



NOTICE OF GENERAL MEETING & EXPLANATORY STATEMENT

TO SHAREHOLDERS

Date and Time of Meeting: 10:30am (Perth time)
on Thursday, 26 May 2011

Place of Meeting: Meeting Room 10
Perth Convention and Exhibition Centre
21 Mounts Bay Road
Perth, Western Australia

PURPOSE OF THIS DOCUMENT

This Notice of General 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 General Meeting and Explanatory Statement in full to make an informed decision regarding the resolutions to be considered at this General Meeting.

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

This Notice of General Meeting and Explanatory Statement is dated 15 April 2011.

ENQUIRIES

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

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Alara Resources Limited A.C.N. 122 892 719 (**Company** or **Alara** or **AUQ**) will be held at Meeting Room 10, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia at 10:30am (Perth time) on Thursday, 26 May 2011.

AGENDA

ORDINARY BUSINESS

1. Resolution 1 - Ratify \$6.48 Million Share Placement

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) (ASX) and for all other purposes, shareholders ratify and approve the previous issue of 18,000,000 fully-paid, ordinary shares in the capital of the Company at an issue price of \$0.36 per share (raising \$6,480,000 gross) pursuant to offers exempt from disclosure under section 708 of the Corporations Act 2001 (Cth), and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by a person who participated in the issue and any person associated with those persons.

2. Resolution 2 – Approve \$23.76 Million Share Placement

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

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, shareholders approve and authorise the Directors of the Company to issue and allot a total of up to 66,000,000 fully-paid, ordinary shares in the capital of the Company at an issue price of \$0.36 per share (to raise up to \$23,760,000 gross) pursuant to offers that would be exempt from disclosure under section 708 of the Corporations Act 2001 (Cth), and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on Resolution 2 by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of the security holder) if Resolution 2 is passed, and any person associated with those persons.

3. Resolution 3 - Re-Election of Ian Williams as Director

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

"That Ian James Williams, having been appointed a Director by the Board of Directors of the Company since the last General Meeting of the Company, be and is hereby re-elected as a Director of the Company."

4. Resolution 4 – Re-Election of Douglas Stewart as Director

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

“That Douglas Haig Stewart, having been appointed a Director by the Board of Directors of the Company since the last General Meeting of the Company, be and is hereby re-elected as a Director of the Company.”

5. Resolution 5 – Approval of Issue of Options to Directors – Ian Williams and Douglas Stewart

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 (Cth) 2001 and ASX Listing Rule 10.11, and for all other purposes, shareholders approve the issue to each of Ian James Williams (subject to the passing of Resolution 3) and Douglas Haig Stewart (subject to the passing of Resolution 4), both Directors of the Company, 250,000 options each (being 500,000 options in total) to subscribe for one ordinary share in the Company at an exercise price equal to the greater of \$0.60 or 126% of the volume weighted average 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 3 years from the date of issue and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice including Annexure A.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Directors, Ian Williams and Douglas Stewart, or any associates of each of the foregoing Directors.

6. Resolution 6 – Approval of Directors’ 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 (Cth) 2001 and for all other purposes, approval is given to the Company to enter into a deed with Directors, Ian James Williams (subject to the passing of Resolution 3) and Douglas Haig Stewart (subject to the passing of Resolution 4), on the terms and conditions summarised in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Directors, Ian Williams and Douglas Stewart, or any associates of each of the foregoing Directors.

7. Resolution 7 - Increase in Non-Executive Director’ Remuneration Limit

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

“That shareholders approve an increase in the total amount of fees payable to directors (save for remuneration to executive directors including the managing director) from a maximum of \$175,000 to \$275,000 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, H. Shanker Madan, Farooq Khan, William Johnson, Ian Williams and Douglas Stewart or any associates of each of the foregoing persons.

8. Resolution 8 – Approve Issue of 6.7 Million Shares to United Arabian Mining Company

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

“That, for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, shareholders approve and authorise the Directors of the Company to issue and allot a total of 6,700,000 fully-paid, ordinary shares in the capital of the Company at an issue price of US\$0.30 per share (being a total of US\$2,010,000) to United Arabian Mining Company pursuant to the Shareholders Agreement in relation to the Khnaiguiyah Zinc Copper Project, which is specified in, and on the terms and conditions set out in, the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 8 by United Arabian Mining Company and any person who might obtain a benefit (except a benefit solely in the capacity of the security holder) if Resolution 8 is passed, and any person associated with those persons.

DATED THIS 15th DAY OF APRIL 2011

BY ORDER OF THE BOARD



**VICTOR HO
COMPANY SECRETARY**

Role of ASIC and ASX

A copy of this Notice of General 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 General Meeting and Explanatory Statement.

Voting Exclusion

Where a voting exclusion applies (as described above in the Notice of General Meeting), 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.

