



Alara Uranium Limited
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FULL YEAR REPORT:

Directors' Report
Auditors' Independence Declaration
Financial Report
Audit Report

30 June 2007

ASX Code | **AUQ**



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CORPORATE DIRECTORY

BOARD

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

COMPANY SECRETARY

Victor P H Ho

PRINCIPAL & REGISTERED OFFICE

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SHARE REGISTRY

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Nedlands, Western Australia 6009

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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

OVERVIEW OF PERFORMANCE

Current Reporting Period:	Financial year ended 30 June 2007
Previous Corresponding Period:	Not Applicable (as the Company was incorporated on 6 December 2006, within the Current Reporting Period)
Balance Date:	30 June 2007
Company:	Alara Uranium Limited (Alara or AUQ)
Consolidated Entity:	Alara and controlled entities: (1) Alara Operations Pty Ltd ABN 123 780 441 (AO), a wholly owned subsidiary acquired on 18 May 2007; (2) Hume Mining NL ABN 52 063 994 945, a wholly owned subsidiary acquired on 18 May 2007; (3) Alara Peru Operations Pty Ltd ABN 124 334 103 (APO), a wholly owned subsidiary acquired on 18 May 2007; (4) Alara Peru S.A.C, a wholly owned subsidiary of APO.

SUMMARY OF RESULTS

Consolidated Entity	2007 Year \$	2006 Year \$	% Change	Up / Down
Total revenues	149,130	-	100%	Up
Total expenses	(226,807)	-	100%	Up
Net loss before tax	(77,677)	-	100%	Up
Income tax expense	-	-	N/A	N/A
Net loss after tax attributable to members	(77,677)	-	100%	Up
Basic loss per share (cents)	(0.69)	-	100%	Up

The Company was incorporated on 6 December 2006 to seek out appropriate resource projects for investment, evaluation and development and accordingly, does not have any 30 June 2006 comparative financial data.

Alara was admitted to the Official List of ASX and commenced trading on ASX on 24 May 2007 after the successful completion of a \$10 million IPO capital raising.

Total revenues include:

- (1) \$149,214 interest received (2006: nil)
- (2) \$84 foreign exchange loss (2006: nil)

Total expenses include:

- (1) \$40,175 exploration and evaluation expenses (2006: nil)
- (2) \$84,353 personnel expenses (2006: nil)
- (3) \$46,097 corporate expenses (2006: nil)
- (4) \$44,831 administration expenses (2006: nil)

Please refer to the attached Directors' Report and Financial Report for further information on a review of the Consolidated Entity's operations and the financial position and performance of the Consolidated Entity and Company for the year ended 30 June 2007.

OVERVIEW OF PERFORMANCE

Controlled Entities

The Company gained an interest in the following controlled entities during the financial year:

- (1) Alara Operations Pty Ltd ABN 123 780 441 (formerly Strike Uranium Pty Ltd) (**AO**) was acquired from Strike Resources Limited (**Strike** or **SRK**) on 18 May 2007;
- (2) Hume Mining NL ABN 52 063 994 945 (**Hume**) was acquired from Orion Equities Limited (**Orion** or **OEQ**) on 18 May 2007;
- (3) Alara Peru Operations Pty Ltd ABN 124 334 103 (formerly Strike Uranium Peru Pty Ltd) (**APO**) was acquired from Strike on 18 May 2007;
- (4) Alara Peru S.A.C. (formerly Strike Uranium Peru S.A.C.) (**AP**) is a wholly owned subsidiary of APO.

ANNUAL GENERAL MEETING

Details of the Company's Annual General Meeting (which is required to be held by no later than 30 November 2007) is still to be determined by the Board.

For and on behalf of the Directors,



Date: 21 September 2007

Victor Ho
Company Secretary

Telephone: (08) 9214 9787
Email: vho@alauranium.com

DIRECTORS' REPORT

The Directors present their report on Alara Uranium Limited (**Company** or **Alara** or **AUQ**) and its controlled entities (the **Consolidated Entity**) for the financial year ended 30 June 2007 (**Balance Date**).

Alara is a company limited by shares that was incorporated in Western Australia on 6 December 2006 and accordingly, does not have any 30 June 2006 comparative financial data.

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were:

- the pursuit of appropriate resource projects for investment, evaluation and development;
- acquiring uranium assets in Peru and Australia (the Northern Territory and Western Australia);
- completion of an initial public offering (**IPO**) of \$10 million;
- exploration and evaluation of uranium resource projects (presently in Australia and Peru);
- the management of its net assets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated on 6 December 2006 to seek out appropriate resource projects for investment, evaluation and development. This was achieved by the completion of share sale agreements to acquire various uranium assets of Strike Resources Limited (**Strike** or **SRK**) and Orion Equities Limited (**Orion** or **OEQ**) on 18 May 2007 after the successful completion of a \$10 million IPO. Alara was admitted to the Official List of the Australian Securities Exchange (**ASX**) and commenced trading on ASX on 24 May 2007.

OPERATING RESULTS

Consolidated	2007 \$	2006 \$
Total revenues	149,130	-
Total expenses	(226,807)	-
Loss before tax	(77,677)	-
Income tax	-	-
Loss after tax attributable to members	(77,677)	-

Total revenues include

- (1) \$149,214 interest received (2006: nil)
- (2) \$84 foreign exchange loss (2006: nil)

Total expenses include:

- (1) \$40,175 exploration and evaluation expenses (2006: nil)
- (2) \$84,353 personnel expenses (2006: nil)
- (3) \$46,097 corporate expenses (2006: nil)
- (4) \$44,831 administration expenses (2006: nil)

DIRECTORS' REPORT

FINANCIAL POSITION

Consolidated Entity	2007 \$	2006 \$
Cash	9,700,691	-
Receivables	11,255	-
Resource projects	5,248,504	-
Other assets	13,245	-
Total assets	14,973,695	-
Liabilities	(232,326)	-
Net assets	14,741,369	-
Contributed equity	14,819,046	-
Accumulated losses	(77,677)	-
Total equity	14,741,369	-

DIVIDENDS

No dividends have been paid or declared during the financial year. The Company is not in a position to declare a dividend in respect of the 30 June 2007 financial year.

REVIEW OF OPERATIONS

1. Summary of Activities

6 December 2006	Incorporation of Alara Uranium Limited
19/20 March 2007	Execution of share sale agreements for Alara to acquire uranium assets from Strike and Orion. These assets comprise the Bigryli South Project, Mt James Project, Mt Lawrence Wells Project, Canning Well Project and Pampacolca Project.
3 April 2007	Lodgement of IPO Prospectus seeking to raise up to \$10 million at \$0.25 per share.
9 May 2007	Successful completion of IPO
18 May 2007	Issue of 40 million shares representing \$10 million raised under the IPO.
18 May 2007	Completion of share sale agreements to acquire uranium assets from Strike and Orion and the issue of a total of 35 million shares to these vendors.
18 May 2007	Appointment of the current Board and resignation of the IPO directors
24 May 2007	Alara (ASX Code: AUQ) admitted to the Official List of ASX and commences trading on ASX
7 June 2007	Alara receives transfer of 19 concession applications totaling 15,600 hectares in southern Peru from Strike Resources Peru SAC, at cost – these concessions comprise the Crucero Project, Santa Rosa Project and Coasa Project.

