

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 1 - Reporting Entity

Callabonna Uranium Limited (the 'Company') and its controlled entities is a Group domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the 'Group').

### Note 2 - Basis of Preparation

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards 'IFRS' and interpretations adopted by the International Accounting Standards Board 'IASB'.

The financial report was authorised for issue by the Directors on 23 September 2011.

#### Going concern

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a trading loss of \$1,421,789 for the year ended 30 June 2011 and has accumulated losses of \$32,559,690 as at 30 June 2011. The Group has cash on hand of \$1,457,357 at 30 June 2011 and used \$1,829,957 of cash in operations for the year ended 30 June 2011 including expenditure on exploration and evaluation. These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon:

- the Group raising additional funding from shareholders or other parties; and/or
- the Group reducing expenditure in-line with available funding.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Group plans to reduce expenditures significantly.

In the event that the Group does not obtain additional funding and/or reduce expenditure in-line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

#### Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

#### Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company and each entity in the Group.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 3 - Significant Accounting Policies

#### Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 2 - Going concern;
- Note 4 - Exploration and evaluation expenditure;
- Note 5 - Impairment of goodwill;
- Note 7 - Income tax expense;
- Note 17 - Acquisition of controlled entities; and
- Note 18 - Share based remuneration.

#### Basis of consolidation

##### Business combinations

All business combinations are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

##### Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 3 - Significant Accounting Policies (CONT.)

#### Share-based payment awards

When share-based payment awards are exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

#### Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

#### Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

#### Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### Transactions eliminated and consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Where a controlled entity issues shares to non-controlling interests which does not result in loss of control by the Company, any gain or loss arising on the Company's interest in the controlled entity is recognised directly in equity.

#### Property, plant and equipment

##### Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Impairment accounting policy below).

##### Depreciation

Depreciation is charged to the comprehensive income statement using the reducing balance method from the date of acquisition.

Office equipment is depreciated at rates between 25% and 33% and motor vehicles are depreciated at a rate of 25%.

##### Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 3 - Significant Accounting Policies (CONT.)

#### Share capital

##### Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

##### Dividends

Dividends are recognised as a liability in the period in which they are declared.

##### Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

##### Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

##### Finance income and finance expense

Finance income and finance expense comprises interest payable on borrowings calculated using the effective interest method, interest earned, dividend income, unwind of discount on provisions and the net change in the fair value of derivative financial instruments recognised in profit or loss.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

##### Impairment

##### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 3 - Significant Accounting Policies (CONT.)

#### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- the term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

#### Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 3 - Significant Accounting Policies (CONT.)

#### Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group's primary format for segment reporting is on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Income tax

Income tax expense year comprises current and deferred tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

#### Tax consolidation

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 24 September 2009 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Callabonna Uranium Limited.

Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation method' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 3 - Significant Accounting Policies (CONT.)

### Nature of tax funding arrangements and tax sharing agreements

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivables (payables) in the separate financial statements of the members of the tax consolidated groups equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

The head entity recognises the assumed current tax amounts as current tax liabilities (assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities (assets) are equivalent to the tax balances generated by external transactions entered into by the tax consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

### Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

### Employee benefits

#### Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

### Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 3 - Significant Accounting Policies (CONT.)

#### Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

#### Goodwill

As from 1 July 2009, the Group has adopted the revised AASB 3 *Business Combinations (2008)* and the amended AASB 127 *Consolidated and Separate Financial Statements (2008)*.

#### Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### Share based payment transactions

The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price at grant date, exercise price of the instrument, expected volatility (based on historic share performance), risk-free interest rate (based on government bonds), and dividend yield.

#### Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial liabilities are loans and borrowing and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

#### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Note 4 - Exploration and Evaluation Expenditure</b>		
Opening balance	8,546,977	-
Acquisition of controlled entities	-	8,125,000
Additions	646,436	779,268
Impairment loss	(165,454)	(357,291)
	<u>9,027,959</u>	<u>8,546,977</u>

The ultimate recoupment of these costs is dependent on the successful development and exploitation, or alternatively sale of the respective areas of interest.

