

ASX ANNOUNCEMENT

26 July 2013

URANIUM EQUITIES LIMITED ACN 009 799 553



URANIUM
EQUITIES

ASX Market Announcements Office
via electronic lodgement

Quarterly Report Quarter ended 30 June 2013

Highlights

PhosEnergy – Uranium Extraction Technology

- Process refinements being investigated to further improve lowest quartile cash operating cost (less than \$18 per pound) and capital cost (\$156 million) estimates⁽¹⁾
- Test of optimised process planned at demonstration scale in collaboration with an existing phosphate producer in North America

Exploration – Australia

- 3D modelling identifies further untested uranium targets in and around the Nabarlek Mineral Lease and along the Quarry Fault Zone, host to the U40 Prospect
- \$100,000 co-funding awarded under the Northern Territory Government's 'Bringing Forward Discovery' program for the Monolith Prospect at Nabarlek

Corporate

- Demerger of PhosEnergy Process assets. The demerger, if approved by shareholders on 29 August 2013, will create two independently focussed companies and allow different funding and development strategies to be applied to the exploration and PhosEnergy businesses
- Eligible Shareholders will receive approximately 1 new PhosEnergy share for every 10 Uranium Equities shares held

Our Strengths

- Breakthrough PhosEnergy Process
- Nabarlek – rare near mine exploration portfolio
- Multiple near term growth opportunities

ASX: UEQ

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1. URANIUM EXTRACTION TECHNOLOGY

The independent Pre-Feasibility Study (PFS) level Engineering Study announced on 5 March 2013 estimated a capital cost of US\$156 million and a cash operating cost of less than US\$18 per pound for a base case PhosEnergy Process plant capable of producing approximately 880,000 pounds of uranium per annum⁽¹⁾. This puts the process in the lowest quartile for operating costs of worldwide uranium production expected to come on line in the next 5 to 10 years.

Uranium Equities and Cameco are investigating further operating and cost improvements through optimised process design and engineering. The refinements currently being investigated are particularly focussed on materials of construction and power efficiency.

The next phase of commercialisation is planned to comprise an on-site demonstration of the PhosEnergy Process incorporating the refinements at the site of an existing phosphate producer in North America. This phase will underpin a feasibility study to commence in parallel.



PhosEnergy Process Demonstration Plant

⁽¹⁾ Uranium Equities and global uranium leader Cameco Corporation have jointly developed a potentially industry-changing process for the extraction of uranium from phosphoric acid streams produced in the production of phosphate-based fertilisers, "the PhosEnergy Process". Cameco is funding the development of this Process through an investment of US\$16.5 million, with a further commitment to fund a minimum of 50 per cent of Uranium Equities' share of the capital cost for construction of the first commercial plant, should this occur.

An independent Pre-feasibility Level Engineering Study completed in March 2013 estimates the cash operating cost of uranium production employing the PhosEnergy Process to be below US\$18 per pound of U₃O₈ based on a 1Mtpa P₂O₅ phosphate production facility operating in south east USA. The initial focus of the development team is on the phosphate fertiliser industry in the USA, where we estimate there is an opportunity to recover approximately 6Mlbs of uranium per annum. The worldwide opportunity is in the region of 20Mlbs per annum. Operating in the USA also has several potential synergies with Cameco's existing US operations.

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2. EXPLORATION ACTIVITIES - AUSTRALIA

2.1 Project Summary

| Name | State | Target | Area (km ²) | | Ownership |
|--|-------|---|-------------------------|--------------|---|
| | | | Granted | Applic. | |
| West Arnhem JV | NT | Structurally controlled and unconformity style uranium | 448 | 49 | UEQ 40% – earning 100%: Cameco Australia 60% |
| Nabarlek ML | NT | | 12 | - | UEQ 100% |
| Woodside, Browse, Cadel North & Aurari Bay | NT | | - | 214 | UEQ 100% |
| Headwaters | NT | Coronation Hill-style gold – platinum – palladium – uranium | - | 2,280 | UEQ 100% (in moratorium) |
| Rudall River | WA | Kintyre style uranium | 175 | - | Cameco 85%:UEQ free carried 15% conditional JV |
| Narraweena | QLD | Ben Lomond style uranium | 42 | - | UEQ 100% |
| Marla | SA | IOCG+-U, Broken Hill style meta-sedimentary hosted Cu-Au | 2,886 | - | UEQ 100% |
| Oodnadatta | SA | IOCG+-U | 4,860 | - | UEQ 100% |
| | | | 8,423 | 2,543 | |

Uranium Equities has a focused portfolio of high quality exploration projects in a number of Australian states and territories and including a number of different deposit styles and targets.

The West Arnhem Joint Venture, with Cameco Australia (Uranium Equities right to earn 100%) and the 100%-owned Nabarlek Mineral Lease, located in the Alligator Rivers Uranium Field in the Northern Territory, represent a rare near-mine uranium exploration opportunity surrounding the historic Nabarlek Uranium Deposit (previous production: 24Mlbs @ 1.84% U₃O₈) – the Nabarlek Project.