DIRECTORS' REPORT

2. Company Projects

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

PROJECTS	LOCATION	AREA (HECTARES)
(1) Bigrlyi South	Northern Territory	166,565
(2) Mt James	Gascoyne, Western Australia	41,100
(3) Mt Lawrence Wells	East Murchison, Western Australia	9,400
(4) Canning Well	Pilbara, Western Australia	26,400
(5) Pampacolca	Peru	2,700
(6) Crucero Project	Peru	2,600
(7) Santa Rosa Project	Peru	4,400
(8) Coasa Project	Peru	9,600

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

The Peruvian concessions represent uranium mineralisation targets delineated through work conducted by the Peruvian Institute of Nuclear Energy (**IPEN**) and others over the past 20 years in a highly prospective region in southern Peru where uranium mineralisation is known to occur. The Company's Peruvian geological team comprises 5 geologists led by a former exploration manager of IPEN.

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

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

3. Completion of IPO and Agreements

The Company's IPO Prospectus dated 3 April 2007 (**Prospectus**) successfully closed on 9 May 2007 with applications received of nearly \$27 million, well in excess of the maximum issue of \$10 million.

40 million shares (at \$0.25 each raising \$10 million gross) were allotted to applicants on 18 May 2007.

Alara Uranium Limited was admitted to the Official List of the Australian Securities Exchange (**ASX**) and AUQ shares commenced trading on ASX on 24 May 2007.

The share sale agreements to acquire uranium assets from Strike Resources Limited (**SRK**) and Orion Equities Limited (**OEQ**) were completed on 18 May 2007 with 35 million shares issued to these vendors.

18,750,000 shares were issued to SRK 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 Operations Pty Ltd); Alara Peru Operations Pty Ltd has a Peruvian subsidiary, Alara Peru S.A.C (formerly Strike Uranium Peru S.A.C).

6,250,000 shares were issued to OEQ as consideration for the acquisition of Hume Mining NL.

These 35 million shares are subject to escrow for 24 months from the date of official quotation of Alara's shares on ASX.

DIRECTORS' REPORT

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

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

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

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.

The rights issue is scheduled to close on 28 September 2007. The Company has applied for the options to be quoted on ASX under ASX code "AUQO".

SECURITIES IN THE COMPANY

1. Current Issued Capital

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

	Quoted / To be Quoted	Not Quoted	Total
Fully paid ordinary shares	40,275,000	40,225,000 ¹	80,500,000
\$0.55 (27 July 2012) Directors' Options	-	18,550,000	18,550,000
\$0.55 (27 July 2012) Employees' Options	-	1,425,000	1,425,000
Total	40,275,000	60,200,000	100,475,000

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 Company's 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.

DIRECTORS' REPORT

2. Summary of Share Capital Changes

		% of Issued Capital
Existing shares (at incorporation)	5,500,000	6.8%
Issue to Strike under Strike Uranium Agreement ²	18,750,000	35.7%
Issue to Strike under Peru Sale Agreement ³	10,000,000	
Issue to Orion under Hume Sale Agreement ⁴	6,250,000	7.8%
Shares issued under the IPO:		
Strike Priority Pool to Eligible Strike Shareholders ⁵	22,000,000	27.3%
Orion Priority Pool ⁶	2,000,000	2.5%
Public Offer pool	16,000,000	19.9%
Total Shares	80,500,000	100.00%

FUTURE DEVELOPMENTS

In the opinion of the Directors, it may prejudice the interests of the Consolidated Entity to provide additional information (beyond that reported in this Directors' Report) in relation to future developments and business strategies and operations of the Consolidated Entity and the expected results of those operations in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In the course of its mineral exploration and evaluation activities, the Consolidated Entity adheres to environmental regulations imposed upon it by various authorities. The Company has complied with all environment requirements up to the date of this report. No reportable environmental breaches occurred during the financial year.

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- 2 The share sale agreement between Alara and Strike dated 19 March 2007 for Alara to acquire Strike Uranium Pty Ltd (now known as Alara Operations Pty Ltd), referred to in section 16.1 of the Alara Prospectus.
 - 3 The share sale agreement between Alara and Strike dated 20 March 2007 for Alara to acquire Strike Uranium Peru Pty Ltd (now known as Alara Peru Operations Pty Ltd), referred to in section 16.3 of the Alara Prospectus.
 - 4 The share sale agreement between Alara and Orion dated 19 March 2007 for Alara to acquire Hume Mining NL, referred to in section 16.2 of the Alara Prospectus.
 - 5 Strike shareholders holding 5,000 or more SRK shares as at 6 March 2007.
 - 6 Orion Equities Limited.
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DIRECTORS' REPORT

BOARD OF DIRECTORS

On 18 May 2007, after the completion of the Company's IPO Prospectus and share sale agreements, Peter Wallace, Robert Foti and David Foti resigned as directors and the current Board was appointed.

The current Board comprises members with extensive experience in the resources sector, including Chairman, Dr John Stephenson, previously Exploration Director for Rio Tinto Australasia with more than 35 years experience in mineral exploration, and Managing Director, Mr H. Shanker Madan, an experienced senior geologist with more than 30 years of world-wide experience in the exploration and evaluation of mineral deposits for various commodities. The experience and qualifications of current directors are as follows:

John Stephenson	Chairman
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BSc (honours) in Geology from the University of London through the former University College of Rhodesia and a PhD in Geology from the University of Manitoba, Canada.
<i>Experience</i>	Dr Stephenson is a highly experienced geologist with over 37 years experience in the mining sector. He has held senior positions in large mining companies, most recently as Exploration Director for Rio Tinto Australasia where he led Rio Tinto's exploration activities for five and a half years based in Perth. Dr Stephenson has also during his career led and managed exploration teams for both junior and major mining companies in several parts of the world, mainly in Southern and East Africa, North America and Australia exploring for gold, uranium, diamonds and base metals. He has also been involved with projects in Europe, South America and India. He led teams responsible for the discovery of a world class diamond deposit, the Diavik diamond mine in Canada's Northwest Territories for which he recently received an award; and a high grade gold deposit, the former Golden Patricia gold mine in Ontario. Dr Stephenson has particular experience in the uranium sector having in the early to mid 1970's led reconnaissance airborne and ground surveys for uranium in Canada. Between 1978-1981, Dr Stephenson headed the ground follow-up of a country-wide airborne radiometric and magnetic survey for uranium and other minerals in Tanzania. In the early 90's Dr Stephenson led exploration for a subsidiary of Rio Tinto exploring for uranium and base metals in eastern Canada. Dr Stephenson also led Rio Tinto's exploration activities in Australia in the late 90's which included the search for uranium.
<i>Relevant interest in securities</i>	Shares – 180,000 ⁷ Unlisted \$0.55 (27 July 2012) Director Options - 975,000
<i>Other current directorships in listed entities</i>	Chairman of Strike Resources Limited (since 26 October 2005)
<i>Former directorships in other listed entities in past 3 years</i>	None
H. Shanker Madan	Managing Director
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group. Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron-ore, diamonds, gold, copper and chromite deposits. He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and more recently completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.
<i>Relevant interest in securities</i>	Shares – 184,983 ⁸ Unlisted \$0.55 (27 July 2012) Director Options – 8,800,000
<i>Other current directorships in listed entities</i>	Managing Director of Strike Resources Limited (since 26 September 2005)
<i>Former directorships in other listed entities in past 3 years</i>	None

