



A.C.N. 122 892 719

RIGHTS ISSUE OPTIONS PROSPECTUS

For a non-renounceable Rights Issue of 3 Options for every 4 Shares held by Eligible Shareholders as at 5.00pm WST on 12 September 2007 at an issue price of 1 cent per Option to raise up to ~\$603,750 before expenses.

The Options are exercisable at 25 cents each into Shares on or before 30 June 2009.

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

IMPORTANT NOTICE

Options offered by this Prospectus should be considered speculative.

This Prospectus is a short form prospectus issued with Section 712 of the Corporations Act 2001. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to other documents, the information in which is deemed to be incorporated in this Prospectus.

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CORPORATE DIRECTORY

BOARD

John F. Stephenson
H. Shanker Madan
Farooq Khan

Chairman
Managing Director
Director

COMPANY SECRETARY

Victor P H Ho

PRINCIPAL & REGISTERED OFFICE

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The Forrest Centre
221 St Georges Terrace
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SHARE REGISTRY

Advanced Share Registry Services
KMC House
110 Stirling Highway
Nedlands, Western Australia 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871
Email: admin@advancedshare.com.au
Internet: www.asrshareholders.com

STOCK EXCHANGE

Australian Securities Exchange (ASX)
Perth, Western Australia

ASX CODE

AUQ

AUDITORS

Bentleys MRI Perth Partnership
Chartered Accountants and Business Advisors
Level 1, 10 Kings Park Road
West Perth, Western Australia 6005
Internet: www.bentleys.com.au

ENQUIRIES IN RELATION TO THE OFFER

This Prospectus (and those documents incorporated by reference) provides information for Eligible Shareholders in the Company, and should be read in its entirety.

If, after reading this Prospectus (and those documents incorporated by reference), you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

This Prospectus is dated 3 September 2007.

IMPORTANT NOTICE

This Prospectus is dated 3 September 2007 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The ASIC takes no responsibility for the contents of this Prospectus.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made within seven (7) days after the date of this Prospectus for permission for the Options offered by this Prospectus to be listed for Quotation.

This Prospectus contains an offer to Shareholders of the Company as at 5.00pm WST on the Record Date (**Eligible Shareholders**), and has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. Distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions relevant to their jurisdictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make the Offer. No action has been taken to register this Prospectus or the Options, or to otherwise permit an offering of the Options, in any jurisdiction outside of Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person the Acceptance Form unless it is attached to or accompanied by the complete and unaltered version of this Prospectus. A personalised Acceptance Form will accompany the copy of the Prospectus which will be mailed to all Eligible Shareholders.

Definitions and Abbreviations

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 13 of this Prospectus.

Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act 2001. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in a document that has been previously lodged with the ASIC.

This Prospectus incorporates by reference the documents listed in Section 4 of this Prospectus, being the prospectus lodged by the Company with ASIC on 3 April 2007 (the **IPO Prospectus**) and to the Company's quarterly activities and cashflow report for the quarter ended 30 June 2007 (the **June 2007 Quarterly Report**) dated 31 July 2007.

In referring to the IPO Prospectus and to the June 2007 Quarterly Report, the Company:

- (1) identifies the IPO Prospectus and the June 2007 Quarterly Report as being relevant to the offer of Options under this Prospectus and

containing information that will provide Eligible Shareholders and their professional advisers information to assist them in making an informed assessment of:

- (a) the rights and liabilities attaching to:
 - (i) the Options; and
 - (ii) the underlying securities;
 - (b) the capacity of the Company to issue the underlying securities; and
 - (c) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company;
- (2) refers Eligible Shareholders and their professional advisers to Section 4 of this Prospectus which summarises the information in the IPO Prospectus and the June 2007 Quarterly Report deemed to be incorporated in this Prospectus;
 - (3) informs Eligible Shareholders and their professional advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus and the June 2007 Quarterly Report by contacting the Company at its registered office during normal business hours during the Offer Period; and
 - (4) advises that the information in the IPO Prospectus and the June 2007 Quarterly Report will be primarily of interest to Eligible Shareholders and their professional advisers or analysts.

Disclaimer

No person is authorised to give any information or to make any representation in connection with this Issue which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company (or its Directors or advisers) in connection with this Issue.

Eligible Shareholders should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Options.

There are risks associated with an investment in the Company and the Options offered under this Prospectus must be regarded as a speculative investment. It is important Eligible Shareholders consider the risk factors set out in Section 17 of the IPO Prospectus (which is incorporated by reference into this Prospectus) (refer to Section 4 of this Prospectus) as risk factors also apply to any Application for Options and which could adversely affect the financial performance of the Company or the value of an investment in Options of the Company.

The Options offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Options.

SECTION 1. LETTER FROM THE CHAIRMAN

Dear Shareholder

The Board is pleased to offer Eligible Shareholders the opportunity to participate in a pro-rata 3 for 4 non-renounceable entitlement issue of Options at an issue price of 1 cent per Option.

The Company foreshadowed its intention to make this non-renounceable entitlement issue of Options in its IPO Prospectus.

All Eligible Shareholders registered as at 5.00 pm WST on the Record Date (5.00pm WST on 12 September 2007) are entitled to participate in the entitlement issue of Options, on the basis of 3 Options for every 4 Shares held.

Each Option is exercisable at a price of 25 cents, at any time on or before 30 June 2009.

The Company will apply to ASX for Official Quotation of the Options.

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

The Board takes this opportunity to thank Shareholders for their support since the Company's listing on 24 May 2007 and looks forward to your continued support in the future.

Yours faithfully



Dr John Stephenson
Chairman

| KEYPOINTS | |
|---|--|
| Option Issue Price | \$0.01 (one cent) per Option |
| Eligible Shareholder Entitlement | 3 Options for every 4 Shares held on the Record Date |
| Approximate number of Options to be issued pursuant to this Issue | 60,375,000 |
| Closing Date | 28 September 2007 |
| Approximate amount to be raised pursuant to this Issue (before expenses of the Issue) | \$603,750 |
| Current Securities on Issue | 80,500,000 Shares 18,550,000 Unlisted Directors' Options 1,425,000 Unlisted Employees' Options |

SECTION 2. TIMETABLE

| EVENT | DATE |
|--|-------------------|
| Lodgment of details of Options Offer (Appendix 3B) | 3 September 2007 |
| Prospectus lodged with ASIC and ASX | 3 September 2007 |
| Notice of Options Offer sent to Eligible 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 Offer | 28 September 2007 |
| Deferred settlement trading of Options (AUQO) commences | 2 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.

SECTION 3. DETAILS OF THE OFFER

3.1 The Rights Issue

The Company is making a pro-rata non-renounceable offer of Options on the basis of three (3) Options for every four (4) Shares held by Eligible Shareholders on the register as at the Record Date (5.00pm WST on 12 September 2007) at an issue price of 1 cent per Option to raise ~\$603,750 (assuming no options currently on issue are exercised prior to the Record Date and before costs of the Issue).

