



Uranium Equities Limited and  
its controlled entities

31 December 2007 half-year  
financial report

ABN 74 009 799 553

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## Director's report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2007 and the auditor's review report thereon.

### Directors

The directors of the company at any time during or since the end of the half-year are:

#### Name

##### Non-executive

|                    |                        |
|--------------------|------------------------|
| Timothy M Clifton  | Non-Executive Chairman |
| Timothy R B Goyder | Non-Executive Director |
| Anthony W Kiernan  | Non-Executive Director |

##### Executive

|                  |                    |
|------------------|--------------------|
| Mark S Chalmers  | Managing Director  |
| David A Brunt    | Executive Director |
| Andrew R Bantock | Executive Director |

All Directors held office during course of the half year and since the end of the prior financial year.

### Review of operations


During the period the Company:

- Completed expenditure requirements by spending \$6 million to earn 40% equity in the Nabarlek package of tenements (being part of the West Arnhem Joint Venture Project) from Cameco Australia Pty Ltd. The West Arnhem Joint Venture Project is located in Australia's pre-eminent, unconformity-related uranium province in the Northern Territory. Field activities were concluded by mid November 2007 and a review of the geology and exploration prospects then continued focussing on the high-grade prospect N147 and other prospects in the area.
- Commenced a major new Central Australian "roll-front" uranium exploration initiative with applications lodged for exploration titles covering 34,971 km<sup>2</sup> in two major blocks: the Simpson Project in the Northern Territory and Lake Blanche in South Australia.
- Identified three significant uranium anomalies on the 100% owned Narraweena project located near Mega Uranium Ltd's high-grade Ben Lomond uranium-molybdenum deposit in North Queensland.
- Continued exploration activities on the portfolio of other sandstone-hosted roll-front and calcrete uranium projects in the uranium-rich Gawler and Yilgarn Provinces of South and Western Australia respectively. A gravity anomaly associated with a demagnetised magnetic trend was also identified from the airborne magnetic-radiometric survey at the Moorarie Project in Western Australia.
- Completed the first phase of a testing program (being jointly conducted with a large USA based phosphate producer) to evaluate a new process to extract uranium from phosphoric acid in superphosphate production, with encouraging results.

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2007.

Dated at Adelaide 7 March 2008.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Mark S. Chalmers', with a long horizontal flourish extending to the right.

Mark S Chalmers  
Managing Director



*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Uranium Equities Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*KPMG*  
KPMG

*Derek Meates*  
Derek Meates  
Partner

Adelaide

7 March 2008

## Uranium Equities Limited and its controlled entities Consolidated interim income statement

For the six months ended 31 December 2007

|  | 31 Dec 2007      | 31 Dec 2006 |
|--|------------------|-------------|
| Other income   | 170,363          | 354,705     |
| Exploration expenditure written off  | (878,975)        | (673,655)   |
| Profit on sale of assets   | 55,304           | 138,287     |
| Corporate administrative expenses  | 3(a) (2,823,070) | (2,438,414) |
| Profit on sale of available for sale investments                                     | -                | 322,648     |
| Provision for diminution of investments  | 3(b) (1,079,672) | -           |
|  | (4,726,413)      | (2,651,134) |
| Financial income   | 704,945          | 191,558     |
| Financial expenses   | (4,356)          | (3,171)     |
| <b>Net financing costs</b>   | 700,589          | 188,387     |
| <b>Loss before tax</b>   | (3,855,461)      | (2,108,042) |
| Income tax expense   | (1,415)          | (2,840)     |
| <b>Loss for the period</b>   | (3,856,876)      | (2,110,882) |
| Basic earnings per share attributable to ordinary equity holders (cents per share)   | (2.04)           | (1.58)      |
| Diluted earnings per share attributable to ordinary equity holders (cents per share) | (2.04)           | (1.54)      |

The income statement is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 12.

