



NOTICE OF ANNUAL GENERAL MEETING & EXPLANATORY STATEMENT

TO SHAREHOLDERS

Date and Time of Meeting: 11:00am (Perth time)
on Tuesday, 30 November 2010

Place of Meeting: The Forrest Centre Conference Suites
Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia

IMPORTANT NOTICE

It is recommended that shareholders read this Notice of Annual General Meeting and Explanatory Statement in full and if there is any matter that you do not understand, you should contact your financial adviser, stockbroker or solicitor for advice.

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.

www.alararesources.com.au

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A.B.N. 27 122 892 719

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NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Alara Resources Limited A.B.N. 27 122 892 719 (“Alara” or “Company”) will be held in The Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia at 11:00am (Perth time) on Tuesday, 30 November 2010.

AGENDA

1. 2010 Annual Report

To consider and receive the 2010 Directors’ Report, Financial Statements and Audit Report of the Company.

The 2010 Annual Report will be sent to those shareholders who have elected to receive a printed version. Otherwise, an electronic version of the 2010 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, when available.

2. Resolution 1 - Re-Election of Farooq Khan as Director

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

“That Mr Farooq Khan, having retired pursuant to the Constitution of the Company, being eligible, be re-elected as a Director of the Company.”

3. Resolution 2 - Adoption of 2010 Remuneration Report

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

“That the Remuneration Report as detailed in the Directors’ Report for the year ended 30 June 2010 be adopted”

4. Resolution 3 - Ratify \$2.76 Million Share Placement

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

“That, for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) (ASX) and for all other purposes, shareholders ratify and approve the previous issue of 12,000,000 fully-paid, ordinary shares in the capital of the Company at an issue price of \$0.23 per share (raising \$2,760,000 gross) pursuant to offers exempt from disclosure under section 708 of the Corporations Act 2001 (Cth), and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on [Resolution 3](#) by a person who participated in the issue and any person associated with those persons.

5. Resolution 4 – Approve \$7.82 Million Share Placement

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

“That, for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, shareholders approve and authorise the Directors of the Company to issue and allot a total of up to 34,000,000 fully-paid, ordinary shares in the capital of the Company at an issue price of \$0.23 per share (to raise \$7,820,000 gross) pursuant to offers that would be exempt from disclosure under section 708 of the Corporations Act 2001 (Cth), and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of the security holder) if Resolution 4 is passed, and any person associated with those persons.

6. Resolution 5 – Approve Issue of 6.7 Million Shares to United Arabian Mining Company

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

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

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by United Arabian Mining Company and any person who might obtain a benefit (except a benefit solely in the capacity of the security holder) if Resolution 5 is passed, and any person associated with those persons.

DATED THIS 1ST DAY OF NOVEMBER 2010

BY ORDER OF THE BOARD



**VICTOR HO
COMPANY SECRETARY**

NOTES:

Voting Exclusion

Where a voting exclusion applies (as described above in the Notice of Annual General Meeting), the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form for this Annual General Meeting; or
- (b) it is cast by the person chairing the Annual General Meeting as proxy for a person 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 (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. 2010 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. 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.

2. ORDINARY RESOLUTION 1 - RE-ELECTION OF FAROOQ KHAN AS DIRECTOR

Clause 5 of the Company's constitution requires one third of the Directors (or if that is not a whole number, the whole number nearest to one third) to retire at each AGM. The Director(s) who retire under this rule are those who have held office the longest since last being elected or appointed. If two or more Directors have been in office for the same period, those Directors may agree which of them will retire. This rule does not apply to the Managing Director.

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

Mr Khan has been a Director of the Company since 18 May 2007 and was most recently re-elected a Director at the 2008 Annual General Meeting. Mr Khan's qualifications and experience are detailed in the Directors' Report in the Company's 2010 Annual Report.

3. ADVISORY NON BINDING RESOLUTION 2 - ADOPTION OF 2010 REMUNERATION REPORT

Sections 249L and 250R are recent additions to the Corporations Act that requires a resolution be put to the members to adopt a Remuneration Report prepared by the Company and 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 in the Company's 2010 Annual Report.

