

Alara Resources

NOTICE OF ANNUAL GENERAL MEETING and EXPLANATORY STATEMENT

TO SHAREHOLDERS

Date and Time of Meeting: 9:00 am (Perth time)
on Tuesday, 14 November 2017

Place of Meeting: Level 11, London House
216 St Georges Terrace
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 4 October 2017.

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.



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NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Alara Resources Limited ABN. 27 122 892 719 (**Alara or Company**) will be held at **Level 11, 216 St Georges Terrace, Perth, Western Australia at 9:00am (Perth time) on Tuesday, 14 November 2017.**

AGENDA

1. 2017 Annual Report

To consider and receive the 2017 Directors' Report, Financial Statements and Audit Report of the Company.

The 2017 Annual Report will be sent to those shareholders who have elected to receive a printed version. Otherwise, an electronic version of the 2017 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 – Adoption of 2017 Remuneration Report

To consider, and if thought fit, to 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 2017 be adopted.”

Note: The vote on Resolution 1 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 1 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 2017 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 1 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 1, then on a poll for that item, the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting on this resolution.

3. Resolution 2 – Re-Election of Atmavireswar Sthapak as Director

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

“That, for the purpose of clause 5.2 of the Company's Constitution, ASX Listing Rule 14.4 and for all other purposes, Atmavireswar Sthapak, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. Resolution 3 – Approval of Employee Share Option Plan

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

“That, for the purpose of Listing Rule 7.2 Exception 9(b) and for all other purposes, approval is given for the Company to adopt the Employee Share Option Plan on the summary of the terms set out in the Explanatory Statement accompanying this Notice of Annual General Meeting, for a period of 3 years after the date of this Meeting, as an exception to Listing Rule 7.1 and 7.1A.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any person associated with that Director. However, the Company will not disregard a vote if 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, or the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 4 – Approval of 10% Placement Facility

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

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the number of ordinary Shares on issue by way of placements over a 12 month period, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2; and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the Resolution is passed. 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, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

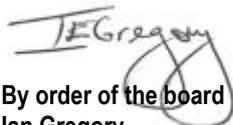
6. Resolution 5 – Placement – Shares

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the issue price, will raise up to \$2,000,000 on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the proposed issue and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the Resolution is passed. 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, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 4 October 2017



By order of the board
Ian Gregory
Company Secretary

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. 2017 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 2017 Annual Report.

A copy of the 2017 Annual Report will be sent to those shareholders who have elected to receive a printed version. Otherwise, an electronic version of the 2017 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. ADVISORY NON-BINDING RESOLUTION 1 – ADOPTION OF 2017 REMUNERATION REPORT

Resolution 1 seeks shareholder approval to adopt the 30 June 2017 Remuneration Report as disclosed in the Company's 2017 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 1 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 1** to adopt the Remuneration Report.

Voting Exclusion

A voting exclusion applies to Resolution 1 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 1. 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 1 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 1, 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 1. Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on this resolution.

3. ORDINARY RESOLUTION 2 – RE-ELECTION OF ATMAVIRESHWAR STHAPAK AS DIRECTOR

Resolution 2 seeks shareholder approval for the re-election of Mr Atmavireshwar Sthapak as a Director of the Company.

The Board appointed Mr Sthapak as Non-Executive Director on 22 September 2015 and he was subsequently appointed as Executive Director on 3 February 2016. The Board considers Mr Sthapak to be a non-independent director.

In accordance with Listing Rule 14.5 and clause 5.2 of the Constitution, at every annual general meeting an election of Directors must take place. Listing Rule 14.4 and clause 5.2 of the Constitution prevents a Director from holding office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

The Directors to retire are those Directors who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement and in default of agreement by ballot. The Managing Director is exempt from retirement and re-election.

Mr Sthapak retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Mr Sthapak has a Bachelor of Applied Science and Master of Technology, Applied Geology. He is a geologist specialising in mineral resource exploration and evaluation studies. He joined Alara in 2011, making valuable contributions to the Company as an Exploration Manager and a Study Manager based in Muscat, including discovery of large VMS copper mineralisation extensions at the Washihi project in Oman and recent resource upgrade at Washihi. Prior to Alara, his career spanned 10 years with ACC / ACC-CRA Ltd, and 10 years with Rio Tinto (Australasia) where he was awarded a Rio Tinto Discovery Award in 2009. He has worked on world class deposits, including Mt. Isa type copper deposits in Australia, and copper, gold and diamond mines on four continents.

