

# NOTICE OF GENERAL MEETING and EXPLANATORY MEMORANDUM

## DATE AND TIME OF MEETING

TUESDAY, 17 AUGUST 2010  
COMMENCING AT 9.30AM WST

## PLACE OF MEETING

PARMELIA HILTON HOTEL  
14 MILL STREET, PERTH WA



MINARA RESOURCES LIMITED  
ABN 23 060 370 783

The Notice of General Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.



# NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Minara Resources Limited ABN 23 060 370 783 will be held as follows:

**Date: 17 August 2010**

**Time: 9:30am WST**

**Place: Parmelia Hilton Hotel, 14 Mill Street, Perth WA**

The Explanatory Memorandum which accompanies and forms part of this Notice describes the matters to be considered.

Unless the context otherwise requires, capitalised terms used in this Notice have the same meaning given to them in the Glossary of Terms in Schedule 1 to the Explanatory Memorandum.

## AGENDA

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

“That for the purposes of section 256B of the Corporations Act and for all other purposes, and with effect from the Effective Date, the issued share capital of the Company be reduced by the Capital Reduction Amount and that reduction be effected and satisfied by the payment to the holders of Shares on the Record Date of the Capital Return Amount Per Share for each Share held by them as at the Record Date and otherwise on the terms and conditions set out in the Explanatory Memorandum to this Notice.

For the purpose of this Resolution:

**Capital Reduction Amount** means \$110,939,434.

**Capital Return Amount Per Share** means \$0.095 per share.

**Effective Date** means 6 September 2010.

**Record Date** means 25 August 2010.

**Shares** means fully paid ordinary shares in the capital of the Company.”

## SNAPSHOT DATE

The Directors have determined that for the purposes of regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the persons eligible to attend and vote at the meeting are those persons who were Shareholders at **9.30am (WST) on Sunday 15 August 2010**.

## BY ORDER OF THE BOARD OF DIRECTORS



**CYNTHIA SARGENT**  
Company Secretary  
15 July 2010

# PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

## Lodgement of a Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) must be received at an address given below by **9.30am (WST) on Sunday 15 August 2010**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged:

**By post to:** Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001

**By hand to:** Minara Resources Limited, Level 4, 30 The Esplanade, Perth, WA 6000 (business days only)

**By fax:** 1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

**Online:** [www.investorvote.com.au](http://www.investorvote.com.au)

## Online voting

Shareholders may submit their proxy instructions electronically to the Company's share registrar, Computershare Investor Services Pty Ltd, by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions given there. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

## Appointment of a proxy

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy may, but need not be, a Shareholder of the Company.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy, write both names and the percentage of votes or number of securities for each on the Proxy Form.

Fractions of votes will be disregarded.

## Votes on the Resolution

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolution by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark the box on the Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on the Resolution will be invalid.

## **Voting entitlement**

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 9.30am (WST) on Sunday, 15 August 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## **Corporate Shareholders**

Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

## **Corporate Representatives**

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's share registry before the Meeting or at the registration desk on the day of the Meeting.

# EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the return of capital proposal to be put to Shareholders at the Meeting at 9:30am on 17 August 2010.

This Explanatory Memorandum is an important document and should be read carefully, in full, by all Shareholders. Shareholders are strongly advised to consult their legal or financial advisers if they require further advice in connection with the matters contained in this Explanatory Memorandum.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting.

Unless the context otherwise requires, capitalised terms used in this Explanatory Memorandum have the same meaning given to them in the Glossary of Terms set out at Schedule 1.

## 1. Introduction

Shareholders are being asked to consider a resolution authorising the Company to reduce its capital by returning to each Shareholder an amount of \$0.095 per Share held (**Capital Return Amount Per Share**). The aggregate amount returned by the Company will be \$110,939,434 (**Capital Reduction Amount**).

The date for determining which Shareholders are entitled to participate in the return of capital is 25 August 2010 (**Record Date**).

The terms of the reduction are the same for each Shareholder.

For the purposes of the Corporations Act, the proposed return of capital is an "equal" reduction of capital which requires the approval of Shareholders by ordinary resolution in general meeting. Accordingly, for the return of capital to proceed, a majority of votes must be cast in favour of the Resolution.

The purpose of the Explanatory Memorandum is to provide Shareholders with all information that the Board considers to be material to Shareholders in deciding whether or not to approve the Resolution.

