SOUTHERN URANIUM LIMITED

ABN 90 115 338 979

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2007

SOUTHERN URANIUM LIMITED

ABN 090 115 338 979

DIRECTORS' REPORT

The Directors of Southern Uranium Limited (the Company) present their report for the year to 30 June 2007.

DIRECTORS

The names and details of the Company's Directors in office at the date of this report are as follows. Messrs Marshall and Jones were appointed on 14 December 2006. All other Directors held office from the beginning of the financial year.

Roger Marshall OBE
BE, MAusIMM, FAIM, FAICD
Chairman

Roger Marshall has over 40 years experience in the mining industry covering management, marketing, finance and operational roles. He was an Executive Director of the operating board of BP Australia, and MIM Holdings Limited (1984 - 1 992) and A.G.D. Mining Limited (1999 - 2004). He also served as Chairman of Energy Brix Australia Corporation (1993 - 1996).

He has been responsible for the development and production of a number of mines and served on the Committee of World Coal Institute, London (1983 - 1993). He is also a former Chairman of the Australian Coal Association and the Queensland Coal Association (1987 - 1988) and was an Australian representative to the International Energy Agency. Roger is currently Deputy Chairman of CITIC Australia Trading Limited and has been Deputy Chairman of Macarthur Coal Limited since July 2001.

Roger's appointments to the Boards of other publicly listed companies include Chairman of Queensland Ores Limited since May 2005 and Copper Resources Corporation from November 2005.

Roger was appointed an Officer of the British Empire in 1989 for services to the Australian Coal Industry and an Honorary Life Fellow of the Australasian Institute of Management.

John Alexander Anderson
BSc Hons, MAusIMM, MSEG, MAIG, MGSA
Managing Director

John is a Brisbane-based geologist and exploration manager of 28 years experience, initially with Aberfoyle and more recently as General Manager – Exploration Australia for MIM Exploration Pty Ltd.

He has explored in most Australian jurisdictions for a wide range of commodities with an emphasis on the major base metal / gold mining centres including Kalgoorlie, Broken Hill, McArthur River, Mount Isa / Ernest Henry and the Gawler Craton.

John led teams in the discoveries of the Angas zinc resource, the major portion of the Menninnie Dam zinc deposit, the White Dam gold copper deposit and several mineral sands deposits in the Murray Basin. He is a former President of the South Australian Chamber of Mines and Energy. John is currently Non-Executive Director of Southern Gold Limited.

David Garred Jones
BSc, MSc, FIMMM (London), FAusIMM, MGSA, MAIME-SME
Non-Executive Director

David commenced his career in 1964 as a geologist with Broken Hill South Limited, and was involved with the exploration that led to the discovery of the Duchess phosphate deposit near Mt Isa.

Between 1966 and 1968 David worked as an underground geologist for Mt Isa Mines and then as senior geologist responsible for exploration in NW Queensland and the Northern Territory, including the Redtree uranium leases in the Westmoreland area. He was Senior Lecturer in Economic Geology at SAIT (later the University of South Australia) from 1971-79, joining Newmont Pty Ltd as Chief Geologist in mid-1979.

From 1979-2000 David held various positions in Newmont Australia Limited (which became Newcrest Mining Limited in 1991) including Exploration Manager SW Pacific, Exploration Manager Europe/Asia, and Managing Director of Newcrest Hellas SA with responsibility for Newcrest's operations in Bulgaria, Czech Republic, Greece, Ireland and Scotland. David pioneered Newcrest's establishment in Indonesia and supervised the team that discovered the Gosowong gold deposit in Halmahera. Prior to his retirement from Newcrest in 2000 David was Manager Strategic Planning, assisting in advising the Board on long term and strategic planning and preparing the company's business plan.

David is currently principal of consulting firm Vidoro Pty Ltd and has prepared technical reports for submission to the Toronto and Australian Stock Exchanges on exploration properties and mines in Australia, Bolivia, Brazil, Kyrgyz Republic and The Philippines. These include detailed studies of uranium projects in the Northern Territory and Queensland for listed Canadian companies.

Stephen Richard Biggins
BSc Hons, MBA, MAusIMM

Non-Executive Director

Stephen has accumulated broad experience as a geologist in mineral exploration, development and mining throughout Australia over the past 15 years. He has also applied his MBA to the management of exploration, resource definition and feasibility studies. Stephen joined Pima Mining the mid 1990s as an exploration geologist, supervising various exploration projects in gold and base metals on the Gawler Craton. Prior to this, he spent 3 years with Mines and Energy SA (MESA) as an exploration geophysicist during the South Australian Exploration Initiative (SAEI).

