



Uranium Equities Limited and its
controlled entities

31 December 2011 interim
financial report

ABN 74 009 799 553

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Directors' report

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2011 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:

Non-executive

Anthony W Kiernan	Non-Executive Chairman
Timothy R B Goyder	Non-Executive Director
Thomas C Pool	Non-Executive Director

Executive

Bryn L Jones	Managing Director
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All directors held office during course of the half year and since the end of the prior financial year.

Review of operations

Exploration

- Diamond drilling at the U40 Prospect (NT) on the West Arnhem Joint Venture (40% UEQ: 60% Cameco Australia (Manager)) indicated extensions to the mineralisation discovered in 2010.
- A detailed ground gravity survey over U40 and the Quarry Fault Zone (QFZ) completed in the half has identified additional quality targets in the region.
- RC drilling completed on the Nabarlek Mineral Lease (NT) has extended known mineralisation at the Boomerang Prospect. A detailed ground gravity survey over the area was also completed to aid future exploration.
- Widespread anomalous uranium was intersected at the Lake Blanche Project (SA).
- Anomalous uranium in favourable host sands was intersected during a reconnaissance drilling campaign on the Frome Basin Project (SA).
- The Company was awarded a \$40,000 co-funding grant as part of the South Australian Government's PACE 2020 Initiative for a ground gravity survey on the Marla Project.
- Both the Marla and Oodnadatta Projects are considered highly prospective for IOCGU and Kazakhstan-style sandstone hosted uranium deposits.

PhosEnergy - Uranium Extraction Technology

- On 31st August 2011 the Company announced that international uranium company Cameco Corporation ("Cameco") had consolidated its ownership in the PhosEnergy Process through the purchase of the Founders' 10% shareholding for US\$4.5 million.
- The consideration of US\$4.5 million represents a substantial 80% premium to the pro-rata earn-in which Cameco and Uranium Equities Limited have completed in the PhosEnergy Process.
- Uranium Equities Limited has an option expiring 27 March 2012 to acquire 30% of these Founders' Shares for US\$1.35 million, plus reasonable cash holding costs, payable to Cameco. The Company announced its intention to exercise this option.
- The fully integrated and process controlled PhosEnergy Process demonstration plant was pre-commissioned in the US in parallel with progressing regulatory approvals for the planned operation at a fertiliser facility in 2012.

Corporate

- A fully underwritten non-renounceable 1 for 5 rights issue was completed in December 2011, raising \$1.9 million after costs.
- Subsequent to the reporting period the Company entered into an Advisory Services Agreement with Boswell Capital Corporation to provide corporate and investor relations advice with a focus on the North American investment markets.

Lead auditor's independence declaration under section 370C of the Corporations Act 2001

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 2011.

Dated at Adelaide 1 March 2012.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'B. Jones', written in a cursive style.

Bryn Jones
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 2011 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.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Derek Meates'.

Derek Meates
Partner

Adelaide

1 March 2012

Uranium Equities Limited and its controlled entities

Consolidated interim statement of comprehensive income

For the six months ended

	Note	31 Dec 2011	31 Dec 2010
Option Fee		-	222,222
Advisory and Other Income		-	18,508
Total Revenue		-	240,730
Exploration and evaluation expenditure written off		(1,714)	(22,878)
Corporate and Administration expenses	3	(553,093)	(749,557)
Profit/(Loss) on sale of available for sale investments		-	41
Profit/(Loss) on disposal of a fixed asset		-	(637)
Reversal of impairment of available for sale investments		-	16,000
Results from Operating Activities		(554,807)	(516,301)
Finance Income		108,472	221,237
Finance Costs		(53,668)	(54,011)
Net Finance Income		54,804	167,226
Impairment loss on equity accounted investees	3	-	(1,299,813)
Share of equity accounted investee losses	3	(678,018)	(915,728)
Loss before income tax		(1,178,021)	(2,564,616)
Income tax expense		-	-
Loss for the period		(1,178,021)	(2,564,616)
Other Comprehensive Income			
Foreign currency translation differences for foreign operations		128,444	(984,886)
Total Other Comprehensive Income		128,444	(984,886)
Total Comprehensive Income for the period		(1,049,577)	(3,549,502)
Loss attributable to:			
Owners of the company		(1,178,021)	(1,856,289)
Non-Controlling Interest		-	(708,327)
Loss for the period		(1,178,021)	(2,564,616)
Total comprehensive income attributable to:			
Owners of the company		(1,049,577)	(2,553,206)
Non-Controlling Interest		-	(996,296)
Total Comprehensive Income for the period		(1,049,577)	(3,549,502)
Earnings per share			
Basic loss per share attributable to ordinary equity holders (cents per share)		(0.006)	(0.009)
Diluted loss per share attributable to ordinary equity holders (cents per share)		(0.006)	(0.009)

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 13.

