

Alara Resources

NOTICE OF GENERAL MEETING and EXPLANATORY STATEMENT TO SHAREHOLDERS

Date and Time of Meeting: 11:00 am (Perth time)
on Thursday, 16 January 2014

Place of Meeting: The Boardroom
Level 3, Construction House
35 Havelock Street
West 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 18 November 2013.

ENQUIRIES

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



ASX Code: AUQ

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

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NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of shareholders of Alara Resources Limited A.B.N. 27 122 892 719 (**Alara** or **Company**) will be held in **The Boardroom, Level 3, 35 Havelock Street, West Perth**, Western Australia at **11:00 am (Perth time) on Thursday, 16 January 2014**.

AGENDA

1. Resolution 1 - Approval of Issue of Options to Director

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

"For the purposes of Chapter 2E of the Corporations Act (Cth) 2001 and ASX Limited (ASX) Listing Rule 10.11, and for all other purposes, shareholders approve the issue to His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, a Non-Executive Director of the Company, a total of 20,000,000 options, as follows:

- (i) *10,000,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.10 and exercisable at any time (subject to and upon the attainment of 'Milestone 1' on or before 31 March 2014, as described in the terms and conditions in Annexure A) on or before the second anniversary of the date of issue;*
- (ii) *10,000,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.15 and exercisable at any time (subject to and upon the attainment of 'Milestone 2' on or before 31 December 2014, as described in the terms and conditions in Annexure B) on or before the second anniversary of the date of issue,*

and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice including Annexures A and B."

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by Director, His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, and any of his associates.

2. Resolution 2 - Approval of Director's Deeds

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

"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 each of His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, a Non-Executive Director of the Company, and Mr James David Phipps, an Alternate Director to HRH Prince Abdullah, on the terms and conditions summarised in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on Resolution 2 by Director, His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, Alternate Director, Mr James David Phipps, and any of their associates.

DATED THIS 18th DAY OF NOVEMBER 2013

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 (Cth) 2001 (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. ORDINARY RESOLUTION 1 - APPROVAL OF ISSUE OF OPTIONS TO DIRECTOR

1.1. Background

Resolution 1 seeks shareholders' approval for the Company to grant a total of 20,000,000 options to Non-Executive Director, His Royal Highness Prince Abdullah bin Mosaad bin Abdulaziz Al Saud, on the following terms and conditions:

Option Tranches	Tranche 1	Tranche 2
Number of options	10,000,000	10,000,000
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:	
	\$0.10	\$0.15
Expiry date	Each option will expire at 5:00pm (Perth time) on the second anniversary of their date of issue	
Vesting conditions	Options may only be exercised after they have vested. Options will vest as follows ¹ :	
	<p>Upon the attainment of 'Milestone 1' on or before 31 March 2014.</p> <p>Milestone 1 means the securing of licences in respect of the Khnaiguiyah Project, including the transfer of the Khnaiguiyah mining licence from Manajem to KMC and the issue of a water licence that satisfies the requirements defined within the Khnaiguiyah DFS (unless the Board determines, in its unfettered discretion, that these licence matters are not required for the advancement of the Khnaiguiyah Project under the circumstances in existence as at 31 March 2014).</p>	<p>Upon the attainment of 'Milestone 2' on or before 31 December 2014.</p> <p>Milestone 2 means the 'Commencement of Construction' in respect of the Khnaiguiyah Project on or before 1 July 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) and the completion of 'Total Financing' (unless the Board determines, in its unfettered discretion, that Project Financing and/or Company Financing is not required for the advancement of the Khnaiguiyah Project under the circumstances in existence as at 31 December 2014).</p>
Immediate vesting conditions	Any option that has not vested will immediately vest on, and may be exercised on and from, the date of such vesting until the option expiry date (subject to lapse in accordance with their terms of issue) where:	
	<p>(a) A takeover bid is made for the Company under the Corporations Act;</p> <p>(b) A Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement involving the Company under the Corporations Act; or</p> <p>(c) Some other transaction has occurred, or is likely to occur, which involves a change of control of the Company.</p>	
Option lapse conditions where options have vested:	Where options have vested and therefore able to be exercised, options will lapse prior to their expiry date as follows:	
	<p>(a) Upon determination by the Board that the Director has acted fraudulently, dishonestly or in breach of his obligations to the Company;</p> <p>(b) Upon the Director ceasing to be a Director of the Company and not exercising the option within twelve months following that event,</p> <p>unless the Board determines, in its unfettered discretion, that the options or any of them will not lapse or that their lapse will be delayed for any period or until the occurrence of any condition.</p>	