Shareholders will also be provided with a reasonable opportunity to ask questions and make statements in relation to the Remuneration Report.

4. BACKGROUND TO SHARE PLACEMENTS

The Company announced on 27 October 2010 that it had undertaken a placement of 46 million shares at \$0.23 per share to raise a total of \$10.58 million (**Placement**). The Placement was managed by Petra Capital Pty Ltd ABN 95 110 952 782 (AFSL 317944) (**Petra Capital**) and was accepted by professional, institutional and sophisticated investors. Petra Capital will receive a commission on the gross funds raised under the Placement.

The new shares issued under the Placement comprise two tranches:

- (1) **Tranche 1:** 12 million shares (raising \$2,760,000 gross) issued within the Company's 15% placement capacity under ASX Listing Rule 7.1; and
- (2) **Tranche 2:** 34 million shares (to raise \$7,820,000 gross) to be issued subject to shareholder approval under ASX Listing Rule 7.1.

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

- (1) Resolution 3 seeks approval for the issue of the Tranche 1 shares under ASX Listing Rule 7.4 to refresh the Company's placement capacity under ASX Listing Rule 7.1.
- (2) Resolution 4 seeks approval of the issue of the Tranche 2 shares as the issue exceeds the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Placement issue price of \$0.23 per share represents a discount of approximately 16% to the \$0.2732 volume weighted average price (**VWAP**) for the Company's shares on ASX over the 30 days preceding the trading halt requested by the Company on 25 October 2010. Over the three months ending 22 October 2010, the Company's shares have traded on ASX in a range of \$0.091 to \$0.35, with a VWAP of \$0.2511.

The \$10.58 million funds raised under the Placement, after expenses of the issue, will be applied principally towards the costs of acquisition of the Company's flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia. The balance of the funds, together with the Company's existing cash and liquid investments of approximately \$5.4 million, will be applied towards the advancement of exploration, evaluation and development of the Company's other mineral exploration and development projects and for general working capital purposes.

In this regard, the Company has recently acquired interests in the advanced development Khnaiguiyah Zinc Copper Project in Saudi Arabia and two other base metals exploration projects - Daris Copper Project in Oman and the El Quillay Copper-Gold Project in Chile as described below:

- **Acquisition of Khnaiguiyah Zinc Copper Project in Saudi Arabia:** In September 2010, Alara secured rights to acquire a 50% interest in the advanced Khnaiguiyah Zinc-Copper Project located in Saudi Arabia.

The Company refers to its market announcements dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia" and dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia."

- **Acquisition of Daris Copper Project in Oman:** In August 2010, Alara secured rights to acquire up to a 70% interest in the Daris Copper Project located in Oman and formed a separate joint venture (Alara 70%) to identify, secure and commercially exploit other resource projects in Oman.

The Company refers to its market announcements dated 30 August 2010 and entitled "Project Acquisition - Daris Copper Project in Oman", dated 14 September 2010 and entitled "Daris Project Drilling Update" and dated 26 October 2010 and entitled "Further High Grade Copper-Gold Mineralisation - Daris Copper Project in Oman."

- **Acquisition of El Quillay Copper-Gold Project in Chile:** In August 2010, Alara secured rights to acquire (subject to completion of due diligence) a 70% interest in the El Quillay Copper-Gold Project located in the north of Chile.

The Company refers to its market announcement dated 25 August 2010 and entitled "Project Acquisition - El Quillay Copper Gold Project in Chile."

The Company's market announcements referred to above may be downloaded and viewed from the Company's website (www.alararesources.com.au) or the ASX website (asx.com) under ASX Code: AUQ.

Further details about these projects are also in the Company's 2010 Annual Report, also available on the Company's and ASX websites.

Copies of these market announcements and the 2010 Annual Report can also be emailed to shareholders upon request to info@alararesources.com.au or posted by mail to shareholders upon request by telephone to (08) 9214 9787.

