



**UXA Resources  
Limited**

ABN 65 112 714 397

**UXA Resources Limited**  
**(Subject to Deed of Company Arrangement)**

**Half Year Financial Report**

**31 December 2012**

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### Directors' Report

The Directors of UXA Resources Limited ("UXA") and of the Group, being the company and its subsidiaries present their report together with the consolidated financial report for the six months ended 31 December 2012 and the review report thereon.

During the half year the company has experienced extremely difficult conditions with depressed markets restricting capital raising both in Australia and overseas. UXA was successful in attracting funding for exploration and working capital through the raising of funds from convertible notes, in addition to some equity subscriptions. The Company was not able to submit its annual accounts by the due date of 30 September 2012 and was subsequently suspended from trading on ASX in October 2012. The company embarked on a strategy to divest the GAA wireline operating division and non-core exploration assets, and to effectively re-focus on a core strategy of exploration, advancing UXA's highly prospective portfolio of projects.

Subsequent to the end of the 2012 financial year, UXA has succeeded in selling its US wireline logging business and its joint venture interests in the Stuart Shelf copper-gold tenements in South Australia. Subsequent to the half year end the Company sold its PFN technology, but was unable to find a buyer for its Australian downhole logging business, and its subsidiary GAA was placed in liquidation. On 26 July 2013 the directors appointed an administrator to the parent company UXA Resources Ltd.

Exploration activities for the six months ended 31 December 2012 focused on a second stage of drilling at Nabarlek North for uranium. During the 2012 field season, elevated uranium values along with strong sericitic, chloritic and hematitic alteration returned from 5 of the 11 holes were confirmed by elevated hand held scintillometer counts. Subsequent to the half year end, joint venture partner RIL Australia Pty Ltd withdrew from all uranium joint ventures and the properties reverted 100% to UXA.

In central South Australia UXA has been granted a new exploration licence covering a zone of close surface gold anomalism which lies about 15km north of the >1 million ounce Challenger gold mine. This area lies within the "green zone" of the Woomera Prohibited Area where the South Australian and Federal Governments have re-defined regulations for exploration access, and UXA has entered into an access agreement with the Defence Department.

In December 2012, the Company's Managing Director, Dr Russell Penney gave his contracted six months' notice of his retirement. On behalf of the board, I wish to thank Dr Penney for his outstanding contribution and wish him and his family well in his retirement.

The Company's other employees have also made a sterling contribution in what has been an extremely trying period.

#### 1. DIRECTORS

The Directors of UXA at any time during or since the end of the interim period are:

- Neill Arthur (Non-Executive Chairman)
- Scott McKay (Non-Executive Director)
- David Sutich (Non-Executive Director)
- Russell Penney (Managing Director – resigned 14 December 2012, with effect from 14 June 2013)
- Ian Mutton (Non-Executive Director – retired 3 December 2012)

## UXA Resources Limited

### 2. PRINCIPAL ACTIVITIES

UXA is a diversified explorer for uranium and precious metals and is committed to further exploration of its key assets, the Nabarlek and Pandanus West uranium projects in NT and Commonwealth Hill Gold project in SA.

### 3. REVIEW OF OPERATIONS

During the period under review, UXA continued exploration on its mineral tenements, spending \$0.43 million on exploration and evaluation expenditure. Drill programs completed during the reporting period included 1,740m of RC drilling at Nabarlek North.

UXA's geophysical borehole wireline contracting division, GAA Wireline, continued to trade in difficult conditions for resource service industries.

Prior to the half year end, UXA sold its USA wireline logging business, including the Prompt Fission Neutron technology and exited its Stuart Shelf Cu-Au exploration project in South Australia. After the half year end, UXA exited its Mundi Plains – Junction Dam base metal joint venture project in South Australia and New South Wales. These strategic changes, foreshadowed during the half year, will allow UXA to focus on its Northern Territory uranium project and its Commonwealth Hill gold project in South Australia.

Following completion of the sale and exit from the non-core exploration assets, UXA held two granted Exploration Licences and nine licence applications in the Northern Territory and two granted Exploration Licences in South Australia.

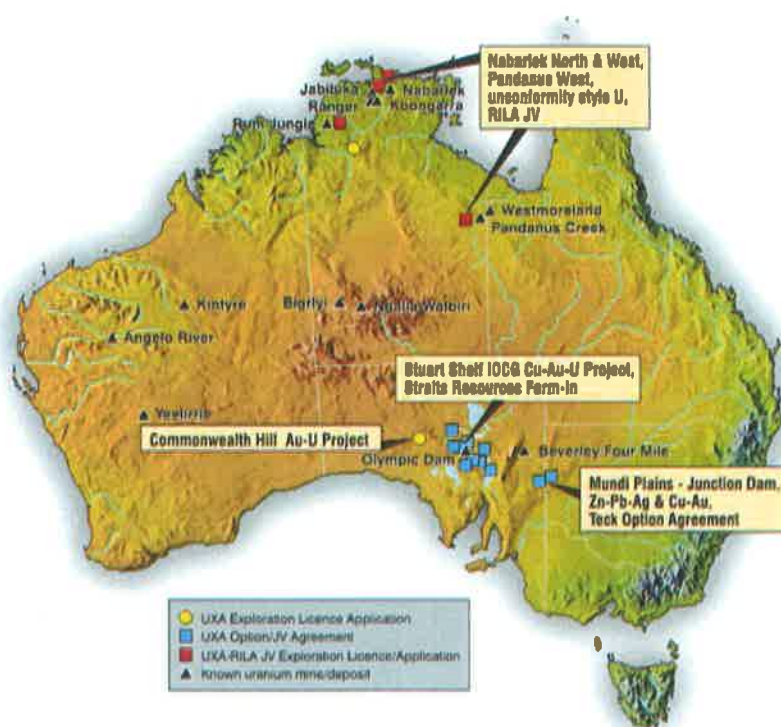


Figure 1. UXA Project Location Map

### Nabarlek North EL24868

The Nabarlek North tenement is located to the north of and adjoining the Nabarlek Uranium mining operations, which closed in 1988. The property is being explored for unconformity style uranium mineralisation similar to the orebody mined at Nabarlek.

During the period, UXA and RILA completed a second stage of RC percussion drilling comprising 21 holes totalling 1,740m in 3 target areas. Elevated uranium values along with strong sericitic, chloritic and hematitic alteration returned from 5 of the 11 holes were confirmed by elevated hand held scintillometer counts. Selected drill chip samples were submitted for chemical assay and significant results are detailed in Table 1.

| AREA | hole     | Easting (m) | Northing (m) | Azimuth (°) | Dip (°) | Depth (m) | from (m) | to (m) | Cu (ppm) | U3O8 (ppm) | Au (ppb) |
|------|----------|-------------|--------------|-------------|---------|-----------|----------|--------|----------|------------|----------|
| 3    | 12NNRC02 | 317950      | 8646256      | 150         | -60     | 67        | 18       | 19     | 15       | 5          | 0.02     |
| 1    | 12NNRC10 | 327060      | 8645355      | 20          | -60     | 91        | 21       | 22     | 1        | 9          | 0.03     |
| 1    | 12NNRC11 | 327057      | 8645403      | 220         | -70     | 91        | 11       | 12     | 3        | 1          | 0.01     |
| 1    | 12NNRC11 | 327057      | 8645403      | 220         | -70     | 91        | 69       | 70     | 48       | 1          | 0.01     |
| 1    | 12NNRC12 | 327375      | 8645300      | 270         | -60     | 120       | 101      | 102    | 10       | 74         | 0.02     |
| 1    | 12NNRC12 | 327375      | 8645300      | 270         | -60     | 120       | 105      | 106    | 140      | 31         |          |
| 1    | 12NNRC12 | 327375      | 8645300      | 270         | -60     | 120       | 106      | 107    | 3085     | 33         | 0.01     |
| 1    | 12NNRC12 | 327375      | 8645300      | 270         | -60     | 120       | 107      | 108    | 6180     | 74         | 0.02     |
| 1    | 12NNRC17 | 327237      | 8645507      | 270         | -60     | 97        | 84       | 85     | 285      | 39         |          |
| 1    | 12NNRC18 | 326697      | 8645555      | 270         | -60     | 92        | 36       | 37     | 22       | 3          | 0.01     |
| 1    | 12NNRC19 | 327199      | 8645372      | 270         | -60     | 90        | 25       | 26     | 33       | 43         |          |
| 1    | 12NNRC19 | 327199      | 8645372      | 270         | -60     | 90        | 26       | 27     | 27       | 32         |          |
| 1    | 12NNRC19 | 327199      | 8645372      | 270         | -60     | 90        | 27       | 28     | 50       | 21         |          |
| 1    | 12NNRC20 | 327148      | 8645359      | 270         | -60     | 120       | 15       | 16     | 4        | 31         |          |
| 1    | 12NNRC20 | 327148      | 8645359      | 270         | -60     | 120       | 16       | 17     | 10       | 101        |          |
| 1    | 12NNRC20 | 327148      | 8645359      | 270         | -60     | 120       | 17       | 18     | 2        | 45         |          |
| 1    | 12NNRC20 | 327148      | 8645359      | 270         | -60     | 120       | 104      | 105    | 24       | 2          | 0.01     |

Table 1 - Nabarlek North 2012 – Significant Assay Results

Analytical results from 2012 drilling. 1 metre split chip samples prepared in accordance with Amdel's PREP2,3 sample preparation procedure, prior to assay using metallurgical grade digest with ICPOES finish in accordance with Amdel's MET1 process. GDA94 (Zone 54)

Exploration is well advanced at Nabarlek North and has included completing a 1,927 line kilometre fixed wing airborne GEOTEM electromagnetic survey covering the whole tenement area, a tenement wide hyperspectral remote sensing survey with 0.5m pixel resolution, a 548 sample point at 200m spacing Alphatrack radon cup survey and coincident 559 sample point geochemical sampling survey covering an area approximately 19km<sup>2</sup> within the southern region of the tenement which has highlighted 3 initial target areas (Figure 2).

