

Alara Resources

NOTICE OF ANNUAL GENERAL MEETING and EXPLANATORY STATEMENT

TO SHAREHOLDERS

Date and Time of Meeting: 11:00 am (Perth time)
on Friday, 22 November 2013

Place of Meeting: Conference Room
Level 3, Construction House
35 Havelock Street
West Perth, Western Australia

PURPOSE OF THIS DOCUMENT

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

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

This Notice of Annual General Meeting and Explanatory Statement is dated 10 October 2013.

ENQUIRIES

If you have any questions regarding the matters set out in this Notice of Annual 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 ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Alara Resources Limited A.B.N. 27 122 892 719 (**Alara** or **Company**) will be held in **Conference Room, Level 3, 35 Havelock Street, West Perth**, Western Australia at **11:00 am (Perth time) on Friday, 22 November 2013**.

AGENDA

1. 2013 Annual Report

To consider and receive the 2013 Directors' Report, Financial Statements and Audit Report of the Company.

The 2013 Annual Report will be sent to those shareholders who have elected to receive a printed version. Otherwise, an electronic version of the 2013 Annual Report may be viewed and downloaded from the Company's website: www.alararesources.com or emailed to shareholders upon request to info@alararesources.com, when available.

2. Resolution 1 - Re-Election of Philip Hopkins as Director

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

"That Mr Philip Holmes Hopkins, having been appointed a Director by the Board of Directors of the Company since the last Annual General Meeting of the Company, be and is hereby re-elected as a Director of the Company."

3. Resolution 2 - Re-Election of Ian Williams as Director

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

"That Mr Ian James Williams, having retired pursuant to the Constitution of the Company, being eligible, be re-elected as a Director of the Company."

4. Resolution 3 - Approval of Issue of Options to Director – Philip Hopkins

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

"Subject to the passing of Resolution 1, that, 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 Mr Philip Holmes Hopkins, the Managing Director of the Company, a total of 10,000,000 options, as follows:

- (i) 3,333,334 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 1' as defined in the terms and conditions in Annexure A) on or before 5:00pm (Perth time) on 31 March 2014;*
- (ii) 3,333,333 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' as defined in the terms and conditions in Annexure A) on or before 5:00pm (Perth time) on 31 December 2014;*
- (iii) 3,333,333 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.20 and exercisable at any time (subject to and upon the attainment of 'Milestone 3' as defined in the terms and conditions in Annexure B) on or before 5:00pm (Perth time) on 31 December 2015,*

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 3 by Director, Philip Hopkins, and any of his associates.

5. Resolution 4 - Approval of Director's Deed – Philip Hopkins

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

“Subject to the passing of Resolution 1, 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 Mr Philip Holmes Hopkins, the Managing Director of the Company, on the terms and conditions summarised in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by Director, Philip Hopkins, and any of his associates.

6. Resolution 5 - Approval of 10% Placement Facility

To consider and, if thought fit, pass, the following resolution as a **special resolution**:

“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, shareholders approve the issue of Equity Securities (as defined in the ASX Listing Rules) totalling up to 10% of the Company's shares on issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 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 5 by any person who may participate in the issue of Equity Securities contemplated by the resolution and any person who might obtain a benefit (except a benefit solely in the capacity of a security holder) if this resolution is passed, and any person associated with those persons.

However, the Company need not disregard a vote if:

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

7. Resolution 6 - Adoption of 2013 Remuneration Report

To consider, and if thought fit, pass, the following resolution as an advisory non-binding resolution:

“That the Remuneration Report as detailed in the Directors' Report for the financial year ended 30 June 2013 be adopted.”

Note: The vote on Resolution 6 is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Statement for further details on the consequences of voting on this resolution.

Voting Exclusion: The Company will disregard any votes cast (in any capacity) on Resolution 6 by or on behalf of a “Key Management Personnel” (as defined in the Accounting Standards) and their “Closely Related Parties” (as defined in the *Corporations Act 2001 (Cth)*) (together, the **Restricted Voters**).

Key Management Personnel (**KMP**) are the Company's Directors and Executives identified in the Company's Remuneration Report (which is included in the 2013 Annual Report). A Closely Related Party of a KMP means a spouse or child of the KMP, a child of the KMP's spouse, a dependant of the KMP or the KMP's spouse, anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Company, or a company the KMP controls.

