

URANIUM EQUITIES LIMITED

ABN 74 009 799 553

**Annual Financial Report
30 June 2011**

Uranium Equities Limited and its controlled entities

Corporate directory

Directors

Anthony W Kiernan - Chairman
Bryn L Jones – Managing Director
Tim R B Goyder - Non-executive Director
Thomas C Pool - Non-executive Director

Company Secretary

Rolf A Heinrich

Principal Place of Business & Registered Office

Head & Registered Office:

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ADELAIDE South Australia 5000
Tel: +61 8 8110 0700
Fax: +61 8 8110 0777
Web: www.uel.com.au
Email: info@uel.com.au

Perth Office:

Level 2, 1292 Hay Street
WEST PERTH Western Australia 6005
Tel: +61 8 9322 3990
Fax: +61 8 9322 5800

Auditors

KPMG
151 Pirie Street
ADELAIDE South Australia 5000

Share Registry

Computershare Investor Services Pty Limited
Level 5
115 Grenfell Street
ADELAIDE South Australia 5000
Tel: 1300 556 161

Home Exchange

ASX Limited
Level 30
91 King William Street
ADELAIDE South Australia 5000

ASX Code

Share Code: UEQ

Uranium Equities Limited and its controlled entities

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Uranium Equities Limited and its controlled entities

Directors' report

The directors present their report together with the financial report of Uranium Equities Limited ('Uranium Equities' or 'the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2011 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

| Name, qualifications and independence status | Experience, special responsibilities and other directorships |
|---|--|
| <p>A W Kiernan LLB Non-executive Chairman</p> | <p>Tony is a corporate advisor with extensive experience in the administration and operation of listed public companies. He is Chairman of BC Iron Limited and Venturex Resources Limited and a Director of Liontown Resources Limited and Chalice Gold Mines Limited. Tony has been a Director since 2003 and is a member of the Company's Audit Committee. Tony was also a Director of North Queensland Metals Limited in the last three years.</p> |
| <p>B L Jones BAppSc, MMinEng, FAusIMM Managing Director</p> | <p>Bryn is an Industrial Chemist who since joining the Company in 2006 has been instrumental in the development of the Company's uranium from phosphoric acid technology, the "PhosEnergy Process". Bryn has extensive experience in the uranium industry, particularly in the development and operation of In-Situ Recovery (ISR) mines gained during his time at Heathgate Resources, the operator of the Beverley Uranium Mine. Bryn has also worked for Worley Parsons on the Olympic Dam Expansion Project and consulted on various ISR operations around the world. Bryn has been a Director since 2009.</p> |
| <p>T R B Goyder Non-executive Director</p> | <p>Tim has over 30 years experience in the resource industry. He has been involved in the formation and management of a number of publicly-listed companies and is currently Executive Chairman of Chalice Gold Mines Limited, Chairman of Liontown Resources Limited and Director of Strike Energy Limited. Tim has been a Director since 2002 and is a member of the Company's Audit Committee.</p> |
| <p>T C Pool PE SME MAusIMM Non-executive Director (appointed 21st April 2011)</p> | <p>Tom is a mining engineer with more than 35 years experience in the resources industry, the last 25 years of which has focussed on assessment and evaluation of projects in the uranium and nuclear fuels sector. Tom is Chairman of International Nuclear Inc (iNi) based in Golden, Colorado, having previously held senior positions with Nuclear Fuels Corporation and the Concord Group of Companies. Tom has been a Director since April 2011 and is a member of the Company's Audit Committee.</p> |

2. Company secretary

| | |
|---|---|
| <p>R A Heinrich B.Com, CPA</p> | <p>Rolf has significant professional and corporate experience across a variety of sectors in both Australia and the United Kingdom. Rolf has worked in senior finance roles with companies including, most recently, Elders Limited as Finance Manager for the Farm Supplies division and prior to this Newcrest Mining Limited as the group's Manager of Business Analysis. Rolf has been CFO since 2008 and Company Secretary since 2009.</p> |
|---|---|

Uranium Equities Limited and its controlled entities

Directors' report

3. Directors' meetings

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year were:

| Director | Number of board meetings attended | Number of meetings held during the time the director held office during the year | Number of Audit Committee meetings attended | Number of meetings held during the time the director was a Committee Member during the year |
|--------------|-----------------------------------|--|---|---|
| A W Kiernan | 8 | 8 | 2 | 2 |
| B L Jones | 8 | 8 | 2 | 2 |
| T R B Goyder | 7 | 8 | 1 | 2 |
| T C Pool | 2 | 2 | - | - |

A number of matters were also approved by the unanimous written consent of the directors.

4. Principal activities

The principal activities of the consolidated entity during the course of the financial year were mineral exploration and evaluation and development of by-product uranium recovery processes.

5. Review and results of operations

PhosEnergy - Uranium Extraction Technology

- Under the Strategic Alliance Agreement, Cameco Corporation (Cameco) made two staged investments of US\$5 million, taking their total investment in the continued development and commercialisation of the PhosEnergy Process to US\$12.5M of which approximately US\$5 million remained on hand in UFP Investments LLC (Uranium Equities 47%: Cameco 53%) at 30 June 2011.
- Design and construction of a fully integrated and process controlled Demonstration Plant in Adelaide was completed in June 2011 and was shipped to the USA in July 2011.
- The Demonstration Plant is planned to operate for 5-6 months at a site in the US and will provide cost and design data to enable the construction of a full-scale commercial facility. A Pre-Feasibility Study is also planned to be completed in parallel.

Exploration

- Drilling in 2010 on the West Arnhem JV (UEQ 40%:Cameco (Managers) 60%) returned up to **6.8m @ 6.71% U₃O₈** from 75m at the **U40 Prospect** and **23m @ 1,980ppm U₃O₈** from 40m at the **Coopers Prospect**. The very high grade intercepts at the U40 Prospect were co-incident with elevated levels of gold, copper, palladium and platinum and anomalous heavy rare earth elements.
- Three separate anomalous zones were identified in drilling on the Nabarlek Mineral Lease in 2010, the Boomerang, Clapstick and Bullroarer Prospects. Best intercepts included **11m @ 1,138ppm U₃O₈ from 21m**.
- The Company consolidated a large strategic ground position totalling 2,397km² in one of Australia's most prospective uranium provinces, South Australia's Frome Basin, after concluding a \$5 million farm-in agreement with Cauldron Energy Limited for the West Lake Frome Project and securing a portfolio of adjacent tenements. The project is targeting Beverley and Four Mile style deposits and is testing structural positions along the Wertaloon Fault.
- Two large exploration landholdings in the north of South Australia, covering a total area of 13,963km² were granted during the year. The primary target of the Oodnadatta and Marla Projects is large, low cost, sandstone hosted uranium mineralisation. The regions were targeted as they show similarities in geological setting to the Frome Basin.

Corporate & Financial

- UFP Investments LLC (UFP), the company into which Cameco has been investing in for the development of the PhosEnergy Process, was deconsolidated following Cameco's investment of US\$5 million in June 2011. The consolidated entity's remaining 47% share of UFP (totalling \$2.2 million) has been recognised as an investment in an associate at 30 June 2011.
- The consolidated entity's cash balance at the end of the year was \$4.9 million, inclusive of \$1.82 million in performance bonds against Nabarlek and Headwaters Projects rehabilitation obligations.
- Net cash outflow for the year was \$4.6 million, relating mainly to uranium exploration and evaluation activities on the Company's key projects. Expenditure on the PhosEnergy Process was fully funded by the Cameco investments.

Uranium Equities Limited and its controlled entities

Directors' report

Strategy & Outlook

- Uranium Equities will continue activities in the exploration, evaluation and acquisition of uranium projects with the objective of establishing a significant uranium production business. While the Fukushima nuclear accident of March 2011 is expected to negatively impact uranium demand in the short- to mid-term, the Company believes that the long-term fundamentals of the uranium market remain strong and as such uranium will continue to be the focus of Company activities.
- The Company, in conjunction with joint venture partners, will continue to explore in premier Australian uranium districts in the coming year.
- The planned operation of a PhosEnergy Demonstration Plant in the USA and associated Pre-Feasibility Study is designed to progress the technology towards commercialisation and operation of a full scale plant. Cameco's continued funding along with technical and corporate development support is an important endorsement for the Process.

6. Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company other than those detailed in section 5 'Review and results of operations'.

7. Remuneration report – audited

This report outlines remuneration arrangements in place for directors and executives of Uranium Equities and the consolidated entity.

7.1 Principles of compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity and include directors and other executives.

The broad remuneration policy of the Company is to ensure that remuneration levels for executive directors, secretaries and other key management personnel are set at competitive levels to attract and retain appropriately qualified and experienced personnel. Remuneration packages include a combination of fixed remuneration and long term incentives.

As the consolidated entity is in the exploration and technology development stage, none of the remuneration of key management personnel is linked directly to performance, particularly earnings. The Employee and Consultants Option Plan however provides key management personnel incentives to maximise shareholder returns through increases in share prices over time. Option exercise prices are set at a premium to the share price at grant date.

The consolidated entity's performance over the last 5 years is as follows:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------------|-----------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Loss attributable to owners of the company | (2,494,378) | (997,778) | (6,494,848) | (7,057,178) | (4,861,974) |
| Dividends paid | - | - | - | - | - |
| Change in share price | - | (0.04) | (0.11) | (0.27) | 0.21 |

Fixed compensation

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers the person's responsibilities, expertise, duties and personal performance.

Uranium Equities Limited and its controlled entities

Directors' report

Long-term incentives

Options may be issued under the Employee and Consultants Option Plan to directors (subject to shareholder approval), employees and consultants of the Company and, subject to a residual discretion of the Directors, vested options must be exercised within 3 months of termination. Typically, other than continuing to provide services to the Company, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised.

The Company believes that the issue of options aligns the interests of directors, employees and shareholders alike. Importantly, option exercise prices are generally set at a premium to the share price.

The Company's Securities Trading Policy prohibits options being exercised or the use of derivatives to limit risk in a closed period or whilst optionholder has price sensitive inside information.

Performance related compensation

The Company currently has no formal performance related remuneration policy which governs the payment of annual cash bonuses upon meeting pre-determined performance targets. However, the Board may consider performance related remuneration in the form of cash or share options when they consider these to be warranted.

Employment contracts

The terms and conditions of the Managing Director's employment contract include annual remuneration of \$260,000 plus superannuation, no fixed term and a standard notice period of 3 months. If Mr Jones' role undergoes a material variation or diminution of responsibilities, including material change in his authority in respect of the business of the Company or a change in his reporting relationship with the Board, then Mr Jones shall have the option to terminate his contract, and if he so elects the Company will pay him 6 month's salary in addition to statutory entitlements of annual and long service leave. No other termination benefits are payable.

