



Uranium Equities Limited and its
controlled entities

31 December 2010 half-year
financial report

ABN 74 009 799 553

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Directors' report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2010 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

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

- Reverse Circulation (RC) drilling on the West Arnhem Joint Venture (UEQ 40%:Cameco Australia 60%) operated by Cameco intercepted high grade uranium mineralisation at the U40 Prospect, 10km east-north-east of the historic Nabarlek Uranium Mine. Follow up diamond drilling returned the following significant downhole results in the twinned and scissor holes (*See ASX Announcement 16 Dec 2010*):
NAD7492 6.8m @ 6.71% U₃O₈ from 75m
NAD7493 4.8m @ 1.85% U₃O₈ from 80.4m
In addition, laboratory results have also revealed that the uranium mineralisation is associated with elevated levels of gold, copper, palladium and platinum and anomalous heavy rare earth elements.
- Significant intercepts were also returned at the Coopers Prospect on the West Arnhem Joint Venture from RC drilling. Mineralisation remains open and will be followed up in the 2011 field season.
- RC drilling on the 100% owned Nabarlek Mineral Lease was conducted late in the half to target anomalies identified by drilling earlier in the field season. Results were encouraging, particularly at the Clapstick and Boomerang prospects with follow up target drilling also planned for 2011.
- The company's strategic landholding in the Frome Basin was consolidated through establishing a Joint Venture with Cauldron Energy on the West Lake Frome Project. Including 100% owned tenements, the company's total landholding in this highly prospective region is now 2,397km². Beverley and Four Mile style deposits will be targeted by drilling planned for the coming year.
- A heli-assisted diamond drilling program was completed on the Headwaters Project (in Joint Venture with Vale S.A.) targeting Westmoreland-style mineralisation. Laboratory assays from selected intervals are pending.

PhosEnergy - Uranium Extraction Technology

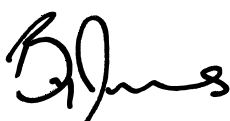
- In July 2010 Cameco Corporation (TSX:CCO, NYSE:CCJ) invested the second of four staged investments in the development and commercialisation of the PhosEnergy Process, taking the total investment to US\$7.5 million.
- Continuous bench scale testwork was carried out at ANSTO (Australian Nuclear Science and Technology Organisation) for 27 days during the half on phosphate samples from three separate fertiliser production facilities.
- Following extensive testing and development work, estimated operating cash costs for a 1 million tonne P₂O₅ per annum phosphate production facility operating in the USA have reduced from US\$25-30 per pound U₃O₈ to US\$20-25 per pound U₃O₈.
- The design of a fully integrated and process controlled 150L/h demonstration plant was completed during the half and construction is well underway. The demonstration plant is designed to test the efficacy of the PhosEnergy Process under industrial conditions.
- Completion of the demonstration plant, being constructed in Adelaide, is planned for Q1 2011. The plant is designed to be completely transportable and will be deployed initially with a phosphate fertiliser producer in North America with which the company has a non-binding agreement.

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 2010.

Dated at Adelaide 21 February 2011.

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 2010 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