During the year ended 30 June 2011, the Directors impaired the carrying value of exploration and evaluation expenditure totalling \$161,860 associated with the Group's Callabonna Energy project following the decision of the Group to relinquish the six exploration permits that made up the project. In addition, the Directors impaired the carrying value of exploration and evaluation expenditure totalling \$3,594 associated with the Group's Curnamona project following the decision of the Group to relinquish the one exploration permit that formed part of the project.

During the year ended 30 June 2010, the Directors wrote off the carrying value of exploration and evaluation expenditure totalling \$357,291 associated with the Company's Beetaloo project following the decision of the Company to relinquish the three exploration permits that made up the project.

## Note 5 - Impairment of Goodwill

Impairment loss on goodwill	-	<u>5,444,520</u>
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An impairment assessment was performed at 31 December 2009 in relation to goodwill. The Directors performed a calculation of the recoverable amount and have resolved to fully impair the carrying value of goodwill.

Refer to Note 17 Acquisition of Controlled Entities for details on the transaction in which goodwill arose.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Note 6 - Financial Income and Finance Expense</b>		
Interest income	87,146	117,997
Interest paid	(2,219)	(1,811)
	<u>84,927</u>	<u>116,186</u>
<b>Note 7 - Income Tax Expense</b>		
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss before tax - continuing operations	(1,421,789)	(6,922,091)
Prima facie income tax expense at the Australian tax rate of 30% (2010 - 30%)	(426,537)	(2,076,627)
Increase/(decrease) in income tax expense due to:		
- Non-deductible expenses	51,893	1,734,414
- Effect of deferred tax assets for tax losses not brought to account	565,414	540,219
- Effect of net deferred tax assets not brought to account	(190,770)	(198,006)
Income tax expense - current and deferred	<u>-</u>	<u>-</u>
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Taxable temporary differences (net)	(2,640,261)	(833,906)
Tax losses	3,721,513	1,444,457
Net	<u>1,081,252</u>	<u>610,551</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Note 8 - Loss Per Share</b>		
<b>Basic and diluted loss per share have been calculated using:</b>		
Loss for the year attributable to equity holders of the Company	(1,421,789)	(6,922,091)
<b>Weighted average number of ordinary shares*</b>		
- Issued ordinary shares at beginning of year	61,278,075	24,761,405
- Effect of shares issued in August 2009	-	3,335,160
- Effect of shares issued in September 2009	-	25,200,002
- Effect of shares issued in December 2010	139,041	-
Weighted average ordinary shares at the end of the year	61,417,116	53,296,567
<b>Weighted average number of ordinary shares (diluted)</b>		
- Weighted average ordinary shares at the end of the year	61,417,116	53,296,567
- Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at the end of the year	61,417,116	53,296,567

\* The above amounts have been adjusted to reflect the consolidation of capital on a 1 for 20 basis which occurred during the year. The comparative information above has also been adjusted to reflect the consolidation of capital. As the Group is loss making, none of the potentially dilutive securities are currently dilutive.

## Note 9 - Trade and Other Receivables

### Current

GST receivable	9,389	40,126
Interest receivable	-	4,060
Other	-	5,678
	9,389	49,864

## Note 10 - Other

### Current

Prepayments	67,822	133,423
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### Non-current

Security deposits	80,000	80,000
Prepayments	19,386	78,318
	99,386	158,318

### Security deposits

Security deposits consist of \$50,000 with the government of South Australia for geothermal projects and Westpac company credit card security deposit of \$30,000, which are earning interest of 6% and 5% respectively.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Note 11 - Property, Plant and Equipment</b>		
<b>Furniture and fittings - cost</b>	1,707	1,707
Accumulated depreciation	(747)	(427)
Net book value	960	1,280
<b>Office equipment - cost</b>	82,872	62,761
Accumulated depreciation	(40,380)	(27,501)
Net book value	42,492	35,260
<b>Motor vehicles - cost</b>	31,696	31,696
Accumulated depreciation	(12,852)	(6,570)
Net book value	18,844	25,126
Total property, plant and equipment	62,296	61,666

