

30 January 2009

DATE | December Quarterly Report 2008

REF # |

QUARTERLY REPORT FOR PERIOD ENDING – 31 December 2008

HIGHLIGHTS

Scimitar and Jackson Minerals agree to Merger

- Australian companies Scimitar Resources and Jackson Minerals have agreed to merge via a Scheme of Arrangement,
- Experienced resources executive Mr Tony Sage will join the board as Non-Executive Chairman of the merged entity, with both companies to have equal board representation, and
- Merged company to have a large diversified portfolio of uranium, gold and base metal assets in Australia and Argentina;

Fast Facts

Listed ASX Jan 2005
Shares: 50.1 million
Options: 5.3 million
ASX Code: SIM

Management

Terry Topping	Managing Director
Kent Hunter	Director
Andrew McBain	Director
Raj Logaraj	Director

Major Shareholders

Management	18.5%
Mega Uranium Ltd	4.5%

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Scimitar secures funding with \$2.3 million Convertible note

Western Australian Government lifts ban on Uranium Mining

Scimitar and Jackson Minerals agree to Merger

During the Quarter Scimitar Resources Limited (ASX: SIM) ("Scimitar" or "the Company") and fellow Australian resources company Jackson Minerals Limited (ASX: JAK) ("Jackson") entered into a conditional merger implementation agreement to merge the two companies by way of a Scheme of Arrangement (**Scheme**).

The Scimitar and Jackson boards have unanimously agreed to the terms of the merger implementation agreement, as they believe the merger represents an opportunity to create a new entity better positioned for growth than either company on a standalone basis.

The merger will combine two companies with highly complementary exploration profiles and provide a substantial Australian and South American exposure to the uranium industry. The merged group will have a large, diversified uranium, gold and base metal exploration portfolio throughout Australia and Argentina.

Experienced resources executive Mr Tony Sage will be appointed Non-Executive Chairman of the merged company, with both companies to have equal representation on the merged company's board.

As part of the terms of the Scheme, Scimitar will make offers to acquire all of the issued shares in Jackson in exchange for the issue of shares in Scimitar. Jackson has unlisted Options on issue which will be dealt with via individual agreements with Scimitar, conditional on completion of the Scheme.

Key steps to be undertaken as part of the merger include:

- (a) lodgement of Scheme documents with the ASIC;
- (b) obtaining Court approval to hold the Scheme meeting for Shareholders to vote on the Scheme;
- (c) obtaining Jackson Shareholders approval for the Scheme; and
- (d) if Jackson Shareholders approve the Scheme, Court ratification of the Scheme.

A transaction timetable, including details of the dates for the above steps and implementation of the Scheme, will be provided to shareholders in due course.

Implementation of the Scheme is subject to conditions including:

- (a) both parties being satisfied with the independent valuation for the purpose of determining the scheme consideration;
- (b) satisfactory completion of due diligence by the Boards of both companies;
- (c) Jackson shareholder approval and court approvals in respect of the Scheme;
- (d) all relevant regulatory approvals; and
- (e) other conditions customary for a public transaction of this nature.

Scimitar secures funding with \$2.3 million Convertible note

During the quarter Scimitar completed the secured convertible note agreement with Dempsey Resources Pty Ltd ("Dempsey") and raised \$2.3m. Under the terms of the agreement, Dempsey has the right before the repayment date of 24th March 2010 to convert the Note into ordinary shares in SIM, subject to the approval by SIM shareholders. The conversion price will be \$0.15. SIM has agreed to pay interest at a rate of 12% pa on the convertible note. The Company also provided \$1.25 million in funding to Jackson Minerals Ltd through the issue of a convertible note by Jackson. The convertible note is convertible at the lesser of \$0.03 or the VWAP of Jackson over the five days trading prior to the conversion, on or before 29 March 2010. This coupon rate is 12%.

WA Government allows Uranium Mining.

On 17 November the Liberal-National Government formally lifted the ban on uranium mining in Western Australia. Mining leases will now be granted for all minerals including uranium. The Company welcomes the lifting of the ban on uranium mining. It is a sensible and responsible change as nuclear energy is the only large-scale and commercially viable option for producing electricity without at the same time producing massive amounts of greenhouse gases.

