



**Uranium Exploration
Australia Limited**

ABN 65 112 714 397

Uranium Exploration Australia Limited

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Half Year Financial Report

31 December 2009

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

Joint Company Secretaries

Kevin Lynn
Graham Seppelt

Australian Business Number

65 112 714 397

Registered Office

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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 2009 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)
Barry Dawes (Non Executive Director)
Steven Gemell (Non Executive Director)
David Hawley (Non Executive Director)
Ian Mutton (Non Executive Director)

Principal Activities

UXA was 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. During the year the Group has revised its corporate strategy, to mitigate the risks of purely grass roots exploration and sought to diversify its activities through:

1. Purchase of a cash generating business, Geoscience Associates (Australia) Pty Ltd (GAA), a long established borehole logging business based in Mount Barker, South Australia.
2. Purchase of the Prompt Fission Neutron borehole logging technology from the United States of America.
3. Evaluation of more advanced uranium exploration projects, for farm-in or outright purchase. The Group is continuously evaluating project submittals.
4. Continuous assessment of exploration results from existing projects, some tenements have been relinquished and others applied for in South Australia.

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

Review of Operations

During the period under review, UXA continued exploration on its mineral tenements, spending \$744,000 (Dec 2008 \$1,225,000) on exploration and evaluation expenditure and also purchased a cash generating business. The loss before income tax for the half year amounted to \$2,390,000 (Dec 2008 – loss \$1,758,000).

UXA at 31 December 2009 held thirteen granted ELs and three EL applications in South Australia and one granted EL in Northern Territory. The South Australian ELs covered 6,218km² of highly prospective ground in the Olympic Dam region of the Stuart Shelf. UXA also holds one granted EL and applications for a further five ELs in Northern Territory. In New South Wales, UXA holds one granted EL.

Acquisition of Borehole Logging Business

The Group completed the purchase on 1 October 2009 of the assets and business of GAA, a geophysical borehole logging company located in Mount Barker, South Australia.

Established in 1972, GAA has been providing a full range of commercial wire-line logging services to the mining and exploration sectors, principally focused on uranium and more recently also on coal and coal seam gas, throughout Australia. GAA is the sole distributor of the Prompt Fission Neutron (PFN) technology in Australia and the only provider of commercial PFN logging services in Australia. The acquisition includes management and a team of highly skilled professionals with a broad range of borehole logging expertise. GAA is held as a subsidiary company and continues to operate independently with regards to the preservation of confidential information of GAA's clients.

The purchase price payable under the agreement for the acquisition of GAA was \$5.29 million (following asset register adjustments), paid in cash at settlement, together with five million UXA shares

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

Acquisition of Borehole Logging Business (continued)

issued to the vendor. The acquisition was funded with a combination of funds raised through new capital raisings and bank financing.

GAA performed well during its first quarter of ownership by UXA, with revenues slightly above budget expectations at \$1.26 million.

Acquisition of Prompt Fission Neutron Technology

Subsequent to the end of the half-year, UXA signed a binding agreement to purchase 100% of the assets and intellectual property of the Prompt Fission Neutron (PFN) borehole logging tool manufacturing and service business from GeoInstruments Inc (GII) situated in Texas, USA.

The purchase further strengthens UXA's fully-owned borehole logging business, GAA, enabling it to expand its PFN logging and service business beyond Australia.

PFN technology is becoming increasingly utilised within the uranium mining and exploration industries, and played a significant role in the discoveries of two of Australia's largest uranium deposits, the Beverley mine and Four Mile deposits in South Australia.

Under the terms of the agreement signed with GII's President Jim Turner, GeoInstruments International Pty Ltd (a wholly owned subsidiary of UXA) will pay the total cash price of US\$1,271,380 for the intellectual property, a number of completed and partially completed PFN tools and a fully equipped borehole logging truck. The payment will be made in two tranches, the first payment of US\$953,535 within 7 days of signing the agreement (now completed) and the balance after a 90 day technology transfer period. UXA will retain the services of Jim Turner on an ongoing basis, to provide technical consultancy and service to clients of PFN logging tools in the USA.

