1 July 2018		66,107,405	20,000	886,345	(54,259,832)	-	(2,256,248)	10,497,670
Foreign currency translation reserve		-	-	740,869	-	-	-	740,869
Net income and expense recognised directly in equity		-	-	740,869	-	-	-	740,869
Loss for the year		-	-	-	(454,577)	-	135,458	(319,119)
Total comprehensive loss for the year		-	-	740,869	(454,577)	-	135,458	421,750
Transactions with minority interests	11(i)	-	-	-	-	8,593,853	-	8,593,853
Disposal of subsidiary	11(ii)	-	-	-	-	-	(135,193)	(135,193)
Additional non-controlling interest arising on disposal of interest in Al Hadeetha Resources LLC	11(i)	-	-	-	-	-	2,434,148	2,434,148
Balance as at 30 June 2019		**66,107,405**	**20,000**	**1,627,214**	**(54,714,409)**	**8,593,853**	**178,165**	**21,812,228**

The accompanying notes form part of this consolidated financial statement.

Alara Resources

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer		-	1,624,382
Payments to suppliers and employees (inclusive of GST)		(790,802)	(410,926)
Interest received		14,246	24,581
Income tax refunded/(paid)		-	55,963
NET CASHFLOWS USED IN OPERATING ACTIVITIES	7b	(776,556)	1,294,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		1,277	-
Payments for plant and equipment		(4,505)	(5,255)
Payments for exploration and evaluation activities		(1,176,094)	(1,134,667)
Payments for development expenditure		(227,893)	-
Payment towards Term deposit		(4,696,887)	-
Proceeds from disposal of investments		11,242,442	-
NET CASHFLOWS USED IN INVESTING ACTIVITIES		5,138,340	(1,139,922)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing ordinary shares		-	937,413
Loans to other entities		(157,155)	-
Proceeds from borrowings		-	358,746
NET CASHFLOWS PROVIDED BY FINANCING ACTIVITIES		(157,155)	1,296,159
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		4,204,629	1,450,237
Cash and cash equivalents at beginning of the financial year		3,346,943	1,885,556
Effect of exchange rate changes on cash		10,835	11,150
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**7**	**7,562,407**	**3,346,943**

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 statements have been prepared on the going concern basis of accounting which assumes the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss for the year ended 30 June 2019 of $319,119 (2018: $723,786) and cash inflows from operating and investing activities of $4,361,784 (2018: $154,078). As at 30 June 2019 the Group has a cash at bank balance of $7,562,407 (2018: $3,346,943) and bank deposits of $4,696,887 (2018: nil) and working capital of $10,219,400 (2018: $3,282,603).

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report. Based on the cash flow forecast, the directors are satisfied that the going concern basis of preparation is appropriate.

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 2019 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.

1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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 and evaluation 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.

Impairment of Mine Development Expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

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 22. 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. The adoption of AASB 9 and AASB 15 did not have a material impact on the Group.

1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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 2019. 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 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, however based on the operating leases currently held (refer note 25) it is not expected to have a material impact.

2. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Alara Resources Limited, as at 30 June 2019.

	2019 $	2018 $
Statement of Financial Position		
Current assets	1,041,564	1,244,273
Non-current assets	8,889,397	8,991,745
Total assets	9,930,961	10,236,018
Current liabilities	88,568	51,354
Non-current liabilities	36,264	36,264
Total liabilities	124,832	87,618
Net assets	9,806,129	10,148,400
Issued capital	66,107,404	66,107,404
Options Reserve	20,000	20,000
Accumulated losses	(56,321,275)	(55,979,004)
Total equity	9,806,129	10,148,400
Profit/(loss) for the year	(342,271)	(375,436)
Other comprehensive income for the year	-	-
Total comprehensive income /(loss) for the year	**(342,271)**	**(375,436)**

3. LOSS FOR THE YEAR

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

	2019 $	2018 $
Revenue		
Interest	97,401	26,817
Other income	165,848	-
	263,249	26,817

