



**Company
Insight**

the intelligent market update

Uranex NL (UNX)

Highlights of interview....

- Success of Strategic Review
- Significance of Drilling at Mkuju
- Potential of Mkuju & Future Plans
- Potential Overall Value of Uranex
- Other Projects & UNX's Longer Term Strategy

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öMD Gauci Gives Strategy Updateö

Record of interview:

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Uranex NL (ASX code: UNX; market cap of ~\$65m) recently announced high grade uranium results at its Likuyu North Prospect, part of its 100% owned Mkuju Uranium Project, in Southern Tanzania. Before we discuss that in detail, Uranex made several Board and management changes recently including your appointment. The new Board announced the completion of a strategic review in late 2010. How successful has this strategic review been, including its implementation?

Managing Director, Matthew Gauci

The Board completed a strategic review of the Company's assets, plans, budgets and forecast model for 2011 and beyond. A five point strategic plan was tabled which included: (1) a renewed focus on the Mkuju Uranium Project in Southern Tanzania; (2) a review of the Manyoni PFS and appointment of ANSTO to conduct additional metallurgical testing; (3) a capital raising mechanism which allows all shareholders to participate; (4) renewed focus on exploration to advance other projects with a focus on the Alligator Rivers project in the Northern Territory; and (5) a review of our cash burn rate.

Since the appointment of the new Board and implementation of the five point plan the market capitalization has grown from around \$15m to a peak of \$120m in late 2010. With recently announced high grade results at Mkuju, and commencement of a 6,000m drilling program to extend the mineralization and define an initial resource, we believe this strategic review has, to date, been successful.

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You commenced drilling at Mkuju in September 2010 completing 16 diamond drill holes. The results returned significant intersections including 10 metres at 1,124 ppm U₃O₈ at Likuyu North with further uranium identified in all holes. Can you put these intersections in the context of previous drilling for uranium carried out by Uranex elsewhere? How do these intersections compare with other projects in the region?

Matthew Gauci

Previous RC drilling in 2008 and 2009 included some good intersections at Likuyu North such as:

6 metres at 1,401 ppm U₃O₈ (from surface), including 2 metres at 3,040 ppm U₃O₈; 6 metres at 412ppm U₃O₈, including 1 metre at 839 ppm U₃O₈ and 4 metres at 904 ppm U₃O₈, including 2m at 1,680 ppm U₃O₈.

The purpose of the 2010 drilling was to extend known mineralized horizons and to test the reliability of the RC drilling method by using diamond drilling and to provide more detailed information on the geological environment.

These intersections compare very favourably to Mantra Resources Limited's Nyota project which contains 101.4m lbs of U₃O₈ at 422ppm and is currently the subject of a takeover offer; valuing that company at \$1.02 billion which equates to \$10.04 per lb of resource, making it one of the most valuable uranium deposits in the world.

We are targeting sandstone hosted tabular deposits similar to the Nyota Project and Paladin's Kayalekera deposit in nearby Malawi (46 million pounds at 802ppm U₃O₈) and sandstone hosted roll-front deposits similar to Beverley and Four Mile in South Australia (72 million pounds at 3,700ppm U₃O₈)

The better intersections of mineralised sandstones have been interpreted to occur between reduced mudstone sequences in at least five holes at Likuyu North, and host the thickest and highest grade intercepts at the project (10.5m at 1,124ppm U₃O₈ and 13m at 614ppm U₃O₈), while all holes have also intersected tabular style mineralization. These intersections highlight the prospectivity for both styles of sandstone hosted uranium deposits.

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Can you explain where you have been drilling within the Mkuju Project? Can you outline the amount of the drilling completed in the 2010 program and what is planned for the 2011 program? How many holes in total will you drill in the current 2011 program? When do you expect all assays?

Matthew Gauci

The 2010 drilling program consisted of sixteen (16) diamond holes along a 5km strike extent at Likuyu North prospect, within a total project area covering 5000km² at the Mkuju Uranium Project. The high grade zone we discovered is within only 600m of the 5km strike extent at Likuyu North and hence we've really only scratched the surface of the project area.