However, a Restricted Voter may cast a vote on Resolution 6 as a proxy, for a person other than a Restricted Voter, and either:

- (a) the Proxy Form specifies the way the proxy is to vote on the resolution; or
- (b) the proxy is the Chair of the meeting and the Proxy Form expressly authorises the Chair of the meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company.

Shareholders should note that if it appoints the Chair as a proxy, or the Chair is appointed by default under the Proxy Form, and the Chair is not directed as to how to vote on Resolution 6, then on the poll for that item, the Chair intends to vote any undirected proxies in favour of Resolution 6. Shareholders may also choose to direct the Chair to vote against Resolution 6 or to abstain from voting on this resolution.

DATED THIS 10th DAY OF OCTOBER 2013

BY ORDER OF THE BOARD



**VICTOR HO
COMPANY SECRETARY**

Role of ASIC and ASX

A copy of this Notice of Annual 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 Annual General Meeting (**AGM**).

1. 2013 ANNUAL REPORT

Section 317 of the Corporations Act requires the Directors of the Company to lay before the AGM the Directors' Report, Financial Report and the Auditor's Report for the last financial year that ended before the AGM. These reports are contained within the Company's 2013 Annual Report.

A copy of the 2013 Annual Report will be sent to those shareholders who have elected to receive a printed version. Otherwise, an electronic version of the 2013 Annual Report may be viewed and downloaded from the Company's website: www.alararesources.com or the ASX website (www.asx.com.au) under ASX Code: AUQ or emailed to shareholders upon request to info@alararesources.com, when available.

Shareholders will be provided with a reasonable opportunity as a whole to ask questions or make statements in relation to these reports and on the business and operations of the Company but no resolution to adopt the reports will be put to shareholders at the AGM.

2. ORDINARY RESOLUTION 1 - RE-ELECTION OF PHILIP HOPKINS AS DIRECTOR

Resolution 1 seeks shareholder approval for the re-election of Mr Philip Holmes Hopkins as a Director of the Company.

The Board appointed Mr Hopkins as Non-Executive Director on 2 May 2013. The Board approved the transitioned of Mr Hopkins to Managing Director with effect on 30 June 2013.

The Company's constitution requires a Director appointed by the Board since the last AGM to retire at the following AGM. Mr Hopkins retires at the AGM under this rule. However, being eligible, he has offered himself for re-election as a Director of the Company.

Mr Hopkins's qualifications and experience are detailed in the Directors' Report in the Company's 2013 Annual Report.

The Board (other than Mr Hopkins who makes no recommendation in respect of his own re-election as a Director) supports the re-election of Mr Hopkins to the Board of Directors of the Company and recommends that **shareholders vote in favour of Resolution 1**.

3. ORDINARY RESOLUTION 2 - RE-ELECTION OF IAN WILLIAMS AS DIRECTOR

Resolution 2 seeks shareholder approval for the re-election of Mr Ian James Williams as a Director of the Company.

The Company's constitution requires one third of the Directors (or if that is not a whole number, the whole number nearest to one third) to retire at each AGM. The Director(s) who retire under this rule are those who have held office the longest since last being elected or appointed. If two or more Directors have been in office for the same period, those Directors may agree which of them will retire. This rule does not apply to the Managing Director.

Mr Williams retires at the AGM under this rule. However, being eligible, he has offered himself for re-election as a Director of the Company.

Mr Williams has been a Director of the Company since 30 November 2010 and the Chairman of the Board since 10 May 2011 and was most recently re-elected a Director at the 2012 AGM held on 30 November 2012. Mr Williams' qualifications and experience are detailed in the Directors' Report in the Company's 2013 Annual Report.

The Board (other than Mr Williams who makes no recommendation in respect of his own re-election as a Director) supports the re-election of Mr Williams to the Board of Directors of the Company and recommends that **shareholders vote in favour of Resolution 2**.

