



NOTICE OF ANNUAL GENERAL MEETING & EXPLANATORY STATEMENT

TO SHAREHOLDERS

Date and Time of Meeting: 10:30am (Perth time)
on Monday, 30 November 2009

Place of Meeting: The Forrest Centre Conference Suites
Level 14, The Forrest Centre
221 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 26 October 2009.

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 using the details above or your professional advisers.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting (AGM) of shareholders of Alara Resources Limited A.C.N. 122 892 719 (**Company** or **Alara** or **AUQ**) will be held at the Forrest Centre Conference Suites, Level 14, The Forrest Centre, **221 St Georges Terrace**, Perth, Western Australia at **10:30 am** (Perth time) on **Monday, 30 November 2009**.

AGENDA

ORDINARY BUSINESS

1. Annual Reports

To consider and receive the 2009 Directors' Report, Financial Statements and Audit Report of the Company, which are contained in the Company's 2009 Annual Report.

The 2009 Annual Report accompanies this Notice of AGM if shareholders have elected to receive a printed version. Otherwise, an electronic version of the 2009 Annual Report may be viewed and downloaded from the Company's website: www.alararesources.com.au or emailed to shareholders upon request to info@alararesources.com.au

2. Resolution 1 - Re-Election of John Stephenson as Director

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

"That John Francis Stephenson, having retired by rotation pursuant to clause 5 of the Company's constitution, be and is hereby re-elected as a Director of the Company"

3. Resolution 2 – Re-Election of William Johnson as Director

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

"That William Matthew Johnson, having been appointed a Director by the Board of Directors of the Company since the last Annual General Meeting of the Company and who automatically retires at this Annual General Meeting in accordance with clause 8 of the Company's Constitution, be and is hereby re-elected as a Director of the Company."

4. Resolution 3 – Approval of Updated Directors' Deeds

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

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

Voting Exclusion: The Company will disregard any votes cast on this resolution by Directors, John Stephenson, H. Shanker Madan, Farooq Khan and William Johnson, or any associates of each of the foregoing directors.

5. Resolution 4 – Approval of Issue of Options to Director

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

“Subject to the passing of Resolution 2, 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 William Matthew Johnson, an Executive Director of the Company, a total of 3,000,000 options, as follows:

- (i) 1,000,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.60 and exercisable at any time on or before 5:00pm (Perth time) on 25 October 2014;*
- (ii) 2,000,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.35 and exercisable at any time on or before 5:00pm (Perth time) on 25 October 2014; and*

otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice.

Voting Exclusion: The Company will disregard any votes cast on this resolution by William Johnson or any associate of William Johnson.

6. Resolution 5 – Ratify Issue of Options to Employee

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the previous issue of 2,650,000 options to Victor Poh Hong Ho, the Company Secretary of the Company, as follows:

- (i) 1,000,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.60 and exercisable at any time on or before 5:00pm (Perth time) on 25 October 2014;*
- (ii) 1,650,000 options, each to subscribe for one ordinary share in the Company at an exercise price equal to \$0.35 and exercisable at any time on or before 5:00pm (Perth time) on 25 October 2014; and*

otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice.

Voting Exclusion: The Company will disregard any votes cast on this resolution by Victor Poh Hong Ho or any associate of Victor Poh Hong Ho.

7. Resolution 6 – Appointment of Auditor

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

“That, subject to the Australian Securities and Investments Commission granting its consent to the resignation of the Company’s current auditor, Grant Thornton (WA) Partnership, for the purposes of section 327B of the Corporations Act and for all other purposes, Grant Thornton Audit Pty Ltd, having been nominated and having consented in writing to act as auditor of the Company, be appointed as auditor of the Company and the Directors be authorised to set its remuneration.”

8. Resolution 7 - Adoption of 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 year ended 30 June 2009 be adopted“

DATED THIS 26th DAY OF OCTOBER 2009

BY ORDER OF THE BOARD

**VICTOR HO
COMPANY SECRETARY**

Role of ASIC and ASX

A copy of this Notice of AGM 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 AGM and Explanatory Statement.

