



**UXA Resources
Limited**

ABN 65 112 714 397

UXA RESOURCES LTD

ABN 65 112 714 397

FINANCIAL STATEMENTS

30 June 2011

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UXA Resources Ltd

Directors' report

The Directors present their report together with the financial report of UXA Resources Limited (UXA) and of the Group, being the Company and its subsidiaries for the year ended 30 June 2011 and the auditor's report thereon.

1. Directors

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

Name and qualifications	Experience, special responsibilities and other director relationships
<p>Neill Fleming Arthur Age 68 Chairman <i>Eur Ing</i> BE Chem.(Hons), FAusIMM, C Eng, FIChE, FAICD</p>	<p>Neill is Chairman of Granite Power Limited; Chairman of Metallum Resources PLC (UK); and Chairman of Ambre CTL Ltd. From January 2005 until December 2010 he was a Director of The Australasian Institute of Mining and Metallurgy (The AusIMM); until March 2006, Director of Superior Coal Limited; formerly CEO of ASX 200 listed and unlisted organisations in Australia and overseas; currently or formerly advisor on energy and infrastructure issues to a number of government bodies in Australia and overseas; and a professional mentor.</p> <p>Neill was appointed as a Director and Chairman of the Board on 17 February 2005.</p> <p>Other listed company Directorships held during past 3 years: Nil</p>
<p>Stephen Russell Penney Age 58 Managing Director BA, PhD, FAusIMM,</p>	<p>Dr. Russell Penney was appointed Managing Director of the company, effective as of 3 December 2008.</p> <p>Previous to this appointment, Dr Penney was Executive Director and Chief Executive Officer of NGM Resources Limited (ASX: NGM), a diversified mineral exploration company with a focus on uranium and base metals.</p> <p>During his 4 years at NGM, Dr Penney led the team that acquired and advanced uranium and nickel exploration projects in three African nations. Dr Penney has a PhD in geology and a BA from Trinity College Dublin University and has conducted research at Oxford and Melbourne Universities.</p> <p>Dr Penney has worked for a number of larger mining companies including Placer Dome (now part of Barrick Gold), Pasminco (later becoming Zinifex), BP Minerals and CSIRO Exploration and Mining.</p> <p>Other listed company Directorships held during past 3 years: Nil</p>

UXA Resources Ltd

Directors' report (continued)

1. Directors (continued)

Name and qualifications	Experience, special responsibilities and other director relationships
<p>David Leslie Hawley Age 66 Non Executive Director BA (Hons), GradDip EnvSt, FAIE, MAIG, MAusIMM, MEPLA of NSW, MAWA, MGSA</p>	<p>David has had over 40 years experience in the energy and minerals exploration industry, with 18 years as a listed resource company director and 18 years as a uranium geologist. He is also a director of Granite Power Limited.</p> <p>David was appointed as a Director on 31 January 2005 and is a member of the Audit Committee.</p> <p>Other listed company Directorships held during past 3 years: Nil</p>
<p>Stephen Geoffrey Gemell Age 57 Non-Executive Director BE Mining (Hons), FAusIMM(CP), MAIME, MMICA</p>	<p>Stephen is a consulting mining engineer who has had more than 30 years experience in the mining industry, both in Australia and overseas. He has previously held senior operating roles including CEO positions, and executive and non-executive Directorships in ASX-listed mining companies and unlisted mine operators or joint ventures.</p> <p>Stephen was appointed as a Director on 1 March 2005 and is a member of the Audit and Remuneration Committees.</p> <p>Other listed company Directorships held during past 3 years:</p> <ul style="list-style-type: none">- Argent Minerals Limited- Eastern Iron Limited- Indochine Mining Limited

Directors' report (continued)

1. Directors (continued)

Name and qualifications	Experience, special responsibilities and other director relationships
<p>Ian McLeay Mutton Age 64 Non-Executive Director</p>	<p>A non-practicing lawyer with an extensive background in competition and product liability laws. He now assists firms to define their ethics so as to ensure alignment with the laws that govern their operations. He also assists with the development and implementation of programs aimed at ensuring compliance with the competition laws.</p> <p>A decade with the Commonwealth Crown Solicitor on continuous secondment to the (then) Trade Practices Commission and occasional secondment to an inter-department committee responsible for containing product liability exposure. A decade and a half with CSR Limited devising and implementing product liability defence and asset protection strategies in Australia, New Zealand and the US. Five years managing relations for a Northern Ireland based energy start-up Company with governments and regulators based in Belfast, Westminster and Brussels. The last decade devising and implementing competition law and product liability related governance and training programs for companies in Australia, New Zealand and Europe involved in the building materials, steel products, recycling and equipment sectors and a Government trading venture in Australia.</p> <p>He sits on boards of emerging listed and unlisted Australian and UK companies engaged in the energy, exploration, finance, technology, recycling and minerals, oil & gas exploration sectors in Australia and the UK.</p> <p>Ian was appointed as a Director on 6 September 2005 and is Chairman of the Audit and Remuneration Committees.</p> <p>Other listed company Directorships held during past 3 years:</p> <ul style="list-style-type: none"> - Australian Biodiesel Group Limited - Sinovus Mining Limited

Barry Dawes retired as a Director 18 November 2010

UXA Resources Ltd

Directors' report (*continued*)

2. Company Secretary

Graham Seppelt, CPA

Mr Graham Seppelt was appointed as Secretary on 1 December 2009.

Mr Seppelt has had extensive experience as a contract accountant and in corporate advisory roles. He is currently company secretary for Legend Corporation Limited, BSA Limited, Mesbon China Nylon Limited and My ATM Holdings Limited.

3. Company particulars

UXA is incorporated in Australia. The address of the registered office and principal place of business is:

43a Fullarton Road
Kent Town
SA 5067
Australia
Phone: +61 8 8363 7970
Fax: +61 8 8363 7963
Email: info@uxa.com.au
Web: www.uxa.com.au

4. Principal activities

UXA was established to explore for, locate and develop commercial grade uranium mineralisation and any associated base or precious metal mineralisation. The Company has to date focused on exploring on its significant ground holdings in two of Australia's world class uranium provinces in South Australia and Northern Territory.

During the year the Company has continued its corporate strategy, to mitigate the risks of purely grass roots exploration and sought to diversify its activities through:

- Purchase of the assets and business of Geoinstruments Logging LLC, a borehole logging business in the United States of America. The intention of the purchase was to compliment our existing logging business within Australia and was effective 1 December 2010.
- The drilling program at the more advanced Dome 5 base metal exploration project at Mundi Plains in NSW.
- Continuous assessment of exploration results from existing projects.

5. Review and result of operations and state of affairs

The loss after income tax amounted to \$3,608,614 (2010: \$6,173,066).

During the year ended 30 June 2011, a further 130,997,500 ordinary shares were issued at a price of 4 cents and a further 35,455,125 issued at 3.1 cents, totalling \$6.3 million less issues costs of \$0.4 million. These funds were raised by a share placement to institutional and sophisticated investors which raised \$3.6 million together with a Share Purchase Plan to existing shareholders which raised the balance. The Australian based borehole logging business was adversely affected by prolonged adverse weather in Queensland which impacted many clients' drilling programs.

Further information is included in the Review of Operations set out in the Annual Report.

