



**Uranium Exploration
Australia Limited**

ABN 65 112 714 397

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Half Year Financial Report

31 December 2008

URANIUM EXPLORATION AUSTRALIA LIMITED

COMPANY DIRECTORY

Directors

Neill Arthur
Chairman

Russell Penney
Managing Director

Stephen Gemell
Non Executive Director

Barry Dawes
Non Executive Director

Ian Mutton
Non Executive Director

David Hawley
Non Executive Director

Company Secretary

Kevin Lynn

Australian Business Number

65 112 714 397

Registered Office

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Royston Park, SA 5070
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E-mail Address: info@uxa.com.au
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Share Registry

Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne VIC 3001

Auditors

KPMG
151 Pirie Street,
Adelaide SA 5000

Company's Solicitor

Finlaysons Lawyers
81 Flinders Street
Adelaide SA 5000

Bank

National Australia Bank Limited
Adelaide East Business Banking Centre
33 Rundle Street
Kent Town SA 5067

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

The Directors present their report together with the financial report for the half-year ended 31 December 2008 and the review report thereon.

Directors

The Directors of Uranium Exploration Australia Limited (UXA) during the financial period and up to the date of this report are:

Neill Arthur (Non Executive Chairman)
Russell Penney (Managing Director appointed 03 December 2008)
Patrick Mutz (Managing Director resigned 30 November 2008)
Barry Dawes (Non Executive Director)
Steven Gemell (Non Executive Director)
David Hawley (Non Executive Director)
Ian Mutton (Non Executive Director)

Principal Activities

UXA has been established to explore for, locate and develop commercial grade uranium mineralisation and associated copper and gold. The initial focus has been on exploration in key target areas in Australia. More particularly, the Company aims to: -

- Locate new commercial uranium deposits in its South Australian project areas where there may also be copper and gold in any new discovery.
- Collect all available past geological, geophysical, geochemical, geomorphological and exploration data, whether this be from commercial, government, university research or private contractor source.
- Generate multi-layered digital databases applying state of the art and in-house software on both specific (drill) and continuous (geophysical) data sets for each Exploration Licence (EL) and Exploration Licence Application (ELA).
- Locate future drill targets using geochemical and other sampling techniques.
- Drill the high priority zones and feed results back into the model to refine further exploration strategy.

The principal activity of UXA during the financial period was exploration for uranium on its mineral tenements in Australia.

Review of Operations

During the period under review, UXA continued exploration on its mineral tenements, spending \$1,225,000 (Dec 2007 \$2,363,000). The loss after income tax for the half year amounted to \$1,758,000 (Dec 2007 – loss \$881,000).

UXA at 31 December 2008 held twelve granted ELs in South Australia and one granted EL in Northern Territory. The South Australian ELs covered 5,834km² of highly prospective ground in the Olympic Dam region of the Stuart Shelf. UXA also hold applications for five other ELs in Northern Territory.

Proposed Acquisition

The agreement to purchase the assets and business of Geoscience Associates (Australia) Pty Ltd (GAA) has been terminated. A condition precedent of financial closure of this agreement was the completion of funding arrangements, including bank financing, to the satisfaction of UXA. This condition has not been fulfilled. UXA will continue to work with GAA to develop the exploration applications of the Prompt Fission Neutron geophysical tool.

With \$4.0 million in cash (31 December 2008), and a major joint venture partner, India's Reliance Industries Limited, UXA is in a strong position to progress its exploration programs in South Australia and Northern Territory, and is actively seeking new brown fields uranium exploration opportunities.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

RILA Joint Venture

UXA continued to work with RIL Australia Pty Ltd (RILA), a subsidiary of Reliance Industries Limited of India (RIL) on their four joint venture projects in South Australia, and to work with the Northern Land Council to reach agreements on four joint venture projects in Northern Territory.