Area 1 prospect comprises sub-cropping Proterozoic amphibolite and psammo-pelitic schists partly unconformably covered by Kombolgie Formation sandstone and in fault contact with the adjacent Oenpelli Dolerite. Tertiary and Quaternary cover thickness is variable from a thin veneer atop the schist and amphibolite to several metres above the dolerite. A saprolitic weathering profile is developed to 20m depth in areas. A zone of uranium enrichment is interpreted to occur between drill holes 11RC4a and 11RC6 and may be the product of faulting and metamorphism associated with the intrusive Oenpelli dolerite (Figure 3).

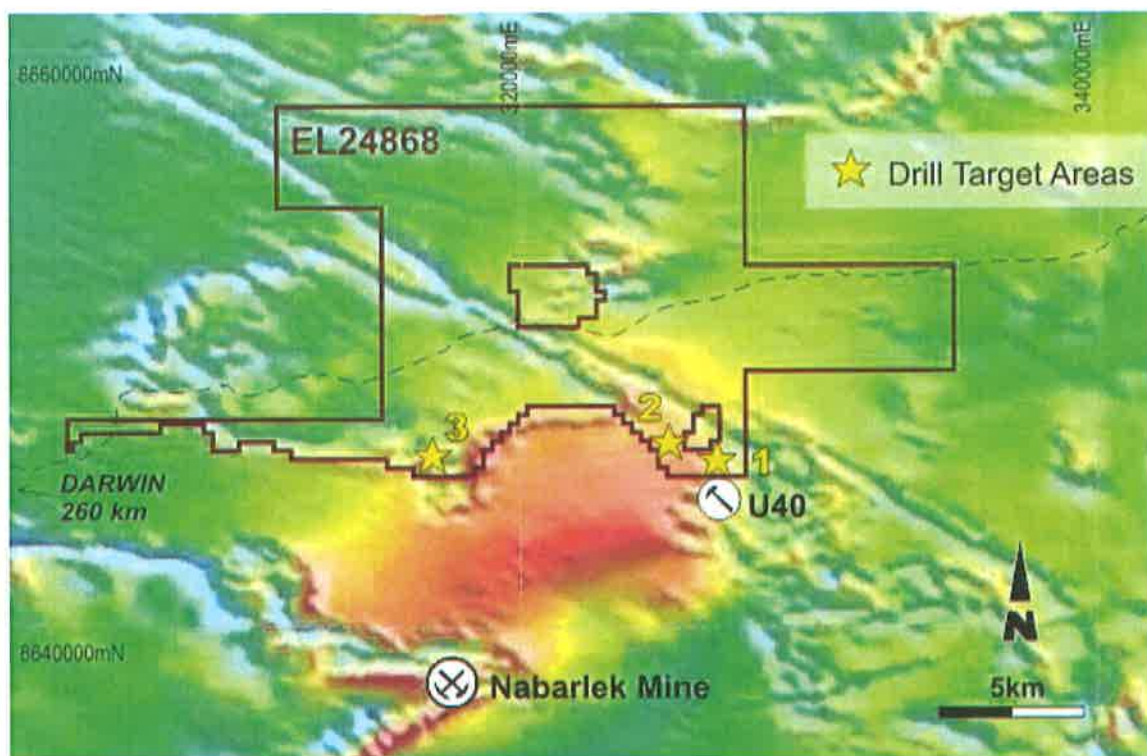


Figure 2: Nabarlek North Drill Targets.

At Area 2, drilling intersected thick clay above schist containing abundant milky white quartz and trace amounts of sulphides. No samples were submitted for assay from drill holes in this region due to poor scintillometer values being returned from drill cuttings.

Drilling at Area 3 confirmed the presence of Oenpelli Dolerite adjacent to elevated K and Th radioactivity and anomalous soil geochemistry. Anomalous gold (0.02g/t) hosted in quartz hematite breccia was returned from 18m to 19m in drill hole 12NN02.

Field activities in 2012 comprised prospect scale geological mapping at Area 1, a gravity survey, a ground based detailed radiometric survey, an additional soil geochemical survey and follow-up drilling. The ground based radiometric survey and infill geochemical surveys were designed to further delineate and refine drill targets.

Drilling the thin structures farthest from the dolerite contact confirmed anomalous uranium mineralisation to occur at depth and along strike with grade averaging 100ppm  $U_3O_8$  over 1.5m thickness. Drilling of a structure closest to the dolerite contact returned elevated anomalous uranium in the region of 460ppm  $U_3O_8$  over 1.3m in drill hole 11NN04a and 0.46% Cu, 0.01g/t Au and 45ppm  $U_3O_8$  over 2m in drill hole 12NN12. Both of these intercepts are interpreted to belong to the one easterly dipping fault structure. Additional anomalous gold values between 0.01g/t to 0.03g/t over 1m intervals were returned from drill holes 12NN10, 12NN11, 12NN18 and 12NN20.

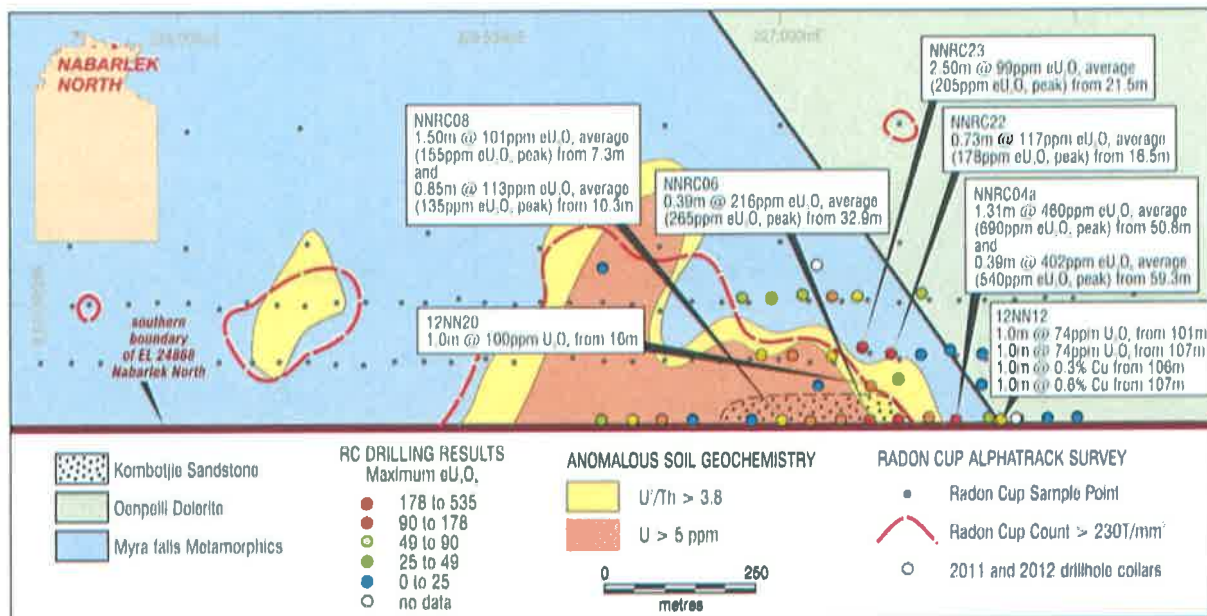


Figure 3: Area 1 Prospect EL24868, Nabarlek North.

Inclined drillholes, drill intercepts do not necessarily represent true thicknesses. Analytical results from 2012 drilling. 1 metre split chip samples prepared in accordance with Amde's PREP2,3 sample preparation procedure, prior to assay using metallurgical grade digest with ICPOES finish in accordance with Amde's MET1 process. Gamma logging by GAA Wireline, tool SSG02 calibrated on 29<sup>th</sup> August 2011 at API pits Adelaide and corrected for borehole diameter and steel drill rods. Radon Alphatrack cup survey results analysed by Alphatrack (Canada) based on detector cups buried at 30cm depth and results normalised to 30 days exposure reported as tracks per square millimetre (T/mm<sup>2</sup>). Soil geochemical samples collected from radon cup sites at 30cm depth and analysed at AMDEL using ICPMS and ICPOES schemes IC4M and IC3E.GDA94 (Zone 54).

The Area 1 prospect contains many attributes and strong indicators to suggest the region is part of a fertile mineralising system capable of hosting economic uranium mineralisation. These include close proximity to the unconformable contact between Myra Falls Metamorphics and Kombolgie Formation, elevated uranium content in basement lithologies, close proximity to Oenpelli Dolerite and elevated gold and copper values returned from 12NN12. However the prospect may have limited strike length to the north and possibly represents the northern limit of the U40 prospect.