6. Dividends

No dividends were paid or declared by the Company since the end of the previous financial year and no dividend is recommended for the current year (2010: nil).

7. Events subsequent to reporting date

The Group has:

- Completed a rights issue on 14 September 2011 to existing shareholders which raised \$0.38 million on a 10 shares for each 25 shares held basis.
- Held a general meeting of shareholders on 26 September 2011 to ratify prior share placements, issue of options and approve the ability to issue 50 million shares within three months of the meeting date.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of UXA, to affect significantly the operations of UXA, the results of those operations, or the state of affairs of UXA, in future financial years.

8. Likely developments

Information on likely developments is included in the Review of Operations set out in the Annual Report.

9. Environmental regulation

The Group's project areas are located on exploration licences ("ELs") issued by the Department of Mineral Resources (NSW), Department of Primary Industries South Australia (SA), Department of Industry and Resources (WA) and Department of Primary Industries, Fisheries and Mines (NT) and operate under environmental licences issued by the Environmental Protection Authority. These licences require the preparation of an annual Environmental Management report as well as periodic rehabilitation reports as exploration proceeds.

The Group has a statutory obligation to protect the environment in areas in which it was and is exploring. During the reporting period, the Group met its obligations pursuant to environmental legislation.

10. Corporate governance statement

In recognising of the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to the principles of good corporate governance. The Group's corporate governance statement follows the financial report.

10.1 The Board and Executive Directors

The Board is responsible for the appointment and contract with the Managing Director. The Managing Director leads the organisation and develops a business strategy and budget in collaboration with the Board and implements them, once approved by the Board.

The Managing Director is responsible for the internal work culture of the Company, for the employment of staff and consultants and for overall financial and operational management and control. The Managing Director is the primary spokesperson for UXA and the lead person in its key relationships with Government, ASX and other organizations whilst focusing on the management of exploration programs, technical reporting and any future joint ventures and commercial opportunities.

Under the Constitution of the Company, the Directors may confer upon the Managing Director any of the powers exercisable by the Directors upon such terms and conditions and with any restrictions as they see fit. Likewise, the Directors may at any time revoke, withdraw, alter or vary all or any of those powers. The Board determines the performance goals and remuneration of the Managing Director.

Directors' report (continued)

10. Corporate governance statement (continued)

10.2 Meetings of Directors

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2011 and the number of meetings attended by each Director

	Board Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Neill Arthur	16	15	-	-	1	1
David Hawley	16	13	2	2	1	1
Barry Dawes	5	4	-	-	-	-
Stephen Gemell	16	15	2	2	1	1
Ian Mutton	16	12	2	1	1	1
Russell Penney	16	15	-	-	-	-

10.3 Share options

Options issued/exercised/expired in the current financial year

3,075,000 options were issued during the year to State Equity Group in exchange for their involvement in capital raising activities. There were no unlisted options granted to employees, under an approved Employee Share Option Plan (ESOP). 2,445,000 ESOP options expired during the year. The issued options have exercise prices as follows:

Unlisted options	Exercisable at 4 cents on or before 7 October 2012	3,075,000
TOTAL		3,075,000

Total outstanding options at the date of this report:

Unlisted options	Exercisable at 20 cents on or before 4 December 2014	9,500,000
Unlisted options *	Exercisable at 20 cents on or before 19 February 2013	2,730,000
Unlisted options *	Exercisable at 20 cents on or before 30 June 2013	1,350,000
Unlisted options	Exercisable at 4 cents on or before 7 October 2012	3,075,000
TOTAL UNLISTED OPTIONS		16,655,000

* These options vest with employees 50% after one year's continuous service and the remaining 50% vesting after 2 years continuous service with the Company and lapse 3 months after termination of employment.

Directors' report (continued)

10. Corporate governance statement (continued)

10.4 Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties. Any non-audit services are referred to the Chairman of the Audit Committee for approval. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

Audit services	2011 \$	2010 \$
Remuneration for audit and review of financial reports under the Corporations Act 2001	71,500	55,500

Non-audit services	2011 \$	2010 \$
Research and development tax related services	13,500	31,000

10.5 Remuneration report - Audited

10.5.1 Principles of compensation

The Chairman, Managing Director and the non-executive Directors together have the authority and responsibility for directing and controlling the activities of the Company and are therefore considered key management personnel. The Company Secretary is also considered key management personnel. The Company has not appointed any other key management personnel who participate in making decisions affecting the whole or a substantial part of the business of the Company or its financial standing.

Remuneration levels of the Board and Managing Director are approved by the Board. In doing so, the Board seeks to retain the professional services of Directors as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary. The Board delegates the review and determination of appropriate remuneration levels of staff to the Managing Director.

Remuneration of the Managing Director and staff is determined with reference to prevailing industry standards and is set with the aim of attracting and retaining the best possible calibre of employees.

UXA Resources Ltd

Directors' report (continued)

10. Corporate governance statement (continued)

The Managing Director entered into an Employment Agreement (variation to existing agreement) with the Company dated 24 March 2011 at a salary of \$325,000 (inclusive of superannuation). In addition, 3 million shares will be issued if the UXA share price exceeds 10 cents for ten consecutive trading days (vesting 50% on award and 50% in 12 months time) plus a Discovery Bonus equal to 20% of the fixed remuneration component (comprising 50% cash and 50% shares calculated at the date of issue) for the discovery of inferred resources. The Agreement has no fixed term and may be terminated by either party on six months written notice. There are no additional termination payments provided for under the Agreement.

Non-executive Directors are each paid a fee, totalling \$40,000 plus a \$6,000 committee fee per annum (exclusive of superannuation) and the non-executive Chairman is paid \$60,000 plus \$6,000 committee fee. Executive Directors are not paid Directors' fees. No performance-based bonuses or option-based remuneration was made to non-executive Directors. Members of the Audit Committee are paid an additional fee of \$5,000 per annum (exclusive of GST or superannuation).

The total of all non-executive Directors' fees, exclusive of consulting fees, GST or superannuation, in any one financial year will not exceed \$300,000 without approval by the Members. The level of individual non-executive Director's fees within the approved total is determined by the Board. Upon retirement, a non-executive director may be entitled to a retirement benefit based on their total fees over the prior three years in accordance with the Corporations Act 2001. In due course, one or more of the Directors may become salaried employees, depending on the way in which the activities of UXA develop. In the event that such Director(s) become salaried employees, their remuneration will be inclusive of any Directors' fees.

10.5.2 Directors' and executive officers' remuneration

Directors

2011 (\$)	Short-term			Post - employment			Share – based payments	TOTAL	Value of options as proportion of remuneration (%)
	Salary	Fees and comms	Total	Super- annuation benefits	Long Service Leave	Retire- ment Benefit	Options		
N Arthur	66,000	2,700	68,700	5,940			-	74,640	-
R Penney	256,241	-	256,241	38,759	1,682		4,102	300,784	1.4
B Dawes	16,667	-	16,667	1,500		32,500	-	50,667	-
S Gemell	46,000	-	46,000	4,140			-	50,140	-
D Hawley	36,000	-	36,000	14,140			-	50,140	-
I Mutton	46,000	-	46,000	4,140			-	50,140	-
Total	466,908	2,700	469,608	68,619	1,682	32,500	4,102	576,511	-

The retirement benefit for B. Dawes was calculated as the average of his previous three years director's fees paid.