4. ORDINARY RESOLUTION 3 - APPROVAL OF ISSUE OF OPTIONS TO DIRECTOR - PHILIP HOPKINS

4.1. Background

Resolution 3 seeks shareholders' approval for the Company to grant a total of 10,000,000 options to Managing Director, Mr Philip Hopkins (subject to his re-election as a Director by shareholder approval of Resolution 1), on the following terms and conditions:

Option Tranches	Tranche 1	Tranche 2	Tranche 3
Number of options	3,333,334	3,333,333	3,333,333
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:		
	\$0.15	\$0.15	\$0.20
Expiry date	Each option will expire at 5:00pm (Perth time) on the third 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).</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 June 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) after:</p> <p>(a) a 'Decision to Mine' has been made by the Company; and</p> <p>(b) the completion of 'Total Financing'.</p>	<p>Upon the attainment of 'Milestone 3' on or before 31 December 2015.</p> <p>Milestone 3 means the securing of a new mineral resources project for the Company with:</p> <p>(a) such project advanced to at least a preliminary feasibility study (pre-feasibility study) level; and</p> <p>(b) the Board determining (in its unfettered discretion) to undertake a feasibility study on the project.</p>
Immediate vesting conditions	<p>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> <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:	<p>Where options have vested and therefore able to be exercised, options will lapse prior to their expiry date as follows:</p> <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 the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice) and not exercising the option within thirty days following that event; or</p> <p>(c) 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) and not exercising the option within thirty days following that event;</p> <p>(d) 6 months after the death, permanent illness or permanent physical or mental incapacity of the Director,</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 to the Explanatory Statement.

Option Tranches	Tranche 1	Tranche 2	Tranche 3
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 the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice);		
	(c) 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		
	(d) 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 proposed options are pursuant to a long term incentive (LTI) options package defined under Mr Hopkins' Managing Director's employment agreement dated 25 July 2013 (a summary of which is outlined in the Remuneration Report section of the 2013 Annual Report).

Mr Hopkins was appointed a Non-Executive Director on 2 May 2013 and transitioned to Managing Director on 30 June 2013.

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

- The number of options to be issued to the Managing Director has been determined having regard to the level of Director's salary being received by him (as outlined in the Remuneration Report section of the 2013 Annual Report) 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 Managing 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 Managing Director which is linked to the Company's share price performance.
- Based on the option exercise prices, the exercise of these options by the Managing 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.

4.2. A Related Party Transaction Under Chapter 2E Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- obtain the approval of 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.

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

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

(a) The related party to whom Resolution 3 would permit the financial benefit to be given

The Managing Director, Mr Philip Hopkins.

(b) The nature of the financial benefit

If Resolution 3 is passed, Mr Hopkins will be granted a total of 10,000,000 unlisted options, each to acquire a share in the Company and with a term expiring three (3) 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 3. All Directors (save for Mr Hopkins 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 3, for the reasons set out in this Explanatory Statement.

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

Mr Hopkins has an interest in the outcome of this resolution as, if the resolution is passed, he will be issued with a total of 10,000,000 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 3 is passed, the Company will grant a total 10,000,000 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
\$0.35 (25 October 2014) Unlisted Options ²	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ²	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options ³	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options ⁴	-	250,000	250,000
\$0.60 (25 May 2014) Unlisted Options ³	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options ³	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options ⁵	-	400,000	400,000
Total	242,007,500	7,200,000	249,207,500

If all of the 10,000,000 options proposed to be granted to the Managing Director pursuant to shareholder approval of Resolution 3 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 3.97% and raise \$1,666,667 cash for the Company.

If all of the 10,000,000 options proposed to be granted to the Managing Director pursuant to shareholder approval of Resolution 3 are exercised into shares and assuming all of the current 7,200,000 options on issue are exercised into shares, this would dilute the shareholding of then existing shareholders by 3.86% and raise \$4,959,167 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 3 is passed are only likely to be exercised if the Company's shares subsequently trade at a price which is higher than the exercise price.

² 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](#)

³ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 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 an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

The following table sets out the trading history of the Company's shares on ASX between 1 July and 8 October 2013 (inclusive):

	High (cents)	Low (cents)	Last Sale at month end (cents)	VWAP (cents)
October 2013 (to 8 October 2013)	6.5	4.5	6.1	5.2806
September 2013	5.8	3.5	4.5	4.4668
August 2013	7.5	3.8	6	5.2718
July 2013	5	3.8	4	4.1391

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

Mr Philip Hopkins has a relevant interest in 1,000,000 fully paid ordinary shares in the Company, as at the date of this Notice.⁶

(iv) Valuation of Options

The Directors consider, on the basis of the calculation methodology set out below, that the options to be granted pursuant to Resolution 3 (if passed) will have an indicative total value of \$242,667 (at \$0.0255 per option in respect of Tranches 1 and 2 and \$0.0218 per option in respect of Tranche 3).