UXA has funded 75% of the purchase in cash and 25% through a private loan from Geomech Pty Ltd.

UXA will establish PFN manufacturing and servicing at GAA's workshops in Mount Barker, South Australia. Dennis Stevens will take on the role of management of the PFN business for UXA in addition to his current role as CEO of GAA.

The PFN borehole logging tool is unique in that it directly measures the content of uranium in boreholes, overcoming the problem of dis-equilibrium which limits the interpretation of uranium concentrations using gamma logging tools. PFN tools are being extensively used in Australia and the USA to establish uranium grades at a number of uranium mines and exploration projects. The technology was originally developed in the USA and has been extensively improved and streamlined for day to day borehole logging application by Jim Turner and GeoInstruments Inc in the USA.

Benefits of GAA and PFN Technology Acquisitions

The board believes that the acquisition of GAA and PFN technology represents significant steps forward in the development of the Group, complementing its existing uranium exploration projects with two profitable, widely based service businesses. The benefits include:

Increased scale

UXA will have stronger balance sheet and access to an ongoing earnings stream.

Business Diversification

The Group will benefit from the addition of complementary and profitable businesses to its existing exploration business.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

Benefits of GAA and PFN Technology Acquisitions (continued)

Enhanced Technical and Management Capability

As part of the acquisition, GAA's management team has joined UXA, significantly enhancing its technical and management capability. The acquisition of PFN technology places UXA at the forefront of uranium logging technology.

Improved Access to Capital and Debt Markets

The Group should have improved access to capital markets due to the increased size and stability of the merged group. This could also assist in attracting greater investor interest in the Group and therefore promote better liquidity in the Group's shares.

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. These activities are reported separately below.

Exploration

South Australia

The Group has been working on a major technical review of all of its tenements on the Stuart Shelf. This includes re-modelling of geophysical targets. It is expected that this review will come to a conclusion in the next quarter.

UXA has been offered and accepted 4 new tenements on the Stuart Shelf including Three Hills EL4396, Mount Barry EL4406, Lake Torrens EL4397 and Nantilla EL4398, totalling 1,765 km². A review of geology and previous exploration is being undertaken to determine their prospectivity for uranium and other potentially economic minerals.

Northern Territory

Ngalia Thrust (EL 24566)

This licence is 100% owned by UXA, is located approximately 320km northwest of Alice Springs and near to Energy Metals' Bigrlyi uranium prospect.

Crystal Creek

In July 2009, the Group announced the discovery of a zone of uranium mineralisation which crops out intermittently over a strike distance in excess of 3,000m (radiometric Anomaly B).

Rock chip and field XRF determinations indicated excellent U₃O₈ concentrations of up to 4,120 ppm (ASX announcement 27th August 2009). A high resolution airborne geophysical survey flown at Crystal Creek by UTS Geophysics shows a very clear radiometric anomaly along the 3,000m long structure at Anomaly B and over adjacent outcrops and provided targets for an RC percussion drilling program completed in late November.

Results were also received from a 600 sample soil geochemical grid collected covering the 3,000m outcrop at Crystal Creek. The anomaly pattern largely confirms the results of Niton field XRF and rock chip geochemical sampling (ASX Release 27 August 2009) and shows some adjacent areas of anomalism.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

Results of drilling program

All assay results for 2572 samples generated during the November 2009 RC drill program have been returned. Over half of the holes drilled at anomaly B returned anomalous uranium values >100ppm U3O8 the best drill incept being 3m @ 346ppm U3O8 from 63m depth (ASX Release 25 January 2010).

The drilling results confirm structurally controlled uranium mineralisation to continue at depth with more significant values occurring at the western third of the 3 kilometre long ironstone structure. Uranium mineralisation occurs in a number of parallel structures and remains open down dip. The Group will undertake structural studies at Anomaly B to help identify controls on mineralisation prior to embarking on further drilling.