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>

DIRECTORS' REPORT

Farooq Khan	Executive Director
<i>Appointed</i>	18 May 2007
<i>Qualifications</i>	BJuris , LLB. (Western Australia)
<i>Experience</i>	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Relevant interest in securities</i>	Shares – 8,665,699 ⁹ Unlisted \$0.55 (27 July 2012) Director Options – 8,775,000
<i>Other current directorships in listed entities</i>	Current Chairman and Managing Director of: (1) Queste Communications Ltd (since 10 March 1998) Current Chairman of: (2) Orion Equities Limited (since 23 October 2006) (3) Bentley International Limited (director since 2 December 2003) (4) Scarborough Equities Limited (since 29 November 2004) Current Executive Director of: (5) Strike Resources Limited (since 9 September 1999)
<i>Former directorships in other listed entities in past 3 years</i>	(1) Altera Capital Limited (26 November 2001 to 18 October 2005) (2) Sofcom Limited (since 3 July 2002 to 18 October 2005)

Former Directors of the Company

- (a) Giuliano Sala Tenna - Appointed on 6 December 2006, Resigned on 8 January 2007
- (b) Gaetano Cappa - Appointed on 6 December 2006, Resigned on 10 January 2007
- (c) Robert J Foti - Appointed on 8 January 2007 , Resigned on 18 May 2007
- (d) David C Foti - Appointed on 8 January 2007 , Resigned on 18 May 2007
- (e) Peter Wallace - Appointed on 10 January 2007, Resigned on 18 May 2007

COMPANY SECRETARY

Victor P. H. Ho	Company Secretary
<i>Appointed</i>	4 April 2007
<i>Qualifications</i>	BCom, LLB (Western Australia)
<i>Experience</i>	Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and ASX compliance and shareholder relations.
<i>Relevant interest in securities</i>	Unlisted \$0.55 (27 July 2012) Employee Options – 500,000
<i>Other positions held in listed entities</i>	Current Executive Director and Company Secretary of: (1) Strike Resources Limited (Secretary since 9 March 2000 and Director since 12 October 2000); (2) Orion Equities Limited (Secretary since 2 August 2000 and Director since 4 July 2003); (3) Sofcom Limited (Director since 3 July 2002 and Secretary since 23 July 2003). Current Company Secretary of: (4) Queste Communications Ltd (since 30 August 2000); (5) Bentley International Limited (since 5 February 2004); (6) Scarborough Equities Limited (since 29 November 2004).

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.

DIRECTORS' REPORT

Former Company Secretaries of the Company

- (a) Giuliano Sala Tenna - Appointed on 6 December 2006, Resigned on 8 January 2007
- (b) Robert J Foti - Appointed on 8 January 2007, Resigned on 18 May 2007

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Meetings Attended	Maximum Possible Meetings
John Stephenson	6	6
H. Shanker Madan	6	6
Farooq Khan	6	6
Peter Wallace	17	17
David C Foti	13	17
Robert J Foti	14	17
Giuliano Sala Tenna	2	2
Gaetano Cappa	3	4

There were no meetings of committees of the Board.

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of the Company and Executive Officer of the Consolidated Entity.

The information provided under headings (1) to (4) below in this Remuneration Report includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in (5) and (6) below in this Remuneration Report are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

(1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Company Executives (being a company secretary or senior manager) (**Key Management Personnel**) having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

Fixed Remuneration: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of \$100,000 per annum inclusive of minimum employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

DIRECTORS' REPORT

The Board has determined current Key Management Personnel remuneration as follows:

- (a) Mr John Stephenson (Chairman) – a base fee of \$40,000 per annum plus employer superannuation contributions (currently 9%);
- (b) Mr H. Shanker Madan (Managing Director) – a base salary of \$150,000 per annum plus employer superannuation contributions (currently 9%);
- (c) Mr Farooq Khan (Executive Director) – a base salary of \$150,000 per annum plus employer superannuation contributions (currently 9%);
- (d) Mr Victor Ho (Company Secretary) – a salary of \$50,000 per annum plus employer superannuation contributions (currently 9%).

Key Management Personnel can also opt to “salary sacrifice” their cash fees/salary and have them paid wholly or partly as further employer superannuation contributions or benefits exempt from fringe benefits tax.

Special Exertions and Reimbursements: Pursuant to the Company's Constitution, each Director is entitled to receive:

- (a) Payment for the performance of extra services or the making of special exertions at the request of the Board and for the purposes of the Company.
- (b) Payment for reimbursement of all reasonable expenses (including traveling and accommodation expenses) incurred by a Director for the purpose of attending meetings of the Company or the Board, on the business of the Company, or in carrying out duties as a Director.

Long Term Benefits: Key Management Personnel have no right to termination payments save for payment of accrued annual leave (other than Non-Executive Directors).

Post Employment Benefits: The Company does not presently provide retirement benefits to Key Management Personnel.

Performance Related Benefits/Variable Remuneration: The Company does not presently provide short or long incentive/performance based benefits related to the Company's performance to Key Management Personnel, including payment of cash bonuses. The current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

Service Agreements: The Company does not presently have formal service agreements or employment contracts with any Key Management Personnel.

Financial Performance of Company: There is no relationship between the Company's current remuneration policy and the Company's performance.

Equity Based Benefits: There were no equity based remuneration provided to Key Management Personnel during the year.

However, a total of 18,500,000 Directors' and 500,000 employees' options were issued on 27 July 2007 to Key Management Personnel pursuant to shareholder approval obtained at a general meeting held on 27 July 2007 as required under the Corporations Act 2001 and under the ASX Listing Rules.

No. of Options Issued to Key Management Personnel		Date of Issue	Description of Unlisted Options	Exercise Price	Expiry Date	Vesting Criteria ¹⁰
John Stephenson	975,000	27 July 2007	\$0.55 (27 July 2012) Directors' Options ¹¹	\$0.55	27 July 2012	50% on grant and 50% on 27 July 2008
H. Shanker Madan	8,800,000					
Farooq Khan	8,775,000					
Victor Ho	500,000	27 July 2007	\$0.55 (27 July 2012) Employees' Options ¹²	\$0.55	27 July 2012	1/3 rd on 27 January 2008, 1/3 rd on 27 July 2008 and 1/3 rd on 27 January 2009

¹⁰ Options which have vested may be exercised at any time thereafter, up to their expiry date

¹¹ Terms and conditions of issue are set out in a Notice of Meeting and Explanatory Statement dated 21 June 2007 for a General Meeting held on 27 July 2007

DIRECTORS' REPORT

An additional 925,000 \$0.55 (27 July 2012) Employees' Options were also issued of other employees (these employees are not regarded as Company Executives).