Recommendation

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

4. ORDINARY RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

The Company has established an Employee Share Option Plan (**ESOP**) to assist in the recruitment, reward, retention and motivation of employees (excluding Directors) and contractors of the Alara group, which was previously approved by shareholders approximately three years ago at the 2014 Annual General Meeting held on 19 November 2014.

Shareholder approval is not required for the adoption of an ESOP, however, without shareholder approval of the plan issues of options under the plan would count towards the 15% placement capacity limit in ASX Listing Rule 7.1.

Under ASX Listing Rule 7.1, a company is prohibited from issuing securities representing more than 15% of its share capital in a 12 month period without shareholder approval, subject to certain exceptions.

ASX Listing Rule 7.2 (exception 9) permits issue of securities under an employee incentive scheme for a maximum three (3) years period if shareholders approve those issues under the scheme. Resolution 3 seeks Shareholders' approval for the adoption of the ESOP in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

As the adoption of the Company's 2014 ESOP was approximately 3 years ago, shareholders' approval is sought at this AGM to freshly adopt a 2017 ESOP to ensure that any options issued under the plan in the next 3 years are excluded from the calculations in determining the number of securities the Company can issue without shareholder approval under the 15% placement capacity limit.

Under the 2017 ESOP, the Board will nominate employees to participate in the plan and will offer options to subscribe for shares to those employees. A summary of the terms of the 2017 ESOP is set out in Schedule 1. A copy of the ESOP can also be sent to shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concern.

The Company's ESOP does not extend to the issue of options to Directors.

Since the adoption of the 2014 ESOP, the Company has issued the following options pursuant to the plan:

No of options issued	Date of issue	Description of Unlisted Options	Exercise price	Expiry date	Vesting criteria	Current status
3,000,000	9 March 2017	\$0.04 (9 March 2020) Options	\$0.04	9 March 2020	100% on date of issue	Active

Recommendation

The Board supports the approval of the Company's ESOP and recommends that **shareholders vote in favour of Resolution 3**.

5. SPECIAL RESOLUTION 4 – APPROVAL OF 10% PLACEMENT FACILITY

1. Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**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. The Company is an eligible entity as at the time of this Notice of Meeting and expects to be so at the date of the Annual General Meeting.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

If Shareholders approve Resolution 4, the number of Equity Securities the Company may issue under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Key objectives of the Company are to continue its focus on exploration and development activities in highly prospective acreage and vertical integration of new business opportunities in high equity positions that align with the Company's exploration portfolio of interests. The Company may use the 10% Placement Facility to acquire exploration or development opportunities or investments, or for exploration activities encompassing drilling and/or feasibility studies of the Company's projects.

The Board believes that the 10% Placement Facility is beneficial for the Company as it will give the Company flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

2. Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

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

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, being Shares and Options. However Shares are the only class of Equity Securities that are quoted.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 sets out the prescribed formula for calculating the number of Equity Securities which may be issued under the 10% Placement Facility.

(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 597,517,589 Shares. Subject to Shareholders approving Resolution 4, immediately following the AGM the Company will have the capacity to issue approximately:

- (i) 89,627,638 Equity Securities under Listing Rule 7.1; and
- (ii) 59,751,759 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have 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.

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days on which trades in that class 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 paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the 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),

(10% Placement Period).

3. Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

4. Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price not less than the minimum issue price calculated in accordance with section 2(e) above.
- (b) If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised) to the extent Shareholders do not receive any Shares under the issue. 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 Meeting; 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 or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

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

- (c) The below table shows the dilution of existing Shareholders on the basis of the market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at 3 October 2017.
- (d) The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Facility.

