



# **NOTICE OF GENERAL MEETING & EXPLANATORY STATEMENT**

## **TO SHAREHOLDERS**

**Date and Time of Meeting:** 1:00 pm (Perth time)  
on Friday, 27 July 2007

**Place of Meeting:** The Forrest Centre Conference Suites  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth, Western Australia

### **IMPORTANT NOTICE**

It is recommended that shareholders read this Notice of Meeting and Explanatory Statement booklet in full and if there is any matter that you do not understand, you should contact your financial adviser, stockbroker or solicitor for advice.

The Chairman of the General Meeting will vote open proxies received in favour of all resolutions to be considered at the General Meeting.

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## CORPORATE DIRECTORY

### BOARD

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

### COMPANY SECRETARY

Victor Ho

### PRINCIPAL & REGISTERED OFFICE

Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000  
Telephone: (08) 9214 9787  
Facsimile: (08) 9322 1515  
Email: [info@alauranium.com](mailto:info@alauranium.com)  
Web: [www.alauranium.com](http://www.alauranium.com)

### SHARE REGISTRY

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands Western Australia 6009  
Telephone: (08) 9389 8033  
Facsimile: (08) 9389 7871  
Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
Web: [www.asrshareholders.com](http://www.asrshareholders.com)

### STOCK EXCHANGE

Australian Securities Exchange  
Perth, Western Australia

### ASX CODE

AUQ

### AUDITORS

Bentleys MRI Perth Partnership  
Chartered Accountants and Business Advisors  
Level 1, 10 Kings Park Road  
West Perth, Western Australia 6005  
Internet: [www.bentleys.com.au](http://www.bentleys.com.au)

## PURPOSE OF THIS DOCUMENT

This Notice of Meeting and Explanatory Statement has been prepared for the purpose of providing shareholders with all the information known to the Company that is material to the shareholders' decision on how to vote on the proposed resolutions at the General Meeting. Shareholders should read this Notice of Meeting and Explanatory Statement in full to make an informed decision regarding the resolutions to be considered at this General Meeting.

This Notice of Meeting and Explanatory Statement is dated 21 June 2007.

## ENQUIRIES

If you have any questions regarding the matters set out in this Notice of Meeting and Explanatory Statement, please contact the Company or your professional advisers.

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## NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Alara Uranium Limited A.C.N. 122 892 719 (**Company** or **Alara** or **AUQ**) will be held at The Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia at 1:00 pm (Perth time) on Friday, 27 July 2007.

### AGENDA

#### ORDINARY BUSINESS

##### 1. Resolution 1 - Issue Of Options To Employees

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.1 of the Australian Securities Exchange (operated by ASX Limited) (ASX) Listing Rules and for all other purposes, shareholders approve the issue to the following employees of the Company (and controlled entities of the Company) a total of 1,425,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to the greater of \$0.55 or 150% of the volume weighted average share price (VWAP) of the Company's shares on ASX in the 5 trading days leading up to (and excluding) the issue date (rounded down to the nearest whole cent) and exercisable at any time on or before 5 years from the date of issue (subject to one-third of the options being unable to be exercised until 6 months from the date of issue, one-third of the options being unable to be exercised until 12 months from the date of issue and one-third of the options being unable to be exercised until 18 months from the date of issue) and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice including Annexure A:*

- (i) Jerko Peter Zuveta – 250,000 options;*
- (ii) Cherie Louise Leeden – 150,000 options;*
- (iii) Deny Martín Bayona Peláez – 500,000 options;*
- (iv) Victor Poh Hong Ho - 500,000 options; and*
- (v) Carole Chau Yueh Lee – 25,000 options.*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Jerko Peter Zuveta, Cherie Louise Leeden, Deny Martín Bayona Peláez, Victor Poh Hong Ho and Carole Chau Yueh Lee or any associates of each of the foregoing persons.

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**2. Resolution 2 - Director's Deeds**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, approval is given to the Company to enter into a deed with each of its directors on the terms and conditions set out in the Explanatory Statement accompanying this Notice"*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by directors, John Francis Stephenson, Hem Shanker Madan and Farooq Khan or any associates of each of the foregoing persons.

**3. Resolution 3 - Issue Of Options To Directors**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11, and for all other purposes, shareholders approve the issue of, and determine to issue, to the following directors of the Company a total of 18,550,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to the greater of \$0.55 or 150% of the VWAP of the Company's shares on ASX in the 5 trading days leading up to (and excluding) the issue date (rounded down to the nearest whole cent) and exercisable at any time on or before 5 years from the date of issue (subject to 50% of the options being unable to be exercised until 12 months from the date of issue) and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice including Annexure B*

- (i) John Francis Stephenson – 975,000 options;*
- (ii) Hem Shanker Madan – 8,800,000 options; and*
- (iii) Farooq Khan – 8,775,000 options.*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by directors, John Francis Stephenson, Hem Shanker Madan and Farooq Khan or any associates of each of the foregoing persons.

**4. Resolution 4 - Ratification of Non-Executive Director' Remuneration Limit**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That shareholders ratify and approve the total amount of fees payable to directors (save for remuneration to executive directors including the managing director) being set at a maximum of \$175,000 per annum, for the purposes of clause 38 of the Company's constitution, ASX Listing Rule 10.17 and for all other purposes."*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by directors, John Francis Stephenson, Hem Shanker Madan and Farooq Khan or any associates of each of the foregoing persons.

**DATED THIS 21<sup>ST</sup> DAY OF JUNE 2007**

**BY ORDER OF THE BOARD**



**VICTOR HO  
COMPANY SECRETARY**

**NOTES:**

**Defined Terms**

All terms defined in a resolution shall apply for all other resolutions in this Notice of Meeting.

**Voting Exclusion**

Where a voting exclusion applies (as described above in the Notice), the Company need not disregard a vote if:

- (a) it is cast by a party as proxy for a party who is entitled to vote, in accordance with the directions on the Proxy Form for this General Meeting; or
- (b) it is cast by the person chairing the General Meeting as proxy for a party who is entitled to vote, in accordance with a direction on the Proxy Form for this General Meeting to vote as the proxy decides.