Voting Exclusion

Where a voting exclusion applies (as described above in the Notice of AGM), 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 Annual General Meeting; or
- (b) it is cast by the person chairing the Annual General Meeting as proxy for a party who is entitled to vote, in accordance with a direction on the Proxy Form for this Annual General Meeting to vote as the proxy decides.

EXPLANATORY STATEMENT

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

1. Annual Report

Section 317 of the Corporations Act requires the Directors of the Company to table before the AGM the Directors' Report, Financial Report and the Auditor's Report for the last financial year that ended before the AGM. Shareholders will be provided with a reasonable opportunity to ask questions or make statements in relation to these Reports, but no resolution to adopt the Reports will be put to shareholders at the AGM.

The Company's 2009 Annual Report will have been sent to those shareholders who have elected to receive a printed version. Otherwise, an electronic version of the 2009 Annual Report may be viewed and downloaded from the Company's website: www.alararesources.com.au or emailed to shareholders upon request made to info@alararesources.com.au

2. Resolution 1 – Re-Election Of John Stephenson as Director

Resolution 1 seeks the re-election of John Francis Stephenson 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.

John Stephenson retires at the AGM under this rule. However, being eligible, John Stephenson has offered himself for re-election as a Director of the Company. John Stephenson has been Chairman of the Company since 18 May 2007 and was most recently re-elected a Director at the 2007 AGM. John Stephenson's qualifications and experience are detailed in the Directors' Report in the Company's 2009 Annual Report.

3. Resolution 2 – Re-Election of William Johnson as Director

Resolution 2 seeks the re-election of William Matthew Johnson as a Director of the Company.

The Board appointed Mr Johnson as Non-Executive Director on 26 October 2009 (which was after the Company's last (2008) AGM). In accordance with the Company's Constitution, Mr Johnson is subject to re-election at the next AGM of the Company. Mr Johnson's qualifications and experience are detailed below:

William M. Johnson	Executive Director
<i>Appointed</i>	26 October 2009
<i>Qualifications</i>	MA (Oxon), MBA
<i>Experience</i>	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution.
<i>Relevant interest in securities</i>	27,000 (held jointly) ¹
<i>Other current directorships in listed entities</i>	Current Director of: <ol style="list-style-type: none"> (1) Bentley Capital Limited (BEL) (since 13 March 2009) (2) Strike Resources Limited (SRK) (14 July 2006) (3) Orion Equities Limited (OEQ) (since 28 February 2003)
<i>Former directorships in other listed entities in past 3 years</i>	<ol style="list-style-type: none"> (1) Scarborough Equities Limited (SCB) (29 November 2004 until it merged with BEL on 13 March 2009 and was delisted) (2) Drillsearch Energy Limited (DLS) (24 October 2006 to 11 August 2008) (3) Sofcom Limited (SOF) (18 October 2005 to 19 March 2008)

¹ Held jointly by Mr William Matthew Johnson and Mrs Joanne Doris Johnson <WIJOA Super Fund A/C>

4. Resolution 3 – Approval Updated Directors’ Deeds

Resolution 3 seeks shareholders’ approval for the purposes of Part 2E of the Corporations Act for the entry by the Company into a deed with each of its Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office with, and after the Director ceases to be an officer of, the Company (or its wholly owned subsidiaries) (the **Deed**).

The Company notes that it is not unusual for directors of a company to be granted the protection conferred by the Deed. The Company has previously entered into a Deed with each of its current Directors. Furthermore, the Deeds pertaining to Directors John Stephenson, Shanker Madan and Farooq Khan were approved by shareholders at a general meeting held on 17 September 2008.

However, the Company has conducted a general review and update of the terms of the Deed. The Company and each of its current Directors have agreed to terminate their existing deeds with effect as from and including the date of this AGM and, if this resolution is approved by shareholders, the Company will enter into the new Deed with each of its current Directors after that date.

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 William Johnson (subject to his re-election as Director by shareholder approval of Resolution 2 at this AGM). The remaining Directors will maintain their existing Deeds (which have previously been approved by shareholders as outlined above) or enter into a modified form of the Deed with the Company which would not require shareholders’ approval.