Exploration

South Australia

Seven of UXA's granted exploration licences on the Stuart Shelf are impacted by the Woomera Deed of Access to the Woomera Prohibited Area. UXA received notification that the Defence Department will not renew UXA's Deed of Access after its expiry in April 2009. All other exploration companies working within this area and south of Latitude 30 degrees South are affected by the same decision of the Defence Department. UXA is currently negotiating future access arrangements through the South Australian Government.

The tenements affected by this access restriction are:

100% UXA

- EL3431 – Griffen Well (entire tenement)
- EL3432 – Winjabbie (western half of tenement)
- EL3429 – Prominent Hill South (southern half of tenement)
- EL3863 – Mount Morgan East (southern limb of tenement)

51% UXA: 49% RILA (JV)

- EL3430 – Playford (entire tenement)
- EL3679 – Playford South East (entire tenement)
- EL3428 – Roxby Downs (entire tenement)

Following review of the exploration data Prominent Hill South EL3429 was relinquished in December 2008.

A trial magneto-telluric (MT) survey was completed at Glenside EL 3470 (RILA JV) along with some additional gravity points. Further ground geophysical work is proposed for 2009, with the purpose of trying to define basement drill targets.

At Playford (EL3430) and Playford South East (EL3679) (both RILA JV), previously UXA reported on geochemical analyses of core from UXA's drill hole 08PD04c indicating a broad zone of uranium mineralisation from 616m to 631m depth averaging 113ppm in a pebble conglomerate horizon in the Pandurra Formation. These samples came from 1m core collected for every alternate metre. Subsequent infill sampling returned no anomalous values. An investigation conducted by UXA and UXA's external laboratory service provider, AMDEL has concluded that the original geochemical assay report was incorrect, and AMDEL has acknowledged that the incorrect assays were a result of human error. The repeat sampling of the original samples returned no significant uranium values and consequently the anomaly in the Pandurra Formation, as originally reported, does not exist.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

Northern Territory

A first stage diamond drilling program was completed at Crystal Creek prospect on Ngalia Thrust (EL 24566, 100% UXA) totalling 9 holes for 1,014 metres in December 2008. The drill program was designed to investigate surface anomalism in rock chip samples and spectrometer surveys within an area of altered granite. The granite intrusions form the basement to the Eclipse Sandstone that hosts Energy Metal's Bigrlyi uranium prospect, 30km to the west, and therefore may be a source of the Bigrlyi-style uranium mineralisation.

The prompt fission neutron tool (PFN) was used to log seven of the boreholes and has returned gamma and PFN peaks in all 7 holes. The anomalous zones are currently being sampled for follow up geochemistry and petrography. Based on the PFN logs, elevated uranium values appear to be associated with pink – red, possibly potassic and iron altered, granite.

Re-evaluation of the data for the Annie Springs magnetic anomaly concluded that there was insufficient technical justification to drill this anomaly.

Western Australia

In August 2008 the Company completed a 1,297m drilling programme designed to investigate the potential for calcrete and subsurface soil hosted uranium mineralisation At Yeelirrie South East (EL 36/546). The exploration target was a calcrete hosted deposit similar in style to the BHP Billiton's Yeelirrie uranium deposit which lies 50km to the southeast. Radiometric surveys previously highlighted several radiometric anomalies in the northern and southern areas of this tenement.

Geochemical analyses of 1,646 samples collected from the drilling program were received and returned a number of zones anomalous in vanadium and nickel. There was no uranium anomalism in the holes. The vanadium and nickel anomalies occur within a near surface iron stained horizon and possibly reflects the presence of weathered mafic or ultramafic rocks in the Archaen basement below. The best vanadium and nickel intersections include 3m @ 486ppm V from 4m depth, and 25m @ 115ppm V including 19m @ 114ppm Ni from 7m depth.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs in the Company during the half year other than as described above.

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

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2008.

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 made in accordance with a resolution of the directors.