The reasons for the grant of these options to Directors and employees are as follows:

- The options issue was designed to act as an incentive for the recipient Directors and employees to strive to achieve the Company's goals with the aim of enhancing shareholder value.
- The options provide an equity holding opportunity for each recipient Director and employee which is linked to the Company's share price performance.
- Based on the option exercise price and the rate at which the options vest, the exercise of the options by the Directors and employees is potentially only likely to occur if there is sustained upward movement in the Company's share price.
- The number of options issued to the Directors and employees have been determined having regard to the level of Directors and employees' salaries/fees being paid and is a cash free, effective and efficient way of providing an appropriate level of remuneration as well as providing ongoing equity based incentives for the Directors and employees to remain with the Company with a view to improving the future growth of the Company.
- As a relatively junior exploration company with much of its available funds dedicated or committed to its resource projects (and also in seeking opportunities in relation to the same) and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges for its Directors and employees within the industry in which it operates.

(2) Details of Remuneration of Key Management Personnel - Directors

Details of the nature and amount of each element of remuneration of each Director of the Company paid or payable by the Consolidated Entity during the financial year are as follows:

Name of Director	Office Held	Short Term Employment Benefits		Post Employment Benefits	Long Term Benefits	Equity Based Benefits (including shares and options)	Total	Performance Related	Percentage of Total Related to Equity Based Benefits (including shares and options)
		Cash Fees \$	Cash Bonuses \$	Superannuation \$					
John Stephenson	Chairman	3,945	-	355	-	-	4,300	-	-
H. Shanker Madan	Managing Director	17,671	-	1,590	-	-	19,261	-	-
Farooq Khan	Executive Director	17,671	-	1,590	-	-	19,261	-	-
Peter Wallace	Former Director	-	-	-	-	-	-	-	-
David C Foti	Former Director	-	-	-	-	-	-	-	-
Robert J Foti	Former Director & Secretary	-	-	-	-	-	-	-	-
Giuliano Sala Tenna	Former Director & Secretary	-	-	-	-	-	-	-	-
Gaetano Cappa	Former Director	-	-	-	-	-	-	-	-

DIRECTORS' REPORT

(3) Details of Remuneration of Key Management Personnel – Company Executive

The Company only had one Company Executive during the financial year, being the Company Secretary. Details of the nature and amount of each element of remuneration of such Company Executive paid or payable by the Company during the financial year are as follows:

Name of Company Executive	Office Held	Short Term Employment Benefits		Post Employment Benefits	Long Term Benefits	Equity Based Benefits (including shares and options)	Total	Performance Related	Percentage of Total Related to Equity Based Benefits (including shares and options)
		Cash Salary \$	Cash Bonuses \$	Superannuation \$					
Victor Ho	Company Secretary	11,918	-	1,073	-	-	12,991	-	-

(4) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the 30 June 2007 financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

(5) Directors' and Officers' Insurance

The Directors have not included details of the nature of the liabilities covered or the amount of premiums paid in respect of a Directors and Officers liability and legal expenses' insurance contract, as such disclosure is prohibited under the terms of the contract.

(6) 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 (in respect of Messrs Stephenson, Madan and Khan) were approved by shareholders at a general meeting held on 27 July 2007.

DIRECTORS' REPORT

AUDITOR

Details of the amounts paid or payable to the auditor (Bentleys MRI Perth Partnership) for audit and non-audit services provided during the financial year are set out below:

Audit & Review Fees \$	Fees for Other Services \$	Total \$
8,000	6,147	14,147

The Board is satisfied that the provision of non audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Bentleys MRI Perth Partnership will hold office only until the Company's first Annual General Meeting (as required under section 327A of the *Corporations Act 2001*) but the Company will propose that they seek appointment as auditor at the 2007 Annual General Meeting.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of this Directors Report and is set out on page 16. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 21), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



John Stephenson
Chairman

Perth, Western Australia

21 September 2007



Shanker Madan
Managing Director

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

TO THE DIRECTORS OF ALARA URANIUM LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

P. Warr.

**PW WARR
PARTNER**

Dated this 21st day of September 2007
Perth, WA

INCOME STATEMENT

for the period ended 30 June 2007

	Note	Consolidated Entity 2007 \$	Company 2007 \$
Revenue	2	149,130	149,214
Personnel expenses		(84,353)	(84,353)
Personnel - employee benefits		(6,018)	(6,018)
Occupancy costs		(2,296)	(2,296)
Finance expenses		(3,032)	(3,020)
Borrowing costs		(4)	-
Resource projects		(40,175)	-
Corporate expenses		(46,097)	(46,097)
Administration expenses		(44,832)	(88,039)
Loss before income tax expense		(77,677)	(80,609)
Income tax benefit	3	-	-
Net loss after tax attributable to members		(77,677)	(80,609)
Basic loss (cents per share)	6	(0.69)	(0.71)
Diluted loss per share (cents)	6	(0.69)	(0.71)

The accompanying notes form part of this financial report

BALANCE SHEET

as at 30 June 2007

		Consolidated Entity 2007 \$	Company 2007 \$
	Note		
CURRENT ASSETS			
Cash and cash equivalents	7	9,700,691	9,625,345
Trade and other receivables	9	11,255	10,159
TOTAL CURRENT ASSETS		9,711,946	9,635,504
NON CURRENT ASSETS			
Trade and other receivables	9	-	74,999
Property, plant and equipment	10	13,245	708
Other financial assets	11	-	5,180,376
Resource projects	12	5,248,504	-
TOTAL NON CURRENT ASSETS		5,261,749	5,256,083
TOTAL ASSETS		14,973,695	14,891,587
CURRENT LIABILITIES			
Trade and other payables	13	226,308	147,132
Short term provisions	14	6,018	6,018
TOTAL CURRENT LIABILITIES		232,326	153,150
TOTAL LIABILITIES		232,326	153,150
NET ASSETS		14,741,369	14,738,437
EQUITY			
Contributed equity	15	14,819,046	14,819,046
Accumulated losses		(77,677)	(80,609)
TOTAL EQUITY		14,741,369	14,738,437

The accompanying notes form part of this financial report

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2007

	Number of Shares	Issued Capital \$	Accumulated Losses \$	Total \$
<u>Consolidated Entity</u>				
At 1 July 2006	-	-	-	-
At incorporation	5,500,000	55,000	-	55,000
Initial public offering (IPO)	40,000,000	10,000,000	-	10,000,000
Acquisition of resource projects (subsidiaries)	35,000,000	5,160,000	-	5,160,000
Share issue expenses	-	(395,954)	-	(395,954)
Loss for the period	-	-	(77,677)	(77,677)
At 30 June 2007	80,500,000	14,819,046	(77,677)	14,741,369
<u>Company</u>				
At 1 July 2006	-	-	-	-
At incorporation	5,500,000	55,000	-	55,000
Initial public offering (IPO)	40,000,000	10,000,000	-	10,000,000
Acquisition of resource projects (subsidiaries)	35,000,000	5,160,000	-	5,160,000
Share issue expenses	-	(395,954)	-	(395,954)
Loss for the period	-	-	(80,609)	(80,609)
At 30 June 2007	80,500,000	14,819,046	(80,609)	14,738,437