As a mineral geophysicist, Stephen has also worked with BHP (Iron Duke) and Hamersley Iron (Tom Price) in near-mine and in-pit iron ore exploration.

Stephen is the founding Managing Director of Southern Gold Limited.

The names of other Directors of the Company who held office during the year are as follows:

Cedric Murray Horn – resigned 14 December 2006

Michael Welsh McDonald - resigned 14 December 2006

Michael Robert Billing - resigned 14 December 2006

Company Secretary

The Company Secretaries in office during the year were Michael Billing from 1 July 2006 to 28 June 2007 and Garry Gill from 28 June 2007. Garry has more than 25 years experience in all facets of corporate financial and administrative functions including extensive periods as Company Secretary of Jupiters Limited and Chief Financial Officer and Corporate Services Manager of South Bank Corporation, the Statutory Authority charged with the development and management of Brisbane's South Bank parklands.

He is company secretary to Tasman Goldfields Limited a Brisbane based gold explorer with interests in Queensland, NSW and New Zealand and Trojan Equity Limited a Brisbane based listed investment company.

Directors' Interests in the Company

At the date of this report, the interests of the Directors in the shares and options of the Company were:

	Ordinary Shares	Options
R. Marshall (Chairman)	1,045,000	1,000,000
J. A. Anderson (Managing Director)	100,000	1,500,000
D. G. Jones (Non-Executive Director)	47,500	1,000,000
S. R. Biggins (Non-Executive Director)	475,000	1,000,000

REMUNERATION REPORT

A. Principles and Agreements (audited)

Directors

The Company's Constitution provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by the Company's Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner as they agree.

Each of the non-executive directors has entered into an agreement with the Company on standard commercial terms for their respective appointments. Remuneration and other special terms of the agreements are summarised as follows:

Roger Marshall

- appointment as non-executive Chairman for a term of 3 years (subject to re-election as required by the Company's constitution)
- annual directors fees of $70,000 plus 10% superannuation entitlement
- consultancy arrangement, commencing 1 January 2007 to provide additional services (outside directors obligations) may be provided at a daily rate of $1,000 plus GST plus expenses.

David Jones

- appointment as non-executive Director for a term of 3 years (subject to re-election);
- annual director's fees of $50,000 plus 10% superannuation entitlement;
- Mr. Jones may provide consultancy services through his company Vidoro Pty Ltd outside of his director's obligations at a daily rate of $1,000 plus GST plus expenses.

Stephen Biggins

- appointment as non-executive Director for a term of 3 years (subject to re-election)
- annual director's fees of $50,000 plus 10% superannuation entitlement;

A Director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material interest, if it will be contrary to the Corporations Act 2001. If such a Director does vote, his or her vote will not be counted, nor will his or her attendance be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the Corporations Act 2001.

Senior Executives and Management

To achieve its objectives of discovery of economic resources in a cost effective manner, Southern Uranium aims to attract and retain a skilled senior management team focused upon contributing to that objective. To do this the Board has established a principle of offering competitive remuneration packages including incentives.

Managing Director Service Agreement

The Company has entered into an employment agreement with John Anderson for him to act as Managing Director for a term of 3 years, renewable annually at an annual salary of $220,000 plus 15% superannuation entitlement. Mr Anderson is entitled to continue his duties as non-executive director of Southern Gold and, subject to consent of the Company, may continue to provide additional consultancy services to Southern Gold through his company Austrike Resources Pty Ltd in accordance with existing contractual arrangements. The agreement may be terminated by the Company giving 6 months notice or paying 6 months salary in lieu of notice.

Company Secretary

The Company has entered into an agreement with Garry Gill and his company Corporate and Financial Services Pty Ltd to provide Company Secretarial and Chief Financial Officer services. Services are to be provided on a part time basis and at a daily rate of $1,200 plus GST plus expenses. The agreement may be terminated by either party on 1 month's notice.

B. Details of Remuneration (audited)

Remuneration received or receivable by Directors was as follows:

Director	Short-term Benefits		Post Employment Benefits Superannuation	Total
	Fees and/or Salary	Cash Profit Sharing/ Other Bonuses		
	$	$	$	$
2007				
R. Marshall (Chairman)	-	-	17,500	17,500
J. A. Anderson (Managing Director)	55,000	-	7,500	62,500
D. G. Jones (Non-Executive Director)	12,500	-	1,250	13,750
S. R. Biggins (Non-Executive Director)	12,500	-	1,250	13,750
M. R. Billing (resigned 28 June 2007)	10,174	-	-	10,174
Totals	**90,174**	**-**	**27,500**	**117,674**

Options received as remuneration were as follows:

	Options	
	No	$*
R. Marshall	1,000,000	-
J. A. Anderson	1,500,000	-
D. G. Jones	1,000,000	-
S. R. Biggins	1,000,000	
C. M. Horn	1,000,000	-
M. W. McDonald	1,000,000	-
M. R. Billing	1,000,000	-

*The fair value of the options was determined in accordance with the Black and Scholes methodology.