3 LOSS FOR THE YEAR (Continued)

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

	2019 $	2018 $
The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 2019 at 27.5% (2018: 27.5%) and the reported tax expense in profit or loss are as follows:		
Tax expense comprises:		
(a) Current tax	-	-
Deferred income tax relating to origination and reversal of temporary differences		
- Origination and reversal of temporary differences	-	-
- Utilisation of unused tax losses previously unrecognised	-	-
Under/(Over) provision in respect of prior years	-	-
Tax expense	-	-
Deferred Tax Expense (income), recognised directly in other comprehensive income		
(b) Accounting profit before tax	(319,119)	(723,786)
Income Tax Expense to Accounting Profit	-	-
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(87,758)	(199,041)
Assessable amounts	-	179,048
Deductible amounts	-	(90,981)
Non-assessable income	(20,165)	-
Non-deductible items	23,996	104,560
Utilisation of unused tax losses previously unrecognised	(83,178)	-
Deferred tax assets recognised/ (not recognised)	78,122	(35,198)
Tax rate difference	88,983	41,612
Income tax expenses (benefit)	-	-
(c) Recognised Deferred Tax Balances		
Deferred tax asset	17,349	1,757
Deferred tax asset (losses)	82,885	97,506
Set-off deferred tax liabilities	(100,234)	(99,263)
(d) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
Unrecognised deferred tax asset losses	1,630,322	1,698,879
Unrecognised deferred tax asset losses (capital)	450,990	450,990
Unrecognised deferred tax asset Oman losses	362,008	592,855
	2,443,320	2,742,724

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:

	2019 $	2018 $
Bentleys Audit and Corporate (WA) Pty Ltd – Auditors of the Consolidated Entity (Audit and review of financial reports)	31,000	31,908
RSM Chartered Accountants – Auditors of Oman-controlled entities (Audit and review of financial reports)	5,072	2,674
	36,072	34,582

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6. EARNINGS/(LOSS) PER SHARE

	2019 $	2018 $
Basic earnings/(loss) per share cents	(0.07)	(0.11)
Diluted earnings/(loss) per share cents	(0.07)	(0.11)
Profit/(loss) $ used to calculate earnings/(loss) per share	(454,577)	(691,512)
Weighted average number of ordinary shares during the period used in calculation of basic earnings/(loss) per share	629,017,589	614,087,452
Weighted average number of ordinary shares during the period used in calculation of diluted earnings/(loss) per share	629,017,589	614,087,452

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

	2019 $	2018 $
Cash in hand	31	1,480
Cash at bank	7,050,778	2,130,209
Term deposits	511,598	1,215,254
	7,562,407	3,346,943

The Consolidated Entity has granted numerous term deposit security bonds to the value of $ Nil (2018: $108,000) 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 $ Nil (2018: $ 64,943).

The effective interest rate on short-term bank deposits was 2.35% (2018: 2.45%) 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 24. 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.

(b) Reconciliation of Net Profit/(Loss) after Tax to Net Cash Flow From Operations	**2019 $**	**2018 $**
Profit/(Loss) after income tax	(319,119)	(723,786)
Loan extinguishment		-
Profit on sale of asset	(207)	-
Gain/(loss) on disposal of Subsidiary	(425,895)	-
Share of profits/(losses) of associates and joint ventures	52,027	-
Foreign exchange movement	12,038	415,446
Depreciation	10,118	11,369
(Increase)/Decrease in Assets:		
Trade and other receivables	(74,927)	59,403
Other current assets	(102,864)	(16,887)
	-	-
Increase/(Decrease) in Liabilities:		
Advance received from customers	-	1,624,382
Trade and other payables	100,884	(48,518)
Provisions	(28,611)	(27,409)
Net cashflows from/ (used in) operating activities	(776,556)	1,294,000

7. CASH AND CASH EQUIVALENTS (Continued)

(c) Financial liabilities	2019 $	2018 $
Opening balance	583,756	215,939
Add: Drawdown during the year	-	409,596
Less: Repaid to AHI	-	(70,158)
Add: Interest	30,184	19,309
Add: Foreign exchange differences	30,292	9,070
Closing balance	644,232	583,756

8. TRADE AND OTHER RECEIVABLES

Current	2019 $	2018 $
Amounts receivable from:		
Sundry debtors	79,877	5,797
Goods and services tax recoverable	4,998	7,099
Cash advances	2,948	-
	87,823	12,896

(a) Risk exposure
Information about the Consolidated Entity's exposure to credit risk, foreign exchange risk and interest rate risk is in Note 24.