## Uranium Equities Limited and its controlled entities Consolidated interim statement of recognised income and expense

**For the six months ended 31 December 2007**

|  | <b>31 Dec 2007</b> | <b>31 Dec 2006</b> |
|--|--------------------|--------------------|
| Change in fair value of financial assets available for sale                  | -                  | 120,000            |
| Less change in fair value of financial assets available for sale on disposal | -                  | (499,500)          |
| <b>Net gain/(loss) recognised directly in equity</b>                         | -                  | (379,500)          |
| <b>Loss for the period</b>   | (3,856,876)        | (2,110,882)        |
| <b>Total recognised income and expense for the period</b>                    | (3,856,876)        | (2,490,382)        |

The statement of recognised income and expense is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 12.

## Uranium Equities Limited and its controlled entities

### Consolidated interim balance sheet

|                                   | Note | Consolidated        |                   |
|-----------------------------------|------|---------------------|-------------------|
|                                   |      | 31 December<br>2007 | 30 June 2007      |
| <b>Current assets</b>             |      |                     |                   |
| Cash and cash equivalents         |      | 18,718,727          | 23,139,569        |
| Trade and other receivables       |      | 159,043             | 2,162,568         |
| Financial assets                  |      | 11,400              | 91,907            |
| <b>Total current assets</b>       |      | <b>18,889,170</b>   | <b>25,394,044</b> |
| <b>Non-current assets</b>         |      |                     |                   |
| Financial assets                  |      | 205,816             | 86,160            |
| Exploration and evaluation assets |      | 7,957,795           | 4,787,553         |
| Property, plant and equipment     |      | 427,447             | 326,546           |
| Intangible assets                 |      | -                   | 206,995           |
| <b>Total non-current assets</b>   |      | <b>8,591,058</b>    | <b>5,407,254</b>  |
| <b>Total assets</b>               |      | <b>27,480,228</b>   | <b>30,801,298</b> |
| <b>Current liabilities</b>        |      |                     |                   |
| Trade and other payables          |      | 1,180,149           | 1,429,505         |
| Employee benefits                 |      | 81,960              | 73,236            |
| <b>Total current liabilities</b>  |      | <b>1,262,109</b>    | <b>1,502,741</b>  |
| <b>Total liabilities</b>          |      | <b>1,262,109</b>    | <b>1,502,741</b>  |
| <b>Net assets</b>                 |      | <b>26,218,119</b>   | <b>29,298,557</b> |
| <b>Equity</b>                     |      |                     |                   |
| Issued capital                    | 4    | 42,942,884          | 42,942,884        |
| Reserves                          | 4    | 3,704,820           | 2,928,382         |
| Accumulated losses                | 4    | (20,429,585)        | (16,572,709)      |
| <b>Total Equity</b>               |      | <b>26,218,119</b>   | <b>29,298,557</b> |

The balance sheet is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 12.



## Uranium Equities Limited and its controlled entities

### Consolidated interim statement of cash flows

For the six months ended 31 December 2007

|   | 31 Dec 2007        | 31 Dec 2006      |
|---|--------------------|------------------|
| <b>Cash flows from operating activities</b>     |                    |                  |
| Cash receipts from operations                   | 512,370            | 273,163          |
| Cash paid to suppliers and employees            | (1,643,004)        | (1,196,878)      |
| Interest paid                                   | (4,356)            | (2,974)          |
| Interest received                               | 788,583            | 119,803          |
| <b>Net cash used in operating activities</b>    | <b>(346,407)</b>   | <b>(806,886)</b> |
| <b>Cash flows from investing activities</b>     |                    |                  |
| Proceeds from sale of investments               | -                  | 1,098,145        |
| Payments for mining exploration and evaluation  | (4,056,632)        | (1,312,835)      |
| Deferred consideration on sale of tenements     | 1,250,000          | 143,871          |
| Acquisition of property, plant and equipment    | (188,131)          | (86,076)         |
| Payments for investments                        | (1,079,672)        | -                |
| <b>Net cash used in investing activities</b>    | <b>(4,074,435)</b> | <b>(156,895)</b> |
| <b>Cash flows from financing activities</b>     |                    |                  |
| Payment for bank guarantee                      | -                  | (11,400)         |
| Release of bank guarantee                       | -                  | 40,000           |
| Provision of loan                               | -                  | (309,414)        |
| Repayment of loan                               | -                  | 285,310          |
| <b>Net cash used in financing activities</b>    | <b>-</b>           | <b>4,496</b>     |
| Net decrease in cash and cash equivalents       | (4,420,842)        | (959,285)        |
| Cash and cash equivalents at 1 July             | 23,139,569         | 4,394,915        |
| <b>Cash and cash equivalents at 31 December</b> | <b>18,718,727</b>  | <b>3,435,630</b> |