EXPLANATORY STATEMENT

This Explanatory Statement is provided to the shareholders of Alara Resources Limited (**Alara** or **Company** or **AUQ**) pursuant to and in satisfaction of the *Corporations Act 2001 (Cth)* (**Corporations Act**) and the Listing Rules of the Australian Securities Exchange (**ASX**). This Explanatory Statement is intended to be read in conjunction with the Notice of General Meeting.

1. BACKGROUND TO \$30.24 MILLION / 84 MILLION SHARE PLACEMENTS

The Company announced on 14 April 2011 that it had undertaken a placement of 84 million shares at \$0.36 per share to raise a total of \$30.24 million (**Placement**). The Placement was managed by Petra Capital Pty Ltd ABN 95 110 952 782 (AFSL 317944) (**Petra Capital**) and was accepted by professional and institutional investors. Petra Capital will receive a commission on the gross funds raised under the Placement.

The new shares issued under the Placement comprise two tranches:

- (1) **Tranche 1:** 18 million shares (raising \$6,480,000 gross) issued within the Company's 15% placement capacity under ASX Listing Rule 7.1; and
- (2) **Tranche 2:** 66 million shares (to raise \$23,760,000 gross) to be issued subject to shareholder approval under ASX Listing Rule 7.1.

This Notice of General Meeting and Explanatory Statement includes two resolutions to be put to shareholders in relation to the Placement:

- (1) Resolution 1 seeks approval for the issue of the Tranche 1 shares under ASX Listing Rule 7.4 to refresh the Company's placement capacity under ASX Listing Rule 7.1.
- (2) Resolution 2 seeks approval of the issue of the Tranche 2 shares as the issue exceeds the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Placement issue price of \$0.36 per share represents a discount of 10% to the \$0.40 closing price of the Company's shares on 11 April 2011 (the date prior to the Company requesting a 2 day trading halt to conduct and complete the Placement) and a discount of approximately 0.4% to the \$0.3615 volume weighted average price (**VWAP**) for the Company's shares on ASX over the 30 days preceding the trading halt requested by the Company on 12 April 2011. Over the three months ending 12 April 2011, the Company's shares have traded on ASX in a range of \$0.51 to \$0.27, with a VWAP of \$0.379.

The \$30.24 million funds raised under the Placement, after expenses of the issue, will be applied principally towards the costs of development of the Company's flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia¹ and exploration, evaluation and development of the Company's resource projects in Oman (including the Daris Copper-Gold Project²) and the El Quillay Copper-Gold Project³ in Chile. The balance of the funds, together with the Company's existing cash and liquid investments, will be applied towards the evaluation of resource projects by the Company and for general working capital purposes.

2. RESOLUTION 1 – RATIFY \$6.48 MILLION / 18 MILLION SHARE PLACEMENT

Resolution 1 seeks shareholder ratification of the issue by the Company of a total of 18,000,000 fully-paid, ordinary shares in the capital of the Company at \$0.36 per share (raising \$2,760,000 gross) to professional and institutional investors entitled to accept offers of securities under section 708 of the Corporations Act (the **\$6.48 Million Share Placement**).

¹ Refer Alara market announcements dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)"

² Refer Alara market announcements dated 30 August 2010 and entitled "[Project Acquisition - Daris Copper Project in Oman](#)"

³ Refer Alara market announcement dated 25 August 2010 and entitled "[Project Acquisition – El Quillay Copper Gold Project in Chile](#)"

Acceptances from professional and institutional investor clients under the Placement were received on 13 April 2011 and settlement is expected to be completed on 19 April 2011, with shares expected to be issued on 20 April 2011.

ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue or agree to issue equity securities in any 12 month period which exceed 15% of the number of fully paid ordinary securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders.

The issue of 18,000,000 shares will comprise approximately 14.23% of the Company's pre-\$6.48 Million Share Placement total issued share capital of 80,507,500 shares.

The \$6.48 Million Share Placement of 18,000,000 shares does not exceed the 15% limit under ASX Listing Rule 7.1. However, whilst prior shareholder approval (under ASX Listing Rule 7.1) was not required for the \$6.48 Million Share Placement issue, the effect of the issue is to reduce the Company's capacity to issue additional securities in the future without prior shareholder approval as permitted under ASX Listing Rule 7.1.

The Company therefore wishes to seek shareholder ratification and approval for the purposes of ASX Listing Rule 7.4 in order to renew 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.

ASX Listing Rule 7.5 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 7.4. In accordance with ASX Listing Rule 7.4, the following information is provided to shareholders to assist them to assess whether to approve Resolution 1:

- (a) 18,000,000 shares will be issued by the Company after settlement of the \$6.48 Million Share Placement. Settlement is expected to be completed on 19 April 2011 with shares expected to be issued on 20 April 2011;
- (b) The shares will be issued at a price of \$0.36 per share;
- (c) The shares will be ordinary, fully-paid shares issued on the same terms and conditions as the shares currently on issue by the Company;
- (d) The shares will be issued and allotted to professional and institutional investor clients of Petra Capital entitled to accept offers of securities under section 708 of the Corporations Act. None of the recipients are related parties or associates of the Company; and
- (e) The funds raised from the share placement after paying expenses of the issue will be applied towards the costs of advancement of exploration, evaluation and development of the Company's mineral exploration and development projects and for general working capital purposes.