The accompanying notes form part of this financial report

CASH FLOWS STATEMENT

for the period ended 30 June 2007

	Consolidated Entity 2007 \$	Company 2007 \$
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(93,092)	(100,245)
Payments for exploration and evaluation expenditure	(58,814)	-
Interest received	149,214	149,214
Interest paid	4	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	7 a (2,688)	48,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(13,325)	(726)
Payments for investment in subsidiaries	-	(20,376)
Loans to subsidiaries	-	(119,310)
NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES	(13,325)	(140,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings		
Repayment for borrowings		
Proceeds from share issues and options	10,055,000	10,055,000
Payment for share issue cost	(338,212)	(338,212)
NET CASH INFLOW FROM FINANCING ACTIVITIES	9,716,788	9,716,788
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD	9,700,775	9,625,345
Cash and cash equivalents at beginning of the year	-	-
Effect of exchange rate changes on cash	(84)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	7 9,700,691	9,625,345

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report includes separate financial statements for Alara Uranium Limited (**AUQ**) as an individual parent entity (the **Company**) and the consolidated entity consisting of Alara Uranium Limited, its subsidiaries and its interest in associate entities. Alara Uranium Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were approved by the board of directors on 21 September 2007.

Basis of Preparation

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependant upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the consolidated entity. The directors are confident that sufficient funding can be secured if required to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Statement of Compliance

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of AUQ comply with International Financial Reporting Standards (IFRS).

The Company's financial statements and notes also complies with the IFRS except that it has elected to apply the relief provided to parent entities in respect to certain disclosure requirements relating to AASB 132: *Financial Instruments: Disclosure and Presentation*, and AASB 139: *Financial Instruments: Recognition and Measurement*.

Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified by the revaluation of financial assets and financial liabilities at fair value basis of accounting through profit or loss has been applied.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. The areas

involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Carrying value of Mineral Exploration and Evaluation Expenditure;
- Fair value of unlisted financial assets and Director/Employee Options;
- Impairment of assets.

1.1. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 11 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

1.2. Investments in Associates

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

1.3. Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated (i.e. capitalised) in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 "Exploration for and Evaluation of Mineral Resources", if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

1.4. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

different from those of segments operating in other economic environments. The consolidated entity's segment reporting is contained in note 17 of the notes to the financial statements.

1.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST). The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

(b) Contributions of Assets

Revenue arising from the contribution of assets is recognised when the consolidated entity gains control of the asset or the right to receive the contribution.

(c) Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) Dividend Revenue

Dividend revenue is recognised when the right to receive a dividend has been established. The consolidated entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(e) Other Revenues

Other revenues are recognised on a receipts basis.

1.6. Foreign Currency Transaction and Balances

Functional and presentation currency

The functional currency of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- (a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

- (b) income and expenses are translated at average exchange rates for the period; and
- (c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1.7. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

1.8. Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.9. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the consolidated entity in accordance with statutory obligations and are charged as an expense when incurred.

1.10. Director/Employee Options

The fair value of options granted by the Company to directors and employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors/employees become unconditionally entitled to the options. The fair value at grant date is determined using the binomial tree options valuation model that takes into account the exercise price, the term of the option, the vesting criteria, the unlisted nature of the option, the share price at grant date and the expected price volatility of the underlying shares in the Company, and the risk-free interest rate for the term of the option. Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

1.11. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

1.12. Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

1.13. Investments and Other Financial Assets

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss -

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments - These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

1.14. Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

1.15. Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-40%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

1.16. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.17. Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.18. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

1.19. Earnings Per Share

Basic Earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted Earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

1.20. Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

1.21 New Standards And Interpretations Released and Adopted

These new standards and interpretations have no impact on the financial statements and the associated notes to the financial statements.

AASB reference	Title and Affected Standard(s):	Applies to:	Application date:
AASB 101 (revised Oct 2006)	Presentation of Financial Statements	Removes Australian specific paragraphs (economic dependence and where functional currency is different to presentation currency) and example formats for balance sheet and income statement in appendix.	Periods commencing on or after 1 January 2007
AASB 2007-1 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Consequential amendments to AASB 2: Share-based Payment arising from AASB Interpretation 11: AASB 2 – Group and Treasury Share Transactions. Affects equity transactions with employees whether shares given by / issued by shareholders or apparent entity.	Periods commencing on or after 1 March 2007
AASB 2007-4 (issued Apr 2007)	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Implements the proposals in ED 151: Australian additions to, and Deletions from, IFRSs. Changes to 34 standards. Introduction of new accounting policy choices and removal of various Australian-specific disclosure requirements (internationalising specific Australian treatments). Allows choice of reporting in cash flow statement from direct only to now include indirect, proportionate consolidation now allowed for joint ventures, tax reconciliation can now be done on tax rate basis, and changes to accounting for government grants.	Periods commencing on or after 1 July 2007
AASB Interpretation 10 (issued Sept 2006)	Interim Financial Reporting and Impairment AASB 134: Interim Financial Reporting, AASB 136: Impairment of Assets, and AASB 139: Financial Instruments: Recognition and Measurement	Prevents the reversal of impairment losses between interim and final reporting periods in respect of goodwill, investments in equity instruments, and financial assets carried at cost because fair value cannot be reliably determined.	Periods commencing on or after 1 November 2006
AASB Interpretation 11 (issued Feb 2007)	AASB 2 – Group and Treasury Share Transactions	Addresses the classification of a share-based payment transaction (as equity or cash settled) under AASB 2: Share-based Payment. It clarifies that when an entity's employees are granted rights to the entity's equity instruments either by the entity or its shareholders, the transactions are accounted for as equity-settled transactions. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	Periods commencing on or after 1 March 2007

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

1.22 New Standards And Interpretations Released But Not Yet Adopted.

These new standards and interpretations have no impact on the financial statements and the associated notes to the financial statements.

AASB reference	Title and Affected Standard(s):	Applies to:	Application date:
AASB 7 (issued Aug 2005)	Financial Instruments: Disclosures	Significant new disclosures of financial instruments – replaces and expands parts of AASB 132. This new standard affects disclosure only and will have no impact on accounting policies.	Periods commencing on or after 1 January 2007
AASB 2005-10 (issued Sept 2005)	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Changes to AASB 132 and 9 other standards arising from the issue of AASB 7 (see above). Amends AASB 101 to require the disclosure of the entity's objectives, policies and processes for managing capital (for reporting entities under Part 2M.3 of the Corps Act).	Periods commencing on or after 1 January 2007
AASB 2007-2 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Consequential amendments to 8 standards arising from AASB Interpretation 12: Service Concession Arrangements	Periods commencing on or after 1 January 2008
AASB 8 (issued Feb 2007)	Operating Segments	Disclosure of operating segments – replaces AASB 114: Segment Reporting. Applies to listed entities and similar only. Early adoption is permitted and likely to occur for many unlisted reporting entities to avoid segment reporting disclosures. Significantly changes the way segment information is given.	Periods commencing on or after 1 January 2009
AASB 2007-3 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Changes to 10 standards arising from the issue of AASB 8 (see above)	Periods commencing on or after 1 January 2009
AASB 2007-7 (issued Jun 2007)	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Makes editorial amendments to six Standards, removes the encouragement in AASB 107: Cash Flow Statements to adopt a particular format for the cash flow statement and deletes superseded implementation guidance accompanying AASB 4 Insurance Contracts.	Periods commencing on or after 1 July 2007
AASB Interpretation 12 (issued Feb 2007)	Service Concession Arrangements (recognition and measurement)	Addresses the accounting principles on recognising and measuring obligations and related rights for Service Concession Arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services e.g. toll roads, airports	Periods commencing on or after 1 January 2008
AASB Int 129 (issued Feb 2007)	Service Concession Arrangements: Disclosures [revised]	Addresses the appropriate disclosures for Service Concession Arrangements e.g. toll roads, airports	Periods commencing on or after 1 January 2008
AASB Interpretation 4 (revised Feb 2007)	Determining whether an Arrangement contains a Lease [revised]	Determining whether an Arrangement contains a Lease. Treats lease-like arrangements as leases. The Interpretation's scope has been amended to exclude service concession arrangements because these are now covered by AASB Interpretation 12.	Periods commencing on or after 1 January 2008