Directors' report (continued)

10. Corporate governance statement (continued)

Key Management Personnel

2011 (\$)	Short-term			Post - employment		Share – based payments	TOTAL	Value of options as proportion of remuneration (%)
	Salary	Fees / Commissions	Total	Super-annuation benefits	Long Service Leave	Options		
S Powell Senior Geologist	180,981	-	180,981	25,322	3,251	-	209,554	-
A White Chief Financial Officer	169,534	-	169,534	15,258	1,035	5,330	191,157	2.8
D Quinn CEO Geoscience	164,992	-	164,992	14,869	242	4,280	184,383	2.3
G Seppelt Company Secretary	-	33,000	33,000	-	-	-	33,000	-
Total	515,507	33,000	548,507	55,449	4,528	9,610	618,094	-

Directors' and executive officers' remuneration

2010 (\$)	Short-term			Post - employment	Share – based payments	TOTAL	Value of options as proportion of remuneration (%)
	Salary or fees	Fees / Commissions	Total	Super-annuation benefits	Options		
N Arthur	56,250	28,983	85,233	5,063	125,810	216,106	58
R Penney	256,881	-	256,881	23,119	258,881	538,881	48
B Dawes	37,500	9,900	47,400	3,375	83,873	134,648	62
S Gemell	42,500	23,069	65,569	3,825	83,873	153,267	55
D Hawley	42,500	-	42,500	3,825	83,873	130,198	64
I Mutton	42,500	-	42,500	3,825	83,873	130,198	64
Total	478,131	61,952	540,083	43,032	720,183	1,303,298	55

The fees / commissions consist of travel costs to attend seminars, commission on equity raising and consultancy fees.

Directors' report (continued)

10. Corporate governance statement (continued)

Other Key Management Personnel

2010 (\$)	Short-term			Post - employment	Share – based payments	TOTAL	Value of options as proportion of remuneration (%)
	Salary	Fees / Commissions	Total	Super- annuation benefits	Options		
S Powell Senior Geologist	183,500	-	183,500	16,515	26,448	226,463	12
A White Chief Financial Officer	150,000	-	150,000	13,500	11,552	175,052	7
D Stevens CEO Geoscience	131,251	-	131,251	11,813	-	143,064	-
G Seppelt Co Company Secretary	-	19,965	19,965	-	-	19,965	-
K Lynn Co Company Secretary	30,000	-	30,000	2,700	83,873	116,573	72
Total	494,751	19,965	514,716	44,528	121,873	681,117	18

10.5.3 Options granted as part of remuneration

There were zero options granted to Directors during the year. There were no bonuses paid to the Directors during the year. The number of options is determined according to the relative performance of the Company's shares against a basket of uranium explorer shares (to be determined) over the year prior to the anniversary date. There is no performance criteria for the issue of options to non-executive directors.

10.5.4 Performance income as a proportion of total remuneration

No performance-based bonuses have been paid to Directors or executives during the financial year. It is the intent of the Board to include performance bonuses as part of remuneration packages in the future.

Directors' report (continued)

10. Corporate governance statement (continued)

10.5.5 Directors' Interests

Ordinary shares

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
N Arthur	2,179,286	235,000	-	-	2,414,286
R Penney	250,000	970,000	-	-	1,220,000
B Dawes	5,965,716	-	-	-	5,965,716
S Gemell	714,286	285,714	-	-	1,000,000
D Hawley	9,850,000	-	-	-	9,850,000
I Mutton	114,286	-	-	-	114,286
Total	19,073,574	1,490,714	-	-	20,564,288

Options over ordinary shares

	Held at 1 July 2010	Granted as compensation	Exercised/ Lapsed/ Purchased	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
N Arthur	1,500,000	-	-	1,500,000	-	1,500,000
B Dawes	1,000,000	-	-	1,000,000	-	1,000,000
S Gemell	1,000,000	-	-	1,000,000	-	1,000,000
D Hawley	1,000,000	-	-	1,000,000	-	1,000,000
I Mutton	1,000,000	-	-	1,000,000	-	1,000,000
R Penney	3,000,000	-	-	3,000,000	-	3,000,000
Total	8,500,000	-	-	8,500,000	-	8,500,000

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous five financial years.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Loss attributable to owners of the Company	3,608	6,173	5,928	3,080	1,728	444
Basic and diluted loss per share (cents)	1	3	7	3	3	1

Directors' report (continued)

11. Directors' and Officers' indemnification

During the financial year, the Group paid premiums of \$30,465 to insure the Directors and Officers of UXA. UXA has agreed to indemnify and keep indemnified the Directors and Officers of UXA against all liabilities incurred by the Directors or Officers as a Director or Officer of UXA and all legal expenses incurred by the Directors or Officers as a Director or Officer of UXA.

The indemnity applies to the extent and in the amount that the Directors or Officers are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by UXA, under the general law or otherwise.

The indemnity does not extend to any liability:

- to UXA or a related body corporate of UXA; or
- arising out of conduct of the Directors or Officers involving a lack of good faith; or
- which was incurred prior to January 2005 and which is in respect of any negligence, default, breach of duty or breach of trust of which the Directors or Officers may be guilty in relation to UXA or related body corporate.

12. Proceedings on behalf of UXA

No person has applied for leave of Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of UXA or intervene in any proceedings to which UXA is a party for the purpose of taking responsibility on behalf of UXA for all or any part of those proceedings.

UXA was not a party to any such proceedings during the year.

13. Lead auditor's independence declaration

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2011.

14. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Report is signed in accordance with a resolution of the Directors.



Neill F Arthur

Director

29 September 2011



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

To: the directors of UXA Resources 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

Derek Meates
Partner

Adelaide

29 September 2011

UXA Resources Limited

Consolidated statement of comprehensive income

For the year ended 30 June 2011

<i>In thousands of AUD</i>	Note	2011	2010
Revenue			
Logging revenue		3,418	2,917
Total revenue		<u>3,418</u>	<u>2,917</u>
Other income	5	<u>491</u>	<u>50</u>
Operating Costs			
Professional fees		(487)	(796)
ASX/ registry expenses		(33)	(59)
Depreciation expense		(844)	(601)
Printing & communications		(130)	(207)
Insurance		(252)	(175)
Employee related expenses		(3,849)	(2,803)
Advertising/ promotions expenses		(69)	(208)
Travel		(377)	(303)
Office expenses		(293)	(257)
Exploration expenditure written off	17	(402)	(2,389)
Share options expense		(16)	(814)
Stamp duty		-	(305)
Other expenses		(802)	(567)
Total expenses		<u>(7,554)</u>	<u>(9,484)</u>
Loss from operating activities		<u>(3,645)</u>	<u>(6,517)</u>
Interest income		111	146
Interest expense		(204)	(166)
Net finance costs		<u>(93)</u>	<u>(20)</u>
Loss before income tax		<u>(3,738)</u>	<u>(6,537)</u>
Income tax benefit	10	130	364
Loss for the period		<u>(3,608)</u>	<u>(6,173)</u>
Other comprehensive income		-	-
Total comprehensive loss		<u>(3,608)</u>	<u>(6,173)</u>
		Cents	Cents
Basic loss per share	31	<u>(1)</u>	<u>(3)</u>
Diluted loss per share	31	<u>(1)</u>	<u>(3)</u>

The consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 18 to 45.