Uranium Equities Limited and its controlled entities

Consolidated interim statement of changes in equity

For the six months ended 31 December 2011

Attributable to equity holders of the Group

Note	Share capital \$	Share Option Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$	Non-Controlling Interest \$	Total Equity \$
Balance at 1 July 2011	44,997,404	5,244,681	(861)	(27,243,962)	22,997,262	-	22,997,262
Total Comprehensive income for the period							
Profit or Loss	-	-	-	(1,178,021)	(1,178,021)	-	(1,178,021)
Other Comprehensive income							
Foreign Currency Translation differences for foreign operations	-	-	128,444	-	128,444	-	128,444
Total Other Comprehensive income	-	-	128,444	-	128,444	-	128,444
Total Comprehensive Income for the period	-	-	128,444	(1,178,021)	(1,049,577)	-	(1,049,577)
Transactions with owners, recorded directly to equity							
Rights Issue (net of costs)	4 1,906,327	-	-	-	1,906,327	-	1,949,646
Share-based payment transactions	-	43,318	-	-	43,318	-	43,318
Total Contributions by and distributions to owners	1,906,327	43,318	-	-	1,949,645	-	1,949,645
Total changes in ownership interest in subsidiaries	-	-	-	-	-	-	-
Total transactions with owners	1,906,327	43,318	-	-	1,949,645	-	1,949,645
Balance at 31 December 2011	46,903,731	5,287,999	127,583	(28,421,983)	23,897,330	-	23,897,330

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 13.

Uranium Equities Limited and its controlled entities

Consolidated Interim Statement of Changes in Equity (continued)

For the six months ended 31 December 2010

Attributable to equity holders of the Group

Note	Share capital \$	Share Option Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$	Non-Controlling Interest \$	Total Equity \$
Balance at 1 July 2010	44,997,454	4,993,648	106,372	(28,715,262)	21,382,162	54,955	21,437,117
Total Comprehensive income for the period							
Profit or Loss	-	-	-	(1,856,289)	(1,856,289)	(708,327)	(2,564,616)
Other Comprehensive income							
Foreign Currency Translation differences for foreign operations	-	-	(696,917)	-	(696,917)	(287,969)	(984,886)
Total Other Comprehensive income	-	-	(696,917)	-	(696,917)	(287,969)	(984,886)
Total Comprehensive Income for the period	-	-	(696,917)	(1,856,289)	(2,553,206)	(996,296)	(3,549,502)
Transactions with owners, recorded directly to equity							
Share-based payment transactions	-	251,033	-	-	251,033	-	251,033
Total Contributions by and distributions to owners	-	251,033	-	-	251,033	-	251,033
Total changes in ownership interest in subsidiaries	-	-	-	3,965,677	3,965,677	1,973,271	5,938,948
Total transactions with owners	-	251,033	-	3,965,677	4,216,710	1,973,271	6,189,981
Balance at 31 December 2010	44,997,454	5,244,681	(590,545)	(26,605,874)	23,045,666	1,031,930	24,077,596

Uranium Equities Limited and its controlled entities

Consolidated interim statement of financial position

	Note	Consolidated	
		31 Dec 2011	30 Jun 2011
Current assets			
Cash and cash equivalents		3,276,230	3,128,358
Trade and other receivables		231,917	578,357
Total current assets		3,508,147	3,706,715
Non-current assets			
Restricted cash	4	1,786,179	1,852,038
Equity accounted investees		1,687,942	2,237,517
Exploration and evaluation assets	5	18,979,917	17,058,767
Property, plant and equipment		310,718	334,290
Total non-current assets		22,764,756	21,482,612
Total assets		26,272,903	25,189,327
Current liabilities			
Trade and other payables		439,777	315,685
Provisions	6	90,000	381,079
Employee benefits		223,060	193,400
Total current liabilities		752,837	890,164
Non-current liabilities			
Provisions	6	1,534,621	1,239,265
Employee benefits		88,115	62,636
Total non-current liabilities		1,622,736	1,301,901
Total liabilities		2,375,573	2,192,065
Net assets		23,897,330	22,997,262
Equity			
Issued capital		46,903,731	44,997,404
Reserves		5,415,582	5,243,820
Accumulated losses		(28,421,983)	(27,243,962)
Total equity		23,897,330	22,997,262

The consolidated interim statement of financial position is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 13.

