



Uranium Exploration Australia Limited

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ASX ANNOUNCEMENT

OPTION TO ACQUIRE 80% INTEREST IN THE MUDJALLA PROJECT

EXPLORATION PROJECT UPDATE WESTERN AUSTRALIA

- **UXA signs option agreement to acquire 80% interest in the Mudjalla project in the Canning Basin, WA**
 - Tenements prospective for sandstone hosted uranium
 - Large untested airborne radiometric anomaly
 - Additional coal potential
- **UXA awarded \$100,000 WA Government co-funded exploration grant to test for uranium mineralisation at the Myroodah West project**

The Directors of Uranium Exploration Australia Limited ('UXA') are pleased to announce the signing of an option agreement to acquire an 80% interest in the Mudjalla project located 50km west of UXA's Myroodah project in the Canning Basin, Western Australia.

Commenting on the deal, UXA's Managing Director Dr Russell Penney said, "Our strategy of signing key agreements to build a new pipeline of projects with early drilling potential is well advanced.

Mudjalla is another exciting new project in UXA's growing project portfolio which contains a large untested radiometric anomaly in a highly prospective area known for its uranium and coal resource potential".

Mudjalla Uranium Potential

The Mudjalla project comprises two exploration licence applications (EA4/2000 and EA4/2014) which cover a major radiometric anomaly identified in a recent airborne radiometric survey conducted by the WA Geological Survey. The radiometric anomaly covers an outcrop of the Jurassic Wallal Sandstone unit, similar to the geological setting which hosts uranium mineralisation at UXA's Myroodah exploration project, located 50km to the east of Mudjalla.

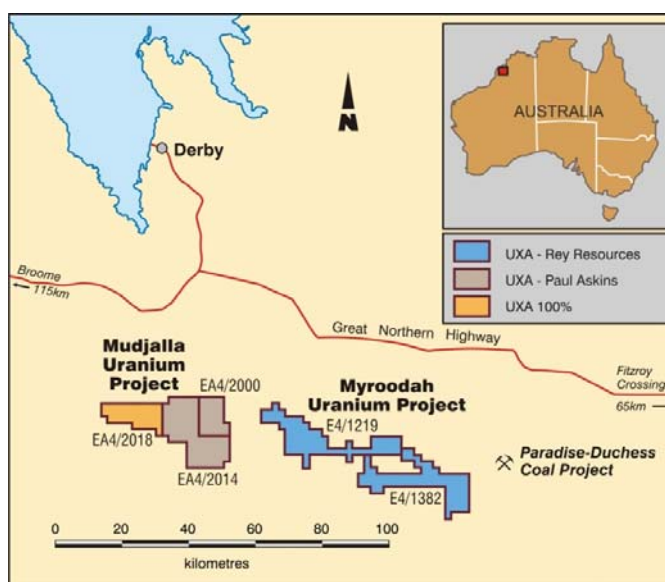
Historical exploration records reveal an outcrop rock chip sample returning a uranium value of 170ppm. Drilling conducted in the 1970's, 5km south west of Mudjalla, also returned anomalous uranium values up to 270ppm eU in the Wallal Sandstone demonstrating that uranium mineralisation is widespread within this unit which only rarely outcrops.

A major feature of sandstone hosted uranium is that it may be potentially extracted by low cost, in-situ leach mining methods, similar to that conducted at the Beverley uranium mine in South Australia.

Mudjalla Coal Potential

The Canning Coal field basin is located immediately to the east of the Mudjalla project and is currently being drilled by Rey Resources Ltd which has defined a JORC compliant thermal coal resource of 511MT (source Rey Resources April 10, 2010 Investor Presentation).

Historical data records a 10m drill intersection of coal measures (with a maximum coal seam thickness of 1m) in a hole drilled approximately 500m immediately to the east of EA4/2000 and as the coal strata strike is approximately east-west, it is reasonable to assume that the coal measures extend to the west beneath the Mudjalla project area.



Mudjalla Option Agreement (EA4/2000 and EA4/2014)

The principal terms of the Mudjalla Option agreement are:

1. UXA has up to four years to exercise its 80% option interest in the Mudjalla project comprising of two exploration tenements (EA4/2000 and EA4/2014),
2. UXA to pay licence holder Mr Paul Askins reimbursement costs of A\$23,000 and annual option payments totalling A\$240,000 over four years,
3. UXA may exit the agreement at any stage,
4. Should UXA exercise its option to acquire 80%, a sum of A\$820,000 is payable to Mr Paul Askins comprising up to A\$300,000 in UXA shares at UXA's discretion. The balance of the agreement to be settled with cash,
5. Upon exercise of the Option, Mr Paul Askins will have a 20% interest free carried to the completion of a bankable feasibility study.

Myroodah West Project (EA4/2018)

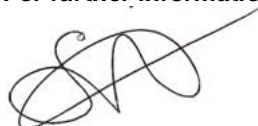
UXA has been awarded a grant of A\$100,000 under the WA Government's Co-funded Exploration Program which will be used to drill test for uranium mineralisation within the coal measures beneath the Wallal Sandstone on UXA's 100% owned Myroodah West Project. The tenement lies immediately to the west of the Mudjalla Project and is believed to be underlain by the prospective Wallal Sandstone and the western extension of the Canning coalfield.

Forward Program

Mudjalla (EA4/2000 and EA4/2014) and Myroodah West (EA4/2018)

Testing for uranium and coal at Mudjalla and drilling at Myroodah West will immediately commence once the granting of tenements and final discussions with the traditional owners have been completed. UXA expects this to be finalised in the final quarter of 2010.

For further information, contact.



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Technical Information in this report is based on information compiled by Mr Simon Powell who is employed by Uranium Exploration Australia Limited and who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Powell has sufficient exploration experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC 2004"). Mr Powell consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

About UXA

Uranium Exploration Australia Limited was formed to explore for and develop uranium and associated base and precious metal deposits, focusing principally on its ground holdings in the world class uranium provinces in South Australia and Northern Territory. UXA has an exploration joint venture with RIL Australia Pty Ltd, a subsidiary of Reliance Industries Limited, the largest private sector company in India.

In February 2010 UXA announced the signing of an agreement with Rey Resources Ltd to explore for sandstone-hosted uranium at Myroodah in the Canning Basin, Western Australia.

UXA is also the owner of a complementary cash flow business, Geoscience Associates Australia Pty Ltd (GAA), a borehole geophysical logging company principally working in the uranium and coal sectors in Australia. The UXA Group owns the worldwide rights to the Prompt Fission Neutron uranium logging tool which has a unique role to play in uranium deposits with disequilibrium.

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