Historically, uranium mineralisation has been found by airborne radiometric surveys flown in the 70's. However, not all deposits were found this way, Jabiluka 2 has no radiometric expression due to being located under cover and was discovered by drilling along strike from Jabiluka. Jabiluka 2 contains approximately 150,000t U<sub>3</sub>O<sub>8</sub>.

EL24868 has no obvious radiometric standouts within the tenement for the simple reason it is covered by a thin veneer of Kombolgie sandstone as well as Mesozoic sandstone and Tertiary and Quaternary sequences with only minor basement rocks being exposed. However, the tenement remains highly prospective for uranium mineralisation where future exploration will focus along the north and north-westerly striking regional dolerite dyke, particularly in regions with Mesozoic to Quaternary cover where no detailed ground based exploration activities have been undertaken previously.

Although the mineralisation identified by the Company to date within Area 1 appears to be thin and discontinuous, it is considered to be evidence that this region of the tenement contains many of the right criteria required to potentially host economic mineralisation. The Company's exploration strategy for its next phase of works is to focus on the northerly trending mineralised contact between Myra Falls Metamorphics amphibolite, schist and psammite units (showing as red and yellow in the magnetic image) and Oenpelli dolerite (blue) (figure 4) which extends from Area 1.

Since this region of the tenement has no obvious radiometric standouts and is covered by a thin veneer of Mesozoic sandstone and Tertiary and Quaternary sequences, there has been no known on-ground exploration completed previously by other explorers. The Company proposes to complete a detailed geochemical and biochemical survey designed to detect concealed economic mineralisation leading to defined drill targets.

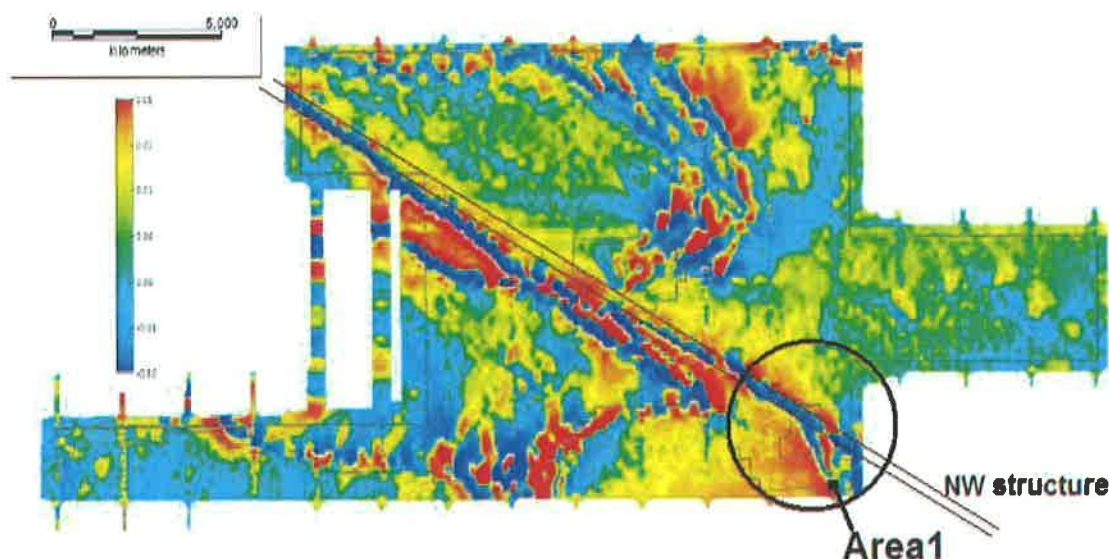


Figure 4: Nabarlek North – 1VD magnetic image

Subsequent to the half year end former 49% partner RIL Australia Pty Ltd elected to withdraw from the Nabarlek North joint venture, with the project reverting 100% to the Company.

### **Pandanus West (EL 24565)**

The Pandanus West area is situated in the Murphy uranium province in the Northern Territory and is prospective for world class Westmoreland or unconformity style uranium deposits. The Westmoreland uranium deposit in Queensland contains a NI 43-101 indicated and inferred resource totalling 51.9 million pounds of  $U_3O_8$ .

Exploration was initiated at Pandanus West in the Westmoreland uranium province close to the Queensland border.

The Pandanus West exploration licence (EL 24565) was also part of UXA's joint venture with RIL Australia Pty Ltd. As part of the first phase exploration program, a 5,900 line km airborne radiometric and aeromagnetic survey has recently been completed, flown by Thompson Aviation. A number of uranium channel anomalies were detected. Reconnaissance field mapping indicated weak  $U^2/Th$  anomalies identified by the airborne radiometric survey to be uranium associated with Tertiary and Cretaceous cover units (Figure 5). The occurrence of Westmoreland Conglomerate has been positively identified in the field and can be shown to span the length of the exploration licence at its southern boundary.

Further field work is planned to establish the detailed stratigraphy of the licence area, and to further characterise the airborne radiometric results obtained.

## UXA Resources Limited

During the half year, RILA decided to withdraw from the joint venture, with the project reverting 100% to the Company.

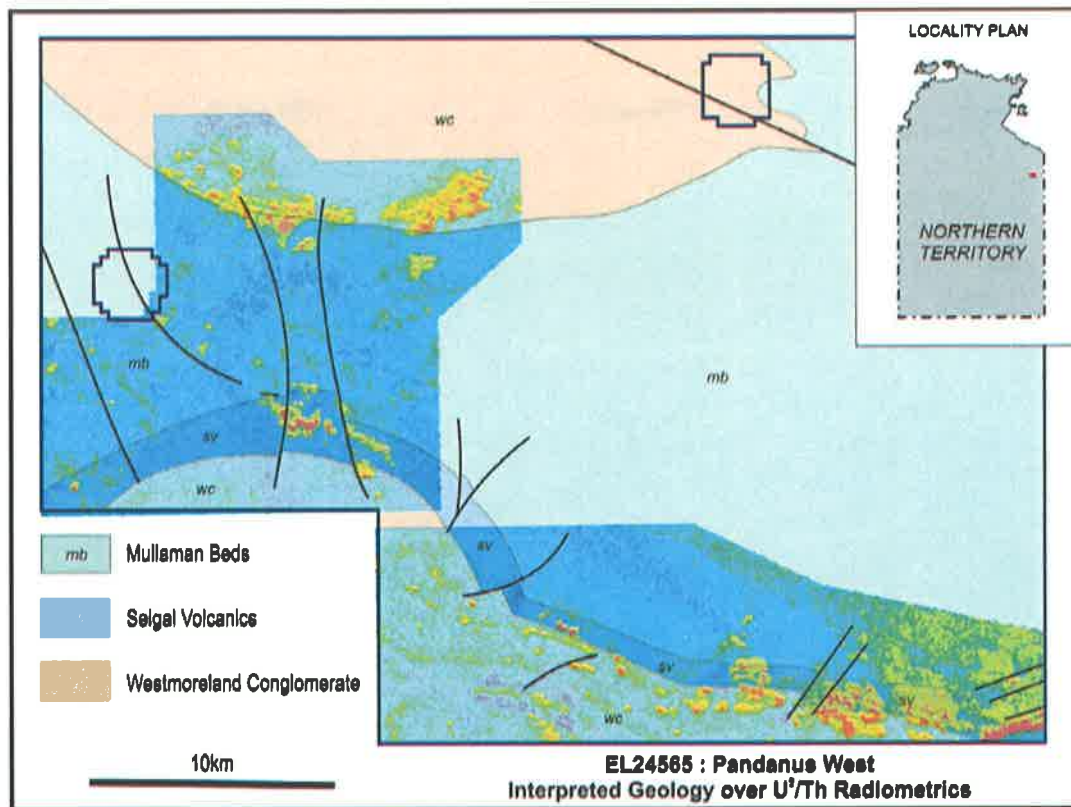


Figure 5. Pandanus West airborne radiometrics (U<sup>2</sup>/Th) and interpreted geology

### Rum Jungle NE (ELA 24586), Katherine North (ELA 24577)

These application areas are currently in moratorium following previous attempts to engage with traditional owners and locals. The Company expects to re-enter negotiations once the 5 year moratorium periods have expired. Subsequent to half year end the company elected not to proceed with the Rum Jungle NE application, but is progressing the 100% owned Katherine North application.

### Commonwealth Hill (EL4971)

The Commonwealth Hill tenement (EL4971) lies in the Green Zone of the Woomera Prohibited Area (WPA) and is prospective for Archaean lode gold deposits, similar to the Challenger gold mine 10km to the south, and for sandstone-hosted uranium in the Garford palaeochannel which transects the northern part of the tenement.

The Company currently holds a native title mining agreement with the Antakirinja traditional owners and has received an access agreement with the Commonwealth Department of Defence. Under the revised terms for exploration in the WPA, Green Zone tenement holders will have 309 days annual access to their tenements for exploration.

### Nemesis Gold Prospect

Previous regional exploration on the Commonwealth Hill property led to the identification of the Nemesis gold prospect, a gold in calcrete anomaly which has been tested by shallow widely spaced reconnaissance RAB drilling (Figure 6).

