



**Alara Resources Limited**  
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Perth Western Australia 6000

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# HALF YEAR REPORT

**31 December 2008**

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
2008 ANNUAL REPORT OF THE COMPANY  
RELEASED ON 14 OCTOBER 2008

ASX Code | **AUQ**



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*The Company changed its name from Alara Uranium Limited to Alara Resources Limited on 23 September 2008*

**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

John F. Stephenson	Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director

**COMPANY SECRETARY**

Victor P H Ho

**REGISTERED OFFICE**

Level 14, The Forrest Centre  
221 St Georges Terrace  
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**SHARE REGISTRY**

Advanced Share Registry Services  
Suite 2, 150 Stirling Highway  
Nedlands Western Australia 6009  
Telephone: +61 8 9389 8033  
Facsimile: +61 8 9389 7871  
Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
Internet: [www.advancedshare.com.au](http://www.advancedshare.com.au)

**STOCK EXCHANGE**

Australian Securities Exchange (ASX)  
Perth, Western Australia

**ASX CODE**

AUQ

**AUDITORS**

Grant Thornton (WA) Partnership  
Chartered Accountants and Business Advisors  
Level 1, 10 Kings Park Road  
West Perth, Western Australia 6005  
Telephone: +61 8 9480 2000  
Facsimile: +61 8 9322 7787  
Internet: [www.grantthornton.com.au](http://www.grantthornton.com.au)

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

Current Reporting Period: 1 July 2008 to 31 December 2008  
 Previous Corresponding Period: 1 July 2007 to 31 December 2007  
 Balance Date: 31 December 2008  
 Company: Alara Resources Limited (**Alara** or **AUQ**)

Consolidated Entity: Alara and controlled entities:

- (1) Alara Operations Pty Ltd ABN 123 780 441 (**AO**), a wholly owned subsidiary acquired on 18 May 2007;
- (2) Hume Mining NL ABN 52 063 994 945 (**Hume**), a wholly owned subsidiary acquired on 18 May 2007;
- (3) Alara Peru Operations Pty Ltd ABN 124 334 103 (**APO**), a wholly owned subsidiary acquired on 18 May 2007;
- (4) Alara Peru S.A.C, a wholly owned subsidiary of APO incorporated in Peru on 1 March 2007 (**AP**).

Consolidated Entity	Dec 2008 \$	Dec 2007 \$	% Change	Up / Down
Total revenues	295,177	320,466	8%	Down
Total expenses	(8,319,150)	(3,092,766)	169%	Up
Loss before tax	(8,023,973)	(2,772,300)	189%	Up
Income tax	-	-	-	N/A
Loss after tax attributable to members	(8,023,973)	(2,772,300)	189%	Up
Basic loss per share (cents)	(9.97)	(0.10)	9870%	Up

## Brief Explanation of Results

Total Revenues comprise:

- (1) \$295,177 interest received (Dec 2007:\$320,325).

Total Expenses include:

- (1) \$6,479,519 Impairment loss on exploration and evaluation (Dec 2007: \$196,205);
- (2) \$738,467 personnel expenses in relation to directors' and employees options (Dec 2007: \$2,457,981);
- (3) \$455,884 other personnel expenses (Dec 2007: \$373,548);
- (4) \$301,738 unrealised loss on share investments (fair value adjustment of share investments) (Dec 2007: \$91,810);
- (5) \$82,094 occupancy costs (Dec 2007: \$16,359);
- (6) \$29,086 corporate expenses (Dec 2007: \$67,909).

Please refer to the attached Directors' Report and Financial Report for further information on a review of the Consolidated Entity's operations and the financial position and performance of the Consolidated Entity and Company for the half year ended 31 December 2008.

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

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## Controlled Entities

The Company did not gain or lose control over any entity during the financial half year.

## Associates and Joint Venture Entities

The Company did not gain or lose an interest in any associate or joint venture entity during the financial half year.

For and on behalf of the Directors,



Victor Ho  
Company Secretary

Date: 16 March 2009

Telephone: +61 8 9214 9787  
Email: info@alararesources.com.au

The information in this report that relates to exploration results has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of the Company. Mr Madan has in excess of the minimum of 5 years experience which is relevant to the style of mineralisation under consideration and qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

# COMPANY PROFILE

Alara Resources Limited (ASX Code: AUQ) is an Australian based mineral exploration and development company with a portfolio of uranium, gold and mineral sands exploration projects in Peru and Australia (Northern Territory and Western Australia):

PROJECTS	LOCATION	AREA (HECTARES)
(1) Mt James Uranium	Gascoyne, Western Australia	99,861
(2) Bigrlyi South Uranium	Northern Territory	166,565
(3) Crucero Uranium	Peru	4,100
(4) Santa Rosa Uranium	Peru	4,400
(5) Pampacolca Uranium	Peru	4,400
(6) Coasa Uranium	Peru	9,600
(7) Canning Well Base Metals/Uranium	Pilbara, Western Australia	26,400
(8) Kimberley Phosphate	Kimberley, Western Australia	132,701
(9) King Sound Mineral Sands	Kimberley, Western Australia	65,200

The global financial crisis continues to have significant adverse effects on capital markets and the aspirations of resource exploration companies such as Alara. Whilst Alara is in a relatively sound cash position (\$7.75 million as at 31 December 2008), it has undertaken a strategic decision to conserve cash for high priority/value opportunities within the resource sector.

Alara has therefore reduced exploration expenditure on existing projects deemed to be of lower priority – being the Crucero, Canning Well, Santa Rosa, Pampacolca and Coasa Project areas (the Kimberley Phosphate and King Sound Mineral Sands Project tenements are pending grant).

Alara has reviewed and discounted a number of exploration opportunities and is undertaking an on-going investigation of a number of prospective opportunities in the resources sector throughout the world. This includes applying for mineral concessions, entering into joint ventures, taking options over and acquiring concessions or tenements and investing in listed securities in the resources sector.

The Alara Board comprises members with extensive experience in the resources sector, being **Chairman, Dr John Stephenson**, previously Exploration Director for Rio Tinto Australasia with more than 35 years experience in mineral exploration and **Managing Director, Mr H. Shanker Madan**, an experienced senior geologist with more than 30 years of world-wide experience in the exploration and evaluation of mineral deposits for various commodities and **Executive Director, Mr Farooq Khan** who has extensive experience in corporate law, the securities industry, capital markets and the executive management of ASX listed companies.

On 23 September 2008, the Company changed its name from Alara Uranium Limited to Alara Resources Limited.