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

<b>Furniture and fittings</b>		
Carrying amount at beginning of year	1,280	-
Addition through acquisition of controlled entity	-	1,707
Depreciation	(320)	(427)
Net book value	960	1,280
<b>Office equipment</b>		
Carrying amount at beginning of year	35,260	14,326
Additions	20,111	24,496
Addition through acquisition of controlled entity	-	8,958
Depreciation	(12,879)	(12,520)
Net book value	42,492	35,260
<b>Motor vehicles</b>		
Carrying amount at beginning of year	25,126	-
Additions	-	6,500
Addition through acquisition of controlled entity	-	25,196
Depreciation	(6,282)	(6,570)
Net book value	18,844	25,126

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Note 12 - Trade and Other Payables</b>		
<b>Current</b>		
Accounts payable	72,105	201,149
<b>Note 13 - Borrowings</b>		
<b>Current</b>		
Finance lease	6,844	6,188
<b>Non-current</b>		
Finance lease	6,692	13,063
<b>Note 14 - Employee Benefits</b>		
Employee benefits	15,339	5,928

## Note 15 - Capital and Reserves

### Dividends

There were no dividends paid or declared during the year ended 30 June 2011 or 30 June 2010.

### Option premium reserve

The issue of Company options for cash results in a credit to the option premium reserve representing the fair value of the options granted. The exercise of Company options results in a debit to the option premium reserve. There were no options exercised during the years ended 30 June 2011 and 30 June 2010.

	2011 Number of shares	2010 Number of shares
<b>Share capital</b>		
Ordinary shares on issue at 1 July - fully paid	1,225,561,495	495,228,102
Consolidation of capital	(1,164,283,420)	-
Issue of shares	250,000	730,333,393
Ordinary shares on issue at 30 June - fully paid	61,528,075	1,225,561,495

During the year ended 30 June 2011:

- Following shareholder approval at the Company's Annual General Meeting the Company undertook a consolidation of capital on a 1 for 20 basis. The number of shares on issue was reduced from 1,225,561,495 to 61,278,075.
- The Company issued 250,000 ordinary shares for no consideration to Director Stephen McCaughey as per his services agreement. The fair value was calculated by reference to the closing share price on the date of issue of 13.5 cents per share. There were no issue costs.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 15 - Capital and Reserves (CONT.)

During the year ended 30 June 2010 (amounts disclosed are on a pre-consolidation of capital basis):

- The Company issued 73,333,333 ordinary shares at \$0.015 per share for cash totalling \$1,100,000. There were no amounts unpaid on the shares issued. Share issue costs totalled \$66,000.
- The Company issued 537,000,060 ordinary shares at a fair value of 2.5 cents per share as consideration for the acquisition of 100% of the issued capital of Callabonna Uranium Limited (since renamed Curnamona Uranium Pty Limited).
- The Company issued 120,000,000 ordinary shares and 60,000,000 attaching 2.5 cent options for cash totalling \$2,000,000. See Note 18 for details on the valuation of options.

### Options

The following options were on issue at 30 June 2011, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price post consolidation \$	Balance at start of the year Number*	Granted during the year Number	Exercised during the year Number	Effect of consolidation of capital	Balance at end of the year Number	Exercisable at end of the year Number
27 November 2008	31 May 2012	\$0.40	5,000,000	-	-	(4,750,000)	250,000	250,000
27 November 2008	31 May 2012	\$0.80	5,000,000	-	-	(4,750,000)	250,000	250,000
27 November 2008	31 May 2012	\$1.20	5,000,000	-	-	(4,750,000)	250,000	250,000
27 November 2008	31 May 2012	\$0.20	30,000,000	-	-	(28,500,000)	1,500,000	-
24 September 2009	23 September 2011	\$0.50	60,000,000	-	-	(57,000,000)	3,000,000	3,000,000
15 February 2010	15 February 2015	\$0.34	28,000,000	-	-	(26,600,000)	1,400,000	466,667
			<b>133,000,000</b>	<b>-</b>	<b>-</b>	<b>(126,350,000)</b>	<b>6,650,000</b>	<b>4,216,667</b>

\* Numbers are reported on a pre-consolidation of capital basis.