## 2. Reasons for the return of capital

The primary purpose of the return of capital is to distribute the Company's surplus capital to Shareholders.

The Company announced a rights issue in October 2008 (**Rights Issue**). The Rights Issue entitled Shareholders to subscribe for three Shares at an issue price of \$0.30 for every two held under which the Company raised \$210 million (\$202 million net of fees).

At the time of the Rights Issue, nickel prices had fallen significantly and there was little optimism in the state of the domestic and world economy and in turn the nickel mining industry. There was subsequently little to suggest that the prices of nickel and cobalt would increase in the medium to long term. Accordingly, the Rights Issue was announced to meet on-going commitments, repay short term funding, fund maintenance on plant and equipment and provide a buffer in the event of worsening conditions.

The offer document given to Shareholders in relation to the Rights Issue (**Rights Issue Offer Document**) set out that the funds from the Rights Issue were expected to be used as set out below:

Use of proceeds	Amount \$millions
Repayment of amount outstanding under short term funding	70
Capital expenditure	21
Underwriting fees and other costs associated with Rights Issue	8
Working capital and funding ongoing operations	111
<b>Total</b>	<b>210</b>

From December 2008, the price of nickel and cobalt began first to steady, then improve. The threat of further price falls did not materialise and the outlook in the global economy improved. At the same time sulphur prices fell back to historic levels and the cost reduction strategies implemented by the Company to meet the global financial crisis began to deliver savings, enabling the Company to maintain a break-even cash operating position until around June 2009.

In the period since June 2009, these factors have seen the Company generate positive operating cash flows, building its cash reserves to \$363m as at 30 June 2010.

Due to the dramatic change in the outlook for the global economy, the Company is now confident that there is no longer a need to retain the \$111 million fund for working capital and funding of ongoing operations as outlined in the Rights Issue Offer Document.

This excess cash raised under the Rights Issue in December 2008 is now considered by the Board to be in excess of the Company's cash needs.

The Board has considered the alternatives available to the Company as to the application of its cash reserves. The Board is of the opinion that a return of capital to Shareholders on the terms prescribed in this Notice is the optimal use of the cash reserves for Shareholders for the following reasons:

- (a) the Capital Reduction Amount is in excess of the Company's needs and was never used by the Company. The cash position of the Company group since the Rights Issue has always included an amount at least equal to the surplus cash received from the Rights Issue; and
- (b) the cash reserves of the Company following the proposed return of capital will continue to be at a level to meet all reasonably foreseeable costs.

### 3. Entitlement to participate

All Shareholders who hold Shares at 5pm Perth local time on the Record Date will be entitled to participate in the return of capital.

### 4. Amount of entitlement

Each Shareholder who is entitled to participate in the return of capital will receive the Capital Return Amount Per Share for each Share held by him or her as at the Record Date.

### 5. Timetable for return of capital

Set out below is an indicative timetable for the return of capital. These indicative dates are subject to change:

Event	Date
Meeting of Shareholders	17 August 2010
Trading in Shares on an "ex return of capital basis"	19 August 2010
Record date	25 August 2010
Effective Date (anticipated date of distribution of funds)	6 September 2010

### 6. Trading in Shares

Shares will trade on an "ex return of capital" basis on the second business day after the Company notifies ASX that Shareholders have approved the return of capital.

### 7. Effect of return of capital

#### 7.1 Effect on creditors

The return of capital involves a reduction in the Company's paid-up share capital (contributed equity). However, in the opinion of the Board, this will not materially prejudice the Company's ability to pay its creditors, as the Company has sufficient cash flows generated from its business which, together with existing cash reserves, are sufficient to pay its creditors.

#### 7.2 Effect on Shareholders

The return of capital will have no effect on the number of Shares held by Shareholders or on their proportionate interests in the share capital of the Company. The Company has no partly paid shares on issue and no convertible securities (other than Performance Rights) on issue.

### **7.3 Effect on Performance Rights**

Certain employees of the Company are entitled to be issued Performance Rights in accordance with the Company's Long Term Incentive Scheme (**LTIS**). A Performance Right is a right to be issued a Share at a future date providing relevant conditions are met.

The maximum number of Performance Rights a participating employee may be issued is determined by reference to a dollar value amount which equates to a percentage of the employee's salary (**Salary Percentage**). The maximum number of Performance Rights is then calculated by dividing the Salary Percentage by the volume weighted average price of the Shares over a prescribed period of time (**Conversion Price**).