**Role of ASIC and ASX**

A copy of this Notice of Meeting and Explanatory Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of the Notice of Meeting and Explanatory Statement.

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## TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

### Venue

The General Meeting of the shareholders of Alara Uranium Limited will be held at:

The Forrest Centre Conference Suites Level 14, The Forrest Centre 221 St Georges Terrace Perth, Western Australia	commencing	1:00 pm (Perth time) Friday, 27 July 2007
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### How to Vote

You may vote by attending the meeting in person, by proxy or by authorised representative.

### Voting in Person

To vote in person, attend the meeting on the date and at the place set out above.

### Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (08) 9322 1515; or
- deliver the proxy to the registered office of the Company at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia 6000.

so that it is received by the Company **not later than 1:00 pm (Perth time) on 25 July 2007**.

**Your proxy form is enclosed.**

### Bodies corporate

A body corporate may appoint an individual as its authorised corporate representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. A properly executed original (or certified copy) of an appropriate "Appointment of Corporate Representative" should be produced for admission to the meeting. Previously lodged Appointments of Corporate Representative will be disregarded by the Company.

### Powers of Attorney

A person appearing as Power of Attorney for a shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

### Voting Entitlement

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the General Meeting all shares in the Company will be taken to be held by the persons who held them as registered shareholders at midnight (Perth time) on 25 July 2007 (**Voting Entitlement Time**). Subject to the voting exclusions noted below, all holders of shares in the Company as at the Voting Entitlement Time will be entitled to vote at the General Meeting.

## EXPLANATORY STATEMENT

This Explanatory Statement is provided to the shareholders of Alara Uranium Limited pursuant to and in satisfaction of the Corporations Act 2001 (Cth) and the ASX Listing Rules. This Explanatory Statement is intended to be read in conjunction with the Notice of General Meeting.

### 1. RESOLUTION 1 – ISSUE OF OPTIONS TO EMPLOYEES

Resolution 1 seeks shareholder approval for the Company to grant a total of 1,425,000 options to its employees (and employees of the Company's controlled entities). Each option is to be issued on the same terms, including:

1. at an exercise price equal to the greater of \$0.55 or 150% of the VWAP of the Company's shares on ASX in the 5 trading days leading up to (and excluding) the issue date (rounded down to the nearest whole cent);
2. after they have vested, exercisable at any time on or before 5 years from the date of issue (**option expiry date**).
3. the options will vest as follows:
  - (a) one-third of the options issued to each employee will vest at the date being 6 months after their date of issue (which options may therefore be exercised at any time thereafter and prior to the option expiry date);
  - (b) one-third of the options issued to each employee will vest at the date being 12 months after their date of issue (which options may therefore be exercised at any time thereafter and prior to the option expiry date); and
  - (c) one-third of the options issued to each employee will vest at the date being 18 months after their date of issue (which options may therefore be exercised at any time thereafter and prior to the option expiry date).
4. the options will lapse immediately upon the occurrence of any of the circumstances described below:

**Where options are vested and therefore able to be exercised**

- (a) Upon their expiry date
- (b) Upon determination by the Board that the employee has acted fraudulently, dishonestly or in breach of his obligations to the Company
- (c) Upon the employee ceasing to be a employee of the Company (for whatever reason including by retrenchment, redundancy or retirement) and has not exercised the option within thirty days following that event (unless a longer period is otherwise determined by the Board)
- (d) 6 months after the death, permanent illness or permanent physical or mental incapacity of a employee (unless a longer period is otherwise determined by the Board)

**Where options are not vested (and therefore unable to be exercised)**

- (a) Upon their expiry date
- (b) Upon determination by the Board that the employee has acted fraudulently, dishonestly or in breach of his obligations to the Company
- (c) Upon the employee ceasing to be a employee of the Company (for whatever reason including by retrenchment, redundancy or retirement)
- (d) Upon the death, permanent illness or permanent physical or mental incapacity of a employee

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5. otherwise on the terms and conditions set out in Annexure A to the Explanatory Statement accompanying this Notice.

The reasons for the grant of these options to Alara employees are as follows:

- The proposed options issue is designed to act as an incentive for the Company's employees to strive to achieve the Company's goals with the aim of enhancing shareholder value.
- The options (structured as described above) provide an equity holding opportunity for each employee which is linked to the Company's share price performance.
- Based on the option exercise price and the rate at which the options vest, the exercise of these options by the employees is only likely to occur if there is sustained upward movement in the Company's share price.
- The number of options to be issued to the Company's employees has been determined having regard to the level of salaries being received by the employees and is a cash free, effective and efficient way of providing an appropriate level of employee remuneration as well as providing ongoing equity based incentives for the employees to remain with the Company with a view to improving the future growth of the Company.
- As a relatively junior exploration company with much of its available funds dedicated or committed to its resource projects (and also in seeking opportunities in relation to the same) and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges for its employees within the industry in which it operates.

Whilst prior shareholder approval (under ASX Listing Rule 7.1) is not required for the issue of these options to the employees, the effect of their issue is to reduce the Company's capacity to issue additional securities in the future without prior shareholder approval under ASX Listing Rule 7.1.

The Company wishes to seek prior approval under ASX Listing Rule 7.1 so as not to restrict the Company's capacity to issue up to 15% of the securities of the Company on issue in a 12 month period under ASX Listing Rule 7.1.

In accordance with the requirements of ASX Listing Rule 7.3 the following additional information is provided:

- (a) A maximum number of 1,425,000 options are proposed to be issued in total to the following employees of the Company and controlled entities;
- (i) Jerko Peter Zuvella (Exploration Manager) – 250,000 options;
  - (ii) Cherie Louise Leeden (Project Geologist) – 150,000 options;
  - (iii) Deny Martin Bayona Peláez (Technical Manager, Peru) – 500,000 options;
  - (iv) Victor Poh Hong Ho (Company Secretary) - 500,000 options; and
  - (v) Carole Chau Yueh Lee (Group Accountant) – 25,000 options.
- (b) the exercise price for each option is to be set at a price equal to the greater of \$0.55 or 150% of the VWAP of the Company's shares on ASX in the 5 trading days leading up to (and excluding) the issue date (rounded down to the nearest whole cent).