No other Directors received remuneration during the financial year and no Directors received remuneration during the 2006 financial year.

The Company Secretary in office during the 2006 financial year received no remuneration.

DIRECTORS' AND COMMITTEE MEETINGS

The number of meetings of the Company's Board of Directors and of the Company's Audit and Risk Management Committee held during the year and the number of meetings attended by each Director/Committee Member was:

Director	Board	
	Eligible to Attend	Attended
R. Marshall	3	3
J. A. Anderson	4	4
D. G. Jones	3	3
S. R. Biggins	4	4
C. M. Horn	1	1
M. W. McDonald	1	1
M. R. Billing	1	1

Due to its size and activities the Company does not have separate Board committees.

DIVIDENDS

No dividends were declared and paid during the financial year.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was mineral exploration.

OPERATING AND FINANCIAL REVIEW

The Company recorded a loss after tax of $376,525 (2006: nil) for the year ended 30 June 2007.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year, other than disclosed in this report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since 30 June 2007, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, except as noted in note 15 of the financial report.

LIKELY DEVELOPMENTS

During the next financial year, the Company will continue to conduct mineral exploration and project acquisition activities outlined in the prospectus dated 19 February 2007.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company is required to indemnify Directors, and other officers of the Company against certain liabilities which they may incur as a result of or by reason of (whether solely or in part) being or acting as an officer of the Company.

At the date of this report no amounts have been paid in relation to indemnity of any Director or officer of the Company and no contracts insuring officers of the Company have been entered into.

The Company provides no indemnity to any auditor.

ENVIRONMENTAL REGULATION

The Company's operations are subject to significant environmental regulation under Commonwealth, State and Territory legislation in relation to the discharge of hazardous waste and minerals arising from mining activities and development conducted by the Company on any of its tenements. At the date of this report there have been no known breaches of any environmental obligations

SHARE OPTIONS

During the financial year, 9,500,000 options over ordinary shares in the capital of the Company were granted to Directors and to corporate advisers and underwriters involved in the share issue.

At the date of this report there were 9,500,000 unissued ordinary shares under option (9,500,000 at 30 June 2007 and nil at 30 June 2006). No options have been exercised during the financial year or since year end to the date of this report.

During the financial year the Company implemented an Employee share Option Plan. At the date of this report no employee share options have been issued.

Options over ordinary shares in the capital of the Company are unlisted and are exercisable as follows

- 7,500,000 Director options have an exercise price of 25 cents per share and are exercisable at any time until 31 March 2010
- 2,000,000 Broker options have an exercise price of 25 cents per share and are exercisable at any time until 2 April 2011

Each option is convertible to one ordinary share. An option holder does not have the right to participate in any other share issue of the Company or of any other entity.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Grant Thornton South Australia Partnership. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of non-audit service provided means that auditor independence was not compromised.

Grant Thornton received or is due to receive the following amounts for the provision of non-audit services during the year ended 30 June 2007:

	2007 $	2006 $
Independent Accountants Report	10,000	-

Signed in accordance with a resolution of the Directors.

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Brisbane
25 September 2007

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SOUTHERN URANIUM LTD & CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Southern Uranium Ltd for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J GRAY
Partner

Signed at Adelaide this 25 day of September 2007

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SOUTHERN URANIUM LIMITED

ABN 90 115 338 979

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006* $	Parent 2007 $	Parent 2006* $
Revenue from ordinary activities	2	141,322	-	141,322	-
Less expenses:	3				
Administrative expenses		(218,892)	-	(218,892)	-
Employee benefit expenses		(49,542)	-	(49,542)	-
Exploration and evaluation expenses written off		(10,839)	-	(10,839)	-
Loss before income tax expense		(137,951)	-	(137,951)	-
Income tax expense	4	(238,574)	-	(238,574)	-
Loss for the year		(376,525)	-	(376,525)	-
Loss attributable to members of the company		(376,525)	-	(376,525)	-
Basic earnings per share (cents per share)	5	(0.67)	-		