2.2 The Nabarlek Project

Target generation continues, primarily focussing on drill ready targets in and around the Nabarlek Mineral Lease and along the Quarry Fault Zone, host to the U40 Prospect. To assist with drill targeting a detailed 3D geological modelling has been prepared by Aurel Consulting on key prospect areas. The modelling has identified a number of untested uranium targets.

UEQ submitted a drilling proposal as part of the Northern Territory Government's 'Bringing Forward Discovery' collaborations co-funding program. The drill target is a significant northwest trending quartz breccia zone identified within EL10176, now known as the Monolith Prospect (Figure 1).

The application was successful with the NT Government advising that they will provide 50% of the direct drilling costs up to a maximum of \$100,000.

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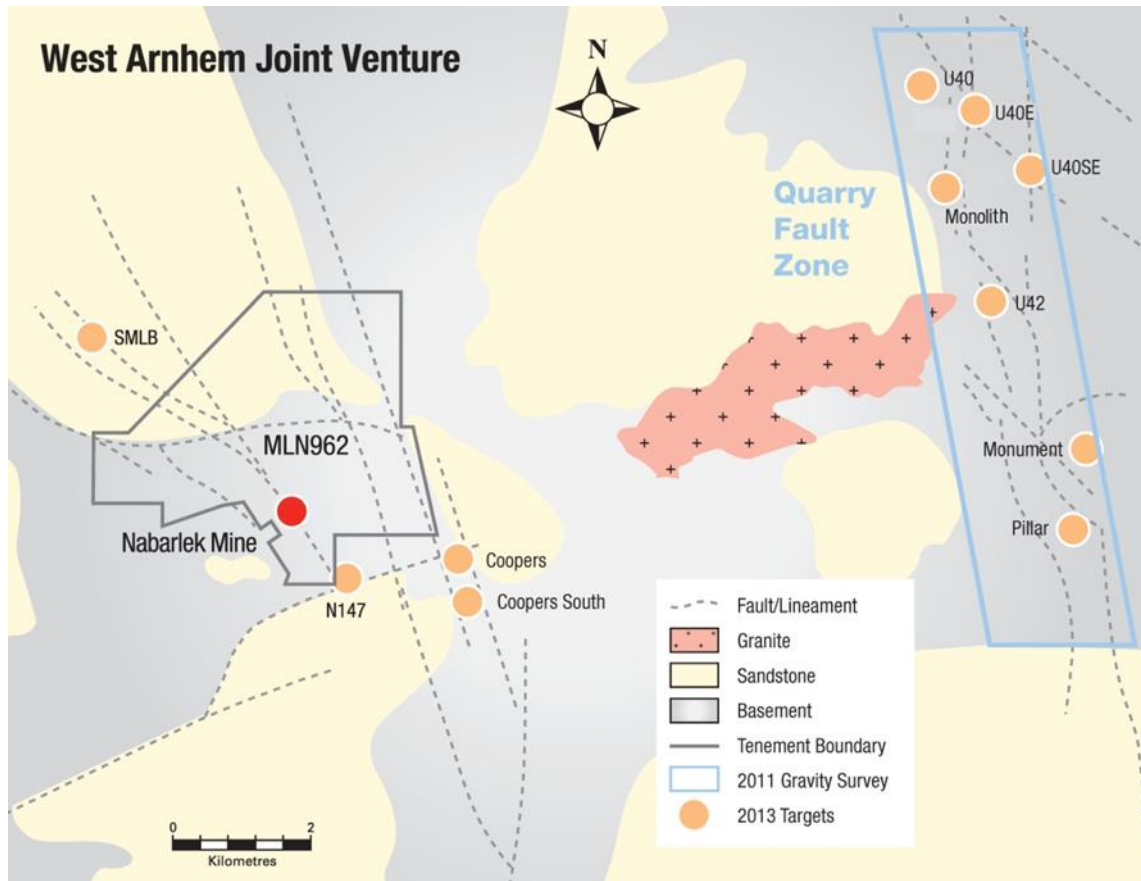


Figure 1 – Geological Setting, Nabarlek uranium prospects showing the Quarry Fault Zone and the Monolith target

2.3 Rudall River (WA) (Cameco 85% : UEQ free carried 15% conditional JV)

The Rudall River Project (Uranium Equities free carried 15% interest) consists of three Exploration Licences and three Prospecting Licences covering a total area of 175km². The western-most Exploration Licence adjoins the Cameco/Mitsubishi Kintyre Project (current published NI43-101 compliant measured and indicated resource estimate of 55Mlbs @ 0.58% U₃O₈).

The WA Department of Mines and Petroleum have advised that prospecting licences P45/2683 – 85 have been granted for a period of 4 years. Cameco expects to begin preliminary exploration on the Rudall River Project in 2013 to investigate a number of radiometric, geochemical and geophysical targets.

2.4 Other Projects

Woodside and Browse (NT)

A new exploration licence application (ELA29947) was made over an area which lies in West Arnhem Land 30km to the south of the Nabarlek Project area. Exploration licence application ELA27684 was withdrawn.

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In addition, a new application has been made in Arnhem Land in an area adjacent to the Caramal Uranium Deposit, part of Alligator Energy Limited's Tin Camp Creek Project. The application partly extends across recently identified Archaean basement sequences. The new application is ELA29945.