Variable 'A' in Listing Rule 7.1A.2 Number of Shares on Issue	Number of Shares issued under 10% Placement Capacity	Dilution		
		Funds raised based on issue price of \$0.0075 (50% decrease in current issue price)	Funds raised based on issue price of \$0.015 (Current issue price)	Funds raised based on issue price of \$0.0225 (50% increase in current issue price)
597,517,589 (Current)	59,751,759	\$448,138	\$896,276	\$1,344,414
896,276,383 (50% increase)*	89,627,638	\$672,207	\$1,344,414	\$2,016,621
1,195,035,178 (100% increase)*	119,503,518	\$896,276	\$1,792,552	\$2,688,829

*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- (i) Variable A is 597,517,589 being the number of ordinary securities on issue at the date of this Notice of Meeting.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iii) No Options (including any Listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (iv) Shareholders approve Resolution 4.
- (v) 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%.

- (vi) 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 Meeting.
 - (vii) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (viii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (ix) The issue price is \$0.015, being the closing price of the Shares on ASX on 3 October 2017.
- (e) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 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 activities or Listing Rule 11.2 (disposal of main undertaking)).
- (f) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration, development and drilling and feasibility study expenditure on the Company's current assets and/or general working capital, consistent with the Company's publically stated strategy.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (g) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (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 corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (h) The Company previously obtained Shareholder approval under Listing Rule 7.1A at last year's Annual General Meeting held on 23 November 2016.

The Company has issued a total of 8,011,516 Equity Securities during the 12 months preceding the date of this Meeting representing approximately 1.3% of the total diluted number of Equity Securities on issue in the Company on 3 October 2017, being 600,517,589.

Information relating to issues of Equity Securities by the Company in the 12 months prior to the date of this Meeting is as follows:

Date of Issue	Allottee	Equity Security	Price (and discount to market if any)	Key terms	Amount Raised: Use of Funds or non-cash Consideration
9 March 2017	Various employees who are participants in the Company's Employee Share Option Plan.	3,000,000 Unlisted options	Nil consideration. Exercise price of \$0.04 per option.	The Options were issued to various employees of the Company pursuant to the Company's Employee Share Option Plan which was approved by Shareholders at the Annual General Meeting held 19 November 2014. Refer to Annexure B for Key Terms. Options expire 9 March 2020.	No funds raised. Option value is \$20,000.

7 April 2017	Various option holders by the exercise of quoted options.	3,187,535 Shares	\$0.02 (Premium of 14.3%)	Exercise of quoted options with an expiry of 30 April 2017.	Amount raised = \$63,750.70 Amount spent = \$Nil Amount remaining = \$63,750.70 <u>Use of funds</u> – General working capital
10 May 2017	Various option holders by the exercise of quoted options.	1,823,981 Shares	\$0.02 (Premium of 25%)	Exercise of quoted options with an expiry of 30 April 2017.	Amount raised = \$36,479.62 Amount spent = \$Nil Amount remaining = \$36,479.62 <u>Use of funds</u> – General working capital

- (i) A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities.

In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Facility the subject of Resolution 4), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

No existing Shareholders' votes will therefore be excluded under the voting exclusion in the Notice.

Recommendation

The Board supports the approval of the additional placement capacity and recommends that **shareholders vote in favour of Resolution 4**.

6. ORDINARY RESOLUTION 5 – PLACEMENT – SHARES

1. Background

Resolution 5 seeks Shareholder approval for the issue of up to that number of Shares, when multiplied by the issue price, will raise up to \$2,000,000 (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

2. Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- the maximum number of Shares to be issued is up to that number of Shares which, when multiplied by the issue price, equals \$2,000,000;
- the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- the issue price will be not less than 80% of the volume weighted average price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made or, if there is a prospectus, over the last 5 days on which sales in the securities were recorded before the date the prospectus is signed;
- the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (f) the Company intends to use the funds raised from the Placement towards development of the Al Hadeetha Copper Gold project in Oman (including civil works and/or water treatment plant and pipeline) and ongoing working capital.

3. Dilution

The closing price for Shares on the 3 October 2017 was \$0.015, being the lowest issue price contemplated by this resolution.

Accordingly, set out below is a worked example of the number of Shares that may be issued under Resolution 5 based on an assumed issue price of \$0.015, \$0.02 and \$0.04.