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

The Deed provides:

1. that the Company is to retain, and the Director is granted access to, Board papers and company books (subject to confidentiality and privilege) both while the Director is a director of the Company and after the Director ceases to hold office, for the purposes expressly permitted by the Deed (clause 2);
2. that the Company is required (to the extent permitted by the Corporations Act) to indemnify the Director against:
 - 2.1 any liability incurred by the Director (before or after the date of entry into the Deed) as an officer of the Company or as an officer of a Relevant Entity (i.e., a wholly-owned subsidiary of the Company);
 - 2.2 legal costs which the Director pays or becomes liable to pay in defending or resisting legal proceedings for a liability incurred as an officer of the Company or as an officer of a Relevant Entity or in seeking relief from such a liability under the Corporations Act; and
 - 2.3 legal costs which the Director pays or becomes liable to pay in connection with any legal proceedings of an official person relating to the Company or a Relevant Entity which involves the Director because of his present or former capacity as an officer of the Company or a Relevant Entity (clause 4);
3. that, subject to the terms of the Deed and the Corporations Act, the Company is permitted, at the request of the Director and on such terms as it thinks fit, to advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the Deed and prior to the outcome of a legal proceeding. The Company cannot make such an advance to a Director in respect of legal costs incurred in a legal proceeding initiated by the Company against the Director. Advances must be repaid by the Director once the outcome of the legal proceeding is known, but may be set-off by indemnities from the Company (where permitted by the Deed and the Corporations Act) (clauses 6.2 and 6.3);

4. that the Company must (subject to the Corporations Act) use its best efforts to ensure that, so far as practical (having regard to the cost of coverage and its availability), the Director is insured under a directors' and officers' insurance policy against liability incurred as an officer of the Company or of a Relevant Entity (**D & O Policy**) for the period that each Director is a director of the Company and for 2 years after that Director ceases to hold office, and to pay the insurance premiums on that D & O Policy (clause 7);
5. that the Company must reimburse the Director for the reasonable expense of obtaining independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a director of the Company (clause 9); and
6. for the Company's and Director's rights and obligations in respect of confidential information, legal proceedings against the Director, disclosure of Director's benefits and notifiable interests and related-party benefits.

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

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

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

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

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

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

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

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

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

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

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

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

Accordingly, the Company seeks shareholder approval to enter into a Deed with each of its Directors, 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 all current Directors of the Company immediately.

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

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

The Company will disregard any votes cast on this resolution by Directors, John F. Stephenson, H. Shanker Madan, Farooq Khan and William M. Johnson, or any associates of each of the foregoing directors.

5. Resolution 4 – Approval of Issue of Options to Director

6.1. Background

Resolution 4 seeks shareholders' approval for the Company to grant a total of 3,000,000 options to newly appointed Executive Director, William Johnson, in two tranches on the following terms and conditions:

Option terms and conditions	Tranche 1 \$0.60 (25 October 2014) Options	Tranche 2 \$0.35 (25 October 2014) Options
Number of options	1,000,000	2,000,000
Exercise price	Each option shall entitle the holder to subscribe (in cash) for one (1) fully-paid ordinary share in the capital of Alara Resources Limited at an exercise price equal to:	
	\$0.60	\$0.35
Expiry date	Each option will expire at 5:00pm (Perth time) on 25 October 2014	
Vesting conditions	Options may only be exercised after they have vested. 100% of the options will vest at the date of issue of the options.	
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) Upon the determination of the Board, in the event of the Director ceasing to be a Director of the Company (for whatever reason including by retrenchment, redundancy or retirement);</p> <p>(b) In the event of the death, permanent illness or permanent physical or mental incapacity of a Director; and</p> <p>(c) Where:</p> <p>(i) a takeover bid is made for the Company under the Corporations Act;</p> <p>(ii) 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>(iii) some other transaction has occurred, or is likely to occur, which involves a change of control of the Company.</p>	
Lapsing conditions:	<p>Where options have vested and therefore able to be exercised:</p> <p>(a) Upon their expiry date;</p> <p>(b) Upon determination by the Board that the Director has acted fraudulently, dishonestly or in breach of his obligations to the Company;</p> <p>(c) Upon the Director ceasing to be a director of the Company (for whatever reason including by retrenchment, redundancy or retirement) and has not exercised the option within 6 months following that event (unless a longer period is otherwise determined by the Board); or</p> <p>(d) 12 months after the death, permanent illness or permanent physical or mental incapacity of a Director (unless a longer period is otherwise determined by the Board).</p>	
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 reasons why the Company is proposing to grant these options to newly appointed Executive Director, William Johnson, are as follows:

- The number of options to be issued to Mr Johnson has been determined having regard to the level of Director's salary being received by Mr Johnson (currently \$75,000 per annum) and is a cash-free, effective and efficient way of providing an appropriate level of Director's remuneration as well as providing ongoing equity based incentives for Mr Johnson 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 Mr Johnson 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 Mr Johnson which is linked to the Company's share price performance.

- Based on the option exercise price and the rate at which the options vest, the exercise of these options by Mr Johnson 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 salary ranges for its Directors within the industry in which it operates.

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

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

- (a) obtain the approval of shareholders in the way set out in Sections 217 to 227; and
- (b) give the benefit within 15 months after the approval.

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

The Company is thus seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act to issue options to a Director pursuant to Resolution 4.

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 4:

(a) The related party to whom Resolution 4 would permit the financial benefit to be given

Executive Director, William Johnson.

(b) The nature of the financial benefit

If Resolution 4 is passed, Mr Johnson will be granted a total of 3,000,000 options. The options will be granted on the terms and conditions set out in this Explanatory Statement, including Annexures A and B accompanying this Notice.

(c) Directors' recommendation

All of the Directors were available to consider proposed Resolution 4. All Directors (save for William Johnson, who declines 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.

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

William Johnson has an interest in the outcome of this resolution as, if the resolution is passed, Mr Johnson will be issued with a total of 3,000,000 options on the terms and conditions set out in this Explanatory Statement, including Annexures A and B accompanying this Notice.

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

If Resolution 4 is passed, the Company will grant a total 3,000,000 options to William Johnson.

As at 26 October 2009, the Company has the following securities on issue:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	80,507,500	-	80,507,500
\$0.55 (26 July 2012) Unlisted Options ²	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ³	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ³	-	900,000	900,000
\$0.35 (16 September 2013) Unlisted Options ³	-	1,485,000	1,485,000
\$0.35 (25 October 2014) Unlisted Options ⁴	-	1,650,000	1,650,000
\$0.60 (25 October 2014) Unlisted Options ⁴	-	1,000,000	1,000,000
Total	80,507,500	21,935,000	102,442,500

If only the 3,000,000 options proposed to be granted under Resolution 4 were exercised, the Company would raise \$1,300,000 cash and the shareholding of existing shareholders would be diluted by 3.6%.

If all of the current options on issue⁵, and all of the 3,000,000 options granted pursuant to shareholder approval of Resolution 4 were exercised, this would raise \$15,067,250 cash for the Company and dilute the shareholding of existing shareholders by 33.9%.

(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 4 is passed are only likely to be exercised if the Company's shares subsequently trade at a price which is higher than the exercise price.

The following table sets out the trading history of the Company's shares on ASX between 1 June and 23 October 2009 (inclusive):

	High (cents)	Low (cents)	Last Sale at month end (cents)	VWAP (cents)
October 2009 (to 23 October 2009)	21.5	8.3	21.5	13.859
September 2009	12	5.5	10	8.4865
August 2009	7.9	6.5	6.5	6.9599
July 2009	7.1	4.8	6.9	6.1143
June 2009	7.2	5.4	5.4	6.249

² Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

³ Terms and conditions of issue are set out in a Notice of Meeting and Explanatory Statement dated 18 August 2008 for a General Meeting held on 17 September 2008 and in an ASX Appendix 3B New Issue Announcement lodged on 24 September 2008

⁴ Terms and conditions of issue are set out in an ASX Appendix 3B New Issue Announcement lodged on 26 October 2009

⁵ Each of the \$0.35 (16 September 2013) Unlisted Executive Directors' Options has one attaching option issued on the same terms (i.e. exercisable at \$0.35 each); 16,400,000 of these attaching options are also assumed to have been exercised.

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

William Johnson has a relevant interest in 27,000 shares⁶ in the Company, as at 26 October 2009.