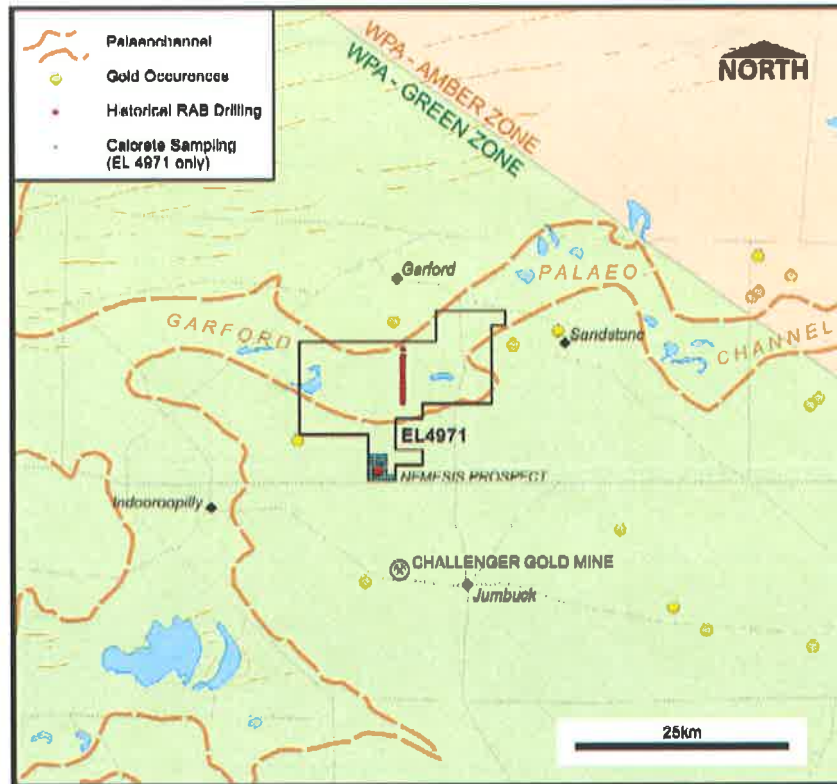


Figure 6: Commonwealth Hill tenement EL4971

Based on available data, Nemesis is considered to be located within similar geological and structural setting as the Challenger gold deposit.

Nemesis is a drill ready one kilometre long gold target delineated by anomalous gold in calcrete and gold and associated base metals in shallow saprolitic and basement drill samples (Figure 7).

Similar to Challenger's discovery as a gold in calcrete anomaly returning a maximum value of 180ppb Au, the Nemesis Prospect is identified as a 2 point gold in calcrete anomaly returning a maximum value of 42ppb Au. Subsequent shallow hole RAB drilling has delineated anomalous gold in saprolite and basement which strikes over a distance of 1 kilometre.

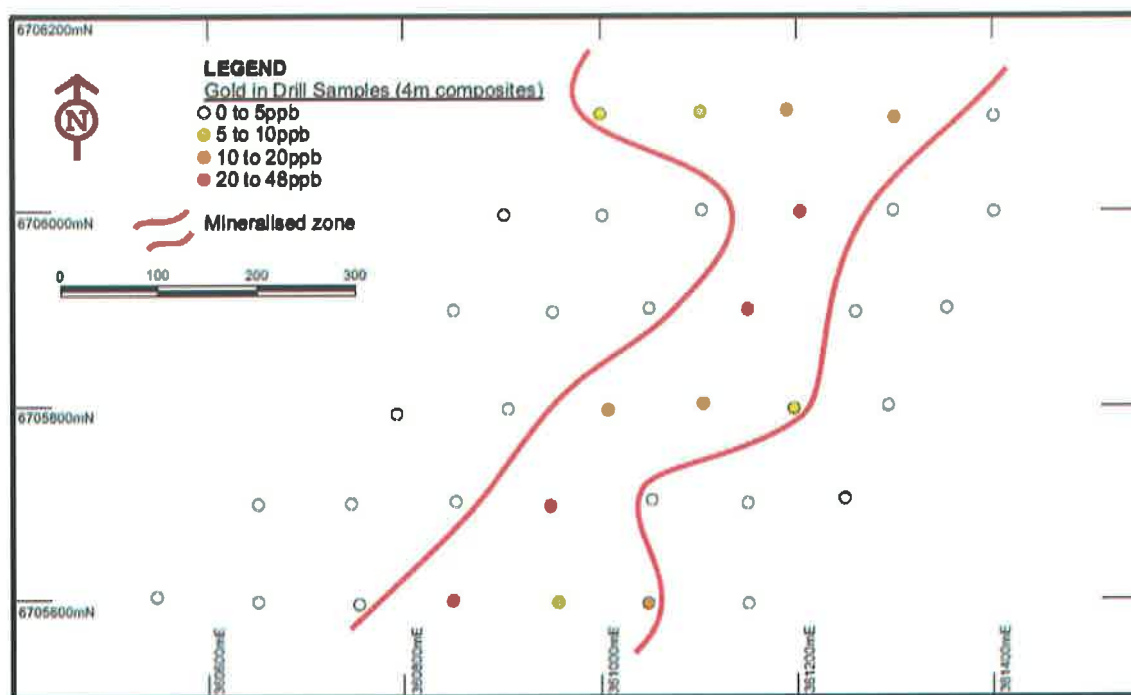


Figure 7: Nemesis - Early stage shallow hole drilling – gold in drill samples (4m composites)  
 RAB Drillholes – vertical, sampling interval 4m composite, sampling method and assay method unknown

The Company is seeking to identify an Archaean lode gold system similar in style to Challenger gold deposit capable of yielding >150,000oz of gold and considers the Nemesis target to be well delineated and drill ready.

### Stuart Shelf – Straits Joint Venture

The Stuart Shelf in South Australia is one of the world's most prospective provinces for giant copper gold (uranium) deposits and includes two major mining operations, Olympic Dam and Prominent Hill; with a third deposit Carrapateena currently being evaluated. The Stuart Shelf offers its own unique challenges to explorers with much of the prospective area for iron oxide copper-gold breccia-hosted deposits (IOCG) lying beneath thick sequences of un-mineralised cover rocks.

During the half year, joint venture partner and manager Straits Resources Ltd decided to excise five tenements from the Stuart Shelf joint venture, and retain four tenements for further exploration assessment. Subsequently UXA decided to exit the joint venture and sold its residual equity in the four joint venture tenements to Straits for \$375,000.

UXA continued to hold two tenements in the Stuart Shelf region in its own right, EL 4927 Playford and EL 4928 Playford South East. Subsequent to half year end, UXA relinquished EL 4928 Playford South East.

### **Mundi Plains and Junction Dam**

The Broken Hill region of far western New South Wales and eastern South Australia is highly prospective for stratiform Broken Hill-style lead-zinc-silver deposits. UXA's Mundi Plains and Junction Dam joint venture with Teck Australia Pty Ltd and other parties covered approximately 750 sq km of prospective geology to the west of the town of Broken Hill. A number of non-core tenements were dropped from the initial Joint Venture, leaving the core group of two tenements covering Dome 5 and the Bimba – Broken Hill horizons, EL 4509 (South Australia) and EL 6404 in New South Wales.

Little exploration was conducted on the tenements during the interim period to 31 December 2012, and in August 2013 UXA exited the project.

### **Competent Person Statement**

Information presented in this report relating to Exploration Results was prepared and first disclosed by the Company under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company confirms it is not aware of any new information or data that materially affects the information included in the previous market announcements.

The information in this report that relates to Exploration Results is compiled by Mr David Walker, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Walker is the Managing Director of Dalkeith Resources Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Walker consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

## **4. BOREHOLE LOGGING BUSINESS**

### **GAA Wireline (GAA)**

A general downturn in resource services has impacted GAA's geophysical borehole wireline contracting division, with continued weakness expected to continue. Activities continued at a lower level relative to previous years due to a reduction in exploration drilling. Drilling has decreased due to the lower commodity prices across all of GAA's operating areas.

Subsequent to balance date UXA sold its GS USA business to a group of GAA Wireline's managers including CEO David Quinn and Non-executive Director David Sutich, effective November 2012. The consideration for the sale was \$440,220 including assumption of outstanding lease obligations, and was approved by UXA shareholders at the Annual General Meeting on 17 April 2013.

The PFN technology was sold in early 2013. UXA subsequently found no interest for the GAA business, and the assets of GAA were auctioned in June 2013, and the company placed in liquidation in July 2013.

## **UXA Resources Limited**

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### **5. CORPORATE**

During the half year to 31 December 2012 the company raised \$0.08 million by issuing shares to existing shareholders. The company also raised an additional \$0.24 million via the convertible note with La Jolla Cove Investors Inc. La Jolla Cove Investors Inc. converted \$0.36 million of the note into 23,388,122 ordinary UXA shares during the six month period.

UXA embarked on a strategy of exiting the wireline logging business and non-core exploration properties to allow the company to continue with its high priority exploration assets.

Subsequent to balance date the USA-based portion of the GAA downhole logging business was sold to a group of GAA managers lead by UXA's Non-Executive Director David Sutich. The consideration for the sale was \$440,220 including assumption of outstanding lease obligations, and was subsequently approved by UXA shareholders at the Annual General Meeting on 17 April 2013.

Subsequent to balance date UXA also sold its minority interests in the Stuart Shelf joint venture tenements to Joint Venture partner Straits Resources Ltd for \$375,000 in cash. The transaction was subject to Ministerial Approval and assignment of Native Title Agreements, and was completed in early 2013.

UXA plans to continue with its exploration focus on its key exploration projects:

- The Nabarlek North and Pandanus West uranium projects in the Northern Territory,
- The Commonwealth Hill gold project in South Australia,

### **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.

### **6. AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration is set out on page 14 and forms part of the directors' report for the six months ended 31 December 2012.