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

- (A) the Company's share price being \$0.061 per share (which was the last sale price as at 8 October 2013);
- (B) a risk-free rate of return of 3.0259% (based on the Commonwealth (Australian Government) 3 year bond rate as at 8 October 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 8 October 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 3 receiving shareholder approval and in any event, no later than one month thereafter (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules)).

The Company will disregard any votes cast on Resolution 3 by Mr Philip Hopkins or any of his associates, who will be prohibited from voting as described in the voting exclusion statement within the Notice of Annual General Meeting.

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

4.3. ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain approval of the shareholders of the company prior to the issue of securities to a related party of the company. As 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 3.

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

- (a) the options will be granted to the Managing Director, Mr Philip Hopkins.
- (b) 10,000,000 options will be granted to Mr Hopkins 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 3 will be granted to Mr Hopkins on a date being no later than one month after the date of this Annual 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 Mr Hopkins for no consideration – and otherwise on the terms and conditions set out in Annexures A and B to this Explanatory Statement;

⁶ Refer also Mr Hopkins' Change of Director's Interest Notice lodged on ASX on 12 August 2013

- (e) no funds will be raised by the grant of options pursuant to Resolution 3; 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 3 as shareholders' approval is being obtained under ASX Listing Rule 10.11.

5. ORDINARY RESOLUTION 4 - APPROVAL OF DIRECTOR'S DEED - PHILIP HOPKINS

Resolution 4 seeks shareholders' approval for the purposes of Chapter 2E of the Corporations Act for the entry by the Company into a deed with Managing Director, Mr Philip Hopkins (subject to his re-election as a Director by shareholder approval of Resolution 1) to regulate certain matters between the Company and the 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 Mr Philip Hopkins (subject to his re-election as a Director by shareholder approval of Resolution 1).

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 Mr Philip Hopkins (subject to his re-election as a Director by shareholder approval of Resolution 1), 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 Mr Hopkins 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 Mr Philip Hopkins (subject to his re-election as a Director by shareholder approval of Resolution 1);
2. the nature of the financial benefits to be given to Mr Hopkins 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 4. All Directors (save for Mr Hopkins, 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 4, for the reasons set out in this Explanatory Statement; and
4. Mr Hopkins 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 Mr Hopkins, he 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 4 by Mr Philip Hopkins or any of his associates, who will be prohibited from voting as described in the voting exclusion statement within the Notice of Annual 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 4, other than as set out in this Explanatory Statement.

6. SPECIAL RESOLUTION 5 - APPROVAL OF 10% PLACEMENT FACILITY

Resolution 5 seeks shareholder approval to issue Equity Securities under a 10% Placement Facility over a 12 month period following the 2013 AGM.

ASX Listing Rule 7.1A enables 'eligible entities' to seek shareholders' approval at an AGM to issue Equity Securities (as defined under the ASX Listing Rules, which includes a share, a right to a share, an option over an issued or unissued security and a convertible security) representing up to 10% of its issued share capital over a 12 month period after the AGM (**10% Placement Facility**).

The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An 'eligible entity' for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. As at the date of this Notice and Explanatory Statement, the Company is an eligible entity.

The maximum number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer section 7.1(c) below).

6.1. Listing Rule 7.1A**(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval of Resolution 5 (being a special resolution) at this AGM.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as the Company's existing quoted class of equity securities.

The Company, as at the date of this Notice and Explanatory Statement, has on issue the following listed and unlisted classes of securities:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.35 (25 October 2014) Unlisted Options	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options	-	2,000,000	2,000,000
\$0.50 (25 May 2014) Unlisted Options	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options	-	250,000	250,000
\$0.60 (25 May 2014) Unlisted Options	-	250,000	250,000
\$0.70 (25 May 2014) Unlisted Options	-	250,000	250,000
\$0.35 (22 August 2015) Unlisted Options	-	400,000	400,000
Total	242,007,500	7,200,000	249,207,500

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities that have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period following the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A has the same meaning in Listing Rule 7.1 when calculating a company's 15% placement capacity being the number of ordinary shares on issue 12 months before the date of issue or agreement to issue:

- (i) plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
- (iv) less the number of fully paid ordinary shares cancelled in the 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 242,007,500 fully paid ordinary shares and has a capacity to issue:

- (i) 36,301,125 Equity Securities under Listing Rule 7.1 (being the 15% placement capacity); and
- (ii) subject to the passing of Resolution 6, 24,200,750 Equity Securities under Listing Rule 7.1A (being the 10% Placement Facility).