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

- (1) Tranche 1 = \$88,664 at \$0.089 per option; and
- (2) Tranche 2 = \$83,913 at \$0.112 per option.

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

- (A) the Company's share price being \$0.205 per share (which was the last bid price as at 23 October 2009);
- (B) a risk-free rate of return of 5.5674% (based on the Commonwealth (Australian Government) 5 year bond rate as at 23 October 2009); and
- (C) an estimated future volatility of the Company's share price of 75% (based on Bloomberg's volatility data and calculator).

The indicative valuation assumes that the issue date of the options was 25 October 2009. 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 AGM upon Resolution 4 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 4 by William Johnson or any of his associates, who will be prohibited from voting as described in the voting exclusion statement within the Notice of AGM.

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.

6.3. 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 4.

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

- (a) the options will be granted to Executive Director, William Johnson.
- (b) a total of 3,000,000 options will be granted to William Johnson 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 4 will be granted to William Johnson on a date being no later than one month after the date of this AGM (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 William Johnson for no consideration – and otherwise on the terms and conditions set out in Annexures A and B to this Explanatory Statement;
- (e) no funds will be raised by the grant of options pursuant to Resolution 4; 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 4 as shareholders' approval is being obtained under ASX Listing Rule 10.11.

⁶ Held jointly by Mr William Matthew Johnson and Mrs Joanne Doris Johnson <WIJOA Super Fund A/C>

6. Resolution 5 – Ratify Issue of Options to Employee

Resolution 5 seeks shareholders' ratification of the grant of a total of 2,650,000 options to Company Secretary, Victor Ho, in two tranches on 26 October 2009, on the following terms and conditions:

Option terms and conditions	Tranche 1 \$0.60 (25 October 2014) Options	Tranche 2 \$0.35 (25 October 2014) Options
Number of options	1,000,000	1,650,000
Exercise price	Each option shall entitle the holder to subscribe (in cash) for one (1) fully-paid ordinary share in the capital of Alara Resources Limited at an exercise price equal to:	
	\$0.60	\$0.35
Expiry date	Each option will expire at 5:00pm (Perth time) on 25 October 2014	
Vesting conditions	Options may only be exercised after they have vested. 100% of the options will vest at the date of issue of the options.	
Lapsing conditions:	Where options have vested and therefore able to be exercised:	
	(a) Upon their expiry date; (b) Upon determination by the Board that the Director has acted fraudulently, dishonestly or in breach of his obligations to the Company; (c) Upon the Director ceasing to be a director of the Company (for whatever reason including by retrenchment, redundancy or retirement) and has not exercised the option within 6 months following that event (unless a longer period is otherwise determined by the Board); or (d) 12 months after the death, permanent illness or permanent physical or mental incapacity of a Director (unless a longer period is otherwise determined by the Board).	
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 reasons why the Company is proposing to grant these options to Company Secretary, Victor Ho, are as follows:

- The number of options to be issued to Mr Ho has been determined having regard to the level of Director's salary being received by Mr Ho 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 for Mr Ho 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 Mr Ho 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 Mr Ho which is linked to the Company's share price performance.
- Based on the option exercise price and the rate at which the options vest, the exercise of these options by Mr Ho 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 salary ranges for its Directors within the industry in which it operates.

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

The Company wishes to seek shareholder ratification and approval for the purposes of ASX Listing Rule 7.4 in order to renew the Company's capacity to issue up to 15% of the securities of the Company on issue in a 12 month period under ASX Listing Rule 7.1.

In accordance with the requirements of ASX Listing Rule 7.5, the following additional information is provided:

- (a) A total of 2,650,000 options have been issued to Victor Poh Hong Ho in two tranches as follows:
 - (i) Tranche 1 – 1,000,000 \$0.60 (25 October 2014) Options on the terms and conditions set out in Annexure A to the Explanatory Statement;
 - (ii) Tranche 2 – 1,650,000 \$0.35 (25 October 2014) Options on the terms and conditions set out in Annexure B to the Explanatory Statement;
- (b) the exercise price in respect of each tranche of options is as follows:
 - (i) Tranche 1 – \$0.60 (25 October 2014) Options – an exercise price of \$0.60 per option applies;
 - (ii) Tranche 2 – \$0.35 (25 October 2014) Options – an exercise price of \$0.35 per option applies;
- (c) each option is exercisable at any time on or before 5:00pm (Perth time) on 25 October 2014;
- (d) the options were issued for nil consideration;
- (e) the options were issued on 26 October 2009;
- (f) the options are not and will not be quoted on ASX; and
- (g) the shares issued upon exercise of the options will be ordinary fully paid shares issued on the same terms and conditions as the shares currently on issue by the Company. The Company will seek quotation of these shares on ASX.