Refer Note 18 for further details.

During the year ended 30 June 2011 no options were issued. As shown in the above table as part of the Company's consolidation of capital on a 1 for 20 basis, the 133,000,000 options on issue at the time of the consolidation converted to 6,650,000 options, along with a corresponding adjustment in each options exercise price.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 16 - Controlled Entities

Particulars in relation to controlled entities:

	Company interest in ordinary shares	
	2011 %	2010 %
<b><i>Parent Entity</i></b>		
Callabonna Uranium Limited		
<b><i>Controlled entities</i></b>		
Curnamona Uranium Pty Limited	100	100
Arunta Uranium Pty Limited	100	100
Beetaloo Uranium Pty Limited	100	100
Callabonna Energy Pty Limited	100	100
Frome Uranium Pty Limited	100	100
West Cape Resources Pty Ltd	100	100
Queensland Uranium Pty Ltd	100	100
Consolidated Exploration NQ Pty Ltd	100	100

All entities are incorporated in Australia

- Curnamona Uranium Pty Limited, West Cape Resources Pty Ltd and Queensland Uranium Pty Ltd are wholly owned controlled entities.
- Arunta Uranium Pty Limited, Beetaloo Uranium Pty Limited, Callabonna Energy Limited, and Frome Uranium Pty Limited are wholly owned controlled entities of Curnamona Uranium Pty Limited.
- Consolidated Exploration NQ Pty Ltd is the wholly owned controlled entity of Queensland Uranium Pty Ltd.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 17 - Acquisition of Controlled Entities

On 24 September 2009, through the issue of 537,000,060 shares at a fair value of 2.5 cents per share, the Company completed the acquisition of all the shares in Callabonna Uranium Limited (since renamed Curnamona Uranium Pty Limited). The fair value of the ordinary shares was based on the listed share price of the Group at 24 September 2009. The acquisition increased the portfolio of exploration tenements held by the Group.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Callabonna carrying amounts \$	Fair value adjustments \$	Recognised fair values on acquisition \$
Cash and cash equivalent	(1,804)	-	(1,804)
Trade and other receivables	7,790	-	7,790
Other current assets	1,779	-	1,779
Property, plant and equipment	35,861	-	35,861
Exploration and evaluation expenditure	3,237,706	4,887,294	8,125,000
Trade and other payables	(187,320)	-	(187,320)
Other non-current assets	50,000	-	50,000
Borrowings	(49,922)	-	(49,922)
Provisions	(902)	-	(902)
Goodwill	-	5,444,520	5,444,520
Net identifiable assets and liabilities	3,093,188	10,331,814	13,425,002

In the period from acquisition to 30 June 2010 the subsidiary contributed a net loss of \$1,161,701, largely as a result of the write-off of the Beetaloo project.

Valuation of Curnamona Uranium Pty Limited's exploration tenements was based on independent experts' reports provided to shareholders in advance of the Company's Extraordinary General Meeting on 23 September 2009 to approve the acquisition of Curnamona Uranium Pty Limited.

An impairment assessment was performed at 31 December 2009 in relation to goodwill. The Directors performed a calculation of the recoverable amount and resolved at that time to fully impair the carrying value of goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 18 - Share Based Remuneration

The Group has a share option program that entitles key management personnel, senior employees and consultants to be granted options in the Company.

There were no options issued during the year ended 30 June 2011.