All Directors recommend that shareholders vote in favour of approving Resolution 1, to "refresh" 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 ASX Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on Resolution 1 by any person who participated in the \$6.48 Million Share Placement issue and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. RESOLUTION 2 – APPROVE \$23.76 MILLION / 66 MILLION SHARE PLACEMENT

Resolution 2 seeks prior shareholder approval of the issue by the Company of up to a total of 66,000,000 fully-paid, ordinary shares in the capital of the Company at \$0.36 per share (to raise up to \$7,820,000 gross) to professional and institutional investors (the **\$23.76 Million Share Placement**).

Acceptances from professional and institutional investor clients under the Placement were received on 13 April 2011 and subject to shareholder approval of Resolution 2 at this General Meeting, settlement is expected to be completed on 1 June 2011 with shares expected to be issued on 2 June 2011.

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant for the purposes of this resolution) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

The issue of 66,000,000 shares under \$23.76 Million Share Placement will comprise approximately 45.7% of the Company's pre-\$23.76 Million Share Placement (post \$6.48 Million Share Placement) total issued share capital of 144,507,500 shares.

As the number of shares to be issued pursuant to the \$23.76 Million Share Placement exceeds the Company's 15% limit under ASX Listing Rule 7.1, the Company is seeking shareholder approval under ASX Listing Rule 7.1 to issue the shares the subject of the \$23.76 Million Share Placement.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 7.1. In accordance with ASX Listing Rule 7.3, the following information is provided to shareholders to assist them to assess whether to approve Resolution 2:

- (a) Up to 66,000,000 shares will be issued by the Company after settlement of the \$23.76 Million Share Placement. Subject to shareholder approval of Resolution 2 at this General Meeting, settlement is expected to be completed on 1 June 2011 with shares expected to be issued on 2 June 2011;
- (b) The shares will be issued at a price of \$0.36 per share;
- (c) The shares will be ordinary, fully-paid shares issued on the same terms and conditions as the shares currently on issue by the Company;
- (d) The shares will be issued and allotted to professional and institutional investor clients of Petra Capital entitled to accept offers of securities under section 708 of the Corporations Act, who may be existing shareholders;
- (e) The Board intends to issue the shares as one allotment upon settlement of the \$23.76 Million Share Placement; allotment is expected to be on 2 June 2011;
- (f) \$23,760,000 will be raised under the \$23.76 Million Share Placement, before expenses of the issue. The funds raised will be applied towards the costs of advancement of exploration, evaluation and development of the Company's mineral exploration and development projects and for general working capital purposes.

All Directors recommend that shareholders vote in favour of approving Resolution 2 as the funds raised under the \$23.76 Million Share Placement will assist the Company to advance development of its mineral exploration and development projects and provide working capital and is in the best interests of the Company.

In accordance with ASX Listing Rules 7.3 and 14.11, the Company will disregard any votes cast on Resolution 2 by any person who may participate in the \$23.76 Million Share Placement, any person who might obtain a benefit (except a benefit solely in the capacity of a shareholder) if Resolution 2 is passed) and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Resolution 3 – Re-Election of Ian Williams as Director

Resolution 3 seeks the re-election of Mr Ian James Williams as a Director of the Company.

The Board appointed Mr Williams as Non-Executive Director on 30 November 2010 (after the Company's 2010 Annual General Meeting held on the same date). Mr Williams' qualifications and experience are detailed below:

Ian J. Williams AO	Non-Executive Director
<i>Appointed</i>	30 November 2010
<i>Qualifications</i>	BE (Elec), FAusIMM, FIEAust
<i>Experience</i>	Mr Williams was awarded an Officer of the Order of Australia (AO) in June 2010 for distinguished service to the Indigenous community of Western Australia and Queensland through the establishment of training programmes providing sustainable employment in the mining industry, the promotion of social responsibility and as a supporter of business development initiatives. As Managing Director of Century Zinc Ltd, Mr Williams was responsible for planning and bringing on stream the Century lead/ zinc mine in north western Queensland. Producing some 7% of the world's demand for zinc concentrate, the Century mine is one of the largest zinc mines in the world. Mr Williams is currently Chair of the Port Hedland Port Authority, a Non-Executive Director of Bougainville Copper Limited and a director of a major private structural fabrication company. His diverse experience includes executive management of open cut and underground mining operations, brownfield expansions and new major mining projects. He was responsible for the establishment of two iron ore mines and associated infrastructure for Hamersley Iron. He has also assisted the West Australian Government in the facilitation of a major new port and rail infrastructure project in the State's Mid-West Region.
<i>Special responsibilities</i>	Chairman of the Remuneration Committee and Member of the Audit Committee
<i>Relevant interest in securities</i>	None
<i>Other current directorships in listed entities</i>	Non-Executive Director of Bougainville Copper Limited (BOC) (since 8 May 2008)

5. Resolution 4 – Re-Election of Douglas Stewart as Director

Resolution 4 seeks the re-election of Mr Douglas Haig Stewart as a Director of the Company.