The table below outlines some scenarios in this regard:

If AUQ VWAP was:	Exercise Price would be:	Maximum funds raised on exercise of all options will be:
\$0.35	\$0.55	\$783,750
\$0.40	\$0.60	\$855,000
\$0.50	\$0.75	\$1,068,750
\$0.60	\$0.90	\$1,282,500

- (c) each option is exercisable at any time on or before 5 years from the date of issue (subject to one-third of the options being unable to be exercised until 6 months after their date of issue, one-third of the options being unable to be exercised until 12 months after their date of issue and one-third of the options being unable to be exercised until 18 months after their date of issue);
- (d) the options will be issued for nil consideration and no funds will be raised from the issue;
- (e) The options will be issued no later than three (3) months after the date of this General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (f) the options will not be quoted on ASX; and
- (g) the shares issued upon exercise of the options will be ordinary fully paid shares issued on the same terms and conditions as the shares currently on issue by the Company. The Company will seek quotation of these shares on ASX.

The Company will disregard any votes cast on Resolution 1 by the employees named in Resolution 1, or any associate of the named employees, who will be prohibited from voting as described in the voting exclusion statement within the Notice of General Meeting.

All Directors recommend that shareholders vote in favour of approving Resolution 1, for the reasons set out in this Explanatory Statement.

## 2. RESOLUTION 2 – DIRECTOR’S DEEDS

Resolution 2 seeks shareholder approval for the purposes of Part 2E of the Corporations Act for the entry by the Company into a deed with each of its Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office with, and after the Director ceases to be an officer of, the Company (or its wholly owned subsidiaries) (the **Deed**).

These matters are outlined in more detail below but principally relate to access to board papers and other Company information, the costs of obtaining independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director of the Company, liability incurred by Directors and the payment of legal costs where Directors are involved in legal proceedings for, on behalf of or against the Company and the provision of directors indemnity insurance.

Some of these matters are already dealt with by the Corporations Act, but the Deed the subject of this resolution are more detailed and comprehensive and extend the matters dealt with by the Corporations Act as outlined below.

The Company notes that it is not unusual for directors of a company to be granted the protection conferred by the Deed. The Company has previously entered into a Deed with each of its current Directors (dated 29 March 2007). However, as the Company understands that it requires related party approval in order to give certain benefits under the Deed, the Company and each of its current Directors have agreed to terminate the existing Deeds with effect as from and including the date of this General Meeting and, if this resolution is approved by

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shareholders, the Company will enter into a new Deed with each of its current Directors after that date.

The Company also notes that, in the event that member approval is not obtained in accordance with this resolution, the Company proposes to enter into a modified form of the Deed with each of its Directors which would not require shareholder approval.

The Company considers that the Deed complies with the provisions of Part 2D.2 of the Corporations Act (which sets out certain limitations on the scope of indemnities and insurance which may be effected by companies for their directors).

By the Deed:

1. the Company is to retain, and the Director is granted access to, Board papers and company books (subject to confidentiality and privilege) both while the Director is a director of the Company and after the Director ceases to hold office, for the purposes expressly permitted by the Deed (clause 2);
2. the Company is required (to the extent permitted by the Corporations Act) to indemnify the Director against:
  - 2.1 any liability incurred by the Director (before or after the date of entry into the Deed) as an officer of the Company or as an officer of a Relevant Entity (ie, a wholly owned subsidiary of the Company);
  - 2.2 legal costs which the Director pays or becomes liable to pay in defending or resisting legal proceedings for a liability incurred as an officer of the Company or as an officer of a Relevant Entity or in seeking relief from such a liability under the Corporations Act; and
  - 2.3 legal costs which the Director pays or becomes liable to pay in connection with any legal proceeding of an official person relating to the Company or a Relevant Entity which involves the Director because of his present or former capacity as an officer of the Company or Relevant Entity (clause 4);
3. subject to the terms of the Deed and the Corporations Act, the Company is permitted, at the request of the Director and on such terms as it thinks fit, to advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the Deed and prior to the outcome of a legal proceeding. The Company cannot make such an advance to a Director in respect of legal costs incurred in a legal proceeding initiated by the Company against the Director. Advances must be repaid by the Director once the outcome of the legal proceeding is known, but may be set-off by indemnities from the Company (where permitted by the Deed and the Corporations Act) (clauses 6.2 and 6.3);
4. the Company must (subject to the Corporations Act) use its best efforts to ensure that, so far as practical (having regard to the cost of coverage and its availability), the Director is insured under a directors' and officers' insurance policy against liability incurred as an officer of the Company or of a Relevant Entity (**D & O Policy**) for the period that each director is a Director of the Company and for 2 years after that Director ceases to hold office, and to pay the insurance premiums on that D & O Policy (clause 7);
5. the Company must reimburse the Director for the reasonable expense of obtaining independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director of the Company (clause 9);
6. the Company's and Director's rights and obligations in respect of confidential information, legal proceedings against the Director, disclosure of director's benefits and notifiable interests, and related party benefits.

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The above is a summary of the main terms and conditions of the Deed only, and a complete copy of the Deed may be inspected at the Company's registered office.

Clause 49.1 of the Company's constitution provides that, to the extent permitted by the Corporations Act and subject to the terms of the Company's constitution, the Company may indemnify every person who is or has been an officer of the Company and, where the board of directors considers it is appropriate to do so, any person who is or has been an officer of a related body corporate of the Company, against any liability incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be).

Further, by clause 50.1 of the Company's constitution the Company may pay or agree to pay a premium in respect of a contract insuring a person who is or has been an officer of the Company or a related body corporate of the Company against any liability incurred by the person as an officer of the Company or a related body corporate except a liability (other than one for legal costs) arising out of conduct involving a wilful breach of duty in relation to the Company or a contravention of sections 182 or 183 of the Corporations Act.