The number of Performance Rights that are ultimately issued to a participating employee and vest (thereby converting into Shares) depends upon the satisfaction of certain vesting conditions being met.

In accordance with the terms and conditions of the LTIS and the ASX Listing Rules, in the event of a reorganisation of the capital of the Company (including a return of capital), the Conversion Price used to calculate the maximum number of Performance Rights is adjusted.

Only those Performance Rights that have not vested and converted into Shares as at the Record Date will be affected by the return of capital. New entitlements to Performance Rights or other securities under the LTIS which arise after the Record Date will not be affected by the return of capital.

Accordingly, the effect of the return of capital is that the Conversion Price for Performance Rights that have not vested as at the Record Date will be reduced by the Capital Return Amount Per Share of \$0.095. This would in turn have the effect of increasing the maximum number of Performance Rights (and hence Shares) a participating employee may be issued, but does not increase the dollar value amount which equates to an employee's Salary Percentage.

The maximum number of additional Performance Rights that may be issued as a result of the adjustment of the Conversion Price due to the return of capital is 1,506,649. Therefore the maximum number of additional Shares which may be issued by the Company, providing the relevant vesting conditions being satisfied, is also 1,506,649.

### **7.4 Effect on Company's capital structure**

The return of capital will have no effect on the total number of Shares on issue.

### **7.5 Effect on Company's contributed equity**

On completion of the return of capital, the contributed equity of the Company will be reduced by the Capital Reduction Amount.

## **7.6 Effect on Company's financial position**

The Company has cash reserves which are sufficient to fully fund the return of capital and to retain sufficient cash reserves for the purposes of the Company. The Company does not believe that it will fully utilise the existing surplus cash reserves in the short to medium term and the Company believes it is better to return the surplus to Shareholders.

The return of capital will marginally reduce the profitability of the Company due to forgone interest income.

## **7.7 Australian tax implications**

The Company has sought a Class Ruling from the Australian Tax Office (**ATO**) as to the tax implications of the return of capital for Shareholders. However, for specific taxation advice, Shareholders should consult their own taxation adviser so that their particular circumstances are taken into consideration. The broad description below is only relevant to Shareholders who hold shares on capital account.

The ATO has given a Class Ruling that no part of the Capital Return Amount Per Share returned to Shareholders will be deemed to be a taxable dividend. As a general statement, a return of capital will reduce the capital gains tax cost base of the Shares held in the Company. This reduction in cost base may result in an increased capital gain, or reduced capital loss, upon eventual disposal of the Shares in the Company.

Without taking each Shareholder's specific circumstances into account, the return of capital will be tax free for those Shareholders who hold their Shares in the Company on capital account, as long as the Shareholder does not have a cost base of less than \$0.095 per share. If the Shareholder's cost base is less than \$0.095, the difference between the return of capital and cost base is likely to be a capital gain.

Shareholders who are tax resident of a country outside Australia should obtain independent tax advice regarding the tax effect of the return of capital in their jurisdiction.

## **7.8 Stamp Duty**

There are no duties payable under the Duties Act 2008 (WA) as a result of the transaction represented by the reduction of capital.

## 8. Directors' interests

Set out below is a table which indicates the Shares held by the Directors prior to the return of capital and the amount they are likely to receive if the Resolution is passed and they do not acquire or dispose of any Shares prior to the Record Date:

Director	Company Shares	Nature of Interest	Amount likely to be received if the Resolution is passed and implemented
Peter Coates AO	151,500	Indirect (Avanteos Investment Limited is the registered holder of the securities on behalf of the Peter and Kathleen Coates SMSF)	\$14,392.50
Ivan Glasenberg Willy Strothotte	824,829,760	Indirect (securities held by Glencore International AG, of which Mr Glasenberg and Mr Strothotte are directors)	\$78,358,827.20
Peter Johnston	2,625,000 504,000	Direct Indirect (beneficiary of the Johnston Superannuation Fund – the registered holder of the securities)	\$249,375.00 \$47,880.00
Malcolm Macpherson	25,000	Indirect (beneficiary of MH Macpherson S/F Trust – trustee Killington Pty Ltd is the registered holder of the securities)	\$2,375.00
John Morrison	50,000	Indirect (Mr Morrison is a director of Killin Investments Pty Ltd, the registered holder of the securities)	\$4,750.00

Set out below is a table which indicates the Performance Rights held by the Directors prior to the return of capital and the maximum number of additional Performance Rights that the Director may be entitled to as a result of the return of capital (see section 7.3) if the Resolution is passed and they do not acquire or dispose of any Performance Rights prior to the Record Date:

<b>Director</b>	<b>Performance Rights</b>	<b>Maximum number of additional Performance Rights</b>
Peter Johnston	1,413,392	213,179

Each Director who is entitled to participate in the return of capital intends to vote Shares held by him in accordance with his or her voting recommendation to Shareholders set out below.