### **7. 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 condensed consolidated interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **8. EVENTS SUBSEQUENT TO BALANCE DATE**

The securities of UXA have remained in suspension from trading on ASX (ASX: UXA) from 1 October 2012 whilst negotiations continued to recapitalise the Company. The recapitalisation did not occur. As a consequence, UXA reported that its directors had placed its wholly-owned subsidiary company, Geoscience Associates Australia Pty Ltd into liquidation on 8 July 2013 and then proceeded to appoint administrators to the parent company, UXA Resources Limited, on 26 July 2013.

As at the date of appointment of the Liquidator and Administrator respectively, the directors lost control of the company and its subsidiaries.

## **UXA Resources Limited**

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### **Loss of control of subsidiaries**

On 8 July 2013 Geoscience Associates Australia Pty Ltd was placed into liquidation and the Company lost control of that subsidiary. On 26 July 2013 the directors of UXA Resources Limited appointed Administrators to the parent company, UXA Limited. From that date, directors lost control of the parent company.

### **Execution of Deed of Company Arrangements (DOCA)**

Since the administrators were appointed to UXA, the creditors of UXA resolved to execute a Deed of Company Arrangement (DOCA) with Palgrave Resources Limited (Palgrave) on 22 November 2013.

### **Summary of Arrangement between Palgrave Resources Limited and UXA Resources Limited (subject to Deed of Company Arrangement)**

#### ***Arrangement with UXA***

On 22 November 2013 Palgrave Resources Ltd (Palgrave) signed agreements with UXA, its Administrator and its two convertible note holders to restructure UXA and appoint Palgrave Directors as directors of UXA. The agreements also provide for the orderly progress of the restructuring of UXA, the holding of a shareholders meeting and relisting and capital raising by way of new issue to shareholders. The terms of the arrangement are set out in more detail in the following section.

#### ***Terms of DOCA Proposal***

Under the agreements between Palgrave and UXA, the Administrator will continue in his role until UXA shareholders approve the Palgrave proposal. The DOCA provides for a moratorium period in which claims against UXA cannot be enforced while the capital restructure and relisting of the company's shares is being undertaken.

All approvals by ASX, Shareholders and ASIC for the transactions contemplated by the DOCA and the Reconstruction Deed must occur on or before the end of August 2014 or as extended. Upon a distribution being made to Creditors under the Creditors' Trust in respect of admitted claims, all claims of creditors shall be released and extinguished. The DOCA will terminate following achievement of the proposed capital restructure as contemplated by the Reconstruction Deed and establishment of the Creditors' Trust.

#### ***The Restructure Proposal***

Under the DOCA, Palgrave will undertake a capital restructure of UXA consisting of consolidation of the existing UXA shares, cancellation of lost capital, conversion of the convertible notes to equity together with the raising of capital by way of placement and public prospectus offer.

Subject to shareholder approval, Palgrave will initiate a UXA public offer to raise up to \$3.2 million at a price not less than 5 cents per post consolidation share. A minimum of \$1 million will be raised under the public offer.

Completion of the transaction is subject to several conditions. UXA shareholders must approve the transactions, at least \$1 million must also be raised under the public offer, and all outstanding lodgements required by ASIC are to be finalised. Outstanding payments to both ASX and ASIC are to be

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met and confirmation received from ASX that it will lift the suspension on trading and re-instate the securities to quotation.

A notice of general meeting and explanatory statement will be sent to the Company's shareholders convening a shareholders' meeting at which shareholders will be requested to vote on resolutions including the issue of shares and options to the convertible noteholders ASOF and La Jolla, the appointment of Palgrave's directors to the Board of UXA, the consolidation of share capital, cancellation of lost capital, the issue of share placements and the proposed capital raising.

### ***Effectuation of DOCA***

Upon satisfaction of all of the conditions precedent, completion of the transactions contemplated by the Reconstruction Deed and establishment of the Creditors' Trust, the DOCA will be effectuated and will extinguish all creditor claims against the Company enabling the Company to be recapitalized and re-listed on the ASX.

Other than the matters discussed above there has not arisen in the interval between the end of the half year and of the date of this report any item, transaction or event of material and unusual nature requiring adjustment to, or disclosure in, the half year financial statements ended 31 December 2012.

**Signed in accordance with a resolution of the directors:**



**Neill Arthur**  
**Chairman**

Dated at Adelaide this 20<sup>th</sup> day of August 2014.



***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 review for the half-year ended 31 December 2012, 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.

A handwritten signature in blue ink, appearing to be 'KPMG' or a similar stylized name.

KPMG

A handwritten signature in blue ink, reading 'S. A. Fleming'.

Scott Fleming  
*Partner*

Adelaide

20 August 2014

## Condensed consolidated statement of comprehensive income

For the half year ended 31 December

| <i>in thousands of dollars</i>                                | Note | 2012           | 2011           |
|---|------|----------------|----------------|
| <b>Revenue</b>  |      |                |                |
| Logging Revenue   |      | 2,445          | 2,285          |
| <b>Total revenue</b>  |      | <b>2,445</b>   | <b>2,285</b>   |
| Other Income  |      | 997            | 362            |
| <b>Operating Costs</b>  |      |                |                |
| Professional fees   |      | (232)          | (185)          |
| ASX/Registry fees   |      | (13)           | (33)           |
| Depreciation expense  |      | (352)          | (531)          |
| Impairment expense  |      | (1,582)        | -              |
| Printing & Communications                                     |      | (46)           | (71)           |
| Insurance   |      | (116)          | (137)          |
| Employee related expenses                                     |      | (2,103)        | (2,057)        |
| Advertising/Promotional expenses                              |      | (5)            | (19)           |
| Travel  |      | (211)          | (312)          |
| Office expenses   |      | (157)          | (147)          |
| Exploration expenditure written off                           | 6    | (173)          | (19)           |
| Share options expense   |      | -              | (7)            |
| Conversion option expense                                     |      | 304            | (330)          |
| Facilitation fees   |      | (100)          | -              |
| Other expenses from ordinary activities                       |      | (359)          | (436)          |
| <b>Total Expenses</b>   |      | <b>(5,145)</b> | <b>(4,284)</b> |
| <b>Loss from operating activities</b>                         |      | <b>(1,703)</b> | <b>(1,637)</b> |
| Interest income   |      | 7              | 42             |
| Bank and finance costs  |      | (23)           | (178)          |
| <b>Net finance costs</b>                                      |      | <b>(16)</b>    | <b>(136)</b>   |
| Loss before income tax  |      | (1,719)        | (1,773)        |
| Income tax expense  |      | -              | -              |
| <b>Profit/(Loss) for the period</b>                           |      | <b>(1,719)</b> | <b>(1,773)</b> |
| Other comprehensive income for the period, net of tax         |      |                |                |
| Foreign currency transaction differences - foreign operations |      | (172)          | -              |
| <b>Total comprehensive income for the period</b>              |      | <b>(1,891)</b> | <b>(1,773)</b> |
|   |      | cents          | cents          |
| Basic Profit/(Loss) per share                                 |      | (1)            | (1)            |
| Diluted Profit/(Loss) per share                               |      | (1)            | (1)            |

The condensed notes on pages 19 to 27 are an integral part of these consolidated interim financial statements.

## UXA Resources Limited

### Condensed consolidated statement of financial position

| <i>in thousands of dollars</i>  | Note | 31 Dec 2012  | 30 Jun 2012  |
|---|------|--------------|--------------|
| <b>Assets</b>   |      |              |              |
| Cash and Cash Equivalents (includes partially restricted cash \$0.1m) |      | 500          | 932          |
| Trade and Other Receivables   |      | 263          | 1,023        |
| Assets held for sale  | 8    | 1,335        | -            |
| Inventories   |      | 59           | 100          |
| Prepayments   |      | 32           | 9            |
| Property, plant and equipment   | 7    | 0            | 3,070        |
| Exploration and evaluation assets                                     | 6    | 3,038        | 2,777        |
| Other assets  |      | 91           | 91           |
| Intangible assets   | 9    | -            | -            |
| <b>TOTAL ASSETS</b>   |      | <b>5,318</b> | <b>8,002</b> |
| <b>Liabilities</b>  |      |              |              |
| Trade and other payables  |      | 1,051        | 1,016        |
| Employee entitlements   |      | 318          | 332          |
| Loans and Borrowings - Secured  | 11   | 996          | 1,259        |
| Loans and Borrowings - Convertible Notes                              | 11   | 1,631        | 2,003        |
| Deferred income   |      | 243          | 848          |
| <b>TOTAL LIABILITIES</b>  |      | <b>4,239</b> | <b>5,458</b> |
| <b>NET ASSETS</b>   |      | <b>1,079</b> | <b>2,544</b> |
| <b>Equity</b>   |      |              |              |
| Share Capital   | 10   | 30,850       | 30,424       |
| Reserves  |      | 1,280        | 1,452        |
| Accumulated losses  |      | -31,051      | -29,332      |
| <b>TOTAL EQUITY</b>   |      | <b>1,079</b> | <b>2,544</b> |

The condensed notes on pages 19 to 27 are an integral part of these consolidated interim financial statements.