UXA Resources Limited

Consolidated balance sheet

As at 30 June 2011

In thousands of AUD

	Note	2011	2010
Current Assets			
Cash and cash equivalents (includes partially restricted cash \$1.4m)	11	2,495	2,600
Trade and other receivables	12	737	857
Inventories	13	92	667
Other current assets	14	-	18
Total Current Assets		3,324	4,142
Non-Current Assets			
Intangible assets	16	3,180	2,390
Property, plant and equipment	15	4,843	4,051
Exploration and evaluation assets	17	1,644	337
Other non-current assets	18	161	205
Total Non-Current Assets		9,828	6,983
TOTAL ASSETS		13,152	11,125
Current Liabilities			
Trade and other payables	19	1,024	472
Employee Entitlements	20	192	287
Loans and borrowings	26	1,119	2,243
Total Current Liabilities		2,335	3,002
Non-Current Liabilities			
Loans and borrowings	26	1,030	355
Deferred income	5	1,282	1,622
Total Non-Current Liabilities		2,312	1,977
TOTAL LIABILITIES		4,647	4,979
NET ASSETS		8,505	6,146
Equity			
Share capital	21	28,362	22,489
Reserves	22	1,254	1,160
Accumulated losses		(21,111)	(17,503)
TOTAL EQUITY		8,505	6,146

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 18 to 45.

Consolidated statement of cash flows

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		3,688	2,101
Cash payments to suppliers and employees		(5,612)	(4,984)
Interest received		111	146
Interest paid		(167)	(166)
Net cash used in operating activities	25	(1,981)	(2,903)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure	17	(1,709)	(1,175)
Payments for property, plant & equipment		(135)	(295)
Proceeds from sale of fixed assets		90	161
Acquisition of subsidiary	29	(1,878)	(5,294)
Payment for stamp duty on GAA acquisition		-	(305)
Acquisition of GII		-	(1,385)
Refund / (payment) of bonds/ term deposits		122	(142)
Net cash used in investing activities		(3,510)	(8,435)
Cash flows from financing activities			
Net proceeds from issue of share capital	21	5,873	8,513
Proceeds from borrowings		159	3,055
Repayment of borrowings		(645)	(457)
Net cash from financing activities		5,386	11,111
Net decrease in cash and cash equivalents		(105)	(227)
Cash and cash equivalents at 1 July		2,600	2,827
Cash and cash equivalents at 30 June (including partially restricted cash \$1.4m)	11	2,495	2,600

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 18 to 45.

UXA Resources Limited

Consolidated statement of changes in equity

For the year ended 30 June 2011

	Issued Capital	Accumulated Losses	Reserves	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	22,489	(17,503)	1,160	6,146
Total comprehensive loss for the period				
Loss	-	(3,608)	-	(3,608)
Other comprehensive income				
Total other comprehensive income	-	-	26	26
Total comprehensive loss for the period	-	(3,608)	26	(3,582)
Transaction with owners, recorded directly in equity				
Contributions by and distributions to owners				
Fair value of equity issued	6,339	-	-	6,339
Share issues costs	(466)	-	-	(466)
Fair value of options granted	-	-	68	68
Total contributions by and distributions to owners	5,873	-	68	5,941
Balance as at 30 June 2011	28,362	(21,111)	1,254	8,505
Balance at 1 July 2009	13,976	(11,330)	346	2,992
Total comprehensive loss for the period				
Loss	-	(6,173)	-	(6,173)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(6,173)	-	(6,173)
Transaction with owners, recorded directly in equity				
Contributions by and distributions to owners				
Fair value of equity issued	9,340	-	-	9,340
Share issues costs	(827)	-	-	(827)
Fair value of options granted	-	-	814	814
Total contributions by and distributions to owners	8,513	-	814	9,327
Balance as at 30 June 2010	22,489	(17,503)	1,160	6,146

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 18 to 45.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

1. *Reporting entity*

UXA is a company domiciled in Australia. The address of UXA's registered office is 43a Fullarton Road, Kent Town SA 5067. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise UXA Resources Ltd and its subsidiaries, Geoscience Associates Australia Pty Ltd, Geoinstruments International Pty Ltd and Geoscience Services USA, Inc. together referred to as the 'Group' and individually as 'Group entities.'

2. *Basis of preparation*

(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 ("AASB") and the Corporations Act 2001. The financial report also complies with the International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 29 September 2011.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(b) *Functional and presentation currency*

The financial report is presented in Australian dollars, which is the Company and its Australian subsidiaries' functional currency. Geoscience Services USA, Inc. has its functional currency as United States dollars.

(c) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis.

(d) *Use of estimates and judgement*

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 2(e) – Going concern

Note 10 – Tax loss recoupment

Note 16 – Intangible assets

Note 17 – Recoverability of exploration and evaluation assets

Note 21 – Share based payments

Note 30 – Impairment testing of goodwill

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

2. *Basis of preparation (continued)*

(e) Going concern

A key assumption underlying the preparation of financial statements is that the consolidated entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgment is required in assessing whether the consolidated entity is a going concern.

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 Group had accumulated losses of \$21 million, had operating cash outflows of \$2.0m for the period, and net assets of \$8.5 million including cash and cash equivalents of \$1.1 million (not including \$1.4 million of restricted cash relating to the UXA-RILA joint venture).

The Directors are of the view that the poor performance of the Australian based borehole logging business in the period was largely attributable to adverse weather in Queensland and have taken steps to reduce costs of the business and believe the Australian based borehole logging business will return to profitability in the short term.

It is the intention of the Directors to continue to explore the Group's areas of interest for which rights of tenure are current. In order to do so the Directors consider that the Group has the ability to fund its projects through a combination of use of existing cash, joint venture arrangements and access to the equity and or debt market.

In September 2011, the Group raised \$0.4m in a 10 for 25 rights issue and is in the process of finalising a convertible note agreement for A\$2.5m. The terms of the convertible note include draw down (at the discretion of the note provider) of \$250,000 per month up to \$2.5m.

The Group is also pursuing other equity and or debt arrangements to adequately finance the Group's plans. The Directors will take the appropriate action to ensure these funds are available as and when they are required.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. *Significant accounting policies*

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(a) Basis of consolidation

(i) Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

3. *Significant accounting policies (continued)*

(ii) Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

(iii) Transaction costs

Transaction costs that the Group 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.

(iv) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Net finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(c) 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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 balance sheet.

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.

3. Significant accounting policies (continued)

(d) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property, plant and equipment

Items of property, plant and equipment are measured on the cost basis less accumulated depreciation and any impairment losses recognised.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

3. *Significant accounting policies (continued)*

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised within Other Income in profit and loss

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to UXA and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

All plant and equipment have limited useful lives and are depreciated using the straight line method over their estimated useful lives. Assets are depreciated from the date they are available for use.

Depreciation rates, residual values and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed, except to the extent that it is included in the carrying amount of another asset as an allocation of production overheads. The estimated useful life used for plant and equipment (office furniture and equipment and computer hardware) is three years. The estimated useful life for vehicles and tools used by the borehole logging business is five years and ten years respectively.

(h) Intangible assets

(i) Goodwill

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. The average useful life applied to these other intangible assets is four years.

