



Alara Uranium Limited
A.B.N. 27 122 892 719
Level 14, The Forrest Centre
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Tuesday, 4 September 2007

MARKET ANNOUNCEMENT

Notice of Options Rights Issue to Shareholders

As disclosed in the Company's Rights Issue Options Prospectus lodged with ASIC and ASX on 3 September 2007, the Company is undertaking a 3 for 4 non-renounceable rights issue of options at an issue price of one cent per option and an exercise price of \$0.25 with such options expiring on 30 June 2009 (**Options Offer**).

The Company confirms that it has despatched notice to shareholders of the proposed Options Offer (a copy of which is attached).

The Prospectus and an accompanying personalised Acceptance Form will be dispatched to eligible shareholders (registered as holding shares in the Company as at the record date of 12 September 2007) on or about 14 September 2007.

Eligible shareholders who wish to subscribe for Options will need to complete and return this personalised Application Form.

Further information:

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Managing Director
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Victor Ho
Company Secretary
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ASX Code | **AUQ**





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4 September 2007

Dear Shareholder,

3 FOR 4 NON-RENOUCEABLE RIGHTS ISSUE OF OPTIONS

The Directors of Alara Uranium Limited advise that a prospectus for a non-renounceable entitlements issue of options was lodged with the Australian Securities & Investments Commission (ASIC) and the Australian Securities Exchange (ASX) on 3 September 2007.

The prospectus is 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 Company will raise ~\$603,750 before expenses from the issue of ~60,375,000 Options assuming maximum participation by all eligible shareholders.

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 option. The Company will apply for the options to be quoted on ASX.

The purpose of the Rights Issue is to meet the Company's commitment to undertake a loyalty options issue as disclosed in its IPO Prospectus. Funds raised will be applied to working capital and also to meet issue expenses.

An indicative timetable is outlined below:

EVENT	DATE
Announcement of details of Options Rights Issue (Appendix 3B)	3 September 2007
Prospectus lodged with ASIC and ASX	3 September 2007
Notice of Options Rights Issue sent to shareholders	4 September 2007
Alara Uranium (AUQ) shares commence trading ex entitlement	5 September 2007
Record Date for determining entitlements	12 September 2007
Despatch Prospectus and announcement of completion of despatch	14 September 2007
Closing Date of Options Rights Issue	28 September 2007
Deferred settlement trading of Options (AUQO) commences	1 October 2007
Date of allotment and issue of Options	3 October 2007
Option Holder Statements dispatched	5 October 2007
Deferred settlement trading of Options (AUQO) ends	5 October 2007

NOTE: Certain items are indicative dates only, which may change. The Company reserves the right to vary dates by either shortening or extending such dates, subject to the Corporations Act and ASX Listing Rules. Certain dates are also subject to the ASX Listing Rules; to the extent that any of the above dates are inconsistent with the Listing Rules, the dates prescribed under the Listing Rules shall be applicable

ASX Code | **AUQ**



A Prospectus for the Rights Issue will be despatched to eligible shareholders after the Record Date in accordance with the above timetable. Shareholders registered at the Record Date and who wish to apply for their Options entitlement will need to complete the Acceptance Form that will accompany and form part of the Prospectus.

A copy of the Prospectus is also now available for viewing and downloading from the Company's website (www.alarauranium.com) or the ASX website at www.asx.com.au under ASX Code "AUQ".

Upon completion of the Rights Issue (and assuming no vested unlisted Directors or Employees Options have been exercised), 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 ²	18,550,000
\$0.55 (27 July 2012) Unlisted Employees' Options	-	1,425,000 ³	1,425,000
Options issued under this Prospectus	60,375,000	-	60,375,000

The Options offered under this Rights Issue should be considered speculative. Shareholders should read the Prospectus (and all documents which are incorporated by reference into the Prospectus) in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Options under the Rights Issue.

For further information, please contact the Company Secretary on (08) 9214 9787 or by email to info@alarauranium.com.

Yours Sincerely,



Dr John Stephenson
Chairman

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- 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 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 Prospectus, escrowed for 24 months from the date of official quotation of Alara's shares on ASX.
- 2 Directors' options were issued on 27 July 2007 after receiving shareholder approval; the exercise price is 55 cents per option; the expiry date is 27 July 2012; 50% of these options vested (which options may therefore be exercised at any time thereafter and prior to their option expiry date) on the date of issue with the balance to vest on 27 July 2008.
- 3 Employees' options issued on 27 July 2007 after receiving shareholder approval; the exercise price is 55 cents per option; the expiry date is 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 their option expiry date), one-third will vest on 27 July 2008 and the balance of one-third will vest on 27 January 2009.