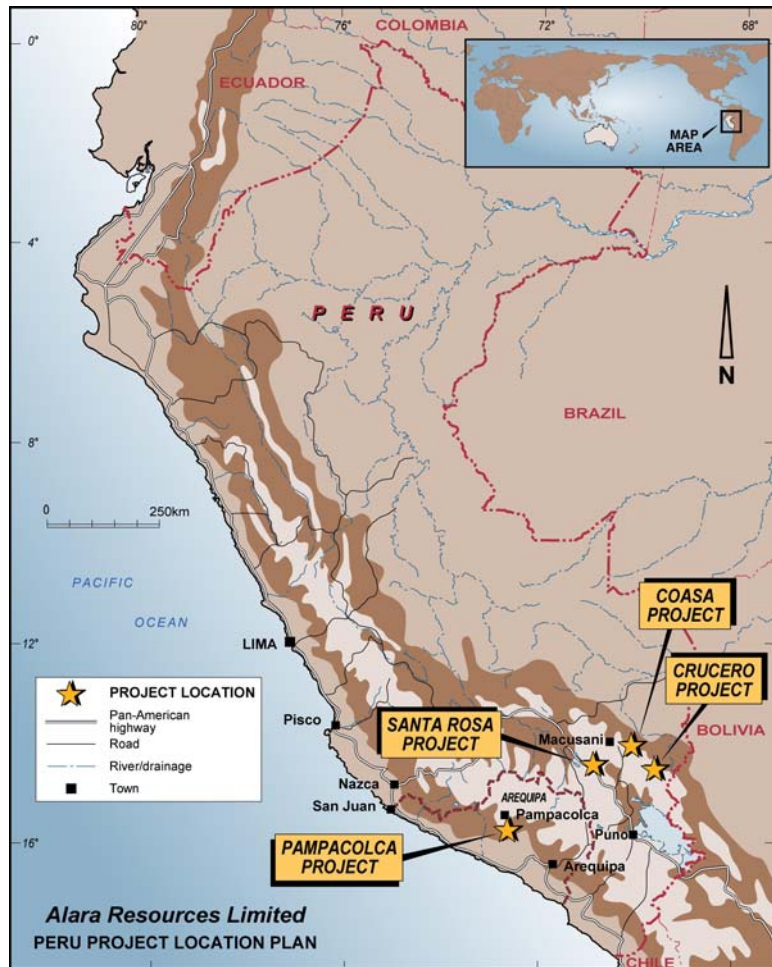
Alara currently has the following securities on issue:

	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215	80,507,500
\$0.25 (30 June 2009) Listed Options	60,367,500	-	60,367,500
\$0.55 (26 July 2012) Unlisted Employees' Options	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Executive Directors' Options	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Non-Executive Director's Options	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Employees' Options	-	1,485,000	1,485,000
<b>Total</b>	<b>116,378,785</b>	<b>43,781,215</b>	<b>160,160,000</b>

# PROJECT LOCATION

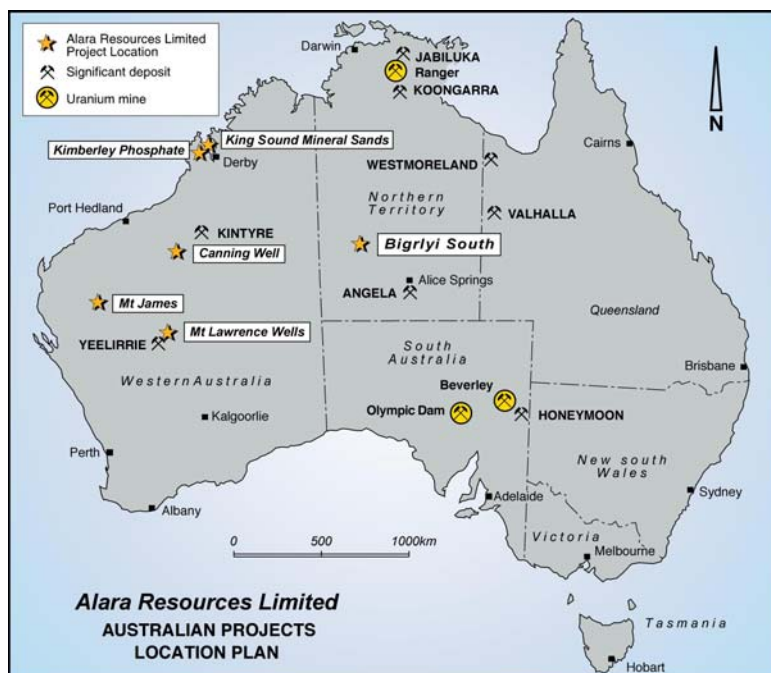
## PERUVIAN PROJECTS

The location of Alara's uranium project areas in Peru are shown on the map below.



## AUSTRALIAN PROJECTS

The location of Alara's Australian projects in the Northern Territory and Western Australia are shown on the map below.



# COMPANY PROJECTS

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## 1. MT JAMES (GASCOYNE, WESTERN AUSTRALIA)

Alara is exploring for uranium using detailed structural analysis coupled with aerial and ground radiometric surveys.

The exploration focus will be on high priority radiometric anomalies selected from an airborne geophysical survey conducted during 2008. In addition, known historical workings (drill holes and costeans) that encountered uranium mineralisation and the untested anomalies previously identified by AGIP Nucleare (Australia) Pty Ltd (**AGIP**), (a subsidiary of Italian multi-national energy group ENI) will be the target of detailed ground prospecting followed by drilling.

Subject to heritage and regulatory approval, Alara proposes drilling of the best radiometric anomalies.

## 2. BIGRLYI SOUTH (NORTHERN TERRITORY)

The project tenements are located principally in the northern part of the Ngalia Basin in the Northern Territory (located approximately 390 kilometres north-west of Alice Springs).

Alara has completed an airborne radiometric and magnetic survey in exploration licences EL 24879, EL 24928, EL 24929 and EL24930. Results indicate that the Southwark Granite Suite has a strong radiometric signature in all channels. These are "hot" granites and are potentially good source rocks for sedimentary-style uranium deposits in the overlying younger sediments – as being the probable source of mineralisation in the Bigrlyi uranium deposits located immediately north of Alara's Bigrlyi South tenements. Field verification of Alara's radiometric anomalies within EL24879, EL24928 and EL24929 identified several uranium anomalies coinciding with the outcropping Mt Eclipse Sandstone unit (host to the Bigrlyi deposits). The majority of the other anomalies were located within predominantly sand covered terrain.

Alara has submitted a Mine Management Plan to the Central Land Council (**CLC**) seeking heritage approval for drilling selected anomalous targets. Negotiations with the CLC are on-going.

## 3. CRUCERO PROJECT (PERU)

The Crucero Project concessions are located 45 kilometres southeast of the town of Crucero, in the Macusani district in southern Peru.

Alara is targeting uranium mineralisation hosted by rhyolitic ignimbrites and ash flows of the Picotani Formation of Miocene-Pliocene age. This formation hosts several occurrences of uranium in the Macusani district.

A radiometric survey has been completed over the highest priority parts of the Lituania 3 concession, comprising 19 lines totaling 20 line-kilometres. Uranium mineralisation occurs in volcanic tuffs as disseminated autunite in sub-vertical fractures up to several centimetres wide on either side of the fractures. The mineralised fractures are oriented north-south and east-west. Uranium mineralisation is commonly associated with smoky quartz.

No further field work is planned at this stage in the area, to conserve cash for other more advanced opportunities within Alara's existing portfolio and new opportunities.

## 4. CANNING WELL (PILBARA, WESTERN AUSTRALIA)

The project area is located approximately 20 kilometres of the north-south trending Canning Fault and associated splay and intersecting faults. This complex of faults brings together rocks of the Archaean Fortescue Group into direct contact with younger Proterozoic rocks of the Manganese Groups, the Tacunyah Group, the Yeneena Supergroup and the Savory Group.

