



**Alara Uranium Limited**  
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# HALF YEAR REPORT

## 31 December 2007

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
2007 ANNUAL REPORT OF THE COMPANY  
RELEASED ON 21 SEPTEMBER 2007

ASX Code | **AUQ**



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## CORPORATE DIRECTORY

### BOARD

John F. Stephenson	Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director

### COMPANY SECRETARY

Victor P H Ho

### AUSTRALIAN HEAD OFFICE

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221 St Georges Terrace  
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### PERU OFFICE

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### SHARE REGISTRY

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Internet: [www.arsshareholders.com](http://www.arsshareholders.com)

### STOCK EXCHANGE

Australian Securities Exchange (ASX)  
Perth, Western Australia

### ASX CODE

AUQ

### AUDITORS

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Chartered Accountants and Business Advisors  
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# ASX HALF YEAR REPORT

Current Reporting Period:	1 July 2007 to 31 December 2007
Previous Corresponding Period:	1 July 2006 to 31 December 2006
Balance Date:	31 December 2007
Company:	Alara Uranium Limited ( <b>Alara</b> or <b>AUQ</b> )

Consolidated Entity:	Alara and controlled entities:
	(1) Alara Operations Pty Ltd ABN 123 780 441 ( <b>AO</b> ), a wholly owned subsidiary acquired on 18 May 2007;
	(2) Hume Mining NL ABN 52 063 994 945 ( <b>Hume</b> ), a wholly owned subsidiary acquired on 18 May 2007;
	(3) Alara Peru Operations Pty Ltd ABN 124 334 103 ( <b>APO</b> ), a wholly owned subsidiary acquired on 18 May 2007;
	(4) Alara Peru S.A.C, a wholly owned subsidiary of APO incorporated in Peru on 1 March 2007 ( <b>AP</b> ).

Alara is a company limited by shares that was incorporated in Western Australia on 6 December 2006 and accordingly, the 31 December 2006 comparatives reflects this position.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Dec 2007 \$	Dec 2006 \$	% Change	Up / Down
Total revenues	320,466	-	100%	Up
Total expenses	(3,092,765)	-	100%	Up
Loss before tax	(2,772,300)	-	100%	Up
Income tax	-	-	nil	nil
Loss after tax attributable to members	(2,772,300)	-	100%	
Basic loss per share (cents)	(3.44)	-	100%	Up

### Brief Explanation of Results

Total Revenues include:

- (1) \$320,325 interest received (Dec 2006: \$Nil).

Total Expenses include:

- (1) \$2,457,981 personnel expenses in relation to directors' and employees options (Dec 2006: \$Nil);
- (2) \$373,548 other personnel expenses (Dec 2006: \$Nil);
- (3) \$91,810 unrealised gains on share investments (revaluation of share investments) (Dec 2006: \$Nil);
- (4) \$175,467 administration expenses (Dec 2006: \$Nil);
- (5) \$67,909 corporate expenses (Dec 2006: \$Nil).

Please refer to the attached Directors' Report and Financial Report for further information on a review of the Consolidated Entity's operations and the financial position and performance of the Consolidated Entity and Company for the half year ended 31 December 2007.

# ASX HALF YEAR REPORT

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## Dividends

No dividends have been paid or declared during the financial half year.

## Controlled Entities

The Company did not gain or lose control over any entity during the financial half year.

## Associates and Joint Venture Entities

The Company did not gain or lose an interest in any associate or joint venture entity during the financial half year.

For and on behalf of the Directors,



Victor Ho  
Company Secretary

Date: 14 March 2008

Telephone: +61 8 9214 9787  
Email: info@alauranium.com

# COMPANY PROFILE

Alara Uranium Limited (ASX Code: AUQ) is an Australian based mineral exploration and development company with a portfolio of uranium, gold and mineral sands exploration projects in Australia (Northern Territory and Western Australia) and Peru:

PROJECTS	LOCATION
(1) <b>Bigriyi South</b>	Northern Territory
(2) <b>Mt James</b>	Gascoyne, Western Australia
(3) <b>Mt Lawrence Wells</b>	East Murchison, Western Australia
(4) <b>Canning Well</b>	Pilbara, Western Australia
(5) <b>King Sound</b>	Kimberley, Western Australia
(6) <b>Pampacolca</b>	Peru
(7) <b>Crucero Project</b>	Peru
(8) <b>Santa Rosa Project</b>	Peru
(9) <b>Coasa Project</b>	Peru

The Australian uranium tenements occur in the geologically prospective Ngalia Basin in the Northern Territory and in the Gascoyne, East Pilbara and Murchison regions of Western Australia. The tenements cover areas previously identified with largely untested radiometric anomalies or are located in close proximity to uranium anomalies and/or uranium occurrences.

The Peruvian concessions represent uranium mineralisation targets delineated through work conducted by the Peruvian Institute of Nuclear Energy (**IPEN**) and others over the past 20 years in a prospective region in southern Peru where uranium mineralisation is known to occur. The Company's Peruvian geological team comprises 4 geologists led by a former exploration manager of IPEN.

Peru is a major mining country and a top five producer of several base and precious metals, including copper and gold. Alara's confidence in Peru's mining and contractual laws is supported by the presence in the country of some of the world's leading mining companies. Although the country has had a long history of mining, its mineral potential is still considered outstanding as mineral discoveries continue to be made.

The Alara Board comprises members with extensive experience in the resources sector, being **Chairman, Dr John Stephenson**, previously Exploration Director for Rio Tinto Australasia with more than 35 years experience in mineral exploration and **Managing Director, Mr H. Shanker Madan**, an experienced senior geologist with more than 30 years of world-wide experience in the exploration and evaluation of mineral deposits for various commodities and **Executive Director, Mr Farooq Khan** who has extensive experience in corporate law, the securities industry, capital markets and the executive management of ASX listed companies.

Alara continues to investigate prospective mineral resources, with a focus on uranium, in Peru, Australia and other regions. This includes applying for mineral concessions, entering into joint ventures and taking options over and acquiring concessions.

Alara currently has the following securities on issue:

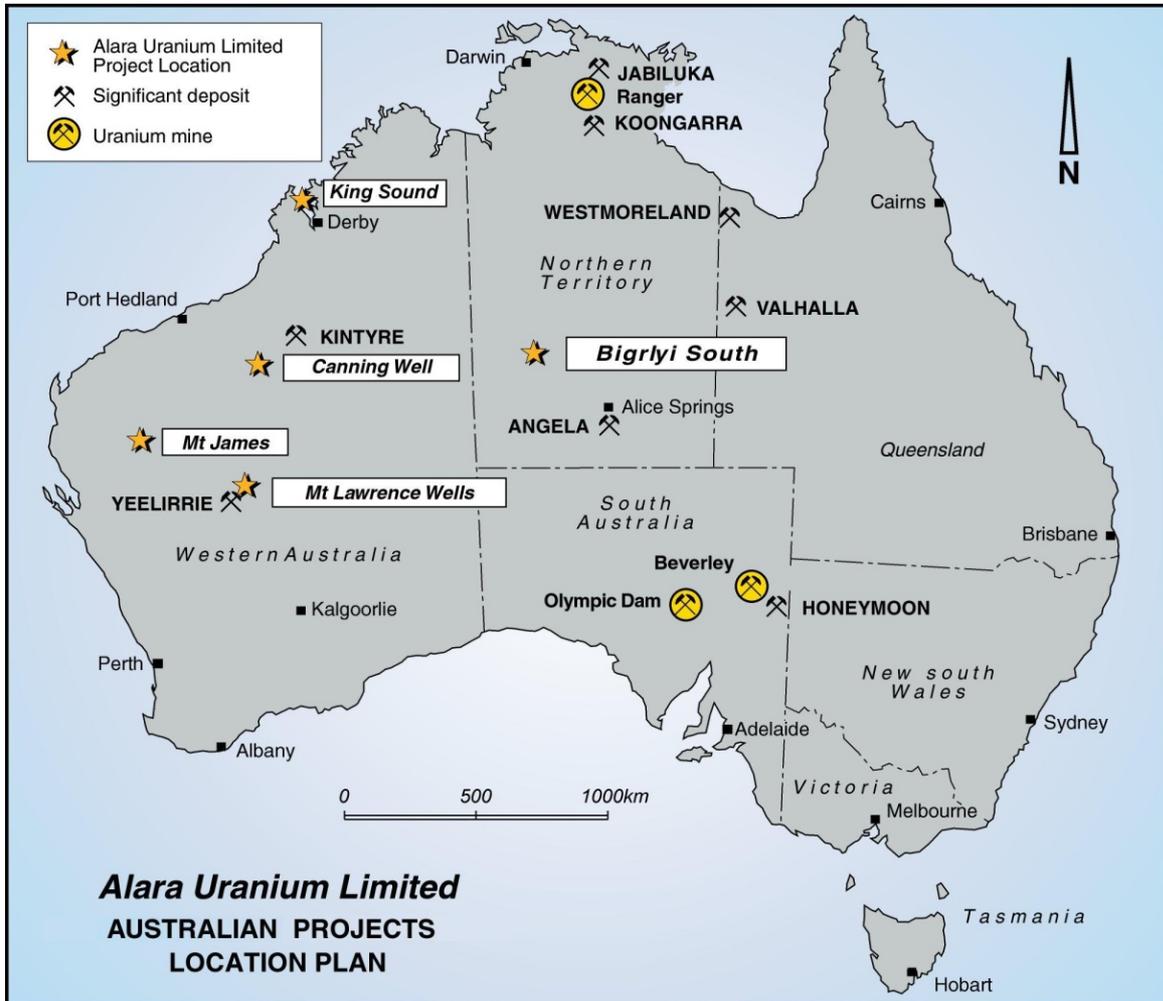
	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215 <sup>1</sup>	80,507,500
\$0.25 (30 June 2009) Listed Options	60,367,500	-	60,367,500
\$0.55 (27 July 2012) Unlisted Directors' Options	-	18,550,000	18,550,000
\$0.55 (27 July 2012) Unlisted Employees' Options	-	1,425,000	1,425,000
<b>Total</b>	<b>116,378,785</b>	<b>44,471,215</b>	<b>160,850,000</b>

<sup>1</sup> Refer to the Information on Securities Section of this Half Year Report for details of shares subject to escrow.