The Board appointed Mr Stewart as Non-Executive Director on 30 November 2010 (after the Company's 2010 Annual General Meeting held on the same date). Mr Stewart's qualifications and experience are detailed below:

Douglas H. Stewart	Non-Executive Director
<i>Appointed</i>	30 November 2010
<i>Qualifications</i>	BSc, FAusIMM, FAIG
<i>Experience</i>	Mr Stewart has 40 years technical and commercial experience in the resources sector in a broad range of consulting, senior technical and operational roles in Australia and overseas. Mr Stewart was the Founding Managing Director of Territory Resources Limited where he played a principal role in managing the company through IPO and into iron ore production at its Frances Creek Iron Ore project in the Northern Territory. Mr Stewart was also a director of Grange Resources Limited prior to its takeover by Chinese steel interests. He is currently a Non-Executive Director of Conquest Mining Limited. Mr Stewart has previously worked as a senior mining and geological consultant focused largely on mine planning and optimisation. He was Chief Engineer, Open Pit Mines, for Cassiar Mining and Teck Corporation in Canada. As Senior Planning Officer, he headed an underground mine design team for block caving operations in Africa and has been Chief Geologist for several mines where he was responsible for ore resources and reserves estimations. As well as acting as an independent consultant for various banks and fund managers on potential investments in Australian and international mining projects, Mr Stewart spent eight years as an Associate Director with NM Rothschild & Sons Australia.
<i>Special responsibilities</i>	Chairman of the Audit Committee and Member of the Remuneration Committee
<i>Relevant interest in securities</i>	None
<i>Other current directorships in listed entities</i>	Non-Executive Director of Conquest Mining Limited (CQT) (since 30 November 2007)

6. Resolution 5 – Approval of Issue of Options to Directors – Ian Williams and Douglas Stewart

6.1. Background

Resolution 5 seeks shareholders' approval for the Company to grant a total of 500,000 options to Directors (appointed since the Company's last Annual General Meeting), Mr Ian James Williams and Mr Douglas Haig Stewart, on the following terms and conditions:

Recipient Director	Ian J. Williams	Douglas H. Stewart
Number of options	250,000	250,000
Exercise price	Each option shall entitle the holder to subscribe (in cash) for one (1) fully-paid ordinary share in the capital of Alara Resources Limited at an exercise price equal to the greater of \$0.60 or 126% 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)	
Expiry date	Each option will expire at 5:00pm (Perth time) on the third anniversary of their date of issue	
Vesting	Options may only be exercised after they have vested. 100% of the options will vest at the date of issue of the options.	
Lapsing conditions:	Options will lapse prior to the expiry date: (a) Upon determination by the Board that the Director has acted fraudulently or dishonestly in relation to his obligations to the Company; (b) Upon the Director resigning from office as a Director (other than at the request of the Board), unless the Board determines in its unfettered discretion that lapse will not occur or will be delayed for any period or until the occurrence of any condition.	
Other terms and conditions	As set out in <u>Annexure A</u> to the Explanatory Statement accompanying this Notice.	

The reasons why the Company is proposing to grant these options to Directors, Messrs Williams and Stewart, are as follows:

- The number of options to be issued to each of Messrs Williams and Stewart have been determined having regard to the level of Director's fees being received by each of them (currently \$45,000 per annum) and is a cash-free, effective and efficient way of providing an appropriate level of Director's remuneration as well as providing ongoing equity based incentives to remain with the Company with a view to improving the future growth of the Company.
- The proposed options issue is designed to act as an incentive for Messrs Williams and Stewart 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 Messrs Williams and Stewart which is linked to the Company's share price performance.
- Based on the option exercise price, the exercise of these options by Messrs Williams and Stewart is only likely to occur if there is sustained upward movement in the Company's share price.
- As an exploration and development company with much of its available funds dedicated or committed to its resource projects and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash remuneration ranges for its Directors within the industry in which it operates.

The Company has not imposed any vesting conditions or performance hurdles on these proposed options. In the Company's view, the setting of the exercise price at a significant premium to the VWAP of the Company's share price at the time of issue, together with the (relatively short) 3 year term, act as an appropriate performance incentive for the recipient Directors.

6.2. 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:

- (a) obtain the approval of shareholders in the way set out in Sections 217 to 227; and
- (b) 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 two Directors pursuant to Resolution 5.

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 5:

(a) The related parties to whom Resolution 5 would permit the financial benefit to be given

Directors, Mr Ian James Williams and Mr Douglas Haig Stewart.

(b) The nature of the financial benefit

If Resolution 5 is passed, Messrs Williams and Stewart will be granted 250,000 options each (being a total of 500,000 options). The options will be granted on the terms and conditions set out in this Explanatory Statement, including Annexure A accompanying this Notice.