The CFO & Company Secretary has a contract of employment with the Company which is of unlimited term and capable of termination on one month's notice. Termination payments are linked to length of service with a maximum of 8 weeks base salary payable after 4 years of service.

Non-executive directors

The Board recognises the importance of attracting and retaining talented Non-executive Directors and aims to remunerate these directors in line with fees paid to directors of companies in the mining and exploration industry of a similar size and complexity.

Total fees for all non-executive directors, last voted upon by shareholders at the 2006 Annual General Meeting ('AGM') is not to exceed \$200,000 per annum. Other than superannuation, Non-executive Directors are not provided with retirement benefits.

Uranium Equities Limited and its controlled entities

Directors' report

7.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the named Company executives who receive the highest remuneration and other key management personnel are:

| Consolidated and the Company Key Management Personnel | | Short-term payments | | | Post-employment payments | Termination benefits | Share-based payments | Total | Value of options as proportion of remuneration % |
|--|------|---------------------|-----------------------------|-------------|--------------------------------|----------------------|----------------------|---------|--|
| | | Salary & fees \$ | Non-monetary benefits \$ | Total \$ | Super-annuation benefits \$ | \$ | Options (A) \$ | \$ | |
| Directors | | | | | | | | | |
| A W Kiernan | 2011 | 37,994 | 4,042 | 42,036 | 25,340 | - | 61,111 | 128,487 | 48% |
| | 2010 | 25,761 | 3,863 | 29,624 | 23,405 | - | 10,940 | 63,969 | 17% |
| B L Jones | 2011 | 258,333 | 4,392 | 262,725 | 23,250 | - | 61,111 | 347,086 | 18% |
| | 2010 | 229,394 | 3,227 | 232,621 | 20,645 | - | 32,058 | 285,324 | 11% |
| T R B Goyder | 2011 | 48,930 | 4,042 | 52,972 | 4,404 | - | 61,111 | 118,487 | 52% |
| | 2010 | 36,697 | 3,863 | 40,560 | 3,303 | - | - | 43,863 | 0% |
| T C Pool (appointed 21 April 2011) | 2011 | 11,667 | 674 | 12,341 | - | - | 5,329 | 17,670 | 30% |
| | 2010 | - | - | - | - | - | - | - | 0% |
| Executives | | | | | | | | | |
| R A Heinrich (CFO & Company Secretary) | 2011 | 175,000 | 4,587 | 179,587 | 15,750 | - | 20,925 | 216,262 | 10% |
| | 2010 | 156,250 | 4,448 | 160,698 | 14,063 | - | 12,311 | 187,072 | 7% |

The Company has agreed, subject to shareholder approval at the next general meeting, to issue Mr Pool 500,000 unlisted options. These options have been expensed from when Mr Pool's service commenced on 21 April 2011.

None of the remuneration is performance related (see note 7.1).

Uranium Equities Limited and its controlled entities

Directors' report

Notes in relation to the table of directors' and executive officers' remuneration

- A. The fair value of the options is calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. The following factors and assumptions were used in determining the fair value of options granted to key management personnel during the year:

| Grant Date | Expiry Date | Fair value per option | Exercise price | Price of ordinary shares on grant date | Expected volatility | Risk free interest rate | Dividend yield |
|------------|-------------|-----------------------|----------------|--|---------------------|-------------------------|----------------|
| 25-Nov-10 | 25-Nov-13 | \$0.06 | \$0.250 | \$0.14 | 85% | 4.75% | Nil |
| 15-Nov-10 | 15-Nov-13 | \$0.07 | \$0.250 | \$0.16 | 85% | 4.75% | Nil |

Details of performance related remuneration

Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed in section 7.1 of this report.

7.3 Equity instruments

7.3.1 Options over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

| | Number of options granted during 2011 | Grant date | Number of options vested during 2011 | Fair value per option at grant date (\$) | Exercise Price (\$) | Expiry date |
|-------------------|---------------------------------------|------------|--------------------------------------|--|---------------------|-------------|
| Directors | | | | | | |
| B L Jones | 1,000,000 | 25-Nov-10 | 1,000,000 | 0.06 | 0.250 | 25-Nov-13 |
| A W Kiernan | 1,000,000 | 25-Nov-10 | 1,000,000 | 0.06 | 0.250 | 25-Nov-13 |
| T R B Goyder | 1,000,000 | 25-Nov-10 | 1,000,000 | 0.06 | 0.250 | 25-Nov-13 |
| Executives | | | | | | |
| R A Heinrich | 250,000 | 15-Nov-10 | 250,000 | 0.07 | 0.250 | 15-Nov-13 |

7.3.2 Exercise of options granted as compensation

There were no shares issued on the exercise of options previously granted as compensation during the year:

7.3.3 Analysis of options over equity instruments granted as compensation

Details of the vesting profile of the options granted as remuneration to each director of the Company and each of the named Company executives are set out below.

| | Number granted | Date granted | % vested in year | Forfeited in year | Financial year in which grant vests |
|-------------------|----------------|--------------|------------------|-------------------|-------------------------------------|
| Directors | | | | | |
| B L Jones | 500,000 | 10-Jul-09 | 100 | - | 2011 |
| | 1,000,000 | 25-Nov-10 | 100 | - | 2011 |
| A W Kiernan | 1,000,000 | 25-Nov-10 | 100 | - | 2011 |
| T R B Goyder | 1,000,000 | 25-Nov-10 | 100 | - | 2011 |
| Executives | | | | | |
| R A Heinrich | 250,000 | 16-Jun-09 | 100 | - | 2011 |
| | 250,000 | 15-Nov-10 | 100 | - | 2011 |

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Directors' report

7.3.4 Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the named Company executives is detailed below.

| | Granted in year \$ (A) | Value of Options Exercised in year \$ (B) | Forfeited in year \$ (C) |
|-------------------|------------------------------|--|--------------------------------|
| Directors | | | |
| B L Jones | 61,111 | - | - |
| A W Kiernan | 61,111 | - | - |
| T R B Goyder | 61,111 | - | - |
| Executives | | | |
| R A Heinrich | 18,710 | - | - |

- A. The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- B. The value of options exercised during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- C. The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binomial option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

8. Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

9. Events subsequent to reporting date

In the opinion of the directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

10. Likely developments

The Company will continue activities in the exploration, evaluation and acquisition of uranium projects with the objective of establishing a significant uranium production business.

11. Directors' interests

Securities

The relevant interest of each director in the shares, rights or options over such instruments issued by the Company and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Ordinary shares | Options over ordinary shares |
|--------------|-----------------|---------------------------------|
| A W Kiernan | 2,264,068 | 2,000,000 |
| B L Jones | 398,410 | 2,300,000 |
| T R B Goyder | 29,974,199 | 1,000,000 |
| T C Pool | 559,548 | - |

In addition, as part of Mr Pool's remuneration package the Company has agreed, subject to shareholder approval at the next general meeting, to issue Mr Pool 500,000 unlisted options with an exercise price of 25c and a term of 3 years from issue. Of the options, 250,000 will vest upon issue and 250,000 will vest 12 months from issue, subject to remaining as a director.

Uranium Equities Limited and its controlled entities

Directors' report

Other Interests

Tom Pool held a personal beneficial interest in Urtek LLC, the company developing the PhosEnergy Process, at 30 June 2011, which beneficial interest was disposed subsequent to balance date. The Company is earning a beneficial interest in Urtek LLC and provides management services to Urtek LLC under an arm's length services agreement.

12. Share options & performance shares

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the most highly remunerated officers of the Company as part of their remuneration:

| | Number of options granted | Exercise price (\$) | Expiry date |
|-------------------|---------------------------|---------------------|-------------|
| Directors | | | |
| B L Jones | 1,000,000 | 0.250 | 25-Nov-13 |
| T R B Goyder | 1,000,000 | 0.250 | 25-Nov-13 |
| A W Kiernan | 1,000,000 | 0.250 | 25-Nov-13 |
| Executives | | | |
| R A Heinrich | 250,000 | 0.250 | 15-Nov-13 |
| R A Heinrich | 250,000 | 0.250 | 7-Jul-14 |

All options were granted during the financial year with the exception of 250,000 options exercisable at \$0.25 and expiring 7 July 2014 granted to Mr Heinrich on 7 July 2011.

Unissued shares under options

At the date of this report, 12,400,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

| Expiry date | Exercise price | Number of options |
|-------------|----------------|-------------------|
| 01-Nov-11 | \$0.550 | 25,000 |
| 01-Dec-11 | \$0.550 | 400,000 |
| 01-Dec-11 | \$0.300 | 500,000 |
| 17-Jan-12 | \$0.550 | 250,000 |
| 21-Jun-12 | \$0.600 | 100,000 |
| 01-Jul-12 | \$0.300 | 1,900,000 |
| 15-Nov-12 | \$0.600 | 500,000 |
| 01-Mar-13 | \$0.300 | 2,300,000 |
| 01-Mar-13 | \$0.450 | 750,000 |
| 15-Nov-13 | \$0.250 | 875,000 |
| 02-Dec-13 | \$0.300 | 500,000 |
| 25-Nov-13 | \$0.250 | 3,000,000 |
| 7-Jul-14 | \$0.250 | 1,300,000 |

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

Uranium Equities Limited and its controlled entities

Directors' report

13. Indemnification and insurance of directors and officers

The Company has agreed to indemnify all the directors and officers who have held office of the Company or its controlled entities during this financial year, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the financial year the Company has paid insurance premiums of \$16,840 in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current and former directors and officers, including executive officers of the Company and directors and executive officers and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in directors and executives remuneration.

14. Non-audit services

During the year KPMG, the Company's auditor, has performed no other services in addition to their statutory audit duties.

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 13 and forms part of the directors' report for financial year ended 30 June 2011.

This report is made with a resolution of the directors:



Bryn Jones
Managing Director

Dated at Adelaide this the 13th day of September 2011.