# COMPANY PROFILE

## AUSTRALIAN PROJECTS

The location of Alara's Australian projects in the Northern Territory and Western Australia are shown on the map below.



# COMPANY PROFILE

## PERUVIAN PROJECTS

The location of Alara's uranium project areas in Peru are shown on the map below.



# DIRECTORS' REPORT

The Directors present their report on Alara Uranium Limited (**Company** or **Alara** or **AUQ**) and its controlled entities (the **Consolidated Entity**) for the half year ended 31 December 2008 (**Balance Date**).

Alara is a company limited by shares that was incorporated in Western Australia on 6 December 2006 and accordingly, the 31 December 2006 comparatives reflects this position.

Alara Uranium has prepared a consolidated financial report incorporating the entities that it controlled during the half year. Controlled entities were:

- (1) Alara Operations Pty Ltd ABN 123 780 441 (formerly Strike Uranium Pty Ltd) (**AO**), a wholly owned subsidiary incorporated in Western Australia on 5 February 2007 and acquired on 18 May 2007;
- (2) Hume Mining NL ABN 52 063 994 945 (**Hume**), a wholly owned subsidiary incorporated in Western Australia on 29 March 1994 and acquired on 18 May 2007;
- (3) Alara Peru Operations Pty Ltd ABN 124 334 103 (formerly Strike Uranium Peru Pty Ltd) (**APO**), a wholly owned subsidiary incorporated in Western Australia on 9 March 2007 and acquired on 18 May 2007;
- (4) Alara Peru S.A.C. (formerly Strike Uranium Peru Pty Ltd) (**AP**), a wholly owned subsidiary of APO incorporated in Peru on 1 March 2007.

## OPERATING RESULTS

<b>Consolidated</b>	<b>Dec 2007</b>	<b>Dec 2006</b>
	<b>\$</b>	<b>\$</b>
Total revenues	320,466	-
Total expenses	(3,092,765)	-
Loss before tax	(2,772,300)	-
Income tax	-	-
Loss after income tax	(2,772,300)	-

Total Revenues include:

- (1) \$320,325 interest received (Dec 2006: \$Nil).

Total Expenses include:

- (1) \$2,457,981 personnel expenses in relation to directors' and employees options (Dec 2006: \$Nil);
- (2) \$373,548 other personnel expenses (Dec 2006: \$Nil);
- (3) \$91,810 unrealised gains on share investments (revaluation of share investments) (Dec 2006: \$Nil);
- (4) \$175,467 administration expenses (Dec 2006: \$Nil);
- (5) \$67,909 corporate expenses (Dec 2006: \$Nil).

## LOSS PER SHARE

<b>Consolidated</b>	<b>Dec 2007</b>	<b>Dec 2006</b>
Basic loss per share (cents)	(3.44)	-
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic loss per share	80,501,068	-

# DIRECTORS' REPORT

## FINANCIAL POSITION

Consolidated	Dec 2007 \$	Jun 2007 \$
Cash	8,662,833	-
Receivables	45,571	-
Resource projects	5,659,565	-
Other assets	8,071	-
Gross assets	15,299,261	-
Liabilities	(318,876)	-
Net assets	14,980,384	-
Contributed equity	14,768,583	-
Reserves	3,061,778	-
Accumulated losses	(2,849,977)	-
Total equity	14,980,384	-

## DIVIDENDS

No dividends have been paid or declared during the financial half year.

## REVIEW OF OPERATIONS

### 1. Company Projects <sup>2</sup>

Alara is an Australian based mineral exploration and development company with a portfolio of uranium exploration projects in Australia (Northern Territory and Western Australia) and Peru:

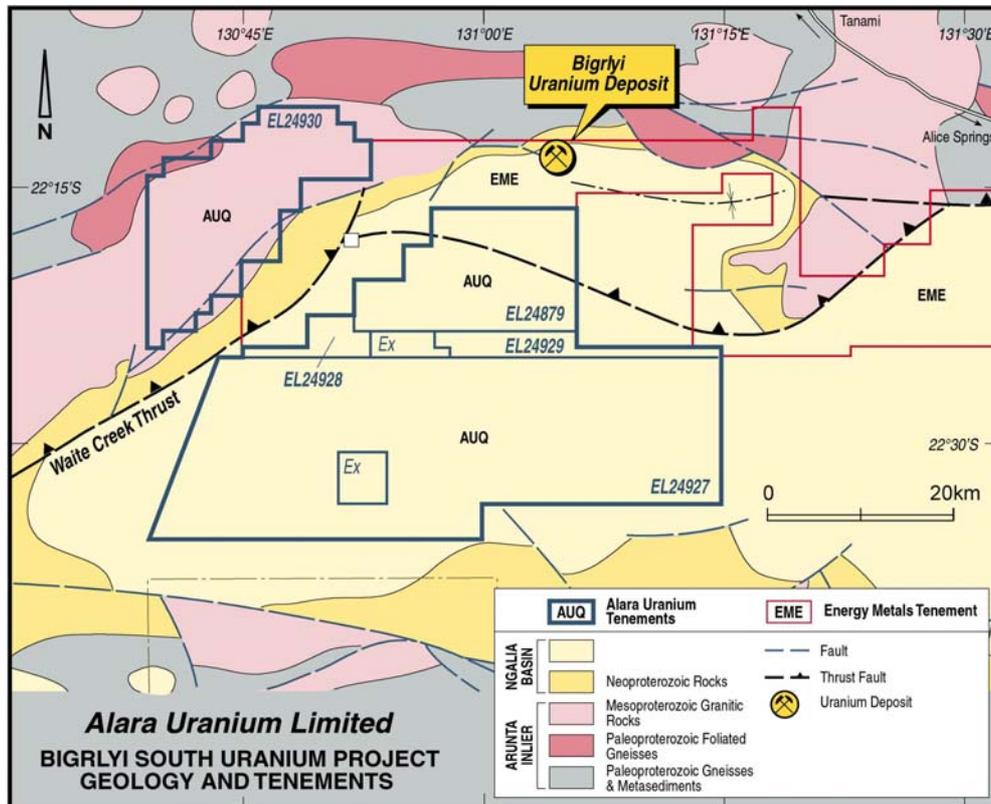
PROJECTS	LOCATION
(1) Bigrlyi South	Northern Territory
(2) Mt James	Gascoyne, Western Australia
(3) Mt Lawrence Wells	East Murchison, Western Australia
(4) Canning Well	Pilbara, Western Australia
(5) King Sound	Kimberley, Western Australia
(6) Pampacolca	Peru
(7) Crucero Project	Peru
(8) Santa Rosa Project	Peru
(9) Coasa Project	Peru

Alara also continues to investigate prospective mineral resources with a focus on uranium in Peru, Australia and other regions. This includes applying for mineral concessions, entering into joint ventures and taking options over and acquiring concessions.

<sup>2</sup> The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of the Company. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

# DIRECTORS' REPORT

## 1.1. Bigrlyi South (Northern Territory)



### Exploration Activities

Alara is focusing its exploration effort on EL 24879, which is also the closest tenement to the Bigrlyi Uranium Deposit (held by Energy Metals Limited – ASX Code: “EME”) which has a stated JORC Indicated resource of 8.94 million pounds  $U_3O_8$  and Inferred resource of 14.41 million pounds  $U_3O_8$ , at a cut-off grade of 500 ppm  $U_3O_8$ .

During the financial half year, Alara completed the following exploration and evaluation activities:

- GPX Airborne completed 7,076 line kilometres of airborne magnetic and radiometric surveying over the granted Bigrlyi South Project tenements. The purpose of the survey was to identify uranium anomalies from the radiometric data and detailed structures from the magnetic data. The location of these structures is important as they may have provided a pathway for mineralising fluids from the uranium-enriched pegmatitic granite basement rocks. The detailed survey was flown at 100 metre line spacings in a north-south direction and covered the entire area of EL24879, EL24928 and EL24929 and EL24930 during 2 survey stages.
- The magnetic and radiometric survey data within EL24879, EL24928 and EL24929 has been processed and interpreted by Southern Geoscience Consultants (SGC). SGC identified low priority uranium anomalies scattered across the survey area.