(c) Directors’ recommendation

All of the Directors were available to consider proposed Resolution 5. All Directors (save for Messrs Williams and Stewart who have declined to make a recommendation because they have an interest in the outcome of the resolution) recommend that shareholders vote in favour of approving Resolution 5, for the reasons set out in this Explanatory Statement.

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

Messrs Williams and Stewart have an interest in the outcome of this resolution as, if the resolution is passed, each of Messrs Williams and Stewart will be issued with 250,000 options on the terms and conditions set out in this Explanatory Statement, including Annexure A accompanying this Notice.

(e) Any other information that is reasonably required by a shareholder to make a decision and that is known to the Company and any of its Directors

(i) Effect on capital structure

If Resolution 5 is passed, the Company will grant a total 500,000 options (250,000 options to each of Messrs Williams and Stewart).

As at 14 April 2011, the Company has the following securities on issue:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	126,507,500	-	126,507,500
\$0.55 (26 July 2012) Unlisted Options ⁴	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ⁵	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ⁷	-	1,035,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ⁶	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ⁸	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ⁷	-	400,000	400,000
Total	126,507,500	23,985,000	150,492,500

Furthermore, 18,000,000 shares will be issued by the Company after settlement of the \$6.48 Million Share Placement (refer Section 1 and 2 of this Explanatory Statement above). Settlement is expected to be completed on 19 April 2011 with shares expected to be issued on 20 April 2011.

If all of the 500,000 options proposed to be granted to Directors pursuant to shareholder approval of Resolution 5 are exercised into shares and assuming no other options currently on issue are exercised into shares, this would dilute the shareholding of existing shareholders by 0.34%⁸ and raise \$300,000 cash for the Company (on the assumption that the exercise price is \$0.60⁹ per option in respect of the options the subject of Resolution 5).

If all of the 500,000 options proposed to be granted to Directors pursuant to shareholder approval of Resolution 5 are exercised into shares and assuming all of the current 40,385,000 options on issue¹⁰ are exercised into shares, this would dilute the shareholding of then existing shareholders by 0.27%.

(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 5 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.

⁴ 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](#)

⁵ 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](#)

⁶ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

⁷ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

⁸ Assuming 18,000,000 shares proposed to be issued upon settlement of the \$6.48 Million Share Placement is included in the share capital of the Company.

⁹ The final exercise price will be based on the higher of \$0.60 per share or 126% of 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.

¹⁰ Each of the 16,400,000 \$0.35 (16 September 2013) Unlisted Options has one attaching option issued on the same terms (i.e. exercisable at \$0.35 each); 16,400,000 of these attaching options are also assumed to have been exercised.

The following table sets out the trading history of the Company's shares on ASX between 1 January and 11 April 2011 (inclusive):

	High (cents)	Low (cents)	Last Sale at month end (cents)	VWAP (cents)
April 2011 (to 11 April 2011)	42	33	40	38.7
March 2011	38	27	33	32.0
February 2011	44	34	35	38.5
January 2011	51	33	35	42.1

The exercise price of the options the subject of Resolution 5 will be the greater of \$0.60 or 126% 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 5 were to be issued on 11 April 2011, the exercise price as determined under the formula within Resolution 5 would be \$0.60 per option.¹¹

(iii) Directors' relevant interest in securities of the Company

Messrs Williams and Stewart do not have a relevant interest in securities in the Company, as at 14 April 2011.

(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 5 (if passed) will have indicative values as follows:

- (1) Mr Williams' 250,000 options = \$53,729 at \$0.215 per option;
- (2) Mr Stewart's 250,000 options = \$53,729 at \$0.215 per option; and
- (3) Being a total of \$107,458 at \$0.215 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 \$0.40 per share (which was the last sale price on 11 April 2011);
- (B) a risk-free rate of return of 5.2073% (based on the Commonwealth (Australian Government) 3 year bond rate as at 11 April 2011); and
- (C) an estimated future volatility of the Company's share price of 95% (as adopted by the Company in relation to determining the fair value of unlisted options issued to directors/employees in its financial statements).

The indicative valuation assumes that the issue date of the options was 11 April 2011. This 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 5 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 5 by Messrs Williams and Stewart or any of their associates, 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 5, other than as set out in this Explanatory Statement.

¹¹. As 126% of the VWAP between 4 and 8 April 2011 (\$0.388) is \$0.489, which is lower than \$0.60

6.3. 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 a Director is a related party of the Company, shareholders' approval for the option issue under ASX Listing Rule 10.11 is sought under Resolution 5.

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

- (a) the options will be granted to Directors, Mr Ian James Williams and Mr Douglas Haig Stewart.
- (b) 250,000 options will be granted to each of Messrs Williams and Stewart (being a total of 500,000 options) on the terms and conditions set out in Annexure A to the Explanatory Statement;
- (c) the options which are the subject of Resolution 5 will be granted to Messrs Williams and Stewart on a date being 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;
- (d) the options will be granted to Messrs Williams and Stewart for no consideration – and otherwise on the terms and conditions set out in Annexure A to this Explanatory Statement;
- (e) no funds will be raised by the grant of options pursuant to Resolution 5; and
- (f) by virtue of Exemption 14 of ASX Listing Rule 7.2, shareholders' approval pursuant to Listing Rule 7.1 is not required in order to issue the options the subject of Resolution 5 as shareholders' approval is being obtained under ASX Listing Rule 10.11.