Alara is exploring for uranium, gold, copper and base metal mineralisation within the project tenements. A mag/lag sampling programme targeting gold and copper anomalies has been completed and analysis highlights include 52ppb Au, 16ppb Au, 1690ppm Pb, 580ppm Zn, 98ppm Cu and 9.6% Mn.

An 8 RC drill hole programme for a total of 800 metres over one of the four (4) prominent base metal anomalies has been completed. Drilling was conducted within a surface area 1,600 metres long and 600 metres wide. The drill holes intersected up to 1.3ppm silver over one metre in carbonaceous and dolomitic siltstones. Average thickness of the anomalous silver zones in each hole was 50 metres. Although not economic, this is an encouraging find and commends further search for a large strata bound base metal deposit in the tenements.

Alara believes further work is warranted around several Geotem geophysical anomalies that have previously been identified by Rio Tinto within the tenements.

However no further field work is planned at this stage in the area, to conserve cash for other more advanced opportunities within Alara's existing portfolio and new opportunities.

# COMPANY PROJECTS

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## 5. SANTA ROSA PROJECT (PERU)

The Santa Rosa Project comprises six concessions covering an area of 4,400 hectares. The concessions are located between 2 and 5 kilometres northwest of the town of Santa Rosa, in the Macusani district of southern Peru.

Rhyolitic lava flows of the Permian Mitu Group lie adjacent to an unconformity with Lower Paleozoic schist. The lavas are the main targets for uranium mineralisation. Large geochemical anomalies of over 1500ppm uranium have been reported by IPEN from chip samples adjacent to the unconformity in the region.

Alara has completed a reconnaissance survey but no further field work is planned at this stage in the area, to conserve cash for other more advanced opportunities within Alara's existing portfolio and new opportunities.

## 6. PAMPACOLCA PROJECT (PERU)

The Pampacolca Project comprises seven concessions covering an area of approximately 4,400 hectares. The concessions are situated approximately 4 to 12 kilometres south of the town of Pampacolca, which is located approximately 136 kilometres northwest of the city of Arequipa in southern Peru.

The Pampacolca Project comprises structurally controlled occurrences of uranium, tantalum and rare earths in pegmatite veins and dykes hosted by quartz-muscovite-feldspar schist. These occurrences lie within Pre-Cambrian gneissic terrain with known tantalum mineralisation.

Alara has completed a sampling and ground radiometric survey of anomalous areas identified as being prospective for uranium mineralisation. However, no further field work is planned at this stage in the area, to conserve cash for other more advanced opportunities within Alara's existing portfolio and new opportunities.

## 7. COASA PROJECT (PERU)

The Coasa Project comprises 11 concessions covering an area of 9,600 hectares. The concessions are centred on the town of Coasa, located in the Macusani district in southern Peru.

The target is pegmatite veins and dykes. Historic IPEN data indicate anomalies up to 1900ppm uranium within the project area.

Reconnaissance mapping and sampling has identified pegmatitic zones of several metres width with two rock chip samples returning 500ppm and 470ppm uranium.

Alara has completed an Aster interpretation over the project area. However, no further field work is planned at this stage in the area, to conserve cash for other more advanced opportunities within Alara's existing portfolio and new opportunities.

## 8. KIMBERLEY PHOSPHATE PROJECT (KIMBERLEY, WESTERN AUSTRALIA)

Alara has identified areas of the West Kimberley region of Western Australia as being a favourable geological environment for economic phosphate deposits. Alara recently applied for five exploration licences (E04/1855-59) that now form the Kimberley Phosphate Project. Within Alara's E04/1859 tenement application, the Geological Survey of Western Australia reports on a WAPET Barlee bore that intersected a 10 metre interval of the Jarlemai Siltstone containing an elevated interval of P<sub>2</sub>O<sub>5</sub> averaging 5.7% P<sub>2</sub>O<sub>5</sub>.

A previous explorer in 1967, Mines Exploration Pty Ltd, reported a phosphatic nodule bed at Langey Crossing. Recent price rises in phosphate have led Alara to revisit this vicinity as being a region of potential economic significance.

The project tenements are pending grant.

## 9. KING SOUND MINERAL SANDS PROJECT (KIMBERLEY, WESTERN AUSTRALIA)

Alara has through a joint venture (JV) with ASX listed Strike Resources Limited (Strike) a 70% interest in the King Sound Mineral Sands Project, currently comprising three tenement applications covering a total area of 652 square kilometres, located approximately 10 kilometres west of the port town of Derby in the West Kimberley region of Western Australia.

The JV has identified the King Sound area as being prospective for the accumulation of heavy minerals, such as zircon, rutile and ilmenite.

The project tenements are pending grant.

# DIRECTORS' REPORT

The Directors present their report on Alara Resources Limited (**Company** or **Alara** or **AUQ**) and its controlled entities (the **Consolidated Entity**) for the financial half year ended 31 December 2008 (**Balance Date**).

On 17 September 2008, shareholders approved a change of company name from Alara Uranium Limited to Alara Resources Limited. This was confirmed by the Australian and Securities Commission (**ASIC**) on 23 September 2008. The Company's ASX Code – AUQ – remains unchanged.

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

- (1) Alara Operations Pty Ltd ABN 123 780 441 (formerly Strike Uranium Pty Ltd) (**AO**), a wholly owned subsidiary incorporated in Western Australia on 5 February 2007;
- (2) Hume Mining NL ABN 52 063 994 945 (**Hume**), a wholly owned subsidiary acquired on 18 May 2007;
- (3) Alara Peru Operations Pty Ltd ABN 124 334 103 (**APO**), a wholly owned subsidiary acquired on 18 May 2007;
- (4) Alara Peru S.A.C. (**AP**), a wholly owned Peruvian subsidiary of APO.

## OPERATING RESULTS

<b>Consolidated</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
	<b>\$</b>	<b>\$</b>
Total revenues	295,177	320,466.00
Total expenses	<b>(8,319,150)</b>	<b>(3,092,766.00)</b>
Loss before tax	<b>(8,023,973)</b>	<b>(2,772,300.00)</b>
Income tax	-	-
Loss after tax attributable to members	<b>(8,023,973)</b>	<b>(2,772,300.00)</b>

Total Revenues comprise:

- (1) \$295,177 interest received (Dec 2007:\$320,325).

Total Expenses include:

- (1) \$6,479,519 Impairment loss on exploration and evaluation (Dec 2007: \$196,205);
- (2) \$738,467 personnel expenses in relation to directors' and employees options (Dec 2007: \$2,457,981);
- (3) \$455,884 other personnel expenses (Dec 2007: \$373,548);
- (4) \$301,738 unrealised loss on share investments (fair value adjustment of share investments) (Dec 2007: \$91,810);
- (5) \$82,094 occupancy costs (Dec 2007: \$16,359);
- (6) \$29,086 corporate expenses (Dec 2007: \$67,909).