Annie Springs

A 503 station gravity survey over the Annie Springs magnetic anomaly was completed by Daishat in December. The survey comprised 400m centres closing to 100m centres directly above the magnetic anomaly. Preliminary data has been received by UXA and is currently being evaluated and final data is expected to be received by end Q3.

Annie Springs is a large magnetic anomaly in the South of the Ngalia Thrust tenement. In the late 1990's Rio Tinto drilled one diamond hole into the anomaly and intersected a (magnetite) banded iron formation at 112m depth.

Nabarlek North (ELA 24868) and Nabarlek West (ELA 24564)

These tenements are part of UXA's joint venture with RIL Australia Pty Ltd, subsidiary of Reliance Industries Limited, a major Indian corporation. Agreement has been reached with the Northern Land Council on behalf of the Traditional Owners and it is anticipated that this will lead to the granting of the tenements in Q3 2010. The tenements are in the vicinity of the old Nabarlek uranium mine and have similar geology to that which hosts the operating high grade Ranger uranium mine.

Western Australia

Yeelirrie South East (EL 36/546) and Angelo River North (EL 52/1835) tenements in Western Australia were both relinquished as a technical review determined that no further exploration is justified.

UXA signed an agreement with Rey Resources Limited to earn up to 80% interest in an advanced uranium project in Western Australia. Under the terms of the agreement UXA will spend \$0.75million over 2 years to earn 51% and a further 29% after spending an additional \$1million. UXA may withdraw after spending \$0.25million.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' REPORT

Completion of Capital Raising

A series of Placements were made to Institutional and Sophisticated investors, raising \$5.26 million in new capital. This was completed on 14th September following approval by shareholders at the general meeting. The Share Purchase Plan (SPP) closed on 16th September and participation by shareholders has greatly exceeded the Group's expectations. Having targeted a \$2 million capital raising through the SPP, the Group received \$3.4 million in applications of which all were accepted.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs in the Group 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 8 and forms part of the directors' report for the six months ended 31 December 2009.

Rounding Off

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.

This report is made in accordance with a resolution of the directors.



Neill Arthur
Chairman
Sydney, 9 March 2010



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 2009 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
Derek Meates
Partner

Adelaide

9 March 2010

URANIUM EXPLORATION AUSTRALIA LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

| CONSOLIDATED GROUP | | | |
|---|-------------|-----------------------------|-----------------------------|
| | Note | 31 Dec 09 \$'000 | 31 Dec 08 \$'000 |
| Revenue | | | |
| Other income | | 27 | 6 |
| Logging revenue | | 1,263 | - |
| Interest income | | 81 | 194 |
| Total revenue | | 1,371 | 200 |
| Operating costs: | | | |
| Professional fees | | (243) | (225) |
| ASX / registry expenses | | (49) | (16) |
| Depreciation expense | | (195) | (59) |
| Printing & communications | | (43) | (24) |
| Insurance | | (69) | (57) |
| Employee related expenses | | (987) | (399) |
| Advertising / promotions expenses | | (30) | (30) |
| Travel | | (94) | (18) |
| Office expenses | | (137) | (37) |
| Exploration expenditure written off | 6 | (601) | (931) |
| Bank & finance costs | | (44) | - |
| Fair value of options | | (788) | - |
| Stamp duty | | (305) | - |
| Other expenses from ordinary activities | | (176) | (162) |
| Total expenses | | (3,761) | (1,958) |
| Loss before income tax | | (2,390) | (1,758) |
| Income tax expense | | - | - |
| Loss for the period | | (2,390) | (1,758) |
| Other comprehensive income | | - | - |
| Total comprehensive loss | | (2,390) | (1,758) |
| Basic loss per share - cents | | (0.017) | (0.020) |
| Diluted loss per share - cents | | (0.017) | (0.020) |