¹ Defined terms are as defined in the option terms and conditions included in Annexures A and B.

Option Tranches	Tranche 1	Tranche 2
Lapsing conditions where options have not vested:	Where options have not vested and are therefore unable to be exercised, options will lapse prior to their expiry date as follows: (a) Upon determination by the Board that the Director has acted fraudulently, dishonestly or in breach of his obligations to the Company; (b) Upon the Director ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders); or (c) Upon the death, permanent illness or permanent physical or mental incapacity of the Director.	
Other terms and conditions	As set out in <u>Annexure A</u> to the Explanatory Statement accompanying this Notice.	As set out in <u>Annexure B</u> to the Explanatory Statement accompanying this Notice.

The options are proposed to be issued pursuant to HRH Prince Abdullah's appointment to the Board on 28 October 2013.²

HRH Prince Abdullah's appointment is the culmination of Alara's endeavours to appoint a commercially experienced and highly regarded Saudi Arabian national to the Board in order to strengthen its presence in Saudi Arabia, where the Company has recently completed a DFS on its flagship Khnaiguiyah Zinc-Copper Project and is now in a position to secure project financing inclusive of an application to the Saudi Industrial Development Fund (SIDF).

Alara is pleased to have HRH Prince Abdullah as a trusted local advocate on the Board to represent the Company's interests in Saudi Arabia and advise the Board and Management Team overall - at an important stage in Alara's development as the Company embarks on its plan to transition to a base metals producer in Saudi Arabia post the completion of the Khnaiguiyah DFS.

Alara hopes to draw upon HRH Prince Abdullah's local expertise to advise and assist the Khnaiguiyah joint venture generally and potentially to assist in securing project finance locally/regionally and various regulatory approvals required for Khnaiguiyah mine development.

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

- The number of options to be issued to the Director has been determined having regard to the level of Director's fees being received by him (being \$50,000 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 the Director 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 the Director which is linked to the Company's share price performance.
- Based on the option exercise prices, the exercise of these options by the Director 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 and Executives within the industry in which it operates.

1.2. 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 shareholders 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.

² Refer ASX market announcement dated 29 October 2013 and entitled "Appointment of Director"

The Company is thus seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act to issue options to a Director pursuant to Resolution 1.

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 1:

(a) The related party to whom Resolution 1 would permit the financial benefit to be given

Newly appointed (on 28 October 2013) Non-Executive Director, HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud.

(b) The nature of the financial benefit

If Resolution 1 is passed, HRH Prince Abdullah will be granted a total of 20,000,000 unlisted options, each to acquire a share in the Company and with a term expiring two (2) years after the date of issue. The options will be granted on the terms and conditions set out in this Explanatory Statement, including Annexures A and B accompanying this Explanatory Statement.

(c) Directors' recommendation

All of the Directors were available to consider proposed Resolution 1. All Directors (save for HRH Prince Abdullah who has declined to make a recommendation because he has an interest in the outcome of the resolution) recommend that shareholders vote in favour of approving Resolution 1, for the reasons set out in this Explanatory Statement.

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

HRH Prince Abdullah has an interest in the outcome of this resolution as, if the resolution is passed, he will be issued with a total of 20,000,000 unlisted options on the terms and conditions set out in this Explanatory Statement, including Annexures A and B accompanying this Explanatory Statement.

(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 1 is passed, the Company will grant a total 20,000,000 options.