The Company will disregard any votes cast on Resolution 5 by Victor Ho, or any of his associates, who will be prohibited from voting as described in the voting exclusion statement within the Notice of AGM.

All Directors recommend that shareholders vote in favour of approving Resolution 5, for the reasons set out in this Explanatory Statement.

7. Resolution 6 – Appointment of Auditor

The Company's auditor, Grant Thornton (WA) Partnership has acted as the Company's auditors since its listing on ASX in May 2007.

Grant Thornton (WA) Partnership has advised the Company that, to facilitate a new audit firm operating structure, an authorised audit company, Grant Thornton Audit Pty Ltd, has been established to conduct audit engagements.

Subject to approval by shareholders, the appointment of Grant Thornton Audit Pty Ltd will be effective for the 2010 financial year commencing 1 July 2009. Grant Thornton (WA) Partnership was responsible for the audit for the 2009 financial year (ending 30 June 2009).

Resolution 6 is conditional upon Australian Securities and Investments Commission's (**ASIC**) consent to the resignation of the Company's current auditor, Grant Thornton (WA) Partnership, as this is a pre-condition to the auditor, under the existing audit firm partnership structure, being able to resign. The Company anticipates that this consent from ASIC will be forthcoming.

In accordance with section 328B of the Corporations Act, notice in writing nominating the new auditor, Grant Thornton Audit Pty Ltd has been given to the Company by a shareholder. A copy of this notice is shown in Annexures C to this Explanatory Statement writing to the appointment as auditor has been given to the Company by Grant Thornton Audit Pty Ltd.

All Directors recommend that shareholders vote in favour of approving Resolution 6.

8. Resolution 7 – Adoption of Remuneration Report

Sections 249L and 250R of the Corporations Act requires that a resolution be put to the shareholders to adopt the Remuneration Report as disclosed in the Directors' Report. The vote on this resolution is advisory only and does not bind the directors or the Company.

The Remuneration Report is set out in the Directors' Report section of the Company's 2009 Annual Report. Shareholders will also be provided with a reasonable opportunity to ask questions or make statements in relation to the Remuneration Report.

Annexure A

TERMS OF \$0.60 (25 OCTOBER 2014) OPTIONS

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 \$0.60 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on 25 October 2014 (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 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 of the Company at the date of issue) if the Option has not been transferred under clause 8; or
- 5.3.2 the original Option Holder (being a Director of the Company at the date of issue) if the Option has been transferred under clause 8.

6. Ranking of Share Issued on Exercise of Option

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

Annexure B

TERMS OF \$0.35 (25 OCTOBER 2014) OPTIONS

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 \$0.35 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on 25 October 2014 (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 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 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 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 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 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 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 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 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.

Annexure C

NOMINATION OF GRANT THORNTON AUDIT PTY LTD AS AUDITOR OF ALARA RESOURCES LIMITED



19 October 2009

The Directors
Alara Resources Limited

Dears Sirs,

NOMINATION OF GRANT THORNTON AUDIT PTY LTD AS AUDITOR OF ALARA RESOURCES LIMITED

We, being a shareholder of Alara Resources Limited (**Alara**), wish to nominate Grant Thornton Audit Pty Ltd A.C.N. 127 556 389 for appointment as auditor of Alara at the 2009 annual general meeting.

We consent to a copy of this nomination being provided to Grant Thornton Audit Pty Ltd and being included in Alara's notice annual general meeting.

Executed by Orion Equities Limited in accordance with its Constitution:

A handwritten signature in black ink, appearing to be "W. Johnson", written over a horizontal line.

Director

A handwritten signature in black ink, appearing to be "Y. Lee", written over a horizontal line.