*From incorporation on 18 July 2005

The accompanying notes form part of these financial statements

SOUTHERN URANIUM LIMITED

ABN 90 115 338 979

BALANCE SHEET

AS AT 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
CURRENT ASSETS					
Cash and cash equivalents	6	12,914,356	1	12,914,356	1
Trade and other receivables	7	85,987	-	85,987	-
Total Current Assets		13,000,343	1	13,000,343	1
NON CURRENT ASSETS					
Receivables	7	-	-	1,171,818	-
Other financial assets	8	-	-	1	-
Property plant and equipment	9	62,225	-	62,225	
Exploration and evaluation assets	10	1,243,658	-	71,839	-
Total non Current Assets		1,305,883	-	1,305,883	-
TOTAL ASSETS		**14,306,226**	**1**	**14,306,226**	**1**
CURRENT LIABILITIES					
Trade and other payables	11	98,663	-	98,663	-
Total Current Liabilities		**98,663**	**-**	**98,663**	**-**
TOTAL LIABILITIES		**98,663**	**-**	**98,663**	**-**
NET ASSETS		**14,207,563**	**1**	**14,207,563**	**1**
EQUITY					
Contributed equity	12	14,524,088	1	14,524,088	1
Share option reserve	13	60,000	-	60,000	-
Accumulated losses		(376,525)	-	(376,525)	-
TOTAL EQUITY		**14,207,563**	**1**	**14,207,563**	**1**

The accompanying notes form part of these financial statements

SOUTHERN URANIUM LIMITED

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

Consolidated

	Note	Share Capital $	Accumulated Losses $	Share Option Reserve	Total $
2006*					
Balance at beginning of the period		-	-	-	-
Shares issued during the period	12	1	-	-	1
Loss attributable to members of the company		-	-	-	-
Balance at 30 June 2006		**1**	**-**	**-**	**1**
2007					
Shares issued during the period	12	15,140,759	-	-	15,140,759
Loss attributable to members of the company		-	(376,525)	-	(376,525)
Share issue costs (net of tax)		(616,672)	-	-	(616,672)
Fair value of Broker options		-	-	60,000	60,000
Balance at 30 June 2007		**14,524,088**	**(376,525)**	**60,000**	**14,207,563**

Parent

	Note	Share Capital $	Accumulated Losses $	Share Option Reserve	Total $
2006*					
Balance at beginning of the period		-	-	-	-
Shares issued during the period	12	1	-	-	1
Loss attributable to members of the company		-	-	-	-
Balance at 30 June 2006		**1**	**-**	**-**	**1**
2007					
Shares issued during the period		15,140,759	-	-	15,140,759
Loss attributable to members of the company		-	(376,525)	-	(376,525)
Share issue costs (net of tax)		(616,672)	-	-	(616,672)
Fair value of Broker options		-	-	60,000	60,000
Balance at 30 June 2007		**14,524,088**	**(376,525)**	**60,000**	**14,207,563**

*From incorporation on 18 July 2005

The accompanying notes form part of these financial statements

SOUTHERN URANIUM LIMITED

ABN 90 115 338 979

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		141,322	-	141,322	-
Payments to suppliers and employees		(265,496)	-	(265,496)	-
Net cash provided by (used in) operating activities	14	(124,174)	-	(124,174)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration expenditure		(102,900)	-	(14,355)	-
Purchase of property plant and equipment		(63,326)	-	(63,326)	-
Loan to controlled entity		-	-	(88,545)	-
Net cash provided by (used in) investing activities		(166,226)	-	(166,226)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		14,000,000	1	14,000,000	1
Costs associated with share issue		(795,245)	-	(795,245)	-
Net cash provided by (used in) financing activities		13,204,755	1	13,204,755	1
Net increase in cash held		12,914,355	1	12,914,355	1
Cash at beginning of year		1	-	1	-
Cash at end of year	6	**12,914,356**	**1**	**12,914,356**	**1**

*From incorporation on 18 July 2005

The accompanying notes form part of these financial statements

SOUTHERN URANIUM LIMITED

ABN 90 115 338 979

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

1. (a) Statement of Significant Accounting Policies

The financial report covers the consolidated group of Southern Uranium Limited and controlled entities and Southern Uranium Limited as an individual parent entity. Southern Uranium Limited (the Company) is a company limited by shares incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange.

The principal accounting polices adopted in the preparation of the financial report are set out below. There policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRSs

Compliance with AIFRS ensures that the financial statements and notes of Southern Uranium Limited comply with International Financial Reporting Standards (IFRS).