This statement of cash flows is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 12.

# Condensed notes to the consolidated interim financial statements

## 1. Significant accounting policies

Uranium Equities Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

### (a) Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007.

The consolidated annual financial reports of the entity for the year ended 30 June 2007 is available from Level 6 West, 50 Grenfell Street, Adelaide, SA 5000.

This consolidated interim financial report was approved by the Board of Directors on 7 March 2008.

### (b) Basis of Preparation

The accounting policies applied by the Company in this consolidated interim financial report are the same as those applied in its consolidated financial report as at and for the year ended 30 June 2007. None of the Australian Accounting Standards or interpretations available for early adoption have been adopted by the Company, as none have a significant impact on the consolidated entity.

## 2. Segment reporting

The Company continues to operate in one business segment and one geographical segment being the mining and exploration industry in Australia.

## Condensed notes to the consolidated interim financial statements

### 3. Loss before income tax expense

|   | 2007             | 2006             |
|---|------------------|------------------|
| The following revenue and expense items are relevant in explaining the financial performance for the half-year: |                  |                  |
|   | \$               | \$               |
| <b>(a) Corporate administrative expenses</b>  |                  |                  |
| Accounting fees   | 13,050           | 187,686          |
| Annual report costs   | 39,838           | 21,109           |
| ASX fees  | 29,478           | 61,975           |
| Audit fees  | 20,040           | 32,688           |
| Depreciation and amortisation   | 87,229           | 87,283           |
| Write off of intangible contract  | 206,995          | -                |
| Insurance   | 38,754           | 24,318           |
| Legal fees <sup>(1)</sup>   | 549,418          | 122,146          |
| Marketing   | -                | 14,615           |
| Personnel expenses  | 1,543,239        | 1,565,062        |
| Printing and stationery   | 14,655           | 7,646            |
| Rent and outgoings  | 64,651           | (6,610)          |
| Share registry  | 18,264           | 13,862           |
| Travel and accommodation  | 115,899          | 112,847          |
| Recruitment   | -                | 12,208           |
| Other   | 81,560           | 181,579          |
|   | <b>2,823,070</b> | <b>2,438,414</b> |
| <b>(b) Provision for diminution of investment <sup>(2)</sup></b>  | <b>1,079,672</b> | <b>-</b>         |

<sup>(1)</sup> Legal fees predominately relate to costs incurred in the course of the Western Australian Supreme Court legal action seeking to confirm an agreement to acquire 50% of the Mulga Rock Uranium-Polymetallic Project. This legal action was ultimately unsuccessful (please refer to note 7).

<sup>(2)</sup> Uranium Equities is currently funding activities to develop uranium extraction technology from phosphoric acid with Urtek LLC, a company based in Golden, Colorado. Uranium Equities currently owns approximately 16.7% of Urtek LLC with a right to progressively earn up to 90% of Urtek LLC by spending US\$15 million.