21 February 2011

Uranium Equities Limited and its controlled entities

Consolidated interim statement of comprehensive income

For the six months ended

		31 Dec 2010	31 Dec 2009
Option Fee	3	222,222	444,444
Advisory and Other Income		18,508	57,512
Total Revenue		240,730	501,956
Exploration and evaluation expenditure written off		(22,878)	(12,430)
Corporate and Administration expenses	3	(749,557)	(872,961)
Profit/(Loss) on sale of available for sale investments		41	-
Profit/(Loss) on disposal of a fixed asset		(637)	(2,532)
Reversal of impairment of available for sale investments		16,000	-
Results from Operating Activities		(516,301)	(385,967)
Finance Income		221,237	168,830
Finance Costs		(54,011)	(134,437)
Net Finance Income		167,226	34,393
Impairment loss on equity accounted investees	3	(1,299,813)	(452,966)
Share of equity accounted investee losses	3	(915,728)	(299,646)
Loss before income tax		(2,564,616)	(1,104,186)
Income tax expense		-	-
Loss for the period		(2,564,616)	(1,104,186)
Other Comprehensive Income			
Foreign currency translation differences for foreign operations		(984,886)	77,471
Total Other Comprehensive Income		(984,886)	77,471
Total Comprehensive Income for the period		(3,549,502)	(1,026,715)
Loss attributable to:			
Owners of the company		(1,856,289)	(990,534)
Non-Controlling Interest		(708,327)	(113,652)
Loss for the period		(2,564,616)	(1,104,186)
Total comprehensive income attributable to:			
Owners of the company		(2,553,206)	(921,275)
Non-Controlling Interest		(96,296)	(105,440)
Total Comprehensive Income for the period		(3,549,502)	(1,026,715)
Earnings per share			
Basic loss per share attributable to ordinary equity holders (cents per share)		(0.009)	(0.005)
Diluted loss per share attributable to ordinary equity holders (cents per share)		(0.009)	(0.005)

The 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 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 Changes in Equity (continued)

For the six months ended 31 December 2009

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 2009	43,068,654	4,899,880	-	(30,126,149)	17,842,385	-	17,842,385
Total Comprehensive income for the period							
Profit or Loss	-	-	-	(990,534)	(990,534)	(113,652)	(1,104,186)
Other Comprehensive income							
Foreign Currency Translation differences for foreign operations	-	-	69,259	-	69,259	8,212	77,471
Total Other Comprehensive income	-	-	69,259	-	69,259	8,212	77,471
Total Comprehensive Income for the period	-	-	69,259	(990,534)	(921,275)	(105,440)	(1,026,715)
Transactions with owners, recorded directly to equity							
Share options exercised	852,500	-	-	-	852,500	-	852,500
Conversion of partly paid performance shares to ordinary shares	1,076,300	-	-	-	1,076,300	-	1,076,300
Share-based payment transactions	-	71,951	-	-	71,951	-	71,951
Total Contributions by and distributions to owners	1,928,800	71,951	-	-	2,000,751	-	2,000,751
Total changes in ownership interest in subsidiaries	-	-	-	2,408,664	2,408,664	285,591	2,694,255
Total transactions with owners	1,928,800	71,951	-	2,408,664	4,409,415	285,591	4,695,006
Balance at 31 December 2009	44,997,454	4,971,831	69,259	(28,708,019)	21,330,525	180,151	21,510,676

Uranium Equities Limited and its controlled entities

Consolidated interim statement of financial position

	Note	Consolidated	
		31 Dec 2010	30 Jun 2010
Current assets			
Cash and cash equivalents	1(b)	9,685,175	10,555,254
Trade and other receivables		265,610	573,960
Financial assets		-	10,667
Total current assets		9,950,785	11,139,881
Non-current assets			
Financial assets		32,038	45,804
Investments in equity accounted investees	5	-	-
Exploration and evaluation assets		16,022,046	13,185,912
Property, plant and equipment		383,295	408,181
Total non-current assets		16,437,379	13,639,897
Total assets		26,388,164	24,779,778
Current liabilities			
Trade and other payables		421,651	716,357
Deferred income		-	222,222
Provisions		216,066	1,016,830
Employee benefits		147,397	125,385
Total current liabilities		785,114	2,080,794
Non-current liabilities			
Provision		1,475,675	1,226,995
Employee Benefits		49,779	34,872
Total Non-current liabilities		1,525,454	1,261,867
Total liabilities		2,310,568	3,342,661
Net assets		24,077,596	21,437,117
Equity			
Issued capital		44,997,404	44,997,404
Reserves		4,654,136	5,100,020
Accumulated losses		(26,605,874)	(28,715,262)
Total equity attributable to equity holders of the company		23,045,666	21,382,162
Non-controlling interest	4	1,031,930	54,955
Total Equity		24,077,596	21,437,117