(iii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(i) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

3. Significant accounting policies (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Non-financial assets

The carrying amounts of UXA's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from the other assets and groups. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(j) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, initially are capitalised as either tangible or intangible exploration and evaluation assets on an area of interest basis. When a licence is relinquished the related costs are recognised in profit or loss immediately. Costs incurred before UXA has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if:

- i. the rights to tenure of the area of interest are current; and
- ii. the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- iii. activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

3. Significant accounting policies (continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively, sale of the respective area of interest.

(k) Employee benefits

Defined contribution superannuation funds

Obligations for contributions to superannuation funds under the Superannuation Guarantee are recognised as an expense in profit or loss when they are due.

Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that UXA expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to UXA as the benefits are taken by the employees. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if UXA has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term benefits

The Group has a provision for Long Service Leave on the basis that some employees have more than three years employment service. The Group's net obligation in respect of long-service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value.

The Group will reassess the need for such a provision on an annual basis.

(l) Share-based payments

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

Further details of share based payments transactions are described in Note 21.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

3. *Significant accounting policies (continued)*

(m) Loss per share

UXA presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of UXA by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary Shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(n) Segment reporting

An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(o) Joint ventures

The interests of the Group 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 goods or services by the joint venture.

(p) Revenue and income

Borehole logging services revenue

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to level of drilling work performed.

Other Income

Management fee revenue is recognised as the service is provided to the customer (joint venture partner) and is determined on the basis of expenditure by the joint venture as per the agreements between the joint venture parties.

Deferred income in relation to funds received from joint venture partners, representing the Company's share of future joint venture funding requirements, is recognised as income as the related expenditure is incurred by the joint venture.

Gains and losses on disposal of an item of property, plant and equipment, and exploration and evaluation assets are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised within Other Income in profit and loss.

(q) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Cash assets are carried at face value of the amounts deposited or drawn.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

3. *Significant accounting policies (continued)*

(r) Trade and other receivables

Trade and other receivables are recognised at cost and carried at original invoice amount less allowances for impairment losses. Payments with customers of the borehole logging business have trading terms of 30 days from date of invoice.

(s) Trade and other payables

Liabilities are recognised at their amortised cost for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(t) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(u) New standards and interpretations not yet adopted

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

4. *Financial risk management*

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

4. Financial risk management (continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risks. Approximately 14 per cent of the Group's revenue is attributable to sales transactions with a single customer. The credit risk is spread over several commodity types and several geographical locations. Commodity spread includes iron ore, uranium, coal and coal seam gas. Locations include South Australia, Queensland, Northern Territory and Texas and Wyoming in the United States of America. The Group's trade and other receivables relate mainly to the Group's logging customers.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements, including occupational health and safety requirements and national and state radiation regulations
- documentation of controls and procedures, which includes ensuring those controls and procedures meet customer requirements

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

4. *Financial risk management (continued)*

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action, including re-forecasting at appropriate intervals
- training and professional development. As many of the borehole logging customers are remote mine sites, this includes ensuring the Group's staff are properly inducted on all work sites
- ethical and business standards
- risk mitigation, including insurance where appropriate

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests.

There were no changes in the Group's approach to capital management during the year.

The bank loan to Geoscience Associates Australia Pty Ltd provides for a bank covenant that requires the Group to have credit funds in cash at least equal to the bank debt on a quarterly basis.

5. *Other income*

	2011	2010
	\$'000	\$'000
Gain on disposal of fixed assets	52	35
Contributions to and management fees from RILA joint venture	439	15
	491	50

A payment of \$2.3m was received from RILA in January 2008 to acquire an ongoing 49% interest in the JV tenements. Under the Joint Venture arrangements, the Company must undertake to apply the \$2.3m in meeting its 51% share of joint venture expenditure, to the extent that exploration continues on the JV tenements. For accounting purposes, the cash receipt has been treated as deferred income, to be recognised as income as the related expenditure is incurred by the joint venture.

The balance of Deferred Income at 30 June 2011 is \$1.3m and \$0.34m has been recognised as income for the year reflecting the expenditure incurred by UXA in relation to the JV tenements.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

6. Operating Segments

During the year the Group continued with its corporate strategy to mitigate the risks of purely grass roots exploration through diversification of its business activities. As a result the Group now operates three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services, and are managed separately to ensure confidentiality of client information. For each of the strategic business units, the Managing Director reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Exploration*: Includes Greenfields and more advanced mineral exploration activities with particular emphasis on uranium, base and precious metals. The Company continually evaluates projects, for farm-in or outright purchase.
- *Geophysical borehole logging*: Cash-generating businesses in Australia and the USA and includes borehole logging in the iron ore, coal, coal seam gas, uranium and geotechnical sectors. The businesses hold the sole rights to the Prompt Fission Neutron tool which provides unique surveying services to the uranium sector. The Company considers the Australian and USA businesses to be two separate reportable segments.

Information about reportable segments

For the year ended 30 June 2011

	Exploration		Borehole Logging Aust		Borehole Logging USA		Elimination on consolidation		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
\$'000										
External Revenues	491	15	2,837	2,952	633	-	-	-	3,909	2,967
Inter-segment revenue	378	218	-	21	-	-	(378)	(239)	-	-
Depreciation and amortisation	(98)	(111)	(676)	(490)	(70)	-	-	-	(844)	(601)
Interest Income	489	364	-	-	-	-	(378)	(218)	111	146
Interest Expense	-	(13)	(582)	(371)	-	-	378	218	(204)	(166)
Reportable segment profit/ (loss) before income tax	(1,051)	(5,323)	(1,933)	(850)	(323)	-	(171)	-	(3,478)	(6,173)
Reportable segment assets	13,697	3,615	6,817	7,510	1,932	-	(9,457)	-	12,989	11,125
Reportable segment liabilities	2,183	1,903	9,596	3,076	2,229	-	(9,361)	-	4,647	4,979

7. Contingent Liabilities and Contingent Assets

The Group does not have any contingent assets or liabilities.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

8. Jointly controlled assets and liabilities

The Company's share of jointly controlled assets and liabilities in relation to the UXA-RILA Joint Venture at year end consists of the following amounts that have been brought to account in the financial statements.

	Note	2011 \$'000	2010 \$'000
Cash and cash equivalents*	11	1,376	1,790
Property, plant and equipment	15	-	-
Exploration and evaluation assets	17	372	34
Trade and other payables	19	51	104

*cash is restricted to funding the Company's share of joint venture exploration activity.

9. Auditor's remuneration

Audit services	2011	2010
<i>Auditors of UXA – KPMG Australia:</i>		
Audit and review of the financial reports	71,500	55,500
Other services		
<i>Auditors of UXA – KPMG Australia:</i>		
Non-audit services	13,500	31,000

10. Taxation

	2011 \$'000	2010 \$'000
Income tax expense:		
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	(130)	(364)
	(130)	(364)
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30%	(1,039)	(1,947)
Add:		
Tax effect of:		
- other non allowable items	24	332
- unused tax losses and tax offsets not recognised as deferred tax assets	1,015	1,615
	-	-
Less:		
Tax effect of		
- R&D tax offset credit (prior year)	(130)	(364)
Income Tax benefit attributable to entity	(130)	(364)

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for recoverability set out in the accounting policies note occur.

