

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

**URANEX NL**

ABN 26 115 111 763

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ASX Code: UNX

 Number of Shares  
 166.7M Ordinary Shares  
 6.8M Unlisted Options  
 4.3M Partly Paid

 Market Capital  
 A\$112.5 Million  
 (@0.675c)

Board of Directors

 Johann Jacobs  
 Chairman

 Matthew Gauci  
 Managing Director

 Stephen Hunt  
 Non-executive Director

 Frank Poullas  
 Non-executive Director

 Mark Chalmers  
 Non-executive Director

 John Nethersole  
 Company Secretary

### HIGHLIGHTS

#### Operations

- Completion of 2,400m 16 hole diamond drilling program along 5km strike of the Likuyu North Prospect, within the Mkuju Uranium Project, located in Southern Tanzania, which covers a total area of 5,000km<sup>2</sup>.
- Multiple high grade uranium results reported from 16 holes on site using a Niton portable XRF analyser, including 10m at 1,038ppm U<sub>3</sub>O<sub>8</sub> with uranium mineralisation recorded from core surface analysis including 5,990ppm U<sub>3</sub>O<sub>8</sub> and 11,780ppm U<sub>3</sub>O<sub>8</sub>.
- Final laboratory assays, interpretation and compilation from this 16 holes program, are now due early February 2011. The drilling rig has remained on-site for the expected re-commencement of drilling in early March 2011.
- Manyoni Uranium Project, Central Tanzania: Total Mineral Resources increased to 29M lbs of U<sub>3</sub>O<sub>8</sub> (100ppm cut off). A detailed review of the Pre-Feasibility Study (PFS) is underway in conjunction with Australian Nuclear Science and Technology Organisation (ANSTO) to address certain challenging processing issues.

#### Corporate

- Fully Underwritten Rights Issue to raise \$5.78m completed with substantial shareholders IMX Resources Limited, Acorn Capital Limited and CQS Asset Management Limited subscribing to their entitlement.
- All resolutions successfully passed at the Company's 2010 AGM including the election of new non-executive directors and grant of options to all directors.
- Market Capitalisation increased from \$18m to \$140m by end of the quarter with adequate cash position of approximately \$5.2m.
- Decision to divest non-core assets located in Australia to focus mainly on Mkuju and Tanzania, including the 14M lb U<sub>3</sub>O<sub>8</sub> (at 100 ppm cut off) Thatcher Soak project in Western Australia.
- Uranium price increase from US\$47/lb to US\$63/lb U<sub>3</sub>O<sub>8</sub> (34% increase), with the price currently trading at US\$70/lb U<sub>3</sub>O<sub>8</sub> (49% increase).

## OPERATIONS

### TANZANIA

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#### Mkuju Uranium Project (Uranex 100%)

A 2,400m 16 hole diamond drilling program was completed at the Likuyu North Prospect (Figure 1), aimed at further defining the mineralised trend identified during the 2009 drilling program.

The Mkuju Uranium project adjoins Mantra Resources Limited's (Mantra Resources) Mkuju River Project (MRP) where a Mineral Resource of 101.4 million pounds @ 422ppm  $U_3O_8$  has been defined at the Nyota Prospect, located 30km NE of the drilling program at Likuyu North. Mantra Resources is currently the subject of an A\$1.16 billion all cash takeover offer which equates to \$10.26/lb of resource at Nyota.

The drilling program focused on two previously identified anomalous zones out of a total strike extent of 5km at the Likuyu North Prospect, with 16 diamond drill holes completed. The diamond drilling program was supported by RC and auger drilling while airborne geophysical surveys are currently being organised. It is anticipated that the airborne geophysical surveys will assist in both defining the Karoo sandstone sequences and channels hosting the uranium mineralization and geological structures conducive to uranium deposition. The information provided will assist the formulation of our 2011 drilling program.