(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

	2019 $	2018 $
Prepayments	58,753	26,615
Accrued interest	70,726	-
	129,479	26,615

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10. FINANCIAL ASSETS

	2019 $	2018 $
Current		
Bank deposits	4,696,887	-
Non-Current		
Interest free loan to Alara Resources LLC	617,667	-
	5,314,554	-

11. DISPOSALS OF SUBSIDIARIES

(I) Disposal of Interest in Al Hadeetha Resources LLC

On 24 December 2018, the Group disposed of a 19% interest of its interest in Al Hadeetha Resources LLC (**AHRL**) to Al Tasnim Infrastructure Services LLC, reducing its continuing interest to 51%. The proceeds on disposal of OMR 3 million (~AUD $11,028,000) were received in cash. AHRL is the vehicle through which the Company holds its interest in the Al Hadeetha Copper Project.

The net liabilities on disposal were $12,811,306. The difference between the disposal proceeds and the amount transferred to non-controlling interests of $8,593,852 has been directly recognised in equity as a transaction with minority interests.

	2019 $	2018 $
Consideration received	11,028,000	-
Net assets on disposal	(12,811,306)	-
Transactions with Non-Controlling Interest	8,593,852	-
Increase in non-controlling interest (19%)	(2,434,147)	-

(II) Disposal of Interest in Alara Resources LLC

On 26 September 2018, the Group sold a 35% interest in Alara Resources LLC ("ARL") to South West Pinnacle Exploration Limited ("SWPE") for a consideration of OMR 60,000 (AUD $214,442). The Group retains a 35% shareholding in ARL and as a result has been de-consolidated and reflected as an investment in associate.

SWPE is a Related Party of the Company as it is controlled by Mr Vikas Jain, a Director of Alara Resources Limited. Shareholder approval of the sale pursuant to Chapter 2E of the Corporations Act (2001) was not required as the transaction fell within an exception to the requirement to obtain approval. The Company nevertheless decided to seek, and obtained, shareholders' approval on 28 November 2018 at the Annual General Meeting.

	2019 $	2018 $
Consideration received	214,442	-
Investment in associate	214,442	-
NCI derecognised on disposal	135,193	-
Subtotal	**564,077**	
Net assets on disposal	138,182	
Gain on disposal	425,895	-

12. INVESTMENT IN ASSOCIATES

The movement for the year in the Group's investments accounted for using the equity method is as follows:

	2019 $	2018 $
Opening balance	-	-
Investment in Alara Resources LLC (Refer to Note 11(ii))	214,442	-
(Loss) from equity accounted investments	(52,027)	-
Subtotal	162,415	-

13. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Office Equipment $	Plant and Equipment $	Mine Properties & Development assets $	Total $
Year ended 30 June 2018					
Carrying amount at beginning	21,505	30,171	2,450	-	54,126
Additions	-	-	-	-	-
Write-offs	-	-	-	-	-
Depreciation expense	(3,207)	(7,349)	(812)	-	(11,368)
Exchange Difference	745	237	63	-	1,045
Closing amount at reporting date	19,043	23,059	1,701	-	43,803
Year ended 30 June 2018					
Cost or fair value	28,063	191,075	21,941	-	241,079
Accumulated depreciation	(9,020)	(168,016)	(20,240)	-	(197,276)
Net carrying amount	19,043	23,059	1,701	-	43,803
Year ended 30 June 2019					
Carrying amount at beginning	19,043	23,059	1,701	-	43,803
Reclassified from Exploration Expenditure (Note 14)	-	-	-	5,672,100	5,672,100
Additions	-	5,805	-	568,551	574,356
Disposal	-	(1,070)	-	-	(1,070)
Write-offs			-	-	-
Depreciation expense	(2,951)	(6,582)	(585)	-	(10,118)
Exchange Difference	913	85	76	293,437	294,511
Closing amount at reporting date	17,005	21,297	1,192	6,534,088	6,573,582
Year ended 30 June 2019					
Cost or fair value	29,483	170,278	23,051	6,534,088	6,576,900
Accumulated depreciation	(12,478)	(148,981)	(21,859)	-	(183,318)
Net carrying amount	17,005	21,297	1,192	6,534,088	6,573,582

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.