## LOSS PER SHARE

<b>Consolidated</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
Basic loss per share (cents)	<b>(9.97)</b>	<b>(0.10)</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	80,507,500	80,504,825

# DIRECTORS' REPORT

## FINANCIAL POSITION

	Dec 2008	Jun 2008
	\$	\$
<b>Consolidated Entity</b>		
Cash	7,747,487	9,174,822
Receivables	116,849	108,676
Financial assets at fair value through profit and loss	145,000	-
Resource projects	-	5,885,528
Other assets	80,112	42,090
<b>Total assets</b>	8,089,448	15,211,116
Liabilities	(777,612)	(501,147.00)
<b>Net assets</b>	7,311,836	14,709,969.00
Issued capital	14,754,059	14,754,059.00
Reserves	4,531,472	3,905,632.00
Accumulated losses	(11,973,695)	(3,949,722.00)
<b>Total equity</b>	7,311,836	14,709,969.00

## REVIEW OF OPERATIONS

### 1. Company Projects

Alara is an Australian based mineral exploration and development company with a portfolio of uranium, gold and mineral sands exploration projects in Peru and Australia (Northern Territory and Western Australia):

PROJECTS	LOCATION	AREA (HECTARES)
(10) Mt James Uranium	Gascoyne, Western Australia	99,861
(11) Bigrlyi South Uranium	Northern Territory	166,565
(12) Crucero Uranium	Peru	4,100
(13) Santa Rosa Uranium	Peru	4,400
(14) Pampacolca Uranium	Peru	4,400
(15) Coasa Uranium	Peru	9,600
(16) Canning Well Base Metals/Uranium	Pilbara, Western Australia	26,400
(17) Kimberley Phosphate	Kimberley, Western Australia	132,701
(18) King Sound Mineral Sands	Kimberley, Western Australia	65,200

The global financial crisis continues to have significant adverse effects on capital markets and the aspirations of resource exploration companies such as Alara. Whilst Alara is in a relatively sound cash position (\$7.75 million as at 31 December 2008), it has undertaken a strategic decision to conserve cash for high priority/value opportunities within the resource sector.

Alara has therefore reduced exploration expenditure on existing projects deemed to be of lower priority – being the Crucero, Canning Well, Santa Rosa, Pampacolca and Coasa Project areas (the Kimberley Phosphate and King Sound Mineral Sands Project tenements are pending grant).

Alara has reviewed and discounted a number of exploration opportunities and is undertaking an on-going investigation of a number of prospective opportunities in the resources sector throughout the

# DIRECTORS' REPORT

world. This includes applying for mineral concessions, entering into joint ventures, taking options over and acquiring concessions or tenements and investing in listed securities in the resources sector.

However, Alara recognises that, with its relatively limited, although sound, cash reserves, the significant expenditure required to evaluate and develop resource projects to a stage where positive cashflows can be generated and or a return on investment realised, and the state of the financial markets making capital raisings to replenish company funds difficult, an opportunity exists where Alara can invest in "undervalued" listed resource companies and share in the upside from the exploration and project development success of the investee companies. This investment strategy would provide Alara with the ability to convert liquid investments into cash to meet its own exploration and evaluation aspirations from time to time. Alara would focus on its investment strategy on well funded companies, with experienced management, with projects with prospects to deliver positive cashflow in the short to medium term, and the potential (based on its sound cash reserves) to secure interests in significantly sized new project opportunities in the resources sector worldwide.

## SECURITIES IN THE COMPANY

### 1. Current Issued Capital

The Company had the following total securities on issue as at the date of this report:

	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215 <sup>1</sup>	80,507,500
\$0.25 (30 June 2009) Listed Options <sup>2</sup>	60,367,500	-	60,367,500
\$0.55 (26 July 2012) Unlisted Employees' Options <sup>3</sup>	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Executive Directors' Options <sup>4</sup>	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Non-Executive Director's Options <sup>4</sup>	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Employees' Options <sup>4</sup>	-	1,485,000	1,485,000
<b>Total</b>	<b>116,378,785</b>	<b>43,781,215</b>	<b>160,160,000</b>

### 2. \$0.25 (30 June 2009) Listed Options

There were no \$0.25 (30 June 2009) Listed Options exercised and converted into fully paid ordinary shares during half year.

1 Escrowed shares comprise:

- (i) 4,488,750 shares held by related parties and promoters (founding shareholders) escrowed until 24 May 2009;
- (ii) 12,750,000 vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus, escrowed until 24 May 2009;
- (iii) 1,007,465 (formerly vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus) distributed in specie under a capital return effected by Strike Resources Limited on 13 December 2007 to various related parties and promoters of Strike Resources Limited and Alara Resources Limited (and their associates), escrowed until 24 May 2009; and
- (iv) 6,250,000 vendor shares issued to Orion Equities Limited pursuant to settlement of the Hume Sale Agreement, as defined in the IPO Prospectus, escrowed until 24 May 2009.

2 Terms and conditions of \$0.25 (30 June 2009) listed options are set out in a [Rights Issue Options Prospectus dated 3 September 2007](#) and in an [ASX Appendix 3B New Issue Announcement lodged on 3 September 2007](#)

3 Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

4 Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

# DIRECTORS' REPORT

## 3. Unlisted Directors' And Employee Options

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 \$0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

During the financial half year, the Company issued the following unlisted Directors' and Employees' options after receiving shareholder approval on 17 September 2008:

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>5</sup>	No. of Options
17 September 2008	\$0.35 (16 September 2013) Unlisted Executive Directors' Options <sup>4</sup>	\$0.35	16 September 2013	75% on grant and 25% on 16 September 2009	16,400,000 <sup>5</sup>
17 September 2008	\$0.35 (16 September 2013) Unlisted Non-Executive Director's Options <sup>4</sup>	\$0.35	16 September 2013	75% on grant and 25% on 16 September 2009	900,000
17 September 2008	\$0.35 (16 September 2013) Unlisted Employees' Options <sup>4</sup>	\$0.35	16 September 2013	50% on 16 March 2009, 25% on 16 September 2009 and 25% on 16 March 2010	1,485,000

## BOARD OF DIRECTORS

Information concerning Directors in office during or since the financial year is as follows:

<b>John Stephenson</b>	<b>Chairman</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BSc (honours) in Geology from the University of London through the former University College of Rhodesia and a PhD in Geology from the University of Manitoba, Canada.
<i>Experience</i>	Dr Stephenson is a highly experienced geologist with over 37 years experience in the mining sector. He has held senior positions in large mining companies, most recently as Exploration Director for Rio Tinto Australasia where he led Rio Tinto's exploration activities for five and a half years based in Perth.  Dr Stephenson has also during his career led and managed exploration teams for both junior and major mining companies in several parts of the world, mainly in Southern and East Africa, North America and Australia exploring for gold, uranium, diamonds and base metals. He has also been involved with projects in Europe, South America and India. He led teams responsible for the discovery of a world class diamond deposit, the Diavik diamond mine in Canada's Northwest Territories for which he recently received an award; and a high grade gold deposit, the former Golden Patricia gold mine in Ontario.  Dr Stephenson has particular experience in the uranium sector having in the early to mid 1970's led reconnaissance airborne and ground surveys for uranium in Canada. Between 1978-1981, Dr Stephenson headed the ground follow-up of a country-wide airborne radiometric and magnetic survey for uranium and other minerals in Tanzania. In the early 90's Dr Stephenson led exploration for a subsidiary of Rio Tinto exploring for uranium and base metals in eastern Canada. Dr Stephenson also led Rio Tinto's exploration activities in Australia in the late 90's which included the search for uranium.
<i>Relevant interest in securities</i>	Shares – 217,072 <sup>6</sup> Listed \$0.25 (30 June 2009) Options - 135,000 <sup>6</sup> Unlisted \$0.35 (16 September 2013) Non-Executive Director's Options – 900,000
<i>Other current directorships in listed entities</i>	Chairman of Strike Resources Limited (SRK) (since 26 October 2005)
<i>Former directorships in other listed entities in past 3 years</i>	None