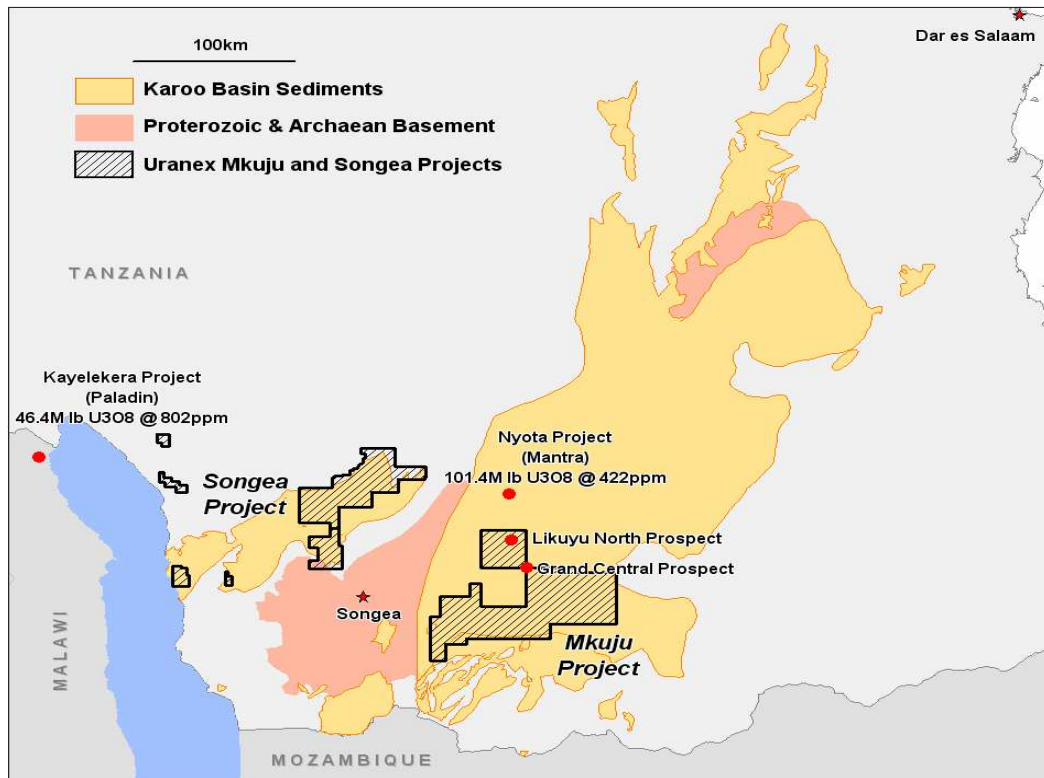
From the results of the first five (5) of the sixteen (16) holes analysed using a Niton portable XRF analyser, a peak intersection of 10m at 1,038 ppm  $U_3O_8$  was recorded in hole MKDD0009. Further uranium mineralisation was identified in all remaining holes analysed with the most notable being an interval of twelve (12) m in hole MKDD0012, and results up to 11,780ppm  $U_3O_8$  from surface core analysis at 10cm intervals.

The dominant uranium minerals are yellow/green in colour and have been identified by Uranex geologists as meta-autunite, meta-uranocircite or phosphuranylite. Similar uranium mineral assemblages have been identified at the nearby MRP and Kayelekera Mine (owned by Paladin Energy Limited and located in neighbouring Malawi). Figure 3 illustrates these yellow/green minerals in the second hole drilled, MKDD0002, as part of the completed drill programme. Occurrence of a darker uranium bearing mineral, possibly uraninite, has also been identified.