SAUDI ARABIA

The Khnaiguiyah Zinc Copper Project is located adjacent to a bitumen road ~170km west of Riyadh, the capital of Saudi Arabia near the major Riyadh to Jeddah highway.

The project comprises 3 Exploration Licences and 5 Exploration Licence applications pending grant totalling ~380km². An application for a Mining Licence in respect of the main Khnaiguiyah Exploration Licence is pending grant.

Alara will have a 50% interest in the joint venture company currently being established to hold the mineral licences.



OMAN

The Daris Copper Project is located ~150km west of Muscat, the capital of Oman and comprises a mineral excavation licence of ~587km².

Alara will have an initial 50% interest (with a right to increase this to 70%) in the joint venture company currently being established to hold exclusive rights to manage, operate and commercially exploit the licence.

Alara has also formed a separate joint venture company (Alara 70%) in Oman to identify, secure and commercially exploit other resource projects in Oman.



CHILE

The El Quillay Copper-Gold Project in Chile (Alara - right to earn-in 70%) is located south of the town of El Quillay, ~350km north of Santiago, the capital of Chile.

The project comprises 68 mineral concessions totalling ~15km² across four sub-project areas (El Quillay (North, Central and South prospects), Lana-Corina, Vaca Muerta and La Florida) located within a radius of ~10km.

5. RESOLUTION 3 – RATIFY \$2.76 MILLION SHARE PLACEMENT

Resolution 3 seeks shareholder ratification of the issue by the Company of a total of 12,000,000 fully-paid, ordinary shares in the capital of the Company at \$0.23 per share (raising \$2,760,000 gross) to professional, institutional and sophisticated investors entitled to accept offers of securities under section 708 of the Corporations Act (the **\$2.76 Million Share Placement**).

Acceptances from professional, institutional and sophisticated investor clients under the placement were received on 26 October 2010 and settlement is expected to be completed on 1 November 2010, with shares expected to be issued on 2 November 2010.

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

The issue of 12,000,000 shares will comprise approximately 14.9% of the Company's pre-\$2.76 Million Share Placement total issued share capital of 80,507,500 shares.

The \$2.76 Million Share Placement of 12,000,000 shares does not exceed the 15% limit under ASX Listing Rule 7.1. However, whilst prior shareholder approval (under ASX Listing Rule 7.1) was not required for the \$2.76 Million Share Placement issue, the effect of the issue is to reduce the Company's capacity to issue additional securities in the future without prior shareholder approval as permitted under ASX Listing Rule 7.1.

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

ASX Listing Rule 7.5 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 7.4. In accordance with ASX Listing Rule 7.4, the following information is provided to shareholders to assist them to assess whether to approve Resolution 3:

- (a) 12,000,000 shares will be issued by the Company after settlement of the \$2.76 Million Share Placement. Settlement is expected to be on 1 November 2010 with shares expected to be issued on 2 November 2010;
- (b) The shares will be issued at a price of \$0.23 per share;
- (c) The shares will be ordinary, fully-paid shares issued on the same terms and conditions as the shares currently on issue by the Company;

- (d) The shares will be issued and allotted to professional, institutional and sophisticated investor clients of Petra Capital entitled to accept offers of securities under section 708 of the Corporations Act. None of the recipients are related parties or associates of the Company; and
- (e) The funds raised from the share placement after paying expenses of the issue will be applied towards the costs of acquisition and advancement of exploration, evaluation and development of the Company's mineral exploration and development projects and for general working capital purposes.

All Directors recommend that shareholders vote in favour of approving Resolution 3, to "refresh" the Company's capacity to issue up to 15% of the securities of the Company on issue in a 12 month period under ASX Listing Rule 7.1.

In accordance with ASX Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on Resolution 3 by any person who participated in the \$2.76 Million Share Placement issue and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. RESOLUTION 4 – APPROVE \$7.82 MILLION SHARE PLACEMENT

Resolution 4 seeks prior shareholder approval of the issue by the Company of up to a total of 34,000,000 fully-paid, ordinary shares in the capital of the Company at \$0.23 per share (to raise up to \$7,820,000 gross) to professional, institutional and sophisticated investors entitled to accept offers of securities under section 708 of the Corporations Act (the **\$7.82 Million Share Placement**).