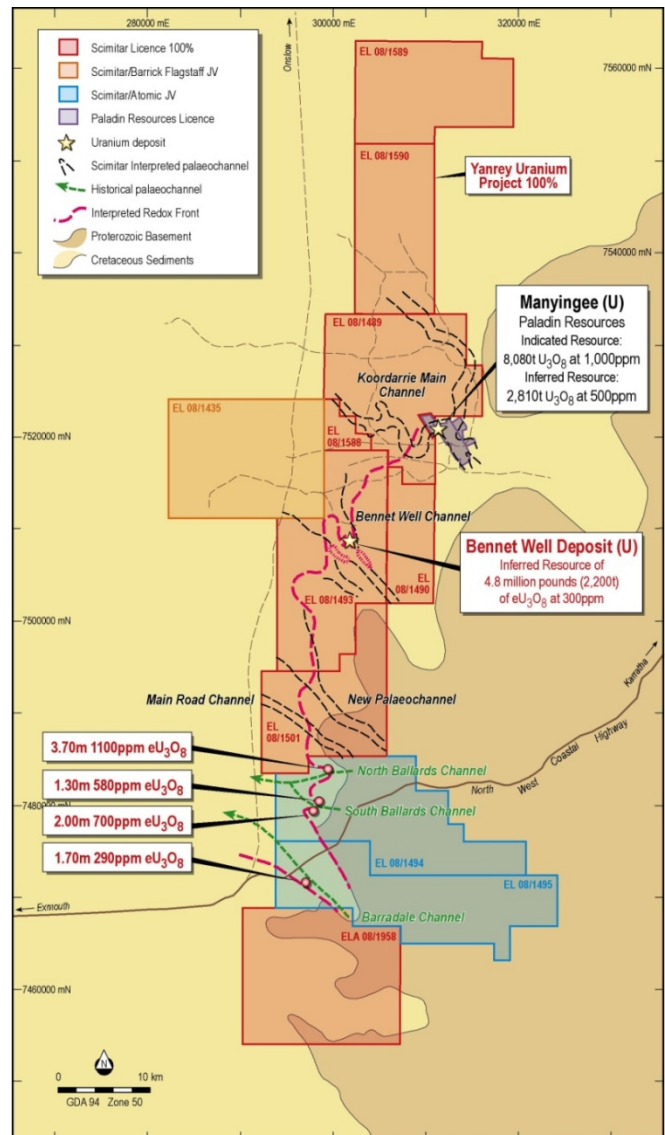
Yanrey Uranium Project, WA

The Yanrey Project covers 1,930 km² of Mesozoic sediments highly prospective for sandstone hosted uranium mineralisation, amenable to In-situ Recovery (ISR) mining; similar to Paladin Resources Ltd's (ASX:PDN) adjoining Manyingee (U) (ASX:PDN) adjoining Manyingee Deposit. Included in the Project is the Bennet Well Deposit containing an inferred JORC resource of 4.8 million pounds of eU₃O₈ at a grade of 300ppm eU₃O₈.

Exploration undertaken by Scimitar has included airborne electromagnetic surveys covering over 1,100 square kilometres and the successful completion of six drilling programs (289 holes for over 30,000 metres) within the project. This drilling has culminated in the inferred resource at Bennet Well, as calculated by Hellman and Schofield Pty Ltd.

The Company has also increased its land holding in the area by entering into a joint venture agreement with Atomic Resources Ltd. (ASX:ATQ) adding a further 440 square kilometres to the project area.

The Company looks forward to progressing the project in the coming twelve months, particularly with the favourable political climate towards uranium mining in Western Australia.

