



UXA Resources Limited

ABN 65 112 714 397

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The Manager
Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

ASX ANNOUNCEMENT

Convertible Note Facility for \$2.5 million to fund exploration drilling

UXA Resources Limited (ASX:UXA) is pleased to announce that it has entered into a Funding Agreement for the issue of A\$2.50 million of convertible notes to US-based La Jolla Cove Investors Inc (**La Jolla Cove**).

The funding agreement via La Jolla Cove will allow UXA to undertake drill programs on three projects over the next nine months;

UXA currently has three active exploration projects:

- Dome 5 lead-zinc-silver project in New South Wales
 - Phase 2 exploration: Infill and step out drilling - 8 holes, 2,800m program to focus on testing a potential MVT style exploration target of 5MT – 10MT mineralised body at 10% lead + zinc with silver credits,
- Nabarlek North uranium project in Northern Territory
 - Phase 2 exploration to follow up previous encouraging RC percussion drill results testing the potential strike length extension of the U40 prospect into Nabarlek North and radon cup sampling results pinpointing additional drill targets,
- Myroodah and Mudjalla uranium projects in Western Australia
 - Drill testing a large radiometric anomaly identified in a recent airborne geophysical survey. The tenements are located in a highly prospective region for potential sandstone hosted uranium mineralisation amenable to low cost in-situ leach mining methods. UXA also has the rights to explore for coal on the Mudjalla and Myroodah West tenements.

Dr Penney said “this funding agreement is an important component of UXA’s future exploration plans and is a very welcome investment in the company at a time of such uncertainty in the capital markets. It is a low cost way of funding our exploration program compared to alternative funding arrangements. The notes are unsecured with no restriction on further debt or capital raisings.”

La Jolla Cove Investors is excited to partner with and provide capital to UXA Resources. Rob Litz, Director at La Jolla Cove Investors, stated “we’re highly impressed by UXA Resources’ experienced management, diverse portfolio including zinc, copper, gold and uranium, well-known JV partners, and international cash flow positive logging business. Given the current climate, we believe the market is undervaluing the assets of the company and see a great opportunity here.”

The key terms of the Funding Agreement are as follows:

- Two convertible notes, the first with a face value of \$1 million and the second \$1.5 million which will be issued progressively (i.e. the second note will only be issued when the first note has been drawn down). The agreement for the first convertible note has been signed by both parties and the agreement for the second note is in the final stages of preparation and is expected to be signed shortly.
- Each convertible note will be drawn down in monthly amounts of minimum \$250,000.
- The convertible notes bear interest at the annual rate of 4.75%, calculated daily and paid quarterly in either cash or shares at UXA's discretion.
- Each convertible note will mature 4 years after the date of issue. UXA may force conversion of any unconverted portion of a note in the 3 months leading to maturity.
- The convertible notes can be converted by La Jolla Cove at its request in whole or in part. The conversion price will be calculated as the lesser of \$0.25 or 80% of the 3 lowest volume weighted average price of UXA shares in the preceding 21 days. There is a floor price of \$0.015 below which UXA may elect not to convert.
- The issue of the notes is subject to certain conditions precedent which are expected to be satisfied within the next week. Issue of the second note and its subsequent conversion is subject to UXA receiving the approval of shareholders, which it intends to do at the Annual General Meeting of shareholders to be held in November 2011.

For further information, contact.



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About UXA Resources Limited

UXA Resources Limited (ASX:UXA) is a diversified explorer that has assembled a pipeline of highly prospective tenements throughout Australia, targeting the discovery of base metals (copper-gold, lead-zinc-silver) coal and uranium deposits, all located within world class mining provinces and close to existing infrastructure. UXA has formed strategic joint venture agreements with significant partners which provide additional capital and scope to accelerate the company's major exploration programs.

UXA is also the 100% owner of GAA Wireline, a borehole logging business that provides UXA with another revenue stream channelled towards exploration. GAA have several long term USA and Australian based service contracts covering the coal, coal seam gas, iron ore and uranium sectors. GAA owns the exclusive

rights to PFN technology, a unique borehole logging tool that provides immediate uranium analysis in the field and was used in the Beverley and the Four Mile uranium discoveries in South Australia.

In New South Wales and South Australia, UXA has signed an option agreement with Teck Australia Pty Ltd (a wholly owned subsidiary the major Canadian mining company Teck Resources Ltd) and has completed 2,650m infill and step out drilling at the Dome 5 zinc-silver-lead prospect, located 50km from Broken Hill and in close proximity to the main railway corridor. In addition to the original 5 hole discovery made in 2007 by Teck and PlatSearch, UXA's drilling has identified a significant zone of Mississippi Valley Type (MVT) mineralisation.

In South Australia, UXA's Joint Venture with Straits Resources Limited allows Straits to explore nine of UXA's Stuart Shelf tenements for IOCG(U) deposits, a region that host the world class Olympic Dam, Prominent Hill and Carapateena deposits. Straits has the right to earn a 70% interest in the tenements by spending \$10 million on exploration over seven years.

In the Northern Territory, UXA is the operator of the Nabarlek and Pandanus West joint venture with RIL Australia Pty Ltd, a subsidiary of Reliance Industries Limited, one of India's largest private sector companies. Following successful airborne geophysical surveys and the recent U40 uranium discovery located within 280m of UXA's Nabarlek North tenement, a major drilling program is currently underway targeting unconformity style uranium.

In Western Australia, UXA has assembled five tenements and formed agreements with Rey Resources Ltd to explore for sandstone hosted uranium and P. Askins to explore for coal and uranium. The project area is located immediately west of the Canning coal field basin, south east of Derby and close to a major sealed highway. Two of the licences cover major radiometric anomalies and UXA was awarded a grant of \$100,000 by the WA Government to co-fund exploration for uranium.

More information on UXA can be found on our website at www.uxa.com.au