3 EME market Announcement “Substantial Resource Upgrade at Bigrlyi Project Uranium up 64%, Vanadium up 168%” dated 12 March 2008

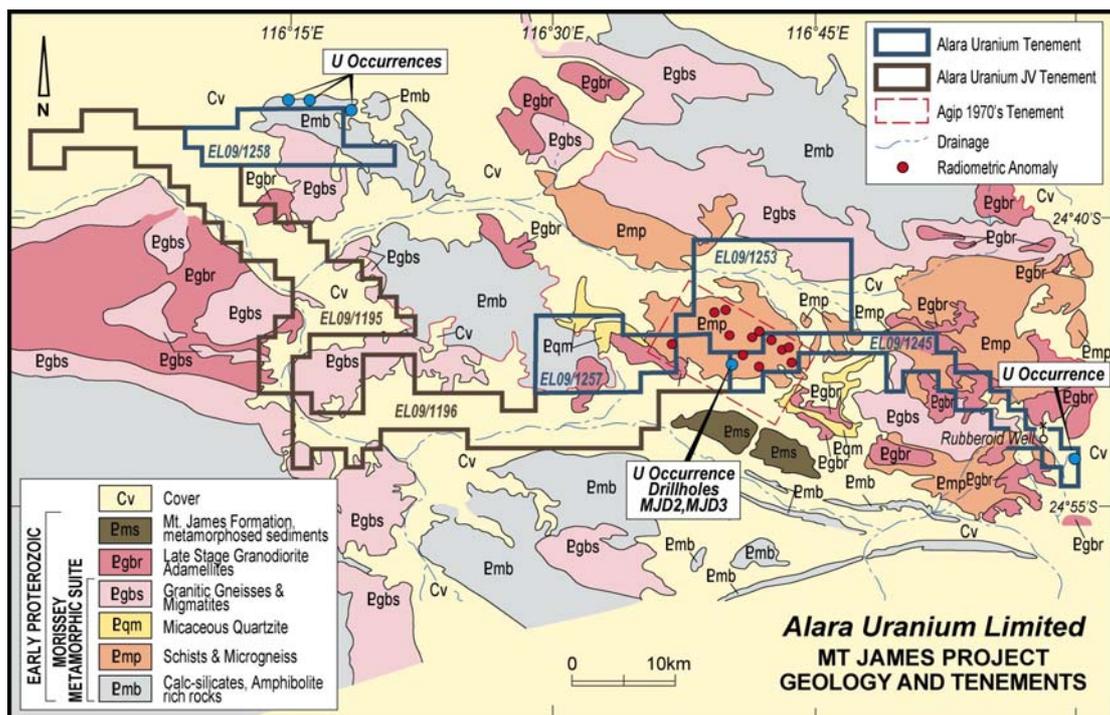
# DIRECTORS' REPORT

- (c) The Company conducted field verification of the radiometric anomalies within EL24879, EL24928 and EL24929. Several uranium anomalies coincided with the outcropping Mt Eclipse Sandstone unit (host to the Bigryli deposit). The majority of the other anomalies were located within predominantly sand covered terrain.

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- (a) Finalise geophysical data interpretation within EL24930 (which was surveyed after EL24879, EL24928 and EL24929 had been surveyed) from the completed airborne magnetic and radiometric survey. Field verification and follow up of selected geophysical anomalies in EL24930, comprising ground traversing radiometric anomalies with a spectrometer and the collection of further samples, will be conducted at the commencement of the new field season;
- (b) Submit a Mine Management Plan to the Central Land Council seeking heritage approval to conduct a drilling programme of selected anomalous targets.

## 1.2. Mt James (Gascoyne, Western Australia)



On 11 February 2007, Alara entered into an agreement with Epsilon Energy Limited (ASX Code: EPS) for Alara to earn up to a 60% interest in two exploration licences (EL 09/1195 and EL 09/1196) totalling ~43,500 hectares by spending up to \$400,000 on exploration on the tenements within 2 years.<sup>4</sup>

<sup>4</sup> This agreement is subject to completion of due diligence to the satisfaction of Alara on or before 25 March 2008. Alara has a minimum commitment of \$200,000 within the first 12 months to earn a 51% interest with the right to earn an additional 9% interest by spending \$200,000 on the tenements within the second 12 months; Alara has the right to withdraw after the initial \$200,000 commitment with no further commitments beyond its pro-rata share of the costs required to keep the tenements in good standing up to the date of withdrawal.

# DIRECTORS' REPORT

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The Company notes that the Mt James Project area falls within 25 former pastoral leases which the Western Australian Government has endorsed for conversion to conservation parks. The Government has stated that existing mining tenements will co-exist with the proposed conservation reserves in that advanced projects (i.e areas of significant and potentially economic mineralisation with a reasonable expectation of development) may qualify for exclusion from the proposed conservation parks. The Company will be making appropriate submissions in this regard for prospective portions of its tenement portfolio in the area to be excluded from the proposed conservation parks but cannot guarantee that these submissions will be ultimately successful.

## Exploration Activities

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Alara is exploring for uranium mineralisation using detailed structural analysis coupled with aerial and ground radiometric surveys. The exploration focus will be on high priority radiometric anomalies selected from the airborne geophysical survey conducted during the half year. In addition, known historical workings (drill holes and costeans) that encountered uranium mineralisation and the untested anomalies previously identified by AGIP Nucleare (Australia) Pty Ltd (**AGIP**), (a subsidiary of Italian multi-national energy group ENI) will be targeted. As well as testing for primary mineralisation at depth, Alara will review the potential for mineable deposits of carnotite at shallow depths in the deeply weathered saprolite zone in the duricrust.

During the financial half year, Alara completed the following exploration and evaluation activities:

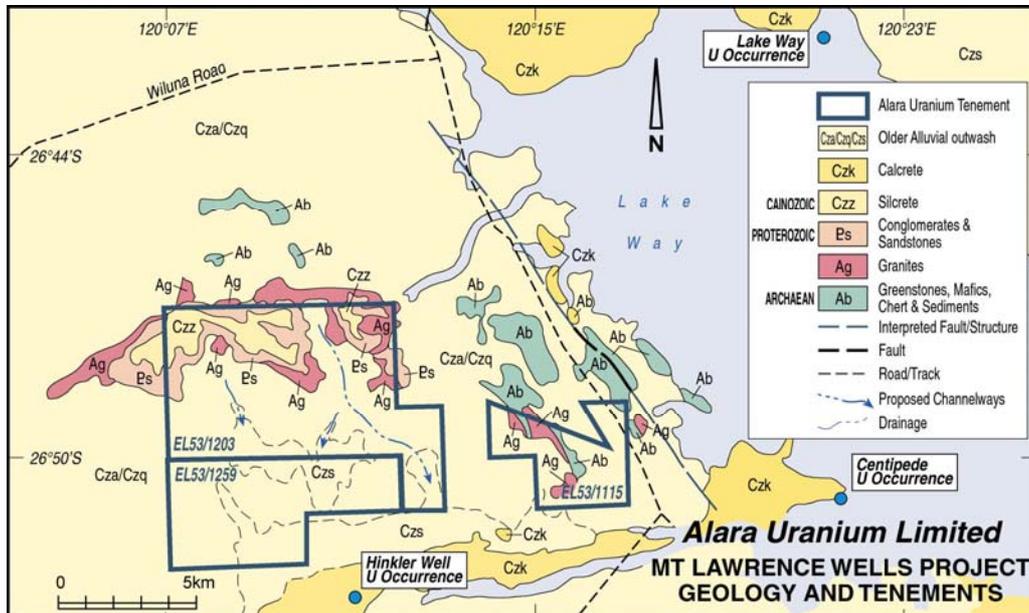
- (a) Fugro Airborne Surveys completed 2,616 line kilometres (at 100 metre line spacings) of airborne geophysical surveying over prospective parts of the granted Mt James Project tenements. The purpose of the survey was to identify uranium anomalies from the radiometric data and detailed structures from the magnetic data.
- (b) SGC conducted an interpretation of the airborne geophysical survey data and identified 117 uranium anomalies including 32 high priority anomalies.
- (c) The Company completed field verification of 76 priority radiometric uranium anomalies within the survey area utilising helicopter support. This comprised ground traverses over the anomalies, including the collection of spectrometer readings and rock chip samples. Visible uranium mineralisation was observed at several anomaly locations. Selected priority samples will be submitted to the laboratory for analysis with results expected within 6 to 8 weeks.
- (d) The Company continued the Heritage consultation process to seek approval to conduct ground disturbing activities (track access, costeaning, drilling) within the project area.

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- (a) Review and analyse findings obtained from field inspection and verification of geophysical anomalies;
- (b) Continue heritage process for approvals to allow track access to priority areas to conduct a costeaning and drilling programme (~2,000 metres of RC drilling) of selected anomalies.

# DIRECTORS' REPORT

## 1.3. Mt Lawrence Wells (East Murchison, Western Australia)



### Exploration Activities

Alara's focus is to target the calcrete palaeo-channel hosting the Hinkler Well uranium occurrence to determine whether the uranium mineralisation extends upstream from the palaeo-drainage into Alara's tenements (E53/1203 and E53/1259).

During the financial half year, Alara completed the following exploration and evaluation activities:

- A 69-hole, 1,079 metre air-core drilling campaign (limited to drilling on existing access tracks) was completed targeting the calcrete palaeo-channel hosting the Hinkler Well occurrence and photo-geological features.
- Down-hole geophysical (total gamma) surveying of the air-core drill holes was completed. The survey data has been processed and further interpretation is required to fully evaluate the results.
- A field reconnaissance survey was conducted and biogeochemical samples (i.e. spinifex vegetation) were collected from tenement E53/1259 to provide analytical data to determine whether biogeochemical profile surveying in this manner could be utilised over calcrete hosted uranium occurrences, to help determine the calcrete extensions within the project area.
- Alara's consultant has advised that due to the sampling medium and limited samples collected, his interpretation of the biogeochemical samples was not able to ascertain the extent of the calcrete channel within the project area.