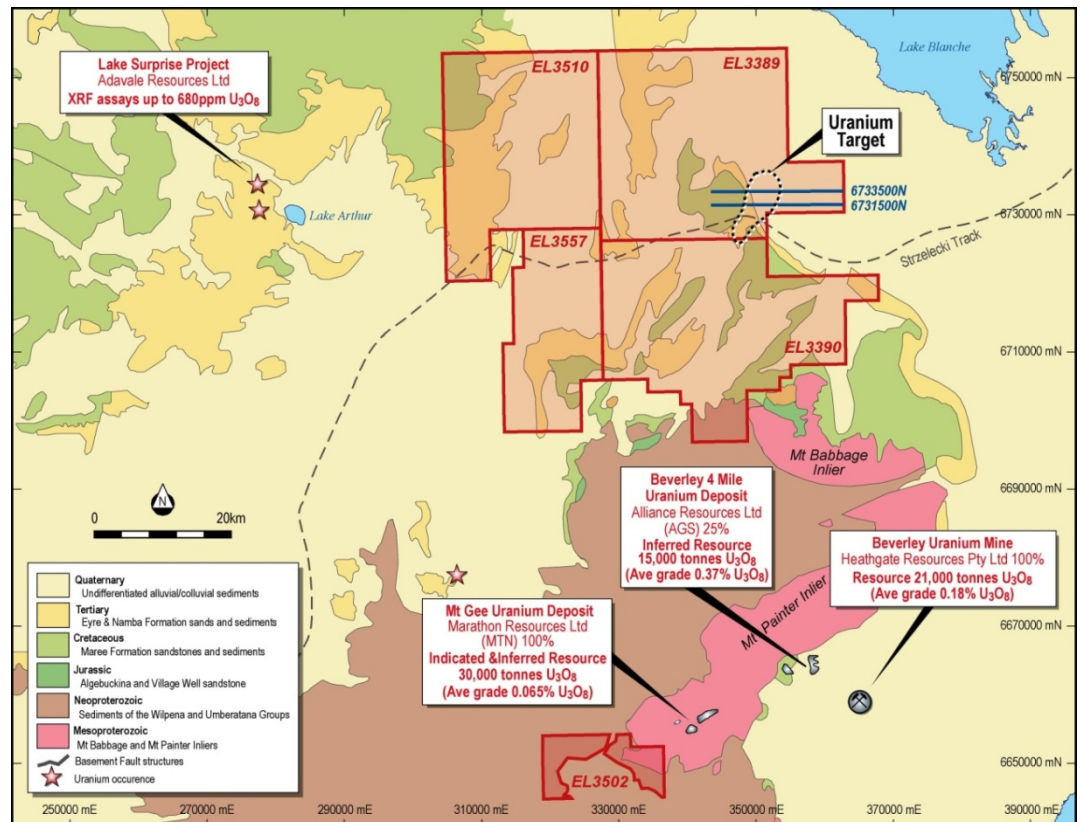


Marree Uranium Project, SA

The Marree Uranium Project, 550 km north of Adelaide comprises four Exploration Licences covering 2,575 km² in the Eromanga Basin, adjacent to the uranium-rich Mount Babbage Inlier. The project area includes the Tertiary Eyre and Namba Formations, host to several sedimentary roll-front uranium occurrences including the Beverley and Honeymoon Well uranium deposits and the recently discovered high grade uranium mineralisation at Beverley Four Mile.

On the 20th of October Scimitar entered into a Farm-In and Joint Venture Agreement with a Korean Consortium comprising the Korean government and large Multinational companies to jointly explore, drill and develop the Marree Uranium Project. Under the agreement, the Korean Participants are entitled to earn up to an aggregate 50% interest in the joint venture by funding AUD\$6,200,000 in expenditure on the Tenements within three years.

Scimitar has been appointed as manager of the Marree Project and will conduct exploration activities in accordance with the directions of a management committee comprising of representatives from each party.



Marree Project, SA

In August 2008 Scimitar completed a mud rotary drilling program at the Marree Project. The drilling program comprised 19 holes for 2,486 metres targeting Eyre and Namba Fm sands that are in contact with a basement fault system in the south eastern part of EL 3389. The program covered approximately 7km strike length of an interpreted sand sequence that deepens to the north adjacent to an east dipping basement fault structure associated with basement sourcing artesian springs.

The broadly spaced drilling on 800x1200m spacing intersected anomalous uranium in holes MAMR001, MAMR002 and MAMR006, including 1.75m at 51ppm eU₃O₈ within a weakly oxidised package of mudstone interbedded with gravels and sands below a lignitic horizon in MAMR002. Significant thicknesses of anomalous uranium up to 10x background were intersected over four kilometres.