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 audit for the financial year ended 30 June 2011 there have been:

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

KPMG

KPMG

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

Derek Meates
Partner

Adelaide

13 September 2011

Uranium Equities Limited and its controlled entities
Consolidated statement of comprehensive income
For the year ended 30 June 2011

| | Note | 2011 | 2010 |
|---|------|--------------------|--------------------|
| Option fee | 3 | 222,222 | 1,777,778 |
| Advisory and other income | | 23,985 | 123,357 |
| Total revenue | | 246,207 | 1,901,135 |
| Impairment losses on exploration and evaluation assets | 14 | (37,507) | (95,243) |
| Corporate and administration expenses | 4 | (1,153,562) | (1,493,260) |
| Profit/(Loss) on sale of available for sale of investments | | 41 | - |
| Profit/(Loss) on disposal of a fixed assets | 15 | (5,070) | (51,836) |
| Reversal of impairment of investments | | 16,000 | 10,667 |
| Results from operating activities | | (933,891) | 271,463 |
| Finance income | 7 | 374,522 | 411,384 |
| Finance costs | 7 | (108,142) | (198,045) |
| Net finance income | | 266,380 | 213,339 |
| Impairment loss on equity accounted investee | 13 | (3,653,516) | (1,246,710) |
| Share of equity accounted investee losses | 13 | (1,652,575) | (658,866) |
| Gain/(loss) on loss of control | 24 | 1,528,036 | - |
| Loss before income tax | | (4,445,566) | (1,420,774) |
| Income tax benefit | 8 | 243,433 | 179,748 |
| Loss for the period | | (4,202,133) | (1,241,026) |
| Other Comprehensive Income | | | |
| Foreign currency translation differences for foreign operations | | (861) | 118,984 |
| Total Other Comprehensive Income | | (861) | 118,984 |
| Total Comprehensive Income/(Loss) for the period | | (4,202,994) | (1,122,042) |
| Loss attributable to: | | | |
| Owners of the company | | (2,494,378) | (997,778) |
| Non-controlling interest | | (1,707,755) | (243,248) |
| Loss for the period | | (4,202,133) | (1,241,026) |
| Total comprehensive Income/(Loss) attributable to: | | | |
| Owners of the company | | (2,495,239) | (891,406) |
| Non-controlling interest | | (1,707,755) | (230,636) |
| Total Comprehensive Income/(Loss) for the period | | (4,202,994) | (1,122,042) |
| Earnings per share | | | |
| Basic loss per share attributable to ordinary equity holders (cents per share) | 9 | (0.012) | (0.005) |
| Diluted loss per share attributable to ordinary equity holders (cents per share) | 9 | (0.012) | (0.005) |

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 18 to 43.

Uranium Equities Limited and its controlled entities

Consolidated statement of changes in equity

For the year ended 30 June 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 2010 | 44,997,404 | 4,993,648 | 106,372 | (28,715,262) | 21,382,162 | 54,955 | 21,437,117 |
| Total Comprehensive Income/(loss) for the period | | | | | | | |
| Profit or (Loss) | - | - | - | (2,494,378) | (2,494,378) | (1,707,755) | (4,202,133) |
| Other Comprehensive Income/(loss) | | | | | | | |
| Foreign Currency Translation differences for foreign operations | - | - | (861) | - | (861) | - | (861) |
| Total Other Comprehensive Income/(Loss) | - | - | (861) | - | (861) | - | (861) |
| Total Comprehensive Income/(Loss) for the period | - | - | (861) | (2,494,378) | (2,495,239) | (1,707,755) | (4,202,994) |
| 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 |
| Dilution in ownership interest in subsidiaries | 25 | - | - | 3,965,678 | 3,965,678 | 1,973,271 | 5,938,949 |
| Loss of control of subsidiary | 24 | - | (106,372) | - | (106,372) | (320,471) | (426,843) |
| Total transactions with owners | - | 251,033 | (106,372) | 3,965,678 | 3,859,306 | 1,652,800 | 5,512,106 |
| Balance at 30 June 2011 | 44,997,404 | 5,244,681 | (861) | (27,243,962) | 22,997,262 | - | 22,997,262 |

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

Uranium Equities Limited and its controlled entities

Consolidated statement of changes in equity (continued)

For the year ended 30 June 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 2009 | 43,068,654 | 4,899,880 | - | (30,126,149) | 17,842,385 | - | 17,842,385 |
| Total Comprehensive Income/(Loss) for the period | | | | | | | |
| Profit or (Loss) | - | - | - | (997,778) | (997,778) | (243,248) | (1,241,026) |
| Other Comprehensive Income/(Loss) | | | | | | | |
| Foreign Currency Translation differences for foreign operations | - | - | 106,372 | - | 106,372 | 12,612 | 118,984 |
| Total Other Comprehensive Income/(Loss) | - | - | 106,372 | - | 106,372 | 12,612 | 118,984 |
| Total Comprehensive Income/(Loss) for the period | - | - | 106,372 | (997,778) | (891,406) | (230,636) | (1,122,042) |
| 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 | 1,076,250 | - | - | - | 1,076,250 | - | 1,076,250 |
| Share-based payment transactions | - | 93,768 | - | - | 93,768 | - | 93,768 |
| Total Contributions by and distributions to owners | 1,928,750 | 93,768 | - | - | 2,022,518 | - | 2,022,518 |
| Total changes in ownership interest in subsidiaries | 25 | - | - | 2,408,665 | 2,408,665 | 285,591 | 2,694,256 |
| Total transactions with owners | 1,928,750 | 93,768 | - | 2,408,665 | 4,431,183 | 285,591 | 2,694,256 |
| Balance at 30 June 2010 | 44,997,404 | 44,993,648 | 106,372 | (28,715,262) | 21,382,162 | 54,955 | 21,437,117 |

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

Uranium Equities Limited and its controlled entities

Consolidated statement of financial position

For the year ended 30 June 2011

| | Note | 2011 | 2010 |
|---|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 10 | 3,128,358 | 8,745,254 |
| Trade and other receivables | 11 | 578,357 | 573,960 |
| Financial assets | | - | 10,667 |
| Total current assets | | 3,706,715 | 9,329,881 |
| Non-current assets | | | |
| Restricted Cash | 12 | 1,852,038 | 1,855,804 |
| Equity accounted investees | 13 | 2,237,517 | - |
| Exploration and evaluation assets | 14 | 17,058,767 | 13,185,912 |
| Property, plant and equipment | 15 | 334,290 | 408,181 |
| Total non-current assets | | 21,482,612 | 15,449,897 |
| Total assets | | 25,189,327 | 24,779,778 |
| Current liabilities | | | |
| Trade and other payables | 16 | 315,685 | 716,357 |
| Deferred Income | 3 | - | 222,222 |
| Provisions | 17 | 381,079 | 1,016,830 |
| Employee benefits | 18 | 193,400 | 125,385 |
| Total current liabilities | | 890,164 | 2,080,794 |
| Non-current liabilities | | | |
| Provisions | 17 | 1,239,265 | 1,226,995 |
| Employee benefits | 18 | 62,636 | 34,872 |
| Total non-current liabilities | | 1,301,901 | 1,261,867 |
| Total liabilities | | 2,192,065 | 3,342,661 |
| Net assets | | 22,997,262 | 21,437,117 |
| Equity | | | |
| Share capital | 19 | 44,997,404 | 44,997,404 |
| Reserves | | 5,243,820 | 5,100,020 |
| Accumulated losses | | (27,243,962) | (28,715,262) |
| Total equity attributable to equity holders of the company | | 22,997,262 | 21,382,162 |
| Non-controlling interest | | - | 54,955 |
| Total equity | | 22,997,262 | 21,437,117 |

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

Uranium Equities Limited and its controlled entities

Consolidated statement of cash flows

For the year ended 30 June 2011

| | Note | 2011 | 2010 |
|---|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash receipts from operations | | - | 2,180,189 |
| Cash paid to suppliers and employees | | (739,306) | (1,345,626) |
| Interest paid | | (39,777) | (37,143) |
| Interest received | | 396,095 | 413,502 |
| Income tax received | | 179,748 | 111,164 |
| Net cash from/(used) in operating activities | 27 | (203,240) | 1,322,086 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investments | | 26,707 | - |
| Payments for investments | | (5,356,183) | (1,905,576) |
| Consideration received for non-controlling interest | | 5,938,948 | 2,694,256 |
| Payments for mining exploration and evaluation and rehabilitation | | (4,874,338) | (2,082,733) |
| Acquisition of property, plant and equipment | | (64,400) | (149,180) |
| Loss of control of subsidiary | 24 | (117,372) | - |
| Net cash used in investing activities | | (4,446,638) | (1,443,233) |
| Cash flows from financing activities | | | |
| Net proceeds from issue of shares | | - | 1,916,561 |
| Movement in restricted cash | | 3,766 | (32,480) |
| Net cash from financing activities | | 3,766 | 1,884,081 |
| Net increase/(decrease) in cash and cash equivalents | | (4,636,112) | 1,762,934 |
| Cash and cash equivalents at 1 July | | 8,745,254 | 6,940,004 |
| Effect of exchange rate fluctuations on cash held | | (970,784) | 42,316 |
| Cash and cash equivalents at 30 June ⁽¹⁾ | 10 | 3,128,358 | 8,745,254 |

⁽¹⁾ This amount does not include the \$1,852,038 (2010: \$1,855,804) of term deposit balances which relate to security against bank guarantees held by the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources and an office lessor which has been classified as restricted cash on the Consolidated Statement of Financial Position

The consolidated statement of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies

Uranium Equities Limited is a company domiciled in Australia at Level 5, 29 King William Street, Adelaide, South Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

Certain comparative amounts have been reclassified to conform with the current year presentation (see note 12).

The financial report was authorised for issue by the directors on 13th September 2011.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') including Australian Interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of the consolidated entity complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of Preparation

The financial report is presented in Australian dollars, the Company's functional currency, and is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as available for sale.

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 30 June 2011 the consolidated entity had accumulated losses of \$27.2 million, however net assets are \$23.0 million and the Directors believe the consolidated entity has sufficient cash and cash equivalents of \$3.1 million (excluding \$1.85 million of restricted cash) 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.

The Company applies revised AASB 101 Presentation of Financial Statements, which became effective as 1 July 2009. As a result, the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Standards issued and available for early adoption but not applied by the consolidated entity are not expected to have a significant impact on the financial report of the consolidated entity and the Company.

Use of Estimates and Judgements

The preparation of a financial report in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

(i) Recoverability of exploration expenditure

The carrying amount of exploration and evaluation expenditure is dependent on the future successful outcome from exploration activity or alternatively the sale of the respective areas of interest.

(ii) Share-based payment transactions

The consolidated entity measures the cost of equity-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

(iii) Rehabilitation provision

Estimates and assumptions of the appropriate discount rate at which to discount the liability, the timing of cash flows, the application of relevant environmental legislation and the future expected costs of rehabilitation are all used in determining the carrying value of the rehabilitation provision. The carrying amount of the provision is set out in note 17.

The accounting policies described below have been applied consistently to all periods presented and to all entities in the consolidated entity.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. Transaction costs that the consolidated entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Dilution gains and losses on increases in non-controlling interests of subsidiaries are recorded directly to equity rather than the consolidated statement of comprehensive income, reflecting the view that non-controlling interests are equity interests.

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20 and 50 percent of the voting power of another entity. Other qualitative factors are also considered in determining if the consolidated entity has significant influence where the consolidated entity holds less than 20 percent of the voting power.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the consolidated entity's share of the income and expenses and equity movements of equity accounted investees, after adjustment to align the accounting policies with those of the consolidated entity, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

(iii) Joint ventures

The interests of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements its share of jointly controlled assets, jointly incurred liabilities and expenses, and its share of income that it earns from the sale of any goods or services by the joint venture.

(iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Common control transactions

Transfers of investments in associates between companies under common control are recorded at book value.

d) Foreign currency translation

Items included in the financial statements of each of the consolidated entity's controlled entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as part of the net investment in a foreign operation.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Segment reporting

The Company determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the consolidated entity's chief operating decision maker.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components.

Segment results that are reported to the Managing Director included items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's corporate office), corporate office expenses, and income tax assets and liabilities.

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (I)). The cost of assets includes the cost of materials, direct labour, and where appropriate, an appropriate proportion of overheads.

(ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. The plant and equipment acquired by way of a

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (l)).

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(g) Depreciation

Depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 7%-40%
- fixtures and fittings 11%-22%
- motor vehicles 22.5%

The residual value, if not insignificant, is reassessed annually.

(h) Exploration, evaluation, development and tenement acquisition costs

Exploration, evaluation, development and tenement acquisition costs in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the statement of financial position so long as the following conditions are satisfied:

- 1) the rights to tenure of the area of interest are current; and
- 2) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds the recoverable amount and where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, and reclassified to development, before being amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(i) Investments

Financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised in equity through other comprehensive income, except for impairment losses which are recognised in profit or loss. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is their quoted bid price at the reporting date.

Financial instruments classified as available-for-sale investments are recognised or derecognised by the consolidated entity on the date it commits to purchase or sell the investments.

When a decline in the fair value of an available-for-sale financial asset has been recognised in equity and

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(j) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (l)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits which are readily convertible to cash. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Restricted Cash

Funds placed on deposit with financial institutions to secure bank guarantees are classified as restricted cash.

(m) Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. A cash generating unit is the smallest group of assets that generate cashflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical and commercial feasibility or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted or planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

(n) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Share capital

(i) Ordinary share capital

Ordinary shares and partly paid shares are classified as equity.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(p) Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments.

Other leases are operating leases and are not recognised in the consolidated statement of financial position.

(q) Employee benefits

(i) Superannuation

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

(ii) Share-based payment transactions

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iii) **Wages, salaries, annual leave and non-monetary benefits**

Liabilities for employee benefits for wages, salaries, annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

The consolidated entity's obligation in respect of long-term employee benefits such as long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value using corresponding government bond yields as a discount rate.

(r) **Provisions**

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The consolidated entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities and restoration of affected areas.

When the rehabilitation provision is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets.

At each reporting date the rehabilitation provision is re-measured to reflect any changes in discount rates and timing and amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and are added to, or deducted from, the related exploration and evaluation asset.

The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in exploration and evaluation assets is capitalised in accordance with accounting policy (h) and (l).

(s) **Trade and other payables**

Trade and other payables are stated at amortised cost.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

(t) Revenue

(i) Advisory income

Revenue from services rendered is recognised as the service is performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the costs incurred or to be incurred cannot be measured reliably.

(ii) Option fee

Revenue from option fees is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. Any balance not taken to the statement of comprehensive income is recorded as deferred income in the statement of financial position.

(iii) Other income - sales of assets and investments

Income from the sale of assets and investments is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to external parties.

(u) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, the discount unwind on rehabilitation provisions and interest receivable on funds invested.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

(v) Income tax

Income tax in the statement of comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to the asset or liability

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/ consolidated entity intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(w) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

2. Segment reporting

Business segments

The consolidated entity comprises the following reportable segments which are 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 by Urtek LLC, a USA registered company. The consolidated entity has a beneficial interest in Urtek LLC and is providing management services to it.

Exploration activities are based in Australia, mainly in the Northern Territory, South Australia and Western Australia.

| | PhosEnergy | | Exploration | | Total | |
|-----------------------------------|-------------|-------------|-------------|------------|-------------|-------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Segment revenue | - | - | 222,222 | 1,777,778 | 222,222 | 1,777,778 |
| Advisory and other income | | | | | 23,985 | 123,357 |
| Total revenue | | | | | 246,207 | 1,901,135 |
| Segment result | (3,793,418) | (1,984,452) | 184,715 | 1,682,535 | (3,608,703) | (301,917) |
| Corporate administrative expenses | | | | | (1,081,531) | (1,400,700) |
| Depreciation & amortisation | | | | | (72,032) | (92,560) |
| Net financing income | | | | | 266,380 | 213,339 |
| Other | | | | | 50,320 | 161,064 |
| Loss before income tax | | | | | (4,445,566) | (1,420,774) |
| Segment assets | 2,237,517 | 549,045 | 17,058,768 | 13,185,912 | 19,296,285 | 13,734,957 |
| Unallocated assets | | | | | 5,893,042 | 11,044,821 |
| Total assets | | | | | 25,189,327 | 24,779,778 |
| Segment liabilities | - | 30,601 | 1,674,391 | 2,283,890 | 1,674,391 | 2,314,491 |
| Unallocated liabilities | | | | | 517,674 | 1,028,170 |
| Total liabilities | | | | | 2,192,065 | 3,342,661 |

3. Revenue

| | 2011 | 2010 |
|---------------|---------|-----------|
| Option fee | 222,222 | 1,777,778 |
| Advisory fees | - | 87,212 |
| Other | 23,985 | 36,145 |
| | 246,207 | 1,901,135 |

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

Under the terms of the agreement Mitsui has 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". On 31 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.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

| 4. Corporate administrative expenses | Note | 2011 | 2010 |
|---|-------------|-------------|-------------|
| Accounting fees | | 51,195 | 118,934 |
| Annual report costs | | 16,270 | 15,934 |
| ASX fees | | 27,370 | 44,543 |
| Audit fees | 6 | 52,500 | 58,500 |
| Depreciation and amortisation | | 72,032 | 92,560 |
| Insurance | | 55,786 | 65,933 |
| Legal fees | | 43,066 | 116,096 |
| Marketing | | 15,536 | 13,799 |
| Rent and outgoings | | 15,312 | 15,112 |
| Personnel expenses | 5 | 594,176 | 730,329 |
| Printing and stationery | | 4,885 | 3,667 |
| Share registry | | 16,623 | 20,175 |
| Travel and accommodation | | 59,977 | 97,155 |
| Recruitment | | 65,440 | - |
| Other | | 63,394 | 100,523 |
| | | 1,153,562 | 1,493,260 |
| 5. Personnel expenses | Note | 2011 | 2010 |
| Wages and salaries | | 14,992 | 357,761 |
| Directors' fees | | 128,333 | 155,797 |
| Consulting fees | | - | 8,750 |
| Other associated personnel expenses | | 71,823 | 74,363 |
| Superannuation fund contributions | | 32,216 | 53,014 |
| Increase/(decrease) in liability for annual leave | | 68,015 | (14,816) |
| Increase in provision for long service leave | | 27,764 | 1,692 |
| Equity-settled transactions | 18 | 251,033 | 93,768 |
| | | 594,176 | 730,329 |
| 6. Auditors' remuneration | | | |
| Audit services | | 2011 | 2010 |
| Auditors of the Company | | | |
| KPMG Australia: | | | |
| Audit and review of financial reports | | 52,500 | 58,500 |
| 7. Net financing income | | 2011 | 2010 |
| Interest income | | 374,522 | 411,384 |
| Unwind of discount on rehabilitation provision | | (67,300) | (81,996) |
| Net foreign exchange gain/(loss) | | (1,065) | (78,906) |
| Interest expense | | (39,777) | (37,143) |
| Total financial expenses | | (108,142) | (198,045) |
| Net financing income | | 266,380 | 213,339 |

There were no borrowing costs capitalised during 2011 or 2010.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

8. Income Tax

| | 2011 | 2010 |
|--|---------|---------|
| Current tax benefit | 243,433 | 179,748 |
| Total income tax benefit reported in the statement of comprehensive income | 243,433 | 179,748 |

Numerical reconciliation between tax expense and pre-tax net loss:

| | 2011 | 2010 |
|---|-------------|-----------|
| Loss before tax | 4,445,566 | 1,420,774 |
| Income tax benefit using the domestic corporation tax rate of 30% (2010: 30%) | 1,333,670 | 426,233 |
| Decrease in income tax benefit due to: | | |
| Non-deductible expenses | (76,165) | (34,076) |
| Tax benefit on PhosEnergy losses not recognised | (1,133,675) | - |
| Over/(under) provision in prior period | 363,174 | 168,367 |
| Current and deferred tax expense/(benefit) not recognised | (243,571) | (380,776) |
| Income tax benefit on loss before tax | 243,433 | 179,748 |

Deferred tax assets and liabilities for the consolidated entity are attributable to the following:

| Consolidated | Assets | | Liabilities | | Net | |
|--|-----------|-----------|-------------|-----------|-------------|-------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Exploration and evaluation assets | - | - | 5,117,630 | 3,955,774 | 5,117,630 | 3,955,774 |
| Capital raising costs | - | (52,291) | - | - | - | (52,291) |
| Legal costs | (59,066) | (146,080) | - | - | (59,066) | (146,080) |
| Rehabilitation provision | (486,103) | (673,147) | - | - | (486,103) | (673,147) |
| Deferred Income | - | (66,667) | - | - | - | (66,667) |
| Other items | (84,912) | (55,427) | 4,455 | 10,926 | (80,457) | (44,501) |
| | (630,081) | (993,612) | 5,122,085 | 3,966,700 | 4,492,004 | 2,973,088 |
| Tax losses used to offset net deferred tax liability | | | | | (4,492,004) | (2,973,088) |
| Net deferred tax assets and liabilities | | | | | - | - |

Deferred tax assets have not been recognised in respect of the following items:

| | 2011 | 2010 |
|-----------------------------------|-----------|-----------|
| Unrecognised tax losses – Revenue | 5,959,715 | 5,112,196 |
| Unrecognised tax losses – Capital | - | 142,675 |
| Unrecognised tax losses – Total | 5,959,715 | 5,254,871 |
| Potential tax benefit at 30% | 1,787,914 | 1,576,461 |

9. Earnings per share Basic and diluted earnings/(loss) per share

The calculation of basic and diluted loss per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of the parent entity of \$2,494,378 (2010: \$997,778) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 210,260,801 (2010: 204,649,626).

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

10. Cash and cash equivalents

| | 2011 | 2010 |
|--|-----------|-----------|
| Bank balances | 198,358 | 1,773,045 |
| Term deposits | 2,930,000 | 6,972,209 |
| Cash and cash equivalents in the statement of cash flows | 3,128,358 | 8,745,254 |

The effective interest rate earned on deposits during the year was 4.90%.

During the year the consolidated entity reclassified the \$1,820,000 term deposit used as security against bank guarantees, held by the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources, from cash and cash equivalents to restricted cash to reflect the nature of those amounts (see note 12). Comparative amounts (2010: \$1,810,000) were reclassified for consistency.