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- Complete interpretation of the down-hole geophysical (total gamma) surveying of the 69 air-core drill holes drilled in the September 2007 quarter;
- Subject to the results of (a) above, commence heritage consultation and approval process to conduct a more extensive drilling programme.



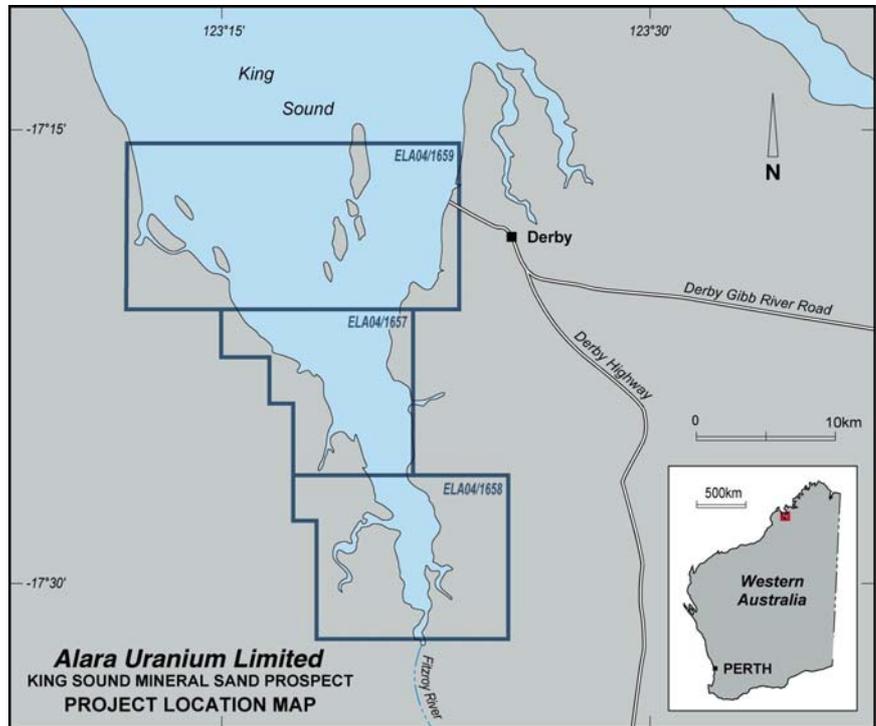
# DIRECTORS' REPORT

## 1.5. King Sound (Kimberley, Western Australia)

On 10 December 2007, Alara entered into a farm-in and joint venture agreement with Strike Resources Limited (**Strike**) (ASX Code: SRK) over its King Sound mineral sands project, to acquire a 70% interest in this project by funding the project to a "decision to mine". Alara has identified the King Sound area as being prospective for the accumulation of heavy minerals.

The project comprises 3 tenement applications covering a total area of 652 square kilometres, located approximately 10 kilometres south-west of the port town of Derby in the West Kimberley region of Western Australia.

A reconnaissance survey has been conducted to collect sediment samples across the tenements to verify historical reported heavy mineral grades. A total of 50 samples from 46 locations were collected. The analysed samples are currently awaiting detailed mineralogical interpretation.



### Exploration Activities

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- (a) Review and analyse the heavy mineral sampling data and conduct petrographic analysis of the anomalous sample concentrate;
- (b) Commence heritage consultation process with the Kimberley Land Council to fast track the grant of the tenements.

# DIRECTORS' REPORT

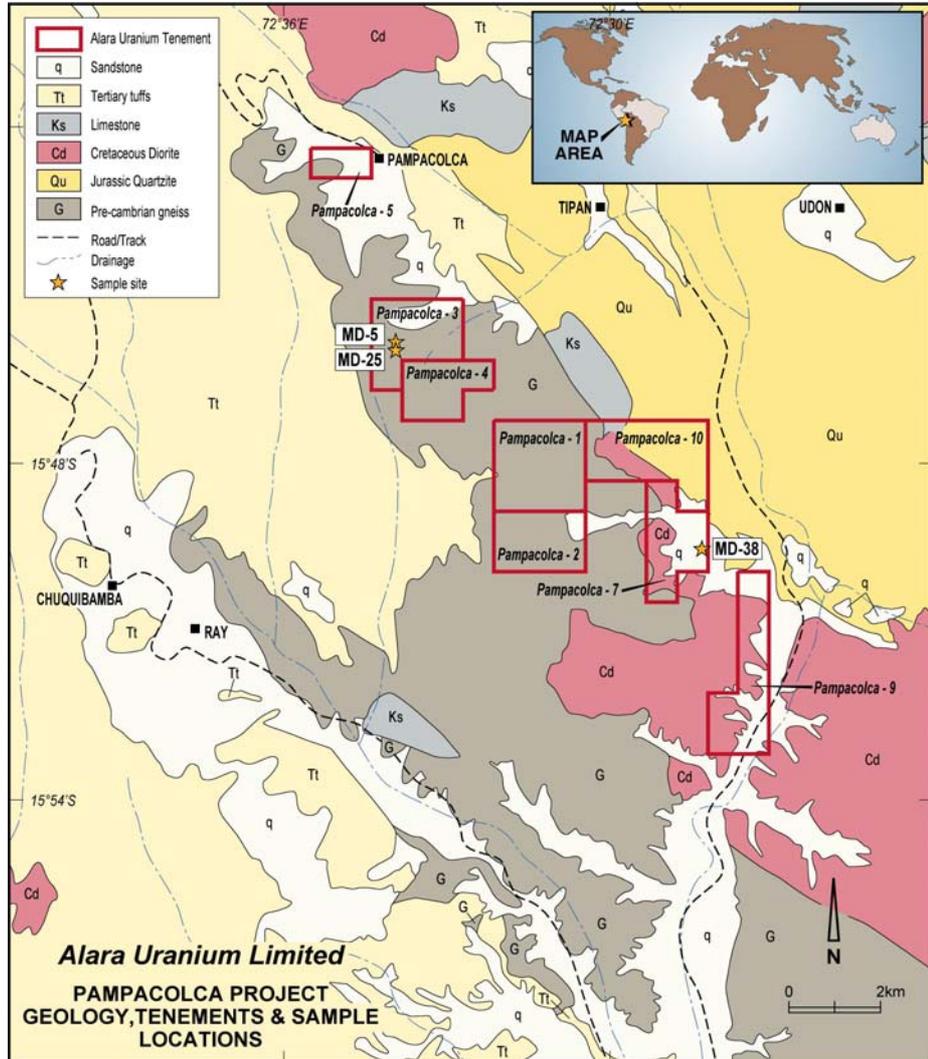
## 1.6. Pampacolca Project (Peru)

The Pampacolca Project is targeting structurally controlled occurrences of uranium, tantalum and rare earths in pegmatite veins and dykes in quartz-muscovite-feldspar schist. These occurrences lie within Pre-Cambrian gneissic terrain with known tantalum mineralisation.

### Exploration Activities

During the financial half year, Alara completed the following exploration and evaluation activities:

(a) Following the June 2007 quarter programme of stream sediment and rock sampling in the concession areas, three rock samples returned significant assays



for uranium. The location of these samples is identified in the Geology, Tenements and Sample Location Map to the right and the assay values are shown in Table 1 below. Other anomalous pegmatite zones extend up to 500 metres in strike length;

(b) Follow up sampling and ground radiometric surveying was conducted to determine the source of the anomalous MD-38 rock sample (0.38% uranium) in the Pampacolca 7 concession. A total of 64 fine sediment stream samples were collected. These samples are currently awaiting laboratory analysis. In addition, rock specimens were collected believed to contain the uranium bearing mineral providing the anomalous geochemical response in sample MD-38. The rock specimens are currently being prepared for thin section and polished section analysis to determine the petrographic description of the anomalous mineral.

SAMPLE DESCRIPTION	U ppm	Th ppm	Ta ppm	Ce ppm	Dy ppm	La ppm	Nb ppm	Nd ppm	Y ppm	Yb ppm
MD-5	199	>1000	0.8	>10000	234	>10000	3	>10000	624	36.8
MD-25	128	>1000	8.2	>10000	227	6550	47	4750	876	31.4
MD-38	3800	>1000	665	4910	>1000	2160	7970	1880	6590	765

Table 1: Assay Results on Three Rock Samples (June 2007 Quarter)

# DIRECTORS' REPORT

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- (a) Continue the follow-up sampling and ground radiometric surveying programme of anomalous areas to locate the source of the anomalous MD-38 rock sample and similar anomalous rock specimens in the Pampacolca 7 concession;
- (b) Conduct regional radiometric surveying and associated rock sampling programme of the Pre-Cambrian gneissic terrain to determine the extent of the uranium bearing pegmatites and associated structures, and identify additional anomalous uranium-bearing pegmatite zones.