The rights of indemnity and insurance to be granted to the Directors under the Deed are consistent with the Company's Constitution.

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Relevantly, section 208(1) of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless the public company obtains the approval of the public company's shareholders in accordance with the Corporations Act and the benefit is given within 15 months after the approval, or the giving of the benefit falls within an exception set out in the Corporations Act.

The Deed may confer a financial benefit on a Director of the Company (who is a related party of the Company) as outlined below. Thus, shareholder approval will be required to enter into the Deed, unless the giving of the benefit falls within an exception set out in the Corporations Act. Relevantly, sections 212(1) and (2) of the Corporations Act provide that shareholder approval is not needed to give a financial benefit if:-

1. the benefit is for a related party who is an officer of the public company (eg, a director); and
2. the benefit is:-
  - 2.1 an indemnity, exemption or insurance premium in respect of a liability incurred as an officer of the public company or entity that the public company controls (or an agreement to give an indemnity or exemption or to pay an insurance premium of that kind); or
  - 2.2 the making of, or an agreement to make, a payment in respect of legal costs incurred by the officer in defending an action for a liability incurred as an officer of the public company or entity that the public company controls and section 199A does not apply to the costs (or, if section 199A does apply to the costs, the director must repay the amount paid if the costs become costs for which the company must not give the officer an indemnity under that section); and
3. to give the benefit would be reasonable in the circumstances of the public company or entity giving the benefit.

The Company considers that the obligations imposed on the Company under the Deed in relation to the directors' and officers' insurance (clause 7) and the giving of the indemnities against liabilities and legal costs (which the Director becomes liable to pay in defending legal proceedings for liabilities incurred by the Director as an officer of the Company or of a Relevant Entity) (clause 4) fall within the scope of the exceptions set out in sections 212(1) and (2) of the Corporations Act.

However, the Deed may confer on a Director financial benefits which go beyond those referred

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to in sections 212(1) and (2) of the Corporations Act. For example, the obligation imposed on the Company by clause 9.1 of the Deed to reimburse the Director for his or her reasonable expenses of obtaining independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director of the Company will confer a financial benefit on the Company but is not within the scope of the exceptions set out in sections 212(1) and (2) of the Corporations Act. Financial benefits of this nature may, or may not, actually be provided by the Company to its directors.

Section 208(2) of the Corporations Act provides that if:

- (a) the giving of the benefit is required by a contract;
- (b) the making of the contract was approved by the public company's shareholders in the manner set out in the Corporations Act as a financial benefit given to the related party; and
- (c) the contract was made within 15 months after that approval, or before that approval if the contract was conditional on the approval being obtained,

shareholder approval for the giving of the benefit is taken to have been given and the benefit need not be given within 15 months.

Accordingly, the Company seeks shareholder approval to enter into a Deed with each of the current directors of the Company, being John Stephenson, Hem Shanker Madan and Farooq Khan, which approval will authorise the Company to give to these Directors financial benefits to which they may at any time be entitled under the Deed. If this resolution is passed, the Deed will be entered into with these Directors as soon as practicable thereafter.

The following information is provided for the purposes of the Corporations Act, in particular section 219 of the Corporations Act:

1. the related parties to whom the financial benefits will be given if this resolution is passed is each of the current directors of the Company, being John Stephenson, Hem Shanker Madan and Farooq Khan;
2. the nature of the financial benefits to be given to the Directors of the Company are those contemplated by the Deed (the terms of which are summarised above), and include an indemnity against liabilities and legal costs, payment of insurance premiums and payment of costs of obtaining independent advice. The Company is unable to quantify its potential exposure under the Deed, as it does not know, for example, whether it will ever be called upon to indemnify a Director for a liability within the scope of the Deed, or the quantum of any such liability. There is no cap on the Company's obligation to reimburse directors for the cost of independent professional advice which they obtain;
3. each Director of the Company declines to make a recommendation to members about this resolution because of the interest which they have in the passage of the resolution;
4. each Director of the Company has an interest in the outcome of this resolution. If this resolution is passed and the Company is authorised to enter into a Deed with each Director, the Director will gain the rights and benefits set out in the Deed (for example, a right of indemnity, payment of insurance premiums on a D & O Policy in their favour, reimbursement of costs of independent advice);
5. the Company does not consider that there is any other information which would reasonably be required by members in order to decide whether or not it is in the Company's interests to pass this resolution and which is known to the Company or to any of its directors.

The Company will disregard any votes cast on Resolution 2 by the Directors, or any associate of the Directors, who will be prohibited from voting as described in the voting exclusion statement within the Notice of General Meeting.

### 3. RESOLUTION 3 – ISSUE OF OPTIONS TO DIRECTORS

#### 3.1. Background

Resolution 3 seeks shareholder approval for the Company to grant a total of 18,550,000 options to its three Directors. Each option is to be issued on the same terms, including:

1. at an exercise price equal to the greater of \$0.55 or 150% of the VWAP of the Company's shares on ASX in the 5 trading days leading up to (and excluding) the issue date (rounded down to the nearest whole cent);
2. after they have vested, exercisable at any time on or before 5 years from the date of issue (**option expiry date**).
3. the options will vest as follows:
  - (a) 50% of the options issued to each Director will vest at the date of issue of the options (which options may therefore be exercised at any time prior to the option expiry date); and
  - (b) 50% of the options issued to each Director will vest at the date being 12 months after their date of issue (which options may therefore be exercised at any time thereafter and prior to the option expiry date).
4. the options will lapse immediately upon the occurrence of any of the circumstances described below:

**Where options are vested and therefore able to be exercised**

- (a) Upon their expiry date
- (b) Upon determination by the Board that the Director has acted fraudulently, dishonestly or in breach of his obligations to the Company

**Where options are not vested (and therefore unable to be exercised)**

- (a) Upon their expiry date
- (b) Upon determination by the Board that the Director has acted fraudulently, dishonestly or in breach of his obligations to the Company
- (c) Upon the Director ceasing to be a director of the Company (for whatever reason including by retrenchment, redundancy or retirement) and has not exercised the option within thirty days following that event (unless a longer period is otherwise determined by the Board)
- (d) 6 months after the death, permanent illness or permanent physical or mental incapacity of a Director (unless a longer period is otherwise determined by the Board)

5. otherwise on the terms and conditions set out in Annexure B to the Explanatory Statement accompanying this Notice.