Mine properties and development assets

Mine property and development assets include costs incurred in accessing the ore body and costs to develop the mine to the production phase, once the technical feasibility and commercial viability of a mining operation has been established. At this stage, exploration and evaluation assets are reclassified to mine properties. Mine property and development assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses recognised. The initial cost of an asset comprises its purchase price or construction cost and any costs directly

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

attributable to bringing the asset into operation. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

14. EXPLORATION AND EVALUATION

	2019 $	2018 $
Opening balance	9,415,666	7,996,698
- Exploration and evaluation expenditure	943,723	1,036,170
- Exchange differences	232,311	382,798
Reclassification of Al Hadeetha Project to Development Expenditure (Note 13)	(5,672,100)	-
Closing balance	4,919,660	9,415,666

During the year, the Al Hadeetha Copper-Gold Project in Oman has been reclassified to Development Expenditure upon demonstrating commercial viability and commencement of development activities.

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. This provision for impairment may be reversed in the future(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. Further on 24 December 2018 the Group disposed of a 19% interest in Al Hadeetha Resources LLC to Al Tasnim Infrastructure Services LLC, reducing its continuing interest to 51%. 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 23 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.

The Consolidated Group has entered in to a Heads of Agreement with Copper LLC, under which wholly owned subsidiary Alara Oman Operations Pty Ltd would become a 10% shareholder in the Awtad Block 8 Project. As part of the Heads of Agreement, Awtad acknowledges OMR 246,215 (AUD 812,316) previously spent on the project by Alara as the basis for Alara's interest in that project.

The Consolidated Entity has granted security bonds to the value of $Nil (2018: $108,000) 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. During the period, the Company received a contingent offer of US$11.5m to acquire rights to the Khnaiguiyah Feasibility Study, however there is currently no agreement in place with respect to the Study and it was determined that no change to the carrying value was required.

15. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current		
Trade payables	508,225	39,110
Other payables	116,199	27,740
	624,424	66,850

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

16. UNEARNED INCOME

	2019 $	2018 $
Current		
Unearned income	1,624,382	-
	1,624,382	-

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 (Offtake Agreement). Under the Offtake Agreement, concentrate production from the Al Hadeetha Copper Project (Washihi Mazzaza site) will be shipped from the Sohar port (unless a smelter is operating in Oman). In June 2018 Statdrome made a pre-payment under the Offtake Agreement. The Statdrome advance bears interest at LIBOR plus four percent per annum. This amount represents unearned income. The amount of this liability in AUD is shown in the table above. Al Hadeetha shareholders (including Alara Oman Operations Pty Ltd) has provided guarantees as disclosed in note 29(g).

(a) Risk exposure
Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 24.

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.

17. PROVISIONS

	2019 $	2018 $
Current		
Employee benefits – annual leave	8,390	37,001
Non-Current		
Employee benefits – long service leave	36,264	36,264
	44,654	73,265

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 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

17. PROVISIONS (Continued)

unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

18. FINANCIAL LIABILITIES

	2019 $	2018 $
Non-Current		
Loan with unrelated third party (i)	644,232	583,756
	644,232	583,756

(i) On 16 April 2017, Al Hadeetha Resources LLC (**AHR**) (the joint venture company which conducts the Al Hadeetha Copper-Gold Project (Project), in which the Company is a 70% shareholder) entered into an unsecured loan agreement as borrower with Al Hadeetha Investments LLC (**Lender**) (an un-related company, which holds the remaining 30% of the shares in AHR). Under the agreement, AHR may draw down a maximum of USD 2 million (AUD 2,663,800; OMR 735,247) to assist with working capital for the Project (**AHI to AHR Loan**). The AHI to AHR Loan bears interest at LIBOR plus two percent per annum. The Loan will be in effect for the duration of the Project joint venture agreement, at which time AHR must repay any outstanding balance. AHR must make interim repayments equal to its available net cash profit (if any) at the end of each financial year. During the year AHR has not made any drawdowns under the Loan. The total amount drawn down (being the total amount owing by AHR under the Loan to the end of the year is OMR 174,802 (USD 483,694; AUD 644,232). If AHR determines at the end of any quarter or other period that it has a working capital shortfall it may draw down the whole or part of the shortfall, until the entire Loan amount is drawn down. The remaining, un-drawn balance of the Loan is OMR 560,445 (USD 1,516,306; AUD 2,019,568).