## Macusani District Projects (Peru)

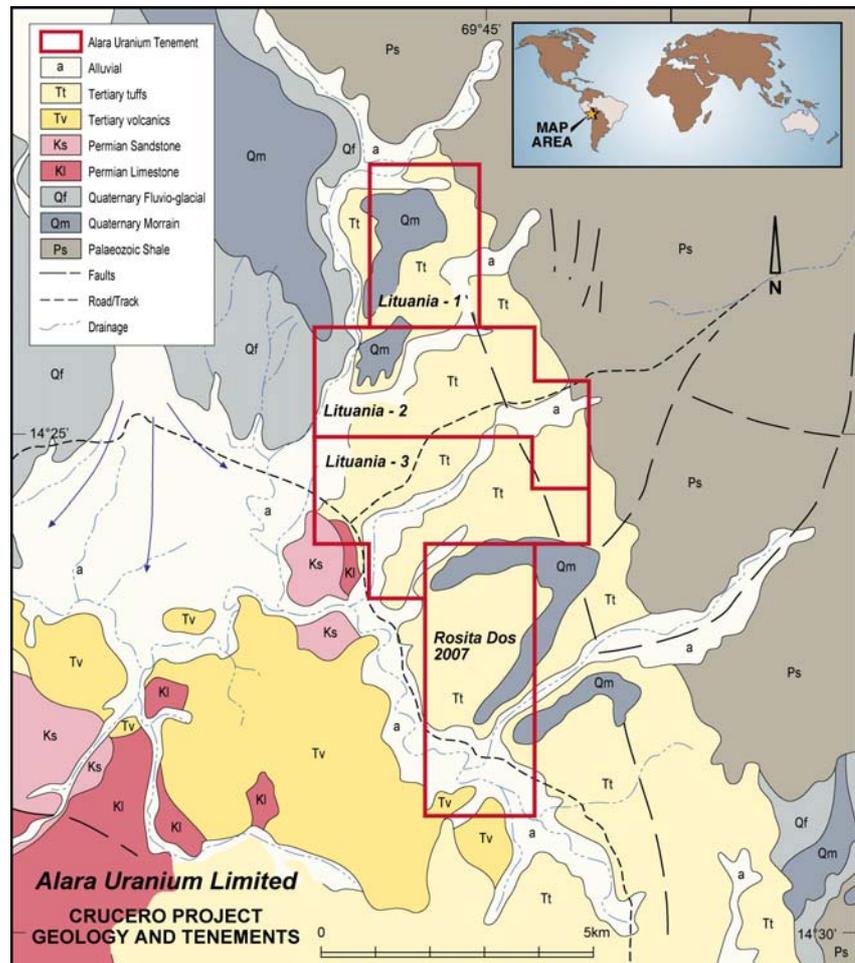
Alara is targeting uranium mineralisation in three geological environments in the Macusani district, southern Peru. This region is well known for hosting uranium occurrences.

Geochemical sampling previously conducted by the Peruvian Institute of Nuclear Energy (IPEN) in these geological environments has shown anomalous uranium occurrences leading the Company to believe that there is potential for the discovery of uranium deposits within the Project areas.

### 1.7. Crucero Project

Alara is targeting uranium mineralisation hosted by rhyolitic ignimbrites and ash flows of the Picotani Formation of Miocene-Pliocene age. This formation hosts several occurrences of uranium in the Macusani district.

On 7 December 2007, Alara Peru S.A.C (a Peruvian subsidiary) entered into an agreement with Sheridan Platinum Group S.A.C. to acquire 100% of the uranium mineral rights (and vanadium, phosphates, and other radioactive mineral rights associated with uranium production) in the Rosita Dos 2007 concession in consideration for US\$200,000 to be paid in 3 tranches over 24 months.



# DIRECTORS' REPORT

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## Exploration Activities

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During the financial half year, Alara completed the following exploration and evaluation activities:

- (a) Systematic reconnaissance ground radiometric surveying and geological mapping programmes commenced within the Lituania 1, 2 and 3 concessions;
- (b) Initial fieldwork uncovered the occurrence of uranium bearing autunite mineralisation in fractures and joint planes in rhyolite ignimbrites. A total of 15 anomalous areas that extend over a cumulative strike length of ~3000 metres have been recorded for follow up detailed radiometric surveying;
- (c) Agreements were signed with local communities to obtain land access and applications for drilling and environmental permits were lodged in respect of the Lituania 1, 2 and 3 concessions.

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- (a) Conduct detailed ground radiometric surveying and associated rock sampling over high priority anomalies identified in Lituania 3 and Rosita Dos 2007 concessions, to define drill targets;
- (b) Continue ground radiometric surveying and geological mapping within the high priority areas of the Rosita Dos 2007 concession;
- (c) Conduct infill ground radiometric surveying over the anomalous areas in the Lituania 3 concession to identify additional areas of uranium mineralisation;
- (d) Subject to grant of drilling permits, commence drill testing of priority anomalies within the Lituania 3 and Rosita Dos 2007 concessions.

## 1.8. Coasa Project

The Coasa Project comprises 11 concessions covering an area of 9,600 hectares. The concessions are centred on the town of Coasa, located in the Macusani district.

The target is pegmatite veins and dykes in well exposed Permian Coasa Granite associated with the Hercinian tectonic event of southern Peru. Historic IPEN data indicate anomalies up to 1900ppm uranium within the project area.

## Exploration Activities

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During the financial half year, Alara completed the following exploration and evaluation activities:

- (a) Initial reconnaissance mapping and sampling was completed. The Company has identified pegmatitic zones of several metres width with rock chip samples returning 500ppm and 470ppm uranium;
- (b) Alara acquired INGEMMET geochemical data over the Coasa granitic batholith.

The proposed exploration programme for the balance of the 30 June 2008 financial year is as follows:

- (a) Conduct an Aster interpretation and review INGEMMET geochemical data over Alara's extensive concession holding to identify priority targets for detailed exploration;
- (b) Secure agreements with local communities and landowners to implement an exploration programme;
- (c) Conduct an airborne geophysical survey over the project area, subject to aircraft availability.

# DIRECTORS' REPORT

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## 1.9. Santa Rosa Project

The Santa Rosa Project comprises 6 concessions covering an area of 4,400 hectares. The concessions are located between 2 to 5 kilometres north and west of the town of Santa Rosa, in the Macusani district.

Rhyolitic lava flows of the Permian Mitu Group lie adjacent to an unconformity with Ordovician schist. The lavas are the main targets for uranium mineralisation. Large geochemical anomalies of over 1500ppm uranium have been reported by IPEN from chip samples adjacent to the unconformity in the region.

### Exploration Activities

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During the financial half year, Alara completed the following exploration and evaluation activities:

- (a) An initial field survey reconnaissance survey was conducted within the project area;
- (b) Alara conducted a review of historical data from IPEN in the Santa Rosa area.

No detailed exploration and evaluation works are scheduled for this project during the balance of the 30 June 2008 financial year due to Alara's higher priority focus on the Crucero and Pampacolca Projects. Future works on the Santa Rosa Project will encompass:

- (a) Securing agreements with local communities and landowners to implement an exploration programme;
- (b) Conducting systematic geological mapping, ground radiometric surveying, and soil and rock sampling to identify uranium mineralisation within the host rhyolite flows;
- (c) Subject to the results of (b), conducting follow up channel sampling of defined surface uranium anomalous areas to define drill targets.

## 2. 3 for 4 Non-Renounceable Rights Issue Of Options

On 3 September 2007, the Company lodged a prospectus for a non-renounceable rights issue of 3 options for every 4 shares held by shareholders as at the record date (5.00pm WST on 12 September 2007) at an issue price of 1 cent per option. Each option is exercisable at a price of 25 cents, at any time on or before 30 June 2009.

The purpose of the rights issue was to meet the Company's commitment to undertake a loyalty options issue as disclosed in its IPO Prospectus

The rights issue closed on 28 September 2007 with \$603,750 raised (before expenses) from subscriptions received in respect of 60,375,000 options. These options were issued on 8 October 2007 and are quoted on ASX under ASX code "AUQO".

## 3. Strike's Distribution of 16 Million Alara Shares In Specie

Strike Resources Limited (**Strike**) completed a return of capital via an in specie distribution of 16 million Alara Uranium Limited shares on 13 December 2007.

These shares were escrowed until 24 May 2007, however, ASX granted a waiver of the escrow requirements in respect of these shares, other than shares distributed to related parties and promoters of Alara, Strike or any of their associates.

# DIRECTORS' REPORT

## SECURITIES IN THE COMPANY

### 1. Current Issued Capital

The Company has the following securities on issue as at the date of this report:

	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215 <sup>5</sup>	80,507,500
\$0.25 (30 June 2009) Listed Options	60,367,500	-	60,367,500
\$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
<b>Total</b>	<b>116,378,785</b>	<b>44,471,215</b>	<b>160,850,000</b>

### 2. Summary of Changes in Issued Capital

2.1 A summary of share capital changes during and subsequent to the financial half year is as follows:

Date	Description	Issue Price	No. Shares	Value of Issue	Running Balance of Issued Share Capital
<b>30/06/2006</b>	<b>Balance</b>				<b>40,275,000</b>
1/7 to 31/12/2007	Conversion of listed \$0.25 (30 June 2009) Options	\$0.25	7,500	\$1,875.00	40,282,500
<b>31/12/2007 and current</b>	<b>Balance</b>				<b>40,282,500</b>

2.2 60,375,000 listed \$0.25 (30 June 2009) Options (**AUQO**) were issued on 8 October 2007 under a non-renounceable rights issue of 3 options for every 4 shares held by shareholders as at the record date (5.00pm WST on 12 September 2007) at an issue price of 1 cent per option.

2.3 18,550,000 \$0.55 (27 July 2012) Directors' Options were granted to 3 directors of the Company on 27 July 2007 after receiving shareholder approval on 27 July 2007: <sup>6</sup>

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>7</sup>	No. of Options
27 July 2007	\$0.55 (27 July 2012) Directors' Options	\$0.55	27 July 2012	50% on grant and 50% on 27 July 2008	18,550,000

<sup>5</sup> Refer to the Information on Securities Section of this Half Year Report for details of shares subject to escrow.