The reasons why the Company is proposing to grant these options to its Directors are as follows:

- The proposed options issue is designed to act as an incentive for these Directors to strive to achieve the Company's goals with the aim of enhancing shareholder value.

- The options (structured as described above) provide an equity holding opportunity for each Director which is linked to the Company's share price performance.
- Based on the option exercise price and the rate at which the options vest, the exercise of these options by the Directors is only likely to occur if there is sustained upward movement in the Company's share price.
- The number of options to be issued to the Directors has been determined having regard to the level of Directors' salaries/fees being received by the Directors and is a cash free, effective and efficient way of providing an appropriate level of Directors' remuneration as well as providing ongoing equity based incentives for the Directors to remain with the Company with a view to improving the future growth of the Company.

The current level of annualised Directors' salaries/fees being received by the Directors is as follows:

Director	Office Held	Gross salary/fees per annum <sup>1</sup>
John Stephenson	Non-Executive Chairman	\$40,000
H. Shanker Madan	Managing Director	\$150,000
Farooq Khan	Executive Director	\$150,000

- As a relatively junior exploration company with much of its available funds dedicated or committed to its resource projects (and also in seeking opportunities in relation to the same) and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges for its Directors within the industry in which it operates.

#### 4.2 A Related Party Transaction under Chapter 2E Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- obtain the approval of members in the way set out in Sections 217 to 227; and
- give the benefit within 15 months after the approval.

A "related party" includes a director of a public company.

A "financial benefit" includes a public company issuing securities (including options) to a related party.

The Company is thus seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act to issue options to Directors pursuant to Resolution 3.

In accordance with the requirements of Chapter 2E and in particular Section 219 of the Corporations Act, the following information is provided to allow shareholders sufficient information to determine whether they should approve Resolution 3:

- The related parties to whom Resolution 3 would permit the financial benefit to be given**
  - Non-Executive Chairman, John Francis Stephenson;
  - Managing Director, Hem Shanker Madan; and
  - Executive Director, Farooq Khan.

<sup>1</sup> Excluding employer statutory superannuation obligations

**(b) The nature of the financial benefit**

If Resolution 3 is passed, the Directors noted above will be granted a total of 18,550,000 options as follows:-

- (1) John Francis Stephenson – 975,000 options;
- (2) Hem Shanker Madan – 8,800,000 options; and
- (3) Farooq Khan – 8,775,000 options.

The options will be granted on the terms and conditions set out in this Explanatory Statement including Annexure B accompanying this Notice.

**(c) Directors' Recommendation**

All of the Directors were available to consider proposed Resolution 3 but all Directors decline to make a recommendation because each has an interest in the outcome of the resolution.

**(d) The Directors' interests in the outcome of the proposed resolution.**

Each Director has an interest in the outcome of this resolution as, if the resolution is passed, each Director will be issued with that number of options as is set out opposite their name in paragraph (b) above.

**(e) Any other information that is reasonably required by a member to make a decision and that is known to the Company and any of its Directors****(i) Effect of Capital Structure**

If Resolution 3 is passed, the Company will grant a total 18,550,000 options to its current Directors.

As at 20 June 2007, the Company has the following securities on issue:

	Listed on ASX	Not Listed on ASX	Total
Fully paid ordinary shares	40,275,000	40,225,000	80,500,000

If all of the 18,550,000 options proposed to be granted to Directors pursuant to shareholder approval of Resolution 3 are exercised into shares, this would dilute the shareholding of existing shareholders by 18.7% and raise \$10,202,500 cash for the Company (on the assumption that the exercise price is \$0.55<sup>2</sup> per option in respect of the options the subject of Resolution 3).

If all of the 1,425,000 options proposed to be granted to employees pursuant to shareholder approval of Resolution 1 and all of the 18,550,000 options proposed to be granted to Directors pursuant to shareholder approval of Resolution 3 are exercised into shares, this would dilute the shareholding of existing shareholders by 19.9% and raise \$10,986,250 cash for the Company (on the assumption that the exercise price is \$0.55 per option in respect of the options the subject of Resolutions 1 and 3).

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2 The final exercise price will be based on the higher of \$0.55 per share or the VWAP of the shares of the Company in the 5 trading days leading up to (and excluding) the issue date, which may differ from this estimate

**(ii) Company's Recent Share Price**

The market price of the Company's shares during the exercise period of the options will normally determine whether or not option holders exercise their options. Thus, the options proposed to be granted if Resolution 3 is passed are only likely to be exercised if the Company's shares subsequently trade at a price which is higher than the exercise price.

The Company was admitted to the official list of ASX on 21 May 2007 with the Company's shares commencing trading on ASX on 24 May 2007:

ASX Trading Days	High (\$)	Low (\$)	Last Sale (\$)	VWAP (\$)
24-May-07	0.420	0.360	0.375	0.385
25-May-07	0.380	0.365	0.370	0.371
28-May-07	0.395	0.365	0.380	0.379
29-May-07	0.390	0.350	0.355	0.372
30-May-07	0.365	0.335	0.340	0.348
31-May-07	0.350	0.330	0.340	0.340
1-Jun-07	0.365	0.345	0.360	0.355
4-Jun-07	0.360	0.330	0.330	0.346
5-Jun-07	0.330	0.315	0.315	0.325
6-Jun-07	0.315	0.300	0.300	0.301
7-Jun-07	0.330	0.300	0.325	0.318
8-Jun-07	0.325	0.300	0.305	0.307
11-Jun-07 (Non-trading day)	-	-	-	-
12-Jun-07	0.320	0.305	0.305	0.314
13-Jun-07	0.305	0.300	0.300	0.302
14-Jun-07	0.310	0.300	0.305	0.302
15-Jun-07	0.305	0.300	0.300	0.300
18-Jun-07	0.310	0.290	0.290	0.293
19-Jun-07	0.310	0.290	0.295	0.295
20-Jun-07	0.290	0.280	0.285	0.285

The exercise price of the options the subject of Resolution 3 will be the greater of \$0.55 or 150% of the VWAP of the Company's shares on ASX in the 5 trading days leading up to (and excluding) the issue date (rounded down to the nearest whole cent); the final exercise price will be based on the Company's VWAP in the 5 trading days leading up to (and excluding) the issue date.