Although the AHI to AHR Loan is shown as a liability in the consolidated financial statements, loans by entities within the Alara Consolidated Entity to AHR, which is also within that Consolidated Entity (**Consolidated Entity AHR Loans**) are not shown in the consolidated financial statements. The Consolidated Entity AHR Loans total $A17.3 million and are subject to the same loan terms as the AHI to AHR Loan. The Consolidated Entity AHR Loans are repayable on the same basis as the AHI to AHR Loan. Therefore, if AHR makes a loan repayment to AHI, AHR will also be required to make a loan repayment to its lenders within the Alara Consolidated Group on a pro-rata basis.

19. UNEARNED INCOME

	2019 $	2018 $
Non-Current		
Unearned income	-	1,624,382
	-	1,624,382

Refer to note no.16

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20. ISSUED CAPITAL

	2019 №	2018 №	2019 $	2018 $
Fully paid ordinary shares	629,017,589	629,017,589	66,107,405	66,107,405

2018	№	$
Balance as at 1 July 2017	597,517,589	65,169,992
- Share movement during the 2018 financial year	31,500,000	945,000
- Share issue costs during the 2018 financial year	-	(7,587)
Balance as at 30 June 2018	629,017,589	66,107,405
2019	**№**	**$**
Balance as at 1 July 2018	629,017,589	66,107,405
- Share movement during the 2019 financial year	-	-
- Share issue costs during the 2019 financial year	-	-
Balance as at 30 June 2019	629,017,589	66,107,405

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 2019, other than as disclosed in Note 18. 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.

21. RESERVES

	2019 $	2018 $
Foreign currency translation reserve	1,627,215	886,345
Options reserve	20,000	20,000
Transactions with minority interests	8,593,852	-
	10,241,067	906,345

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	2019 $	2018 $
Employees' Options				
Unlisted options exercisable at $0.04; expiring 9 March 2020	9 Mar 2017	3,000,000	20,000	20,000
		3,000,000	20,000	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.

22. SHARE-BASED PAYMENTS

There were no shares issued as a result of the exercise of any options during the year (2019: 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%

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.

23. 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.

2019	Australia $	Oman $	Saudi Arabia $	Total $
Total segment revenues	193,722	69,527	-	263,249
Total segment loss/(profit)before tax	132,680	(462,789)	10,990	(319,119)
Total segment assets	2,827,297	21,922,623	-	24,749,920
Total segment liabilities	(124,901)	(2,812,791)	-	(2,937,692)
2018				
Total segment revenues	26,817	-	-	26,817
Total segment loss before tax	(390,888)	(342,876)	9,978	(723,786)
Total segment assets	3,372,604	9,473,319	-	12,845,923
Total segment liabilities	(1,712,000)	(636,253)	-	(2,348,253)

(a) Reconciliation of segment information	2019 $	2018 $
(i) Total Segment Assets		
Total Assets as per Statement of Financial Position	24,749,920	12,845,923
(ii) Total Segment Revenues		
Total Revenue as per Statement of Profit or Loss and Other Comprehensive Income	263,249	26,817
(iii) Total Segment profit/(loss) before tax		
Total Consolidated Entity profit/(loss) before tax	(319,119)	(723,786)

23. SEGMENT INFORMATION (Continued)

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.

24. 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:

	2019 $	2018 $
Financial assets		
Cash and cash equivalents	7,562,407	3,346,943
Financial instruments (term deposits)	4,696,887	-
Trade and other receivables	87,823	12,896
Financial asset	617,667	-
	12,964,784	3,359,839
Financial liabilities at amortised cost		
Trade and other payables	(624,424)	(66,850)
Financial liabilities	(644,232)	(583,756)
	(1,268,656)	(650,606)
Net Financial Assets	11,696,128	2,709,233

(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 2.35 % (2018: 2.45%).