11. Trade and other receivables

| | 2011 | 2010 |
|-------------------------|---------|---------|
| Current | | |
| Other trade receivables | 287,628 | 344,832 |
| Prepayments | 47,296 | 49,380 |
| Income tax receivable | 243,433 | 179,748 |
| | 578,357 | 573,960 |

12. Restricted cash

| | 2011 | 2010 |
|---|-----------|-----------|
| Bank guarantees in relation to rehabilitation obligations | 1,820,000 | 1,810,000 |
| Bank guarantee in relation to office premises | 32,038 | 45,804 |
| | 1,852,038 | 1,855,804 |

The effective interest rate earned on deposits during the year was 5.05%.

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 and Headwaters Projects. These amounts were reclassified from cash and cash equivalents during the year (see note 10).

13. Equity accounted investees

| | 2011 | 2010 |
|---|-------------|-------------|
| UFP Investments LLC (UFP) | | |
| Investment in equity accounted investee | 2,239,655 | - |
| Share of equity accounted investee losses | (2,138) | - |
| | 2,237,517 | - |
| Urtek LLC | | |
| Investment in equity accounted investee | 5,356,183* | 2,213,685 |
| Share of equity accounted investee losses | (1,650,438) | (658,866) |
| Impairment losses | (3,705,745) | (1,554,819) |
| | - | - |

* at 21 June 2011

Summary financial information for equity-accounted investees, not adjusted for the percentage ownership held by the consolidated entity:

| | Reporting Date | Ownership at 30 June | Current Assets | Non Current Assets | Total Assets | Total Liabilities | Profit/(Loss) |
|-------------|----------------|----------------------|----------------|--------------------|--------------|-------------------|---------------|
| 2011 | | | | | | | |
| UFP | 30-Jun | 47% | 4,772,776 | - | 4,772,776 | 4,352 | (4,548) |
| 2010 | | | | | | | |
| Urtek | 30-Jun | 49% | 600,238 | - | 600,238 | 210,466 | (1,564,943) |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

The consolidated entity transferred its interest in Urtek LLC, a limited liability company incorporated in the USA for the purposes of developing the "PhosEnergy Process", to a newly incorporated limited liability company UFP Investments LLC (UFP) in October 2009. As discussed in note 25, Cameco Corporation is funding development of the PhosEnergy Process via investment in UFP. Cameco invested US\$5 million in July 2010 and a further US\$5 million in June 2011. The June 2011 investment took their ownership interest in UFP to 53% at which time they took control and UFP was deconsolidated from the consolidated entity (see note 24).

The consolidated entity's share of the losses of Urtek LLC up to deconsolidation of UFP in June 2011 was \$1,650,438 (2010: \$658,866). Immediately prior to deconsolidation, impairment losses of \$3,705,745 were recognised in relation to the investment in Urtek LLC as the PhosEnergy Process is in the research and development phase. This was partially offset by reversal of impairment on the investment in UFP of \$52,229, resulting in net impairment losses of \$3,653,516.

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.

As discussed in note 28, Tom Pool, a Director of the Company held a 19.39% beneficial interest in Urtek LLC at 30 June 2011, which beneficial interest was disposed subsequent to balance date.

14. Exploration and evaluation expenditure

| | 2011 | 2010 |
|--------------------------------------|------------|------------|
| Cost brought forward | 13,185,912 | 11,214,617 |
| Expenditure incurred during the year | 3,910,362 | 1,748,794 |
| Increase in rehabilitation provision | - | 317,744 |
| Impairment losses | (37,507) | (95,243) |
| | 17,058,767 | 13,185,912 |

Interests in some exploration projects in South Australia were relinquished during the year.

15. Property, plant and equipment

| | 2011 | 2010 |
|--|-----------|-----------|
| At cost | 859,408 | 847,649 |
| Less: accumulated depreciation | (525,118) | (439,468) |
| | 334,290 | 408,181 |
| Plant and equipment | | |
| Carrying amount at beginning of financial year | 408,181 | 423,339 |
| Additions | 35,654 | 149,180 |
| Disposals/written-off | (5,070) | (51,836) |
| Depreciation | (104,475) | (112,502) |
| Carrying amount at end of financial year | 334,290 | 408,181 |
| Total property, plant and equipment | 334,290 | 408,181 |

16. Trade and other payables

| | 2011 | 2010 |
|--------------------------------------|---------|---------|
| Trade payables | 172,233 | 557,174 |
| Other creditors and accrued expenses | 143,452 | 159,183 |
| | 315,685 | 716,357 |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

17. Provisions

| | 2011 | 2010 |
|--------------------|-----------|-----------|
| Current | | |
| Rehabilitation | 381,079 | 1,016,830 |
| | 381,079 | 1,016,830 |
| Non-current | | |
| Rehabilitation | 1,239,265 | 1,226,995 |
| | 1,239,265 | 1,226,995 |

The Company assumed all obligations for rehabilitation at the Nabarlek Mineral Lease following the acquisition of Queensland Mines Pty Ltd in 2008. During the year rehabilitation of the old mine camp, substantial planting of native vegetation, weed control activities and water monitoring were undertaken on the lease, reducing the provision.

18. Employee benefits

| | 2011 | 2010 |
|----------------------------------|---------|---------|
| Current | | |
| Liability for annual leave | 193,400 | 125,385 |
| Non-current | | |
| Provision for long service leave | 62,636 | 34,872 |
| | 256,036 | 160,257 |

Share based payments

(a) Employee and Consultant Share Option Plan

The Company has an Employee and Consultant Share Option Plan (ESOP) in place which was most recently approved at the annual general meeting held on 27 November 2008.

Under the terms of the Employees and Consultants Option Plan, the Board may offer options at no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement) and Executive and Non-executive Directors.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is such price as determined by the Board. An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise are satisfied. The Board may determine the vesting period, if any.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

Share options were granted to directors, employees and consultants on the following terms and conditions during the year:

| Grant date | Number of instruments | Contractual life of options |
|------------------|-----------------------|-----------------------------|
| 15 November 2010 | 875,000 | 3 years |
| 25 November 2010 | 3,000,000 | 3 Years |

All of the options vested on the grant date.

As part of Mr Pool's remuneration package the Company has agreed, subject to shareholder approval at the next general meeting, to issue Mr Pool 500,000 unlisted options with an exercise price of 25c and a term of 3 years from issue. Of the options, 250,000 will vest upon issue and 250,000 will vest 12 months from issue, subject to Mr Pool remaining as a director.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

The number and weighted average exercise prices of share options is as follows:

| | Weighted average exercise price 2011 | Number of options 2011 | Weighted average exercise price 2010 | Number of options 2010 |
|--|--------------------------------------|------------------------|--------------------------------------|------------------------|
| Outstanding at the beginning of the period | \$0.35 | 11,280,000 | \$0.36 | 18,005,000 |
| Forfeited during the period | - | - | \$0.73 | (3,125,000) |
| Expired during the period | \$0.363 | (2,355,000) | - | - |
| Exercised during the period | - | - | \$0.155 | (5,500,000) |
| Granted during the period | \$0.25 | 3,875,000 | \$0.30 | 1,900,000 |
| Outstanding at the end of the period | \$0.315 | 12,800,000 | \$0.35 | 11,280,000 |
| Exercisable at the end of the period | \$0.315 | 12,800,000 | \$0.35 | 10,080,000 |

The options outstanding at the end of the period have an exercise price in the range of \$0.191 to \$0.60 and a weighted average contractual life of 4 years. These include 1 million options issued with an exercise price of \$0.191 to the founding members of Urtek LLC upon the consolidated entity increasing its interest from 16.13% to 30% in July 2008. As mentioned in Note 28, Mr Pool, a director of the Company is a founding member of Urtek LLC and held a 19.39% beneficial interest at 30 June 2011 in Urtek LLC.

The fair value of the options is estimated at the date of grant using the binomial option pricing model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2011.

| Fair value of share options and assumptions (weighted average) | 2011 | 2010 |
|---|---------|---------|
| Share price at grant date | \$0.14 | \$0.11 |
| Exercise price | \$0.25 | \$0.30 |
| Expected volatility (expressed as weighted average volatility used in the modelling under binominal option-pricing model) | 85% | 80% |
| Option life (expressed as weighted average life used in the modelling under binominal option-pricing model) | 3 years | 3 years |
| Expected dividends | - | - |
| Risk-free interest rate | 4.75% | 3.00% |

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Employee share options are granted under a service condition. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

(b) Partly Paid Performance Shares

No performance shares were issued during the years ended 30 June 2011 or 30 June 2010.

The number and weighted average exercise prices of partly paid performance shares is as follows:

| | Weighted average amount to be paid up 2011 | Number of partly paid performance shares 2011 | Weighted average amount to be paid up 2010 | Number of partly paid performance shares 2010 |
|---|--|---|--|---|
| Outstanding at the beginning of the period | - | - | \$0.075 | 9,327,500 |
| Converted to ordinary shares during the period | - | - | \$0.075 | (9,327,500) |
| Granted during the period | - | - | - | - |
| Outstanding at the end of the period | - | - | - | - |
| Number able to be converted to ordinary shares at the end of the period | - | - | - | - |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

(c) Employee Expenses

| | 2011 \$ | 2010 \$ |
|--|------------|------------|
| Share options granted in 2007 - equity settled | - | - |
| Share options granted in 2008 - equity settled | 2,215 | 23,106 |
| Share options granted in 2009 - equity settled | - | 16,793 |
| Share options granted in 2010 - equity settled | - | 60,911 |
| Share options granted in 2011 - equity settled | 248,818 | - |
| Share options forfeited and prior year cost written back | - | (7,043) |
| Total expense recognised as employee costs (Note 5) | 251,033 | 93,767 |

19. Capital and reserves

(a) Share capital

| | Consolidated | | | |
|----------------------------------|-----------------|-------------|--------------------------------|--------------|
| | Ordinary Shares | | Partly paid performance shares | |
| | 2011 | 2010 | 2011 | 2010 |
| On issue at 1 July | 210,260,801 | 190,410,801 | - | 14,350,000 |
| Exercise of unlisted options | - | 5,500,000 | - | - |
| Conversion of performance shares | - | 14,350,000 | - | (14,350,000) |
| Equity Settled Transactions | - | - | - | - |
| On issue at 30 June | 210,260,801 | 210,260,801 | - | - |

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

(b) Share Options

| | Consolidated Unlisted Share Options | |
|--|--|-------------|
| | 2011 | 2010 |
| On issue at beginning of year | 11,280,000 | 18,005,000 |
| Options issued during the year | 3,875,000 | 1,900,000 |
| Options forfeited or expired during the year | (2,355,000) | (3,125,000) |
| Options exercised during the year | - | (5,500,000) |
| On issue at end of year | 12,800,000 | 11,280,000 |

In addition, as part of Mr Pool's remuneration package the Company has agreed, subject to shareholder approval at the next general meeting, to issue Mr Pool 500,000 unlisted options with an exercise price of 25c and a term of 3 years from issue. Of the options, 250,000 will vest upon issue and 250,000 will vest 12 months from issue, subject to Mr Pool remaining as a director.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

At 30 June 2011, the Company had 12,800,000 unlisted options on issue under the following terms and conditions.

| Number | Expiry Date | Exercise Price |
|-----------|-------------|----------------|
| 1,000,000 | 31-Jul-11 | \$0.191 |
| 700,000 | 01-Sep-11 | \$0.350 |
| 25,000 | 01-Nov-11 | \$0.550 |
| 400,000 | 01-Dec-11 | \$0.550 |
| 500,000 | 01-Dec-11 | \$0.300 |
| 250,000 | 17-Jan-12 | \$0.550 |
| 100,000 | 21-Jun-12 | \$0.600 |
| 1,900,000 | 01-Jul-12 | \$0.300 |
| 500,000 | 15-Nov-12 | \$0.600 |
| 2,300,000 | 01-Mar-13 | \$0.300 |
| 750,000 | 01-Mar-13 | \$0.450 |
| 500,000 | 02-Dec-13 | \$0.300 |
| 875,000 | 15-Nov-13 | \$0.250 |
| 3,000,000 | 25-Nov-13 | \$0.250 |

The increase in Share Options Reserve of \$251,033 in 2011 represents employee equity-settled compensation (2010: \$93,767).