As at the date of this Notice and Explanatory Statement, the Company has the following securities on issue:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.50 (25 May 2014) Unlisted Options ³	-	200,000	200,000
\$0.60 (25 May 2014) Unlisted Directors' Options ⁴	-	250,000	250,000
\$0.60 (25 May 2014) Unlisted Options ³	-	125,000	125,000
\$0.70 (25 May 2014) Unlisted Options ³	-	125,000	125,000
\$0.35 (25 October 2014) Unlisted Options ⁵	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ⁵	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ⁶	-	400,000	400,000
\$0.15 (21 November 2016) Unlisted Managing Director's Options	-	6,666,667	6,666,667
\$0.20 (21 November 2016) Unlisted Managing Director's Options	-	3,333,333	3,333,333
Total	242,007,500	16,750,000	258,757,500

If all of the 20,000,000 options proposed to be granted to the Director pursuant to shareholder approval of Resolution 1 are exercised into shares and assuming no other options currently on issue are

³ Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 5 September 2011](#)

⁴ Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

⁵ Terms and conditions of issue are set out in a [Notice of Annual General 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](#)

⁶ Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

exercised into shares, this would dilute the shareholding of existing shareholders by 7.63% and raise \$2,500,000 cash for the Company.

If all of the 20,000,000 options proposed to be granted to the Director pursuant to shareholder approval of Resolution 1 are exercised into shares and assuming all of the current 6,750,000 options on issue are exercised into shares, this would dilute the shareholding of then existing shareholders by 7.44% and raise \$5,530,000 cash for the Company.

(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 1 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 following table sets out the trading history of the Company's shares on ASX between 1 July and 14 November 2013 (inclusive):

	High (cents)	Low (cents)	Last Sale at month end (cents)	VWAP (cents)	Volume (No. Shares)	Value (\$)	No. Trades
November 2013 (to 14 November)	10	7.6	8	8.6616	8,228,322	714,810.548	139
October 2013	9.9	4.5	7.8	7.2148	12,213,489	881,183.514	523
September 2013	5.8	3.5	4.5	4.4668	11,908,465	531,924.626	203
August 2013	7.5	3.8	6	5.2718	15,190,303	800,794.958	404
July 2013	5	3.8	4	4.1391	10,600,379	438,762.059	236

Source: IRESS Market Technology

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

HRH Prince Abdullah does not have a relevant interest in securities in the Company, as at the date of this Notice.

(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 1 (if passed) will have an indicative total value of \$651,769 (at \$0.0366 per option in respect of Tranche 1 and \$0.0286 per option in respect of Tranche 2).

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

- (A) the Company's share price being \$0.08 per share (which was the last sale price as at 14 November 2013);
- (B) a risk-free rate of return of 3.0863% (based on the Commonwealth (Australian Government) 3 year bond rate as at 14 November 2013); 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 14 November 2013. 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 1 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 1 by HRH Prince Abdullah or any of his 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 1, other than as set out in this Explanatory Statement.

1.3. 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 1.

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

- (a) the options will be granted to Director, HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud.
- (b) 20,000,000 options will be granted to HRH Prince Abdullah on the terms and conditions set out in Annexures A and B to the Explanatory Statement;
- (c) the options which are the subject of Resolution 1 will be granted to HRH Prince Abdullah 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 HRH Prince Abdullah for no consideration – and otherwise on the terms and conditions set out in Annexures A and B to this Explanatory Statement;
- (e) no funds will be raised by the grant of options pursuant to Resolution 1; 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 1 as shareholders' approval is being obtained under ASX Listing Rule 10.11.

2. ORDINARY RESOLUTION 2 - APPROVAL OF DIRECTOR'S DEEDS

Resolution 2 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 Non-Executive Director, HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud and his Alternate Director, Mr James David Phipps, 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 other current and previous Directors, as approved by shareholders at general meetings.

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 each of HRH Prince Abdullah and Mr James Phipps.

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 HRH Prince Abdullah and Mr James Phipps, which approval will authorise the Company to give the Directors any financial benefits to which they may at any time be entitled under their respective Deeds. If this resolution is passed, the Deed will be entered into with each of HRH Prince Abdullah and Mr James Phipps immediately.