The statement of comprehensive income should be read in conjunction with the accompanying notes.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

| | Note | CONSOLIDATED GROUP | |
|--|------|---------------------|---------------------|
| | | 31 Dec 09 \$'000 | 30 Jun 09 \$'000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 5,810 | 2,827 |
| Trade and other receivables | | 1,257 | 119 |
| Inventory | | 93 | - |
| TOTAL CURRENT ASSETS | | 7,160 | 2,946 |
| NON-CURRENT ASSETS | | | |
| Goodwill | 9 | 1,790 | - |
| Property, plant and equipment | | 4,079 | 226 |
| Exploration and evaluation expenditure | 6 | 1,694 | 1,551 |
| Other non-current assets | | - | 63 |
| TOTAL NON-CURRENT ASSETS | | 7,563 | 1,840 |
| TOTAL ASSETS | | 14,723 | 4,786 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 647 | 172 |
| Loans | 10 | 2,539 | - |
| TOTAL CURRENT LIABILITIES | | 3,186 | 172 |
| NON-CURRENT LIABILITIES | | | |
| Loans | | - | - |
| Deferred income | | 1,622 | 1,622 |
| TOTAL NON CURRENT LIABILITIES | | 1,622 | 1,622 |
| TOTAL LIABILITIES | | 4,808 | 1,794 |
| NET ASSETS | | 9,915 | 2,992 |
| EQUITY | | | |
| Issued capital | 7 | 22,501 | 13,976 |
| Reserves | | 1,134 | 346 |
| Accumulated losses | | (13,720) | (11,330) |
| TOTAL EQUITY | | 9,915 | 2,992 |

The statement of financial position should be read in conjunction with the accompanying notes.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

| | Note | CONSOLIDATED GROUP | |
|--|------|---------------------|---------------------|
| | | 31 Dec 09 \$'000 | 31 Dec 08 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 158 | - |
| Cash payments to suppliers and employees | | (1,389) | (961) |
| Revenue (Management Fees) | | - | 6 |
| Interest received | | 81 | 193 |
| Finance cost | | (80) | - |
| Net cash used in operating activities | | (1,230) | (762) |
| Cash flows from investing activities | | | |
| Payments for exploration and evaluation expenditure | 6 | (744) | (1,225) |
| Payments for property, plant & equipment | | (191) | (196) |
| Proceeds from sale of fixed assets | | 150 | - |
| Acquisition of GAA | | (5,294) | - |
| Payment for stamp duty on GAA acquisition | | (305) | - |
| Receipt of bonds | | 33 | - |
| Net cash used in investing activities | | (6,351) | (1,421) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | | 8,025 | - |
| Proceeds from borrowings | | 2,700 | - |
| Repayment of borrowings | | (161) | - |
| Net cash from financing activities | | 10,564 | - |
| Net increase in cash and cash equivalents | | 2,983 | (2,183) |
| Cash and cash equivalents at 1 July 2009 | | 2,827 | 6,252 |
| Cash and cash equivalents at 31 December 2009 | | 5,810 | 4,069 |

The cash flow statement should be read in conjunction with the accompanying notes.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

| | Issued Capital \$'000 | Accumulated Losses \$'000 | Reserves \$'000 | Total \$'000 |
|--|-----------------------------|---------------------------------|--------------------|-----------------|
| Balance at 1 July 2008 | 13,976 | (5,403) | 321 | 8,894 |
| Total comprehensive loss for the period | | | | |
| Loss | - | (1,758) | - | (1,758) |
| Other comprehensive income | | | | |
| Total other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | (1,758) | - | (1,758) |
| Transactions with owners, recorded directly in equity | | | | |
| Contributions by and distributions to owners | | | | |
| Fair value of equity issued | - | - | - | - |
| Share issue expenses | - | - | - | - |
| Fair value of options issued | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - |
| Balance at 31 December 2008 | 13,976 | (7,161) | 321 | 7,136 |
| Balance at 1 July 2009 | 13,976 | (11,330) | 346 | 2,992 |
| Total comprehensive loss for the period | | | | |
| Loss | - | (2,390) | - | (2,390) |
| Other comprehensive income | | | | |
| Total other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | (2,390) | - | (2,390) |
| Transactions with owners, recorded directly in equity | | | | |
| Contributions by and distributions to owners | | | | |
| Fair value of equity issued | 9,340 | - | - | 9,340 |
| Share issue expenses | (815) | - | - | (815) |
| Fair value of options issued | - | - | 788 | 788 |
| Total contributions by and distributions to owners | 8,525 | - | 788 | 9,313 |
| Balance at 31 December 2009 | 22,501 | (13,720) | 1,134 | 9,915 |