Basis of Accounting

These financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of selected non current assets, financial assets and liabilities for which the fair value basis of accounting has been applied.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB Amendment	Affected Standard (s)	Application date of standard	Application date for Group
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038	1 January 2007	1 July 2007
2007-1	AASB 2	1 March 2007	1 July 2007
2007-2	AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139	1 January 2008	1 July 2008
2007-3	AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and	1 January 2009	1 July 2009

	AASB 1038		
2007-4	AASB 1, AASB 2, AASB 3, AASB 4, AASB 5, AASB 6, AASB 7, AASB 102, AASB 107, AASB 108, AASB 110, AASB 112, AASB 114, AASB 116, AASB 117, AASB 118, AASB 119, AASB 120, AASB 121, AASB 127, AASB 128, AASB 129, AASB 130, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, AASB 141, AASB 1023 and AASB 1038	1 July 2007	1 July 2007
2007-5	AASB 102	1 July 2007	1 July 2007
2007-6	AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138	1 January 2009	1 July 2009
2007-7	AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128	1 July 2007	1 July 2007

It has been assessed that the implementation of the above AASB amendments is not expected to affect the Group's accounting policies and therefore will have no significant impact.

New standards	Application date of standard	Application date for Group
AASB 7 *Financial Instrument Disclosures*	1 January 2007	1 July 2007
AASB 8 *Operating Segments*	1 January 2009	1 July 2009
AASB 101 *Presentation of Financial Statements*	1 January 2007	1 July 2007
AASB 1049 *Financial Reporting of General Government Sectors by Governments*	1 July 2008	1 July 2008
Interpretation 10 *Interim Financial Reporting and Impairment*	1 November 2006	1 July 2007
Interpretation 11 AASB 2 *Group and Treasury Share Transactions*	1 March 2007	1 July 2007
Interpretation 12 *Service Concession Arrangements*	1 January 2008	1 July 2008

It has been assessed that the implementation of the above new AASB standards and interpretations is not expected to affect the Group's accounting policies and therefore will have no significant impact.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Financial Statements.

(c) Principles of Consolidation

A controlled entity is any entity controlled by the Company. Control exists where the parent entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the parent entity to achieve the parent entity's objectives. A list of controlled entities is contained at Note 18. All controlled entities have a June year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(d) Income Tax

The charge for current income tax expense is based on the result for the period adjusted for non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Goods & Services Tax (GST) receivable from, or payable to, the Australian Taxation Office has been accounted for and included as part of receivables or payables in the Balance Sheet.

Cash flows are presented in the cash flow statement on a gross basis except for the GST component of investing activities, which are disclosed as operating cash flow.

(f) Revenue Recognition

Interest income is recognised on a time proportion basis using the effective interest method.

(g) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is recognised as exploration and evaluation assets, measured on the cost basis and classified as an intangible asset. The expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(h) Restoration Costs

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration and mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Plant and equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	4% - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

(j) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(k) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Interests in joint venture operations are detailed at Note 17.

(l) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

(m) Equity Settled Transactions

The Company has provided benefits to certain key management personnel and to corporate advisors and underwriters involved in the share issue in the form of options.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to relevant market rates for the time, commitment and responsibilities for the work performed.

The cost of the equity-settled transactions has been recognised at the date of the granting of the Shares and Options.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than 3 months, net of bank overdrafts.

(o) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(p) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(q) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received.

Any transaction costs arising on the issue of Shares are recognised (net of tax) directly in equity as a reduction of the share proceeds received.

(r) Earnings per Share (EPS)

***Basic earnings per* Share**

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than Shares, by the weighted average number of Shares outstanding during the financial year, adjusted for any bonus elements in Shares issued during the year.

Diluted earnings per Share

Diluted earnings per Share adjusts the figures used in the determination of basic earnings per Share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential Shares and the weighted average number of Shares assumed to have been issued for no consideration in relation to dilutive potential Shares.

(s) Segment Information

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments

The Company operates in the mineral exploration industry within Australia.

(t) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The Company makes estimates and judgements in applying the accounting policies. Critical judgements in respect of accounting policies relate to exploration and evaluation assets, whereby exploration and evaluation expenditure is capitalised in certain circumstances. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
2. Revenue and Other Income				
Operating activities:				
Interest received from other persons	141,322	-	141,322	-
3. Expenses from Continuing Operations				
Administrative expenses include:				
Depreciation	1,102	-	1,102	-
Audit fees	15,000	-	15,000	-
Minimum lease rental payments	3,869	-	3,869	-
4. Income Tax				
(a) The components of income tax expense comprise				
Current tax	-	-	-	-
Deferred tax	238,574	-	238,574	-
	238,574	-	238,574	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Net profit/(loss)	(137,951)	-	(137,951)	-
Prima facie tax benefit on profit/(loss) from ordinary activities before income tax at 30%	(41,385)	-	(41,385)	-
Add/(less):				
Tax effect of:				
- capital raising costs deductible	(47,715)		(47,715)	-
- other non allowable items	3,252		3,252	-
	(85,848)	-	(85,848)	-
Deferred tax assets associated with capital raising costs recognised direct to equity but not meeting the recognition criteria	238,574	-	238,574	-
Tax effect of temporary differences and tax losses not brought to account as they do not meet the recognition criteria	85,848	-	85,848	-
Income tax attributable to operating loss	238,574	-	238,574	-
(c) Unused tax losses for which no deferred tax asset has been recognised at 30%	(85,848)	-	85,848	-
5. Earnings Per Share				
	No.			
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	56,335,068			