	2019 $	2018 $
Cash at bank	7,050,778	2,130,209
Term deposits	511,598	1,215,254
Term deposits more than 90 days	4,696,887	-
Loan with unrelated third parties	(644,232)	(583,756)
	11,615,031	2,761,707

24. FINANCIAL RISK MANAGEMENT (Continued)

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	2019 $	2018 $
Change in profit		
Increase by 1%	(6,442)	(5,838)
Decrease by 1%	6,442	5,838
Change in equity		
Increase by 1%	(6,442)	(5,838)
Decrease by 1%	6,442	5,838

Revenue	2019 $	2018 $
Change in profit		
Increase by 3%	226,872	100,408
Decrease by 3%	(226,872)	(100,408)
Change in equity		
Increase by 3%	226,872	100,408
Decrease by 3%	(226,872)	(100,408)

(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:

	2019 OMR	2018 OMR
Cash and cash equivalents	1,820,884	141,441
Trade and other receivables	1,146,836	5,429
Trade and other payables	(590,204)	(5,644)
Non-current financial liabilities	(194,802)	(186,412)
	2,182,714	(45,186)

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:

	2019 $	2018 $
Cash and cash equivalents		
AA-	7,562,376	3,345,463
No external credit rating available	31	1,480
	7,562,407	3,346,943
Trade and other receivables (due within 30 days)		
No external credit rating available	87,823	12,896

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.

(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:

2019	Less than 6 months $	6-12 months $	1-5 years $	Total $
Financial assets				
Cash and cash equivalents	7,562,407	-	-	7,562,407
Financial instruments (Term deposits)		4,696,887	-	4,696,887
Interest free loan to Alara Resources LLC	-	-	617,667	617,667
Trade and other receivables	87,823	-	-	87,823
	7,650,230	4,696,887	617,667	12,964,784
Financial liabilities				
Trade and other payables	(624,424)	-	-	(624,424)
Other financial liabilities	-	-	(644,232)	(644,232)
	(624,424)	-	(644,232)	(1,268,656)
Net inflow/(outflow)	7,025,806	4,696,887	(26,565)	11,696,128
2018				
Financial assets				
Cash and cash equivalents	3,346,943	-	-	3,346,943
Trade and other receivables	12,896	-	-	12,896
	3,359,839	-	-	3,359,839
Financial liabilities				
Trade and other payables	(66,850)	--	-	(66,850)
Other Financial Liabilities	-	-	(583,756)	(583,756)
Net inflow/(outflow)	3,292,989	-	(583,756)	2,709,233

(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 Notes 7,8 and 10. The financial liabilities at reporting date are set out in Note 15 and 18.

(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).

24. FINANCIAL RISK MANAGEMENT (Continued)

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".

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.

25. COMMITMENTS

	2019 $	2018 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Within 1 year	28,014	10,889
1-5 years	21,434	-
After 5 years	-	-
Total	49,448	10,889

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.

	2019 $	2018 $
(b) Capital Commitments		
Non-cancellable capital commitments:		
Within 1 year	2,502,279	-
1-5 years	234,747	-
After 5 years	-	-
Total	2,777,026	-

26. CONTROLLED ENTITIES

Investment in Controlled Entities	Controlled entity	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-19	Jun-18
Alara Resources Limited (AUQ)	Parent	Exploration	Australia	6-Dec-06	100%	100%
Alara Peru Operations 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)	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%
Al Hadeetha Resources LLC	AOO	Exploration / Development	Oman	6-Feb-07	51%	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%

27. JOINTLY CONTROLLED ENTITIES & INVESTMENTS IN ASSOCIATES

Investment in Jointly Controlled Entities	Controlled entity	Principal Activity	Country of Incorporation	Date of Incorporation	Jun-19	Jun-18
Daris Resources LLC	AOO	Exploration	Oman	1-Dec-10	50%	50%
Alara Resources LLC	AOO	Mining Services	Oman	2-Oct-10	35%	70%

28. 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 26 and 27.

(b) Transactions with other related parties
The following transactions occurred with related parties during the year ending 30 June 2019:

(i) SW Pinnacle Mineral Exploration Services JV Approved

On 26 September 2018, the Group sold a 35% interest in Alara Resources LLC (**ARL**) to South West Pinnacle Exploration Limited (**SWPE**) for a consideration of OMR 60,000 (AUD $214,442). The Group retains a 35% shareholding in ARL and as a result has been de-consolidated and reflected as an investment in associate.