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

2. LOSS

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

	Consolidated Entity 2007	Company 2007
	\$	\$
(a) Revenue		
Interest received	149,214	149,214
Foreign exchange movement	(84)	-
Total revenue	<u>149,130</u>	<u>149,214</u>
(b) Expenses		
Personnel expenses	84,353	84,353
Personnel - employee benefits	6,018	6,018
Occupancy costs	2,296	2,296
Finance expenses	3,032	3,020
Borrowing costs - interest paid	4	-
Resource projects		
- Exploration and evaluation	40,175	-
Corporate expenses	46,097	46,097
Administration expenses		
- Communications	3,832	3,832
- Consultancy fees	1,159	1,159
- Travel and entertainment	400	400
- Professional fees	96	96
- Insurance	25,100	25,100
- Depreciation	80	18
- Provision for non-recovery	-	44,311
- Other	14,165	13,123
	<u>226,807</u>	<u>229,823</u>

3. INCOME TAX EXPENSE

- (a) The prima facie income tax on loss before income tax is reconciled to the income tax provided in the accounts as follows:

Loss before income tax	<u>(77,677)</u>	<u>(80,609)</u>
Prima facie tax payable on profit from ordinary activities before income tax at 30%	(23,303)	(24,182)
Tax effect of permanent differences		
Other non deductible expenses	6,900	6,900
Tax effect of timing differences		
Provision for non recovery of subsidiary loans	-	13,293
Provision for employee entitlements	1,805	1,805
Tax losses not brought to account as future income tax benefits	14,598	2,184
Income tax benefit	<u>-</u>	<u>-</u>
(b) Deferred Tax Asset (at 30%) not brought to account in the Income Tax Account		
Provisions	<u>8,705</u>	<u>21,999</u>

The Deferred Tax Asset not brought to account for the 2007 year will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- the Company is able to meet the continuity of ownership and/or continuity of business tests.

- (c) Deferred Tax Liability (at 30%)
There were no deferred tax liabilities identified.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

4. DIRECTORS' AND EXECUTIVES' DISCLOSURE

(a) Details of key management personnel (consolidated)

Directors

John Stephenson	Chairman	(Appointed on 18 May 2007)
H. Shanker Madan	Managing Director	(Appointed on 18 May 2007)
Farooq Khan	Executive Director	(Appointed on 18 May 2007)
Peter Wallace	Director	(Appointed on 6 December 2006, Resigned on 18 May 2007)
David Foti	Director	(Appointed on 10 January 2007, Resigned on 18 May 2007)
Robert Foti	Director & Company Secretary	(Appointed on 8 January 2007, Resigned on 18 May 2007)
Gaetano Cappa	Director	(Appointed on 6 December 2006, Resigned on 10 January 2007)
Giuliano Sala Tenna	Director & Company Secretary	(Appointed on 6 December 2006, Resigned on 8 January 2007)

Company Executives

Victor Ho	Company Secretary	(Appointed 4 April 2007)
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(b) Key management personnel compensation

Directors

	Consolidated Entity 2007	Company 2007
	\$	\$
Short-term employee benefits - cash fees	39,287	39,287
Post-employment benefits - superannuation	3,535	3,535
Long-term benefits	-	-
Share-based payments	-	-
	<u>42,822</u>	<u>42,822</u>

Other key management personnel

Short-term employee benefits - cash salaries	11,918	11,918
Post-employment benefits - superannuation	1,073	1,073
Long-term benefits	-	-
Share-based payments	-	-
	<u>12,991</u>	<u>12,991</u>

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 11 to 14.

(c) Options provided as remuneration and shares issued on exercise of such options

There were no options provided as remuneration to key management personnel and shares issued on the exercise of such options during the financial year.

(d) Shareholdings of key management personnel (consolidated)

	Balance at 1 July 2006	Balance at Appointment	Net Change	Balance at Resignation	Balance at 30 June 2007
<u>Directors</u>					
John Stephenson		180,000			180,000
Farooq Khan		11,487,664	(430,000)		11,057,664
H. Shanker Madan		304,983			304,983
Peter Wallace		150,000	348,000	498,000	
David C Foti		75,000	447,600	522,600	
Robert J Foti		75,000	447,600	522,600	
Gaetano Cappa		-	-	-	
Giuliano Sala Tenna		1,675,000	-	1,675,000	
<u>Company Executives</u>					
Victor Ho		-	186,000		186,000

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same. There are instances of some overlap between the disclosed holdings of David Foti and Robert Foti in this regard.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

(e) Option holdings of key management personnel (consolidated and parent entity)

The Company does not have any options on issue.

(f) Loans to key management personnel

There were no loans to key management personnel (or their personally related entities) during the financial year.

(g) Other transactions with key management personnel

There were no transactions with key management personnel (or their personally related entities) during the financial year.

5. AUDITORS' REMUNERATION

Amounts received or due and receivable by the Consolidated Entity's auditors for:

Auditor of the parent entity

Audit and review of financial reports

Other services

Consolidated Entity	Company
2007	2007
\$	\$
8,000	8,000
6,147	6,147
<u>14,147</u>	<u>14,147</u>

6. LOSS PER SHARE

Basic loss per share (cents)

Diluted loss per share (cents)

Net Loss

Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share

(0.69)	(0.71)
(0.69)	(0.71)
(77,677)	(80,609)
<u>11,323,288</u>	<u>11,323,288</u>

7. CASH AND CASH EQUIVALENTS

Cash at bank

Consolidated Entity	Company
2007	2007
\$	\$
9,700,691	9,625,345

(a) Reconciliation of Loss after Tax to Net Cash Flows from Operations

Operating loss after tax

Non cashflows in loss from ordinary activities

Depreciation - plant & equipment

Foreign exchange movement

Provision for non recovery of subsidiary loans

Decrease/(Increase) in assets:

Receivables

Resource projects

Increase/(Decrease) in liabilities:

Trade creditors and accruals

Provisions

Net cash outflows from operating activities

(77,677)	(80,609)
80	18
84	-
-	44,311
(11,255)	(10,159)
(88,504)	-
168,566	89,390
6,018	6,018
<u>(2,688)</u>	<u>48,969</u>

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

(b) Disclosure of non-cash financing and investing activities

On 18 May 2007 the Company issued 6,250,000 ordinary shares to Orion Equities Limited, in consideration for the acquisition of Hume Mining NL.