The terms and conditions of the grants made during the year ended 30 June 2010 were as follows:

Grant date	Expiry date	Vesting date	Exercise price \$	Granted during the year Number*	Balance at start of the year Number*	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number*
15 February 2010	15 February 2015	15 February 2011	\$0.017	9,333,334	-	-	-	9,333,334
15 February 2010	15 February 2015	15 February 2012	\$0.017	9,333,333	-	-	-	9,333,333
15 February 2010	15 February 2015	15 February 2013	\$0.017	9,333,333	-	-	-	9,333,333
				<b>28,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,000,000</b>

\* Numbers are reported on a pre-consolidation of capital basis.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within one month from the date of termination of employment.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price <sup>^</sup> 2011	Number of options 2011	Weighted average exercise price* 2010	Number of options* 2010
Outstanding at 1 July	\$0.432	6,650,000	\$0.02	45,000,000
Granted during the period	-	-	\$0.022	88,000,000
Outstanding at 30 June	\$0.432	6,650,000	\$0.022	133,000,000
Exercisable at 30 June	\$0.536	4,216,667	\$0.025	60,000,000

\* Pre-consolidation of capital.

<sup>^</sup> Adjusted to reflect post consolidation of capital numbers.

The options outstanding at 30 June 2011 have an exercise price in the range of \$0.20 to \$1.20 and a weighted average contractual life of 3.14 years.

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 18 - Share Based Remuneration (CONT.)

#### Fair value of options\*

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the key management and senior employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation methodology, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

The fair value of options granted on 15 February 2010 was \$273,563. The Black-Scholes formula model inputs were the Company's share price of \$0.011 at the grant date, a volatility factor of 146.62% based on historic share price performance, a risk free interest rate of 5.07% based on government bonds, and a dividend yield of 0%.

The fair value of options granted on 24 September 2009 was \$405,383. The Black-Scholes formula model inputs were the Company's share price of \$0.025 at the grant date, a volatility factor of 100% based on historic share price performance, a risk free interest rate of 4% based on government bonds, and a dividend yield of 0%.

At the Annual General Meeting held on 27 November 2008, shareholders approved the issue of a total of 45,000,000 Director options exercisable on or before 31 May 2012 to Stephen McCaughey. During the year Stephen McCaughey served the 2 year period as Managing Director, which is required for the options to vest. However in addition to that tenure vesting condition, 30,000,000 of the options cannot vest unless following performance hurdles have been met:

- 5,000,000 are exercisable in the event the Company's share price on ASX remains at 5 cents or greater for a minimum of 60 consecutive days;
- 5,000,000 are exercisable in the event the Company's share price on ASX remains at 7.5 cents or greater for a subsequent minimum period of 60 consecutive days;
- 5,000,000 are exercisable in the event the Company's share price on ASX remains at 10 cents or greater for a third minimum period of 60 consecutive days; and
- 15,000,000 are exercisable in the event the Company's share price on ASX remains at 20 cents or greater for a fourth minimum period of 60 consecutive days.

\* Note that all references to number of options and options prices in this note are on a pre-consolidation of capital basis.

In December 2010 the Company issued 250,000 ordinary shares for no consideration to Director Stephen McCaughey as per his services agreement and following shareholder approval at the Company's Annual General Meeting.

#### Expenses arising from share-based payment transactions

Total expenses arising from share based payment transactions recognised during the year ended 30 June 2011 as part of share based remuneration expense was \$172,106 (2010 - \$101,737).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>Note 19 - Statements of Cash Flows</b>		
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents at the end of the year as shown in the Consolidated Statements of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:		
Bank balances	1,457,357	3,282,425
<b>Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities</b>		
Loss from ordinary activities after tax	(1,421,789)	(6,922,091)
<b>Non-cash items</b>		
Depreciation	19,481	19,518
Impairment losses	165,454	5,801,812
Share based remuneration	172,106	101,737
<b>Changes in assets and liabilities</b>		
Trade and other receivables	30,737	(22,178)
Prepayments	(21,265)	(202,170)
Other	9,738	(7,959)
Trade and other payables	208,408	83,048
<b>Net cash used in operating activities</b>	<b>(837,130)</b>	<b>(1,148,283)</b>

# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 20 - Key Management Personnel Disclosures

Information regarding individual key management personnel's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

During the year ended 30 June 2011 compensation of key management personnel totalled \$589,923 (2010 - \$834,300), which comprised primary fees of \$585,908 (2010 - \$520,201), superannuation \$35,092 (2010 - \$29,931) and options with a fair value of \$4,923 (2010 - \$284,168).