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

1. the related party to whom the financial benefits will be given if this resolution is passed is each of HRH Prince Abdullah bin Mosaad bin Abdulaziz Al Saud and Mr James David Phipps;
2. the nature of the financial benefits to be given to each of HRH Prince Abdullah and Mr James Phipps 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 2. All Directors (save for HRH Prince Abdullah/Mr James Phipps, who has declined to make a recommendation because each has an interest in the outcome of the resolution) recommend that shareholders vote in favour of approving Resolution 2, for the reasons set out in this Explanatory Statement; and
4. Each of HRH Prince Abdullah and Mr James Phipps 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 of HRH Prince Abdullah and Mr James Phipps, each 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 2 by HRH Prince Abdullah, Mr James Phipps, and 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 2, other than as set out in this Explanatory Statement.

Annexure A

TERMS AND CONDITIONS OF TRANCHE 1 OPTIONS PROPOSED TO BE ISSUED TO A DIRECTOR

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 \$0.10 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on the second 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. Vesting Conditions (Non-Exercise Periods)

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

4.1.1 10,000,000 of the Options issued to each Option Holder will vest upon the attainment of **Milestone 1** on or before 31 March 2014 (which Options may therefore be exercised at any time thereafter prior to the Option Expiry Date); and

4.2 Any Option that has not become vested in accordance with clause 4.1 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) where:

4.2.1 a takeover bid is made for the Company;

4.2.2 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

4.2.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company.

4.3 "**Milestone 1**" means the securing of the following licences in respect of the Khnaiguiyah Project:

(a) The transfer of the Khnaiguiyah Project mining licence from Manajem to KMC;

(b) The expansion of the Khnaiguiyah Project mining licence to include areas the subject of the JORC Reserves defined within the Khnaiguiyah DFS; and

(c) The issue of a water licence that satisfies the requirements defined within the Khnaiguiyah DFS

(unless the Board determines, in its unfettered discretion, that these licence matters are not required for the advancement of the Khnaiguiyah Project under the circumstances in existence as at 31 March 2014).

4.4 "**DFS**" means the feasibility study completed on the Khnaiguiyah Project as announced by the Company on 30 April 2013 (refer ASX market announcement entitled "Positive Definitive Feasibility Study Confirms Khnaiguiyah Project as Technically and Financially Robust") (including updated versions of the same).

4.5 "**KMC**" means Khnaiguiyah Mining Company LLC.

4.6 "**Manajem**" means United Arabian Mining Company LLC.

4.7 "**Khnaiguiyah Project**" means the Company's Khnaiguiyah Zinc-Copper Project in Saudi Arabia held via joint venture company, KMC.

5. Lapsing of Options Prior to Option Expiry Date

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

5.1.1 Where Options are able to be exercised (that is, Options have vested under Clause 4):

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

5.1.1.2 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders) and not exercising the option within twelve (12) months following that event;

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

5.1.2 Where Options have not vested in accordance with Clause 4:

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

5.1.2.2 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders); or

- 5.1.2.3 Upon the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder.
- 5.2 Nothing in this clause means that any Option can be exercised after the Option Expiry Date.
- 5.3 **“Director Option Holder”** means:
- 5.3.1 the Option Holder (being the 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 the 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 of the Share issued pursuant to the exercise of the Option.

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, a member 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 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 8.2, a reference to the Option Holder is a reference to the transferee.

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 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.

- 9.2 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.
- 9.3 Subject to Clause 9.1 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).
- 9.4 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.
- 9.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:
- 9.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and
- 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 Holder's unexercised Options.
- 9.6 Within five (5) business 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 ASX) within five (5) 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.

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 Listing Rules of ASX 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 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.

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 book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

Annexure B

TERMS AND CONDITIONS OF TRANCHE 2 OPTIONS PROPOSED TO BE ISSUED TO A DIRECTOR

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 \$0.15 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on the second 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. Vesting Conditions (Non-Exercise Periods)

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

4.1.1 10,000,000 of the Options issued to each Option Holder will vest upon the attainment of **Milestone 2** on or before 31 December 2014 (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date).