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
6. Cash and Cash Equivalents				
Cash at bank and on hand	12,914,356	1	12,914,356	1
7. Trade and Other Receivables				
Current				
Other receivables	85,987	-	85,987	-
Non Current				
Loan to subsidiary	-	-	1,171,818	-

The loan to the subsidiary is interest free and subject to annual review. The fair value of the loan is measured as the amount advanced.

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
8. Other Financial Assets				
Non current				
Investment in subsidiary at cost	-	-	1	-

The fair value of the investment in the company's unlisted subsidiary cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, the unlisted investment in subsidiary is reflected at cost.

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
9. Plant and Equipment				
Plant and equipment at cost	63,326	-	63,326	-
Accumulated depreciation	(1,101)	-	(1,101)	-
Balance at the reporting date	62,225	-	62,225	-
Movements in property plant and equipment:				
Balance at the beginning of the reporting period	-	-	-	-
Additions	63,327	-	63,327	-
Disposals	-	-	-	-
Depreciation	(1,102)	-	(1,102)	-
Balance at the reporting date	62,225	-	62,225	-
10. Exploration and Evaluation Asset				
Exploration and evaluation expenditure carried forward in respect of areas of interest are:				
Exploration and evaluation phase - at cost	1,243,658	-	71,839	-
Impairment	-	-	-	-
Carrying amount at the end of the period	1,243,658	-	71,839	-
Movement in exploration and evaluation asset:				
Opening balance - at cost	-	-	-	-
Capitalised exploration expenditure	1,243,658	-	71,839	-
Written off from discontinued areas of interest	-	-	-	-
Carrying amount at the end of the period	1,243,658	-	71,839	-

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of projects or alternatively through the sale of the areas of interest.

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
11. Trade and Other Payables				
Current unsecured:				
Trade payables	39,105	-	39,105	-
Sundry payables and accrued expenses	59,558	-	59,558	-
Total payables (unsecured)	98,662	-	98,662	-
12. Contributed Equity				
(a) Fully paid ordinary shares	**14,524,088**	**1**	**14,524,088**	**1**

	Consolidated 2007 No.	Consolidated 2006 No.	Parent 2007 No.	Parent 2006 No.
Balance at the beginning of the reporting period	100,000	-	100,000	-
Shares issued during the period:				
Initial shares issued on 18 July 2005	-	100,000	-	100,000
Issued pursuant to equity settled payment transactions on 31 October 2006	44,900,000	-	44,900,000	-
Issued pursuant to prospectus dated 19 February 2007 at 20 cents per share	70,000,000	-	70,000,000	-
Balance at reporting date	115,000,000	100,000	115,000,000	100,000

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Balance at the beginning of the reporting period	1	-	1	-
Shares issued during the period:				
Initial shares issued on 18 July 2005	-	1	-	1
Issued pursuant to equity settled payment transactions on 31 October 2006	1,140,758	-	1,140,758	-
Issued pursuant to prospectus dated 19 February 2007 at 20 cents per share	14,000,000	-	14,000,000	-
Less capital raising costs (net of tax)	(616,671)		(616,671)	
Balance at reporting date	14,528,088	1	14,528,088	1

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$

12. Contributed Equity (continued)

(b) Options

	Consolidated		Parent	
	2007	2006	2007	2006
	No.	No.	No.	No.
Balance at the beginning of the reporting period	-	-	-	-
Options issued during the period:				
Director options	7,500,000	-	7,500,000	-
Broker options	2,000,000	-	2,000,000	-
Balance at reporting date	9,500,000	-	9,500,000	-

Director options were issued to the Directors of Southern Uranium Limited (5,500,000 – refer Note 15 below) and to the Directors of Southern Gold Limited (2,000,000). Director options are fully vested, unlisted, have an exercise price of 25 cents per share and are exercisable at any time until 31 March 2010. The fair value of the options at the time of issue using the Black-Scholes methodology was $nil.