SWPE is a Related Party of the Company as it is controlled by Mr Vikas Jain, a Director of Alara Resources Limited. Shareholder approval of the sale pursuant to Chapter 2E of the Corporations Act (2001) was not required as the transaction fell within an exception to the requirement to obtain approval. The Company nevertheless decided to seek, and obtained, shareholders' approval on 28 November 2018 at the Annual General Meeting.

(ii) The group has provided interest free loan of $617,667 to Alara Resources LLC and has amount owing in trade and other payables of $108,388.

(iii) Director loan agreement
There was no outstanding directors' loan during the year.

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28. RELATED-PARTY TRANSACTIONS (Continued)

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:

	2019 $	2018 $
Short term employee benefits:		
Remuneration including bonuses and allowances	1,001,166	934,391
Total short term employee benefits	1,001,166	934,391
Long term benefits	22,806	34,687
Total other long-term benefits	22,806	34,687
Post-employment benefits:		
Defined benefit pension plans	-	-
Defined contribution pension plans	-	-
Total post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total remuneration	1,023,972	969,078

29. 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 – 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.

(b) **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)) was established to identify, secure and commercially exploit other exploration and evaluation in Oman introduced to AlaraCo by SUR. AlaraCo was incorporated in Oman on 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 then holding the balance of 30%. Alara transferred a 35% shareholding in AlaraCo to South West Pinnacle Exploration Ltd in 2018. In January 2019 SUR transferred its 30% shareholding in AlaraCo to Al Tasnim Infrastructure Services LLC. AlaraCo now conducts the business of drilling and exploration services under a joint venture agreement between its shareholders.

(c) **Shareholders' Agreement – Al Hadeetha Copper-Gold Project (Oman)** – On 23 November 2011, Alara Oman Operations Pty Limited (a wholly owned subsidiary of the Company) (**AOOPL**) entered into a shareholders' agreement with the concession holder, Al Hadeetha Resources LLC (**AHR**) and the then shareholders of AHR. An Amendment Agreement between Alara and Al Hadeetha Investments LLC (**AHI**) dated 3 August 2013 acknowledged that Alara then held a 70% shareholding in AHR and AHI held 30%. Post completion of a definitive feasibility study, the AHR Board may issue shareholders with payment notices requiring them to contribute equity funding in proportion to their shareholding. If AHI declines to make the required capital contribution to develop the Project's first mine, then Alara may elect to pay AHI the amount which AHI were required to contribute under their payment notice and (subject to Omani law) Alara may increase its economic interest in AHR 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 an AHR 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 AHR. On 18 November 2018 AOOPL sold a 19% interest in AHR to Al Tasnim Infrastructure Services LLC (Al Tasnim). AHR is governed by a 4-member Board of directors with two nominees appointed by Alara (including the Chairman) one nominee appointed by AHI (30% shareholder) provided that it continues to own at least 21% of the shares of AHRL and one nominee appointed by

Al Tasnim (19% shareholder) provided that it continues to own at least 19% of the shares of AHRL. Al Tasnim is not required to contribute any additional funds to AHI in respect of the first mine to be constructed and operated by AHR - the Al Washihi mine.

(d) **Directors' Deeds** – The Company has entered into deeds of indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as directors/officers of the Consolidated Entity. As at 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.

29. CONTINGENT ASSETS AND LIABILITIES (Continued)

(e) **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.

(f) **Off-take agreement – Al Hadeetha Copper Gold Project** – On 15 March 2017 Alara Oman Operations Pty Ltd (a wholly owned subsidiary of the Company) (**Seller**) entered into an off-take agreement for the supply of copper concentrate from the Al Hadeetha Copper Project (Offtake Agreement) to Statdrome Pte Ltd (**Buyer**). Under the Offtake 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 Offtake Agreement also includes a pre-payment by the Buyer 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. In June 2018 the Buyer made the first pre-payment of US$1.2 million under the Offtake Agreement.

The prepayment is to be repaid to the Buyer by it deducting US$0.5 million plus interest from each amount due to the Seller under provisional invoices for the sale of copper concentrate to the Buyer. If the Seller does not deliver copper concentrate to the Buyer, the Buyer may call upon a guarantee provided by the Seller and Al Hadeetha Investment LLC for the performance of the Seller's obligations under the Offtake Agreement.