Acceptances from professional, institutional and sophisticated investor clients under the placement were received on 26 October 2010 and subject to shareholder approval of Resolution 4 at this Annual General Meeting, settlement is expected to be completed on 6 December 2010 with shares expected to be issued on 7 December 2010.

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

The issue of 34,000,000 shares under \$7.82 Million Share Placement will comprise approximately 37% of the Company's pre-\$7.82 Million Share Placement total issued share capital of 92,507,500 shares.

As the number of shares to be issued pursuant to the \$7.82 Million Share Placement exceeds the Company's 15% limit under ASX Listing Rule 7.1, the Company is seeking shareholder approval under ASX Listing Rule 7.1 to issue the shares the subject of the \$7.82 Million Share Placement.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 7.1. In accordance with ASX Listing Rule 7.3, the following information is provided to shareholders to assist them to assess whether to approve Resolution 4:

- (a) Up to 34,000,000 shares will be issued by the Company after settlement of the \$7.82 Million Share Placement. Settlement is expected to be on 6 December 2010 with shares expected to be issued on 7 December 2010;
- (b) The shares will be issued at a price of \$0.23 per share;
- (c) The shares will be ordinary, fully-paid shares issued on the same terms and conditions as the shares currently on issue by the Company;
- (d) The shares will be issued and allotted to professional, institutional and sophisticated investor clients of Petra Capital entitled to accept offers of securities under section 708 of the Corporations Act, who may be existing shareholders;
- (e) The Board intends to issue the shares as one allotment upon settlement of the \$7.82 Million Share Placement; allotment is expected to be on 7 December 2010;

- (f) Up to \$7,820,000 will be raised under the \$7.82 Million Share Placement, before expenses of the issue. The funds raised will be applied towards the costs of acquisition and advancement of exploration, evaluation and development of the Company's mineral exploration and development projects and for general working capital purposes.

All Directors recommend that shareholders vote in favour of approving Resolution 4, as the funds raised under the \$7.82 Million Share Placement will assist the Company to advance its mineral exploration and development projects and provide working capital and is in the best interests of the Company.

In accordance with ASX Listing Rules 7.3 and 14.11, the Company will disregard any votes cast on Resolution 4 by any person who may participate in the \$2.76 Million Share Placement, any person who might obtain a benefit (except a benefit solely in the capacity of a shareholder) if Resolution 4 is passed) and their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. RESOLUTION 5 - APPROVE ISSUE OF 6.7 MILLION SHARES TO UNITED ARABIAN MINING COMPANY

On 5 October 2010¹, Alara announced that it had entered into a binding Heads of Agreement (the **HoA**) with United Arabian Mining ("Manajem" in Arabic) Company (**Manajem**) for Alara to acquire a 50% interest in the Khnaiguiyah Zinc Copper Project. The HoA outlined broadly the key terms upon which the parties agreed to jointly develop and fund the project within a new joint venture company (**JVCo**).

The Khnaiguiyah Project is an advanced near production project having a non-JORC compliant resource estimate assessed by BRGM², the French Office of Geological and Mining Research, prepared for the Saudi Arabian Directorate General of Mineral Resources, in 1993. Further details concerning the Khnaiguiyah Project are reported in the Company's 2010 Annual Report.

On 25 October 2010³, Alara announced that it had entered into a more definitive shareholders' agreement with Manajem, which supersedes the HoA (**Shareholders' Agreement**).

