

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

ALARA URANIUM LIMITED (AUQ)

ABN

27 122 892 719

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1 +Class of +securities issued or to be issued

Each option provides the right to subscribe for one AUQ share at a cost of 25 cents per share, on or before 5.00pm WST on 30 June 2009 (**30 June 2009 Options or Options**)

A prospectus for the Options offer was lodged with ASIC on 3 September 2007 and will be despatched to eligible shareholders on or about 14 September 2007 (**Prospectus**). Eligible Shareholders registered at the relevant Options Record Date (5:00pm WST on 12 September 2007) and who wish to subscribe for Options will need to complete the application form that will accompany and form part of the Prospectus to be despatched to them on or about 14 September 2007.

+ See chapter 19 for defined terms.

- 2 Number of ⁺securities issued or to be issued (if known) or maximum number which may be issued

The Company is making a pro-rata non-renounceable offer on the basis of three (3) Options for every four (4) shares held by existing shareholders on the register as at the Record Date at an issue price of 1 cent per Option to raise approximately \$603,750 (before costs of the Issue) (**Rights Issue**) by the Prospectus.

The Company currently has 80,500,000 shares on issue and the following unlisted options on issue:

- (a) 18,550,000 unlisted directors' options, each to acquire one Share in the Company at an exercise price of 55 cents with each such option expiring on 27 July 2012 – 50% of these options vested (which options may therefore be exercised at any time thereafter and prior to the option expiry date) on the date of issue with the balance to vest on 27 July 2008 (**Directors' Options**); and
- (b) 1,425,000 unlisted employees' options, each to acquire one Share in the Company at an exercise price of 55 cents with each such option expiring on 27 July 2012 – one-third of these options will vest on 27 January 2008 (which options may therefore be exercised at any time thereafter and prior to the option expiry date), one-third will vest on 27 July 2008 and the balance of one-third will vest on 27 January 2009 (**Employees' Options**).

If none of the vested Directors' Options are exercised prior to the Record Date and if the Rights Issue is fully subscribed, the Rights Issue will result in the issue of up to ~60,375,000 Options (subject to rounding of fractional entitlements) and will raise up to approximately ~\$603,750 gross.

If all of the vested Directors' Options (9,275,000) are exercised prior to the Record Date, this would result in the issue of up to an additional ~6,956,250 Options and would raise up to an additional ~\$69,562.50.

- 3 Principal terms of the ⁺securities (eg, if options, exercise price and expiry date; if partly paid ⁺securities, the amount outstanding and due dates for payment; if ⁺convertible securities, the conversion price and dates for conversion)

Please refer to Annexure A for terms and conditions of the 30 June 2009 Options.

Shares issued upon exercise of the Options have the same rights as other fully paid ordinary shares on issue.

+ See chapter 19 for defined terms.

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No – the Options are a new class of securities</p>							
<p>5 Issue price or consideration</p>	<p>One cent each</p>							
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The funds raised by the Offer of between ~\$603,750 to ~\$673,312.50 will be applied towards working capital and also to meet issue expenses of approximately \$20,000.</p>							
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>Anticipated to be 3 October 2007</p>							
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="782 1164 1117 1198">Number</th> <th data-bbox="1117 1164 1372 1198">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="782 1198 1117 1321">40,275,000 (also refer Table A)</td> <td data-bbox="1117 1198 1372 1321">ORDINARY</td> </tr> <tr> <td data-bbox="782 1321 1117 1635">Up to approximately 60,375,000 Options (subject to fractional entitlements) and assuming no currently vested Directors' and Employees' Options are exercised prior to the Record Date</td> <td data-bbox="1117 1321 1372 1635" rowspan="2">30 June 2009 Options - each option provides the right to subscribe for one AUQ share at a cost of 25 cents per share, on or before 5.00pm WST on 30 June 2009</td> </tr> <tr> <td data-bbox="782 1635 1117 1937">or Up to approximately 67,331,250 Options (subject to fractional entitlements) and assuming all currently vested Directors' and Employees' Options are exercised prior to the Record Date</td> </tr> </tbody> </table>	Number	+Class	40,275,000 (also refer Table A)	ORDINARY	Up to approximately 60,375,000 Options (subject to fractional entitlements) and assuming no currently vested Directors' and Employees' Options are exercised prior to the Record Date	30 June 2009 Options - each option provides the right to subscribe for one AUQ share at a cost of 25 cents per share, on or before 5.00pm WST on 30 June 2009	or Up to approximately 67,331,250 Options (subject to fractional entitlements) and assuming all currently vested Directors' and Employees' Options are exercised prior to the Record Date
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+ See chapter 19 for defined terms.

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	Refer Table A

TABLE A - RECONCILIATION OF QUOTED AND UNQUOTED SECURITIES:

Upon completion of the Rights Issue (and assuming no vested Directors or Employees Options have been exercised prior to the Record Date), the issued capital of the Company will comprise:

Issued Securities	Quoted	Unquoted / Subject to Escrow	Total
Fully paid ordinary shares	40,275,000	40,225,000 ¹	80,500,000
\$0.55 (27 July 2012) Unlisted Directors' Options	-	18,550,000	18,550,000
\$0.55 (27 July 2012) Unlisted Employees' Options	-	1,425,000	1,425,000
Options to be issued under the Prospectus ²	60,375,000	-	

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Option holders are not entitled to dividends
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Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	Three (3) Option for every four (4) shares held by existing shareholders on the register as at the Record Date

¹ Escrowed shares comprise:

- (i) 4,488,750 shares held by related parties and promoters (founding shareholders) escrowed for 24 months from the date of official quotation of Alara's shares on ASX;
- (ii) 736,250 shares held by unrelated founding shareholders escrowed for a period of 12 months from their issue date on 6 December 2006;
- (iii) 28,750,000 vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus, escrowed for 24 months from the date of official quotation of Alara's shares on ASX; and
- (iv) 6,250,000 vendor shares issued to Orion Equities Limited pursuant to settlement of the Hume Sale Agreement, as defined in the IPO Prospectus, escrowed for 24 months from the date of official quotation of Alara's shares on ASX.