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 1: Reporting entity

Uranium Exploration Australia Limited (UXA) is a company domiciled in Australia. The condensed half year financial report of the Group is for the six months ended 31 December 2009.

(a) Statement of compliance

The half year 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 half year 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 2009.

This half year financial report was approved by the Board of Directors on 9 March 2010.

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) Significant accounting policies

The accounting policies applied by the Group in this half year financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2009.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income or expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the separate income statement / single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the standard.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

(b) Significant accounting policies (continued)

Operating Segments

From 1 January 2009, operating segments are to be identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the Managing Director.

Business Combinations

AASB 3 prescribes how any entity accounts for a business combination. The standard has been implemented for the acquisition of GAA.

(c) Estimates

The preparation of the half year 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 half year 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 2009.

Note 2: Basis of Preparation

Going Concern

The half year 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 2009 the Group has net assets of \$9.9m and the Directors believe the Group has sufficient cash of \$5.8m (\$4.14m 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 Group's areas of interest for which rights of tenure are current and generate cash flows from the GAA business. Reference should be made to Note 10 for a detailed explanation on loan covenants.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 3: Operating Segments

The Group operates 2 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 mineral exploration with particular emphasis on uranium, including base and precious metals found on its tenements.
- *Geophysical borehole logging.* Includes borehole logging in the coal, coal seam gas, uranium and geotechnical sectors.

Information about reportable segments

For the six months ended 31 December 2009

| | Exploration | | Borehole Logging | | Total | |
|--|-------------|--------|------------------|--------|---------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| External revenues | - | - | 1,263 | - | 1,263 | - |
| Inter-segment revenue | - | - | 21 | - | 21 | - |
| Reportable segment profit / (loss) before income tax | (2,485) | - | 95 | - | (2,390) | - |
| Reportable segment assets | 7,718 | - | 7,005 | - | 14,723 | - |

Note 4: Contingent Liabilities and Contingent Assets

The Group does not have any contingent assets or liabilities.

Note 5: Events Subsequent to Reporting Date

Subsequent to the end of the half-year, UXA signed a binding agreement to purchase 100% of the assets and intellectual property of the Prompt Fission Neutron (PFN) borehole logging tool manufacturing and service business from GeoInstruments Inc (GII) situated in Texas, USA.

Under the terms of the agreement signed with GII's President Jim Turner, GeoInstruments International Pty Ltd (a wholly owned subsidiary of UXA) will pay the total cash price of US\$1,271,380 for the intellectual property, a number of completed and partially completed PFN tools and a fully equipped borehole logging truck. The payment will be made in two tranches, the first payment of US\$953,535 within 7 days of signing the agreement (now completed) and the balance after a 90 day technology transfer period. UXA will retain the services of Jim Turner on an ongoing basis, to provide technical consultancy and service to clients of PFN logging tools in the USA. UXA has funded 75% of the purchase in cash and 25% through a private loan from Geomech Pty Ltd who is a related party. The loan is repayable in 2 years. The CEO of GAA and director of GII, Mr Dennis Stevens, is a shareholder of Geomech Pty Ltd.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 5: Events Subsequent to Reporting Date (continued)

UXA signed an agreement with Rey Resources Limited to earn up to 80% interest in an advanced uranium project in Western Australia. Under the terms of the agreement UXA will spend \$0.75million over 2 years to earn 51% and a further 29% after spending an additional \$1million. UXA may withdraw after spending \$0.25million.