If the options the subject of Resolution 3 were to be issued on 21 June 2007, the exercise price as determined under the formula within Resolution 3 would be \$0.55 per option.<sup>3</sup>

**(iii) Directors' Relevant Interest in Securities of the Company**

The Directors' relevant interest in securities of the Company as at 20 June 2007 are as follows<sup>4</sup>:

Director	Fully paid ordinary shares
John Stephenson	180,000 <sup>5</sup>
H. Shanker Madan	184,983 <sup>6</sup>
Farooq Khan	8,665,699 <sup>7</sup>

3 As 150% of the VWAP between 14 and 20 June 2007 (\$0.295) is \$0.442, which is lower than \$0.55

4 As disclosed in each of their Directors' Interest Notices lodged with ASX

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

6 Held jointly: Mr Hem Shanker Madan & Mrs Anupam Shobha Madan <The AS and HS Madan S/F A/C>

7 Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 8,485,699 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

**(iv) Valuation of Options**

The Directors consider, on the basis of the calculation methodology set out below, that the options to be granted pursuant to Resolution 3 (if passed) will have an indicative value of ~\$0.116 per option.

This valuation has been calculated using the Black-Scholes option pricing model applying the following assumptions:

- (a) The Company's share price being \$0.295 per share (which was the VWAP of AUQ shares between 14 and 20 June 2007);
- (b) A risk free rate of return of 6.345% (based on the closing Commonwealth 5 year bond rate as at 20 June 2007).
- (c) An estimated future volatility of the Company's share price of 70%.
- (d) In calculating the indicative value of options, the Board has applied a discount rate of 25% of the value of the options. The discount rate of 25% was derived after considering the fact that the options will be unlisted, will vest in tranches and has restrictions on transfer by the option holder.

The indicative valuation has assumed that the issue date of the options was 21 June 2007. The valuation may not be a representative valuation of the options at the proposed date of issue (expected to be as soon as practicable after the date of this General Meeting upon Resolution 3 receiving shareholder approval and in any event, no later than one month thereafter (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules)).

The Company will disregard any votes cast on Resolution 3 by the Directors, or any associate of the Directors, who will be prohibited from voting as described in the voting exclusion statement within the Notice of General Meeting.

Neither the Directors nor the Company are aware of any other information that would reasonably be required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 3, other than as set out in this Explanatory Statement.

**4.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain approval of the shareholders of the company prior to the issue of securities to a related party of the company. As the Directors are each a related party of the Company, shareholder approval under ASX Listing Rule 10.11 is sought for Resolution 3.

The following information is provided to shareholders for the purpose of ASX Listing Rule 10.13:

- (1) the options will be granted to each of the Directors named above.
- (2) a total of 18,550,000 options will be granted to the Directors in the proportions set out above, and in each case on the terms and conditions set out in Annexure B to the Explanatory Statement;

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shares held by Skills Advantage Australia Limited (**SAA**), as Mr Khan has a greater than 20% interest in SAA.

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- (3) the options which are the subject of Resolution 3 will be granted to the Directors on a date no later than one month after the date of this General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that all of the options will be granted on the same date;
- (4) the options will be granted to the Directors for no consideration – and otherwise on the terms and conditions set out in Annexure B to the Explanatory Statement;
- (5) no funds will be raised by the grant of options pursuant to Resolution 3.
- (6) By virtue of Exemption 14 of ASX Listing Rule 7.2, shareholder approval pursuant to Listing Rule 7.1 is not required in order to issue the options the subject of Resolution 3 as shareholder approval is being obtained under ASX Listing Rule 10.11.

#### 4. RESOLUTION 4 – NON-EXECUTIVE DIRECTOR REMUNERATION

The Board determines the remuneration structure of all directors and executive officers having regard to the Company's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

Resolution 4 seeks shareholder ratification and approval for the total amount of fees payable to directors (save for remuneration to Executive Directors including the Managing Director) being set at a maximum of \$175,000 per annum.

Shareholders of the Company have approved the setting of this limit at a general meeting held on 19 March 2007. The Directors have determined to seek ratification and approval from its post listing shareholders.

The Company notes that this is an upper limit on the maximum aggregate remuneration payable to Non-Executive Directors; the Board determines the amount of remuneration payable to each such director within such aggregate limit.

The current level of annualised Directors' salaries/fees being received by the Non-Executive Directors is as follows:

Non-Executive Director	Office Held	Gross salary/fees and employer superannuation per annum
John Stephenson	Non-Executive Chairman	\$43,600

The Company also notes that pursuant to the Company's constitution, each Director is also entitled to receive:

- (1) Payment for travelling and other expenses properly incurred by a Director in attending meetings of the Company or the Board or in connection with the Company's business; and
- (2) Payment for the performance of extra services or the undertaking of any executive or other work for the Company beyond his or her general duties.

## ANNEXURE A

TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED TO EMPLOYEES THE  
SUBJECT OF RESOLUTION 1**1. Nil Consideration Payable**

No subscription or application monies will be payable for the issue of each option ("Option").

**2. Entitlement**

Each Option shall entitle the holder (the "Option Holder") to subscribe (in cash) for one (1) fully paid ordinary share ("Share") in the capital of Alara Uranium Limited ACN 122 892 719 ("Company") at an exercise price equal to the greater of \$0.55 or 150% of the volume weighted average share price of the Company's shares traded on the Australian Securities Exchange (ASX Limited).