On 18 May 2007 the Company issued 28,750,000 ordinary shares to Strike Resources Limited in consideration for the acquisition of Alara Operation Pty Ltd (formerly Strike Uranium Pty Ltd) and Alara Peru Operations Pty Ltd (APO) (formerly Strike Uranium Peru Pty Ltd). APO has a wholly owned subsidiary, Alara Peru S.A.C (formerly known as Strike Uranium Peru S.A.C.)

8. ACQUISITIONS OF SUBSIDIARIES

Business combination

On 18 May 2007 the Company issued 6,250,000 ordinary shares to Orion Equities Limited, in consideration for the acquisition of Hume Mining NL.

On 18 May 2007 the Company issued 28,750,000 ordinary shares to Strike Resources Limited in consideration for the acquisition of Alara Operation Pty Ltd (formerly Strike Uranium Pty Ltd) and Alara Peru Operations Pty Ltd (APO) (formerly Strike Uranium Peru Pty Ltd) . APO has a wholly owned subsidiary Alara Peru S.A.C (formerly known as Strike Uranium Peru S.A.C.)

The acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

	Pre-acquisition amounts
Trade and other receivables	115
Resource projects	437,771
	437,886
Excess of consideration for mining assets acquired (Note 12)	4,742,489
Consideration paid, satisfied in cash	(20,375)
Consideration paid, satisfied in shares	5,160,000

The excess consideration paid over the net asset value for companies acquired has been reflected in Note 12.

9. TRADE AND OTHER RECEIVABLES

Current

Amounts receivable from

Goods and services tax recoverable

Consolidated Entity	Company
2007	2007
\$	\$
11,255	10,159

Non-Current

Amounts receivable from

Amounts owed by controlled entities

Provision for non recovery

-	119,310
-	(44,311)
-	74,999

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

10. PROPERTY, PLANT AND EQUIPMENT

2007 Consolidated

At 1 July 2006, net of accumulated depreciation and impairment
 Additions
 Depreciation expense
 At 30 June 2007, net of accumulated depreciation and impairment

Plant and Equipment	Total
\$	\$
-	-
13,325	13,325
(80)	(80)
<u>13,245</u>	<u>13,245</u>

At 1 July 2006

Cost or fair value
 Accumulated depreciation and impairment
Net carrying amount

-	-
-	-
<u>-</u>	<u>-</u>

At 30 June 2007

Cost or fair value
 Accumulated depreciation and impairment
Net carrying amount

13,325	13,325
(80)	(80)
<u>13,245</u>	<u>13,245</u>

2007 Company

At 1 July 2006, net of accumulated depreciation and impairment
 Additions
 Depreciation expense
 At 30 June 2007, net of accumulated depreciation and impairment

-	-
726	726
(18)	(18)
<u>708</u>	<u>708</u>

At 1 July 2006

Cost or fair value
 Accumulated depreciation and impairment
Net carrying amount

-	-
-	-
<u>-</u>	<u>-</u>

At 30 June 2007

Cost or fair value
 Accumulated depreciation and impairment
Net carrying amount

726	726
(18)	(18)
<u>708</u>	<u>708</u>

11. OTHER NON-CURRENT FINANCIAL ASSETS

Investments comprise:

Shares in controlled entities - at cost

Consolidated Entity	Company
2007	2007
\$	\$
-	5,180,376

(a) Investment in Controlled Entities

Percentage of Ownership 2007

Hume Mining NL

Incorporated in Australia on 29 March 1994; acquired from Orion Equities Limited on 18 May 2007

100%

Alara Operations Pty Ltd (formerly Strike Uranium Pty Ltd) (APO)

Incorporated in Australia on 5 February 2007; acquired from Strike Resources Limited on 18 May 2007

100%

Alara Peru Operations Pty Ltd (formerly Strike Uranium Pty Ltd) (APO)

Incorporated in Australia on 5 February 2007; acquired from Strike Resources Limited on 18 May 2007

100%

Alara Peru S.A.C (subsidiary of APO)

Incorporated in Peru on 1 March 2007.

100%

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

	Consolidated Entity 2007 \$	Company 2007 \$
12. RESOURCE PROJECTS		
Balance at the beginning of the year	-	-
Mining assets acquired	506,015	-
Excess of consideration for mining assets acquired	4,742,489	-
Mining assets acquired impairment	-	-
Exploration and evaluation expenditure	40,175	-
Exploration and evaluation expenditure impairment	(40,175)	-
Balance at the end of the year	5,248,504	-

13. TRADE AND OTHER PAYABLES

Trade creditors	37,272	37,272
Other payables	189,036	109,860
	226,308	147,132

14. PROVISIONS

Provision for employee entitlements	6,018	6,018
Number of employees (including Executive Directors and Officers) at Balance Date	6	6

15. CONTRIBUTED EQUITY

	Consolidated Entity 2007 \$	Company 2007 \$
Issued and Paid-Up Capital		
80,500,000 fully paid ordinary shares	14,819,046	14,819,046

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

	Date of movement	Number of shares	2007 \$
<u>Movement in Ordinary Share Capital</u>			
At 1 July 2006		-	-
At incorporation	06-Dec-06	5,500,000	55,000
Initial public offering (IPO)	18-May-07	40,000,000	10,000,000
IPO expenses		-	(395,954)
Acquisition of Alara Peru Operations Pty Ltd	18-May-07	18,750,000	3,430,000
Acquisition of Alara Operations Pty Ltd	18-May-07	10,000,000	980,000
Acquisition of Hume Mining NL	18-May-07	6,250,000	750,000
At 30 June 2007		80,500,000	14,819,046

16. RELATED PARTY DISCLOSURES

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

		Amount owed \$
Loans to Controlled Entities	Note	
Hume Mining NL	9	25,000
Alara Operations Pty Ltd	9	56,711
Alara Peru Operations Pty Ltd	9	25,000
Subsidiary of Alara Peru Operations Pty Ltd		
Alara Peru S.A.C	9	12,599

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 11 to the financial statements. The above amounts remain outstanding at balance date. Interest is not charged on such outstanding amounts.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

17. SEGMENT REPORTING

The Consolidated Entity is based in Australia but has resource projects in Peru and is involved in mining exploration and evaluation and the managements of its assets.

Geographical segments	Segment revenues 2007 \$	Segment results 2007 \$	Segment Assets 2007 \$	Segment Liabilities 2007 \$	Acquisitions of non-current segment assets 2007 \$
Australia	149,214	(76,487)	14,861,338	(162,461)	4,628,257
Peru	-	(1,190)	112,357	(69,865)	1,058,134
	<u>149,214</u>	<u>(77,677)</u>	<u>14,973,695</u>	<u>(232,326)</u>	<u>5,686,391</u>

18. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The consolidated entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, loans to related parties and shares in listed securities. The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk.

(a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The consolidated entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The consolidated entity has no borrowings.