<sup>5</sup> Each option will entitle the holder to subscribe for one share in the Company with one free attaching option issued (at the time of subscription) upon the same terms as the options (save that no free attaching options will be issued on exercise of the options and no vesting period applies to the free attaching options)

<sup>6</sup> Held jointly: John Francis Stephenson & Susan Margaret Franklin <Stephenson Franklin FMY A/C>

# DIRECTORS' REPORT

<b>H. Shanker Madan</b>	<b>Managing Director</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	<p>Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group.</p> <p>Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits.</p> <p>He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and more recently completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.</p>
<i>Relevant interest in securities</i>	Shares – 278,375 <sup>7</sup> Listed \$0.25 (30 June 2009) Options - 138,7368 <sup>7</sup> Unlisted \$0.35 (16 September 2013) Executive Director's Options – 8,200,000
<i>Other current directorships in listed entities</i>	Managing Director of Strike Resources Limited (SRK) (since 26 September 2005)
<i>Former directorships in other listed entities in past 3 years</i>	None

<b>Farooq Khan</b>	<b>Executive Director</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BJuris , LLB. (Western Australia)
<i>Experience</i>	<p>Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.</p>
<i>Relevant interest in securities</i>	Shares – 98,242 (directly) and 9,512,744 indirectly <sup>8</sup> Listed \$0.25 (30 June 2009) Options – 9,266,205 indirectly <sup>9</sup> Unlisted \$0.35 (16 September 2013) Executive Director's Options – 8,200,000 directly
<i>Other current directorships in listed entities</i>	Current Chairman and Managing Director of: (1) Queste Communications Ltd (QUE) (since 10 March 1998)  Current Chairman of: (2) Orion Equities Limited (OEQ) (since 23 October 2006) (3) Bentley International Limited (BEL) (director since 2 December 2003)  Current Executive Director of: (4) Strike Resources Limited (SRK) (since 9 September 1999)  Current Non-Executive Director of: (5) Interstaff Recruitment Limited (ITS) (since 27 April 2006)
<i>Former directorships in other listed entities in past 3 years</i>	Scarborough Equities Limited (SCB) (29 November 2004 to 16 March 2009 (delisting on merger with BEL)

## COMPANY SECRETARY

- 7 Held jointly: Mr Hem Shanker Madan & Mrs Anupam Shobha Madan <The AS and HS Madan S/F A/C>
- 8 Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 9,332,744 shares held by Orion Equities Limited (OEQ) as Mr Khan has a greater than 20% interest in Queste Communications Ltd (QUE), which is deemed to be in control of OEQ, and 180,000 shares held by Interstaff Recruitment Limited (ITS), as Mr Khan has a greater than 20% interest in ITS. Mr Khan holds 98,242 shares directly.
- 9 Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 9,131,205 options held by OEQ as Mr Khan has a greater than 20% interest in QUE, which is deemed to be in control of OEQ, and 135,000 options held by ITS, as Mr Khan has a greater than 20% interest in ITS.

# DIRECTORS' REPORT

<b>Victor P. H. Ho</b>	<b>Company Secretary</b>
<i>Appointed</i>	4 April 2007
<i>Qualifications</i>	BCom, LLB ( <i>Western Australia</i> )
<i>Experience</i>	Mr Ho has been in executive and company secretarial roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, IPO's, various other capital raisings and capital management matters and has extensive experience in public company administration, corporations law, ASX compliance and shareholder relations.
<i>Relevant interest in securities</i>	Shares – 171,090 Unlisted \$0.35 (16 September 2013) Employee's Options – 700,000
<i>Other positions held in listed entities</i>	Current Executive Director and Company Secretary of: (1) Strike Resources Limited (SRK) (Secretary since 9 March 2000 and Director since 12 October 2000); (2) Orion Equities Limited (OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003);  Current Company Secretary of: (3) Queste Communications Ltd (QUE) (since 30 August 2000); (4) Bentley International Limited (BEL) (since 5 February 2004).

## AUDITORS' 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 14. This relates to the Auditor's Independent Review Report, where the Auditors state that they have issued an independence declaration.

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



**John Stephenson**  
Chairman

Perth, Western Australia

16 March 2009



**Shanker Madan**  
Managing Director

# INCOME STATEMENT

## for the half year ended 31 December 2008

	Note	Consolidated Entity	
		31 Dec 08	31 Dec 07
		\$	\$
Revenue	2	295,177	320,466
Personnel - cash remuneration		(455,884)	(354,931)
Personnel - options remuneration (non-cash)		(738,467)	(2,457,981)
Personnel - employee benefits		(55,818)	(18,617)
Occupancy costs		(82,094)	(16,359)
Foreign exchange movement		(18,825)	-
Finance expenses		(2,933)	(1,004)
Borrowing costs		(36)	(498)
Resource projects impairment	5	(6,479,519)	-
Corporate expenses		(29,086)	(67,909)
Administration expenses		(154,750)	(83,657)
- Fair value adjustment of share investment		(301,738)	(91,810)
		<hr/>	<hr/>
<b>Loss before income tax</b>		(8,023,973)	(2,772,300)
Income tax expense		-	-
		<hr/>	<hr/>
<b>Net loss after tax attributable to members</b>		<u>(8,023,973)</u>	<u>(2,772,300)</u>
Basic loss (cents per share)	3	(9.97)	(0.10)

*The accompanying notes form part of this financial report*

# BALANCE SHEET

## as at 31 December 2008

		Consolidated Entity	
		31 Dec 08	30 Jun 08
		\$	\$
Note			
<b>CURRENT ASSETS</b>			
	Cash and cash equivalents	7,747,487	9,174,822
	Trade and other receivables	116,849	108,676
	Other	17,531	-
	<b>TOTAL CURRENT ASSETS</b>	<u>7,881,867</u>	<u>9,283,498</u>
<b>NON CURRENT ASSETS</b>			
	Property, plant and equipment	62,581	42,090
	Financial assets at fair value through profit and loss	145,000	-
	Resource projects	-	5,885,528
	<b>TOTAL NON CURRENT ASSETS</b>	<u>207,581</u>	<u>5,927,618</u>
	<b>TOTAL ASSETS</b>	<u>8,089,448</u>	<u>15,211,116</u>
<b>CURRENT LIABILITIES</b>			
	Trade and other payables	752,087	448,293
	Short term provisions	25,525	52,854
	<b>TOTAL CURRENT LIABILITIES</b>	<u>777,612</u>	<u>501,147</u>
	<b>TOTAL LIABILITIES</b>	<u>777,612</u>	<u>501,147</u>
	<b>NET ASSETS</b>	<u>7,311,836</u>	<u>14,709,969</u>
<b>EQUITY</b>			
	Issued capital	14,754,059	14,754,059
	Reserves	4,531,472	3,905,632
	Accumulated losses	(11,973,695)	(3,949,722)
	<b>TOTAL EQUITY</b>	<u>7,311,836</u>	<u>14,709,969</u>