<sup>6</sup> The terms and conditions of options issued to employees and directors are set out in an Explanatory Statement accompanying the Company's [Notice of Meeting dated 21 June 2007](#) and released on ASX on 28 June 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#).

<sup>7</sup> Options which have vested may be exercised at any time thereafter, up to their expiry date

# DIRECTORS' REPORT

- 2.4 1,425,000 \$0.55 (27 July 2012) Employees' Options were granted to 3 employees of the Company on 27 July 2007 after receiving shareholder approval on 27 July 2007:<sup>6</sup>

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>8</sup>	No. of Options
27 July 2007	\$0.55 (27 July 2012) Employees' Options	\$0.55	27 July 2012	1/3 <sup>rd</sup> on 27 January 2008, 1/3 <sup>rd</sup> on 27 July 2008 and 1/3 <sup>rd</sup> on 27 January 2009	1,425,000

- 2.5 736,250 shares were released from ASX prescribed escrow on 6 December 2007.

- 2.5 14,992,535 shares were released from ASX prescribed escrow on 18 December 2007 as a consequence of Strike completing a return of capital via an in specie distribution of 16 million Alara shares.

## BOARD OF DIRECTORS

There were no Board changes during the financial half year.

The experience and qualifications of current directors are as follows:

<b>John Stephenson</b>	<b>Chairman</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BSc (honours) in Geology from the University of London through the former University College of Rhodesia and a PhD in Geology from the University of Manitoba, Canada.
<i>Experience</i>	<p>Dr Stephenson is a highly experienced geologist with over 37 years experience in the mining sector. He has held senior positions in large mining companies, most recently as Exploration Director for Rio Tinto Australasia where he led Rio Tinto's exploration activities for five and a half years based in Perth.</p> <p>Dr Stephenson has also during his career led and managed exploration teams for both junior and major mining companies in several parts of the world, mainly in Southern and East Africa, North America and Australia exploring for gold, uranium, diamonds and base metals. He has also been involved with projects in Europe, South America and India. He led teams responsible for the discovery of a world class diamond deposit, the Diavik diamond mine in Canada's Northwest Territories for which he recently received an award; and a high grade gold deposit, the former Golden Patricia gold mine in Ontario.</p> <p>Dr Stephenson has particular experience in the uranium sector having in the early to mid 1970's led reconnaissance airborne and ground surveys for uranium in Canada. Between 1978-1981, Dr Stephenson headed the ground follow-up of a country-wide airborne radiometric and magnetic survey for uranium and other minerals in Tanzania. In the early 90's Dr Stephenson led exploration for a subsidiary of Rio Tinto exploring for uranium and base metals in eastern Canada. Dr Stephenson also led Rio Tinto's exploration activities in Australia in the late 90's which included the search for uranium.</p>
<i>Relevant interest in securities</i>	Shares – 217,072 <sup>9</sup> Listed \$0.25 (30 June 2009) Options – 135,000 Unlisted \$0.55 (27 July 2012) Director Options - 975,000
<i>Other current directorships in listed entities</i>	Chairman of Strike Resources Limited (since 26 October 2005)

8 Options which have vested may be exercised at any time thereafter, up to their expiry date  
9 Held jointly: John Francis Stephenson & Susan Margaret Franklin <Stephenson Franklin FMY A/C>

# DIRECTORS' REPORT

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<b>H. Shanker Madan</b>	<b>Managing Director</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	<p>Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group.</p> <p>Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits.</p> <p>He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and more recently completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.</p>
<i>Relevant interest in securities</i>	Shares – 278,375 <sup>10</sup> Listed \$0.25 (30 June 2009) Options – 138,763 Unlisted \$0.55 (27 July 2012) Director Options – 8,800,000
<i>Other current directorships in listed entities</i>	Managing Director of Strike Resources Limited (since 26 September 2005)

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<b>Farooq Khan</b>	<b>Executive Director</b>
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BJuris , LLB. ( <i>Western Australia</i> )
<i>Experience</i>	<p>Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.</p>
<i>Relevant interest in securities</i>	Shares – 9,610,986 <sup>11</sup> Listed \$0.25 (30 June 2009) Options – 9,266,205 <sup>12</sup> Unlisted \$0.55 (27 July 2012) Director Options – 8,775,000
<i>Other current directorships in listed entities</i>	Current Chairman and Managing Director of: (1) Queste Communications Ltd (since 10 March 1998)  Current Chairman of: (2) Orion Equities Limited (since 23 October 2006) (3) Bentley International Limited (director since 2 December 2003) (4) Scarborough Equities Limited (since 29 November 2004)  Current Executive Director of: (5) Strike Resources Limited (since 9 September 1999)  Current Non-Executive Director of: (6) Interstaff Recruitment Limited (since 27 April 2006)

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10 Held jointly: Mr Hem Shanker Madan & Mrs Anupam Shobha Madan <The AS and HS Madan S/F A/C>

11 Held indirectly: Mr Khan is deemed under the Corporations Act to have a relevant interest in 8,485,699 shares held by Orion Equities Limited (**OEQ**) as Mr Khan has a greater than 20% interest in Queste Communications Ltd (**QUE**), which is deemed to be in control of OEQ, and 180,000 shares held by Interstaff Recruitment Limited (**IRL**), as Mr Khan has a greater than 20% interest in IRL.

12 Held indirectly: 9,131,205 options held by OEQ and 135,000 options held by IRL.

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# DIRECTORS' REPORT

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## COMPANY SECRETARY

**Victor P. H. Ho**      **Company Secretary**

*Appointed*              4 April 2007

*Qualifications*        BCom, LLB (*Western Australia*)

*Experience*              Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and ASX compliance and shareholder relations.

*Relevant interest in securities*      Unlisted \$0.55 (27 July 2012) Employee Options – 500,000

*Other positions held in listed entities*      Current Executive Director and Company Secretary of:  
 (1)      Strike Resources Limited (Secretary since 9 March 2000 and Director since 12 October 2000);  
 (2)      Orion Equities Limited (Secretary since 2 August 2000 and Director since 4 July 2003).  
 Current Company Secretary of:  
 (3)      Queste Communications Ltd (since 30 August 2000);  
 (4)      Bentley International Limited (since 5 February 2004);  
 (5)      Scarborough Equities Limited (since 29 November 2004).

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## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 23. This relates to the Independent Review Report, where the Auditors state that they have issued an independence declaration.

Signed for and on behalf of the Directors of Alara Uranium Limited in accordance with a resolution of the Board,



John Stephenson  
Chairman

Perth, Western Australia

14 March 2008



Farooq Khan  
Director

**AUDITOR'S INDEPENDENCE DECLARATION****TO THE DIRECTORS OF ALARA URANIUM LIMITED**

**Grant Thornton (WA) Partnership**  
ABN: 17 735 344 518  
Level 1  
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In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alara Uranium Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton (WA) Partnership*

**GRANT THORNTON (WA) PARTNERSHIP**

*P. Warr.*

**P W WARR**  
**Partner**  
Perth

Date: 14 March 2008

# INCOME STATEMENT

for the period ended 31 December 2007

	Note	Consolidated Entity	
		31 Dec 07	31 Dec 06
		\$	\$
Revenue	2	320,466	-
Personnel expenses			
- Directors' and employees' options		(2,457,981)	-
- Cash remuneration		(354,931)	-
- Provision for employee benefits		(18,617)	-
Occupancy costs		(16,359)	-
Finance expenses		(1,004)	-
Borrowing costs		(498)	-
Corporate expenses		(67,909)	-
Administration expenses		(175,467)	-
		<hr/>	
<b>Loss before income tax expense</b>		(2,772,300)	-
Income tax benefit		-	-
		<hr/>	
<b>Loss for the period</b>		<u>(2,772,300)</u>	<u>-</u>
		<hr/> <hr/>	
Basic loss (cents per share)	3	(3.44)	-

*The accompanying notes form part of this financial report*

# BALANCE SHEET

as at 31 December 2007

	Note	Consolidated Entity	
		31 Dec 07	30 Jun 07
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	8,662,833	9,700,691
Trade and other receivables		45,571	11,255
<b>TOTAL CURRENT ASSETS</b>		<b>8,708,404</b>	<b>9,711,946</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		8,071	13,245
Other financial assets		923,220	-
Resource projects		5,659,565	5,248,504
<b>TOTAL NON CURRENT ASSETS</b>		<b>6,590,856</b>	<b>5,261,749</b>
<b>TOTAL ASSETS</b>		<b>15,299,260</b>	<b>14,973,695</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		318,876	226,308
Short term provisions		-	6,018
<b>TOTAL CURRENT LIABILITIES</b>		<b>318,876</b>	<b>232,326</b>
<b>TOTAL LIABILITIES</b>		<b>318,876</b>	<b>232,326</b>
<b>NET ASSETS</b>		<b>14,980,384</b>	<b>14,741,369</b>
<b>EQUITY</b>			
Contributed equity	5	14,768,583	14,819,046
Reserves	6	3,061,778	-
Accumulated losses		(2,849,977)	(77,677)
<b>TOTAL EQUITY</b>		<b>14,980,384</b>	<b>14,741,369</b>

*The accompanying notes form part of this financial report*

# STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2007

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
<b><u>Consolidated Entity</u></b>				
<b>At 1 July 2006</b>	-	-	-	-
At incorporation	55,000	-	-	55,000
Loss for the period	-	-	-	-
<b>At 31 December 2006</b>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>
<b>At 1 July 2007</b>	14,819,046	-	(77,677)	14,741,369
Loss for the period	-	-	(2,772,300)	(2,772,300)
Share issue expenses	(52,338)	-	-	(52,338)
Issue of options	-	3,061,778	-	3,061,778
Options conversion (\$0.25 30 Jun 09)	1,875	-	-	1,875
<b>At 31 December 2007</b>	<u>14,768,583</u>	<u>3,061,778</u>	<u>(2,849,977)</u>	<u>14,980,384</u>

*The accompanying notes form part of this financial report*



# NOTES TO THE FINANCIAL STATEMENTS

## for the period ended 31 December 2007

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's financial report for the year ended 30 June 2007.