Formal laboratory assays were received from SGS Mineral Laboratories in Johannesburg, South Africa, confirming and in some cases exceeding the preliminary results obtained on-site during the program with the Niton Portable XRF analyser. Uranium mineralisation was intersected in every hole drilled, with the most significant intersections including:

10.5m at 1,124ppm U₃O₈ including 2m at 2,135ppm U₃O₈; 13m at 614ppm U₃O₈, including 4.5m at 1,153ppm U₃O₈; 4.0m at 337ppm U₃O₈ including 0.5m at 1,463ppm U₃O₈; 2m at 1,244ppm U₃O₈ and 7.5m at 352ppm U₃O₈.

The 2011 drilling program has commenced and will consist of 60 aircore holes over 6,000m within and along strike of the high grade 600m zone, with all holes geophysically probed to generate eU_3O_8 values. An induction (EM) conductivity probe will be used to assist in identification of host geological units.

Results of the current 2011 drilling program will be released to the market as they become available.

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Is it possible for your geologists to start conceptualizing the possible geometry of the mineralisation at this early stage of the drilling program within that area of the Mkuju Project?

Matthew Gauci

The strike extent of the anomaly at the Likuyu North prospect is 5 km and the initial high grade discovery zone is 600m; this current round of drilling is aimed at extending the high grade zone at Likuyu North along the 5km strike extent and to target a maiden mineral resource.

At this point the high grade zone appears open in both directions of the length of the palaeochannel, while significant upside remains on the breadth of the palaeochannel, which at this stage, also appears open.

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Can you explain for non-geologists why the presence of primary uranium mineralization, identified on-site to be uraninite or coffinite, is an exciting development for the Company?

Matthew Gauci

Uraninite or coffinite is found in unconformity type uranium deposits and can be found in sandstone hosted roll front deposits, which is what we are seeking. They are essentially the largest tonnage and highest grade uranium deposits in the world and also the primary source of uranium.

Processing and extraction of uraninite is well documented and traditionally an easier task than other uranium minerals. It is the cheapest method and that is well documented because of its lower crushing/grinding and acid consumption. Hence, identifying this type of uranium at our Mkuju project is exciting and bodes well for future project development. It is the type of mineralogy you want with uranium projects. Examples would be Beverley Four Mile in South Australia and Ranger in the Northern Territory.

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Can you explain the attraction of the broader Mkuju Project and why it has become a key focus for the Company after the strategic review?

Matthew Gauci

The attraction of the Mkuju project is compelling.

The first is the market valuation attributed to the geological location, highlighted by the takeover offer for Mantra Resources. Mantra's project is valued at \$10.04 per lb of uranium resource. For an exploration project, that is extraordinarily high. The average valuation for uranium exploration projects is around \$1.80/lb, however this includes the majority of projects with grades below 400ppm. Recent valuations for projects above 400ppm are in the \$6-\$10/lb range and the Mkuju region demonstrates the geology supports these grades and valuations. Within this geological region we have, to date, identified more than 69km of uranium strike and are drilling only 5km of that strike.

The second point is we are exploring sandstone-hosted deposits. Our management team have discovered, developed and mined these types of deposits. This type of mineralization, if either at surface or at depth (and amenable to ISR), are generally cheaper to mine than other uranium deposits with either minimal or no waste removal and minimal or no drill and blast.

Thirdly, the mineralogy we're discovering has been confirmed as uraninite. Processing and extraction of uraninite is well documented and traditionally an easier task than other uranium minerals. It is the cheapest method and that is well documented because of its lower crushing and grinding costs, lower acid and reagent consumption and more rapid leaching times. Uraninite is nearly always higher in grade and tonnages while being lower in mining and processing costs.

Additionally, nearby to the Mkuju project area we have commenced a detailed exploration program at our Songea Coal Project. The Songea Coal Project, adjacent to the Mkuju Uranium project, covers a total area of 3,500km² in the Ruhuhu Coal basin, where eight (8) Karoo Basins containing eleven (11) recognised coalfields have been identified. The two most significant coalfields, Ketewaka-Mchuchuma (804Mt) and Ngaka (250Mt), occur in a similar geological setting within 50km of the Songea Coal Project. Exploration commenced in 2010, with field mapping undertaken at the Gumbiro South Prospect, where outcropping coal seams had previously been identified close to the licence boundary. A 20km strike of prospective coal geology was identified for follow up drilling. The 2011 program will include desktop studies, further geological mapping at the Ruanda and Katunga Prospects, with drilling planned to follow (Initially at Gumbiro South) in the second half of 2011.