The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 6.1(c) above).

(e) Minimum Issue Price

The Equity Securities will be issued (under Listing Rule 7.1A) at an issue price of not less than 75% of the volume weighted average price (**VWAP**) for the Company's Equity Securities in the same class calculated over the 15 trading days on which days trades in those securities were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date in section 6.1(e)(i) above, the date on which the Equity Securities are actually issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM until the earlier of:

- (i) the first anniversary of the AGM; or
- (ii) the date of approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period as may be allowed by ASX (the **10% Placement Period**).

6.2. Effect of passing Resolution 5

The effect of shareholders passing Resolution 5 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using/in addition to using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by shareholders present and eligible to vote at the AGM.

6.3. Additional specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to Resolution 5 and the 10% Placement Facility as follows (to the extent that such information is not disclosed elsewhere in this Explanatory Statement):

- (a) If Resolution 5 is approved by shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the AGM; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

- (b) The table below shows the dilution of existing shareholders on the basis of the current market price of shares and the current number of Equity Securities for Variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice and Explanatory Statement.

The table also shows:

- (i) two examples where Variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Equity Securities the Company has on issue (as contemplated under the formula in section 6.1(c) above). The number of Equity Securities on issue may increase as a result of issues of Equity Securities that do not require shareholder approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and

- (ii) two examples of where the issue price of the Equity Securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Assumed Issue Price		
		\$0.0305	\$0.061	\$0.0915
		50% Decrease in Issue Price	Issue Price	50% Increase in Issue Price
Current Variable 'A' total shares: 242,007,500	10% voting dilution - new shares issued	24,200,750	24,200,750	24,200,750
	Funds raised	\$738,122	\$1,476,245	\$2,214,368
50% Increase in Current Variable 'A' total shares: 363,011,250	10% voting dilution - new shares issued	36,301,125	36,301,125	36,301,125
	Funds raised	\$1,107,184	\$2,214,368	\$3,321,552
100% Increase in Current Variable 'A' total shares: 484,015,000	10% voting dilution - new shares issued	48,401,500	48,401,500	48,401,500
	Funds raised	\$1,476,245	\$2,952,491	\$4,428,737

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No current options are exercised into shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility, based on that shareholder's holding at the date of the AGM.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and no other issues of Equity Securities (including issues under the 15% placement capacity pursuant to Listing Rule 7.1).
- (vi) The issue price is \$0.061, being the closing price of the Company's shares on ASX on 8 October 2013.
- (c) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).
- (d) The Company may issue Equity Securities under the 10% Placement Facility for the following purposes:
- (i) to raise additional cash funds. In such circumstances, the Company may use the funds raised for continued exploration, evaluation and development expenditure on the Company's projects, towards potential acquisition or investment transactions in relation to mineral resources projects, assets or investments deemed by the Board to be in the best interests of the Company and/or general working capital; or
- (ii) as non-cash consideration towards potential acquisition or investment transactions in relation to mineral resources projects, assets or investments deemed by the Board to be in the best interests of the Company. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon any issue of Equity Securities.
- (f) The Company's allocation policy will depend on prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.
- (g) The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to various factors, including but not limited to the following:
- (i) the methods of raising funds that are then available to the Company;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;

- (iii) the financial situation and solvency of the Company; and
 - (iv) advice from professional and corporate advisers.
- (h) Allottees under the 10% Placement Facility have not been determined as at the date of this Notice and Explanatory Statement, but may include existing shareholders and/or new shareholders who are not related parties of the Company. Further, if the Company is successful in acquiring new resource assets or investments, allottees under the 10% Placement Facility may include the vendors of those assets (on the basis that consideration is satisfied in whole or in part by the issue of shares in the Company).
- (i) The Company has previously sought but failed to obtain shareholder approval under Listing Rule 7.1A at the 2012 AGM.

6.4. Directors' Recommendation

The Directors believe that providing the Company with a 10% Placement Facility (in addition to the Company's 15% placement capacity under the ASX Listing Rules) under ASX Listing Rule 7.1A is in the best interests of the Company and unanimously recommend that **shareholders vote in favour of Resolution 5**.