**Neill Arthur
Chairman**

Sydney, 13 March 2009



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

To: the directors of Uranium Exploration Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

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

KPMG
KPMG

Derek Meates
Partner

Adelaide

13 March 2009

URANIUM EXPLORATION AUSTRALIA LIMITED

CONDENSED INTERIM INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	31 Dec 08 \$'000	31 Dec 07 \$'000
Revenue			
Other income		6	-
Interest income		194	214
Total revenue		<u>200</u>	<u>214</u>
Operating costs:			
Professional fees		(225)	(63)
ASX / registry expenses		(16)	(38)
Depreciation expense		(59)	(29)
Printing & communications		(24)	(50)
Insurance		(57)	(46)
Employee related expenses		(399)	(382)
Advertising / promotions expenses		(30)	(141)
Travel		(18)	(19)
Office expenses		(37)	(57)
Exploration expenditure written off	5	(931)	(158)
Other expenses from ordinary activities		(162)	(112)
Total expenses		<u>(1,958)</u>	<u>(1,095)</u>
Loss before income tax		<u>(1,758)</u>	<u>(881)</u>
Income tax expense		-	-
Loss for the period		<u>(1,758)</u>	<u>(881)</u>
Basic and diluted loss per share - cents		<u>(0.020)</u>	<u>(0.010)</u>

The income statement should be read in conjunction with the accompanying notes on pages 11 to 13.

URANIUM EXPLORATION AUSTRALIA LIMITED
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	31 Dec 08 \$'000	30 Jun 08 \$'000
Income and expense recognised directly in equity		-	-
Loss for the year		<u>(1,758)</u>	<u>(3,080)</u>
Total recognised income and expense for the year		<u>(1,758)</u>	<u>(3,080)</u>

The statement of recognised income and expense should be read in conjunction with the accompanying notes on pages 11 to 13.

URANIUM EXPLORATION AUSTRALIA LIMITED**CONDENSED INTERIM BALANCE SHEET****AS AT 31 DECEMBER 2008**

	Note	31 Dec 08 \$'000	30 Jun 08 \$'000
CURRENT ASSETS			
Cash and cash equivalents		4,069	6,252
Trade and other receivables		116	138
TOTAL CURRENT ASSETS		4,185	6,390
NON-CURRENT ASSETS			
Other non-current assets		27	24
Property, plant and equipment		269	106
Exploration and evaluation expenditure	5	4,453	4,159
TOTAL NON-CURRENT ASSETS		4,749	4,289
TOTAL ASSETS		8,934	10,679
CURRENT LIABILITIES			
Trade and other payables		176	162
TOTAL CURRENT LIABILITIES		176	162
NON-CURRENT LIABILITIES			
Deferred income		1,622	1,622
TOTAL CURRENT LIABILITIES		1,622	1,622
TOTAL LIABILITIES		1,798	1,784
NET ASSETS		7,136	8,895
EQUITY			
Issued capital	6	13,976	13,976
Reserves		321	321
Accumulated losses		(7,161)	(5,402)
TOTAL EQUITY		7,136	8,895

The balance sheet should be read in conjunction with the accompanying notes on pages 11 to 13.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	31 Dec 08 \$'000	31 Dec 07 \$'000
Cash flows from operating activities			
Cash payments to suppliers and employees		(961)	(842)
Revenue (Management Fees)		6	-
Interest received		193	214
Net cash used in operating activities		<u>(762)</u>	<u>(628)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure	5	(1,225)	(2,363)
Payments for property, plant & equipment		(196)	(40)
Net cash used in investing activities		<u>(1,421)</u>	<u>(2,403)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		-	1,773
Net cash from financing activities		<u>-</u>	<u>1,773</u>
Net increase in cash and cash equivalents		(2,183)	(1,258)
Cash and cash equivalents at 1 July 2008		6,252	6,636
Cash and cash equivalents at 31 December 2008		<u>4,069</u>	<u>5,378</u>

The cash flow statement should be read in conjunction with the accompanying notes on pages 11 to 13.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 1: Reporting entity

Uranium Exploration Australia Limited (UXA) is a company domiciled in Australia. The condensed interim financial report of the Company is for the six months ended 31 December 2008.