- Tax losses	5,698	4,020
- Temporary differences	14	226

Deferred tax assets:

The balance comprises of temporary differences attributable to:

- Deferred income	385	-
- Employee benefits	58	-
- Business related costs	23	79
- Set off of deferred tax balances	(466)	(79)
	-	-

Deferred tax liabilities

The balance comprises temporary differences attributable to:

- Capitalised exploration costs	466	79
- Set off of deferred tax balances	(466)	(79)
	-	-

Deferred tax assets have not been recognised in respect of tax losses or temporary differences because it is not yet probable as defined in AASB 112 Income Taxes that future taxable profit will be available against which the Group can utilise benefits from the tax losses and that the Company continues to meet the continuity of ownership test and /or same business test.

11. Cash and cash equivalents

Cash and cash equivalents	2,495*	2,600
---------------------------	--------	-------

* includes \$1,376,000 relating to the UXA-RILA joint venture, which is restricted (refer Notes 5 and 8).

12. Trade and other receivables

Current

Trade debtors	737	857
	737	857

13. Inventories

Spare parts	92	92
Finished Goods	-	575
	92	667

14. Other current assets

Prepayments	-	18
	-	18

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

15. Property, plant and equipment

2011 \$'000

Cost	Plant & Equipment	Furniture & Fittings	TOTAL
Balance at 1 July 2010	4,815	32	4,847
Acquisitions from business combinations	852	-	852
Acquisitions	215	-	215
Transfer from stock	575	-	575
Disposals	(83)	-	(83)
Balance at 30 June 2011	6,374	32	6,406

Accumulated depreciation

Balance at 1 July 2010	787	9	796
Depreciation charge for the year	776	4	780
Disposals	(13)	-	(13)
Balance at 30 June 2011	1,550	13	1,563

Carrying amounts

At 1 July 2010	4,028	23	4,051
At 30 June 2011	4,824	19	4,843

2010 \$'000

Cost	Plant & Equipment	Furniture & Fittings	TOTAL
Balance at 1 July 2009	477	7	484
Acquisitions	4,095	25	4,120
Other	403	1	404
Disposals	(160)	(1)	(161)
Balance at 30 June 2010	4,815	32	4,847

Accumulated depreciation

Balance at 1 July 2009	252	6	258
Depreciation charge for the year	543	4	547
Disposals	(8)	(1)	(9)
Balance at 30 June 2010	787	9	796

Carrying amounts

At 1 July 2009	225	1	226
At 30 June 2010	4,028	23	4,051

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

16. Intangible assets

Cost \$'000	2011	2010
<u>Goodwill</u>		
Balance at beginning of year	1,790	-
Acquisitions through business combinations	1,026	1,790
Effect of movement in exchange rate	(72)	
Carrying amount of goodwill at end of year	2,744	1,790
<u>Computer Software</u>		
Balance at beginning of year	654	-
Acquisitions through business combinations:	-	654
Balance at end of year	654	654
<u>Accumulated Amortisation</u>		
Balance at beginning of year	54	-
Amortisation charge for the year	164	54
Balance at end of year	218	54
Carrying amount of computer software at end of year	436	600

17. Exploration and evaluation

Cost \$'000	2011	2010
Balance at beginning of year	337	1,551
Expenditure in the period	1,709	1,175
Amounts written off in the period	(402)	(2,389)
Balance at end of year	1,644	337

Estimates and assumptions

Determining the recoverability of exploration and evaluation capitalised in accordance with the group's accounting policy (note 3(k)) requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as the mineralisation of the area of interest, the timing of expected cash flows, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of a mineral reserve becomes available may impact the assessment of the recoverable amount of exploration and evaluation assets.

In the current year, exploration and evaluation expenditure written off mainly relates to the Ngalia Thrust, Sitting Bull, Yambla South, Harding Spring and Yambla tenements. Balance at year end includes \$372,000 representing the Company's 51% share of exploration and evaluation assets of the UXA-RILA joint venture (refer Note 8). The recoverability of the carrying amount of \$1,644,000 is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

18. Other non-current assets

Deposits paid	161	205
	161	205

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

19. Trade and other payables

Trade payables	717	175
Other payables and accruals	307	297
	1,024	472

20. Employee entitlements

Liability for annual leave	170	151
Liability for long service leave	22	136
	192	287

21. Share capital

2011	No. Shares	\$'000	No. Options
Balance at 1 July 2010	182,203,337	22,489	16,025,000
Issue of ordinary shares	166,452,625	5,873	-
Issue of ESOP options	-	-	-
Issue of unlisted options			3,075,000
Share options exercised	-	-	-
Share options expired	-	-	(2,445,000)
Balance at 30 June 2011	348,655,962	28,362	16,655,000

2010	No. Shares	\$'000	No. Options
Balance at 1 July 2009	88,802,623	13,976	505,000
Issue of ordinary shares	93,400,714	8,513	-
Issue of ESOP options	-	-	15,520,000
Share options exercised	-	-	-
Share options expired	-	-	-
Balance at 30 June 2010	182,203,337	22,489	16,025,000

Holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Shareholder meetings. Issued ordinary shares have a nil par value.

In the event of winding up of UXA, ordinary Shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

21. Share Capital (continued)

Options issued to Employees

There are 4,080,000 unlisted options on issue to employees under an approved Employee Share Option Plan.

The options vest 50% after one year of employment and 50% after two years employment. The fair value of options issued to employees was calculated at the grant date using a Black-Scholes option-pricing model. The value disclosed in Note 22 includes the total of the fair value of the options that vested in the period.

Directors

There were no share options issued to directors in this reporting period.

Employees

The following factors and assumptions were used in determining the fair value of options on grant date: 6.5% interest rate, 96% volatility, share price 4.4 cents, strike price 20 cents, term 3 years. On the basis of these assumptions, each one of the options exercisable at 20 cents is valued during this reporting period at approximately 1.3 cents.

22. Reserves

	2011 \$'000	2010 \$'000
Equity Compensation Reserve	1,160	346
Balance at beginning of year		
Options expense for the year	68	814
Balance at end of year	1,228	1,160
 Foreign Currency Translation Reserve		
Balance at beginning of year	-	-
Current year movements	26	-
Balance at end of year	26	-
 Carrying amounts		
At beginning of year	1,160	346
At end of year	1,254	1,160

23. Operating leases

	2011 \$'000	2010 \$'000
Leases as lessee		
<i>Non-cancellable operating lease rentals are payable as</i>		
Less than one year	211	211
Between one year and five years	215	426
	426	637

Operating lease expense for the year ended 30 June 2011 was \$204,174 (2010: \$155,137). Total rent paid for the year was \$204,174.

UXA Resources Limited
Notes to the consolidated financial statements
For the year ended 30 June 2011

24. Related parties

Key management personnel

The following were key management personnel of the Group at all times during the year:

Directors	
N Arthur	Chairman – Non Executive
R Penney	Managing Director
B Dawes	Director – Non-Executive (resigned 18 November 2010)
S Gemell	Director – Non-Executive
D Hawley	Director – Non-Executive
I Mutton	Director – Non-Executive

Other Key Management Personnel	
S Powell	Exploration Manager
A White	Chief Financial Officer
D Quinn	Chief Executive Officer, Geoscience Associates Australia
G Seppelt	Company Secretary

Summary of compensation

	2011	2010
Short-term employee benefits	1,018,115	1,054,799
Other long term benefits	-	-
Post-employment benefits	162,778	87,560
Termination benefits	-	-
Share-based payments	13,712	842,056
Total	1,194,605	1,984,415

No loans were made to any key management personnel during the period. Details of the nature and amount of the remuneration of each Director and other key management personnel are set out in the Remuneration Report.