6.5. Voting Exclusion

In accordance with ASX Listing Rules 7.3A and 14.11, the Company will disregard any votes cast on Resolution 5 by any person who may participate in the issue of Equity Securities contemplated by the resolution and any person who might obtain a benefit (except a benefit solely in the capacity of a security holder) if this resolution 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.

At the date of this Notice and Explanatory Statement, the Company has not approached any existing shareholder or an identifiable class of existing shareholders to participate in any issue of Equity Securities under the 10% Placement Facility. No existing shareholder's votes will therefore be excluded under the voting exclusion statement.

7. ADVISORY NON-BINDING RESOLUTION 6 - ADOPTION OF 2013 REMUNERATION REPORT

Resolution 6 seeks shareholder approval to adopt the 30 June 2013 Remuneration Report as disclosed in the Company's 2013 Annual Report (refer above for information on accessing the report).

Section 250R(2) of the Corporations Act requires the Company to present to its shareholders for adoption the Remuneration Report.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to "Key Management Personnel" (being the Company's Directors and Executives identified in the Remuneration Report) (**KMP**), sets out remuneration details for each KMP and any service agreements and sets out the details of any performance based and equity based benefits provided to KMP (where applicable).

Shareholders attending the AGM will be given a reasonable opportunity as a whole to ask questions about, or make comments on, the Remuneration Report.

The vote on Resolution 6 is advisory only and does not bind the Directors or the Company.

Directors' Recommendations

Noting that each Director has a personal interest in their own remuneration from the Company (as such interests are described in the Remuneration Report) and, as described in the voting exclusions on this resolution (set out in the Notice of AGM), that each Director (or any Closely Related Party of a Director) is excluded from voting their shares on this resolution, the Directors unanimously recommend that **shareholders vote in favour of Resolution 6** to adopt the Remuneration Report.

Voting Exclusion

A voting exclusion applies to Resolution 6 in the terms set out in the Notice of AGM. In particular, the Restricted Voters may not vote on this resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP. The Chair will use any undirected/open proxies to vote in favour of this resolution.

The Company encourages shareholders to indicate their voting direction FOR or AGAINST, or to ABSTAIN, in relation to each resolution, including Resolution 6.

If shareholders have appointed the Chair of the Meeting as their proxy (or the Chair of the Meeting becomes their proxy by default), shareholders can direct the Chair of the Meeting to vote FOR or AGAINST, or to ABSTAIN from voting on Resolution 6 by marking the appropriate Voting Direction box opposite that resolution.

However, if the Chair of the Meeting is proxy under the Proxy Form and shareholders do not mark any of the Voting Direction boxes opposite Resolution 6, shareholders are, in effect, directing the Chair to vote "FOR" the resolution as the Chair of the Meeting intends to vote undirected proxies in favour of Resolution 6.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on this resolution.

Annexure A

TERMS AND CONDITIONS OF TRANCHE 1 AND TRANCHE 2 OPTIONS PROPOSED TO BE ISSUED TO MANAGING DIRECTOR SUBJECT TO SHAREHOLDER APPROVAL OF RESOLUTION 3

1. Nil Consideration Payable

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

2. Entitlement

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara 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 third 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 3,333,334 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

4.1.2 3,333,333 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 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 "**Milestone 2**" means the Commencement of Construction in respect of the Khnaiguiyah Project on or before 1 June 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) after:

- (a) a Decision to Mine has been made by the Company; and
- (b) the completion of Total Financing.

4.5 "**Commencement of Construction**" means the act or ceremony of breaking ground for the construction of a zinc-copper mining operation defined under the DFS and pursuant to binding contracts entered into for the completion of the same.

4.6 "**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.

4.7 "**Decision to Mine**" has the same meaning defined under the Shareholders' Agreement.

4.8 "**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).

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

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

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

- 4.12 **“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.
- 4.13 **“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).
- 4.14 **“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**
- 5.1 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;
- 5.1.1.2 Upon the Director Option Holder ceasing to be the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice) and not exercising the option within thirty (30) days following that event;
- 5.1.1.3 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 thirty (30) days following that event; or
- 5.1.1.4 Six (6) months after the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder,
- 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 the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice);
- 5.1.2.3 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
- 5.1.2.4 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 Managing 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 Managing 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 3 OPTIONS PROPOSED TO BE ISSUED TO MANAGING DIRECTOR SUBJECT TO SHAREHOLDER APPROVAL OF RESOLUTION 3

1. Nil Consideration Payable

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

2. Entitlement

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.20 (**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 third 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 3,333,333 of the Options issued to each Option Holder will vest upon the attainment of **Milestone 3** on or before 31 December 2015 (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 3**" means the securing of a new mineral resources project for the Company with:

- (a) such project advanced to at least a preliminary feasibility study (pre-feasibility study) level (to a standard prescribed under the [JORC Code, 2012 Edition](#)); and
- (b) the Board determining (in its unfettered discretion) to undertake a feasibility study (to a standard prescribed under the

[JORC Code, 2012 Edition](#)) on the project.