**3. Option Period**

Each Option will expire on the fifth anniversary of the date of issue of such Option (such date being referred to as the "Option Expiry Date"). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

**4. Non-Exercise Periods**

Options may only be exercised after they have vested. The Options will vest ("Vested Options") as follows:-

- 4.1 One-third of the Options issued to each Option Holder will vest at the date being 6 months after their date of issue (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date);
- 4.2 One-third of the Options issued to each Option Holder will vest at the date being 12 months after their date of issue (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date); and
- 4.3 One-third of the Options issued to each Option Holder will vest at the date being 18 months after their date of issue (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date).

**5. Lapsing of Options Prior to Option Expiry Date**

Option will lapse prior to the Option Expiry Date in the circumstances described below:

- 5.1 Where Options are able to be exercised (that is, Options have vested under Clause 4):
  - 5.1.1 Upon determination by the Board that the Employee Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;
  - 5.1.2 Upon the Employee Option Holder ceasing to be a Employee of the Company (for whatever reason including by retrenchment, redundancy or retirement) and not exercising the option within thirty days following that

event (unless a longer period is otherwise determined by the Board); or

- 5.1.3 6 months after the death, permanent illness or permanent physical or mental incapacity of the Employee Option Holder (unless a longer period is otherwise determined by the Board).

- 5.2 Where Options have not vested in accordance with Clause 4:

- 5.2.1 Upon determination by the Board that the Employee Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;

- 5.2.2 Upon the Employee Option Holder ceasing to be a Employee of the Company (for whatever reason including by retrenchment, redundancy or retirement); or

- 5.2.3 Upon the death, permanent illness or permanent physical or mental incapacity of an Employee Option Holder.

- 5.3 "Employee Option Holder" means:

- 5.3.1 the Option Holder (being a Employee of the Company at the date of issue) if the Option has not been transferred under clause 8 or;

- 5.3.2 the original Option Holder (being a Employee of the Company at the date of issue) if the Option has been transferred under clause 8.

**6. Ranking of Share Issued on Exercise of Option**

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue.

**7. Notification to Option Holders**

The Option Holder will be entitled to receive, and will be sent, all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, members of the Company.

**8. Dealings in Options**

- 8.1 Save as provided in clause 8.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option, unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

- 8.2 The Option Holder may at any time transfer all or any of their Vested Options (that is, Options which are able to be exercised under Clause 4)

to a spouse of the Option Holder, to a company in which the Option Holder or the spouse of the Option Holder are shareholders, or to a trustee of a trust in which the Option Holder or the spouse of the Option Holder have a beneficial interest, subject to any applicable law and the ASX Listing Rules.

## 9. Method of Exercise of an Option

- 9.1 A certificate or holding statement will be issued by the Company with respect to Options held by an Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by an Option Holder when exercising the Options the subject of the certificate or holding statement ("**Notice of Exercise of Options**"). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued; which number of Vested Options must be a multiple of 1,000 if only part of the Option Holders total Vested Options are exercised, or if the total number of Vested Options held by an Option Holder is less than 1,000, then the total of all Vested Options held by that Option Holder must be exercised.
- 9.2 The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount equal to the Exercise Price per Share.
- 9.3 Subject to Clause 9.1 hereof, the exercise of less than all of an Option Holders Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holders entitlement under the Option Holders remaining Options (when vested).
- 9.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holders option certificate or holding statement with respect to those Options being exercised.
- 9.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holders name:
- 9.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holders Options to the Company; and
- 9.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holders unexercised Options.
- 9.6 Within 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.

- 9.7 The Company will (subject to any escrow restrictions imposed by the ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise Vested Options, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules of the ASX.

## 10. Reconstruction

In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the ASX Listing Rules applying to reconstructions at that time.

## 11. Participation in New Share Issues

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

## 12. Change of Options Exercise Price or Number of Underlying Shares

- 12.1 If the Company makes a pro rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of the ASX. No change will be made to the number of Shares to which the Option Holder is entitled.
- 12.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the books closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

## 13. Immediate Vesting

Where:

- 13.1 a takeover bid is made for the Company;
- 13.2 a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
- 13.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company,

any Option that has not become vested in accordance with clause 4 will immediately become vested on, and may be exercised on and from, the date of such vesting until 5.00pm on the Option Expiry Date (subject to lapse in accordance with these terms of issue).

## ANNEXURE B

TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED TO DIRECTORS THE  
SUBJECT OF RESOLUTION 3**1. Nil Consideration Payable**

No subscription or application monies will be payable for the issue of each option ("Option").

**2. Entitlement**

Each Option shall entitle the holder (the "Option Holder") to subscribe (in cash) for one (1) fully paid ordinary share ("Share") in the capital of Alara Uranium Limited ACN 122 892 719 ("Company") at an exercise price equal to the greater of \$0.55 or 150% of the volume weighted average share price of the Company's shares traded on the Australian Securities Exchange (ASX Limited) ("ASX") in the 5 trading days up (and excluding) the issue date (rounded down to the nearest whole cent) ("Exercise Price").

The Options will not be quoted on the ASX.

**3. Option Period**

Each Option will expire on the fifth anniversary of the date of issue of such Option (such date being referred to as the "Option Expiry Date"). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

**4. Non-Exercise Periods**

Options may only be exercised after they have vested. The Options will vest ("Vested Options") as follows:-

- 4.1 50% of the Options issued to each Option Holder will vest at the date of issue of the Options (which Options may therefore be exercised at any time prior to the Option Expiry Date); and
- 4.2 50% of the Options issued to each Option Holder will vest at the date being 12 months after their date of issue (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date).

**5. Lapsing of Options Prior to Option Expiry Date**

Option will lapse prior to the Option Expiry Date in the circumstances described below:

- 5.1 Where Options are able to be exercised (that is, Options have vested under Clause 4), upon determination by the Board that the Director Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;
- 5.2 Where Options have not vested in accordance with Clause 4:
  - 5.2.1 Upon determination by the Board that the Director Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;
  - 5.2.2 Upon the Director Option Holder ceasing to be a director of the

Company (for whatever reason including by retrenchment, redundancy or retirement) and not exercising the option within thirty days following that event (unless a longer period is otherwise determined by the Board); or

- 5.2.3 6 months after the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder (unless a longer period is otherwise determined by the Board).