## **9. Approvals required to implement return of capital**

The proposed return of capital by way of payment of cash to Shareholders is an equal reduction.

Under Section 256B of the Corporations Act, the Company may only reduce its capital if:

- (a) it is fair and reasonable to Shareholders as a whole;
- (b) it does not materially prejudice the Company's ability to pay its creditors; and
- (c) it is approved by Shareholders in accordance with Section 256C of the Corporations Act.

Section 256C of the Corporations Act requires that an equal reduction be approved by Shareholders by an ordinary resolution passed at a general meeting of the Company.

In relation to these requirements:

- (a) the Board considers the return of capital to Shareholders is fair to all Shareholders as it applies to all Shareholders equally. Further, the Board considers the Capital Return Amount Per Share is a reasonable return to Shareholders;
- (b) the Board considers that the return of capital will not have a material impact on the Company's ability to meet its creditor obligations, as stated in section 7.1 of this Explanatory Memorandum; and
- (c) the Resolution requires approval of Shareholders in accordance with section 256C of the Corporations Act. This Notice notifies Shareholders of the Meeting at which approval of the Resolution is being sought.

## **10. Directors' recommendation**

The Board unanimously recommends that Shareholders vote in favour of the resolution.

## **11. Other information**

There is no further information known to the Company that is material to the decision of Shareholders on how to vote on this resolution. If any Shareholder is in doubt as to how to vote on the resolutions or as to how the resolution may affect the Shareholder, he or she should seek advice from his or her accountant, solicitor or other professional adviser as soon as possible.

# Schedule 1

## Glossary of Terms

**\$ or cents** means Australian currency unless otherwise specified.

**ASX** means ASX Limited.

**Board** means the board of directors of the Company.

**Capital Reduction Amount** means \$110,939,434.

**Capital Return Amount Per Share** means \$0.095 per Share.

**Chairman** means the chairman of the Board.

**Company** or Minara means Minara Resources Limited ABN 23 060 370 783.

**Constitution** means the constitution of the Company.

**Conversion Price** has the meaning given in section 7.3 of this Explanatory Memorandum.

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

**Director** means a director of the Company.

**Effective Date** means 6 September 2010.

**Explanatory Memorandum** means this document in its entirety.

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

**Meeting** means the General Meeting of shareholders of the Company convened by this Notice.

**Notice** means the Notice of General Meeting which accompanies this Explanatory Memorandum.

**Performance Rights** means a right to be issued a Share for nil consideration upon the meeting of certain performance conditions.

**Proxy Form** means the proxy form enclosed with this Explanatory Memorandum.

**Record Date** means 5pm on 25 August 2010.

**Resolution** means the resolution referred to in the Notice.

**Rights Issue** means the renounceable rights issue conducted by the Company in November 2008 where Shareholders were offered three Shares for every two Shares held at an issue price of \$0.30 under which the Company raised \$210 million (\$202 million net of fees).

**Salary Percentage** has the meaning given in section 7.3 of this Explanatory Memorandum.


**Schedule** means a schedule to this Explanatory Memorandum.


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

**Shareholder** means a holder of Shares in the Company.

**WST** means Western Standard Time of Perth, Western Australia.

**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 733 707  
(outside Australia) +61 3 9415 4820

## Proxy Form



Vote online, 24 hours a day, 7 days a week:

**www.investorvote.com.au**



**Cast your proxy vote**



**Review and update your securityholding**

*Your secure access information is:*

**Control Number:**

**SRN/HIN:**

**PIN:**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 9.30am (WST) on Sunday 15 August 2010**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

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

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

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**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 sign in the appropriate place to indicate the office held.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Minara Resources Limited hereby appoint

the Chairman of the meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate 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 General Meeting of Minara Resources Limited to be held at the Parmelia Hilton Hotel, 14 Mill Street, Perth, Western Australia on Tuesday, 17 August 2010 at 9.30am (WST) and at any adjournment of that meeting.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for the resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Approve the return of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_