7. Resolution 6 – Approval Updated Directors' Deeds

Resolution 6 seeks shareholders' approval for the purposes of Chapter 2E of the Corporations Act for the entry by the Company into a deed with each of Directors, Mr Ian James Williams and Mr Douglas Haig Stewart (subject to their re-election as Directors by shareholder approval of Resolutions 3 and 4 respectively) 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**).

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 the same form of Deed with current Directors, Messrs Shanker Madan, Farooq Khan and William Johnson, as approved by shareholders at the 2009 Annual General Meeting held on 30 November 2009.

The matters contained in the Deed 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, 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 provisions of 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 also notes that, in the event that shareholder approval is not obtained in accordance with this resolution, the Company proposes to enter into a modified form of the Deed (which would not require shareholders' approval) with Mr Ian James Williams and Mr Douglas Haig Stewart (subject to their re-election as Directors by shareholder approval of Resolutions 3 and 4 respectively).

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

The Deed provides:

- 1. that 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. that 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 (i.e., 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 proceedings 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 a Relevant Entity (clause 4);
3. that, 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. that 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. that 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); and
6. for 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.

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 (e.g., 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 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:

1. the giving of the benefit is required by a contract;
2. 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
3. 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 Messrs Williams and Stewart (subject to their re-election as Directors by shareholder approval of Resolutions 3 and 4 respectively), which approval will authorise the Company to give the Directors any 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 Messrs Williams and Stewart immediately.

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 Mr Ian James Williams (subject to his re-election as Director by shareholder approval of Resolution 3) and Mr Douglas Haig Stewart (subject to his re-election as Director by shareholder approval of Resolution 4);
2. the nature of the financial benefits to be given to Messrs Williams and Stewart 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. All of the Directors were available to consider proposed Resolution 6. All Directors (save for Messrs Williams and Stewart, who have declined to make a recommendation because they have an interest in the outcome of the resolution) recommend that shareholders vote in favour of approving Resolution 6, for the reasons set out in this Explanatory Statement; and
4. Messrs Williams and Stewart have 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 of Messrs Williams and Stewart, each of Messrs Williams and Stewart will gain those rights and benefits set out in the Deed that the Company is not permitted to confer on Directors without members' approval, (for example, reimbursement of costs of independent advice).

The Company will disregard any votes cast on Resolution 6 by Messrs Williams and Stewart or any of their associates, 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 6, other than as set out in this Explanatory Statement.

8. RESOLUTION 7 – 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 7 seeks shareholder approval for an increase in the total amount of fees payable to directors (save for remuneration to Executive Directors including the Managing Director) from a maximum of \$175,000 to \$275,000 per annum.

Shareholders previously approved the setting of a limit of \$175,000 at a general meeting held on 27 July 2007.

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' fees being received by the Non-Executive Directors is as follows:

Name of Director	Office Held	Gross fees and employer superannuation per annum
Ian Williams	Non-Executive Director	\$49,050
Douglas Stewart	Non-Executive Director	\$49,050

The proposed increase in the limit of aggregate remuneration payable to Non-Executive Directors is sought to provide flexibility for the Board in relation to appointing an appropriate number of Non-Executive Directors on the Board (relative to the size of the Board) and offering an appropriate level of remuneration to attract and compensate Non-Executive Directors to join the Board.

It is not presently contemplated that there will be any increase in the current level of annualised directors' fees paid to current Non-Executive Directors.

9. RESOLUTION 8 - APPROVE ISSUE OF 6.7 MILLION SHARES TO UNITED ARABIAN MINING COMPANY

Alara has a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia via a 50% shareholding interest in a newly formed joint venture company, "Khnaiguiyah for Mining Company" (KMC).

The Khnaiguiyah Project is an advanced near production project having a non-JORC compliant resource estimate assessed by BRGM¹², the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993 as reported in Alara's ASX market announcement dated 5 October 2010 and entitled "[Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" (a copy of which is reproduced at pages 10 to 23 of Alara's 2010 Annual Report).

The key terms of the Shareholders' Agreement (dated 21 October 2010) between Alara and United Arabian Mining ("Manajem" in Arabic) Company (**Manajem**) are outlined in Alara's ASX market announcement dated 25 October 2010 and entitled "[Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia](#)" and in Alara's 2010 Annual Report, at page 8.

The Company's market announcements referred to above may be downloaded and viewed from the Company's website (www.alararesources.com) or the ASX website (www.asx.com.au) under ASX Code: AUQ. Copies of these market announcements and the Company's 2010 Annual Report can also be emailed to shareholders upon request to info@alararesources.com or posted by mail to shareholders upon request by telephone to (08) 9214 9787.