#### Movement in shares

Key management personnel	Held at 1 July 2010	Effect of consolidation of capital	Received as remuneration	Sold	Held at 30 June 2011
Peter Nightingale	6,000,012	(5,700,012)	-	-	300,000
Stephen McCaughey	-	-	250,000	-	250,000
Phillip Harman	-	-	-	-	-
Hyunsoo Kim	-	-	-	-	-
Michael Raetz	89,189,100	(84,729,645)	-	-	4,459,455
Richard Edwards	2,033,332	(1,931,666)	-	-	101,666

Key management personnel	Held at 1 July 2009	Received in merger transaction	Purchased	Sold	Held at 30 June 2010
Peter Nightingale	- <sup>^</sup>	6,000,012	-	-	6,000,012
Stephen McCaughey	-	-	-	-	-
Phillip Harman	-	-	-	-	-
Ian Hobson	1,000,000	-	-	-	1,000,000*
Hyunsoo Kim	- <sup>^</sup>	-	-	-	-
Michael Raetz	- <sup>^</sup>	89,189,100	-	-	89,189,100
Richard Edwards	- <sup>^</sup>	1,200,000	833,332	-	2,033,332

\* Number held at date of ceasing to be a Director.

<sup>^</sup> Number held at date of appointment as a Director/Officer.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 20 - Key Management Personnel Disclosures (CONT.)

### Movement in options

Key management personnel	Held at 1 July 2010	Effect of consolidation of capital	Granted	Exercised	Expired during the year	Held at 30 June 2011*	Vested during the year*	Vested and exercisable at 30 June 2011*
Peter Nightingale	8,000,000	(7,600,000)	-	-	-	400,000	133,334	133,334
Stephen McCaughey	45,000,000	(42,750,000)	-	-	-	2,250,000	750,000	750,000
Phillip Harman	8,000,000	(7,600,000)	-	-	-	400,000	133,334	133,334
Hyunsoo Kim	-	-	-	-	-	-	-	-
Michael Raetz	-	-	-	-	-	300,000	100,000	100,000
Richard Edwards	6,000,000	(5,850,000)	-	-	-	150,000	50,000	50,000

\* Numbers held are post consolidation of capital.

Key management personnel	Held at 1 July 2009**	Granted**	Exercised	Expired during the year	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Peter Nightingale	- <sup>^</sup>	8,000,000	-	-	8,000,000	-	-
Stephen McCaughey	45,000,000	-	-	-	45,000,000	-	-
Phillip Harman	-	8,000,000	-	-	8,000,000	-	-
Ian Hobson	-	-	-	-	- <sup>*</sup>	-	-
Hyunsoo Kim	- <sup>^</sup>	-	-	-	-	-	-
Michael Raetz	- <sup>^</sup>	6,000,000	-	-	6,000,000	-	-
Richard Edwards	- <sup>^</sup>	3,000,000	-	-	3,000,000	-	-

\* Number held at date of ceasing to be a Director.

<sup>^</sup> Number held at date of appointment as a Director/Officer.

\*\* Number held are pre-consolidation of capital.

## Note 21 - Related Parties

During the year ended 30 June 2011, Peter Nightingale had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies to the Group. Fees accrued by Mining Services Trust during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to \$ 221,967 (2010 - \$172,060). There was no amount outstanding at 30 June 2011 (2010 - nil).