*The accompanying notes form part of this financial report*

# STATEMENT OF CHANGES IN EQUITY

## for the half year ended 31 December 2008

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b><u>Consolidated Entity</u></b>				
<b>At 1 July 2007</b>	14,819,046	-	(77,677)	14,741,369
Loss for the period	-	-	(2,772,300)	(2,772,300)
Total income and expense recognised for the period	-	-	(2,772,300)	(2,772,300)
Share issue expenses	(52,338)	-	-	(52,338)
Issue of options	-	3,061,778	-	3,061,778
Options conversion (\$0.25 (30 June 2009))	1,875	-	-	1,875
<b>At 31 December 2007</b>	<b>14,768,583</b>	<b>3,061,778</b>	<b>(2,849,977)</b>	<b>14,980,384</b>
<b>At 1 July 2008</b>	14,754,059	3,905,632	(3,949,722)	14,709,969
Loss for the period	-	-	(8,023,973)	(8,023,973)
Total income and expense recognised for the period	-	-	(8,023,973)	(8,023,973)
Options reserve	-	738,467	-	738,467
Foreign currency translation reserve	-	(112,627)	-	(112,627)
<b>At 31 December 2008</b>	<b>14,754,059</b>	<b>4,531,472</b>	<b>(11,973,695)</b>	<b>7,311,836</b>

*The accompanying notes form part of this financial report*

# CASH FLOW STATEMENT

## for the half year ended 31 December 2008

	Note	Consolidated Entity	
		31 Dec 08	31 Dec 07
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(555,993)	(477,347)
Payments for exploration and evaluation expenditure		(593,992)	(411,061)
Interest received		295,177	320,325
Interest paid		(36)	(498)
		<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(854,844)</b>	<b>(568,581)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(13,126)	(7,722)
Payments for share investments		(446,738)	(1,015,030)
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(459,864)</b>	<b>(1,022,752)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issues and options		-	605,672
Payment for share issue cost		-	(52,338)
		<hr/>	<hr/>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>-</b>	<b>553,334</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>(1,314,708)</b>	<b>(1,037,999)</b>
Cash and cash equivalents at beginning of the year		9,174,822	9,700,691
Effect of exchange rate changes on cash		(112,627)	141
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF HALF YEAR</b>	4	<b>7,747,487</b>	<b>8,662,833</b>

*The accompanying notes form part of this financial report*

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB 134 'Interim Financial Reporting' and other authoritative announcements of the Australian Accounting Standards Board. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### Basis of preparation

These consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2008. The accounting policies have been applied consistently throughout the Consolidated Entity for the purposes of preparation of these condensed consolidated interim financial statements.

The following applicable standards have been issued but have not been early adopted:

- AASB 101 *Presentation of Financial Statements (Revised 2007)*
- AASB 8 *Operating Segments*
- AASB 123 *Borrowing Costs (Revised 2007)*

AASB 101 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Consolidated Entity's assets, liabilities, income and expenses is unchanged. AASB 101 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Further, a 'Statement of changes in equity' is now presented as a primary statement.

AASB 8 now reports segment results based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Consolidated Entity's risks and returns.

AASB 123 Borrowing Costs (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. Borrowing costs have been capitalised only for qualifying assets with a commencement date after 1 January 2009.

#### Reporting Basis and Conventions

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

### 2. LOSS FOR THE HALF YEAR

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

	<b>Consolidated Entity</b>	
	<b>31 Dec 08</b>	<b>31 Dec 07</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue</b>		
Interest received	295,177	320,325
Foreign exchange movement	-	141
<b>Total revenue</b>	<u>295,177</u>	<u>320,466</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2008

2. LOSS FOR THE HALF YEAR (continued)	Consolidated Entity	
	31 Dec 08	31 Dec 07
	\$	\$
<b>(b) Expenses</b>		
Personnel - cash remuneration	455,884	354,931
Personnel - options remuneration (non-cash)	738,467	2,457,981
Personnel - employee benefits	55,818	18,617
Occupancy costs	82,094	16,359
Foreign exchange movement	18,825	-
Finance expenses	2,933	1,004
Borrowing costs - interest paid	36	498
Resource projects		
- impairment of resource projects	6,479,519	-
Corporate expenses	29,086	67,909
Administration expenses		
- Communications	22,642	10,757
- Consultancy fees	18,546	1,894
- Travel and entertainment	17,128	10,510
- Professional fees	16,913	16,865
- Insurance	20,723	1,975
- Depreciation	5,315	298
- Fair value adjustment of share investment	301,738	91,810
- Other	53,483	41,358
	<u>8,319,150</u>	<u>3,092,766</u>
<b>3. LOSS PER SHARE</b>	Consolidated Entity	
	31 Dec 08	31 Dec 07
Basic loss per share (cents)	(9.97)	(0.10)
Net Loss	<u>(8,023,973)</u>	<u>(77,676)</u>
Weighted average number of ordinary shares outstanding during the half year used in calculation of basic earnings per share	<u>80,507,500</u>	<u>80,504,825</u>
<b>4. CASH AND CASH EQUIVALENTS</b>	Consolidated Entity	
	31 Dec 08	30 Jun 08
	\$	\$
Cash at bank	679,487	474,822
Term deposit	7,068,000	8,700,000
	<u>7,747,487</u>	<u>9,174,822</u>
<b>5. RESOURCE PROJECTS IMPAIRMENT</b>		
Balance at the beginning of the year	5,885,528	5,248,504
Exploration and evaluation expenditure	593,991	833,229
Exploration and evaluation expenditure impairment	(6,479,519)	(196,205)
Balance at the end of the year	<u>-</u>	<u>5,885,528</u>

The Directors have made a strategic decision to conserve the Company's cash for high priority/value opportunities within the resource sector. The Company has therefore reduced exploration expenditure on existing projects deemed to be of lower priority – being the Crucero, Canning Well, Santa Rosa, Pampacolca and Coasa Project areas (the Kimberley Phosphate and King Sound Mineral Sands Project tenements are pending grant). In accordance with AASB 136: Impairment of Assets, an impairment loss has been recognised for the half-year in relation to the Company's capitalised exploration and evaluation expenditure.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2008

### 6. RESERVES

	Consolidated Entity	
	31 Dec 08	30 Jun 08
	\$	\$
Foreign currency translation reserve	(111,818)	809
Options reserve	4,643,290	3,904,823
	<u>4,531,472</u>	<u>3,905,632</u>

#### Foreign currency translation reserve

Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised when the net investment is disposed off.