3. CORPORATE

3.1 PhosEnergy Demerger

On 17 July 2013 the Company announced that it would separate its exploration and PhosEnergy Process assets, subject to receiving shareholder and other contractual approvals..

The demerger, if approved, will create two independently focussed companies and allow different funding and development strategies to be applied to the substantially different businesses. It will allow shareholders and investors to hold or invest in the exploration assets, the PhosEnergy Process, or both depending on their investment strategies and risk appetite.

The demerger will be implemented by:

- (a) transferring the PhosEnergy Process assets into the Company's wholly owned subsidiary, PhosEnergy Limited (PhosEnergy) in return for shares in PhosEnergy; and
- (b) distributing shares in PhosEnergy to shareholders (for no cash outlay) on an approximately 1 for 10 basis.

On implementation of the demerger, shareholders with registered addresses in Australia and New Zealand (Eligible Shareholders) will hold shares in both Uranium Equities and PhosEnergy, which will remain unlisted in the near term. As set out in the Notice of General Meeting and Explanatory Memorandum released on 22 July 2013, the Board will be arranging for PhosEnergy shares held by shareholders with foreign registered addresses to be sold on their behalf.

The Demerger will be effected in accordance with the following timetable.

| Event | Date |
|---|-------------------|
| Shareholder approval is obtained | 29 August 2013 |
| Shares trade on an "ex Demerger" basis | 2 September 2013 |
| Record Date to determine entitlement of Shareholders to PhosEnergy Shares | 6 September 2013 |
| Distribution of PhosEnergy Shares to Shareholders | 13 September 2013 |

The Directors reserve the right to amend this timetable, as required, in accordance with the Listing Rules and the Corporations Act.

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3.2 Small Shareholding Sale Facility

On 12 June 2013 the Company announced that it had established a share sale facility for holders of small parcels of the company's shares (Small Shareholding Sale Facility). Following the notice period which ended on 24 July 2013, 4,854,975 shares in 703 shareholdings will now be sold at a price no lower than 2.5 cents per share with proceeds returned to holders of small parcels.

3.3 Cash Balance

The Group's cash balance at the end of the quarter was \$0.86 million (refer Appendix 5B for further information).

4. STRATEGIC INVESTMENT IN ENERGIA MINERALS LIMITED (ASX: EMX)

The Company holds a 21.15% interest in ASX-listed uranium explorer Energia Minerals Limited (ASX: EMX). Energia's flagship project is their 100%-owned Nyang Uranium Project, host to the 16.7 million pound Carley Bore Uranium Deposit, in the emerging Carnarvon Basin uranium province which also includes Paladin's Manyingee and Cauldron Energy's Bennett Well projects. The Carley Bore resource is a sedimentary hosted roll-front deposit that may be amenable to the relatively low cost In-Situ Recovery (ISR) production method.

On 16th May 2013 Energia Minerals announced the outcome of a Scoping Study on the potential to develop an in-situ recovery (ISR) operation based on the Carley Bore Uranium Deposit. The study produced an encouraging outcome and Energia is investigating options for the next phase of development which includes;

- an aircore drilling program with the objective of elevating approximately 30% of the current Inferred Mineral Resource to an Indicated status and to define more accurately high-grade "roll-fronts" within and peripheral to the deposit; and
- conversion of the exploration licences to a Mining Lease along with commencement of baseline environmental studies.

A handwritten signature in black ink, appearing to read "Bryn Jones".

Bryn Jones
Managing Director

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Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr. Grant Williamson, Geology Manager - Exploration of Uranium Equities Limited, who is a Member of the Australian Institute of Geoscientists. Mr. Williamson has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

About Uranium Equities

Uranium Equities Limited (UEQ) is positioned for growth in the uranium sector through the development of the PhosEnergy Process and exploration activities directed at high quality exploration assets in Australia's premier uranium districts.

The PhosEnergy Process is an innovative patented process for the extraction of uranium as a by-product from phosphate in the production of phosphate-based fertilisers.

The global annual production potential of uranium from the phosphate industry is in the order of 20 Mlbs U_3O_8 . This quantity of uranium is mined in phosphate ores but not recovered annually on a worldwide basis. The major phosphate based fertiliser producers are located in Northern Africa, North America and Asia.

The PhosEnergy Process has been proven to demonstration plant scale with results establishing a robust process capable of achieving high levels of uranium recovery at the lower end of the cost curve. An independent PFS level engineering study has estimated cash operating costs of less than US\$18 per pound of uranium, putting it in the lowest quartile for operating costs of worldwide uranium production expected to come on line in the next 5 to 10 years.

The Nabarlek Project provides a rare near mine exploration opportunity surrounding the historic Nabarlek Uranium Deposit (previous production: 24 Mlbs @ 1.84% U_3O_8). The previously mined deposit lies within an extensive uranium mineral system which extends over more than 50 square kilometres within the Mineral Lease and the surrounding tenements. The mineral system which contains widespread anomalous uranium geochemistry and ore grade mineralisation at several locations remains largely untested.