Each Option provides the right to subscribe for one Share at a cost of 25 cents per Share, on or before 5.00pm WST on 30 June 2009.

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

- (a) 18,550,000 unlisted Directors' Options; and
- (b) 1,425,000 unlisted 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 ~\$603,750 (before expenses).

If all of the vested Directors' Options (9,275,000 options) 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.

The Rights Issue is non-renounceable and therefore Eligible Shareholders cannot sell their right to take up their Entitlement.

Eligible Shareholders are able to accept the whole or part of their Entitlement pursuant to this Prospectus.

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of the Options.

3.2 Purpose of the Rights Issue

The purpose of the Offer is to meet the Company's commitment to issue Options as disclosed in its IPO Prospectus.

The funds raised by the Offer of up to ~\$603,750 ⁽¹⁾ will be applied to working capital and also to meet issue expenses of approximately \$20,000.

If no funds are raised as a result of this Offer, the Company has sufficient working capital to meet its obligations as set out in the IPO Prospectus

3.3 Entitlement

The number of Options to which each Eligible Shareholder is entitled (**Entitlement**) is shown on the Acceptance Form accompanying this Prospectus.

Eligible Shareholders are offered three (3) Options for every four (4) Shares held as at the Record Date.

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. If the Company considers that Share holdings have been split to take advantage of rounding, the Company reserves the right to aggregate Share holdings held by associated Eligible Shareholders for the purpose of calculating Entitlements.

Eligible Shareholders may accept their Entitlement in full or part by returning a completed Acceptance Form to the Company's share registry by the Closing Date (5.00pm WST, 28 September 2007).

3.4 Minimum Subscription

There is no minimum subscription.

3.5 Oversubscription

Oversubscriptions will not be accepted.

3.6 Issue Price

The issue price is 1 cent for each Option payable in full in Australian currency on the acceptance of the Rights Issue as follows:

- (a) Cheque drawn on and payable at any Australian bank;
- (b) Money Order; or
- (c) Bank draft drawn on and payable at any Australian bank.

3.7 Acceptance

This Offer may be accepted in whole or in part. Acceptance and payment in full of 1 cent per Option must be received before the Closing Date. Instructions for completion and lodgment of acceptances are set out on the back of the Acceptance Form.

3.8 Action Required

If you wish to take up **all** of your Entitlement, please complete the enclosed Acceptance Form in accordance with the instructions set out in the form and lodge the form together with your payment for the amount shown on the form so that it reaches the Company's share registry:

Advanced Share Registry Services
PO Box 1156
Nedlands WA 6909

or

KMC House, 110 Stirling Highway
Nedlands WA 6009

by no later than the Closing Date (5.00pm WST on 28 September 2007).

Cheques and drafts should be made payable to "**Alara Uranium Limited – Offer Account**" and crossed "Not Negotiable".

If you wish to take up **part** of your Entitlement, please complete the enclosed Acceptance Form in respect of the Options you wish to take up in accordance with the instructions set out in the form and lodge the form together with your payment for the relevant amount (being the number of Options you wish to take up multiplied by 1 cent per Option) so that it reaches the Company's share registry by no later than the Closing Date (5.00pm WST on 28 September 2007).

¹ Up to ~\$673,312.50 if all existing vested Directors' and Employees' Options are exercised prior to the Record Date.

If you do not wish to take up any of your Entitlement, you do not need to take any action and your Entitlement to the Options will lapse.

3.9 Acceptance Forms

Options will only be issued on receipt of an Acceptance Form which was issued together with this Prospectus. A completed and lodged Acceptance Form, together with payment for the number of Options applied for, cannot be withdrawn and constitutes a binding application for the number of Options specified in the Acceptance Form on the terms set out in this Prospectus. The Acceptance Form does not need to be signed to be binding.

An Acceptance Form which does not specify an Australian or New Zealand address for service (or which is accompanied by payment drawn on a foreign bank account) may be rejected and returned unless Shareholders provide evidence which satisfies the Company that the issue of the Options will not contravene the laws of any jurisdiction outside of Australian or New Zealand.

If an Acceptance Form is not completed correctly the Company can reject it or treat it as valid. The Company's decision as to whether to reject the Acceptance Form or treat it as valid and how to construe, amend or complete it is final and at its absolute discretion.

3.10 Application Monies held in Trust

Until the Options are issued, all Application monies received by the Company for the Options offered by this Prospectus will be held in trust in a bank account maintained solely for the purpose of depositing application monies. All application monies will be refunded (without interest) if this Issue is withdrawn or otherwise does not proceed for any reason.

3.11 Underwriting

This Offer is not underwritten, though the Company may seek to have the Offer underwritten during the Offer Period subject to the Corporations Act and the ASX Listing Rules.

3.12 Shortfall

The Directors reserve the right to grant or not to grant any Options not taken up by the Eligible Shareholders pursuant to this Prospectus at their absolute discretion to parties selected by them within 3 months of the Closing Date, on the same terms as are being offered to Eligible Shareholders pursuant to this Prospectus.

3.13 Closing Date

The Closing Date for the Rights Issue is 5.00pm WST on 28 September 2007. The Directors may extend the Closing Date by notice given at any time prior to the Closing Date. The date of allotment of the Options and date the Options are expected to commence trading on ASX may vary with any change to the Closing Date.

3.14 Offer Period

The Prospectus will be dispatched to Eligible Shareholders on 14 September 2007. The Rights Issue closes at 5.00pm WST on 28 September 2007.

3.15 Allotment

It is anticipated that the Options will be allotted and issued as soon as practicable after the Closing Date on or about 3 October 2007.

Statements of holding for the Options will be mailed issued as soon as practicable after the allotment of Options on or about 5 October 2007.

No Options will be allotted and issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

3.16 ASX Quotation

Application for Quotation of the Options by the ASX will be made by the Company within seven (7) days of the date of this Prospectus. Application for official quotation of Shares allotted and issued as a result of the exercise of Options issued under this Prospectus will be made within three (3) business days of allotment and issue.

If the Options are not admitted to Quotation on ASX within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Options offered by this Prospectus will be granted. In that circumstance, all Applications will be dealt with in accordance with Section 724 of the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may approve Quotation of the Options is not to be taken in any way as an indication of the merits of the Company or the Options offered pursuant to this Prospectus.

3.17 Overseas Shareholders

Eligible Shareholders resident outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed to enable them to accept their entitlements.

This 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 this 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.

3.18 Enquiries

If you have any questions concerning your Entitlement, please contact the Company's share registry, Advanced Share Registry Services, on telephone: (08) 9389 8033 or facsimile (08) 9389 7871 or by email to admin@advancedshare.com.au, or contact your professional advisor.