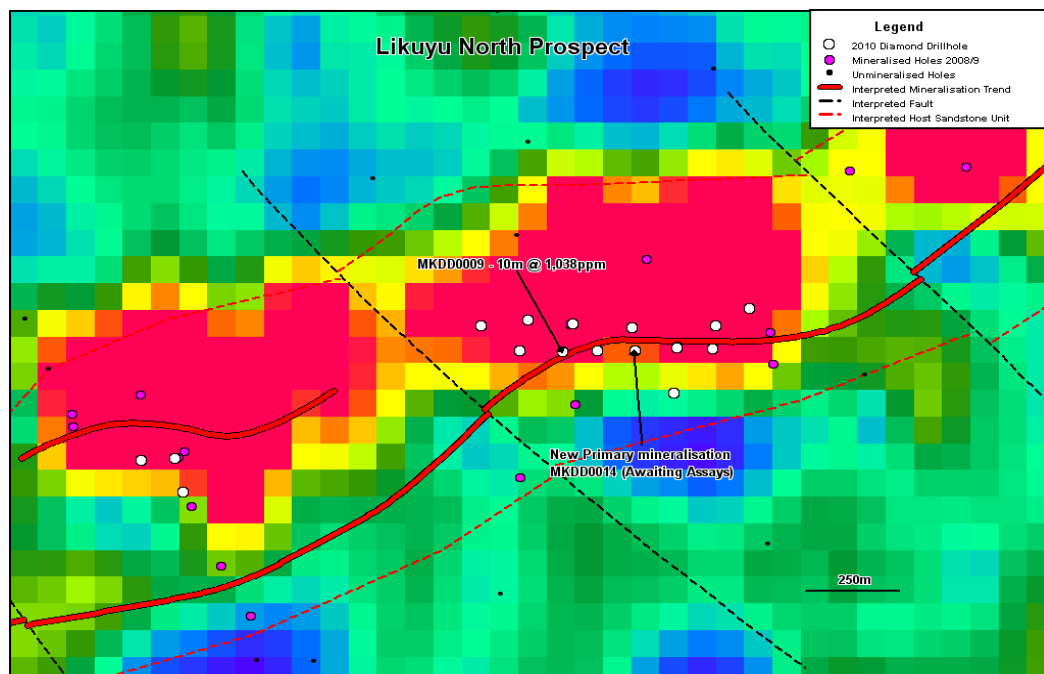
Core samples from identified uranium bearing zones have been cut, pulverised and analysed with the Niton portable XRF analyser. These core samples were submitted to SGS Laboratories in Johannesburg for assay, interpretation and compilation. Final results from this 16 holes program are now due early February 2011, along with X-ray Diffusion (XRD) analysis aimed at identifying the uranium minerals present.

The drilling rig has remained on-site for the expected re-commencement of drilling in March 2011. The goal is to identify and extend known uranium mineralisation at Likuyu North along the 5km strike extent and to assess the geological structures conducive to uranium deposition.

**Figure 1: Southern Tanzanian Projects**



**Figure 2: Likuyu North Drill Program**



**Figure 3:** Drill hole MKDD0002– Likuyu North Prospect



**Figure 4:** Uranium Mineralisation – hole MKDD0002



## Manyoni Uranium Project (Uranex 100%)

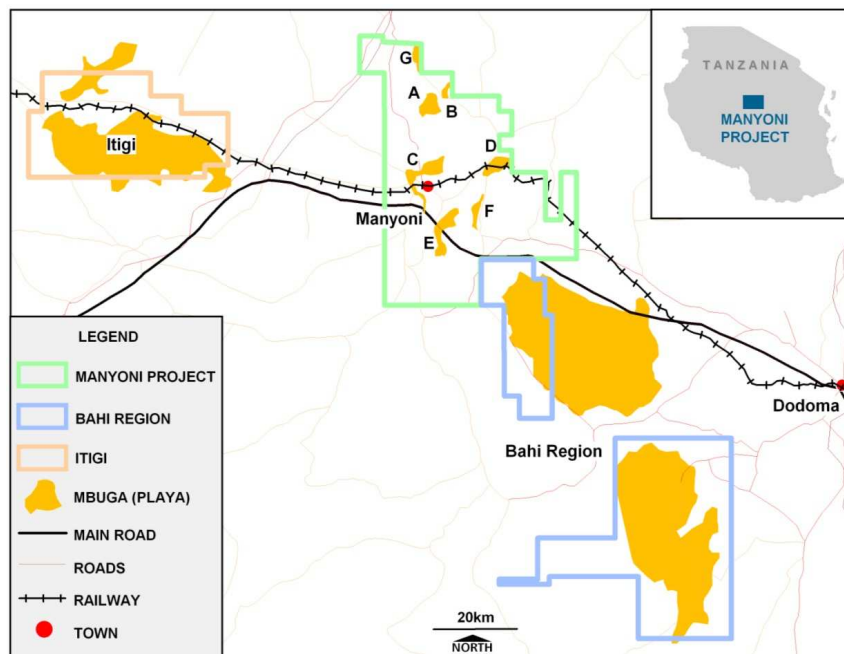
A new Resource Estimate of 29M lbs (100 ppm cut off) was calculated by independent consultants, Hellman and Schofield Pty Ltd, for the Company's 100% owned Manyoni Project in Central Tanzania (refer figure 5) and announced to the ASX on June 30, 2010. (Table 1).