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 2009 half year financial statements.

Note 6: Exploration and Evaluation Expenditure

| | 31-Dec-09 | 31-Dec-08 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Balance at beginning of period | 1,551 | 4,159 |
| Expenditure in the period | 744 | 1,225 |
| Amortisation in the period | - | - |
| Amounts written off / adjusted in the period | (601) | (931) |
| Balance at end of period | 1,694 | 4,453 |

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. The balance at half year end includes \$24,000 representing the Group's 51% share of exploration and evaluation assets of the UXA-RILA joint venture (refer Note 8).

Note 7: Issued Capital

| | No. Shares | No. Options |
|-----------------------------|--------------------|--------------------|
| Balance at 1 July 2009 | 88,802,623 | 505,000 |
| Issue of shares / options | 93,400,714 | 9,500,000 |
| Share options exercised | - | - |
| Balance at 31 December 2009 | 182,203,337 | 10,005,000 |

Shares issued during the reporting period were issued at 10 cents and were issued via a placement, a share purchase plan and an issue of 5 million shares to the vendor in the GAA acquisition.

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 8: RILA Joint Venture

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 Group 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 2009, \$677,000 had been recognised to date based on underlying JV expenditure, as shown above, with nil recognised in the current period.

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

NOTE 9: Acquisition of subsidiary (GAA)

The Group incurred acquisition-related costs relating to external legal and accounting due diligence costs and stamp duty on the purchase. These costs have been included in professional and stamp duty expenses in the Group's consolidated statement of comprehensive income.

The terms of the purchase of business agreement provided for the payment to the vendor of \$5 million cash and 5 million ordinary shares in UXA. The shares are initially restricted from trading with 25% available after each 6 month period over 2 years. The value assigned to each share was 10 cents.

| Identifiable assets acquired and liabilities assumed | \$'000 |
|---|---------------|
| Plant and equipment | 4,095 |
| Licences | 58 |
| Deposits | 8 |
| Employee entitlements | (157) |
| | <hr/> |
| Total net identifiable assets: | 4,004 |

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

| | |
|-----------------------------------|---------------|
| Total consideration transferred | 5,794 |
| Less value of identifiable assets | <hr/> (4,004) |
| Goodwill | <hr/> 1,790 |

URANIUM EXPLORATION AUSTRALIA LIMITED
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 10: Loan Covenant

The Group secured a bank loan for \$2.7m for the Geoscience acquisition as at 1 October 2009. According to the terms of the agreement, the loan is repayable over 4 years. The loan contains a debt covenant stating that for each quarter the Group's debt service cover ratio (defined in the covenant as EBITDA / interest + principal paid) is not to be less than 2.5 times. The Group's profitability over the initial 3 month period of operation was affected by acquisition accounting entries together with reduced revenue over the Christmas holiday and seasonally quiet period.

The Group applied for and received a waiver for this breach in February 2010. Under the relevant accounting standard, because of this breach, the whole loan amount is classified as a current liability at reporting date; this classification does not reflect the terms of the loan which have not altered from this breach of the covenant.

NOTE 11: Directors fees

The directors' fees have increased to \$40,000 + \$6,000 committee fee for non executive directors and \$60,000 + \$6,000 committee for the Chairman. The total remuneration for directors remains within the shareholder approved limit of \$300,000.

URANIUM EXPLORATION AUSTRALIA LIMITED

DIRECTORS' DECLARATION

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

1. the financial statements and notes set out on pages 9 to 18 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2009 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 Group 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 9th day of March 2010.



.....
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 consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 11 and the directors' declaration set out on page 19 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 Group's financial position as at 31 December 2009 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.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 Group's financial position as at 31 December 2009 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

9 March 2010