SECTION 4. INFORMATION DEEMED TO BE INCORPORATED

4.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act 2001. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however it incorporates by reference information contained in a document that has already been lodged with the ASIC.

The information to be incorporated by reference into this Prospectus is the IPO Prospectus as summarised below in sub-section 4.2 and the June 2007 Quarterly Report as summarised below in sub-section 4.3 and will primarily be of interest to Eligible Shareholders and their professional advisers or analysts.

The Company informs Eligible Shareholders and their professional advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus and the June 2007 Quarterly Report by contacting the Company at its registered office during normal business hours during the Offer Period.

The IPO Prospectus and the June 2007 Quarterly Report will also be available by searching ASIC's records in relation to Alara Uranium, or by visiting the Company's website at www.alauranium.com.

4.2 Summary of IPO Prospectus

Set out below is a summary of the information contained in the IPO Prospectus that is deemed to be incorporated in this Prospectus to assist Eligible Shareholders and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Options, they should obtain a copy of the IPO Prospectus.

| Sections of Alara IPO Prospectus | Summary of Contents of Section |
|--|---|
| 6. Details of the Offer | General information pertaining to the offer of Shares under the Alara IPO Prospectus |
| 7. Capital Structure | Pro-forma share capital structure, details of the Options Offer, application of ASX escrow provisions and Strike Resources Limited's proposed in-specie distribution of Alara Uranium Shares |
| 8. Financial Aspects of the Offer | Utilisation of funds raised and expenses of the issue |
| 9. Projects Overview and Proposed Expenditure | Summary of the Company's projects and tenements and their general location and indicative 2 year summary of proposed exploration expenditure in regard to each project |
| 10. Independent Geological Report | A report prepared by Al Maynard & Associates, Consulting Geologists, which describes the geological setting and historical mining and exploration and proposed exploration programme on the Company's projects and includes geology and tenement maps and other figures |

| Sections of Alara IPO Prospectus | Summary of Contents of Section |
|---|---|
| <p>11. Independent Exploration Titles Report</p> | <p>A report prepared by Hetherington Exploration & Mining Title Services Pty Ltd on the Australian (Northern Territory and Western Australia) mining tenements to be acquired by the Company, which details the titleholders of the mining tenements, relevant agreements and outlines the rights conferred by the exploration titles and applications in which the Company has secured an interest including encumbrances, licence conditions and Aboriginal, native title and heritage issues</p> |
| <p>12. Legal Opinion on Peruvian Concessions</p> | <p>A report prepared by Miranda & Amado Abogados on the Peruvian mineral concessions to be acquired by the Company (the Pampacolca project only) which details the status and validity of the Pampacolca concession applications, a summary of the legal status of the applicant, Strike Uranium Peru S.A.C (now known as Alara Peru S.A.C), general foreign investment and trade issues in Peru, a summary of the regulation of mining activities and tenure of concessions in Peru, surface land issues, environmental laws and regulations, water rights for mining activities and other relevant risk factors</p> |
| <p>13. Independent Accountant's Report</p> | <p>A report prepared by Bentleys MRI Perth Financial Services Pty Ltd, which contains their review of the consolidated pro forma balance sheet of the Company and controlled entities as at 9 March 2007 assuming the Share Sale Agreements have been completed and \$10 million is raised under the IPO Prospectus. Notes to the pro forma balance sheet also explains the basis of preparation, material items, commitments, contingent assets and liabilities and material events subsequent to 9 March 2007</p> |
| <p>14. Board of Directors and Proposed Directors</p> | <p>Information concerning the qualifications and experience of the current Directors, their relevant interests in securities in the Company, their other current and former (within the last 3 years) directorships in public listed entities; Directors' remuneration policies, officers' indemnity and insurance, Directors' deeds and other interests of Directors</p> |
| <p>15. Corporate Governance</p> | <p>Compliance with the ASX Corporate Governance Council's principles of good corporate governance and best practice recommendations and the Company's Corporate Governance statement/policies</p> |
| <p>16. Material Contracts</p> | <p>Information regarding the material contracts to which the Company is a party, including the Share Sale Agreements</p> |
| <p>17. Risk Factors</p> | <p>Notes that an investment in the Company should be considered speculative and has risks reasonably expected of an investment in a business of its type and details a number of factors that may impact on the success and future profitability of the Company including but not limited to Government regulation and policy on uranium mining, Peru investment risks, exploration risk, operation risk, market risk, commodity price volatility and exchange rate risks, exploration success, environmental risks, title and native title risks, payment obligations, share market conditions, additional requirements for capital, contractual agreements and general investment risks</p> |
| <p>18. Rights Attached to Securities</p> | <p>Information concerning the rights attaching to the Company's Shares and the Options offered under this Prospectus</p> |
| <p>19. Other Additional Information</p> | <p>Other information required to be disclosed in the IPO Prospectus including but not limited to legal proceedings, taxation, non-resident investors, interests of persons named in the IPO Prospectus, consents of persons named in the IPO Prospectus and privacy</p> |
| <p>20. Glossary</p> | <p>Definitions of some of the terms used in the IPO Prospectus</p> |
| <p>21. Directors' Responsibility Statement and Consent</p> | <p>Includes a statement from the Directors (as at the date of the IPO Prospectus on 3 April 2007) relating to their consent to the lodgment of the IPO Prospectus and their belief there are no misleading or deceptive statements made in the IPO Prospectus and the statements made were made by persons competent to make such statements and who consented to their statements being included in the IPO Prospectus</p> |

4.3 Summary of June 2007 Quarterly Report

Set out below is a summary of the information contained in the June 2007 Quarterly Report dated 31 July 2007 and released on ASX on 1 August 2007 that is deemed to be incorporated in this Prospectus to assist Eligible Shareholders and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Options, they should obtain a copy of the June 2007 Quarterly Report:

| Summary of Activities in June 2007 Quarter | This section provides a summary of the activities of the Company during the quarter ending 30 June 2007 | | | | | | | | | | | | | | | | | | |
|---|---|----------|----------|-------------------|--------------------|--------------|-----------------------------|-----------------------|-----------------------------------|------------------|----------------------------|----------------|------|---------------------|------|------------------------|------|-------------------|------|
| Objectives for September 2007 Quarter | This section provides a summary of the key objectives and activities of the Company expected to be undertaken during the September 2007 quarter | | | | | | | | | | | | | | | | | | |
| Company Profile | This section provides a profile of the Company including identifying the projects of the Company in Peru and Australia and highlights the experience of the Company's Board | | | | | | | | | | | | | | | | | | |
| Project Location | This section contains Australia and Peru location maps identifying the location of the Company's projects | | | | | | | | | | | | | | | | | | |
| Company Projects | <p>This section contains a summary of the projects of the Company in Australia and Peru; it details a summary of the geology of the project areas, project locations, past exploration and the general objectives and strategies of the Company in relation to each project; geology, tenement and magnetic interpretation maps and diagrams and photographs are also presented where applicable; it outlines additional resource projects held by the Company from those held at the time of the IPO Prospectus (being the Crucero, Santa Rosa and Coasa projects in Peru).</p> <p>The Company's projects described herein are:</p> <table border="1"> <thead> <tr> <th>PROJECTS</th> <th>LOCATION</th> </tr> </thead> <tbody> <tr> <td>(1) Bigrlyi South</td> <td>Northern Territory</td> </tr> <tr> <td>(2) Mt James</td> <td>Gascoyne, Western Australia</td> </tr> <tr> <td>(3) Mt Lawrence Wells</td> <td>East Murchison, Western Australia</td> </tr> <tr> <td>(4) Canning Well</td> <td>Pilbara, Western Australia</td> </tr> <tr> <td>(5) Pampacolca</td> <td>Peru</td> </tr> <tr> <td>(6) Crucero Project</td> <td>Peru</td> </tr> <tr> <td>(7) Santa Rosa Project</td> <td>Peru</td> </tr> <tr> <td>(8) Coasa Project</td> <td>Peru</td> </tr> </tbody> </table> | 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) Pampacolca | Peru | (6) Crucero Project | Peru | (7) Santa Rosa Project | Peru | (8) Coasa Project | 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) Pampacolca | Peru | | | | | | | | | | | | | | | | | | |
| (6) Crucero Project | Peru | | | | | | | | | | | | | | | | | | |
| (7) Santa Rosa Project | Peru | | | | | | | | | | | | | | | | | | |
| (8) Coasa Project | Peru | | | | | | | | | | | | | | | | | | |
| Corporate | This section contains a summary of details pertaining to the completion of the IPO Prospectus and the Share Sale Agreements, share capital changes, the Options Offer and a general meeting of the Company held on 27 July 2007 | | | | | | | | | | | | | | | | | | |
| Board of Directors | This section details changes to the Board during the quarter, the qualifications and experience of the current Directors, current Directors' relevant interest in securities in the Company and current Directors' other directorships in public listed entities | | | | | | | | | | | | | | | | | | |
| Peruvian Concessions Schedule | This section details the Company's Peruvian mineral concessions | | | | | | | | | | | | | | | | | | |
| Australian Tenement Schedule | This section details the Company's Australian tenements | | | | | | | | | | | | | | | | | | |
| Securities Information | This section contains an overview of the Shares on issue, the distribution of Shares and top 20 holders of Shares, as at 30 June 2007 | | | | | | | | | | | | | | | | | | |
| Appendix 5B Mining and Exploration Entity Quarterly Cash Flow Report | This section sets out the consolidated statement of cash flows, payments to Directors, estimated cash outflows for the next (September 2007) quarter, reconciliation of cash at end of the quarter, changes in interests of mining tenements, issued and quoted securities at the end of the quarter and notes thereto | | | | | | | | | | | | | | | | | | |

SECTION 5. ASX ANNOUNCEMENTS

5.1 Continuous Disclosure and Documents Available for Inspection

The Company was admitted to the Official List of ASX on 21 May 2007 and Quotation of its Shares commenced on 24 May 2007.

The Company is a "disclosing entity" for the purposes of the Corporations Act 2001. As such, it is subject to regular reporting and disclosure obligations, which requires it to disclose to ASX any information of which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

As the Company has been listed on the ASX since 24 May 2007, information concerning the Company has previously been notified to the ASX and is therefore publicly available, including the IPO Prospectus and June 2007 Quarterly Report referred to in Section 4 of this Prospectus.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to the ASX and Eligible Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in Options under this Prospectus.

Copies of documents lodged with the ASIC in relation to the Company's reporting and disclosure obligations may be obtained from or inspected at, an office of the ASIC. This includes the IPO Prospectus referred to in Section 4 of this Prospectus.

The Company will provide free of charge to any party entitled to participate in the Issue who requests it during the period of the Issue, a copy of:

- (a) the IPO Prospectus dated and lodged with ASIC and ASX on 3 April 2007;
- (b) the June 2007 Quarterly Report dated 31 July 2007 and released on ASX on 1 August 2007;
- (c) the following documents lodged by the Company to notify the ASX of information relating to the Company during the period from the date of lodgment of the IPO Prospectus referred to in paragraph (a) above and before the lodgment of this Prospectus:

| Date / Time Released | Alara Uranium Limited's ASX Market Announcement |
|-----------------------------|--|
| 28 Aug 2007 18:25 | Update on Loyalty Options Offer |
| 3 Aug 2007 08:26 | Appendix 3B - New Issue of Employee and Director Options |
| 1 Aug 2007 08:30 | June 2007 Quarterly Report |
| 27 Jul 2007 15:35 | Results of General Meeting |
| 27 Jul 2007 15:00 | Summary of Proxies Received for General Meeting |
| 28 Jun 2007 12:17 | Notice of General Meeting |
| 19 Jun 2007 08:30 | New Concessions in Peru |
| 13 Jun 2007 16:02 | Airborne Spectrometer-Magnetic Survey over Bigrlyi Project |
| 12 Jun 2007 19:12 | Change of Director's Interest Notice |
| 30 May 2007 18:19 | Becoming a substantial holder from SRK |
| 30 May 2007 08:30 | Becoming a substantial holder from QUE |
| 30 May 2007 08:30 | Change of Director's Interest Notice |
| 29 May 2007 19:29 | Becoming a substantial holder |
| 29 May 2007 19:27 | Becoming a substantial holder from OEQ |
| 25 May 2007 19:22 | Initial Director's Interest Notice |
| 24 May 2007 19:17 | Initial Director's Interest Notice |
| 24 May 2007 19:12 | Initial Director's Interest Notice |
| 21 May 2007 19:24 | Pre-Quotation Disclosure |
| 21 May 2007 19:17 | Court Order dated 9 May 2007 |
| 21 May 2007 19:16 | Constitution |
| 21 May 2007 19:16 | Appendix 1A - ASX Listing application & agreement |
| 21 May 2007 19:15 | Completion of Agreements |
| 21 May 2007 19:15 | Pro-Forma Balance Sheet |
| 21 May 2007 19:15 | In specie distribution |

| Date / Time Released | Alara Uranium Limited's ASX Market Announcement |
|----------------------|--|
| 21 May 2007 19:14 | Statement of Commitments |
| 21 May 2007 19:14 | Escrowed Securities |
| 21 May 2007 19:14 | Top 20 shareholders/Distribution Schedule |
| 21 May 2007 19:10 | ASX Circular: Commencement of Official Quotation |
| 21 May 2007 19:09 | Admission to Official List |
| 24 Apr 2007 10:21 | Prospectus |

The above documents and other ASX announcements lodged by the Company are also available for viewing and download on the Company's website on www.alauranium.com, or the ASX website on www.asx.com.au under ASX Code "AUQ".