As the technology being developed by Urtek LLC is currently in the research phase, Uranium Equities has recorded an impairment loss in relation to the \$1.1 million of expenditure invested in Urtek LLC during the half year ended 31 December 2007.

# Condensed notes to the consolidated interim financial statements

## 4. Capital and reserves

### Reconciliation of movement in capital and reserves attributable to equity holders of the parent

| Consolidated                | Share capital<br>\$ | Investment revaluation reserve<br>\$ | Accumulated losses<br>\$ | Share option reserve<br>\$ | Total equity<br>\$ |
|-----------------------------|---------------------|--------------------------------------|--------------------------|----------------------------|--------------------|
| Balance at 1 July 2007      | 42,942,884          | -                                    | (16,572,709)             | 2,928,382                  | 29,298,557         |
| Employee share options      | -                   | -                                    | -                        | 776,438                    | 776,438            |
| Loss for the period         | -                   | -                                    | (3,856,876)              | -                          | (3,856,876)        |
| Balance at 31 December 2007 | 42,942,884          | -                                    | (20,429,585)             | 3,704,820                  | 26,218,119         |

| Consolidated                                       | Share capital<br>\$ | Investment revaluation reserve<br>\$ | Accumulated losses<br>\$ | Share option reserve<br>\$ | Total equity<br>\$ |
|--|---------------------|--------------------------------------|--------------------------|----------------------------|--------------------|
| Balance at 1 July 2006                             | 20,895,859          | 379,500                              | (11,853,588)             | -                          | 9,421,771          |
| Deconsolidation of Liontown Resources Ltd          | -                   | -                                    | 135,144                  | -                          | 135,144            |
| Employee share options                             | (895,180)           | -                                    | -                        | 895,180                    | -                  |
| Capital reduction                                  | (1,600,000)         | -                                    | -                        | -                          | (1,600,000)        |
| Changes in value of available for sale investments | -                   | (379,500)                            | -                        | -                          | (379,500)          |
| Share-based payments                               | -                   | -                                    | -                        | 597,325                    | 597,325            |
| Loss for the period                                | -                   | -                                    | (2,110,882)              | -                          | (2,110,882)        |
| Balance at 31 December 2006                        | 18,400,679          | -                                    | (13,829,326)             | 1,492,505                  | 6,063,858          |

At 31 December 2007, the Company had 189,410,801 issued and fully paid shares (30 June 2007: 189,410,801).

## 5. Income tax

At 31 December 2007, it is estimated that the consolidated entity has approximately \$8.5 million of unrecognised accumulated tax losses and \$8.0 million of unrecognised taxable temporary differences. The approximate \$0.5 million net benefit (tax effected \$0.15 million) will remain unrecognised until such time as the directors believe the probability of realising the benefit meets the recognition threshold under AASB 112 'Income Taxes'.

## 6. Related party transactions

Arrangements with related parties continue to be in place and are consistent with those disclosed on page 55 of the 30 June 2007 Annual Report.

## Condensed notes to the consolidated interim financial statements

### **7. Events after balance sheet date**

On 22 February 2008, the Court of Appeal of the Supreme Court of Western Australia handed down its judgement dismissing the Company's claim seeking an order of specific performance or in the alternative, payment of damages, in relation to a purported agreement by which the Company could acquire a 50% interest in the Mulga Rock Uranium-Polymetallic Project. The Supreme Court also ordered the Company to pay the defendant's costs in the matter.

## Directors' declaration

In the opinion of the directors of Uranium Equities Limited ("the company"):

1. the financial statements and notes set out on pages 5 to 12, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide on 7 March 2008.

Signed in accordance with a resolution of the directors:



Mark S Chalmers  
Managing Director



## **Independent auditor's review report to the members of Uranium Equities Limited Report on the financial report**

We have reviewed the accompanying half-year financial report of Uranium Equities Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 7 and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

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

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



*Conclusion*

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

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

KPMG

Derek Meates  
Partner

Adelaide

7 March 2008