**Table 1: Manyoni June 2010 Resource Estimate**

Cut off U <sub>3</sub> O <sub>8</sub> (ppm)	Domain	Indicated		Inferred		Total		Contained U <sub>3</sub> O <sub>8</sub> Pounds (million)
		Tonnes (million)	U <sub>3</sub> O <sub>8</sub> (ppm)	Tonnes (million)	U <sub>3</sub> O <sub>8</sub> (ppm)	Tonnes (million)	U <sub>3</sub> O <sub>8</sub> (ppm)	
100	A	11.6	170	14	150	14	150	4.6
	C1			37	140	49	147	15.9
	C West			3	140	3	140	0.9
	E			19	130	19	130	5.4
	F			4	140	4	140	1.2
	G			5	150	5	150	1.7
	<b>Total</b>			<b>11.6</b>	<b>170</b>	<b>80</b>	<b>140</b>	<b>92</b>
150	A	4.8	230	5	180	5	180	2.0
	C1			8	190	13	204	5.8
	C West			1	180	1	180	0.4
	E			2	170	2	170	0.7
	F			1	180	1	180	0.4
	G			3	180	3	180	1.2
	<b>Total</b>			<b>4.8</b>	<b>230</b>	<b>20</b>	<b>180</b>	<b>25</b>

Note: Rounding Errors may occur.

**Figure 5: Manyoni Project with Bahi Region and Itigi exploration Areas**



## Pre-Feasibility Study (PFS)

During the quarter, MDM Engineering (South Africa) completed the heap leach processing route investigations for the Manyoni PFS, overseeing test work performed at Mintek laboratories in South Africa.

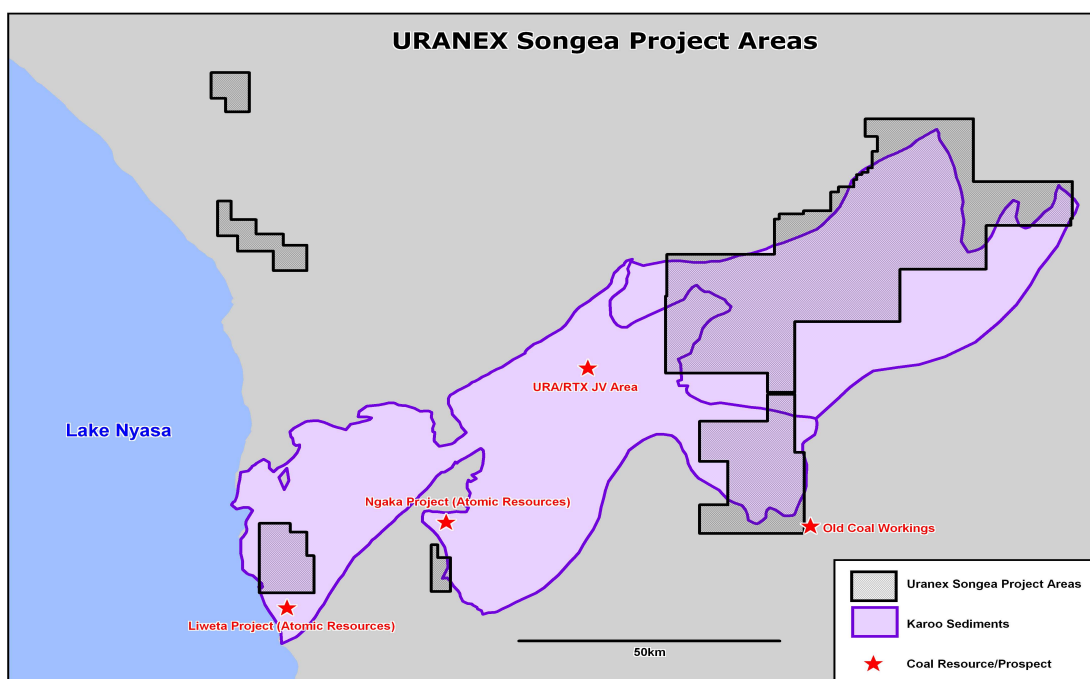
The Manyoni PFS depends largely on a low cost means of processing and the desired application of heap leaching technology. Recent and past results are not yet conclusive and indicate challenges on this front with highly variable recoveries and some questions remain on the representative nature of certain samples. As such, the company has referred work completed to date to the ANSTO to undertake a review of the current PFS with a view to further advising on low cost process flow sheet options and metallurgical testing.