4.2 Any Option that has not become vested in accordance with clause 4.1 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) where:

- 4.2.1 a takeover bid is made for the Company;
- 4.2.2 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
- 4.2.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company.

4.3 "**Milestone 2**" means the completion of:

- 4.3.1 the Commencement of Construction on or before 1 July 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion); and
- 4.3.2 Total Financing on or before 31 December 2014 (unless the Board determines, in its unfettered discretion, that Project Financing and/or Company Financing is not required for the

advancement of the Khnaiguiyah Project under the circumstances in existence as at 31 December 2014).

4.4 "**Commencement of Construction**" means the start of physical activity at the Khnaiguiyah Project site in direct association with the full start of construction or the early preparation of the site in anticipation of the start of full site construction. Site security works or camp repair/upgrade works would be considered as the latter condition.

4.5 "**Company Financing**" means the raising of debt and or equity funds by the Company required to meet the Company's funding commitment (under the Shareholders' Agreement) to KMC to develop the Khnaiguiyah Project into production as defined under the DFS.

4.6 "**DFS**" means the feasibility study completed on the Khnaiguiyah Project as announced by the Company on 30 April 2013 (refer ASX market announcement entitled "Positive Definitive Feasibility Study Confirms Khnaiguiyah Project as Technically and Financially Robust") (including updated versions of the same).

4.7 "**KMC**" means Khnaiguiyah Mining Company LLC.

4.8 "**Khnaiguiyah Project**" means the Company's Khnaiguiyah Zinc-Copper Project in Saudi Arabia held via joint venture company, KMC.

4.9 "**Manajem**" means United Arabian Mining Company LLC.

4.10 "**Project Financing**" means the raising of debt and or equity funds by KMC required to meet KMC's funding commitment to develop the Khnaiguiyah Project into production as defined under the DFS.

4.11 "**Shareholders' Agreement**" means the shareholders' agreement dated 21 October 2010 between the Company's subsidiary, Alara Saudi Operations Pty Limited and Manajem in respect of the formation and operation of KMC and the development of the Khnaiguiyah Project (as may be amended from time to time).

4.12 "**Total Financing**" means the securing of Project Financing (on terms acceptable by the Board of the Company) and Company Financing (on terms acceptable by the Board of the Company) required to fund the development of the Khnaiguiyah Project into production as defined under the DFS.

5. Lapsing of Options Prior to Option Expiry Date

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

5.4.1 Where Options are able to be exercised (that is, Options have vested under Clause 4):

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

5.4.1.2 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders) and not exercising the option within twelve (12) months following that event,

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

5.4.2 Where Options have not vested in accordance with Clause 4:

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

5.4.2.2 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders); or

5.4.2.3 Upon the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder.

5.5 Nothing in this clause means that any Option can be exercised after the Option Expiry Date.

5.6 "Director Option Holder" means:

5.6.1 the Option Holder (being the Director of the Company at the date of issue) if the Option has not been transferred under clause 8 or;

5.6.2 the original Option Holder (being the 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 of the Share issued pursuant to the exercise of the Option.

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, a member 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 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 8.2, a reference to the Option Holder is a reference to the transferee.

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 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.

9.2 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.

9.3 Subject to Clause 9.1 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).

9.4 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.

9.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

9.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and

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 Holder's unexercised Options.

- 9.6 Within five (5) business 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 ASX) within five (5) 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.