Short term benefits in the table above includes the following payments made for consulting and other services to related entities of the following Directors:

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

Summary of compensation

Director	Transaction	2011 \$'000	2010 \$'000
N Arthur	Professional services	3	29
S Gemell	Professional services	-	23
B Dawes	Professional services	-	10
Total		3	62

All transactions were on normal commercial terms. No other Key Management Personnel transactions occurred during the year.

Options over ordinary shares

The movement during the reporting period in the number of options over ordinary shares in Uranium Exploration Australia Limited held directly, indirectly or beneficially, including their related parties, is as follows:

	Held at 1 July 2010	Granted as compen- sation	(Exercised/ Expired)	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors						
N Arthur	1,500,000	-	-	1,500,000	-	1,500,000
R Penney	3,000,000	-	-	3,000,000	-	3,000,000
B Dawes	1,000,000	-	-	1,000,000	-	1,000,000
S Gemell	1,000,000	-	-	1,000,000	-	1,000,000
D Hawley	1,000,000	-	-	1,000,000	-	1,000,000
I Mutton	1,000,000	-	-	1,000,000	-	1,000,000
Total	8,500,000	-	-	8,500,000	-	8,500,000

Ordinary shares

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

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
Directors					
N Arthur	2,179,286	235,000	-	-	2,414,286
R Penney	250,000	970,000	-	-	1,220,000
B Dawes	5,965,716	-	-	-	5,965,716
S Gemell	714,286	285,714	-	-	1,000,000
D Hawley	9,850,000	-	-	-	9,850,000
I Mutton	114,286	-	-	-	114,286
Total	19,073,574	1,490,714	-	-	20,564,288

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

24. Related parties (cont.)

	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
Directors					
N Arthur	2,114,286	65,000	-	-	2,179,286
R Penney	-	250,000	-	-	250,000
B Dawes	5,965,716	-	-	-	5,965,716
S Gemell	714,286	-	-	-	714,286
D Hawley	10,000,000	-	-	(150,000)	9,850,000
I Mutton	114,286	-	-	-	114,286
Total	18,908,574	315,000	-	-	19,073,574

25. Reconciliation of cash flows from operating activities

	2011 \$'000	2010 \$'000
Loss for the year	(3,608)	(6,173)
Adjustments for:		
Share based payment expense	16	814
Share issue expense	52	-
Foreign currency translation loss	26	-
Depreciation and amortisation	844	601
Recoupment of deferred expenditure	(341)	-
Exploration expenditure written off	402	2,389
Interest on Geomech loan	37	-
JV Management fees	(98)	-
Operating profit/(loss) before changes in working capital and provisions	(2,670)	(2,369)
Change in prepayments and inventories	20	(633)
Change in trade and other receivables	217	(815)
Change in trade and other payables / provisions	452	914
Net cash used in operating activities	(1,981)	(2,903)

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

26. Financial instruments

The Company has no financial risk arising from financial instruments, other than cash, term deposits, trade and other receivables, trade and other payables and borrowings. Exposure to credit and interest rate risks arise in the normal course of UXA's business. Trade payables (\$717,000) are all payable within two months.

(a) Interest rate risk

UXA has an exposure to future interest rates on cash and cash equivalents as a result of changes in market interest rates. A 1% movement in interest rates would have a \$24,950 impact on profit and loss for the year, based on the closing level of cash held. UXA does not use derivatives to mitigate these exposures. The fixed rate loan held for \$2.1m is not exposed to fluctuations in market interest rates.

2011	\$'000
Variable rate instruments	
Cash and cash equivalents	2,495
Net financial assets	2,495
Fixed rate instruments	
Current financial liabilities	(1,119)
Non-current financial liabilities	(1,030)
Net fixed rate instruments	(2,149)
2010	\$'000
Variable rate instruments	
Cash and cash equivalents	2,600
Net financial assets	2,600
Fixed rate instruments	
Financial liabilities	(2,243)
Net fixed rate instruments	(2,243)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised trade and other receivables and cash and cash equivalents, is the carrying amount as disclosed in the balance sheet and notes to the financial statements.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

26. Financial instruments (continued)

As at 30 June 2011 \$138k of the Group's receivables were past due (2010: \$40K). The ageing of the Group's receivables at the reporting date was:

	Gross \$'000
Not past due	599
Past due 0-30 days	76
Past due 31-120 days	62
	737

While \$138k of trade and other receivables are past due as at 30 June 2011, the Group does not consider these impaired because historically, there has been a very low level of bad debts.

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Non-derivative financial liabilities

2011 \$'000	<i>Carrying Amount</i>	<i>Contract- ual cash flows</i>	<i>6 mths or less</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>
Secured bank loans	1,757	(1,935)	(422)	(422)	(1,091)	-
Unsecured loan	392	(418)	-	(418)	-	-
Trade and other payables	1,024	(1,024)	(1,024)	-	-	-
	3,173	(3,377)	(1,446)	(840)	(1,091)	-

Non-derivative financial liabilities

2010 \$'000	<i>Carrying Amount</i>	<i>Contract- ual cash flows</i>	<i>6 mths or less</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>
Secured bank loans	2,243	(2,561)	(394)	(394)	(788)	(985)
Unsecured loan	355	(418)	-	-	(418)	-
Trade and other payables	472	(472)	(472)	-	-	-
	3,070	(3,451)	(866)	(394)	(1,206)	(985)

(d) Fair values

The fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets or financial liabilities are readily traded on organised markets. All financial liabilities (payables) are expected to be settled within two months of balance date.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

26. Financial instruments (continued)

(e) Capital management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future activities and development of the Company's business. The Board regularly monitors the utilisation of cash reserves and exploration and evaluation expenditures.

27. Interest bearing liabilities

2011 \$'000	Carrying Amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years
Secured bank loans	1,757	(1,935)	(422)	(422)	(1,091)	-
Unsecured loan	392	(418)	-	(418)	-	-
Trade and other payables	1,024	(1,024)	(1,024)	-	-	-
	(3,173)	(3,377)	(1,446)	(840)	(1,091)	-

2010 \$'000	Carrying Amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years
Secured bank loans	2,243	(2,561)	(394)	(394)	(788)	(985)
Unsecured loan	355	(418)	-	-	(418)	-
Trade and other payables	472	(472)	(472)	-	-	-
	(3,070)	(3,451)	(866)	(394)	(1,206)	(985)

The unsecured loan relates to a loan from GEOMech Pty Ltd due April 2012.

28. Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration licences, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. For the ELs held at year end, the aggregate minimum expenditure requirement per annum is \$839,000.

29. Acquisition of subsidiaries

The assets and business of Geoinstruments Logging LLC in the United States of America was acquired by UXA's wholly owned subsidiary Geoscience Services USA (GSUSA) effective 1 December 2010. The terms of the purchase of business agreement provided for the payment to the vendor of US\$1.875 million in exchange for an operational business. The purchase is intended to complement the existing borehole logging business of Geoscience Associates Australia Pty Ltd. The expected benefits of the acquisition include mitigating the risks of grass roots exploration through diversification of business activities by operating a cash generating business, operating in the same sector as UXA's exploration activities.