20. Financial instruments

Risk Management Framework

The Board and Audit Committee are responsible for overseeing the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

The consolidated entity has exposures to the following risks:

(a) Capital risk management

The Company and consolidated entity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Company and consolidated entity consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses, is disclosed in note 19 and the Statement of Changes in Equity.

The board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Company and the consolidated entity will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

(b) Market risk exposures

Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will affect the consolidated entity's income or value of its holdings of financial instruments.

Foreign exchange rate risk

The consolidated entity held USD throughout the year, mainly in UFP Investments LLC which is now deconsolidated (see Note 24). (For 2010 exposures see comparatives table below). These funds were subsequently invested into Urtek LLC for the development of the PhosEnergy Process. As a result of the deconsolidation of UFP, the consolidated entity's exposure to foreign exchange rate risk is now minimal.

Equity prices

Equity investments held for sale are recorded at their fair value. The consolidated entity is not holding any equity investments for sale at the end of the reporting period.

Interest rate risk

Interest rate risk is the risk that changes in bank deposit rates affect the consolidated entity's income and future cashflow from interest income.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

The exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| | | Fixed interest maturing in: | | | | | | | |
|--|-------|-----------------------------|----------------------------|----------------------------|-----------------------------------|-------------|----------------------------------|--|--|
| 30 June 2011 | Note | 1 year or less \$ | Over 1 to 5 years \$ | Floating interest \$ | Non- interest bearing \$ | Total \$ | Weighted average int. rate | | |
| Financial assets | | | | | | | | | |
| Bank balances | 10 | 198,063 | - | - | - | 198,063 | 3.96% | | |
| Term deposits ⁽¹⁾ | 10/12 | 2,930,000 | 1,852,038 | - | - | 4,782,038 | 5.05% | | |
| Trade and other receivables | 11 | - | - | - | 578,357 | 578,357 | - | | |
| Financial liabilities | | | | | | | | | |
| Trade payables and accrued expenses | 16 | - | - | - | 315,685 | 315,685 | - | | |

| | | Fixed interest maturing in: | | | | | | | | |
|--|-------|--------------------------------|----------------------------|----------------------------|-----------------------------------|-------------|----------------------------------|----------------|---|--|
| 30 June 2010 | Note | 1 year or less \$ | Over 1 to 5 years \$ | Floating interest \$ | Non- interest bearing \$ | Total \$ | Weighted average int. rate | Balance USD | Weighted Average FX Rate (USD) | |
| Financial assets | | | | | | | | | | |
| Bank balances - AUD | 10 | 1,217,554 | - | - | - | 1,217,554 | 2.22% | - | - | |
| Bank balances – Foreign Currency | 10 | 555,491 | - | - | - | 555,491 | - | 473,445 | 0.90 | |
| Term deposits ⁽¹⁾ | 10/12 | 6,972,209 | 1,855,805 | - | - | 8,828,014 | 4.18% | - | - | |
| Trade and other receivables | 11 | - | - | - | 573,960 | 573,960 | - | - | - | |
| Investments | | - | - | - | 10,667 | 56,472 | - | - | - | |
| Financial liabilities | | | | | | | | | | |
| Trade payables and accrued expenses | 16 | - | - | - | 685,756 | 685,756 | - | - | - | |
| Trade payables – Foreign Currency | 16 | - | - | - | 30,601 | 30,601 | - | 26,081 | 0.88 | |

⁽¹⁾ Including restricted cash

A change of 100 basis points in interest rates on bank balances and term deposits over the reporting period would have increased / (decreased) the consolidated entity's profit and loss by \$75,515.

(c) Credit risk exposure

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The consolidated entity's exposure to credit risk is not significant and currently arises principally from sundry receivables (see note 11) which represent an insignificant proportion of the consolidated entity's activities and cash and cash equivalents.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the notes to the financial statements.

(d) Liquidity risk exposure

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The Board actively monitors the consolidated entity's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The consolidated entity has non-derivative financial liabilities which include trade and other payables of \$315,685 (2010: \$716,357) all of which are due within 60 days.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

(e) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities approximate their net fair values.

21. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | 2011 | 2010 |
|----------------------------|---------|---------|
| Less than one year | 126,690 | 126,663 |
| Between one and five years | 92,696 | 213,591 |
| More than five years | - | - |
| | 219,386 | 340,254 |

The consolidated entity leases an office under operating lease in Adelaide. The lease runs for a further period of approximately two years, with an option to extend the lease for a further three years. Lease payments are increased every year. The consolidated entity also leases transportable buildings and equipment for the Nabarlek camp on three separate leases that run on a month to month basis. None of the leases include contingent rentals.

During the financial year ended 30 June 2011, \$9,920 was recognised in the statement of comprehensive income in respect of operating leases (2010: \$6,319).

22. Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These amounts are subject to negotiation when application for a lease application and renewal is made and at other times. These amounts are not provided for in the financial report and are payable:

| | Consolidated | |
|--|--------------|-----------|
| | 2011 | 2010 |
| Within one year | 4,181,850 | 1,792,694 |
| One year or later and no later than five years | 7,840,969 | 3,361,301 |
| Later than five years | - | - |
| | 12,022,819 | 5,153,995 |

A large portion (\$5.8 million) of the exploration expenditure commitments relate to the Oodnadatta and Marla projects in South Australia which the consolidated entity intends on either farming out to a joint venture partner, raising capital to explore or reducing the size or number of tenements.

Bank Guarantees

As at 30 June 2011 the consolidated entity had bank guarantees with a face value of \$1,820,000 representing performance bonds with the Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources for rehabilitation obligations on the Nabarlek Mineral Lease and Headwaters Projects. A further bank guarantee of \$32,038 was held by the office lessor for rental obligations (see note 12).

23. Controlled entities

| | Note | Country of Incorporation | Ownership interest | |
|---|------|--------------------------|--------------------|-------|
| | | | 2011 | 2010 |
| Parent entity | | | | |
| Uranium Equities Limited | | Australia | | |
| Subsidiaries | | | | |
| G E Resources Pty Ltd | | Australia | 100% | 100% |
| Uranium Services Pty Ltd | | Australia | 100% | 100% |
| Bullion Minerals Pty Ltd | | Australia | 100% | 100% |
| Queensland Mines Pty Ltd | | Australia | 100% | 100% |
| PhosEnergy Inc | | USA | 100% | 100% |
| UFP Investments LLC (deconsolidated 21 June 2011) | 24 | USA | 47% | 89.4% |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

24. Acquisitions and disposals of subsidiaries

UFP Investments LLC (UFP), a Colorado USA incorporated limited liability company incorporated to hold Uranium Equities' and Cameco's interest in Urtek LLC, was deconsolidated on 21 June 2011 (see note 13). Prior to deconsolidation the consolidated entity held 68.2% of UFP (30 June 2010: 89.4%). Cameco's investment of US\$5 million on 21 June 2011 took their interest in UFP to 53%, diluting the consolidated entity's interest to 47%.

Total losses of \$5,370,300 (including non-controlling interest of \$1,707,755) were recognised up to deconsolidation in June 2011, comprising mainly equity accounting and impairment losses in relation to UFP's investment in Urtek LLC as the PhosEnergy Process is in the research and development phase.

The following items relating to the deconsolidation are included in the Statement of Comprehensive Income:

| | 2011 |
|---|------------------|
| Book value of net assets of UFP Investments LLC on deconsolidation | (117,372) |
| Less: Non-controlling interest | 37,324 |
| Recognition of investment retained in UFP on deconsolidation | 2,188,286 |
| Sub-total | <u>2,108,238</u> |
| Foreign currency translation reserve at 1 July 2010 | 106,372 |
| Movement in foreign currency translation reserve prior to loss of control | (969,721) |
| Less: Non-controlling interest | 283,147 |
| Foreign currency translation reserve reclassified to profit/(loss) | <u>(580,202)</u> |
| Gain/(Loss) on loss of control | <u>1,528,036</u> |

Non-controlling interests removed from equity on deconsolidation of UFP in the above items totals \$320,471.

There were no acquisitions of subsidiaries in the year ended 30 June 2011 and no acquisitions or disposals of subsidiaries during the year ended 30 June 2010.

25. Dilution gain on transfer of non-controlling interest

| | 2011 | 2010 |
|---|-----------|-----------|
| Accumulated losses – dilution in ownership interest in subsidiaries | 3,965,678 | 2,408,665 |

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

The first payment of US\$2.5M was invested by Cameco into UFP in November 2009, earning Cameco a 10.6% interest. These funds are required to be applied towards the development of the PhosEnergy Process and day to day operating expenses of UFP under the terms of the agreement. In July 2010 Cameco invested the next US\$5 million, taking their interest to 31.8% and in June 2011 Cameco invested a further US\$5 million taking their interest in UFP to 53%. UFP was deconsolidated from the consolidated entity at that time with the balance of non-controlling interest of \$37,324 recycled to profit and loss (see Note 24).