Broker options are unlisted, have an exercise price of 25 cents per share and are exercisable at any time until 2 April 2011. The fair value of the options at the time of issue using the Black-Scholes methodology was $60,000 and has been included as a cost of the share issue.

Option holders do not have the right to participate in new issues of securities offered to share holders prior to the exercise of the options

13 Reserves

Share Option Reserve

The share option reserve records items recognised as expenses or share issue costs on valuation of options.

14 Cash Flow Information

a) Reconciliation of Cash Flow from Operations with Loss after Income Tax:

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Loss from ordinary activities after income tax	(137,951)	-	(137,951)	-
Non-cash flows in profit from ordinary activities:				
Depreciation	1,102	-	1,102	-
	(136,849)	-	(136,849)	-
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(85,987)	-	(85,987)	-
(Decrease)/Increase in creditors and accruals	98,662	-	98,662	-
Cash flows from operations	(124,174)	-	(124,174)	-

b) Non Cash Financing Transactions

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
44,900,000 shares were issued as consideration for the repayment of a loan payable to Southern Gold Limited.	1,140,758	-	1,140,758	-

15 Key Management Personnel Compensation and Related Party Disclosures

(a) Key Management Personnel

Names and positions held of key management personnel at any time during the financial year.

R. Marshall	Chairman
J. A. Anderson	Managing Director
D. G. Jones	Non-Executive Director
S. R. Biggins	Non-Executive Director
C. M. Horn	Non-Executive Director (resigned 14 December 2006)
M. W. McDonald	Non-Executive Director (resigned 14 December 2006)
M. R. Billing	Non-Executive Director (resigned 14 December 2006) and Company Secretary (resigned 28 June 2007)
G. C. Gill	Company Secretary and Chief Financial Officer (appointed 28 June 2007)

(b) Details of Remuneration

Remuneration received or receivable by Directors and other Key Management Personnel was as follows:

Director	Short-term Benefits		Superannuation	Total
	Fees and/or Salary	Equity Based Compensation		
	$	$	$	$
2007				
R. Marshall (Chairman)	-	-	17,500	17,500
J. A. Anderson (Managing Director)	55,000	-	7,500	62,500
D. G. Jones (Non-Executive Director)	12,500	-	1,250	13,750
S. R. Biggins (Non-Executive Director)	12,500	-	1,250	13,750
M. R. Billing (resigned 28 June 2007)	10,174	-	-	10,174
Totals	**90,174**	**-**	**27,500**	**117,674**

No other Directors received remuneration during the financial year and no Directors received remuneration during the 2006 financial year.

The Company Secretary in office during the 2006 financial year received no remuneration.

(c) Total Remuneration of Key Management Personnel

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Short-term employee benefits	90,174	-	90,174	-
Post-employment benefits	27,500	-	27,500	-
Total	117,674	-	117,674	-

(d) Other Transactions with Key Management Personnel

J.A. Anderson, S R Biggins and M R Billing are directors of Southern Gold Limited, which owns 39% of the issued capital of Southern Uranium Limited. On 31 October 2006, Southern Gold Limited was issued 44,900,000 shares in the company in consideration for the repayment of a loan totalling $1,140,758.

15 Key Management Personnel Compensation and Related Party Disclosures (continued)

(e) Option holdings

The number of options over ordinary shares in the Company held during the year by each Key Management Personnel including their personally related entities is set out below. No options were issued during the 2006 year. All options are vested and exercisable. Refer Note 12(b) for terms and conditions relating to the options.

2007

Name	Balance at the beginning of the year	Received as remuneration during the year	Exercised during the year	Balance at end of the year
R. Marshall	-	1,000,000	-	1,000,000
J. A. Anderson	-	1,500,000	-	1,500,000
D. G. Jones	-	1,000,000	-	1,000,000
S. R. Biggins	-	1,000,000	-	1,000,000
G. C. Gill	-	-	-	-
M. R. Billing (resigned 28 June 2007)	-	1,000,000	-	1,000,000
	-	5,500,000	-	5,500,000

(f) Share holdings

The number of shares in the Company held during the year by each Key Management Personnel including their personally related entities is set out below. No shares were issued as remuneration during the financial year.

Name	Balance at the beginning of the year	Issued pursuant to the prospectus	Acquired during the year	Disposed during the year	Balance at end of the year
R. Marshall	-	1,045,000	-	-	1,045,000
J. A. Anderson	-	107,500	-	-	107,500
D. G. Jones	-	47,500	-	-	47,500
S. R. Biggins	-	475,000	-	-	475,000
G. C. Gill	-	-	-	-	-
M. R. Billing (resigned 28 June 2007)	-	162,500	-	-	162,500

The shares issued pursuant to the prospectus were issued under the same terms and conditions as for other shareholders.