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 Listing Rules of ASX 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 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.
- 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 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 MEETING AND HOW TO VOTE

Venue

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

The Boardroom Level 3, Construction House 35 Havelock Street, West Perth, Western Australia	commencing	11:00 am (Perth time) Thursday, 16 January 2014
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Voting Rights (subject to the voting exclusions noted in the Notice of Meeting)

- At any meeting of the shareholders, each shareholder entitled to vote may vote in person or by proxy or by power of attorney or, in the case of a shareholder which is a corporation, by representative.
- Every person who is present in the capacity of shareholder or the representative of a corporate shareholder shall, on a show of hands, have one vote.
- Every shareholder who is present in person, by proxy, by power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

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:

- by facsimile to (08) 9389 7871;
- by mail to Advanced Share Registry, PO Box 1156, Nedlands, Western Australia 6909; or
- by hand delivery to Advanced Share Registry, Suite 2, 150 Stirling Highway, Nedlands, Western Australia or Level 6, 225 Clarence Street, Sydney, New South Wales,

so that it is received **not later than 11:00 am (Perth time) on Tuesday, 14 January 2014**.

Proxies received after that time will not be effective.

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 14 January 2014 (**Voting Entitlement Time**). Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

PROXY FORM
General Meeting
Alara Resources Limited
A.B.N. 27 122 892 719
 Website: www.alararesources.com

LODGE YOUR VOTE
By Mail: Advanced Share Registry
 PO Box 1156
 Nedlands WA 6909
By Facsimile: (08) 9389 7871
ENQUIRIES: (08) 9389 8033 or
 admin@advancedshare.com.au

{Name1}
 {Name2}
 {Name3}
 {Name4}
 {Name5}
 {Name6}, {POSTCODE}

Our Reference: AUQ / {S-REG} / {SEQUENCE}
 Shareholding as at 9 December 2013: {CURRENT_UNITS}
 Current Election to Receive Hard Copy Annual Report: {ANNUAL_REPORT}

A. Appointment of Proxy

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

The Chair of the Meeting **OR**
 (mark with)

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

or failing the person named, or if no person is named, the Chair 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 in **The Boardroom, Level 3, 35 Havelock Street, West Perth, Western Australia at 11:00am (Perth time) on Thursday, 16 January 2014** and at any adjournment of such General Meeting.

IMPORTANT:

The Company encourages shareholders to indicate their voting direction **FOR** or **AGAINST**, or to **ABSTAIN**, against each resolution in Section B. If you leave Section A blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy by default.

If you have appointed the Chair of the Meeting as your proxy (or the Chair of the Meeting becomes your proxy by default), you can direct the Chair of the Meeting to vote **FOR** or **AGAINST**, or to **ABSTAIN** from voting on the Resolutions by marking the appropriate Voting Direction boxes in Section B below. However, note that under Section A, if the Chair of the Meeting is your proxy and you do not mark any of the Voting Direction boxes in Section B below, you are, in effect, directing the Chair to vote "For" Resolutions 1 and 2 as the Chair of the Meeting intends to vote undirected proxies in favour of Resolutions 1 and 2.

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

RESOLUTIONS	For	Against	Abstain*
(1) Approve Issue of Options to Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2) Approve Director's Deeds	<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 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.

C. Change of Address and Annual Report Election (refer 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 to enable your directions to be implemented

Individual or Shareholder 1 <div style="border: 1px solid black; height: 40px; width: 100%;"></div> Sole Director and Sole Company Secretary	Joint Shareholder 2 <div style="border: 1px solid black; height: 40px; width: 100%;"></div> Director	Joint Shareholder 3 <div style="border: 1px solid black; height: 40px; width: 100%;"></div> Director / Company Secretary
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Contact Name	Contact Daytime Telephone {PHONE}	Date
Email Address	{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

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. You may direct your proxy how to vote by marking one of the voting direction boxes opposition each resolution. If you do not mark a voting direction box your proxy may, to the extent permitted by law, vote as they choose. If you mark more than one voting direction box on a resolution your vote will be invalid on that resolution.

4. 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.

5. 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.

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

7. 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.

8. 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.

9. Signing Instructions

You must sign this form as follows in the spaces provided at **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.

10. Lodgement 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 **11:00am (Perth time) on 14 January 2014** (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:

Advanced Share Registry
PO Box 1156
Nedlands WA 6909

Advanced Share Registry
Suite 2, 150 Stirling Highway
Nedlands, Western Australia

Facsimile: (08) 9389 7871

or

Level 6, 225 Clarence Street
Sydney, New South Wales