(g) **Loan to unrelated party (AHI) (Oman) -** On 26 October 2017 AHI gave a bank guarantee of OMR 30,000 to the Omani Ministry of the Environment as security for performance of the environmental obligations of AHR in connection with the Al Hadeetha Project mining licence. AHI was required to deposit the amount of the face value of the bank guarantee with its bank as security in the event that the bank guarantee is called upon. Pursuant to an agreement between the Consolidated Entity and AHI, the Consolidated Entity paid OMR 20,000 to AHI on or about that date, representing an approximation of its share of liability to contribute to the costs of remediating any unmet environmental obligations of AHR. This amount will be returned to the Consolidated Entity in the event that AHR performs its environmental obligations in relation to that mining licence.

30. 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.

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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 24 to 45, 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 2019 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 11 to 17 (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 2019.

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

27 September 2019

Independent Auditor's Report

To the Members of Alara Resources Limited

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Alara Resources Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2019, 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:

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

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 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 Opinion

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 Consolidated Entity 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 opinion.

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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Exploration and Evaluation $4,919,660

(Refer to Note 14)

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.
- The assessment of impairment of exploration and evaluation expenditure being inherently difficult.

</td><td>

Our procedures included, amongst others:

- Assessed 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;
- 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

</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
	– 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.
Development Assets $6,534,088 (Refer to Note 13) During the year the Consolidated Entity transferred $5,672,100 from exploration and evaluation assets to development assets following the commencement of development activities at the Al Hadeetha Copper-Gold Project. Subsequent to the transfer an additional $568,551 development was incurred and capitalised. The carrying amount of development assets as at 30 June 2019 was $6,534,088. The impairment assessment conducted under AASB 136 *Impairment of Assets* as at the date of transfer involved a comparison of the recoverable amount of the Al Hadeetha Copper-Gold Project assets with their carrying amounts in the financial statements. The evaluation of the recoverable amount of these assets at transfer is considered a key audit matter as it was based upon a model which required significant judgement in verifying the key assumptions supporting the expected discounted future cash flows from the Al Hadeetha Copper-Gold Project. In addition, our audit focussed on the Consolidated Entity's assessment of the carrying amount of the capitalised development assets, as this is one of the most significant assets of the Consolidated Entity.	Our procedures included, amongst others: – Reviewed the Feasibility Study and evaluated management's methodology in the model and the basis for key assumptions; – Considered the appropriateness of the discount rate used in the model; – Considered whether the assets comprising the cash-generating unit had been correctly allocated; – Substantiated a sample of expenditure by agreeing to supporting documentation; – We assessed the Consolidated Entity's rights to tenure by corroborating to the mining license; and – We assessed the adequacy of disclosures included in Notes 1.7, 13 and 14 in the financial report.

Key audit matter	How our audit addressed the key audit matter
Disposal of subsidiaries (Refer to Note 11) During the year the Consolidated Entity disposed of a 19% interest in Al Hadeetha Resources LLC ("AHRL"), reducing its continuing interest to 51%. Consideration received for the disposal was $11,028,000. As a result, the Consolidated Entity's ownership interest has reduced but has not resulted in losing control of AHRL pursuant to AASB 10 *Consolidated Financial Statements.* In a separate transaction, the Consolidated Entity sold a 35% interest in Alara Resources LLC ("ARL"), reducing its continuing interest to 35%. Consideration received for the disposal was $214,442. As a result, the Consolidated Entity has lost control of ARL which is now accounted for as an investment in an associate pursuant to AASB 128 *Investments in Associates and Joint Ventures.* The above transactions are considered key audit matters as they are material to the Consolidated Entity as well as the complexity in accounting for the disposals.	Our procedures included, amongst others: – Assessed the terms of the contractual agreements; – Substantiated the disposal date balance sheet for the transactions to supporting documentation; – Assessed whether the gain on disposal for the transactions has been correctly calculated in accordance with the relevant accounting standards; – With respect to the ARL transaction, we assessed whether the Consolidated Entity exercises significant influence for the investment in ARL is to be classified as an investment in associate; – With respect to the AHRL transaction, we assessed whether the Consolidated Entity retained control over AHRL, and as a result it constituted a transaction with non-controlling interests; and – Assessed the adequacy of disclosures included in Note 11 and 21 in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2019, 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.

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.

- 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 2019. 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 2019, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 27th day of September 2019

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.