SECTION 6. COMPANY INFORMATION

6.1 Reference to IPO Prospectus and June 2007 Quarterly Report

An overview of the Company and its operations and activities is set out in the IPO Prospectus that was lodged with ASIC on 3 April 2007 and in the June 2007 Quarterly Report dated 31 July 2007 and released on ASX on 1 August 2007.

Eligible Shareholders should refer to Section 4 of this Prospectus for a summary of the information contained in the IPO Prospectus and in the June 2007 Quarterly Report deemed to be incorporated in this Prospectus and may wish to obtain a copy of such documents from the Company or from its website, www.alauranium.com.

Other than as stated in this Prospectus and other than as disclosed in the June 2007 Quarterly Report, the Company is not aware of any material matter or circumstance which has arisen since the date of the IPO Prospectus that would impact upon the information therein disclosed or on the activities or prospects of the Company and that would be relevant to assist Eligible Shareholders or their professional advisers making an informed assessment of the Options being offered for subscription under this Prospectus.

6.2 ASX Announcements

Eligible Shareholders should refer to Section 5 of this Prospectus for a list of documents lodged by the Company to notify the ASX of information relating to the Company during the period from the date of lodgment of the IPO Prospectus and before the lodgment of this Prospectus and may wish to obtain a copy of such documents from the Company or from its website, www.alauranium.com.

6.3 Market Prices of Ordinary Shares

The Company's Shares were admitted to Quotation on ASX on 24 May 2007 and consequently, the trading history on the ASX as at the date of this Prospectus is limited to the period since that date.

The highest and lowest recorded market sale prices of the Company's Shares quoted on ASX during such period were 42 cents (on 24 May 2007) and 16 cents (on 16 August 2007) respectively.

The last market sale price of the Company's Shares on ASX on the last day that trading took place in these Shares prior to the date of this Prospectus was 22.5 cents on 30 August 2007.

6.4 Board of Directors

A summary of the qualifications and experience of the Directors is contained in section 14.1 of the IPO Prospectus and in the June 2007 Quarterly Report, which are referred to in Section 4 of this Prospectus and are deemed to be incorporated in this Prospectus.

SECTION 7. EFFECT OF THE RIGHTS ISSUE

7.1 Effect on Issued Capital

Under the Offer, up to ~60,375,000 ⁽²⁾ Options are available for issue and will be issued if the Offer is fully subscribed (either by Eligible Shareholders accepting the offer under this Prospectus or pursuant to the Directors' discretion to place any shortfall referred to in Section 3.12 of this Prospectus).

Upon completion of the Rights Issue (and assuming no vested 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 ³ | 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 issued under this Prospectus ⁽⁴⁾ | 60,375,000 | - | |

7.2 Financial Effect

After expenses of the Offer of ~\$20,000 (comprising mainly ASIC fees, ASX fees, share registry costs and printing, postage and dispatching costs), the net proceeds from the issue of Options will be ~\$583,750. ⁵

These funds will be applied to the general working capital requirements of the Company.

SECTION 8. MATERIAL CONTRACTS

Section 13 of the IPO Prospectus which is referred to in Section 4.2 of this Prospectus sets out contracts to which the Company is a party which were considered by the Directors as being material to enable Eligible Shareholders to make an informed assessment of the Shares being offered under the IPO Prospectus. Eligible Shareholders and their professional advisers are referred to that section of the IPO Prospectus in relation to material contracts of the Company.

Section 7 of the June 2007 Quarterly Report which is referred to in Section 4.3 of this Prospectus, sets out the terms of payment of a finders fee to the Peruvian geologist who identified the concessions areas comprising the Crucero, Santa Rosa and Coasa Projects in Peru. Eligible Shareholders and their professional advisers are referred to that section of the June 2007 Quarterly Report in relation to this matter.

A copy of each of the material contracts referred to in the IPO Prospectus and in this Prospectus will be available for inspection at the Company's registered office during office hours.

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.

3 Escrowed Shares comprise:

- (i) 4,488,750 Shares held by related parties and promoters (founding Shareholders) escrowed for 24 months from the date of Quotation of 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 escrowed for 24 months from the date of Quotation of Shares on ASX; and
- (iv) 6,250,000 vendor shares issued to Orion Equities Limited pursuant to settlement of the Hume Sale Agreement escrowed for 24 months from the date of Quotation of Shares on ASX.

4 Refer footnote 2.

5 Up to ~\$653,312.50 if all existing vested Directors' and Employees' Options are exercised prior to the Record Date.

SECTION 9. RIGHTS ATTACHING TO OPTIONS AND SHARES

9.1 Rights Attaching to Options

The Options are to be issued at one (1) cent each with an exercise price of 25 cents and an expiry date of 30 June 2009. The Company will apply for Quotation of the Options on ASX.

The Options to be issued under this Prospectus 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 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.

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 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.

9.2 Rights Attaching to Shares

All Shares issued pursuant to the exercise of Options offered under this Prospectus will, from the time they are issued and allotted, rank equally with all the Company's existing Shares.

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be obtained by contacting the Company at its registered office during normal business hours during the Offer Period.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

1. Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares (at present there are none), at meetings of Shareholders of the Company:

(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for that Share.

2. Dividend Rights

Subject to the rights of holders of Shares issued with special, preferential or qualified rights (at present there are none), the profits of the Company which the Directors determine to distribute by way of dividend are divisible among the holders of Shares in proportion to the number of Shares held by them. The Directors may also implement a dividend reinvestment plan or Share bonus plan on terms they think fit.

Any general meeting, or the Directors determining a dividend may, by resolution, direct payment of the dividend wholly or partly by the distribution of specific assets, including paid up Shares in, or debentures of, or options over the Shares of, the Company or any other body corporate, and the Directors must give effect to that resolution. Where a difficulty arises in regard to a distribution of specific assets in such manner, the Directors may resolve the difficulty as they see fit.

The Directors may:

- (a) fix the value for distribution of the specific assets or any part of those assets;
- (b) determine that cash payments will be made to any Shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (c) vest any of those specific assets in trustees;

as the Directors see fit.

3. Return Of Capital

The Company may reduce its Share capital by any means allowed by the Corporations Act, subject to the Company complying with the ASX Listing Rules.

Any reduction in Share capital may be made wholly or partly by way of an *in specie* distribution of specific assets, including paid up Shares in, or debentures of, or options over the Shares of, the Company or any other body corporate.

The Directors may:

- (i) fix the value for distribution of the specific assets or any part of those assets;
- (ii) determine that cash payments will be made to any Shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (iii) vest any of those specific assets in trustees;

as the Directors see fit.