² If none of the existing vested Directors' and Employees' Options are exercised prior to the Record Date. If all existing vested Directors' and Employees' Options were exercised prior to the Record Date, this would result in the issue of up to an additional ~6,956,250 Options.

+ See chapter 19 for defined terms.

14	+Class of +securities to which the offer relates	New class - 30 June 2009 Options
15	+Record date to determine entitlements	12 September 2007
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Fractional entitlements to Options of less than 0.5 will be rounded down and any fractions of 0.5 or above will be rounded up to the nearest whole share.
18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	The Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and person who come into possession of the Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Return of a duly completed Acceptance Form will be taken by the Company as to constitute a representation that there has been no breach of such laws.
19	Closing date for receipt of acceptances or renunciations	5.00pm WST on 28 September 2007
20	Names of any underwriters	None
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	On or about 14 September 2007

+ See chapter 19 for defined terms.

27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Notice will be sent 9 business days prior to the Record Date
28	Date rights trading will begin (if applicable)	N/A – the Rights Issue is a non-renounceable offer
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

+ See chapter 19 for defined terms.

- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over
- 37 A copy of any trust deed for the additional +securities

(to be provided upon close of Prospectus and allotment and issue of Options)

Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought

N/A

- 39 Class of +securities for which quotation is sought

N/A

- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

 If the additional securities do not rank equally, please state:
 • the date from which they do
 • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- | |
|-----|
| N/A |
|-----|
- 41 Reason for request for quotation now

 Example: In the case of restricted securities, end of restriction period

 (if issued upon conversion of another security, clearly identify that other security)
- | |
|-----|
| N/A |
|-----|
- 42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)
- | Number | +Class |
|--------|--------|
| N/A | |

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: **3 September 2007**
(Company Secretary)

Print name: **VICTOR HO**

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+ See chapter 19 for defined terms.

Annexure A

RIGHTS ATTACHING TO 30 JUNE 2009 OPTIONS

The 30 June 2009 Options will be issued on the following terms and conditions:

- 1. Entitlement**

Each option ("Option") shall entitle the holder to subscribe (in cash) for one (1) Share in the capital of the Company.
- 2. Option Period**

Each Option will expire on 30 June 2009 (such date being referred to as the "Option Expiry Date"). Subject to Clause 6 hereof, each Option may be exercised at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.
- 3. Ranking of Share Allotted on Exercise of Option**

Each Share allotted as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with the existing Shares in the capital of the Company on issue at the date of allotment.
- 4. Notification to Option Holders**

A registered owner of an Option ("Option Holder") will be entitled to receive and will be sent all reports, accounts and notices required to be given to the Shareholders of the Company but will not be entitled to attend or vote at any meeting of the Shareholders of the Company unless they are, in addition to being Option Holders, Shareholders of the Company.
- 5. Transfer of an Option**

Each Option is transferable at any time prior to the Option Expiry Date. This right is subject to any restrictions on the transfer of an Option that may be imposed by the ASX.
- 6. Method of Exercise of an Option**

6.1 A certificate or holding statement will be issued by the Company with respect to Options held by an 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 when exercising the Options the subject of the certificate or holding statement ("Notice of Exercise of Options"). 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 Options exercised and the consequent number of ordinary Shares in the capital of the Company to be allotted; which number of Options must be a multiple of 2,000 if only part of the Option Holders total Options are exercised, or if the total number of Options held by an Option Holder is less than 2,000, then the total of all Options held by that Option Holder must be exercised.

6.2 The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of \$0.25 per Share.

6.3 Subject to Clause 6.1 hereof, the exercise of less than all of an Option Holders Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holders entitlement under the Option Holders remaining Options.

6.4 On exercise of Options, the Option Holder must surrender to the Company the Option Holders option certificate or holding statement with respect to those Options being exercised.

6.5 If the Option Holder exercises less than the total number of Options then registered in the Option Holders name:

6.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holders Options to the Company; and

6.5.2 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 Holders unexercised Options.

6.6 Within 14 days from the date the Option Holder properly exercises Options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.

6.7 The Company will (subject to any escrow restrictions imposed by the ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules of the ASX.
- 7. Reconstruction**

In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the

+ See chapter 19 for defined terms.

Company, the rights of the Option Holder will be treated in the manner set out in the ASX Listing Rules applying to reconstructions at that time.

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 books closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

8. 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 the Options held by the Option Holder.

9. Change of Options Exercise Price or Number of Underlying Shares

- 9.1 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 reduced in accordance with the following formula:

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

Where :

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = the average market price per Share (weighed by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or the ex entitlements date.

S = the subscription price for a Share under the pro rata issue.

D = any dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

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.

- 9.2 The reduction of the exercise price of each Option in accordance with the above formula shall be subject to the provisions of the Listing Rules of the ASX.

- 9.3 If the Company makes a bonus issue of Shares or other securities convertible into

+ See chapter 19 for defined terms.