## Songea Coal Prospect (Uranex 100%)

The Songea Exploration Area comprises an area of approximately 2,700km<sup>2</sup> and is situated 140km northwest of the company’s Mkuju Project in southwest Tanzania (Figures 1 & 6). The project licences cover the highly prospective Karoo sediments within the Ruhuhu Basin and are being explored for both roll front uranium mineralisation and thermal coal deposits. Coal fields and coal resources have been identified and mapped by other companies in the basin. Accordingly, the Uranex licences are considered to be highly prospective for additional significant deposits of thermal coal.

During initial uranium reconnaissance field mapping, historical coal workings were identified approximately 2km east of Uranex’s Gumbiro South licence. A programme of geological mapping was undertaken during the Quarter, targeted at identifying stratigraphic horizons known to host coal mineralisation.

**Figure 6: Songea Exploration Area**



## AUSTRALIA

### Thatcher Soak, Western Australia (Uranex 100%)

A decision to divest non-core assets located in Australia, to focus mainly on Mkuju and Tanzania, was made during the quarter. Projects that are being divested include the 14M lb U<sub>3</sub>O<sub>8</sub> (at 100 ppm cut off) Thatcher Soak project in Western Australia.

The Thatcher Soak Project currently covers a shallow-surface, calcrete-hosted uranium deposit located 130km north-east of Laverton in Western Australia. The deposit is located in the Yilgarn province and is similar in style to other calcrete uranium deposits in the region such as Yeelirrie, Lake Way and Centipede (Wiluna).

Resources were estimated by Ordinary Kriging of 0.2 metre downhole composited eU<sub>3</sub>O<sub>8</sub> ppm values within mineralised domains interpreted a nominal cut off grade of 50ppm U<sub>3</sub>O<sub>8</sub>.

**Table 2** shows the current resource estimates. Significant figures used in the table reflect the level of accuracy, and may exhibit rounding errors. These estimates cover approximately 7.8 kilometres of strike length and extend from surface to a maximum depth of approximately 18 metres.

**Table 2:** Thatcher Soak June 2008 Inferred Resource Estimate

Cut off U <sub>3</sub> O <sub>8</sub> ppm	Tones (Million)	Grade U <sub>3</sub> O <sub>8</sub> ppm	Contained U <sub>3</sub> O <sub>8</sub> (Million Pounds)
50	50	160	18
100	28	220	14
150	17	290	11

The inferred resource at Thatcher Soak is estimated to contain 17 million tonnes, averaging 290ppm U<sub>3</sub>O<sub>8</sub> for a contained U<sub>3</sub>O<sub>8</sub> content of approximately 11 million pounds (or approximately 5,000 tonnes contained U<sub>3</sub>O<sub>8</sub>), at a cut off grade of 150ppm U<sub>3</sub>O<sub>8</sub>.

Interested parties are encouraged to contact Uranex Project Development Manager Andrew Querzoli on +61 3 9621 1522 or at [andrew.querzoli@uranex.com.au](mailto:andrew.querzoli@uranex.com.au)

### Bremer Basin, Western Australia (Uranex 100%)

An aircore drilling program of 1,630m was completed during the Quarter, with laboratory assays for uranium and lignite currently being compiled and assessed.

### Alligator Rivers, Northern Territory (Uranex 100%)

No activity during the Quarter. RC drilling programme planned for the first half of 2011.

### Amadeus (Uranex 100%)

The Project area comprises approximately 1,200km<sup>2</sup> in the Amadeus Basin in the Northern Territory, and is prospective for sandstone hosted uranium deposits similar to the nearby Pamela/Angela (Cameco) and Napperby (Deep Yellow) deposits. Field Reconnaissance and Desktop Studies have commenced at the project, with an initial drilling programme planned for 2011.