Where the Company reduces its Share capital by way of a distribution of shares or other securities in another body corporate:

- (a) the Shareholders are deemed to have agreed to become shareholders of that corporation and are bound by the Constitution of that body corporate; and
- (b) each of the Shareholders appoints the Company or any of the Directors as its agent to execute any transfer of shares or other securities, or other document required to give effect to the distribution of shares or other securities to that Shareholder.

4. Transfer of Shares

Subject to the Constitution of the Company, the Corporations Act, the ASTC Settlement Rules, the ASX Listing Rules and any other laws, Shares are freely transferable. The Company may decline to register a transfer of Shares in limited circumstances, such as where the transfer is not in registrable form.

5. Future Increases in Capital

The allotment and issue of Shares is under the control of the Directors. Subject to restrictions on the allotment of Shares to Directors or their associates, the ASX Listing Rules, the Constitution of the Company and the Corporations Act, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

6. Variation of Rights

Under the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares. If at any time the Share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of the issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of

that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

7. Rights on Winding Up

Subject to the rights of holders of shares with special rights in a winding up (at present there are none), on a winding up of the Company all assets that may be legally distributed among Shareholders will be distributed in proportion to the number of fully paid Shares held by them (and a partly paid Share is counted as a fraction of a fully paid Share equal to the amount paid on it, divided by the total issue price of the Share).

8. Proportional Takeover Provision

The Constitution prohibits the registration of Shares under a proportional takeover scheme until a resolution approving the scheme has been passed by those persons entitled to vote on it at a general meeting. These provisions will cease to have effect at the end of three years beginning on the date the Constitution was adopted (on 19 March 2007) unless renewed in accordance with the Corporations Act.

SECTION 10. ADDITIONAL INFORMATION

10.1 Interests of Directors

A full disclosure of the interests of Directors of the Company for the period commencing on incorporation of the Company and to the date of issue of the IPO Prospectus are set out in Section 14 of the IPO Prospectus and other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

10.1.1 Completion of Share Sale Agreements and IPO Prospectus

As disclosed in Section 14.6 of the IPO Prospectus (which is deemed to be incorporated into this Prospectus) the Company notes that:

- (a) As a consequence of the completion of the Strike Uranium Sale and Peru Sale Agreements, the Company has issued 28.75 million Shares to Strike as consideration for the acquisition of Strike Uranium Pty Ltd (now known as Alara Operations Pty Ltd) and Strike Uranium Peru Pty Ltd (now known as Alara Peru Pty Ltd);
- (b) As a consequence of the completion of the Hume Sale Agreement, the Company has issued 6.25 million Shares to Orion as consideration for the acquisition of Hume Mining NL;
- (c) Orion received a priority allocation of 2 million Shares under the IPO Prospectus;
- (d) The current Directors were appointed to the Board after the completion of the IPO Prospectus and the Share Sale Agreements;
- (e) All of the current Directors are also directors of Strike;
- (f) Current Director, Farooq Khan is also a director of Orion;
- (g) The Company Secretary is also a director and company secretary of Strike and Orion.

10.1.2 Directors Remuneration

A full disclosure of the remuneration and directors and officers indemnity and insurance are set out in sections 14.3 and 14.4 of the IPO Prospectus (which is deemed to be incorporated in this Prospectus) and other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of \$175,000 per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate. This limit was approved by Shareholders at a general meeting held on 27 July 2007.

The Board has set the following remuneration for its Directors:

| Director | Office Held | Gross salary/fees per annum ⁶ |
|------------------|------------------------|--|
| John Stephenson | Non-Executive Chairman | \$40,000 |
| H. Shanker Madan | Managing Director | \$150,000 |
| Farooq Khan | Executive Director | \$150,000 |

6 Excluding employer statutory superannuation obligations (currently 9%)

10.1.3 Directors' Relevant Interest in Securities of the Company

The relevant interest of the Directors in the securities of the Company at the date of this Prospectus are as follows:

| Director | Shares | Unlisted \$0.55 (27 July 2012) Director Options |
|------------------|------------------------|---|
| John Stephenson | 180,000 ⁷ | 975,000 |
| H. Shanker Madan | 184,983 ⁸ | 8,800,000 |
| Farooq Khan | 8,665,699 ⁹ | 8,775,000 |

The \$0.55 (27 July 2012) Director Options were issued on 27 July 2007 after receiving Shareholder approval on the same date, as disclosed in the June 2007 Quarterly Report (which is deemed to be incorporated into this Prospectus).

To the extent that the Directors or their related parties are Eligible Shareholders, they presently intend to subscribe for their full Entitlement to Options pursuant to this Prospectus.

10.1.4 Directors' Deeds

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

- (i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);
- (ii) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director; and

Such deeds were approved by Shareholders at a general meeting held on 27 July 2007 and entered into with each of the Directors on 27 July 2007.

10.2 Taxation

The acquisition and disposal of Options and Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each Option or Share holder. All Eligible Shareholders in the Company are urged to obtain independent financial advice about the consequences of acquiring Options or exercising Options into Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Options under this Prospectus or exercising Options into Shares.

10.3 Legal Proceedings

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company the outcome of which will have a material adverse effect on the business or financial position of the Company.

9.5. CHESS

The Company participates in the Clearing House Electronic Sub register System (**CHESS**), operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**) (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASTC Settlement Rules. The Company operates an electronic issuer-sponsored sub register and an electronic CHESS sub register. The two sub registers together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Option holders. Instead, the Company will provide Option holders with a holding statement (which is similar to a bank account statement) that sets out the number of Options allotted to that Eligible Shareholder under this Prospectus.

⁷ Held jointly: John Francis Stephenson & Susan Margaret Franklin <Stephenson Franklin FMY A/C>

⁸ Held jointly: Mr Hem Shanker Madan & Mrs Anupam Shobha Madan <The AS and HS Madan S/F A/C>

⁹ 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 Skills Advantage Australia Limited (**SAA**), as Mr Khan has a greater than 20% interest in SAA.

This statement will also advise Option holders of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub register or Security Holder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub register.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time, however, a charge may be incurred for additional statements.

9.6. DISTRIBUTION OF PROSPECTUS

The Prospectus has been prepared by the Company. In preparing the Prospectus, the Company has taken reasonable steps to ensure that the information in the Prospectus is not false or misleading. In doing so, the Company has had regard to the prospectus requirements of the Corporations Act.

Eligible Shareholders should read the full text of the Prospectus (and all documents deemed to be incorporated in this Prospectus) as the information contained in individual sections is not intended to and does not provide a comprehensive review of the business and financial affairs of the Company nor the Options offered pursuant to the Prospectus.

No person is authorised to give any information in relation to or to make any representation in connection with the Offer described in the Prospectus that is not contained in the Prospectus. Any such information or representation may not be relied upon as having been authorised by the Company in connection with the Offer.