The 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

	31 Dec 2010	31 Dec 2009
Cash flows from operating activities		
Cash receipts from operations	-	2,094,172
Cash paid to suppliers and employees	(432,198)	(619,112)
Interest paid	(18,526)	(17,211)
Interest received	239,070	163,806
Income tax received	179,748	111,164
Net cash used in operating activities	(31,906)	1,732,819
Cash flows from investing activities		
Proceeds from sale of investments	26,707	-
Payments for investments	(2,215,542)	(947,079)
Consideration received for non-controlling interest	5,938,947	2,694,256
Payments for mining exploration and evaluation and rehabilitation	(3,576,000)	(1,136,566)
Acquisition of property, plant and equipment	(26,421)	(72,491)
Net cash used in investing activities	147,691	538,120
Net proceeds from issue of shares	-	1,916,611
Net cash from financing activities	-	1,916,611
Net increase in cash and cash equivalents	115,786	4,187,550
Cash and cash equivalents at 1 July	10,555,253	8,750,004
Effect of exchange rate fluctuations on cash held	(985,864)	(77,509)
Cash and cash equivalents at 31 December	9,685,175	12,860,045

This 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 2010 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 2010.

The consolidated annual financial reports of the entity for the year ended 30 June 2010 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 21 February 2011.

(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 2010. 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 2010 the consolidated entity had accumulated losses of \$26.6 million, however net assets are \$24.1 million and the Directors believe the consolidated entity has sufficient cash and cash equivalents of \$9.7 million to pay its debts as and when they fall due and to fund near term anticipated exploration and corporate activities. The cash balance includes \$3.2 million held in UFP Investments LLC, a majority owned US subsidiary, to be utilised for expenditure on the PhosEnergy process, and \$1.8 million restricted by a performance bond against the Nabarlek Mineral Lease rehabilitation obligation.

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. The Directors consider that the consolidated entity has the ability to 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	
	2010	2009	2010	2009	2010	2009
Segment revenue	-	-	222,222	444,444	222,222	444,444
Unallocated revenue					18,508	57,512
Total revenue					<u>240,730</u>	<u>501,956</u>
Segment result	(2,227,741)	(781,394)	199,345	432,015	(2,028,396)	(349,379)
Unallocated income & expenses					(536,220)	(754,807)
Loss before income tax					<u>(2,564,616)</u>	<u>(1,104,186)</u>
Segment assets	3,245,424	1,710,981	16,022,046	12,322,863	19,267,470	14,033,844
Unallocated assets					7,120,694	11,971,560
Total assets					<u>26,388,164</u>	<u>26,005,404</u>

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.

The Exploration segment revenue represents the option fee referred to in Note 3.

3. Loss before income tax expense

	2010	2009
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
	\$	\$
(a) Option Fee	<u>222,222</u>	<u>444,444</u>

In November 2009 the Company announced that Mitsui & Co. Ltd ("Mitsui") had been granted an option ("the Option") to invest in the strategic Nabarlek Project.

Under the terms of the agreement Mitsui paid a non-refundable \$2,000,000 option fee for the right to purchase a stake in the Nabarlek Project and receive any project data generated over the option period to 31 July 2010. The Option fee has been pro-rated over the option period on a straight line basis in accordance with AASB 118 "Revenue". Any remaining balance not taken to profit in the period has been recorded as Deferred Income in the Statement of Financial Position.

The option period was subsequently extended to 31 August 2010. On 31st August 2010 the Company announced that the option had not been exercised. Mitsui advised that its decision was not based on an assessment of the Nabarlek Project as such, but forms part of a global review of its resources investment strategy.