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

The key terms of the Shareholders Agreement are outlined below:

- (1) In addition to US\$266,000 paid to the Manajem upon execution of the HoA, Alara will pay Manajem a further US\$7,234,000 upon the achievement of certain milestones:
 - (a) US\$1,250,000 - upon the formation of a new joint venture company (**JVCo**), which will hold the project and in which Alara and Manajem shall each hold a 50% shareholding interest;
 - (b) US\$1,750,000 – upon the later of 15 November 2010 or the Manajem receiving the grant of a mining licence in respect of the Khnaiguiyah Project (**Khnaiguiyah Mining Licence**) and such licence being transferred to JVCo; and

¹ Alara ASX market announcement dated 5 October 2010 and entitled "Project Acquisition - Khnaiguiyah Zinc Copper Project in Saudi Arabia"

² Bureau de Recherches Géologiques et Minières ("Office of Geological and Mining Research") (brgm.fr)

³ Alara ASX market announcement dated 25 October 2010 and entitled "Execution of Joint Venture Agreement - Khnaiguiyah Zinc Copper Project in Saudi Arabia"

- (c) US\$4,234,000 – upon the later of 17 January 2011 or JVCo receiving the grant of an environmental permit for the commencement of mining under the Khnaiguiyah Mining Licence with such consideration to be satisfied as follows:
- (i) US\$2,010,000 to be satisfied by the issue of 6,700,000 shares in Alara, at an issue price of US\$0.30 per share (equivalent to A\$0.305 per share based on the current A\$1.00/US\$0.983 exchange rate); and
 - (ii) US\$2,224,000 to be satisfied by the payment of cash.
- (2) A 'Resource Bonus' is payable to Manajem calculated at the rate of US 0.5 cent per pound of contained zinc equivalent (within a JORC Indicated Resource at a minimum average grade of 7% zinc) discovered within the project, in excess of a threshold Indicated Resource of 11 million tons (at the same minimum average 7% zinc grade).
- (3) Alara will fund (as loan capital to JVCo) all exploration, evaluation and development costs in relation to the project up to completion of a bankable feasibility study (**BFS**).
- (4) Upon Alara having made a "decision to mine" following completion of a BFS, JVCo will seek project financing to fund development of the project.
- (5) The difference between the amount of project financing raised and the capital costs of the project shall be met by the parties as follows; Alara shall firstly provide funding (which at Alara's election can be applied as debt and/or equity) to make up the shortfall, up to a maximum of US\$15 million plus 25% of the project capital costs. Illustratively, if the project is financed as to 50% debt from external financiers with a 50% shortfall to be met by JVCo shareholders, Alara will contribute its half share of the shortfall and will also fund a maximum of US\$15 million of Manajem's contribution towards the shortfall.
- (6) Thereafter, each Shareholder shall (pro-rata to their respective shareholding interests) provide additional capital contributions in return for new shares issued in JVCo.
- (7) The new shares issued shall be issued at a price equal to the sum of the capital cost of the project as defined in the BFS, plus cumulative capital contributions made by the shareholders, divided by the number of shares on issue in the JVCo at that time.
- (8) Where a shareholder declines to subscribe for its shares, the other shareholder may elect to subscribe for these shares in its place at the same issue price.
- (9) Any loan funds advanced by Alara to JVCo, together with an existing (deemed) loan of US\$3 million from the Manajem, shall be repayable from JVCo's net profits. The Alara loan accrues interest at LIBOR plus 2% per annum.
- (10) 30% of net profits shall be applied towards repayment of shareholder loans each year prior to the distribution of dividends.
- (11) JVCo will be managed by a Board of Directors with 2 nominees from each of Alara and the Manajem and a local independent Director nominated by agreement of the parties. The Managing Director shall be nominated by Alara. Alara's Managing Director, Shanker Madan, will be appointed Chairman of JVCo for the first 12 months.

Resolution 5 seeks prior shareholder approval of the issue by the Company of 6,700,000 fully-paid, ordinary shares in the capital of the Company at US\$0.30 per share (being a total of US\$2,010,000) to Manajem pursuant to the Shareholders Agreement. That is, as part of the consideration payable by Alara to Manajem as described in paragraph (1)(c)(i) above.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 7.1. In accordance with ASX Listing Rule 7.3, the following information is provided to shareholders to assist them to assess whether to approve Resolution 5:

- (a) 6,700,000 shares may be issued by the Company, provided the trigger for payment is satisfied under the Shareholders Agreement (as described in the summary of the Shareholders' Agreement in paragraph (1)(c)(i) above);