## UXA Resources Limited

### Condensed consolidated statement of cash flows

For the half year ended 31 December

| <i>in thousands of dollars</i>                          | <b>Note</b> | <b>2012</b>  | <b>2011</b>    |
|---|-------------|--------------|----------------|
| <b><i>Cash from operating Activities</i></b>            |             |              |                |
| Receipts from customers                                 |             | 3,612        | 2,608          |
| Cash payments to suppliers and employees                |             | (3,430)      | (3,689)        |
| Interest received                                       |             | 7            | 42             |
| Interest paid   |             | (23)         | (153)          |
| <b>Net cash used in operating activities</b>            |             | <b>166</b>   | <b>(1,192)</b> |
| <b><i>Cash flows from Investing</i></b>                 |             |              |                |
| Payments for property, plant & equipment                | 8           | (224)        | (407)          |
| Payments for exploration and evaluation                 | 7           | (434)        | (682)          |
| Proceeds from sale of fixed assets                      | 8           | 86           | 139            |
| Receipt of bonds/ term deposits                         |             | -            | 70             |
| <b>Net cash used in investing activities</b>            |             | <b>(572)</b> | <b>(880)</b>   |
| <b><i>Cash flows from Financing</i></b>                 |             |              |                |
| Proceeds from issue of share capital                    | 11          | 67           | 304            |
| Proceeds from borrowings                                | 12          | 445          | 1,012          |
| Facilitation Fees                                       | 12          | (75)         | -              |
| Repayment of borrowings                                 | 12          | (466)        | (384)          |
| <b>Net cash from financing activities</b>               |             | <b>(29)</b>  | <b>932</b>     |
| <b>Net increase in cash and cash equivalents</b>        |             | <b>(435)</b> | <b>(1,140)</b> |
| Effect of exchange rate fluctuations on cash held       |             | 3            |                |
| Cash and cash equivalents at 1 July                     |             | 932          | 2,495          |
| <b>Cash and cash equivalents as at 31 December 2011</b> |             | <b>500</b>   | <b>1,355</b>   |
| (including partially restricted cash of \$0.1m)         |             |              |                |

The condensed notes on pages 19 to 27 are an integral part of these consolidated interim financial statements.

## Condensed consolidated statement of changes in equity

For the half year ended 31 December 2012

| <i>in thousands of dollars</i>                               | Issued Capital | Accumulated<br>Losses | Reserves     | TOTAL         |
|--|----------------|-----------------------|--------------|---------------|
| <b>Balance at 1 July 2012</b>                                | 30,424         | -29,332               | 1,452        | 2,544         |
| Total comprehensive loss for the period                      |                |                       |              |               |
| Loss   | -              | -1,719                | -            | -1,719        |
| <b>Other comprehensive income</b>                            |                |                       |              |               |
| Total other comprehensive income                             |                |                       | -172         | -172          |
| <b>Total comprehensive loss for the period</b>               | -              | <b>-1,719</b>         | <b>-172</b>  | <b>-1,891</b> |
| <b>Transactions with owners, recorded directly in equity</b> |                |                       |              |               |
| <b>Contributions by and distributions to owners</b>          |                |                       |              |               |
| Fair value of equity issued - Rights Issue                   | 79             | -                     | -            | 79            |
| Fair value of equity issued - Convertible Note               | 359            | -                     | -            | 359           |
| Share issue expenses   | -12            | -                     | -            | -12           |
| Fair value of options issued                                 | -              | -                     | -            | -             |
| <b>Total contributions by and distributions to owners</b>    | 426            | -                     | -            | 426           |
| <b>Balance as at 31 December 2012</b>                        | <b>30,850</b>  | <b>-31,051</b>        | <b>1,280</b> | <b>1,079</b>  |
| <b>Balance at 1 July 2011</b>                                | 28,362         | -21,111               | 1,254        | 8,505         |
| Total comprehensive loss for the period                      |                |                       |              |               |
| Loss   | -              | -8,221                | -            | -8,221        |
| <b>Other comprehensive income</b>                            |                |                       |              |               |
| Total other comprehensive income                             |                |                       | 158          | 158           |
| <b>Total comprehensive loss for the period</b>               | -              | <b>-8,221</b>         | <b>158</b>   | <b>-8,063</b> |
| <b>Transactions with owners, recorded directly in equity</b> |                |                       |              |               |
| <b>Contributions by and distributions to owners</b>          |                |                       |              |               |
| Fair value of equity issued - Rights Issue                   | 582            | -                     | -            | 582           |
| Fair value of equity issued - Convertible Note               | 1,384          | -                     | -            | 1,384         |
| Fair value of equity issued - Placement                      | 195            | -                     | -            | 195           |
| Share issue expenses   | -99            | -                     | -            | -99           |
| Fair value of options issued                                 | -              | -                     | 40           | 40            |
| <b>Total contributions by and distributions to owners</b>    | 2,062          | -                     | 40           | 2,102         |
| <b>Balance as at 30 June 2012</b>                            | <b>30,424</b>  | <b>-29,332</b>        | <b>1,452</b> | <b>2,544</b>  |

The condensed notes on pages 19 to 27 are an integral part of these consolidated interim financial statements.

## **Notes to the condensed consolidated interim financial statements**

For the half year ended 31 December 2012

### **1. REPORTING ENTITY**

UXA Resources Limited (UXA) is a company domiciled in Australia. The condensed consolidated interim financial report of the Group as at and for the six months ended 31 December 2012 comprises UXA and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2012 is available upon request from the Company's registered address at 20 Oborn Road, Mt Barker, South Australia.

### **2. STATEMENT OF COMPLIANCE**

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

The condensed consolidated 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 2012.

This condensed consolidated interim financial report was approved by the Board of Directors on 14 August 2014.

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 consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2012.

#### **(a) Alternate basis of preparation**

The Company reported a loss after tax of \$1.7 million (2011: loss of \$1.8 million) for the half year ended 31 December 2012. At balance date, the Company had accumulated losses of \$31.1 million and net assets of \$1.1 million. Subsequent to end of the period under review, the Company was unable to refinance its debts or raise capital. The Company ceased to trade and was placed in Administration on 26 July 2013. The Company was suspended from listing on the Australian Stock Exchange on 23 August 2013.

Based on current forecasts there is significant uncertainty as to the Group's ability to meet its commitments over the foreseeable future. Consequently, the financial statements have not been prepared on a 'going concern' basis but rather have been prepared on an 'alternate' basis representing a planned orderly realisation of assets and settlement of liabilities.

The Company's ability to resume operations as a going concern is contingent upon successfully raising additional capital and negotiating the settlement of its liabilities through a Deed of Company Arrangement (DOCA) which was executed between the Company and Palgrave Resources Limited on 22 November 2013. The Company expects to realise its assets and extinguish its liabilities at amounts different from those stated in the half year financial report, on the basis of the conditions outlined in the DOCA.

Refer to note 14 for further details in connection with the Group's financial position and the DOCA.

### (i) Realisation basis of accounting

The 'realisation basis' of accounting adopted by the Group in the preparation of its financial statements continues to apply the requirements of Australian Accounting Standards taking into account that the Group is not expected to continue as a going concern in its present form in the foreseeable future.

The adoption of the alternate basis of accounting representing a planned orderly realisation of assets and settlement of liabilities has resulted in the recoverable value of certain intangible and non-monetary assets being determined based on the Directors' assessment of fair value less cost to sell. These have resulted in impairments in accordance with AASB 136 Impairment of Assets.

No additional provisions or liabilities have been recognised as a result of adopting the alternate basis of accounting as the Directors have not incurred any additional legal or contractual obligations.

Given the uncertainties in valuing assets and liabilities, it is likely that the valuation of assets and liabilities included in these financial statements may differ from actual results.

### (ii) Orderly realisation of assets, settlement of liabilities and restructure of the business

The Directors completed a strategic review of the business and divestment of the borehole logging business (in Australia and USA) and non-core tenements was commenced. The transactions were completed subsequent to the end of the period under review.

Subsequent to the end of the reporting period the USA logging assets have been sold, subject to shareholder agreement, for \$440,220 including the assumption of outstanding lease obligations. The sale was approved by UXA shareholders at the Annual general Meeting on 17 April 2013.

Subsequent to the end of the period the assets of the Australian wireline logging business and the PFN Technology were sold. The carrying value at 31 December 2012 reflects the achieved sale and asset auction prices subsequent to the end of the period under review.

The proceeds from the sale of tenements in the Stuart Shelf to Straits Resources were received in early February 2013. A gain of \$375,000 has been realised.

### (iii) Arrangements with financiers

In June 2012, the Group breached one of its debt covenants in relation to its secured bank loans and received a letter of waiver from the National Australia Bank (NAB). During January 2013 an agreement was reached with NAB to defer future hire purchase payments until 31 March 2013. In June 2013, the assets of GAA were sold at auction and the proceeds used in repayment of its secured bank loans.

In August 2012, the Group was in breach of its convertible note agreement with La Jolla Cove Investors Inc. If in default, amounts become due and payable at 120%. In October 2012, the Group was also in breach of its convertible note loan agreement with Australian Special Opportunity Fund as the Group was suspended from trading on the ASX. The Company has negotiated to settle these convertible notes as part of the DOCA. Refer to note 14 for further details in connection to the DOCA.

### (b) 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 consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2012.

**4. OPERATING SEGMENTS**

The Group operated 3 reportable segments, as described below, which were the Group's strategic business units. The strategic business units offered 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 of 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.
- *Australian based geophysical borehole logging.* Includes borehole logging in the coal, coal seam gas, uranium and geotechnical sectors.
- *United States based geophysical borehole logging.* Comprises borehole logging to the US uranium industry using the Prompt Fission Neutron tool.