Assumed issue price	Maximum number of Shares which the Company could issue (rounded up to the nearest whole number) pursuant to Resolution Error! Reference source not found.	Current Shares on issue as at the date of this Notice	Increase in the number of Shares on issue assuming the Company issued the maximum amount pursuant to Resolution 5	Dilution effect on existing Shareholders
\$0.015	133,333,333	597,517,589	730,850,922	18.24%
\$0.02	100,000,000	597,517,589	697,517,589	14.34%
\$0.04	50,000,000	597,517,589	647,517,589	7.72%

Assuming no Options are exercised or other Shares issued and the maximum number of Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 597,517,589 (being the number of Shares on issue as at the date of this Notice) to 730,850,922 and the shareholding of existing Shareholders would be diluted by 18.24%.

The Company notes that the above workings are an example only and the actual issue price may differ. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

Recommendation

The Board supports the approval of the additional placement and recommends that **shareholders vote in favour of Resolution 5**.

ANNEXURE A

SUMMARY OF THE TERMS OF ALARA RESOURCES LIMITED EMPLOYEE SHARE OPTION PLAN

Subject of Resolution 3

1. The Plan is managed and administered for the Company by the board or a committee established by the board for that purpose.
2. The Plan is open to all employees (full time or part time but excluding directors) of the Company or of any related body corporate of the Company or a principal contractor or principal consultant engaged by the Company or of an Associated Company (**employee**).
3. In its discretion, the board decides whether an employee is eligible to participate in the Plan. In so deciding, the board must consider:
 - 3.1 the employee's position within the Alara group and the services provided to the Alara group by the employee;
 - 3.2 the employee's record and length of employment or service with the Alara group;
 - 3.3 the employee's potential contribution to the growth of the Alara group;
 - 3.4 the employee's remuneration level; and
 - 3.5 any other matters which tend to indicate the employee's merit.
4. Each invitation to an employee to accept options must specify (among other things) the number of options the employee is invited to accept, the exercise price or (if applicable) method of calculation of the exercise price, the period in which the options vest and the period during which they may be exercised. The determination of each of these matters shall be at the discretion of the Company.
5. The board must not invite an application for an option or grant an option if that would exceed the share limit. In basic terms (and subject to certain exceptions), the share limit is exceeded if the total number of shares the subject of options issued under any employee share or option plan operated by the Company immediately following an issue of options under the Plan exceeds 15% of the then issued share capital of the Company.
6. The Plan will continue in operation until the board decides to terminate it.
7. Options issued under the Plan:
 - 7.1 may be issued to a nominee of the relevant employee, with the board's prior consent;
 - 7.2 are to subscribe for one fully paid ordinary share in the capital of the Company which rank equally in every way with those then issued fully paid ordinary shares in the capital of the Company;
 - 7.3 may be exercised:
 - 7.3.1 any time after they have vested but before they have expired;
 - 7.3.2 during a bid period of a takeover bid for the Company;
 - 7.3.3 during the 3 month period following a change in control of the Company not arising from a takeover bid; and
 - 7.3.4 during the period following a court order convening a meeting of the members of the Company concerning a proposed compromise or arrangement between the Company and its members and ending on the earlier of (A) the date that is 3 Business Days after the date on which an office copy of the court order approving the proposed compromise or arrangement is lodged with ASIC, and (B) the date on which the Company announces to ASX that the proposed compromise or arrangement will not be proceeding;
8. Optionholders may not participate in new issues of securities to Shareholders, but will be given notice of new issues in accordance with the Listing Rules. If there is a bonus share issue, the number of shares over which an option is exercisable will be increased accordingly. The exercise price of an option will be adjusted in the manner provided for in the Listing Rules if there is a pro rata issue (other than a bonus issue) to shareholders. Options will be reorganised in accordance with the Listing Rules if the Company's capital is reorganised.

ANNEXURE B

KEY TERMS OF OPTIONS ISSUED UNDER ALARA RESOURCES LIMITED EMPLOYEE SHARE OPTION PLAN

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 A\$0.04 (Exercise Price).