Director



www.orionequities.com.au

ORION EQUITIES LIMITED

A.B.N. 77 000 742 843

Level 14, 221 St Georges Terrace, Perth WA 6000

T | + 61 (8) 9214 9797

F | + 61 (8) 9322 1515

E | info@orionequities.com.au

TIME AND PLACE OF AGM AND HOW TO VOTE

Venue

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

The Forrest Centre Conference Suites Level 14, The Forrest Centre 221 St Georges Terrace Perth, Western Australia	commencing	10:30 am (Perth time) Monday, 30 November 2009
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How to Vote

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

Voting in Person

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

Voting by Proxy

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

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

so that it is received by the Company **not later than 10:30 am (Perth time) on 28 November 2009**.

Your proxy form is enclosed.

Bodies corporate

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

Voting by Attorney

A shareholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the 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 AGM all shares in the Company will be taken to be held by the persons who held them as registered shareholders at 5:00 pm (Perth time) on 28 November 2009 (**Voting Entitlement Time**). Subject to the voting exclusions noted below, all holders of shares in the Company as at the Voting Entitlement Time will be entitled to vote at the AGM.

www.alararesources.com.au

ALARA RESOURCES LIMITED

A.B.N. 27 122 892 719

Registered Office:

Level 14, The Forrest Centre
221 St Georges Terrace
Perth Western Australia 6000
T | (08) 9214 9787
F | (08) 9322 1515
E | info@alararesources.com.au

ASX Code: AUQ



Advanced Share Registry Services:

Suite 2, 150 Stirling Highway
Nedlands Western Australia 6009
T | (08) 9389 8033
F | (08) 9389 7871
E | admin@advancedshare.com.au
W | www.advancedshare.com.au

PROXY FORM

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

www.alararesources.com.au

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

Name1
Name2
Name3
Name4
Name5
Name6

Holder ID: {}
Shares held as at [] October 2009: {}
Current Election to Receive Hard-Copy 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 Chairman of the Meeting (mark)
(If you have appointed the Chairman of the Meeting to exercise your proxy, by marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of a particular resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote all Chairman's Open Proxies in favour of all resolutions.)

OR

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

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the AGM of Alara Resources Limited to be held at the **Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth**, Western Australia at **10:30 am (Perth time) on Monday, 30 November 2009** and at any adjournment of such AGM

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

RESOLUTIONS

	For	Against	Abstain*
(1) Re-election of John Stephenson as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2) Re-elect William Johnson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3) Approve Updated Directors' Deeds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4) Approve Issue of Options to Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(5) Ratify Issue of Options to Employee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(6) Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(7) 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 your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

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

mark if you want to make any changes to your address details

mark if you wish to receive a printed Annual Report by post

mark if you wish to receive an electronic Annual Report by email and specify your email address below

D. PLEASE SIGN HERE

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

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Joint Shareholder 2

Director

Joint Shareholder 3

Director / Company Secretary

Contact Name

Contact Daytime Telephone

Date

Email

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Change of Address

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

2. Annual Report Elections

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

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

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

3. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.

4. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes.

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

6. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

7. If a representative of a company shareholder is to attend the meeting, a properly executed original (or certified copy) of the appropriate 'Appointment of Corporate Representative' should be produced for admission to the meeting. Previously lodged Appointments of Corporate Representative will be disregarded by the Company.

8. Signing Instructions

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

- | | |
|---------------------------|--|
| Individual: | Where the holding is in one name, the holder must sign. |
| Joint Holding: | Where the holding is in more than one name, all of the shareholders should sign. |
| Power of Attorney: | If you are signing under a Power of Attorney, you must lodge an original or certified copy of the appropriate Power of Attorney with your completed Proxy Form and produce a properly executed original (or certified copy) of that Power of Attorney at the General Meeting. |
| Companies: | Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

9. Lodgment of a Proxy

This Proxy Form (and the original or certified copy of any Power of Attorney under which it is signed) must be received at the address below not later than **10:30 am (Perth time) on 28 November 2009** (48 hours before the commencement of the meeting). Any Proxy Form received after that time will not be valid for the meeting.

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

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

By Facsimile: (08) 9322 1515