	Weighted Average Interest Rate	Variable Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$
2007					
Financial assets					
Cash and cash equivalents	6.2%	9,700,691	-	-	9,700,691
Trade and other receivables		-	-	11,255	11,255
		<u>9,700,691</u>	<u>-</u>	<u>11,255</u>	<u>9,711,946</u>
Financial liabilities					
Trade and other payables		-	-	(226,308)	(226,308)
Employee entitlements		-	-	(6,018)	(6,018)
		<u>-</u>	<u>-</u>	<u>(232,326)</u>	<u>(232,326)</u>
Net financial assets		<u>9,700,691</u>	<u>-</u>	<u>(221,071)</u>	<u>9,479,620</u>

Reconciliation of net financial assets to net assets	Consolidated Entity 2007 \$
Net financial assets as above	9,479,620
Non-financial assets and liabilities	
Property, plant and equipment	13,245
Resource projects	<u>5,248,504</u>
	<u>14,741,369</u>

(b) Foreign Currency Risk

The consolidated entity is exposed to foreign currency risk on cash held by a controlled foreign entity, foreign resource project investment commitments and exploration and evaluation expenditure on foreign resource projects. The currency risk giving rise to this risk is primarily US dollars. The consolidated entity has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

(c) Credit Risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the consolidated entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults.

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the consolidated entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults.

(d) Net Fair Value of Financial Assets and Liabilities

The carrying amount financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in note 1. The aggregate fair value and carrying amount of financial assets and financial liabilities at balance date are:

	Carrying Amount 2007 \$	Net Fair Value 2007 \$
Financial Assets		
Cash and cash equivalents	9,700,691	9,700,691
Receivables	11,255	11,255
Total Financial Assets	<u>9,711,946</u>	<u>9,711,946</u>
Financial Liabilities		
Payables	(226,308)	(226,308)

(e) Market price risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

(f) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity has no borrowings.

19. COMMITMENTS

(a) Mineral Tenement/Concession - Commitments for Expenditure

Australian tenements

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay lease rentals and meet minimum expenditure commitments of approximately \$350,000 over a 12 month period, based on Australian tenements which have been granted as at balance date. Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

Peruvian concessions

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

19. COMMITMENTS (continued)

(b) Australian Heritage Protection Agreements

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

(d) Agreements with Peruvian Landowners and Community Groups

The Consolidated Entity holds concessions in Peru. Holding a mineral concession in Peru does not grant automatic access to the surface land. Notwithstanding an easement procedure is contemplated in Peruvian law, in practice, mining companies have to negotiate and enter into private agreements with landowners/community groups in order to have access to their land for the purposes of conducting mining activities (exploration, evaluation, development and mining). There may be multiple landowners/community groups who are affected by the Consolidated Entity's proposed mining activities. To date, approvals have been sought on drilling on a programme by programme basis. The Consolidated Entity's own in-house community relations manager and staff are in current and on-going consultations with communities to secure permissions for drilling.

The obtaining of approvals from landowners/community groups can be complicated and time consuming. The Consolidated Entity will have to commit funds to community groups and or landowners to secure land access agreements to develop its Peruvian concessions. There can be no guarantees as to the obtaining of such approvals or the terms upon which approvals are obtained. At this stage, it is not possible to quantify the potential financial obligation of the Consolidated Entity in this regard.

20. CONTINGENT ASSETS AND LIABILITIES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2007

21. EVENTS AFTER BALANCE DATE

- (i) On 27 July 2007, after receiving shareholder approval at a general meeting held earlier that day, the Company issued 18,550,000 unlisted director's options with an exercise price of \$0.55, a term of 5 years and a vesting period over 12 months (50% on grant and 50% on 27 July 2008) from date of issue (\$0.55 27 July 2012 Directors' Options) to directors, J Stephenson, HS Madan and F Khan.

The Company also issued a further 1,425,000 unlisted employees' options with an exercise price of \$0.55, a term of 5 years and a vesting period over 2 years (one-third on 27 January 2008, one-third on 27 July 2008 and one-third on 27 January 2009) from date of issue (\$0.55 27 July 2012 Employees' Options) to 5 employees.

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

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

The rights issue is scheduled to close on 28 September 2007. The Company has applied for the options to be quoted on ASX under ASX code "AUQO".

The terms and conditions of these Directors and Employee options are set out in the Explanatory Statement accompanying the Notice of Meeting dated 21 June 2007 and released on ASX on 28 June 2007.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement, and accompanying notes as set out on pages 17 to 36, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The audited remuneration disclosures set out in the Directors' Report on pages 11 to 14 comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and
4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Managing Director, the person who performs the chief executive function, and by the Company Secretary, the person who performs the chief financial officer function, for the purposes of section 295A, who have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements are in accordance with the *Corporations Act 2001*, comply with Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (c) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.



John Stephenson
Chairman

Perth, Western Australia

21 September 2007



Shanker Madan
Managing Director

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALARA URANIUM LIMITED**

**Report on the Financial Report and AASB 124 Remuneration Disclosures
Contained in the Directors' Report**

We have audited the accompanying financial report of Alara Uranium Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity, and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 21, and the directors' declaration, set out on pages 17 to 37 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in the Directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report.

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

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in Directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's opinion on the financial report

In our opinion, the financial report of Alara Uranium Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date, and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

P. Warr

**PW WARR
PARTNER**

Dated this 21st day of September 2007
Perth, WA

SECURITIES INFORMATION

as at 30 June 2007

ISSUED CAPITAL

	Quoted / To be Quoted	Not Quoted	Total
Fully paid ordinary shares	40,275,000	40,225,000 ¹³	80,500,000

DISTRIBUTION OF ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	14	4,105	0.005
1,001	-	5,000	95	315,776	0.392
5,001	-	10,000	635	5,153,324	6.402
10,001	-	100,000	471	16,094,020	19.993
100,001	-	and over	62	58,932,775	73.208
Total			1,277	80,500,000	100%

TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1 *	Strike Resources Limited	28,750,000	35.71%
2 *	Orion Equities Limited	8,485,699	10.54%
3	National Nominees Limited	3,037,200	3.77%
4	Classic Capital Pty Ltd	2,069,600	2.57%
5	Lisa Shallard and Linda Sala Tenna	2,050,000	2.55%
6	Database Systems Limited	973,912	1.21%
7	Ms Rosanna De Campo	800,000	0.99%
8	Mannheim Investments Pty Ltd	725,000	0.90%
9	Pater Investments Pty Ltd	717,700	0.89%
10	Cityside Investments Pty Ltd	668,750	0.83%
11	Renmuir Holdings Limited	578,053	0.72%
12	Katana Capital Limited	515,200	0.64%
13	Blue Crysal Pty Ltd	500,000	0.62%
14	Mr Brian Peter Byass	500,000	0.62%
15	Katana Equity Pty Ltd	500,000	0.62%
16	Dr Salim Cassim	484,400	0.60%
17	Charles Foti Corporation Pty Ltd <Charles Foti Corporation A/C>	450,000	0.56%
18	HSBC Custody Nominees (Australia) Limited	395,000	0.49%
19	Mr Robert Foti <Robert Foti Family A/C>	300,000	0.37%
20	Twinland Holdings Pty Ltd	299,600	0.37%
Total		52,800,114	65.59%

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Escrowed shares comprise:

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

ALARA URANIUM LIMITED
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