The Company has paid US\$3.266 million to Manajem under the Shareholders Agreement. There is one further tranche of US\$4,234,000 payable upon KMC receiving the grant of an Environmental Permit for the commencement of mining under the Khnaiguiyah Project Mining Licence, with such consideration to be satisfied as follows:

- (i) US\$2,010,000 to be satisfied by the issue of 6,700,000 shares in Alara Resources Limited, at an issue price of US\$0.30 per share (equivalent to approximately A\$0.287 per share based on the current A\$1.00/US\$1.04679 exchange rate); and
- (ii) US\$2,224,000 to be satisfied by the payment of cash.

The Company notes that the Company's share price as at the date of the Shareholders' Agreement on 21 October 2010 was \$0.28 per share and the US\$0.30 issue price referred to above was equivalent to A\$0.306 per share based on a A\$1.00/US\$0.98063 exchange rate).

Resolution 8 seeks prior shareholder approval of the issue by the Company of 6,700,000 fully-paid, ordinary shares in the capital of the Company at US\$0.30 per share (being a total of US\$2,010,000) to Manajem pursuant to the Shareholders Agreement. That is, as part of the consideration payable by Alara to Manajem as described above.

Shareholders approved this same resolution at the Company's 2010 Annual General Meeting held on 30 November 2010. However, as the ASX Listing Rules require the issue of shares within 3 months of receipt of shareholder approval, the authority to issue shares under this previous shareholder approval has lapsed and fresh approval is sought at this General Meeting under Resolution 8.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 7.1. In accordance with ASX Listing Rule 7.3, the following information is provided to shareholders to assist them to assess whether to approve Resolution 8:

- (a) 6,700,000 shares may be issued by the Company, provided the trigger for payment is satisfied under the Shareholders Agreement (as described above);
- (b) The shares will be issued at a price of US\$0.30 per share. This is equivalent to approximately A\$0.287 per share based on the current A\$1.00/US\$1.04679 exchange rate;
- (c) The shares will be ordinary, fully-paid shares issued on the same terms and conditions as the shares currently on issue by the Company;

¹² Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (www.brgm.fr)

- (d) The allottee is United Arabian Mining Company (Manajem), who is not a related party or associate of the Company;
- (e) The shares will be issued and allotted upon KMC receiving the grant of an environmental permit for the commencement of mining under the Khnaiguiyah Project Mining Licence, pursuant to the Shareholders Agreement. The Company is unable to specify the date upon which this will occur as the date of issue of the environmental permit is beyond the control of the Company. To accommodate the possibility that this may occur later than 3 months after the date of shareholder approval of Resolution 8, the Company will be applying to the ASX for a waiver of the applicable ASX Listing Rules to permit the Company to issue the shares after this time. The Company will lodge an ASX market announcement to advise of the ASX's decision on the Company's waiver application;
- (f) No funds will be raised from the issue of the shares (which are being issued as part of the consideration payable to Manajem under the Shareholders Agreement).

All Directors recommend that shareholders vote in favour of approving Resolution 8, as the issue of 6,700,000 shares (at an issue price of US\$0.30 per share) in lieu of US\$2,010,000 cash consideration otherwise payable to Manajem under the Shareholders' Agreement will preserve the Company's cash funds, obviate the need for the Company to potentially issue shares at a more dilutory issue price to fund the payment of a cash consideration and is in the best interests of the Company.

In accordance with ASX Listing Rules 7.3 and 14.11, the Company will disregard any votes cast on Resolution 8 by United Arabian Mining Company and any person who might obtain a benefit (except a benefit solely in the capacity of the security holder) if Resolution 8 is passed, and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Annexure A

TERMS AND CONDITIONS OF OPTIONS PROPOSED TO BE ISSUED SHAREHOLDER APPROVAL OF RESOLUTION 5

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 Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$[to be set as the greater of \$0.60 or 126% of the volume weighted average 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)] (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on [to be set as 3 years from the date of issue] (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. Lapsing of Options Prior to Option Expiry Date

4.1 Options will lapse prior to the Option Expiry Date:

4.1.1 Upon determination by the Board that the Director has acted fraudulently or dishonestly in relation to his obligations to the Company;

4.1.2 Upon the Director resigning from office as a Director (other than at the request of the Board),

unless the Board determines in its unfettered discretion that lapse will not occur or will be delayed for any period or until the occurrence of any condition.

4.2 "**Director**" means the Director to whom the Company has offered the Options and who has nominated the Option Holder to receive the Options offered to him by the Company.

5. 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 of the Share issued pursuant to the exercise of the Option.

6. 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, a member of the Company.

7. Dealings in Options

7.1 Save as provided in clause 7.2, 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.

7.2 If the Option Holder is the Director to whom the Company has offered to apply for Options, the Director/Option Holder may at any time transfer all or any of their Options to the Director's spouse, to a company in which the Director or his spouse is a shareholder, to a trustee of a trust in which the Director or his spouse has a beneficial interest to be held on that trust or to the trustee of any superannuation fund of which the Director or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 7.2, a reference to the Option Holder is a reference to the transferee.