## CORPORATE

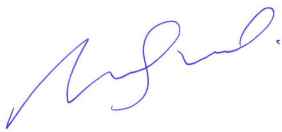
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A fully underwritten Rights Issue to raise \$5.78m before costs was completed during the quarter with substantial shareholders IMX Resources Limited, Acorn Capital Limited and CQS Asset Management Limited subscribing to their entitlement.

All resolutions put to members at the Company's 2010 AGM were successfully passed including the election of new non-executive directors and grants of options to all directors.

The Company at the end of the quarter had an adequate cash position of approximately \$5.2m. This cash position is expected to increase during the coming quarter with the post quarter exercise of company options and the divestment of non-core assets including the 14M lb U<sub>3</sub>O<sub>8</sub> (at 100 ppm cut off) Thatcher Soak project in Western Australia.

Market capitalisation increased from A\$18m to A\$140m by end of the quarter. During the same period the uranium price increased from US\$47/lb to US\$63/lb U<sub>3</sub>O<sub>8</sub> (34% increase) which at this level provides the Company and sector with confidence to wholeheartedly continue its exploration programmes.



**Matthew Gauci**  
**Managing Director**  
**Uranex NL**  
**Telephone: +61 3 9621 1533**

*Information in this report relating to exploration results is based on data compiled by Mr. Brendan Borg who is a Member of the Australasian Institute of Mining and Metallurgy, and who is a full-time employee of the Company. Mr. Borg has sufficient relevant experience to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Borg consents to the inclusion of the data in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

**Name of entity**

Uranex NL

**ABN**

26 115 111 763

**Quarter ended ("current quarter")**

31 December 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	25	31
1.2 Payments for (a) exploration & evaluation	(1,848)	(2,811)
(b) development	-	-
(c) production	-	-
(d) administration	(517)	(1,243)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	19	51
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,321)</b>	<b>(3,972)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material) (net)	(9)	(9)
<b>Net investing cash flows</b>	<b>(11)</b>	<b>(11)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,332)</b>	<b>(3,983)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,332)	(3,983)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	5,780	7,740
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(447)	(493)
	<b>Net financing cash flows</b>	<b>5,333</b>	<b>7,247</b>
	<b>Net increase (decrease) in cash held</b>	<b>3,001</b>	<b>3,264</b>
1.20	Cash at beginning of quarter/year to date	2,226	1,973
1.21	Exchange rate adjustments to item 1.20	(4)	(14)
1.22	<b>Cash at end of quarter</b>	<b>5,223</b>	<b>5,223</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	112
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors' remuneration entitlements and expenses and consulting fees.	

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,627
4.2 Development	-
4.3 Production	-
4.4 Administration	690
<b>Total *</b>	<b>2,317</b>

\* The Company is currently reviewing future funding options.

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	183	126
5.2 Deposits at call	5,040	2,100
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,223</b>	<b>2,226</b>

+ See chapter 19 for defined terms.

**Changes in interests in mining tenements**

	<b>Tenement reference</b>	<b>Nature of interest (note (2))</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	EL 28038 - Limestone Bore	0	100

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+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	165,115,236 3,840,000 500,000	165,115,236 - -	64 cents 96 cents	1 cent 1 cent
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	41,278,809	41,278,809	14 cents	14 cents
7.5 <b>*Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	1,950,000 - 2,450,000 -  2,650,000 650,000 700,000	- -	<i>Exercise price</i> 30 cents 34 cents  20 cents 25 cents 31 cents	<i>Expiry date</i> Up to six (6) months after retirement of employee/director 19/11/2015 19/11/2015 19/11/2015
7.8 Issued during quarter	2,650,000 650,000 700,000		20 cents 25 cents 31 cents	19/11/2015 19/11/2015 19/11/2015
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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7.12	<b>Unsecured notes</b> <i>(totals only)</i>		
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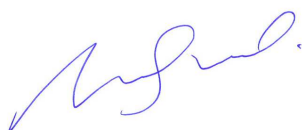
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+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



(Director)

Print name: Matthew Gauci

Date: 31 January 2011

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.