16 Share Based Payments

The following share-based payments were made during the year ended 30 June 2007:

(a) On 31 October 2006 44,900,000 shares were issued as consideration for the repayment of a loan payable from Southern Gold Limited. Details of the share issue are provided at Note 14 (b) above. The fair value of the shares was $1,140,758.

(b) On 31 January 2007, 7,500,000 share options (Director Options) were granted to the Directors of Southern Uranium Limited (5,500,000) and to the Directors of Southern Gold Limited (2,000,000) to accept ordinary shares at an exercise price of $0.25 per share. Refer Note 12 (b) above for terms and conditions relating to the Director Options. The fair value of the Director Options using the Black-Scholes methodology was $nil.

16 Share Based Payments (continued)

(c) On 2 February 2007, 2,000,000 share options were granted to the Company's corporate advisors to accept ordinary shares at an exercise price of $0.25 per share. The grant was conditional on the company's shares being listed on ASX. Refer Note 12(b) for terms and conditions relating to the Broker Options. The fair value of the Broker Options using the Black-Scholes methodology was $60,000 ($0.03 per option).

The fair value of the options was calculated by using a Black Scholes option pricing model applying the following inputs

	Directors	Corporate advisors
Fair value of options	-	$0.03
Share price	$0.025	$0.20
Exercise price	$0.25	$0.25
Volatility	18.1%	18.1%
Risk free rate	6.18%	5.99%
Days to expiry	1,174	1,460

17. Interests in Joint Ventures

The consolidated entity had interests in unincorporated joint venture operations at 30 June 2007 as follows:

	Percentage Interest 2007	**Percentage Interest 2006***
(a) Challenger West Joint Venture – Palaeochannel uranium exploration	49%	100%
(b) Tallaringa Joint Venture – Palaeochannel uranium exploration	30%	0%
(c) Southern Gawler Arc Joint Venture – Iron Oxide Copper Gold Uranium exploration	100%	100%
(d) Gawler Craton Joint Venture – Iron Oxide Copper Gold Uranium exploration	100%	100%
(e) Yarlbrinda South Joint Venture – Iron Oxide Copper Gold Uranium exploration	35%	35%

* Southern Uranium Limited's interest in joint ventures in 2006 was held by Southern Gold Limited and its subsidiaries.

. **18. Controlled Entities**

Interests in controlled entities are as follows:

Name	**Principal Activity**	**Country of Incorporation**	**Share**	**Ownership Interest**		**Carrying Amount of Investment**	
				2007	**2006**	**2007**	**2006**
Sunthe Uranium Pty Ltd	Mineral exploration	Australia	Ordinary	100%	100%	1	1

19. Expenditure Commitments and Contingent Liabilities

a) Exploration Expenditure Commitments

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2007	2006
Not later than one year	2,225,000	-
Later than one year but not later than two years:	4,375,000	-
Later than two years but not later than five years	-	-

b) Office Rental

The consolidated entity has entered into a rental agreement to occupy its principle office at a cost of $37,500 per annum for 3 years from 2 April 2007.

20 Financial Instruments

a) Financial Risk Management

The consolidated entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable, accounts payable and loans to related parties.

i) Treasury Risk Management

The board of the consolidated entity meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii) Financial Risks

The main risks the consolidated entity is exposed to through its financial instruments are liquidity risk and credit risk.

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

b) Financial Instruments

i) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates

The following table details the exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

20 Financial Instruments (continued)

	Weighted Average Interest Rate	Floating Interest Rate $
2007		
Cash and cash equivalents	<1%	12,914,356
2006		
Cash and cash equivalents	0%	1

ii) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

21. Segment Information

The consolidated entity operates in the mineral exploration industry in Australia

22. Company Information

The registered office and principal place of business is as follows:

Suite 48, Level 3 Benson House
2 Benson Street
TOOWONG QLD 4066

DIRECTORS' DECLARATION

In the opinion of the Directors:

a) The attached financial statements and notes including the remuneration disclosures that are contained in the remuneration report in the Directors' report are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia; and

   (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the financial year ended on that date;

b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the Directors.

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Brisbane
25 September 2007

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOUTHERN URANIUM LTD AND CONTROLLED ENTITIES

Report on the financial report

We have audited the accompanying financial report of Southern Uranium Ltd, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Grant Thornton

Auditor's opinion

In our opinion:

(a) The financial report of Southern Uranium Ltd is in accordance with the *Corporations Act 2001*, including:

i. Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J GRAY
Partner

Signed at Adelaide this 25 day of September 2007