- (b) The shares will be issued at a price of US\$0.30 per share. This is equivalent to approximately A\$0.305 per share based on the following Australian and United States dollar exchange rate: A\$1.00 = US\$0.983;
- (c) The shares will be ordinary, fully-paid shares issued on the same terms and conditions as the shares currently on issue by the Company;
- (d) The allottee is United Arabian Mining Company (Manajem), who is not a related party or associate of the Company;
- (e) The shares will be issued and allotted upon the later of 17 January 2011 or JVCo receiving the grant of an environmental permit for the commencement of mining under the Khnaiguiyah Mining Licence (as described in the summary of the Shareholders' Agreement in paragraph (1)(c)(i) above). To the extent that this is expected to occur later than 3 months after the date of shareholder approval of Resolution 5, the Company intends to apply to the ASX for a waiver of the applicable ASX Listing Rules to permit the Company to issue the shares after this time;
- (f) No funds will be raised from the issue of the shares (which are being issued as part of the consideration payable to Manajem under the Shareholders Agreement (as described in the summary of the Shareholders' Agreement in paragraph (1)(c)(i) above).

All Directors recommend that shareholders vote in favour of approving Resolution 5, as the issue of 6,700,000 shares (at an issue price of US\$0.30 per share) in lieu of US\$2,010,000 cash consideration otherwise payable to Manajem under the Shareholders' Agreement will preserve the Company's cash funds, obviate the need for the Company to issue shares at a more dilutory issue price to fund the payment of a cash consideration and is in the best interests of the Company.

In accordance with ASX Listing Rules 7.3 and 14.11, the Company will disregard any votes cast on Resolution 5 by United Arabian Mining Company and any person who might obtain a benefit (except a benefit solely in the capacity of the security holder) if Resolution 5 is passed, and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

Venue

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

The Forrest Centre Conference Suites commencing 11:00 am (Perth time)
Level 14, The Forrest Centre Tuesday, 30 November 2010
221 St Georges Terrace
Perth, Western Australia

How to Vote

You may vote by attending the meeting in person, by proxy or 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 Annual General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number +61 8 9322 1515; or
- deliver 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 **not later than 11:00 am (Perth time) on 28 November 2010**.

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 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 28 November 2010 (**Voting Entitlement Time**). Subject to the voting exclusions noted earlier, all holders of Shares in the Company as at the Voting Entitlement Time will be entitled to vote at the Annual General Meeting.

PROXY FORM Annual General Meeting

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

Website: 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}

Our Reference: AUQ / {SUB-REGISTER} / {HOLDERID}
Shareholding as at 26 October 2010: {UNITS}
Current Election to Receive Hard Copy Annual Report: {ANNUAL_REP}

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 with an "X") *(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 Annual General Meeting of Alara Resources Limited to be held in The Forrest Centre Conference Suites, Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia at **11:00 am (Perth time) on Tuesday, 30 November 2010** and at any adjournment of such Annual General Meeting.

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

RESOLUTIONS

RESOLUTIONS	For	Against	Abstain*
1. Re-Election of Farooq Khan as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratify \$2.76 Million Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approve \$7.82 Million Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approve Issue of 6.7 Million Shares to United Arabian Mining Company	<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 Election

- mark if you want to make any changes to your address details (see note 1 overleaf)
- mark if you wish to receive a printed Annual Report by post
- mark if you wish to receive an electronic Annual Report by email and specify your email address below

D. Please Sign Here

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1	Joint Shareholder 2	Joint Shareholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name

Contact Daytime Telephone

Date

Email Address

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Change of Address

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

2. Annual Report Elections

Companies are no longer required to mail out printed annual reports to shareholders. Instead, shareholders can now make an election as follows:

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

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

3. 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 at **Section D**:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of Attorney: If you are signing under a Power of Attorney, you must lodge an original or certified copy of the appropriate Power of Attorney with your completed Proxy Form and produce a properly executed original (or certified copy) of that Power of Attorney at the General Meeting.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

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

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

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 **11:00 am (Perth time) on 28 November 2010** (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