**Information about reportable segments**

For the six months ended 31 December

|   | Exploration |       | Australian Borehole Logging |       | United States Borehole Logging |       | TOTAL   |         |
|---|-------------|-------|-----------------------------|-------|--------------------------------|-------|---------|---------|
| <i>in thousands of dollars</i>              | 2012        | 2011  | 2012                        | 2011  | 2012                           | 2011  | 2012    | 2011    |
| External revenues                           | -           | -     | 1,873                       | 1,995 | 572                            | 290   | 2,445   | 2,285   |
| Inter-segment revenue                       | -           | -     | -                           | -     | -                              | -     | -       | -       |
| Reportable segment profit/(loss) before tax | 123         | (762) | (1,626)                     | (536) | (216)                          | (475) | (1,719) | (1,773) |
| Reportable segment assets                   | 3,367       | 3,869 | 1,173                       | 6,581 | 778                            | 1,903 | 5,318   | 12,353  |

**Segment assets**

The Australian and US borehole logging business segments are presented as assets held for sale. The GAA US borehole logging assets and the PFN technology sales were both completed in early 2013. The Australian GAA assets were not able to be sold, and GAA was put into liquidation in July 2013 with the assets being sold at auction.

**5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Group does not have any contingent assets or liabilities.

**6. EXPLORATION AND EVALUATION EXPENDITURE**

| <i>In thousands of dollars</i>               | 31 Dec 2012  | 30 Jun 2012  |
|--|--------------|--------------|
| Balance at beginning of period               | 2,777        | 1,644        |
| Expenditure in the period                    | 434          | 1,409        |
| Amounts written off / adjusted in the period | (173)        | (276)        |
| Balance at end of period                     | <b>3,038</b> | <b>2,777</b> |

Exploration and evaluation costs, including the costs of acquiring Exploration Licences, 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 recoverability of the carrying amount of \$3,038,000 is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

## UXA Resources Limited

### 7. PROPERTY, PLANT AND EQUIPMENT

#### *Acquisitions and disposals*

During the six months ended 31 December 2012 the Group acquired assets with a cost (excluding capitalised borrowing costs) of \$0.2 million (six months ended 31 December 2011: \$0.3 million).

Assets with a carrying amount of \$2k were disposed of during the six months ended 31 December 2012 (six months ended 31 December 2011: \$147k), resulting in a profit on disposal of \$84k (six months ended 31 December 2011: loss of \$9k), which is included in other income.

As a result of the Australian and US borehole logging business segments classification as Assets Held for Sale, there are no assets classified as Property, Plant and Equipment.

### 8. ASSETS HELD FOR SALE

#### *Key assumptions used in determining assets held for sale*

The net proceeds from the sale of the USA borehole logging assets, and from the auction of GAA's Australian logging business assets, all of which completed subsequent to the half year end, are detailed below.

*in thousands of dollars*

|                                  |              |
|----------------------------------|--------------|
| Auction of GAA Australian assets | 854          |
| Sale of GAA USA assets           | 440          |
| Sale of other assets             | 41           |
|                                  | <b>1,335</b> |

An impairment loss of \$1,582k writing down the carrying amount of the property, plant and equipment to the assets held for sale fair value has been recognised in "Impairment Expense" in the condensed consolidated interim statement of comprehensive income.

### 9. INTANGIBLE ASSETS

#### **Reconciliation of carrying amount**

| In thousands of dollars                             | 31 Dec 2012 | 30 Jun 2012 |
|---|-------------|-------------|
| Cost  |             |             |
| Balance at beginning of period                      | -           | 2,744       |
| Impairment  | -           | (2,796)     |
| Effect of movements in exchange rates               | -           | 52          |
| Balance at end of period                            | -           | -           |
| Amortisation and impairment losses                  |             |             |
| Balance at beginning of period                      | -           | 654         |
| Amortisation charge                                 | -           | (272)       |
| Balance at end of period                            | -           | 382         |
| Carrying amounts                                    |             |             |
| Balance at beginning of period                      | -           | 218         |
| Amortisation charge for the year                    | -           | 164         |
| Balance at end of period                            | -           | 382         |
| Carrying amount of computer software at end of year | -           | -           |

Intangible assets were fully impaired as at 30 June 2012 resulting in a zero balance carried forward into the current reporting period.

## 10. ISSUED CAPITAL

### Issuances, repurchases and repayments

#### Issuance of ordinary shares

| 2012                               | No. Shares         | \$'000        | No. Options       |
|------------------------------------|--------------------|---------------|-------------------|
| Balance at 1 July 2012             | 671,803,271        | 30,424        | 20,995,000        |
| Issue of ordinary shares           | 214,941,513        | 426           | -                 |
| Issue of unlisted options          | -                  | -             | -                 |
| Share options exercised            | -                  | -             | -                 |
| Share options expired              | -                  | -             | -                 |
| <b>Balance at 31 December 2012</b> | <b>886,744,784</b> | <b>30,850</b> | <b>20,995,000</b> |

| 2011                           | No. Shares         | \$'000        | No. Options       |
|--------------------------------|--------------------|---------------|-------------------|
| Balance at 1 July 2011         | 348,655,962        | 28,362        | 16,655,000        |
| Issue of ordinary shares       | 323,147,309        | 2,062         | -                 |
| Issue of unlisted options      | -                  | -             | 5,000,000         |
| Share options exercised        | -                  | -             | -                 |
| Share options expired          | -                  | -             | (660,000)         |
| <b>Balance at 30 June 2012</b> | <b>671,803,271</b> | <b>30,424</b> | <b>20,995,000</b> |

During the period ended 31 December 2012 162,141,513 shares (\$359k) were issued to La Jolla Cove Investors Inc., under the terms of the Convertible Note and 52,800,000 shares (\$79k) were issued under a rights issue.

All issued shares are fully paid.

No options were issued and no options expired during the reporting period.

## 11. LOANS AND BORROWINGS

### Loans and borrowings summary

| <i>Current</i>                                | 31 Dec 12<br>\$'000 | 30 June 12<br>\$'000 |
|---|---------------------|----------------------|
| Secured bank loans – NAB                      | 790                 | 1,217                |
| Secured bank loans – Nissan Finance           | 101                 | 42                   |
| Secured bank loans – Commercial Bank of Texas | 105                 | -                    |
| Convertible note – La Jolla                   | 802                 | 895                  |
| Convertible note - ASOF                       | 525                 | 500                  |
| Convertible notes – other liabilities         | 304                 | 608                  |
|   | <b>2,627</b>        | <b>3,262</b>         |

|                    |              |              |
|--------------------|--------------|--------------|
| <b>TOTAL</b>       |              |              |
| Secured bank loans | 996          | 1,259        |
| Convertible notes  | 1,631        | 2,003        |
|                    | <b>2,627</b> | <b>3,262</b> |

## UXA Resources Limited

### 11. LOANS AND BORROWINGS (CONTINUED)

#### Loans and borrowings reconciliation

|   | Interest<br>rate<br>nominal | Face<br>value | Carrying<br>amount | Year of<br>maturity |
|---|-----------------------------|---------------|--------------------|---------------------|
| Balance as at 1 July 12                       |                             |               |                    |                     |
| Secured Bank Loans - NAB                      | 8.46%                       | 1,217         | 1,217              | 2014                |
| Secured Bank Loans - Nissan Finance           | 6.90%                       | 42            | 42                 | 2016                |
| Convertible Note - La Jolla                   | 4.50%                       | 895           | 895                | 2016                |
| Convertible Note - Lind                       | 0.00%                       | 500           | 500                | 2014                |
| Option Valuation                              |                             |               | 608                |                     |
| <b>New Issues</b>                             |                             |               |                    |                     |
| Secured Bank Loans - Nissan Finance           | 6.45%                       | 69            | 69                 | 2015                |
| Secured Bank Loans - Commercial Bank of Texas | 5.74%                       | 134           | 134                | 2016                |
| Convertible Note - La Jolla                   | 4.50%                       | 2500          | 242                | 2016                |
| <b>Interest Charge accrued</b>                |                             |               |                    |                     |
| Convertible Note - La Jolla                   |                             |               | 25                 |                     |
| Convertible Note - Lind                       |                             |               | 100                |                     |
| <b>Repayments</b>                             |                             |               |                    |                     |
| Secured bank loan - NAB                       |                             |               | (427)              |                     |
| Secured Bank Loans - Nissan Finance           |                             |               | (10)               |                     |
| Secured Bank Loans - Commercial Bank of Texas |                             |               | (29)               |                     |
| Convertible Note - Lind                       |                             |               | (75)               |                     |
| <b>Convertible Note</b>                       |                             |               |                    |                     |
| Conversion - La Jolla                         |                             |               | (360)              |                     |
| Option Valuation                              |                             |               | (304)              |                     |
| <b>Balance as at 31 December 2012</b>         |                             |               | <b>2,627</b>       |                     |

#### Convertible Note Terms

The key terms of the convertible note from La Jolla Cove Investors Inc. include;

- Total facility of AU\$2.5 million, funded over 10 monthly tranches;
- Interest rate of 4.75% p.a., paid quarterly in arrears via UXA shares or cash;
- Term of 4 years from 26 September 2011;
- Repayable in shares or cash at a 5% premium. The timing of the conversion is at the discretion of La Jolla Cove Investors Inc.; and
- Conversion price is the lower of 25 cents or 80% of 3 lowest VWAP for the prior 21 days.
- The agreement provides for an event of default in certain circumstances which may result in the amount becoming due and payable.