The dilution gain of \$3,965,678 (2010:\$2,408,665) made on Cameco's second investment (US\$5 million) in July 2010 has been recorded against accumulated losses, reflecting the fact that non-controlling interests are equity interests. A further \$1,973,271 has been recognised as non-controlling interest.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

26. Parent entity disclosures

The parent entity of the group was Uranium Equities Limited throughout the years ended 30 June 2011 and 30 June 2010.

| | Company | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Result of the parent entity | | |
| Profit for the period | (334,385) | 1,063,078 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | (334,385) | 1,063,078 |
| Financial Position of the parent entity at year end | | |
| Current assets | 3,563,287 | 8,685,868 |
| Total assets | 21,362,303 | 21,956,151 |
| Current liabilities | 455,038 | 993,298 |
| Total liabilities | 517,674 | 1,028,170 |
| Total equity of the parent entity comprising of: | | |
| Share capital | 44,997,404 | 44,997,404 |
| Share option reserve | 5,244,681 | 4,993,648 |
| Accumulated losses | (29,397,456) | (29,063,071) |
| Total Equity | 20,844,629 | 20,927,981 |

There were no parent entity contingencies or capital commitments for the purchase of property, plant and equipment as at 30 June 2011.

27. Reconciliation of cash flows from operating activities

| | Consolidated | |
|--|------------------|------------------|
| | 2011 | 2010 |
| Loss for the period | (4,202,133) | (1,241,026) |
| Cash flows from operating activities | | |
| Adjustments for: | | |
| Depreciation and amortisation | 72,032 | 92,560 |
| (Profit)/loss on disposal of fixed assets | 5,070 | 51,836 |
| Profit/(Loss) on sale of available for sale of investments | (41) | - |
| Reversal of impairment of available for sale investments | (16,000) | - |
| Impairment of available for sale investments | - | 16,000 |
| Deferred income | (222,222) | 222,222 |
| Write-off of exploration and evaluation expenditure | 37,507 | 95,243 |
| Impairment loss on equity accounted investee | 3,653,516 | 1,246,710 |
| Share of equity accounted investee losses | 1,652,575 | 658,866 |
| Impairment write-down of investment | - | (26,668) |
| Gain/(loss) on loss of control | (1,528,036) | - |
| Interest charge / (unwind) on fair value of rehabilitation provision | 67,300 | 81,996 |
| Equity-settled share-based payment expenses | 251,033 | 93,768 |
| Income Tax Received | 179,748 | 111,164 |
| Operating loss before changes in working capital and provisions | (49,651) | 1,402,671 |
| Decrease/(increase) in trade and other receivables | (245,845) | (120,798) |
| Increase/(decrease) in trade payables and accruals | (3,523) | 20,857 |
| Increase/(decrease) in provisions | 95,779 | (13,124) |
| Net cash from/(used) in operating activities | (203,240) | 1,289,606 |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

28. Related Parties Disclosures

(a) Key management personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

A W Kiernan (Chairman)

T R B Goyder

T C Pool

(Appointed 21 April 2011)

Executive directors

B L Jones (Managing Director)

Executives

R A Heinrich (Chief Financial Officer & Company Secretary)

The key management personnel compensation included in 'personnel expenses' (see note 5) are as follows:

| | 2011 | 2010 |
|------------------------------|---------|---------|
| Short-term employee benefits | 549,661 | 556,951 |
| Post-employment benefits | 68,744 | 101,594 |
| Termination payment | - | 212,500 |
| Share based payments | 209,586 | 55,309 |
| | 827,991 | 926,354 |

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report.

Loans to key management personnel and their related parties

No loans were made to key management personnel and their related parties.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

| | | Note | 2011 | 2010 |
|-------------------------------|-------------------------|-------|-------------|-------------|
| Key management persons | Transaction | | | |
| A W Kiernan | Corporate advisory fees | (i) | (57,492) | (74,997) |
| T C Pool | Urtek LLC investment | (ii) | (5,356,183) | - |
| T R B Goyder | Corporate service fees | (iii) | - | (8,750) |
| A W Kiernan | | | | |
| Former Directors | | | | |
| T M Clifton | Consulting fees | (iv) | - | (40,900) |
| M S Chalmers | Urtek LLC investment | (v) | - | (2,213,685) |
| M S Chalmers | Consulting fees | (vi) | - | (37,500) |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

- (i) The Company used the corporate advisory services of Anthony Kiernan during the course of the financial year.
- (ii) Tom Pool held a personal beneficial interest (of 19.39%) at 30 June 2011 in Urtek LLC, a company established to develop technology to extract uranium from phosphoric acid (the "PhosEnergy" process). That beneficial interest was disposed subsequent to balance date. At 30 June 2011 the consolidated entity held a 27% beneficial ownership interest in Urtek LLC through its associate, UFP Investments LLC (UFP). UFP invested \$5,356,183 in Urtek LLC in the period ended 21 June 2011 being the date UFP was deconsolidated (see note 24). The Company also provides management services to Urtek LLC (see note 28(b)).
- (iii) The Company procured company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited until September 2009. Timothy Goyder and Anthony Kiernan are directors of Chalice Gold Mines Limited.
- (iv) Tim Clifton provided consultancy services to the group throughout 2010.
- (v) In 2010, Mark Chalmers owned 13.73% of Urtek LLC, a company established to develop technology to extract uranium from phosphoric acid (the "PhosEnergy" process). At 30 June 2010 the consolidated entity held a 49% ownership interest in Urtek LLC through its subsidiary UFP Investments LLC.
- (vi) Mark Chalmers provided consultancy services in relation to Urtek LLC.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

| | 2011 | 2010 |
|---|-------|-------|
| Assets and liabilities arising from the above transactions | | |
| Trade payables | 4,166 | 4,166 |
| | 4,166 | 4,166 |

Options and rights over equity instruments granted as compensation

Movement in Options

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | Held at 1 July 2010 ⁽¹⁾ | Granted | Exercised | Expired/ Forfeited | Held at 30 June 2011 | Vested during the year | Vested and exercisable at 30 June 2011 |
|------------------|---------------------------------------|-----------|-----------|-----------------------|-------------------------|---------------------------|--|
| Directors | | | | | | | |
| A W Kiernan | 1,000,000 | 1,000,000 | - | - | 2,000,000 | 1,000,000 | 2,000,000 |
| B L Jones | 2,000,000 | 1,000,000 | - | - | 3,000,000 | 1,500,000 | 3,000,000 |
| T R B Goyder | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| T C Pool | 461,548 | - | - | - | 461,548 | - | 461,548 |
| Executive | | | | | | | |
| R A Heinrich | 500,000 | 250,000 | - | - | 750,000 | 500,000 | 750,000 |

In addition, as part of Mr Pool's remuneration package the Company has agreed, subject to shareholder approval at the next general meeting, to issue Mr Pool 500,000 unlisted options with an exercise price of 25c and a term of 3 years from issue. Of the options, 250,000 will vest upon issue and 250,000 will vest 12 months from issue, subject to Mr Pool remaining as a director.

⁽¹⁾ The balance of options held by key management personnel at 1 July 2010 was 3,500,000. The balance of options at 1 July 2010 has been adjusted to reflect the option holdings of Mr Pool prior to his appointment as Non-executive Director on 21 April 2011.

| | Held at 1 July 2009 ⁽⁴⁾ | Granted | Exercised | Expired/ Forfeited | Held at 30 June 2010 | Vested during the year | Vested and exercisable at 30 June 2010 |
|-------------------------|---------------------------------------|-----------|-----------|-----------------------|-------------------------|---------------------------|--|
| Directors | | | | | | | |
| A W Kiernan | 1,500,000 | | 500,000 | - | 1,000,000 | 750,000 | 1,000,000 |
| B L Jones | 1,000,000 | 1,000,000 | - | - | 2,000,000 | 500,000 | 1,500,000 |
| T R B Goyder | | | | | | | |
| Former Directors | | | | | | | |
| T M Clifton | - | - | - | - | (3) | - | (3) |
| M S Chalmers | 269,226 | - | - | - | (2) | - | (2) |
| D A Brunt | - | - | - | - | (3) | - | (3) |
| Executive | | | | | | | |
| R A Heinrich | 500,000 | - | - | - | 500,000 | 250,000 | 250,000 |

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

- (2) MS Chalmers resigned on 19 November 2009. His option balance at this date was 269,226. As Mr Chalmers is no longer a director his option holding at 30 June 2010 has not been disclosed.
- (3) DA Brunt resigned on 16 November 2009 and TM Clifton resigned on 23 June 2010. Their option holdings at these dates were nil.
- (4) The balance of options held by key management personnel at 1 July 2009 was 2,269,226. The balance of options at 1 July 2009 and options granted during the financial year have been adjusted to reflect the option holdings of Mr Jones prior to his appointment as Managing Director on 17 September 2009.

Movements in ordinary shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | Held at 1 July 2010 ⁽¹⁾ | Additions | Received on exercise of options/ performance shares | Sales | Held at 30 June 2011 |
|------------------|---------------------------------------|-----------|---|-------|-------------------------|
| Directors | | | | | |
| A W Kiernan | 1,954,068 | 310,000 | - | - | 2,264,068 |
| B L Jones | 170,000 | 228,410 | - | - | 398,410 |
| T R B Goyder | 20,300,000 | 9,674,199 | - | - | 29,974,199 |
| T C Pool | 559,548 | - | - | - | 559,548 |
| Executive | | | | | |
| R A Heinrich | 100,000 | - | - | - | 100,000 |

No ordinary shares were granted to key management personnel during the reporting period as compensation.

- (1) The balance of ordinary shares held by key management personnel at 1 July 2010 was 22,524,068. The balance of ordinary shares at 1 July 2010 has been adjusted to reflect the shareholdings of Mr Pool prior to his appointment as Non-executive Director on 21 April 2011.

| | Held at 1 July 2009 ⁽⁵⁾ | Additions | Received on exercise of options | Sales | Held at 30 June 2010 |
|-------------------------|---------------------------------------|-----------|---------------------------------------|-------|-------------------------|
| Directors | | | | | |
| A W Kiernan | 1,454,068 | - | 500,000 | - | 1,954,068 |
| B L Jones | 70,000 | 100,000 | - | - | 170,000 |
| T R B Goyder | 20,300,000 | - | - | - | 20,300,000 |
| Former Directors | | | | | |
| T M Clifton | 6,070,000 | - | 2,870,000 | - | (2) |
| M S Chalmers | 4,282,976 | - | 4,663,750 | - | (3) |
| D A Brunt | 4,013,750 | - | 4,663,750 | - | (4) |
| Executive | | | | | |
| R A Heinrich | 100,000 | - | - | - | 100,000 |

- (2) TM Clifton resigned on 23 June 2010. His shareholding at this date was 8,940,000. As Mr Clifton is no longer a director his option holding at 30 June 2010 has not been disclosed.
- (3) MS Chalmers resigned on 19 November 2009. His shareholding at this date was 8,946,726. As Mr Chalmers is no longer a director his option holding at 30 June 2010 has not been disclosed.
- (4) DA Brunt resigned on 16 November 2009. His shareholding at this date was 8,677,500. As Mr Brunt is no longer a director his option holding at 30 June 2010 has not been disclosed.
- (5) The balance of shares held by key management personnel at 1 July 2009 was 36,220,794. The balance of shares at 1 July 2009 has been adjusted to reflect the shareholdings of Mr Jones prior to his appointment as Managing Director on 17 September 2009.

