

Alara Uranium Limited
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25 August 2008

ASX Limited
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

Attention: Jenny Cutri
Assistant Manager, Issuers (Perth)
By Email: jenny.cutri@asx.com.au

By Facsimile: 9221 2020

Dear Jenny,

RESPONSE TO ASX RE 48% PRICE INCREASE

We refer to ASX's query on the 48% increase in the price of the Company's listed shares (AUQ) from 7.1 cents 18 August to a closing price of 10.5 cents on 22 August 2008 and respond as follows:

1. *Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?*

Yes.
The Company is currently in negotiations with vendors in relation the acquisition of interests in an overseas resource project. No final agreement has been reached between the Company and the vendors. There is no assurance that a final agreement will be reached between the parties on terms satisfactory to all parties.

2. *If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?*

No.
The discussions and negotiations referred to in (1) are confidential and are on-going. No final agreement has been reached between the parties. There is no assurance that a final agreement will be reached between the parties on terms satisfactory to all parties.

3. *Is there any other explanation that the Company may have for the 48% increase in its share price over the above period?*

The Company does not have any other explanation for the 48% increase in its share price over the above period.



4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 concerning the Company's continuous disclosure obligations.

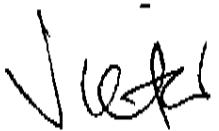
ASX Listing Rule 3.1 requires that when the Company is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, the Company must immediately tell ASX that information. Listing Rule 3.1A provides for certain exceptions to Listing Rule 3.1.

In the circumstances of the Company, the Company considered the discussions and negotiations with parties referred to in the Company's response to Question (1) above were within the Listing Rule 3.1A exceptions in that:

- (a) a reasonable person would not (given the current status of the discussions and negotiations) expect the Information to be disclosed;
- (b) the Information was confidential;
- (c) The Information concerns an incomplete proposal or negotiation.

The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1 concerning the Company's continuous disclosure obligations.

Yours Faithfully,



Victor Ho
Company Secretary



ASX Limited
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Perth WA 6000

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22 August 2008

Mr Victor Ho
Company Secretary
Alara Uranium Ltd
Level 14
The Forest Centre
221 St Georges Terrace
PERTH WA 6000

Facsimile: 9322 1515

Dear Victor

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from 7.1 cents on 18 August 2008 to a closing price of 10.5 cents today. ASX also notes the higher volumes of securities being traded.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required to be released immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **8.00am WST on Monday, 25 August 2008**.

The response must be in a form suitable for release to the market. If you have any concern about release of a response, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the company's securities. As set out in listing rule 17.1 and the guidance note titled "Trading halts" we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours faithfully



Jenny Cutri
Assistant Manager, Issuers (Perth)