Uranium Equities Limited and its controlled entities Consolidated interim statement of cash flows

For the six months ended

	Note	31 Dec 2011	31 Dec 2010
Cash flows from operating activities			
Cash receipts from operations		-	-
Cash paid to suppliers and employees		(442,456)	(432,198)
Interest paid		(20,899)	(18,526)
Interest received		118,833	239,070
Income tax received		243,433	179,748
Net cash used in operating activities		(101,089)	(31,906)
Cash flows from investing activities			
Proceeds from sale of investments		-	26,707
Payments for investments		-	(2,215,542)
Consideration received for non-controlling interest		-	5,938,947
Payments for mining exploration and evaluation and rehabilitation		(1,734,078)	(3,576,000)
Acquisition of property, plant and equipment		(15,967)	(26,421)
Net cash used in investing activities		(1,750,045)	147,691
Net proceeds from issue of shares	4	1,933,148	-
Movement in restricted cash		65,859	-
Net cash from financing activities		1,999,007	-
Net increase in cash and cash equivalents		147,873	115,786
Cash and cash equivalents at 1 July		3,128,357	10,555,253
Effect of exchange rate fluctuations on cash held		-	(985,864)
Cash and cash equivalents at 31 December		3,276,230	9,685,175

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 10 to 13.

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 2011 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 2011.

The consolidated annual financial reports of the entity for the year ended 30 June 2011 is available from Level 5, 29 King William Street, Adelaide, SA 5000 or on the Company's website (www.uel.com.au).

This consolidated interim financial report was approved by the board of directors on 1 March 2012.

(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 2011. 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.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2011 the consolidated entity had accumulated losses of \$28.4 million, however net assets are \$23.9 million and the Directors believe the consolidated entity has sufficient cash and cash equivalents of \$3.3 million to pay its debts as and when they fall due

It is the intention of the directors to continue to explore the consolidated entity's areas of interest for which rights of tenure are current. In order to do so, the directors consider that the consolidated entity will fund its projects through a combination of use of existing cash, joint venture arrangements and access to the equity market if necessary. The directors will take the appropriate action to ensure these funds are available as and when they are required.

Notes to the consolidated interim financial statements

2. Segment reporting

	PhosEnergy		Exploration		Consolidated	
	2011	2010	2011	2010	2011	2010
Segment revenue	-	-	-	222,222	-	222,222
Unallocated revenue					-	18,508
Total revenue					-	240,730
Segment result	(683,562)	(2,227,741)	(1,714)	199,345	(685,276)	(2,028,396)
Unallocated income & expenses					(492,745)	(536,220)
Loss before income tax					(1,178,021)	(2,564,616)
Segment assets	1,687,942	3,245,424	18,979,917	16,022,046	20,667,859	19,267,470
Unallocated assets					5,605,044	7,120,694
Total assets					26,272,903	26,388,164

The consolidated entity comprises the following two reportable segments which are the group's strategic business units:

- (i) PhosEnergy – development of uranium extraction technology from phosphoric acid
- (ii) Exploration – brownfields and greenfields mineral exploration

The PhosEnergy Process is being developed in Australia with business development being pursued internationally. Exploration activities are based in Australia, mainly in the Northern Territory, South Australia and Western Australia.

3. Loss before income tax expense

	2011 \$	2010 \$
(a) Corporate administrative expenses		
Accounting fees	(16,509)	(27,795)
Annual report costs	(17,737)	(16,270)
ASX fees	(24,196)	(25,531)
Audit Fees	(4,500)	-
Depreciation and amortisation	(17,704)	(41,762)
Insurance	(22,423)	(30,824)
Legal fees	(4,372)	(41,746)
Marketing	(3,595)	(7,235)
Other	(29,536)	(24,069)
Personnel expenses	(336,971)	(403,743)
Printing and stationery	(1,675)	(2,219)
Recruitment	-	(82,077)
Rent and outgoings	(7,938)	(7,649)
Share registry	(6,934)	(8,922)
Travel and accommodation	(59,003)	(29,715)
	(553,093)	(749,557)

Notes to the consolidated interim financial statements

3. Loss before income tax expense (continued)

	2011 \$	2010 \$
(b) UFP Investments LLC		
Share of equity accounted investee losses	(678,018)	-
Urtek LLC		
Impairment loss on equity accounted investees	-	(1,299,813)
Share of equity accounted investee losses	-	(915,728)

The Company is currently investing in the development of uranium extraction technology from phosphoric acid ('the PhosEnergy Process') via Urtek LLC, a USA based company.