Uranium Equities Limited and its controlled entities

Notes to the consolidated financial statements

Movements in partly paid performance shares

| | Held at 1 July 2009 | Converted | Held at 30 June 2010 | Vested during the year | Vested and convertible to ordinary shares upon payment |
|-------------------------|------------------------|-------------|-------------------------|---------------------------|---|
| Former Directors | | | | | |
| T M Clifton | 2,870,000 | (2,870,000) | - | - | - |
| M S Chalmers | 4,663,750 | (4,663,750) | - | - | - |
| D A Brunt | 4,663,750 | (4,663,750) | - | - | - |

All partly paid performance shares were converted to ordinary shares by payment of the remaining \$0.075 per share during the 2010 financial year.

(b) Non-key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see Note 23) and associates (see Note 13).

Other related party transactions

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries. Loans outstanding between the Company and its controlled entities have no fixed date of repayment and are non-interest bearing. At 30 June 2011, such loans to subsidiaries totalled \$15,392,617 (2010: \$10,801,412)

Associates

The Company provided management services to Urtek LLC, the company developing the PhosEnergy Process, throughout the year under a Services Agreement. The terms and conditions of the Services Agreement are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non related parties on an arm's length basis. Total fees charged to Urtek in 2011 were \$953,753 (2010: \$825,752). The balance of fees outstanding at 30 June 2011 was \$83,000 (2010: \$71,330).

29. Subsequent Events

In the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Uranium Equities Limited and its controlled entities

Directors' declaration

- 1 In the opinion of the Directors of Uranium Equities Limited:
 - (a) the financial statements and notes, set out on pages 13 to 43 and the Remuneration report in the Directors' report, set out on pages 3 to 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and
 - (c) 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.
- 2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer (or equivalent) and chief financial officer (or equivalent) for the financial year ended 30 June 2011.

Dated at Adelaide the 13th day of September 2011.

Signed in accordance with a resolution of the Directors:



Bryn Jones
Managing Director



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

Report on the financial report

We have audited the accompanying financial report of Uranium Equities Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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.

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, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

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 have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, we draw attention to the following matters. For the year ended 30 June 2011 the consolidated entity incurred a loss of \$4.2 million and had operating and investing cash outflows of \$4.6 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraphs 7.1 to 7.3 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Uranium Equities Limited for the year ended 30 June 2011 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

13 September 2011

Uranium Equities Limited and its controlled entities

Corporate Governance Report

Uranium Equities is committed to a high level of corporate governance in accordance with the Corporations Act and ASX Listing Rules. The Company's Corporate Governance Statement details the principles and practices adopted and can be found on the Company website (www.uel.com.au).

The following information is supplementary to the Corporate Governance Statement and addresses the principles which are not met:

Directors & Management

Details of each Director's qualifications, experience and special responsibilities, their attendance at board meetings and the Company Secretary's qualifications and experience are disclosed on pages 3 and 4. Information on the principles and structure of remuneration for Executive Directors, Non-executive Directors and senior executives is disclosed in the Remuneration Report (Section 7 of the Director's Report).

During the year the Company undertook reviews of the Board composition and executive management in accordance with sections 1.1 and 1.2 of the Corporate Governance Statement.

Mr Tom Pool was appointed as Non-executive Director on 21 April 2011. Tom is a mining engineer with more than 35 years experience in the resources industry, the last 25 years of which has focussed on assessment and evaluation of projects in the uranium and nuclear fuels sector. Tom is Chairman of International Nuclear Inc (iNi) based in Golden, Colorado, having previously held senior positions with Nuclear Fuels Corporation and the Concord group of Companies. Uranium Equities has had a long association with Tom through Urtek LLC, the company developing the PhosEnergy Process. Tom is a founding member of Urtek LLC and at 30 June 2011 held a 19.39% interest. This interest was subsequently sold on 31 August 2011.

Following Mr Pool's sale of his interest in Urtek LLC, Mr Pool is now considered an independent Non-executive Director as specified in the ASX Corporate Governance Principles. Although the Board does not comprise a majority of independent Directors, the Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. If a Director has a conflict of interest, such as with Mr Pool and his previous interest in Urtek LLC, the Director is excluded from any Board meeting or discussion concerning that matter.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of an independent Non-executive Chairman or additional independent Non-executive Directors.

Committees

With the exception of the Audit Committee, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of any other separate or special committees, such as a nomination committee or remuneration committee, at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Audit Committee met on two occasions during the year. The external auditors attended both of these meetings. A copy of the Audit Committee Charter can be found on the Company website (www.uel.com.au) under the Corporate Responsibility section.

Risk Management

The Managing Director and Chief Financial Officer have assured the Board that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Management has also reported to the Board that the Company's management of material business risks is effective.

Uranium Equities Limited and its controlled entities

Corporate Governance Report

ASX Corporate Governance Council Recommendations

| | | | Comply | CGS Reference* |
|--|---|--|------------------|----------------|
| Principle 1: Lay solid foundations for management and oversight | | | | |
| 1.1 | Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. | | ✓ | 1.1 |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | | ✓ | 1.1 |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1. | | ✓ | |
| Principle 2: Structure the Board to add value | | | | |
| 2.1 | A majority of the Board should be independent directors. | | x | 1.2 |
| 2.2 | The chair should be an independent director. | | x | 1.2 |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual. | | ✓ | 1.2 |
| 2.4 | The Board should establish a nomination committee. | | x | 1.3 |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | | ✓ | 1.1 |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2. | | ✓ | |
| Principle 3: Promote ethical and responsible decision-making | | | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company' integrity. the practices necessary to take into account their legal obligations and the reasonable expectations of their Shareholders. the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | | ✓ | 2.1 2.2 |
| 3.2 | Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy. | | ✓ | 2.3 |
| 3.3 | Companies should provide the information indicated in the Guide to reporting on Principle 3. | | ✓ | |
| Principle 4: Safeguard integrity in financial reporting | | | | |
| 4.1 | The board should establish an audit committee. | | ✓ | 1.3 |
| 4.2 | The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chair of the board has at least three members | | x x x ✓ | 1.3 |
| 4.3 | The audit committee should have a formal charter. | | ✓ | 1.3 |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4. | | ✓ | |

Uranium Equities Limited and its controlled entities

Corporate Governance Report

| | | Comply | CGS Reference* |
|---|---|--------|----------------|
| Principle 5: Make timely and balanced disclosure | | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies. | ✓ | 3.1 |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5. | ✓ | |
| Principle 6: Respect the rights of shareholders | | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | ✓ | 3.2 |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6. | ✓ | |
| Principle 7: Recognise and manage risk | | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | ✓ | 4.1 |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. | ✓ | 4.2 |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | ✓ | 4.2 |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7. | ✓ | |
| Principle 8: Remunerate fairly & responsibly | | | |
| 8.1 | The board should establish a remuneration committee. | × | 1.3 |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | ✓ | 5, Rem. Report |
| 8.3 | Companies should provide the information indicated in the Guide to reporting on Principle 8. | ✓ | |

* Refer Corporate Governance Statement on the Company's website

Uranium Equities Limited and its controlled entities

ASX additional information

As at 31 August 2011

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings

Substantial shareholders

The number of shares held by substantial shareholders and their associated interests as at 31 August 2011 were:

| Shareholder | Number of ordinary shares held | Percentage of capital held % |
|--------------------|--------------------------------|------------------------------|
| Timothy R B Goyder | 29,974,199 | 14.26 |

Class of Shares and Voting Rights

At 31 August 2011 there were 2,010 holders of the ordinary shares of the Company.

The voting rights to the ordinary shares set out in the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares -

- at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney; and
- on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options do not have voting rights.

Distribution of equity security holders as at 31 August 2011:

| Category | Number of equity security holders | |
|------------------|-----------------------------------|------------------------|
| | Ordinary Shares | Unlisted Share Options |
| 1 – 1,000 | 96 | - |
| 1,001 – 5,000 | 438 | - |
| 5,001 – 10,000 | 396 | - |
| 10,001 – 100,000 | 872 | 5 |
| 100,001 and over | 208 | 15 |
| Total | 2,010 | 20 |

The number of shareholders holding less than a marketable parcel at 31 August 2011 was 550.

Uranium Equities Limited and its controlled entities

ASX additional information

As at 31 August 2011

Twenty largest Ordinary Fully Paid Shareholders as at 31 August 2011

| Name | Number of ordinary shares held | Percentage of capital held % |
|---|-----------------------------------|------------------------------------|
| MR Timothy R B Goyder | 29,974,199 | 14.26 |
| JP Morgan Nominees Australia Limited <Cash Income A/C> | 13,494,156 | 6.42 |
| Citicorp Nominees Pty Limited | 13,248,747 | 6.30 |
| Lagoon Creek Resources Pty Ltd | 10,000,000 | 4.76 |
| Resolute (Treasury) Pty Ltd | 9,470,000 | 4.50 |
| Calm Holdings Pty Ltd <Clifton Super Fund A/C> | 8,940,000 | 4.25 |
| Mr David Andrew Brunt <Brentwood Super Fund A/C> | 6,800,000 | 3.23 |
| Mr Mark Stephen Chalmers + Mrs Robi Diane Chalmers <M & R Chalmers Family A/C> | 4,570,000 | 2.17 |
| HSBC Custody Nominees (AUSTRALIA) Limited | 3,944,400 | 1.88 |
| Ginostra Capital Pty Limited <Pullini Investment A/C> | 3,001,022 | 1.43 |
| Dr Mark Alexander Trebble + Mr Stephen Mark Trebble <Trebble Sum A/C> | 2,600,030 | 1.24 |
| Trebble Sum Pty Limited <Trebble SUM A/C> | 2,550,000 | 1.21 |
| Mr Anthony William Kiernan | 2,264,068 | 1.08 |
| M W McDonald Nominees Pty Ltd <McDonald Property Inv A/C> | 2,152,500 | 1.02 |
| Cadex Petroleum Pty Limited | 1,923,200 | 0.91 |
| Mrs Angela Mary McDonald + Mr Michael Walsh McDonald <M & A McDonald S/F A/C> | 1,702,500 | 0.81 |
| National Nominees Limited | 1,304,301 | 0.62 |
| Tara Management Pty Ltd | 1,182,200 | 0.56 |
| Penally Management Limited | 1,100,000 | 0.52 |
| Select Yachts Pty Ltd | 1,000,000 | 0.48 |
| Total | 121,221,323 | 57.65 |