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

29. Acquisition of subsidiaries (cont.)

Consideration transferred (in AUD) (in thousands of dollars)

Cash 1,878

Identifiable assets acquired:

Plant and equipment 852

Goodwill 1,026

Total: 1,878

Information about acquired subsidiaries for the year ended 30 June 2011

	<u>\$' 000</u>
Combined revenue	633
Reportable profit/ (loss)	(323)

In the seven months to 30 June 2011, GS USA contributed revenue of \$633k and loss of \$323k (after inter-company G&A charges and one off acquisition costs) to the Group's results. If the acquisition had occurred on 1 July 2010, management estimates that revenue would have been \$1.1m and loss for the year would have been \$465k. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition has occurred 1 July 2010.

30. Impairment testing of goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill is impaired. The annual impairment test is performed at year end. The Group has identified its borehole logging operations as two cash generating units. The cash generating units are not larger than an operating segment as defined in IFRS 8 *Operating Segments*. The Group acquired the assets and business of Geoinstruments Logging LLC in the current year. The Group has not recorded any impairment losses on intangible assets in the current year.

Goodwill acquired has been allocated to individual cash generating units or segments for impairment testing as follows:

\$'000	2011	2010
Australian borehole logging	1,790	1,790
USA borehole logging	954	-
Total:	<u>2,744</u>	<u>1,790</u>

The Group has used the value in use methodology in order to determine the recoverable amount of the cash generating unit. The Group has used a discounted cash flow analysis to determine the value in use. Value in use is based on cash flow projections reflecting the financial forecast and strategy plans approved by senior management covering a five-year period. Cash flows beyond the five-year period are extrapolated with a long-term plan growth of 3% including inflation.

UXA Resources Limited

Notes to the consolidated financial statements

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30. Impairment testing of goodwill (cont.)

Key assumptions used in value in use calculations

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value growth rates, EBITDA margins and capital expenditure. These assumptions are as follows:

	Pre-tax Discount rate		Terminal value growth rate	
	2011	2010	2011	2010
Geoscience Associates Australia Pty Ltd	19.1%	19.0%	3.0%	3.0%
Geoscience Services USA, Inc	14.3%	-	3.0%	-

Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing.

Discount rate

A pre-tax discount rate of 19.1% was applied for the Australian operation in determining the recoverable amount of the unit. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 30% at a market interest rate of 7%. The USA operation used a pre-tax discount rate of 14.3% and a market interest rate of 3.75% - 5%

Terminal value growth rate

A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country of operation and the long term compound annual growth rate in EBITDA estimated by management.

Budgeted EBITDA

Budgeted EBITDA has been based on past experience adjusted for the following:

- Logging revenue is expected to benefit from the recruitment of business development staff with the intention of identifying new clients and consolidating revenue contracts with existing clients;
- Margins are expected to be positively impacted by an organisational restructure, efficiencies and implementation of Group initiatives.

Sensitivity

The Australian borehole logging cash generating unit's recoverable amount which exceeds its carrying value by approximately \$0.7m is sensitive to a return to profitability. This is premised on the Queensland floods which resulted in low levels of activity during the period, not recurring. However, a permanent reduction of 10% of forecast revenues would be required before any consideration of impairment would be considered necessary.

31. Earnings per share

	2011 Cents	2010 Cents
Basic earnings per share	(1)	(3)
Diluted earnings per share	(1)	(3)

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was based on the loss attributable to ordinary Shareholders of \$3,608,614 (2010: \$6,173,066) and a weighted average number of ordinary shares outstanding of 348,655,962 (2010: 182,203,337), calculated as follows:

UXA Resources Limited
Notes to the consolidated financial statements
For the year ended 30 June 2011

31. Earnings per share (cont.)

	2011	2010
	Cents	Cents
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	348,655,962	182,203,337

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on the same numbers as basic earnings per share as shown above. The number of outstanding share options, while on issue, were not considered to be potential ordinary shares for the year ended 30 June 2011 or 30 June 2010 as they were anti-dilutive.

32. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was UXA Resources Limited.

\$'000	Company	
	2011	2010
Result of the parent entity		
Total comprehensive profit/ (loss) for the period	(1,272)	(5,323)
Financial position of parent entity at year end		
Current assets	11,873	8,109
Total assets	13,697	9,250
Current liabilities	902	280
Total liabilities	2,183	1,903
Total equity of parent entity comprising of:		
Share Capital	28,362	22,489
Reserves	1,229	1,160
Accumulated losses	(18,006)	(16,302)
Total Equity	11,514	7,347

UXA Resources Limited

Notes to the consolidated financial statements

For the year ended 30 June 2011

33. *Events subsequent to the balance date*

The Group has:

- Completed a rights issue on 14 September 2011 to existing shareholders which raised \$0.38 million on a 10 shares for each 25 shares held basis.
- Held a general meeting of shareholders on 26 September 2011 to ratify prior share placements, issue of options and approve the ability to issue 50 million shares within three months of the meeting date.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Directors of UXA, to affect significantly the operations of UXA, the results of those operations, or the state of affairs of UXA, in future financial years.

Director's declaration

1. In the opinion of the Directors of UXA Resources Limited ("UXA"):
 - (a) the financial statements and notes set out on pages 14 to 45, and the Remuneration Report in the Directors' Report on pages 1 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);
 - (c) there are reasonable grounds to believe that UXA 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 and the Chief Financial Officer for the financial year ended 30 June 2011.

Dated at Sydney this 29th day of September 2011.

Signed in accordance with a resolution of the Directors.



Neill F Arthur

Director



Independent auditor's report to the members of UXA Resources Limited

Report on the financial report

We have audited the accompanying financial report of UXA Resources Limited (the company), which comprises the consolidated balance sheet 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 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the 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 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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 Group'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 Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group'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 2(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 Group incurred a loss of \$3.6 million and had operating cash outflows of \$2.0 million.

As a result of the uncertainties set out in note 2(e) to the financial statements, including the Group's ability to raise equity and / or debt, there is material uncertainty which may cast doubt on the Group'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 paragraph 10.5 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 UXA Resources Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

29 September 2011

Corporate Directory

Directors	Neill Arthur (<i>Chairman</i>) Russell Penney (Managing Director) Stephen Gemell (Non-Executive Director) David Hawley (Non-Executive Director) Ian Mutton (Non-Executive Director)
Secretary	Graham Seppelt
Australian Business No.	65 112 714 397
Registered Office	43a Fullarton Road Kent Town SA 5067 Australia Phone: +61 8 8363 7970 Fax: +61 8 8363 7963 Email: info@uxa.com.au
Website	Web: www.uxa.com.au
Auditor	KPMG 151 Pirie Street Adelaide SA 5000
Tax Advisors	PricewaterhouseCoopers 91 King William Street Adelaide SA 5000
Company's Solicitor	Norman Waterhouse Lawyers 45 Pirie Street Adelaide SA 5000
Bank	National Australia Bank Limited Adelaide East Business Banking Centre 161-167 Glynburn Road Firle SA 5070
Share Registrar	Computershare Investor Services Pty Ltd Level 3 60 Carrington Street Sydney NSW 2000