(a) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008.

This interim financial report was approved by the Board of Directors on 13 March 2009.

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.

(b) Significant accounting policies

The accounting policies applied by the company in this interim financial report are the same as those applied by the company in its financial report as at and for the year ended 30 June 2008.

(c) Estimates

The preparation of the interim 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 expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

Note 2: Basis of Preparation

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 31 December 2008 the Company has net assets of \$7.1m and the Directors believe the Company has sufficient cash of \$4.1m (\$2.4m excluding funds restricted to expenditure on joint venture tenements to the extent that exploration continues) to pay its debts as and when they fall due and to fund near term anticipated exploration and corporate activities. It is the intention of the Directors to continue to explore the Company's areas of interest for which rights of tenure are current.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 3: Segment Reporting

The company operates entirely in Australia and predominantly in the field of mineral exploration with particular emphasis on uranium, including base and precious metals found on its tenements. There are therefore no geographical or business segments to report on.

Note 4: Contingent Liabilities and Contingent Assets

The company does not have any contingent assets or liabilities.

Note 5: Events Subsequent to Reporting Date

The agreement to purchase the assets and business of Geoscience Associates (Australia) Pty Ltd (GAA) has been terminated. A condition precedent of financial closure of this agreement was the completion of funding arrangements, including bank financing, to the satisfaction of UXA. This condition has not been fulfilled. UXA will continue to work with GAA to develop the exploration applications of the Prompt Fission Neutron geophysical tool.

Other than the matters discussed above, there have been no items, transactions or events of material and unusual nature requiring adjustment to or disclosure in, the 31 December 2008 financial statements.

Note 6: Exploration and Evaluation Expenditure

	Half year ended 31 Dec 08 \$'000
Balance at beginning of period	4,159
Expenditure in the period	1,225
Amortisation in the period	-
Amounts written off / adjusted in the period	(931)
Balance at end of period	<u><u>4,453</u></u>

Exploration and evaluation costs, including the costs of acquiring ELs, are capitalised as either tangible or intangible exploration and evaluation assets on an area of interest basis.

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.

Balance at year end includes \$562,000 representing the Company's 51% share of exploration and evaluation assets of the UXA-RILA joint venture (refer Note 8).

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 7: Issued Capital

	No. Shares	No. Options
Balance at 1 July 2008	88,802,623	1,270,000
Issue of ordinary shares	-	-
Share options exercised	-	-
Balance at 31 December 2008	88,802,623	1,270,000

During the period no additional shares were issued. No further options were granted during the period.

Note 8: Other income

With effect from 1 July 2007, the Company entered into Joint Venture arrangements with RIL Australia Pty Ltd (RILA), a subsidiary of Reliance Industries Limited of India. In January 2008, a payment of \$1.15m was received from RILA to acquire access to confidential data relevant to the tenements included in the joint venture agreement. A gain on sale of data of \$0.8m was recorded in the year ended 30 June 2008, reflecting the difference between proceeds received and 49% of the carrying value of the data (accumulated exploration spend) at 1 July 2007.

A further 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. At 31 December 2008, \$677,000 had been recognised based on underlying JV expenditure, as shown above.

Cash of \$1.7m is restricted to funding UXA's share of Joint Venture exploration activity.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors of Uranium Exploration Australia Limited ("the Company"):

1. the financial statements and notes set out on pages 7 to 13 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Sydney this 13th day of March 2009.



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Neill Arthur
Chairman



Independent auditor's review report to the members of Uranium Exploration Australia Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Uranium Exploration Australia Limited, which comprises the interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 8 and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Uranium Exploration Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Uranium Exploration Australia Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Derek Meates

Partner

Adelaide

13 March 2009