The Prospectus provides information to assist Eligible Shareholders in deciding whether they wish to invest in the Company and should be read in its entirety. If you have any questions about its contents or investing in the Company you should contact your stockbroker, accountant or other financial adviser.

9.7. PRIVACY

By returning an Acceptance Form, you acknowledge that you have received and read this Prospectus.

As Eligible Shareholders are already Shareholders of the Company, the Company and its share registry (Advanced Share Registry) have already collected certain personal information from Eligible Shareholders. However, if Eligible Shareholders apply for Options pursuant to this Prospectus, they will be supplying new, additional or updated personal information (by its inclusion on the Acceptance Form) to Advanced Share Registry.

The information included on the Acceptance Form is used for the purposes of processing the Acceptance Form and to administer your holding of Shares and Options. By submitting an Acceptance Form, you agree that the Company may use the information provided by you on the Acceptance Form for the purposes set out in this privacy statement and may disclose it for those purposes to the Company's share registry and to the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses, professional advisers (e.g. auditors, lawyers and accountants), intellectual technology support providers and to other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder and Option holder (including name, address and details of the Shares and Options held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder and/or Option holder. Information contained in the Company's register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its Share and Option holders) and compliance by the Company with legal and regulatory requirements.

Under the Privacy Act, Shareholders and Option holders have a right to gain access to personal information that the Company holds about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

If you do not provide the information required on the Acceptance Form, the Company may not be able to accept or process your Acceptance Form.

10.4 Interests of Persons Named

A full disclosure of the interests of the persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, for the period commencing on the incorporation of the Company to the date of issue of the IPO Prospectus, are set out in section 19.11 of the IPO Prospectus (which is deemed to be incorporated in this Prospectus). Other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

Hetherington Exploration & Mining Title Services Pty Ltd has provided services in relation to the administration of the Company's Australian tenements. The Company has paid or agreed to pay commercial arm's length fees for these services in the normal course of business to the date of this Prospectus.

Miranda & Amado Abogados has provided legal services in relation to the Company's affairs and operations in Peru. The Company has paid or agreed to pay commercial arm's length fees in the normal course of business for these services to the date of this Prospectus.

Advanced Share Registry Services has provided share registry services to the Company. The Company has paid or agreed to pay commercial arm's length fees in the normal course of business for these services to the date of this Prospectus.

Bentleys MRI Perth Partnership is the Company's auditor. The Company has agreed to pay commercial arm's length fees in the normal course of business for audit services to the date of this Prospectus.

SECTION 11. CONSENTS

Each of the parties referred to in this Section 11:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Al Maynard and Associates, Consulting Geologists, has given its written consent to the incorporation by reference to the Independent Geological Report set out in Section 10 of the IPO Prospectus and to all statements referring to that report in the form and context in which they are included, and has not withdrawn its consent prior to the lodgment of this Prospectus with ASIC.

Hetherington Exploration & Mining Title Services Pty Ltd has given its written consent to the incorporation by reference to the Independent Exploration Titles Report set out in Section 11 of the IPO Prospectus and to all statements referring to that report in the form and context in which they are included, and has not withdrawn its consent prior to the lodgment of this Prospectus with ASIC. This consent has been provided on the basis that the Independent Exploration Titles Report has not been checked or updated since 8 March 2007 and does not take account of any developments which may have taken place since that date.

Miranda & Amado Abogados has given its written consent to the incorporation by reference to the Legal Opinion on the Peruvian Concessions set out in Section 12 of the IPO Prospectus and to all statements referring to that report in the form and context in which they are included, and has not withdrawn its consent prior to the lodgment of this Prospectus with ASIC.

Bentleys MRI Perth Financial Services Pty Ltd has given its written consent to the incorporation by reference to the Independent Accountant's Report set out in Section 13 of the IPO Prospectus and to all statements referring to that report in the form and context in which they are included, and has not withdrawn its consent prior to the lodgment of this Prospectus with ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgment of this Prospectus with the ASIC:

- (a) Advanced Share Registry Services as the share registry to the Company; and
- (b) Bentleys MRI Perth Partnership as the Company's auditors.

SECTION 12. AUTHORITY OF DIRECTORS

Each of the Directors of Alara Uranium Limited has consented to the lodgment of this Prospectus in accordance with section 720 of the Corporations Act 2001.

Dated 3 September 2007



Signed for and on behalf of
ALARA URANIUM LIMITED
By John Stephenson (Chairman)

SECTION 13. DEFINITIONS

Acceptance Form means the entitlement and acceptance form accompanying this Prospectus.

Alara Uranium or **Company** means Alara Uranium Limited (A.C.N. 122 892 719).

Application means a valid application from an Eligible Shareholder to subscribe for Options under this Prospectus.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement Corporation Pty Ltd ACN 008 504 532.

ASX means the Australian Securities Exchange operated by ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

CHES means ASX Clearing House Electronic Subregistry System.

Closing Date means the date on which the Offer closes, currently 5:00pm WST 28 September 2007.

Corporations Act 2001 and **Law** means the Corporations Act 2001 of Australia.

Directors means the directors of the Company from time to time.

Directors' Options or \$0.55 (27 July 2012) Directors' Options means the 18,550,000 unlisted options issued on 27 July 2007 to the Directors, 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 their option expiry date) on the date of issue with the balance to vest on 27 July 2008.

Eligible Shareholder means a Shareholder who, on the Record Date, are registered as the holders of Shares, or who are the transferees under share transfers lodged with the Company prior to the Record Date.

Employees' Options or \$0.55 (27 July 2012) Employees' Options means the 1,425,000 unlisted options issued on 27 July 2007 to employees of the Company and subsidiaries, 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 their option expiry date), one-third will vest on 27 July 2008 and the balance of one-third will vest on 27 January 2009.

Entitlement means the number of Options to which each Eligible Shareholder is entitled under this Offer.

Hume means Hume Mining NL A.B.N. 52 063 994 945.

Hume Sale Agreement means the agreement between the Company and Orion dated 19 March 2007 for the Company to acquire Hume, referred to Section 16.2 of the IPO Prospectus.

Independent Accountant's Report means the report contained in Section 13 of the IPO Prospectus.

Independent Exploration Titles Report means the report contained in Section 11 of the IPO Prospectus.

Independent Geological Report means the report contained in Section 10 of the IPO Prospectus.

IPO Prospectus means the prospectus lodged by the Company with the ASIC and dated 3 April 2007 for the offer of up to 40,000,000 Shares at an issue price of 25 cents, which closed on 9 May 2007 raising gross funds of \$10,000,000

Issue means the issue of Options pursuant to this Prospectus.

June 2007 Quarterly Report means the Company's Quarterly Activities and Cashflow Report for the quarter ended 30 June 2007, dated 31 July 2007 and announced to the ASX on 1 August 2007.