The drilling further strengthens the interpretation that uranium enriched oxidising ground waters are being sourced from the Mt Babbage Inlier to the south and that anomalous uranium has

been deposited at redox boundaries associated with lignitic muds, sand and gravels as indicated by uranium intersections in MAMR002.

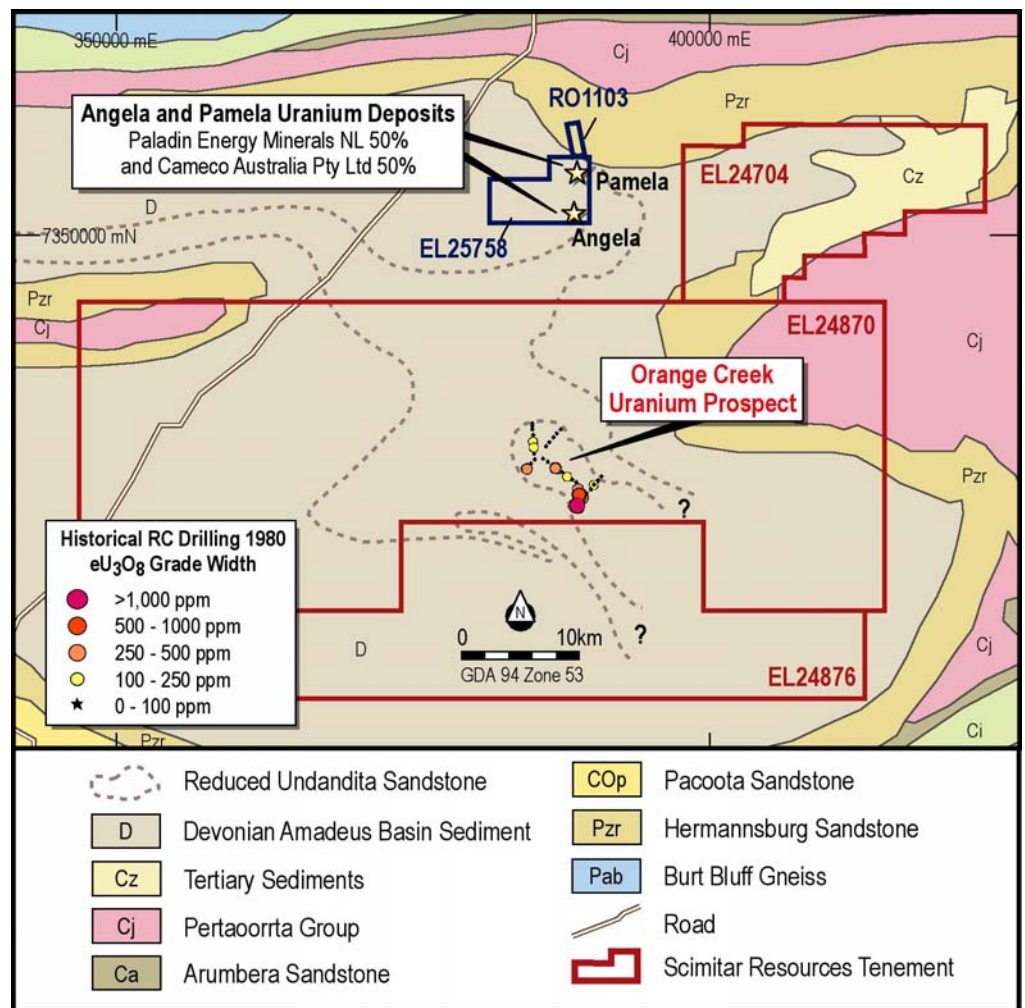
This new prospect area remains open and untested to the east and south east and establishes a significant uranium target for Beverley Four Mile style mineralisation. Analysis and interpretation of the drilling results will assist in identifying and prioritising further targets which will be the focus of future drilling programs within the Marree Project.

Amadeus Uranium Project, NT

The Amadeus Project comprises three exploration licences (EL 24704, EL 24876 and EL 24870) covering 2,532 km² in the Amadeus Basin, 50 km south of Alice Springs.