During the year ended 30 June 2011, Michael Raetz had an interest in an entity, Global Discovery Pty Limited, which rendered geological services to the consolidated entity. Fees accrued by Global Discovery Pty Limited during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$19,944 (2010 - \$64,898). There was no amount outstanding at 30 June 2011 (2010 - \$14,329).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 22 - Financial Instruments Disclosure

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are informally reviewed from time to time to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

### Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	Notes	2011 \$	2010 \$
Cash and cash equivalents	19	1,457,357	3,282,425
Trade and other receivables	9	9,389	49,864
Security deposits	10	80,000	80,000
		<u>1,546,746</u>	<u>3,412,289</u>

The Group's maximum exposure to credit risk is all within Australia. The Group mitigates credit risk on cash and cash equivalents and security deposits by dealing with regulated banks in Australia.

### Impairment losses

None of the Group's trade and other receivables are past due (2010 - nil).

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 22 - Financial Instruments Disclosure (CONT.)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and five years \$	More than five years \$
<b>30 June 2011</b>					
Trade and other payables	72,105	(72,105)	(72,105)	-	-
Finance lease	13,536	(13,536)	(6,844)	(6,692)	-
	<u>85,641</u>	<u>(85,641)</u>	<u>(78,949)</u>	<u>(6,692)</u>	<u>-</u>
<b>30 June 2010</b>					
Trade and other payables	201,149	(201,149)	(201,149)	-	-
Finance lease	19,251	(22,590)	(7,745)	(14,845)	-
	<u>220,400</u>	<u>(223,739)</u>	<u>(208,894)</u>	<u>(14,845)</u>	<u>-</u>

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

### Currency risk

The Group has no exposure to currency risk arising from financial instruments.

### Interest rate risk

The Group's statement of comprehensive income is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

	Notes	2011 \$	2010 \$
<b>Financial assets</b>			
Cash and cash equivalents	19	<u>1,457,357</u>	<u>3,282,425</u>

### Sensitivity analysis

A change of 100 basis points in interest rates over the year would have increased/(decreased) equity and loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

Impact on loss for the period	<u>24,499</u>	<u>27,509</u>
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# Notes to the Consolidated Financial Statements

## For the year ended 30 June 2011

### Note 22 - Financial Instruments Disclosure (CONT.)

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

#### Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities of the Company and the Group, for the year ended 30 June 2011 and 30 June 2010, approximate their net fair values, given the short time frames to maturity and or variable interest rates.

### Note 23 - Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by tenement licences and acquisition agreements. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	Carrying amount	
	2011 \$	2010 \$
Not later than one year	1,817,000	1,541,500
Later than one year but not later than five years	3,682,000	6,166,000
Later than five years	-	-
	<u>5,499,000</u>	<u>7,707,500</u>

### Note 24 - Segment Reporting

The Group operates in the area of mining exploration in Australia.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## Note 25 - Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2011, the parent entity of the Group was Callabonna Uranium Limited.

	Company	
	2011 \$	2010 \$
<b>Result of the parent entity</b>		
Net loss	(1,870,483)	(15,394,362)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,870,483)</b>	<b>(15,394,362)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	1,525,584	3,446,826
Non-current assets	246,932	277,132
<b>Total assets</b>	<b>1,772,516</b>	<b>3,723,958</b>
Current liabilities	(87,445)	(207,078)
<b>Total liabilities</b>	<b>(87,445)</b>	<b>(207,078)</b>
<b>Net assets</b>	<b>1,685,071</b>	<b>3,516,880</b>
<b>Equity</b>		
Share capital	42,392,334	42,392,334
Reserves	790,585	734,719
Accumulated losses	(41,497,848)	(39,610,173)
<b>Total equity</b>	<b>1,685,071</b>	<b>3,516,880</b>

## Note 26 - Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Note 27 - Auditors' Remuneration

	2011 \$	2010 \$
Auditors' remuneration		
- audit and review of financial reports	56,700	67,049
- taxation services	2,500	-
	<b>59,200</b>	<b>67,049</b>