In June 2011, Cameco Corporation took control of UFP Investments LLC (UFP), the company holding the investment, by taking their contribution to US\$12.5 million. The consolidated entity's remaining 47% investment in UFP was recognised as an associate at fair value (\$2,239,655) which equalled the consolidated entity's share of the book value of net assets consisting entirely of cash and cash equivalents.

In August 2011, UFP increased its equity in Urtek to 90% in accordance with the Urtek Earn-in Agreement and took control of Urtek LLC.

The share of equity accounted investee losses in the period represents the consolidated entity's equity accounted share of the movement in UFP's net assets. Principally, UFP's investment in Urtek was written off at the half year, reflecting research and development expenditure made within Urtek in the period.

4. Restricted Cash

	31 Dec 2011 \$	30 Jun 2011 \$
Bank guarantees in relation to rehabilitation obligations	1,754,141	1,820,000
Bank guarantee in relation to office premises	32,038	32,038
	<u>1,786,179</u>	<u>1,852,038</u>

Bank guarantees in relation to rehabilitation obligations are held by the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources for rehabilitation obligations on the Nabarlek Mineral Lease.

5. Exploration and evaluation assets

	31 Dec 2011 \$
Cost brought forward at 1 July 2011	17,058,767
Expenditure incurred during the period	1,922,863
Impairment losses	(1,713)
Balance at 31 December 2011	<u>18,979,917</u>

Notes to the consolidated interim financial statements

6. Provisions

	31 Dec 2011 \$	30 Jun 2011 \$
Current		
Rehabilitation	90,000	381,079
	90,000	381,079
Non-current		
Rehabilitation	1,534,621	1,239,265
	1,534,621	1,239,265

The provision represents an estimate of the cost of meeting obligations for rehabilitation at the Nabarlek Mineral Lease assumed by the Company upon the acquisition of Queensland Mines Pty Ltd in 2008.

7. Capital and reserves

In December 2011, 42,052,160 ordinary fully paid shares were issued at 5c via a fully underwritten non-renounceable rights issue. The issue raised \$2.1 million before costs (\$1.9 million net). The Company has 252,312,961 shares on issue.

8. Related party transactions

Arrangements with related parties continue to be in place and are consistent with those disclosed on page 64-68 of the 30 June 2011 Annual Report.

On 7 July 2011, Mr Heinrich (CFO and Company Secretary) was issued 250,000 unlisted options exercisable at \$0.25 and expiring 7 July 2014 under the Company's Employee and Consultants Option Plan. The options were immediately vesting.

On 22 November 2011, Mr Pool (Director) was issued 500,000 unlisted options exercisable at \$0.25 and expiring 24 November 2014. The issue of options was approved by shareholders at the Company's Annual General Meeting on 22 November 2011. 250,000 of the options were immediately vesting and 250,000 will vest on 22 November 2012, subject to Mr Pool remaining a director.

The Company continued to provide management services to Urtek LLC, the company developing the PhosEnergy Process, throughout the period under a Services Agreement. Total fees charged to Urtek in the period were \$498,000.

9. Events after balance sheet date

There has not been any matter or circumstance that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the consolidated entity or the state of affairs of the consolidated entity in future periods.

Directors' declaration

In the opinion of the directors of Uranium Equities Limited:

1. the financial statements and notes set out on pages 5 to 13, 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 2011 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 consolidated entity will be able to pay its debts as and when they become due and payable.

Dated at Adelaide on 1 March 2012.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Bryn Jones', written in a cursive style.

Bryn Jones
Managing Director



Independent auditor's review report to the members of Uranium Equities Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Uranium Equities Limited, which comprises the consolidated interim statement of financial position as at 31 December 2011, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information 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 interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 interim 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 2011 and its performance for the interim period 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 interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2011 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, we draw attention to the following matters. For the interim period ended 31 December 2011 the Consolidated Entity incurred a loss of \$1.2 million and had operating and investing cash outflows of \$1.9 million.

As a result of the uncertainties set out in note 1(b) to the financial statements, including the Consolidated Entity's ability to raise equity, there is material uncertainty which may cast doubt on the Consolidated Entity's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business at the amounts recognised in the financial statements.

KPMG

Derek Meates
Partner

Adelaide

1 March 2012