8. Method of Exercise of an Option

8.1 A certificate or holding statement will be issued by the Company with respect to Options held by the 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 the 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. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

8.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share

multiplied by the number of Options being exercised.

- 8.3 Subject to Clause 8.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).
- 8.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.
- 8.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:
- 8.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and
 - 8.5.2 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 Holder's unexercised Options.
- 8.6 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.
- 8.7 The Company will (subject to any escrow restrictions imposed by ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

9. 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 Listing Rules of ASX applying to reconstructions at that time.

10. 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.

11. Change of Options Exercise Price or Number of Underlying Shares

- 11.1 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 ASX. No change will be made pursuant to the application of the above formula to the number of Shares to which the Option Holder is entitled.
- 11.2 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 book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

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

Meeting Room 10	commencing	10:30am (Perth time)
Perth Convention and Exhibition Centre		Thursday, 26 May 2011
21 Mounts Bay Road		
Perth, Western Australia 6000		

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 10.30am (Perth time) on 24 May 2011.**

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.

Voting by Attorney

A shareholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the General Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or one of the addresses listed above for the receipt of proxy appointments at least 48 hours before the General 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 5:00pm (Perth time) on 24 May 2011 (**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.

www.alararesources.com

ALARA RESOURCES LIMITED

A.B.N. 27 122 892 719

Registered Office:

Level 14, The Forrest Centre
221 St Georges Terrace
Perth Western Australia 6000
T | (08) 9214 9787
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E | admin@advancedshare.com.au
W | www.advancedshare.com.au

PROXY FORM

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

www.alararesources.com

PLEASE RETURN TO:
The Company Secretary
Alara Resources Limited
Level 14, The Forrest Centre
221 St Georges Terrace, Perth WA 6000
Enquiries: (08) 9214 9787
Facsimile: (08) 9322 1515
Email: info@alararesources.com

Name1
Name2
Name3
Name4
Name5
Name6

Holder ID: {HOLDER_ID} / {REGISTER}
Shares held as at 20 April 2011: {BAL}
Current Election to Receive Hard-Copy Annual Report: {"NO" if {ANN_REPX}="0", "YES"}

A. Appointment of Proxy

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

☐ The Chairman of the Meeting (mark ☒) *(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 Resources Limited to be held at **Meeting Room 10, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth**, Western Australia at **10:30am (Perth time) on Thursday, 26 May 2011** and at any adjournment of such General Meeting

B. Voting directions to your proxy – please mark ☒ to indicate your directions

RESOLUTIONS

	For	Against	Abstain*
(1) Ratify \$6.48 Million /18 Million Share Placement	☐	☐	☐
(2) Approve \$23.76 Million / 66 Million Share Placement	☐	☐	☐
(3) Re-election of Director – Ian Williams	☐	☐	☐
(4) Re-election of Director – Doug Stewart	☐	☐	☐
(5) Approve Issue of Options to Directors - Ian Williams and Doug Stewart	☐	☐	☐
(6) Approve Directors' Deeds - Ian Williams and Doug Stewart	☐	☐	☐
(7) Non-Executive Director' Remuneration	☐	☐	☐
(8) Approve Issue of 6.7 Million Shares to United Arabian Mining Company	☐	☐	☐

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.

C. Change of Address and Annual Report Elections (see notes 1 and 2 overleaf)

- ☐ mark ☒ if you want to make any changes to your address details
- ☐ mark ☒ if you wish to receive a printed Annual Report by post
- ☐ mark ☒ if you wish to receive an electronic Annual Report by email and specify your email address below

D. PLEASE SIGN HERE

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

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Joint Shareholder 2

Director

Joint Shareholder 3

Director / Company Secretary

Contact Name

Contact Daytime Telephone

Date

Email

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Change of Address

Your pre-printed name and address is as it appears on the share register of Alara Resources Limited. If this information is incorrect, please mark the box at **Section C** of the proxy form and make the correction at the top of the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Annual Report Elections

The Australian Government has introduced legislation changing the default option for receiving annual reports. Companies are no longer required to mail out printed annual reports to shareholders. Instead, shareholders can now make an election as follows:

- (a) make a written request for a hard copy annual report to be mailed to you; or
- (b) make a written request for an electronic copy of the annual report to be emailed to you.

If you wish to update your annual report elections, please complete **Section C** of the Proxy Form.

3. 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.

4. 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.

5. A proxy need not be a shareholder of the Company.

6. 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.

7. 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.

8. Signing Instructions

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

- Individual:** Where the holding is in one name, the holder must sign.
- Joint Holding:** Where the holding is in more than one name, all of the shareholders should sign.
- Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified copy of the appropriate Power of Attorney with your completed Proxy Form and produce a properly executed original (or certified copy) of that Power of Attorney at the General Meeting.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.
- 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.
- 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 **10:30am (Perth time) on 24 May 2011** (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 Resources Limited
Level 14, The Forrest Centre
221 St Georges Terrace
Perth Western Australia 6000

By Facsimile: (08) 9322 1515