Notes to the consolidated interim financial statements

3. Loss before income tax (continued)

	2010 \$	2009 \$
(b) Corporate administrative expenses		
Accounting fees	(27,795)	(29,153)
Annual report costs	(16,270)	(15,934)
ASX fees	(25,531)	(42,525)
Depreciation and amortisation	(41,762)	(44,411)
Insurance	(30,824)	(30,050)
Legal fees	(41,746)	(42,082)
Marketing	(7,235)	(8,124)
Personnel expenses	(403,743)	(503,148)
Printing and stationery	(2,219)	(1,670)
Rent and outgoings	(7,649)	(5,219)
Share registry	(8,922)	(12,986)
Travel and accommodation	(29,715)	(60,863)
Recruitment	(82,077)	-
Other	(24,069)	(76,796)
	(749,557)	(872,961)
(c)		
Impairment loss on equity accounted investees	(1,299,813)	(452,966)
Share of equity accounted investee losses	(915,728)	(299,646)

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. UFP Investments LLC, the company holding the investment, increased its equity in Urtek from 43% to 49% in accordance with the Urtek Earn-in Agreement. Funding for the investment made during the half year was received from Cameco Corporation (see Note 4 below).

As the technology being developed by Urtek LLC is currently in the research phase, the company has recognised impairment losses in relation to the balance of investment in Urtek LLC, after taking into account the share of Urtek losses for the half year. The impairment for the prior period of \$761,076 was reduced by a reimbursement from Cameco of US\$250,000 for expenditures up to 30 June 2009.

Notes to the consolidated interim financial statements

4. Non-controlling interests

	31 Dec 2010	30 Jun 2010
	\$	\$
Non-controlling interest	1,031,930	54,955

In November 2009 the company announced that Cameco Corporation (TSX:CCO, NYSE:CCJ) (Cameco) will partner in the continued development and commercialisation of the PhosEnergy Process. Through a staged investment of up to US\$16.5 million in the continued development and commercialisation of the Process, Cameco have the right to earn up to 70% of UEQ's right to earn a 90% stake in the technology. Cameco is investing in a USA registered company, UFP Investments LLC which holds the investment in Urtek LLC.

The second payment of US\$5.0 million was invested by Cameco into UFP Investments LLC in July 2010, taking Cameco's interest to 31.8%. These funds are required to be applied towards the development of the PhosEnergy Process under the terms of the agreement.

As the company has control of UFP Investments LLC the entity has been consolidated into the Group's financial statements with an associated non-controlling interest. The dilution gains made on Cameco's investments have been recorded against Accumulated Losses, reflecting the fact that non-controlling interests are equity interests.

5. Equity accounted investees

	31 Dec 2010	31 Dec 2009
	\$	\$
Opening balance	-	-
Investment in equity accounted investee	2,215,541	1,060,722
Share of equity accounted investee losses	(915,728)	(299,646)
Impairment losses	(1,299,813)	(761,076)
Closing balance	-	-

As discussed in note 3(c) and note 4, the consolidated entity owns 49% of Urtek LLC, a company developing technology for the extraction of uranium from phosphoric acid ("the PhosEnergy Process"). Impairment losses have been recognised in relation to the investment as Urtek LLC is still in the research and development phase.

6. Related party transactions

Arrangements with related parties continue to be in place and are consistent with those disclosed on page 63-67 of the 30 June 2010 Annual Report.

On 15 November 2010, Mr Heinrich (CFO and Company Secretary) was issued 250,000 unlisted options exercisable at \$0.25 and expiring 15 November 2013 under the Company's Employee and Consultants Option Plan. The options were immediately vesting.

On 25 November 2010, Messrs Kiernan, Jones and Goyder (Directors) were each issued 1,000,000 unlisted options exercisable at \$0.25 and expiring 25 November 2013. The issue of options was approved by shareholders at the Company's Annual General Meeting on 25 November 2010. The options were immediately vesting.

7. 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 2010 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 21 February 2011.

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 half-year financial report of Uranium Equities Limited, which comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 7 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year/interim period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year 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 half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 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.



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 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 Group's financial position as at 31 December 2010 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

21 February 2011