Legal Opinion on the Peruvian Concessions means the report contained in Section 12 of the IPO Prospectus.

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

Option means an option to subscribe for one Share in Alara Uranium exercisable at 25 cents on or before 5.00pm WST on 30 June 2009 and issued on the terms and conditions set out in this Prospectus.

Offer means the offer of Options pursuant to this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the Official List of ASX.

Opening Date means the date on which the offer opens, currently 14 September 2007.

Orion or **OEQ** means Orion Equities Limited A.C.N. 000 742 843.

Peru Sale Agreement means the agreement between the Company and Strike dated 20 March 2007 for the Company to acquire Strike Uranium Peru Pty Ltd A.C.N. 124 334 103 (known as Alara Peru Pty Ltd), referred to in Section 16.3 of the IPO Prospectus.

Prospectus means this prospectus dated 3 September 2007 for the Rights Issue, including any electronic or online version.

Quotation means quotation of the Shares or Options on ASX.

Record Date means the record date for determining entitlements to Options offered under this Prospectus, which is 5.00 pm WST on 12 September 2007.

Rights Issue means the non-renounceable offer of Options pursuant to this Prospectus to Eligible Shareholders on the basis of three (3) Options for every four (4) Shares held at the Record Date at an issue price of 1 cent each.

Share means one fully paid ordinary share in Alara Uranium.

Share Sale Agreements means the Strike Uranium Sale Agreement, Hume Sale Agreement and Peru Sale Agreement.

Shareholder means a holder of Shares.

Strike or **SRK** means Strike Resources Limited A.C.N. 088 488 724.

Strike Uranium Sale Agreement means the agreement between the Company and Strike dated 19 March 2007 for the Company to acquire Strike Uranium Pty Ltd A.C.N. 123 780 441 (now known as Alara Operations Pty Ltd), referred to in section 16.1 of the IPO Prospectus.

WST means Western Standard Time, Perth, Western Australia.

ALARA URANIUM LIMITED
A.B.N. 27 122 892 719

Level 14, The Forrest Centre
221 St Georges Terrace
Perth Western Australia 6000

T | + 61 8 9214 9787
F | + 61 8 9322 1515
E | info@alauranium.com
W | www.alauranium.com

ASX Code:
AUQ



SHARE REGISTRY ENQUIRIES:

Advanced Share Registry Services
110 Stirling Highway
Nedlands Western Australia 6009

T | + 61 8 9389 8033
F | + 61 8 9389 7879
E | admin@advancedshare.com.au
W | www.asrshareholders.com



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 KMC House
 110 Stirling Highway
 Nedlands Western Australia 6009
 (PO Box 1156, Nedlands WA 6909)
 Telephone +61 8 9389 8033
 Facsimile +61 8 9389 7879
 Web www.asrshareholders.com
 Email admin@advancedshare.com.au

ENTITLEMENT AND ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISOR

Form Number :
 Securities Sub Register :
 Shares Held at Record Date (5:00pm on :
 12 September 2007)
 Full Entitlement to Options on 3:4 basis :
 Amount Payable for Full Entitlement at : \$
 \$0.01 (one cent) per Option
 HIN/SRN :

Non-renounceable entitlement issue of up to ~60,375,000 Options (each providing the right to subscribe for one Share in the Company at a cost of 25 cents per Share, on or before 30 June 2009) on the basis of 3 Options for every 4 Shares held, at an issue price of \$0.01 (one cent) per Option.

Non-renounceable entitlement, closing 5.00pm Western Standard Time (WST) on 28 September 2007.

To: The Directors of ALARA URANIUM LIMITED

1. I/We the above mentioned, being registered on 12 September 2007 as the holder(s) of ordinary Shares in the Company hereby accept the below mentioned Options in accordance with the enclosed Prospectus;
2. I/We enclose my/our cheque made payable to ALARA URANIUM LIMITED - OFFER ACCOUNT, for the amount shown being payment at the rate of \$0.01 (one cent) per Option.
3. I/We hereby authorise you to place my/our name(s) on the registers of Option holders in respect of the number of Options allotted to me/us and;
4. I/We agree to be bound by the Constitution of the Company.

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR ACCEPTANCE OF THE SECURITIES BEING OFFERED

| Options Accepted | Amount Enclosed at \$0.01 (one cent) per Option |
|------------------|---|
| | |

| PLEASE ENTER CHEQUE DETAILS | Drawer | Bank | Branch | Amount |
|-----------------------------------|--------|------|--------|--------|
| | | | | |

My/Our daytime contact details are:

Telephone: () Fax: ()

Email:

NOTE : Cheques should be made payable to ALARA URANIUM LIMITED - OFFER ACCOUNT, crossed NOT NEGOTIABLE and forwarded to Advanced Share Registry Services, PO Box 1156, Nedlands, Western Australia, 6909 to arrive no later that 5.00pm Western Standard time on 28 September 2007.

| | |
|--|--|
| Complete this panel and sign below only if a change of address is to be registered with the Company | |
| New Address: _____ | |
| Signature(s): _____ Date: _____ | |
| Please indicate correct title: Director / Secretary / _____ | |

ISSUE CLOSSES 5.00PM W.S.T ON 28 September 2007

THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENTS TO THIS FORM WHERE APPROPRIATE.
 PLEASE REFER OVERLEAF FOR FURTHER INSTRUCTIONS.

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the maximum number of Options which you are entitled to accept.
2. Your Entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. You may not apply for Options in excess of your maximum Entitlement.
4. The price payable on acceptance of each Option is \$0.01 (one cent).
5. You may accept your Entitlement in full by completing this Acceptance Form overleaf.

APPLICATION INSTRUCTIONS

1. The issue price of \$0.01 (one cent) per Option is payable in full upon Application.
2. Payments must be made in Australian currency by cheque or bank draft drawn on and payable at a bank within Australia. Cheques or bank drafts drawn on banks outside Australia in either Australian currency or in foreign currency will not be accepted.
3. The cheques must be made payable to **ALARA URANIUM LIMITED – OFFER ACCOUNT** and crossed "Not Negotiable".
4. When completed, this form together with the appropriate payment in Australian currency should be forwarded to ALARA URANIUM LIMITED, C/- Advanced Share Registry Services at the address below.
5. Acceptances must be received by Advanced Share Registry Services no later than 5.00pm W.S.T on 28 September 2007.

ENQUIRIES

Any correspondence or enquiries should be directed to :

Advanced Share Registry Services
PO Box 1156 or KMC House, 110 Stirling Highway
Nedlands WA 6909 Nedlands WA 6009

Telephone : (08) 9389 8033

Facsimile : (08) 9389 7871

Email: admin@advancedshare.com.au

ISSUE CLOSSES 5.00PM W.S.T ON 28 September 2007

THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENTS TO THIS FORM WHERE APPROPRIATE