**5.3 "Director Option Holder" means:**

- 5.3.1 the Option Holder (being a Director of the Company at the date of issue) if the Option has not been transferred under clause 8 or;
- 5.3.2 the original Option Holder (being a Director of the Company at the date of issue) if the Option has been transferred under clause 8.

**6. Ranking of Share Issued on Exercise of Option**

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue.

**7. Notification to Option Holders**

The Option Holder will be entitled to receive, and will be sent, all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, members of the Company.

**8. Dealings in Options**

- 8.1 Save as provided in clause 8.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option, unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.
- 8.2 The Option Holder may at any time transfer all or any of their Vested Options (that is, Options which are able to be exercised under Clause 4) to a spouse of the Option Holder, to a company in which the Option Holder or the spouse of the Option Holder are shareholders, or to a trustee of a trust in which the Option Holder or the spouse of the Option Holder have a beneficial interest, subject to any applicable law and the ASX Listing Rules.

**9. Method of Exercise of an Option**

- 9.1 A certificate or holding statement will be issued by the Company with respect to Options held by an Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be

completed by an Option Holder when exercising the Options the subject of the certificate or holding statement ("**Notice of Exercise of Options**"). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued; which number of Vested Options must be a multiple of 1,000 if only part of the Option Holders total Vested Options are exercised, or if the total number of Vested Options held by an Option Holder is less than 1,000, then the total of all Vested Options held by that Option Holder must be exercised.

- 9.2 The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount equal to the Exercise Price per Share.
- 9.3 Subject to Clause 9.1 hereof, the exercise of less than all of an Option Holders Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holders entitlement under the Option Holders remaining Options (when vested).
- 9.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holders option certificate or holding statement with respect to those Options being exercised.
- 9.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holders name:
- 9.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holders Options to the Company; and
- 9.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holders unexercised Options.
- 9.6 Within 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
- 9.7 The Company will (subject to any escrow restrictions imposed by the ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise Vested Options, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the

Corporations Act and the Listing Rules of the ASX.

## 10. Reconstruction

In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the ASX Listing Rules applying to reconstructions at that time.

## 11. Participation in New Share Issues

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

## 12. Change of Options Exercise Price or Number of Underlying Shares

- 12.1 If the Company makes a pro rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of the ASX. No change will be made to the number of Shares to which the Option Holder is entitled.
- 12.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the books closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

## 13. Immediate Vesting

Where:

- 13.1 a takeover bid is made for the Company;
- 13.2 a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
- 13.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company,

any Option that has not become vested in accordance with clause 4 will immediately become vested on, and may be exercised on and from, the date of such vesting until 5.00pm on the Option Expiry Date (subject to lapse in accordance with these terms of issue).

[www.alarauranium.com](http://www.alarauranium.com)

**ALARA URANIUM LIMITED**

A.B.N. 27 122 892 719

**REGISTERED OFFICE:**

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**ASX CODE: AUQ**



**ADVANCED SHARE REGISTRY SERVICES:**

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T | (08) 9389 8033  
F | (08) 9389 7871  
E | [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
W | [www.asrshareholders.com](http://www.asrshareholders.com)

# PROXY FORM

COMPLETE AND RETURN TO:

ALARA URANIUM LIMITED  
A.B.N. 27 122 892 719

Alara Uranium Limited  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000

Mark this box with an 'X' if you want to make any changes to your address details (see reverse) [Issuer Sponsored Holders Only]

Facsimile: (08) 9322 1515

Name1  
Name2  
Name3  
Name4  
Name5  
Name6

Holder ID: {}  
Shares held as at 25 June 2007: {}

## Appointment of Proxy

I/We being a member/s of Alara Uranium Limited and entitled to attend and vote hereby appoint

The Chairman of the Meeting (mark with an "X") *(If you have appointed the Chairman of the Meeting to exercise your proxy, by marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of a particular resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote all Chairman's Open Proxies in favour of all resolutions.)*

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Alara Uranium Limited to be held at The Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia at **1:00 pm (Perth time) on Friday, 27 July 2007** and at any adjournment of such General Meeting

Voting directions to your proxy – please mark  to indicate your directions

### RESOLUTIONS

	For	Against	Abstain*
(1) Issue of Options to Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2) Approval of Directors Deeds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3) Issue of Options to Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4) Non-Executive Director' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf

Individual or Shareholder 1	Joint Shareholder 2	Joint Shareholder 3
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name

Contact Daytime Telephone

Date

Email

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## INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Your pre-printed name and address is as it appears on the Company's share register. If this information is incorrect, please mark the box at the top of the proxy form and make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.
2. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
3. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes.
4. A proxy need not be a shareholder of the Company.
5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.
6. If a representative of a company shareholder is to attend the meeting, a properly executed original (or certified copy) of the appropriate 'Appointment of Corporate Representative' should be produced for admission to the meeting. Previously lodged Appointments of Corporate Representative will be disregarded by the Company.
7. If a representative as Power of Attorney of a shareholder is to attend the meeting, a properly executed original (or certified copy) of an appropriate Power of Attorney should be produced for admission to the meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

### 8. Signing Instructions

You must sign this form as follows in the spaces provided:

- |                           |  |
|---------------------------|--|
| <b>Individual:</b>        | Where the holding is in one name, the holder must sign.  |
| <b>Joint Holding:</b>     | Where the holding is in more than one name, all of the shareholders should sign.   |
| <b>Power of Attorney:</b> | If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.   |
| <b>Companies:</b>         | Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.<br><br>If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone.<br><br>Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

### 9. Lodgment of a Proxy

This Proxy Form (and the original or certified copy of any Power of Attorney under which it is signed) must be received at the address below not later than **1:00 pm (Perth time) on 25 July 2007** (48 hours before the commencement of the meeting). Any Proxy Form received after that time will not be valid for the meeting.

**Proxy Forms may be lodged** by posting, delivery or facsimile to the address below:

Alara Uranium Limited  
Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000

By Facsimile: (08) 9322 1515