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;

5.1.1.2 Upon the Director Option Holder ceasing to be the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice) and not exercising the option within thirty (30) days following that event;

5.1.1.3 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 thirty (30) days following that event; or

5.1.1.4 Six (6) months after the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder,

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 the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice);

5.1.2.3 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

5.1.2.4 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 Managing 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 Managing 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 AGM AND HOW TO VOTE

Venue

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

Conference Room
Level 3, Construction House
35 Havelock Street, West Perth, Western Australia

commencing 11:00 am (Perth time)
Friday, 22 November 2013

Voting Rights (subject to the voting exclusions noted in the Notice of AGM)

- 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 Annual 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 Wednesday, 20 November 2013**.

Proxies received after that time will not be effective.

Online Voting

To vote online, please visit the Company's Share Registry website: www.advancedshare.com.au and enter the Investor Login section. Shareholders will need to enter their Shareholder Reference Number (SRN) or CHESS Holder Identification Number (HIN) pertaining to their shareholding in the Company.

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 Annual 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 Annual 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 Annual 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 20 November 2013 (**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

Annual 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

By Online Voting: www.advancedshare.com.au

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 17 October 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
(mark with)

OR

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 Annual General Meeting of Alara Resources Limited to be held in **Conference Room, Level 3, 35 Havelock Street, West Perth, Western Australia at 11:00am (Perth time) on Friday, 22 November 2013** and at any adjournment of such Annual 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 to 6 (inclusive) as the Chair of the Meeting intends to vote undirected proxies in favour of Resolutions 1, 2, 3, 4, 5 and 6.

YOUR ACKNOWLEDGEMENTS ON REMUNERATION RELATED RESOLUTION

Chair's intention to vote undirected proxies: I/We acknowledge that the Chair of the Meeting intends to vote undirected proxies in favour of Resolution 6.

Direction to Chair for voting on Resolution 6: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair of the Meeting becomes my/our proxy by default), but I/we have not marked any of the boxes opposite Resolution 6 in Section B below, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of Resolution 6 even though the Chair is, and those items are connected directly or indirectly with the remuneration of, a member of key management personnel for the Company.

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

RESOLUTIONS

	For	Against	Abstain*
(1) Re-election of Philip Hopkins as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2) Re-election of Ian Williams as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3) Approve Issue of Options to Managing Director – Philip Hopkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4) Approve Director's Deed – Philip Hopkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(5) Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(6) Adoption of Remuneration Report	<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

Joint Shareholder 2

Joint Shareholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name

{PHONE}
Contact Daytime Telephone

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. Voting on Remuneration Matters

The Company will disregard any votes cast on Resolution 6 (Adoption of Remuneration Report) by or on behalf of a "Key Management Personnel" (as defined in the Accounting Standards) and their "Closely Related Parties" (as defined in the *Corporations Act 2001*) (**Restricted Voter**). Key Management Personnel (**KMP**) are the Company's Directors and Executives identified in the Company's Remuneration Report. A Closely Related Party of a KMP means a spouse or child of the KMP, a child of the KMP's spouse, a dependant of the KMP or the KMP's spouse, anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Company, or a company the KMP controls. The Company need not disregard a vote if a vote is cast by a KMP on Resolution 6 as a proxy, for a person other than a Restricted Voter, and either:

- (a) you directed the KMP the way they are to vote on Resolution 6; or
- (b) if the Chair is your proxy, you expressly authorise him to vote as he sees fit on Resolution 6 under the Proxy Form even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Shareholders may also choose to direct the Chair to vote against these resolutions or to abstain from voting.

- 4. 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.
- 5. 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.
- 6. 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.
- 7. A proxy need not be a shareholder of the Company.
- 8. 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.
- 9. 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.
- 10. **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.

11. 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 20 November 2013** (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