The Options will not be quoted on the ASX.
3. **Option Period**
Each Option will expire at 5:00pm (Perth, Western Australia 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. **Non-Exercise Periods**
Options may only be exercised after they have vested. The Options will vest (Vested Options) as follows:-
 - 4.1 100% of the Options will vest at the date of issue of the Options (which Options may therefore be exercised at any time prior to the Option Expiry Date).
5. **Lapsing of Options Prior to Option Expiry Date**
Options will lapse prior to the Option Expiry Date in the circumstances described below:
 - 5.1 Where Options are able to be exercised (that is, Options have vested under Clause 4 or clause 13):
 - 5.1.1 Upon determination by the Board that the Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;
 - 5.1.2 Upon the Option Holder ceasing to be a Director, consultant or employee of the Company (for whatever reason including by retrenchment, redundancy or retirement) and not exercising the option within 6 months following that event (unless a longer period is otherwise determined by the Board); or
 - 5.1.3 12 months after the death, permanent illness or permanent physical or mental incapacity of the Option Holder (unless a longer period is otherwise determined by the Board).
 - 5.2 Where Options have not vested in accordance with Clause 4 or Clause 13, upon determination by the Board that the Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company.
 - 5.3 "Option Holder" means:
 - 5.3.1 the Option Holder (being a Director, consultant or employee of the Company at the date of issue) if the Option has not been transferred under clause 8; or
 - 5.3.2 the original Option Holder (being a Director, consultant or employee of the Company at the date of issue) if the Option has been transferred under clause 8.
6. **Ranking of Share Issued on Exercise of Option**
Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.
7. **Notification to Option Holders**
The Option Holder 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 The Option Holder may at any time transfer all or any of their Vested Options (that is, Options which are able to be exercised under Clause 4) to a spouse of the Option Holder, to a company in which the Option Holder or the spouse of the Option Holder are shareholders, or to a trustee of a trust in which the Option Holder or the spouse of the Option Holder have a beneficial interest, subject to any applicable law and the ASX Listing Rules.
9. **Method of Exercise of an Option**
 - 9.1 a certificate or holding statement will be issued by the Company with respect to Options held by 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

500,000 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 500,000, 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 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
- 9.7 The Company will (subject to any escrow restrictions imposed by ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.
- 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.
- 13. Immediate Vesting**
- 13.1 Upon determination by the Board, in the event of the Option Holder ceasing to be a Director, consultant or employee of the Company (for whatever reason including by retrenchment, redundancy or retirement) before any Option has vested under clause 4 the Option will be taken to have vested immediately before the time of the occurrence;
- 13.2 In the event of the death, permanent illness or permanent physical or mental incapacity of a Option Holder before any Option has vested under clause 4 the Option will be taken to have vested immediately before the time of the occurrence; and
- 13.3 Where:
- 13.3.1 a takeover bid is made for the Company;
- 13.3.2 a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
- 13.3.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company,
- any Option that has not become vested in accordance with clause 4 will immediately become vested.

GLOSSARY

In this Explanatory Statement, the following terms have the following meaning:

2017 Annual Report means the Company's annual report for the year ended 30 June 2017, which can be downloaded from the Company's website at www.alararesources.com.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 724 791) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules or **Listing Rules** means the official Listing Rules of ASX.

Board means the board of directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- a company the member controls; or
- a person prescribed by the Corporations Regulations.

Company means Alara Resources Limited (ABN 27 122 892 719).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Director mean a director of the Company.

Equity Securities has the meaning given in the Listing Rules.

Explanatory Statement means the explanatory statement to this Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Meeting means the meeting convened by the Notice.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share.

Remuneration Report means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2017 Annual Report.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time, being the time in Perth, Western Australia.

TIME AND PLACE OF AGM AND HOW TO VOTE

Venue

The Annual General Meeting of the shareholders of Alara Resources Limited will be held at **Level 11, 216 St Georges Terrace, Perth, Western Australia at 9:00am (Perth time) on Tuesday, 14 November 2017.**

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 mail to Alara Resources Limited, PO Box 1227, West Perth, Western Australia 6872;
- by hand delivery to Alara Resources Limited, Level 11, 216 St Georges Terrace, Perth, Western Australia; or
- by e-mail to cosec@alararesources.com.

so that it is received **not later than 9:00 am (Perth time) on Sunday, 12 November 2017.**

Proxies received after that time will not be effective.

Bodies Corporate

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

Voting by Attorney

A shareholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the 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 Sunday 12 November 2017 (**Voting Entitlement Time**). Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

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