#### Changes in Accounting Policy

Since 1 July 2007 the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Group.

- AASB 7 Financial Instruments: Disclosures;
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,1,4, 1023 and 1038);
- AASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments;
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108).

### 2. LOSS FOR THE YEAR

The operating loss before income tax includes the following items of revenue and

	<b>Consolidated Entity</b>	
	<b>31 Dec 07</b>	<b>31 Dec 06</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue</b>		
Interest received	320,325	-
Foreign exchange movement	141	-
<b>Total revenue</b>	<b>320,466</b>	<b>-</b>
<b>(b) Expenses</b>		
Personnel expenses	354,931	-
Personnel expenses - options remuneration	2,457,981	-
Personnel expenses - employee benefits	18,617	-
Occupancy costs	16,359	-
Finance expenses	1,004	-
Borrowing costs - interest paid	498	-
Corporate expenses	67,909	-
Administration expenses		-
- Communications	10,757	-
- Consultancy fees	1,894	-
- Travel and incidentals	10,510	-
- Professional fees	16,865	-
- Insurance	1,975	-
- Depreciation	298	-
- Fair value adjustment of share investment	91,810	-
- Other	41,358	-
	<b>3,092,766</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## for the period ended 31 December 2007

3. LOSS PER SHARE	Consolidated Entity	
	31 Dec 07	31 Dec 06
Basic loss per share (cents)	(3.44)	-
Net Loss	<u>(2,772,300)</u>	-
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	80,501,068	3,767

### Information concerning the classification of securities

#### (i) Options

Options issued are considered to be potential ordinary shares and would be included in the determination of diluted earnings per share to the extent to which they are dilutive. Details relating to the options granted to Directors and employees are set out in Note 6.

The options granted to Directors and employees and the options issued to shareholders have not been included in the calculation of diluted earnings per share because they are not considered to be dilutive to the total issued share capital for the period 31 December 2007.

4. CASH AND CASH EQUIVALENTS	Consolidated Entity	
	31 Dec 07	30 Jun 07
	\$	\$
Cash at bank	1,074,174	9,700,691
Deposit at call	7,588,659	-
	<u>8,662,833</u>	<u>9,700,691</u>
5. ISSUED CAPITAL		
<b>Issued and Paid-Up Capital</b>		
Fully paid ordinary shares	<u>14,768,583</u>	<u>14,819,046</u>

Each fully paid ordinary share carries one vote per share and the right to participate in dividends.

<b>Movement in Ordinary Share Capital</b>	Date of movement	Number of shares	Consolidated Entity	
			31 Dec 07	30 Jun 07
			\$	\$
At 1 July 2006		-	-	-
At incorporation	06-Dec-06	5,500,000	55,000	55,000
Initial public offering (IPO)	18-May-07	40,000,000	10,000,000	10,000,000
IPO expenses			(395,954)	(395,954)
Acquisition of Alara Peru Operations Pty Ltd	18-May-07	18,750,000	3,430,000	3,430,000
Acquisition of Alara Operations Pty Ltd	18-May-07	10,000,000	980,000	980,000
Acquisition of Hume Mining NL	18-May-07	6,250,000	750,000	750,000
At 30 June 2007		80,500,000	14,819,046	<u>14,819,046</u>
Option (\$0.25, 30 June 2009) conversions	Nov 07	7,500	1,875	
Share issue expenses		-	(52,338)	
		<u>80,507,500</u>	<u>14,768,583</u>	

# NOTES TO THE FINANCIAL STATEMENTS

## for the period ended 31 December 2007

		<b>Consolidated Entity</b>	
		<b>31 Dec 07</b>	<b>30 Jun 07</b>
		\$	\$
<b>6. RESERVES</b>			
Option reserves		3,061,778	-
<b>Movement in Option Reserve</b>		<b>Consolidated Entity</b>	
The number of unlisted options outstanding over unissued ordinary shares at balance date is as follows:		<b>31 Dec 07</b>	<b>30 Jun 07</b>
		\$	\$
<b>Directors' Options</b>			
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	18,550,000	2,385,694
<b>Employees' Options</b>			
Unlisted options exercisable at \$0.55; expiring 27 Jul 2012	27-Jul-07	1,425,000	72,287
		<u>19,975,000</u>	<u>2,457,981</u>
<b>Listed \$0.25 (30 June 2009) options</b>	03-Oct-07	60,375,000	603,797
Options exercised		(7,500)	-
		<u>60,367,500</u>	<u>603,797</u>

### 7. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period.

<b>Loans to Controlled Entities</b>	<b>Percentage of Ownership</b>	<b>Amount owed 31 Dec 07</b>
		\$
Hume Mining NL	100%	25,000
Alara Operations Pty Ltd	100%	416,705
Alara Peru Operations Pty Ltd	100%	25,000
Subsidiary of Alara Peru Operations Pty Ltd		
Alara Peru S.A.C (Incorporated in Peru on 1 March 2007)	100%	12,599

The above amounts remain outstanding at balance date. Interest is not charged on such outstanding amounts.

### 8. SEGMENT REPORTING

The Consolidated Entity is based in Australia but has resource projects in Peru and is predominantly involved in mining exploration and evaluation.

	<b>Segment revenues</b>	<b>Segment results</b>	<b>Segment Assets</b>	<b>Segment Liabilities</b>	<b>Acquisitions of non-current segment assets</b>
	<b>31 Dec 07</b>	<b>31 Dec 07</b>	<b>31 Dec 07</b>	<b>31 Dec 07</b>	<b>31 Dec 07</b>
	\$	\$	\$	\$	\$
<b>Geographical segments</b>					
Australia	320,325	2,752,707	15,035,190	(91,412)	1,022,752
Peru	-	19,593	264,070	(227,464)	166,127
	<u>320,325</u>	<u>2,772,300</u>	<u>15,299,260</u>	<u>(318,876)</u>	<u>1,188,879</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the period ended 31 December 2007

### 9. COMMITMENTS

#### (a) Agreement with Sheridan Platinum Group Peru S.A.C in relation to Rosita 2007 Concession (Peru)

On 7 December 2007, Alara Peru S.A.C (a Peruvian subsidiary of the Company) entered into an agreement with Sheridan Platinum Group S.A.C. to acquire 100% of the uranium mineral rights (and vanadium, phosphates and other radioactive mineral rights associated with uranium production) in the Rosita 2 concession in consideration for US\$200,000 to be paid in 3 tranches - \$50,000 on execution, \$50,000 in 12 months and \$100,000 in 24 months.

Alara may withdraw from the agreement after making these payments and its obligations will cease after the date of withdrawal.

Alara is also liable for a royalty on all product mined and shipped from exploitation of these mineral rights as

- (a) Within 5 years - the greater of 3% of net smelter value or gross sales value;
- (b) After 5 years - 5% of gross sales value.

(Alara may elect to reduce by 50% the rate of these royalties by payment of US\$1 million within 12 months of

An advance royalty payment of US\$25,000 per annum is payable after the initial 24 months from execution of the agreement.

#### (b) King Sound Farm-In and Joint Venture Agreement with Strike Resources Limited (Western Australia)

On 10 December 2007, Alara Operations Pty Ltd (an Australian subsidiary) entered into a farm-in and joint venture agreement with Strike Resources Limited (Strike) over Strike's King Sound Mineral Sands Project (comprising 3 exploration licence applications pending grant). Alara will earn a 70% interest in the tenements by funding the project to a "decision to mine" stage.

Alara may withdraw from the agreement on 30 day's notice to Strike with liability for its pro-rata share of the tenements' minimum expenditure commitments up to the date of withdrawal.

#### (c) Mineral Tenement/Concession - Commitments for Expenditure

##### Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately \$360,000 over a 12 month period, based on Australian tenements which have been granted as at balance date. Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

##### Peruvian concessions

The Consolidated Entity is required to pay annual license fees by 30 June of each year, currently charged at the rate of US\$3.00 per hectare per annum.

#### (d) Australian Heritage Protection Agreements

These agreements facilitate the preservation of aboriginal heritage through the protection of aboriginal sites and objects upon the grant of mining tenements in Western Australia. The Heritage Protection Agreements require the Consolidated Entity to conduct aboriginal heritage surveys prior to conducting exploration that is not low impact in nature and detail procedures to be followed if an aboriginal site is identified.

# NOTES TO THE FINANCIAL STATEMENTS

## for the period ended 31 December 2007

### 10. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities exist in relation to certain resource projects of the Consolidated Entity subject to the continued development and advancement of the same.