#### Movement in Options Reserve

The number of unlisted options outstanding over unissued ordinary shares at balance date is as follows

	Grant date	Number of options	Consolidated Entity	
			31 Dec 08	30 Jun 08
<b>Directors' Options</b>				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	18,550,000	3,261,090	3,144,942
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	17,300,000	493,524	-
<b>Employees' Options</b>				
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	1,425,000	255,075	156,084
Unlisted options exercisable at \$0.35; expiring 16 Sep 2013	17-Sep-08	1,485,000	29,804	-
		<u>38,760,000</u>	<u>4,039,493</u>	<u>3,301,026</u>
<b>Listed \$0.25 (30 June 2009) options</b>		60,375,000	603,797	603,797
Options exercised		(7,500)	-	-
		<u>60,367,500</u>	<u>603,797</u>	<u>603,797</u>

The Option Reserve records the consideration (net of expenses) received by the Company on the issue of options.

#### **Equity based remuneration**

On 15 August 2008, the Company entered into deeds of cancellation with Directors and Employee option holders to cancel all Directors' and Employees' options (save for 500,000 \$0.55 (26 July 2012) Unlisted Employees' Options held by one employee). The options were cancelled as part of a review of the Company's directors and employee options.

On 17 September 2008, 1,485,000 \$0.35 (16 September 2013) Employees' Options were granted to 7 employees of the Company upon receiving shareholder approval.

On 17 September 2008, 17,300,000 \$0.35 (16 September 2013) Directors' Options were granted to 3 directors of the Company upon receiving shareholder approval.

The fair value of directors' and employees' options are expensed, from their date of grant, over their vesting period; fair values are determined as at date of grant using the binomial tree 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 for the year, on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option.

- options are granted for no consideration and vest as described in the table above;
- exercise price is as described in the table above;
- grant date is as described in the table above;
- expiry date is as described in the table above;
- share price is based on the last bid price on ASX as at date of grant, as described in the table below;
- expected price volatility of the Company's shares has been assessed independently by BDO Kendalls Corporate Finance (WA) Pty Ltd, as described in the table below;
- expected dividend yield is nil;
- risk-free interest rate is based on the 5 year Commonwealth bond yield, as described in the table below.

Date of issue	Description of Unlisted Options	Vesting Criteria	Share Price at Grant Date	Risk Free Rate	Price volatility
17-Sep-08	\$0.35 (16 September 2013) Directors' Options	75% on grant and 25% on 16 September 2009	\$0.07	5.46%	95%
17-Sep-08	\$0.35 (16 September 2013) Employees' Options	50% on 16 March 2009, 25% on 16 September 2009 and 16 March 2010	\$0.07	5.46%	95%

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2008

### 7. SEGMENT REPORTING

The Consolidated Entity is based in Australia but has resource projects in Peru and is predominantly involved in mineral exploration and evaluation.

#### Geographical segments

	Segment revenues		Segment results	
	31 Dec 08	31 Dec 07	31 Dec 08	31 Dec 07
Australia	295,177	320,325	(7,728,526)	2,752,707
Peru	-	-	(295,447)	19,593
	<u>295,177</u>	<u>320,325</u>	<u>(8,023,973)</u>	<u>2,772,300</u>

#### Geographical segments

	Segment assets		Segment liabilities		Acquisition of non-current segment	
	31 Dec 08	30 Jun 08	31 Dec 08	30 Jun 08	31 Dec 08	30 Jun 08
Australia	7,406,316	14,861,338	(235,387)	(162,461)	722,505	4,628,257
Peru	683,132	112,357	(542,225)	(69,865)	502,073	1,058,134
	<u>8,089,448</u>	<u>14,973,695</u>	<u>(777,612)</u>	<u>(232,326)</u>	<u>1,224,578</u>	<u>5,686,391</u>

### 8. COMMITMENTS

#### (a) Agreement with Sheridan Platinum Group Peru S.A.C in relation to Rosita 2007 Concession (Peru)

On 7 December 2007, Alara Peru S.A.C (a Peruvian subsidiary of the Company) entered into an agreement with Sheridan Platinum Group S.A.C. to acquire 100% of the uranium mineral rights (and vanadium, phosphates and other radioactive mineral rights associated with uranium production) in the Rosita 2 concession in consideration for US\$200,000 to be paid in 3 tranches - \$50,000 on execution, \$50,000 in 12 months and \$100,000 in 24 months.

Alara may withdraw from the agreement after making these payments and its obligations will cease after the date of withdrawal.

Alara is also liable for a royalty on all product mined and shipped from exploitation of these mineral rights as follows:

- (a) Within 5 years - the greater of 3% of net smelter value or gross sales value;
- (b) After 5 years - 5% of gross sales value.

(Alara may elect to reduce by 50% the rate of these royalties by payment of US\$1 million within 12 months of

An advance royalty payment of US\$25,000 per annum is payable after the initial 24 months from execution of the agreement.

#### (b) Kind Sound Farm-In and Joint Venture Agreement with Strike Resources Limited (Western Australia)

On 10 December 2007, Alara Operations Pty Ltd (an Australian subsidiary) entered into a farm-in and joint venture agreement with Strike Resources Limited (Strike) over Strike's King Sound Mineral Sands Project (comprising 3 exploration licence applications pending grant). Alara will earn a 70% interest in the tenements by funding the project to a "decision to mine" stage.

Alara may withdraw from the agreement on 30 day's notice to Strike with liability for its pro-rata share of the tenements' minimum expenditure commitments up to the date of withdrawal.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2008

### 8. COMMITMENTS (continued)

#### (c) Agreement with Epsilon Energy Limited in relation to EL 09/1195 and 09/1196 tenements (Western Australia)

On 11 February 2007, Alara Operations Pty Ltd entered into an agreement with Epsilon Energy Limited (ASX Code: EPS) for Alara to earn up to a 60% interest in two exploration licences (EL 09/1195 and EL 09/1196) totalling ~43,500 hectares by spending up to \$400,000 on exploration on the tenements within 2 years. These tenements are adjacent to Alara's tenements in the Mt James project area. Alara has a minimum commitment of \$200,000 within the first 12 months to earn a 51% interest with the right to earn an additional 9% interest by spending \$200,000 on the tenements within the second 12 months; Alara has the right to withdraw after the initial \$200,000 commitment with no further commitments beyond its pro-rata share of the costs required to keep the tenements in good standing up to the date of withdrawal.

#### (d) Mineral Tenement/Concession - Commitments for Expenditure

##### Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately \$360,000 over a 12 month period, based on Australian tenements which have been granted as at balance date. Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

##### Peruvian concessions

The Consolidated Entity is required to pay annual license fees by 30 June of each year, currently charged at the rate of US\$3.00 per hectare per annum.

#### (e) Australian Heritage Protection Agreements

These agreements facilitate the preservation of aboriginal heritage through the protection of aboriginal sites and objects upon the grant of mining tenements in Western Australia. The Heritage Protection Agreements require the Consolidated Entity to conduct aboriginal heritage surveys prior to conducting exploration that is not low impact in nature and detail procedures to be followed if an aboriginal site is identified.