The Company was in breach of its convertible note loan agreement with La Jolla Cove Investors Inc. as it was suspended from trading on the ASX.

**11. LOANS AND BORROWINGS (CONTINUED)**

The key terms of the convertible note from Australian Special Opportunity Fund (ASOF) include:

- Total facility of AU\$0.5 million, funded in one tranche;
- Interest rate of 0% p.a.;
- Term of 2 years from 12 April 2012;
- Repayable in shares. The timing of the conversion is at the discretion of ASOF and must be a minimum of \$50,000 conversions;
- Conversion price is 91.5% of the 3 lowest consecutive VWAP for the prior 20 trading days; and
- The agreement provides for an event of default in certain circumstances which may result in the amount becoming due and payable.

The Company was in breach of its convertible note loan agreement with Australian Special Opportunity Fund as it was suspended from trading on the ASX.

Subsequent to year end the Company has negotiated to settle these convertible notes, with La Jolla Cove Investors and ASOF, as part of the DOCA. Refer to note 14 for further details in connection to the DOCA.

**12. RELATED PARTIES**

**Transactions with key management personnel**

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards. Key management personnel received total compensation of \$629k for the six months ended 31 December 2012 (six months ended 31 December 2011: \$593k).

There is an agreement in place for the sale of the assets of GeoScience Services USA Inc to a group of GAA managers lead by UXA's Non-Executive Director David Sutich. The sale of the assets for an amount \$440,220 was completed in April 2013 and was approved by the UXA shareholders at the Annual General Meeting on 17 April 2013.

**13. DIRECTORS FEES**

Directors' fees are \$40k plus a \$6k committee fee for non-executive directors and \$60k plus a \$6k committee for the Chairman per annum. The total remuneration for directors remains within the shareholder approved limit of \$300k.

### **14. EVENTS SUBSEQUENT TO BALANCE DATE**

Significant events that occurred subsequent to 31 December 2012, include the following:

- In February 2013 UXA sold its interest in the Stuart Shelf joint venture tenements to Joint Venture partner Straits Resources Ltd for \$375,000 in cash.
- The assets of GeoScience Services USA Inc were sold to a group of purchasers, which included D. Sutich, in April 2013 for consideration of \$440,220.
- The assets of Geoinstruments International Pty Ltd were sold to Geoinstruments Logging LLC, company in which D. Sutich is a Director, in May 2013 for consideration of US\$40,000.
- On 8 July 2013 the UXA directors placed its wholly-owned subsidiary company, Geoscience Associates Australia Pty Ltd into liquidation. The assets of Geoscience Associates Australia Pty Ltd were sold at auction and the proceeds used in the repayment of secured creditors.
- On 26 July 2013, the Company ceased to trade and was placed in Administration.
- On 18 August 2013, UXA withdrew from its joint venture with Teck, the carrying value of exploration and evaluation assets relating to the joint venture were fully impaired at that date. UXA retains no residual interest in the properties, assets or liabilities of the joint venture.
- The Company was suspended from listing on the Australian Stock Exchange on 23 August 2013.
- On 4 November 2013, at a meeting of Creditors of UXA, it was resolved that pursuant to section 439C of the Corporations Act 2001, the Company should execute a Deed of Company Arrangement (DOCA) with Palgrave Resources Limited (Palgrave)
- On 22 November 2013, UXA executed the DOCA with Palgrave.
- On 22 November 2013, Palgrave also signed a Reconstruction Deed with UXA and its two convertible noteholders (La Jolla Cove Investors Inc and Australian Special Opportunity Fund) to restructure UXA. The agreements provide for the orderly restructure of the Group and capital raising by way of a new equity issue to shareholders. The agreements also permit the appointment of Palgrave Directors as directors of UXA.

#### *Deed of Company Arrangement*

The DOCA incorporates the Reconstruction Deed and a Creditors' Trust to enable the settlement of creditor claims, outstanding administration costs and the recapitalisation and re-listing of the Company.

The settlement of creditor claims at certain amounts under the DOCA cannot be completed until the following Conditions Precedent to the Reconstruction Deed are satisfied:

- Confirmation by the ASX that the Company is able to satisfy the ASX Listing Rules so as to not have to re-comply with Chapters 1 and 2 of the Listing Rules;
- Shareholder approval being obtained in relation to the recapitalisation of the Company; and
- The Company receiving written conditional approval from ASX to the Company being reinstated to the official list of ASX.

All approvals by ASX, Shareholders and ASIC for the transactions contemplated by the DOCA and the Reconstruction Deed must occur on or before the end of August 2014 (or as extended).

In accordance with the DOCA, following a distribution being made to Creditors under the Creditors' Trust in respect of admitted claims, all claims of creditors shall be released and extinguished. The proposals contained within the DOCA for creditors distributions are at differing values than those recorded in this historical financial report.

### 14. EVENTS SUBSEQUENT TO BALANCE DATE (CONTINUED)

Palgrave has agreed to undertake a capital restructure of UXA consisting of consolidation of the existing UXA shares, conversion of the convertible notes to equity together with the raising of capital by way of placement and public prospectus offer.

Subject to shareholder approval, Palgrave will initiate a UXA public offer to raise up to \$3.2 million at a price not less than 5 cents per post consolidation share. A minimum of \$1 million must be raised under the public offer.

The DOCA will terminate following achievement of the proposed capital restructure as contemplated by the Reconstruction Deed and establishment of the Creditors' Trust. Following recapitalisation, it is intended that the Company will be re-listed on the ASX.

## UXA Resources Limited

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### Directors' declaration

In the opinion of the Directors of UXA Resources Ltd ("the Group"):

1. In the opinion of the Directors of UXA Resources Limited ("UXA"):
  - (a) the condensed consolidated financial statements and notes set out on pages 15 to 27, and the Directors' Report on pages 2 to 13, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance, for the six month period ended on that date; and
    - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
  - (b) due to the significant uncertainty outlined in Note 3(a), the directors are unable to conclude that UXA will remain a going concern and be able to pay its debts as and when they fall due for the next 12 months.
2. With both the Chief Executive Officer and Chief Financial Officer having resigned and left the company subsequent to balance date, and the Directors have not 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 period ended 31 December 2012.

Without qualifying the above statements, the Directors draw attention to Note 3(a) "alternate basis of preparation" of the financial statements.

Dated at Adelaide this 20<sup>th</sup> day of August 2014.



**Neill Arthur**  
**Chairman**



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

We have reviewed the accompanying half-year financial report of UXA Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 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 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 of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### *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 a Financial Report 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 2012 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 UXA Resources 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 UXA Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair value of the Group's financial position as at 31 December 2012 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*.

### *Emphasis of matter – basis of preparation and accounting*

Without modifying our opinion, we draw attention to Note 3(a) to the financial report, which describes the basis of accounting, noting that the financial statements have not been prepared on a going concern basis.

Note 3(a) also explains that the Company ceased trading and was placed in Administration on 26 July 2013 with the Company's ability to resume operations as a going concern being contingent upon successfully raising additional capital and completion of the conditions of the Deed of Company Arrangement (DOCA), entered into on 22 November 2013 between the Company and Palgrave Resources Pty Ltd. Note 14 describes certain conditions precedent to the completion of the Reconstruction Deed in order for the Company to raise equity in accordance with the DOCA.

These factors cast significant doubt on the ability of the Group to realise its assets and settle its liabilities in an orderly manner and at the amounts stated in the financial report.

Note 14 also describes a number of significant events that have occurred subsequent to balance date including the realisation of assets at values different to the amounts stated in the financial report.

### *Other matter*

The financial statements of UXA Resources Limited for the year ended 30 June 2013 were approved by the Board on 4 August 2014. The members of the Company and other users of the financial statements should refer to the financial report for the year ended 30 June 2013 for a more current description of the financial position of the Company.

KPMG

Scott Fleming  
Partner

Adelaide  
20 August 2014

**Company Directory**

|                                |  |
|--------------------------------|--|
| <b>Directors</b>               | Neill Arthur (Chairman)<br>Russell Penney (Managing Director) (resigned 14 June 2013)<br>Scott McKay (Non-Executive Director)<br>David Sutich (Non-Executive Director) |
| <b>Secretary</b>               | Graham Seppelt   |
| <b>Australian Business No.</b> | 65 112 714 397   |
| <b>Registered Office</b>       | 20 Oborn Road<br>Mount Barker<br>South Australia 5251<br>AUSTRALIA Phone: +61 8 8363 7970<br>Fax: +61 8 8363 7963<br>Email:  |
| <b>Website</b>                 | Web:   |
| <b>Auditor</b>                 | KPMG<br>151 Pirie Street<br>Adelaide SA 5000   |
| <b>Tax Advisors</b>            | PricewaterhouseCoopers<br>91 King William Street<br>Adelaide SA 5000   |
| <b>Company's Solicitors</b>    | Norman Waterhouse Lawyers<br>45 Pirie Street<br>Adelaide SA 5000   |
| <b>Banks</b>                   | National Australia Bank Limited<br>161-167 Glynburn Rd<br>Firle SA 5070  |
| <b>Share Registry</b>          | Computershare Investor Services Pty Ltd<br>Level 3<br>60 Carrington Street<br>Sydney NSW 2000  |