So essentially we are focused on developing two high value energy projects in an emerging mineral district, which is a proven and highly prospective world class uranium and thermal coal district.

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In early December 2010, you announced a well supported capital raising of \$5.8 million and you previously made a placement to raise \$1.96 million. What is your current cash position? Part of the strategic review was to examine the cash burn rate ó what changes have you made and what is the expected cash burn rate?

Matthew Gauci

The capital raisings aimed to achieve three key points: (1) attract a respected institutional fund to the register; (2) ensure the company is fully funded for the planned 2011 programs; and (3) allow all shareholders to participate in a capital raising. A combination of the placement to Acorn Capital Limited and the Rights Issue fully underwritten by Patersons Securities Limited out of Perth, achieved these goals.

Current cash is approximately \$5.2m and our cash burn rate is approximately \$1.25m per quarter. However, with various options and partly paid being exercised, the cash position is forecast to remain the same at June 30, 2011.

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Can you give an update on recent supply and demand trends in uranium markets?

Matthew Gauci

The most significant recent supply and demand trend is the emergence of China as a significant buyer of uranium and the lower than expected production from previously reliable old mines that are now showing their age. The Japanese earthquake and subsequent tsunami which caused a level 7 incident at Fukushima Nuclear Plant has affected the spot price of uranium which has dropped approximately 20% to \$58/lb, but has since recovered somewhat, while the long term price has remained remarkably strong at around \$70/lb.

The majority of new reactor builds will be coming from China, India, Russia and the US who will collectively make up more than 60% of nuclear energy use by 2020. China alone will account for 22% of global uranium demand by 2020, up from 5% in 2010. In 2010 China bought 17Kt of Uranium which is about 30% of world annual demand. China has almost no domestic uranium production and we see a continuation of this trend where demand will outstrip supply and China will be the driver of another uranium bull market.

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Clearly for an emerging exploration and development company it makes sense to focus on Mkuju, but can you give an update on other activities across the Company?

Matthew Gauci

I'd answer this in point form.

- É Manyoni Uranium Project is the subject of a Pre-Feasibility Study (PFS) and consists of multiple shallow ancient playa deposits with a JORC Resource of 29M lbs U₃O₈ (at a 100ppm cut off). There is potential to double the resource to more than 50M lbs U₃O₈ (at a 100 ppm cut off). PFS engineers completed heap leach processing route investigations; results not yet conclusive with highly variable recoveries and this has been referred to ANSTO to undertake a review of work with a view to advising on low cost process flow sheet options and metallurgical testing. The PFS has been extended to Q2 2011.
- É Thatcher Soak Uranium Project is the subject of a Scoping Study and consists of shallow ancient playa deposits with a JORC Resource of 14M lbs U₃O₈ (at 100ppm cut off). There is potential to add a further 6M lbs U₃O₈ (at 100-200ppm cut off) along strike. It is located in the emerging uranium province in Yilgarn in Western Australia. Low-cost mining is envisaged; the company is evaluating process options.
- É Alligator Rivers Uranium Project ó we have 800km² of highly prospective unconformity type uranium targets. The project area hosts geological similarities to nearby ERA owned Ranger and Jabiluka. Ranger currently generates 10% of the world's uranium production, while Jabiluka hosts more than 100M lbs U₃O₈ at 5,000ppm. Uranex has established key geological targets for unconformity type uranium deposits and is progressing exploration plans.

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You have now been in the Managing Director position for a few months. Have any significant concerns emerged across the Company? Have you and the new Board had time to put together a broad, longer term growth strategy for Uranex?

Matthew Gauci

Like any change management exercise and company turnaround, there will always be legacy issues to deal with, however by taking a considered and systematic approach to solving these issues we feel we are on the right path to close them off and move on. Additionally, in a short period the Board and management team have developed and implemented a simple five point plan based on the three horizons strategy. This considers our short, medium and long term vision for Uranex and this will form the basis of our growth strategy which includes both organic growth and business development with the ambition of becoming a uranium producer, and most importantly being active to create superior shareholder value.

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Thank you Matthew.

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