#### (f) Agreements with Peruvian Landowners and Community Groups

The Company notes that holding a mineral concession in Peru does not grant automatic access to the surface land. Notwithstanding an easement procedure is contemplated in Peruvian law, in practice, mining companies have to negotiate and enter into private agreements with landowners/community groups in order to have access to their land for the purposes of conducting mining activities (exploration, evaluation, development and mining). With respect to the Consolidated Entity's Peruvian concession, there are often multiple landowners/community groups who are affected by the Consolidated Entity's proposed mineral exploration and potential mining activities. To date, approvals have been sought and obtained on drilling on a programme by programme basis.

The obtaining of approvals from landowners/community groups can be complicated and time consuming. The Consolidated Entity will have to commit funds to community groups and or landowners to secure land access agreements to develop its Peruvian projects. There can be no guarantees as to the obtaining of such approvals or the terms upon which approvals are obtained. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity in this regard.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2008

### 9. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities exist in relation to certain resource projects of the Consolidated Entity subject to the continued development and advancement of the same.

- (a) **Royalty to Orion Equities Limited** - The Consolidated Entity is liable to pay a royalty of 2% of gross revenues (exclusive of GST) to Orion Equities Limited from any commercial exploitation of any minerals from various Australian tenements - EL 24879, 24928, 24928 and 24729 and ELA 24927 (the Bigrlyi South Project tenements in the Northern Territory), EL 09/1253 (a Mt James Project tenement in Western Australia) and EL 46/629 and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the Canning Well Project tenements in Western Australia).
- (b) **Native Title** - The Consolidated Entity's tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Consolidated Entity.
- (c) **Government Royalties** - The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions. For example, the applicable Government royalties in Peru is between 1 to 3% based on the value of production. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalties.
- (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 balance 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.

### 10. EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since the end of the financial period that significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

# DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Alara Resources Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



**John Stephenson**  
Chairman

Perth, Western Australia

16 March 2009



**Shanker Madan**  
Managing Director



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## **Independent Auditor's Review Report To the Members of Alara Resources Limited**

We have reviewed the accompanying half-year financial report of Alara Resources Limited (the Company) and consolidated entity, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that half-year.

### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Alara Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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**Independence**

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

**Conclusion**

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

*Grant Thornton (WA) Partnership*

GRANT THORNTON (WA) PARTNERSHIP  
Chartered Accountants

*P. Warr.*

P W WARR  
Partner

Perth, 16 March 2009

# SECURITIES INFORMATION

**as at 11 March 2009****ISSUED SECURITIES**

	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215 <sup>10</sup>	80,507,500
\$0.25 (30 June 2009) Listed Options <sup>11</sup>	60,367,500	-	60,367,500
\$0.55 (26 July 2012) Unlisted Employees' Options <sup>12</sup>	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Executive Directors' Options <sup>13</sup>	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Non-Executive Director's Options <sup>15</sup>	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Employees' Options <sup>15</sup>	-	1,485,000	1,485,000
<b>Total</b>	<b>116,378,785</b>	<b>43,781,215</b>	<b>160,160,000</b>

**SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS**

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>14</sup>	No. of Options
27 July 2007	\$0.55 (27 July 2012) Employees' Options	\$0.55	26 July 2012	1/3 <sup>rd</sup> on 27 January 2008, 1/3 <sup>rd</sup> on 27 July 2008 and 1/3 <sup>rd</sup> on 27 January 2009	500,000
17 September 2008	\$0.35 (16 September 2013) Unlisted Executive Directors' Options	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	16,400,000
17 September 2008	\$0.35 (16 September 2013) Unlisted Non-Executive Director's Options	\$0.35	16 September 2013	75% on grant and 25% on 17 September 2009	900,000
17 September 2008	\$0.35 (16 September 2013) Unlisted Employees' Options	\$0.35	16 September 2013	50% on 17 March 2009, 25% on 17 September 2009 and 25% on 17 March 2010	1,485,000

<sup>10</sup> Escrowed shares comprise:

- (i) 4,488,750 shares held by related parties and promoters (founding shareholders) escrowed until 24 May 2009;
- (ii) 12,750,000 vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus, escrowed until 24 May 2009;
- (iii) 1,007,465 (formerly vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus) distributed in specie under a capital return effected by Strike Resources Limited on 13 December 2007 to various related parties and promoters of Strike Resources Limited and Alara Resources Limited (and their associates), escrowed until 24 May 2009; and
- (iv) 6,250,000 vendor shares issued to Orion Equities Limited pursuant to settlement of the Hume Sale Agreement, as defined in the IPO Prospectus, escrowed until 24 May 2009.

<sup>11</sup> Terms and conditions of \$0.25 (30 June 2009) listed options are set out in a [Rights Issue Options Prospectus dated 3 September 2007](#) and in an [ASX Appendix 3B New Issue Announcement lodged on 3 September 2007](#)

<sup>12</sup> Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

<sup>13</sup> Terms and conditions of issue are set out in a Notice of Meeting and Explanatory Statement dated 18 August 2008 for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

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

# SECURITIES INFORMATION

as at 11 March 2009

## DISTRIBUTION OF LISTED AND UNLISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,563	718,855	0.893
1,001	-	5,000	535	1,288,131	1.600
5,001	-	10,000	398	3,382,131	4.201
10,001	-	100,000	538	16,605,283	20.626
100,001	-	and over	105	58,513,100	72.680
<b>Total</b>			<b>3,139</b>	<b>80,507,500</b>	<b>100%</b>

## TOP 20 LISTED AND UNLISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	STRIKE RESOURCES LIMITED	12,750,000	15.837
2	ORION EQUITIES LIMITED	9,332,744	11.592
3	BRW CONSULTING SERVICES PTY LTD	219,269	
	KATANA EQUITY PTY LTD	1,681,383	
	LISA SHALLARD AND LINDA SALA TENNA	2,824,144	
	CLASSIC CAPITAL PTY LTD	1,287,304	
	KB33 CAPITAL PTY LTD	200,000	
	Sub-total	6,212,100	7.716
4	DATABASE SYSTEMS LIMITED	2,712,021	3.369
5	KATANA ASSET MANAGEMENT LTD	2,244,240	2.788
6	ANZ NOMINEES LIMITED	1,717,599	2.133
7	RAMSA PTY LTD <BAILEY SUPERFUND A/C>	1,071,925	1.331
8	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>	925,000	1.149
9	BLUE CRYSTAL PTY LTD	829,751	1.031
10	MS ROSANNA DE CAMPO	800,000	0.994
11	TWINLAND HOLDINGS PTY LTD	781,024	0.970
12	CITYSIDE INVESTMENTS PTY LTD	727,210	0.903
13	MANNHEIM INVESTMENTS PTY LTD	725,000	0.901
14	RENMUIR HOLDINGS LIMITED	668,402	0.830
15	CASTLE BAILEY PTY LTD <D & S BAILEY FAMILY A/C>	657,056	0.816
16	S JONES & R JONES & C JONES <THE SCOPA FAMILY ACCOUNT>	603,708	0.750
17	ZHIVAN PTY LTD	566,814	0.704
18	M & K KORKIDAS PTY LTD	566,562	0.704
19	MR BRIAN PETER BYASS	518,537	0.644
20	MIDAS INVESTMENTS (WA) PTY LTD <MIDAS INVESTMENTS A/C>	500,000	0.621
<b>Total</b>		<b>44,909,693</b>	<b>55.783%</b>