- (a) **Royalty to Central Exchange Mining Ltd** - By an agreement entered into between Hume Mining NL (Hume), Strike Resources Limited (Strike), Strike Uranium Pty Ltd (now known as Alara Operations Pty Ltd) and Central Exchange Mining Ltd (CXML) (a subsidiary of Orion Equities Limited) dated 9 February 2007, Hume assigned the benefit of a 2% royalty entitlement (owed to Hume by Strike under a previous agreement - the Hume Agreement) to CXML. By this assignment, CXML is now entitled to receive a royalty of 2% of gross revenues (exclusive of GST) from the Consolidated Entity arising from any commercial exploitation of any minerals from the Australian tenements the subject of the Hume Agreement.

The Hume Agreement is an agreement entered into between Strike and Hume dated 15 September 2005 (as amended) pursuant to which Strike acquired an interest in 75% of Hume's interests in various Australian tenements - EL 24879, 24928, 24928 and 24729 and ELA 24927 (the Bigryli South Project tenements in the Northern Territory), EL 09/1253 (a Mt James Project tenement in Western Australia) and EL 46/629 and a right to earn and acquire a 85% interest in ELA 46/585 (excluding all manganese mineral rights) (the Canning Well Project tenements in Western Australia).

- (b) **Native Title** - The Consolidated Entity's tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Consolidated Entity.
- (c) **Government Royalties** - The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions. For example, the applicable Government royalties in Peru is between 1 to 3% based on the value of production. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalties.
- (d) **Directors' Deeds** - The Company has entered into deeds of indemnity with each of its Directors indemnifying them against liability incurred in discharging their duties as directors/officers of the Consolidated Entity. As at balance date, no claims have been made under any such indemnities and accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

### 11. EVENTS AFTER BALANCE DATE

- (a) On 11 February 2007, Alara Operations Pty Ltd entered into an agreement with Epsilon Energy Limited (ASX Code: EPS) for Alara to earn up to a 60% interest in two exploration licences (EL 09/1195 and EL 09/1196) totalling ~43,500 hectares by spending up to \$400,000 on exploration on the tenements within 2 years. This agreement is subject to completion of due diligence to the satisfaction of Alara on or before 25 March 2008. Alara has a minimum commitment of \$200,000 within the first 12 months to earn a 51% interest with the right to earn an additional 9% interest by spending \$200,000 on the tenements within the second 12 months; Alara has the right to withdraw after the initial \$200,000 commitment with no further commitments beyond its pro-rata share of the costs required to keep the tenements in good standing up to the date of withdrawal.

No other matter or circumstance has arisen since the end of the half year that significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

# DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Alara Uranium Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



John Stephenson  
Chairman

Perth, Western Australia

14 March 2008



Farooq Khan  
Director



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALARA URANIUM LIMITED AND CONTROLLED ENTITIES**

Grant Thornton (WA) Partnership  
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### **Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Alara Uranium Limited (the Company) and the entities it controlled (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, and other selected explanatory notes. The consolidated entity comprises both Alara Uranium Limited (the Company) and the entities it controlled during that half-year.

### **Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Alara Uranium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alara Uranium Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and Corporations Regulations 2001.

Grant Thornton (WA) Partnership

**GRANT THORNTON (WA) PARTNERSHIP****P W WARR****Partner**

Perth

Date: 14 March 2008

# SECURITIES INFORMATION

## as at 31 December 2007

### ISSUED SECURITIES

	Quoted	Not Quoted or Subject to Escrow	Total
Fully paid ordinary shares	56,011,285	24,496,215 <sup>13</sup>	80,507,500
\$0.25 (30 June 2009) Listed Options <sup>14</sup>	60,367,500	-	60,367,500
\$0.55 (27 July 2012) Unlisted Directors' Options <sup>15</sup>	-	18,550,000	18,550,000
\$0.55 (27 July 2012) Unlisted Employees' Options <sup>15</sup>	-	1,425,000	1,425,000
<b>Total</b>	<b>116,378,785</b>	<b>44,471,215</b>	<b>160,850,000</b>

### SUMMARY OF UNLISTED DIRECTORS' AND EMPLOYEE OPTIONS

Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria <sup>16</sup>	No. of Options
27 July 2007	\$0.55 (27 July 2012) Directors' Options	\$0.55	27 July 2012	50% on grant and 50% on 27 July 2008	18,550,000
27 July 2007	\$0.55 (27 July 2012) Employees' Options	\$0.55	27 July 2012	1/3 <sup>rd</sup> on 27 January 2008, 1/3 <sup>rd</sup> on 27 July 2008 and 1/3 <sup>rd</sup> on 27 January 2009	1,425,000

13 Escrowed shares comprise:

- (i) 4,488,750 shares held by related parties and promoters (founding shareholders) escrowed until 24 May 2009;
- (ii) 12,750,000 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 until 24 May 2009;
- (iii) 1,007,465 (formerly vendor shares issued to Strike Resources Limited pursuant to settlement of the Strike Uranium and Peru Sale Agreements, as defined in the IPO Prospectus) distributed in specie under a capital return effected by Strike Resources Limited on 13 December 2007 to various related parties and promoters of Strike Resources Limited and Alara Uranium Limited (and their associates), escrowed until 24 May 2009; 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 until 24 May 2009.

14 Terms and conditions of \$0.25 (30 June 2009) listed options are set out in a [Rights Issue Options Prospectus dated 3 September 2007](#) and in an [ASX Appendix 3B New Issue Announcement lodged on 3 September 2007](#)

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

16 Options which have vested may be exercised at any time thereafter, up to their expiry date

# SECURITIES INFORMATION

## as at 31 December 2007

### DISTRIBUTION OF LISTED AND UNLISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	1,764	852,198	1.059%
1,001	-	5,000	760	1,832,526	2.276%
5,001	-	10,000	485	4,062,311	5.046%
10,001	-	100,000	642	19,886,024	24.701%
100,001	-	and over	93	53,874,441	66.919%
<b>Total</b>			<b>3,744</b>	<b>80,500,000</b>	<b>100%</b>

### TOP 20 LISTED AND UNLISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	STRIKE RESOURCES LIMITED	12,750,000	15.837
2	ORION EQUITIES LIMITED	9,262,287	11.505
3	NATIONAL NOMINEES LIMITED	3,349,222	4.160
4	DATABASE SYSTEMS LIMITED	2,712,021	3.369
5	CLASSIC CAPITAL PTY LTD	2,506,904	3.114
6	LISA SHALLARD AND LINDA SALA TENNA	2,050,000	2.546
7	ANZ NOMINEES PTY LIMITED <CASH INCOME A/C>	1,455,274	1.808
8	KATANA EQUITY PTY LTD	1,089,344	1.353
9	CITYCORP NOMINEES PTY LIMITED	837,511	1.040
10	MS ROSANNA DE CAMPO	800,000	0.994
11	HSBC CUSTODY NOMINEES	771,754	0.959
12	CITYSIDE INVESTMENTS PTY LTD	727,210	0.903
13	MANNHEIM INVESTMENTS PTY LTD	725,000	0.901
14	RENMUIR HOLDINGS LIMITED	668,402	0.830
15	TWINLAND HOLDINGS PTY LTD	631,024	0.784
16	BLUE CRYSTAL PTY LTD	629,024	0.782
17	ZHIVAN PTY LTD <SUPER FUND A/C>	566,814	0.704
18	CHARLES FOTI CORPORATION PTY LTD <CHARLES FOTI CORPORATION A/C>	526,855	0.654
19	MR BRIAN PETER BYASS	518,537	0.644
20	MISS HEI YE LAM	410,000	0.509
<b>Total</b>		<b>42,987,910</b>	<b>53.396%</b>

# SECURITIES INFORMATION

## as at 31 December 2007

### DISTRIBUTION OF LISTED \$0.25 (30 JUNE 2009) OPTIONS

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	4	2,045	0.003%
1,001	-	5,000	54	161,874	0.268%
5,001	-	10,000	398	2,502,371	4.145%
10,001	-	100,000	314	10,270,243	17.013%
100,001	-	and over	53	47,430,967	78.570%
<b>Total</b>			<b>823</b>	<b>60,375,000</b>	<b>100%</b>

### TOP 20 LISTED \$0.25 (30 JUNE 2009) OPTIONS

Rank	Optionholder	Total Options	% Total Options On Issue
1	STRIKE RESOURCES LIMITED	21,562,500	35.71
2	ORION EQUITIES LIMITED	9,131,205	15.12
3	RENMUIR HOLDINGS LIMITED	3,200,475	5.30
4	CLASSIC CAPITAL PTY LTD	1,552,200	2.57
5	LISA SHALLARD &	1,537,500	2.55
6	DATABASE SYSTEMS LIMITED	730,430	1.21
7	MS ROSANNA DE CAMPO	600,000	0.99
8	MANNHEIM INVESTMENTS PTY LTD	543,750	0.90
9	CITYSIDE INVESTMENTS PTY LTD	506,250	0.84
10	ZHIVAN PTY LTD <SUPER FUND A/C>	395,400	0.65
11	CHARLES FOTI CORPORATION PTY	393,750	0.65
12	KATANA CAPITAL LIMITED	386,400	0.64
13	BLUE CRYSTAL PTY LTD	375,000	0.62
14	MR BRIAN PETER BYASS	375,000	0.62
15	KATANA EQUITY PTY LTD	375,000	0.62
16	TWINLAND HOLDINGS PTY LTD	360,767	0.60
17	MS SUE LYNN WONG	300,000	0.50
18	MRS JOANNE JOHNSON	267,500	0.44
19	MIDAS INVESTMENTS (WA) PTY LTD	267,450	0.44
20	HSBC CUSTODY NOMINEES	256,500	0.42
<b>Total</b>		<b>43,117,077</b>	<b>71.42%</b>