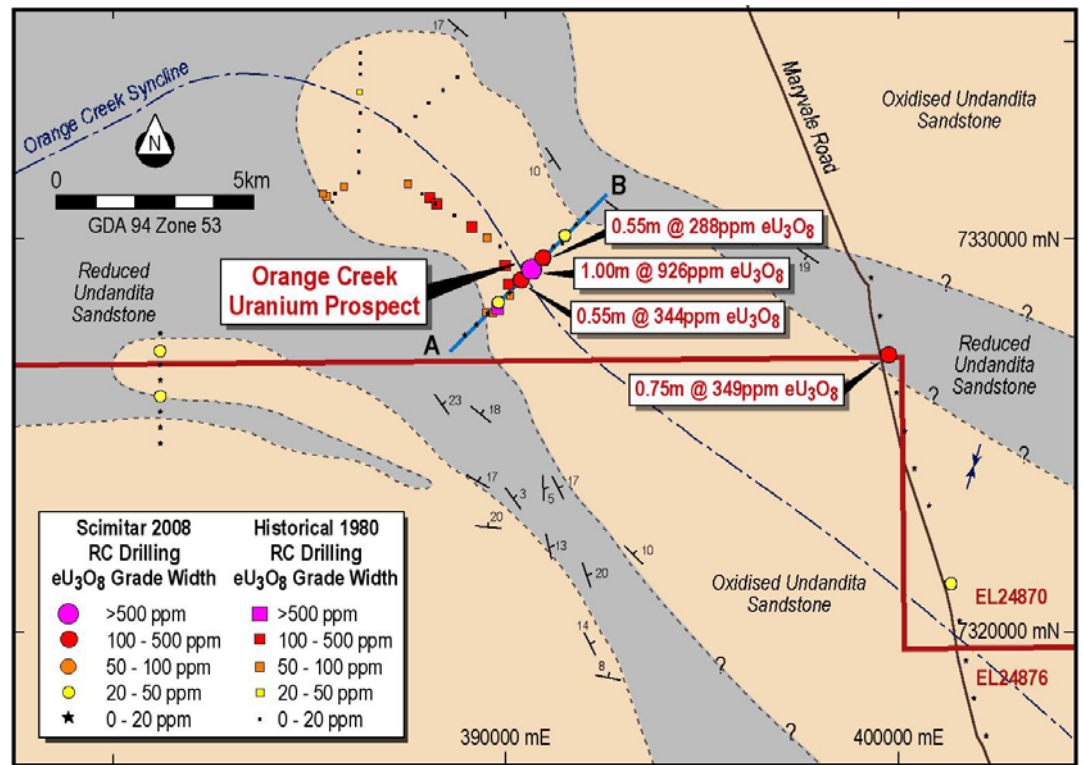
During August 2008, Scimitar completed an initial Reverse Circulation (RC) drilling program (39 holes for 3,903m) at the Orange Creek prospect, which identified significant new uranium mineralisation associated with a regionally extensive redox boundary similar to the adjacent Pamela and Angela Project Joint Venture (Paladin Energy Minerals (50%) and Cameco Australia (50%)).

A total of 19 holes for 1,856m were drilled across the central part of the Orange Creek Syncline on 400m spacings with significant uranium mineralisation (up to 1.0m at 926ppm eU₃O₈) intersected across the centre and southern side of the syncline at depths of 30-40m. A second area of broadly spaced drilling, 12 holes for 1,250m, intersected uranium mineralisation (up to 0.75m at 349 ppm eU₃O₈) on the regional redox boundary, a further 9 km to the southeast in a section of the Orange Creek Syncline that had not previously been tested by drilling.



Amadeus Project, NT

The typical geology intersected by drilling consists of interbedded sandstone, siltstone and conglomerate of the Undandita Sandstone Member. The Undandita Member is the youngest unit in the Amadeus Basin and is the host for the Angela and Pamela uranium deposits as well as a number of other uranium prospects throughout the basin. The Undandita Member is generally oxidised but contains a wedge of reduced sediments between regionally extensive upper and lower redox boundaries. This reduced wedge is extensive throughout the Amadeus basin and is found both in the Missionary Syncline where it is associated with uranium mineralisation at Pamela and Angela and in the Orange Creek Syncline where it is associated with mineralisation at the Orange Creek prospect.



Amadeus Project – Orange Creek Prospect – Significant Results

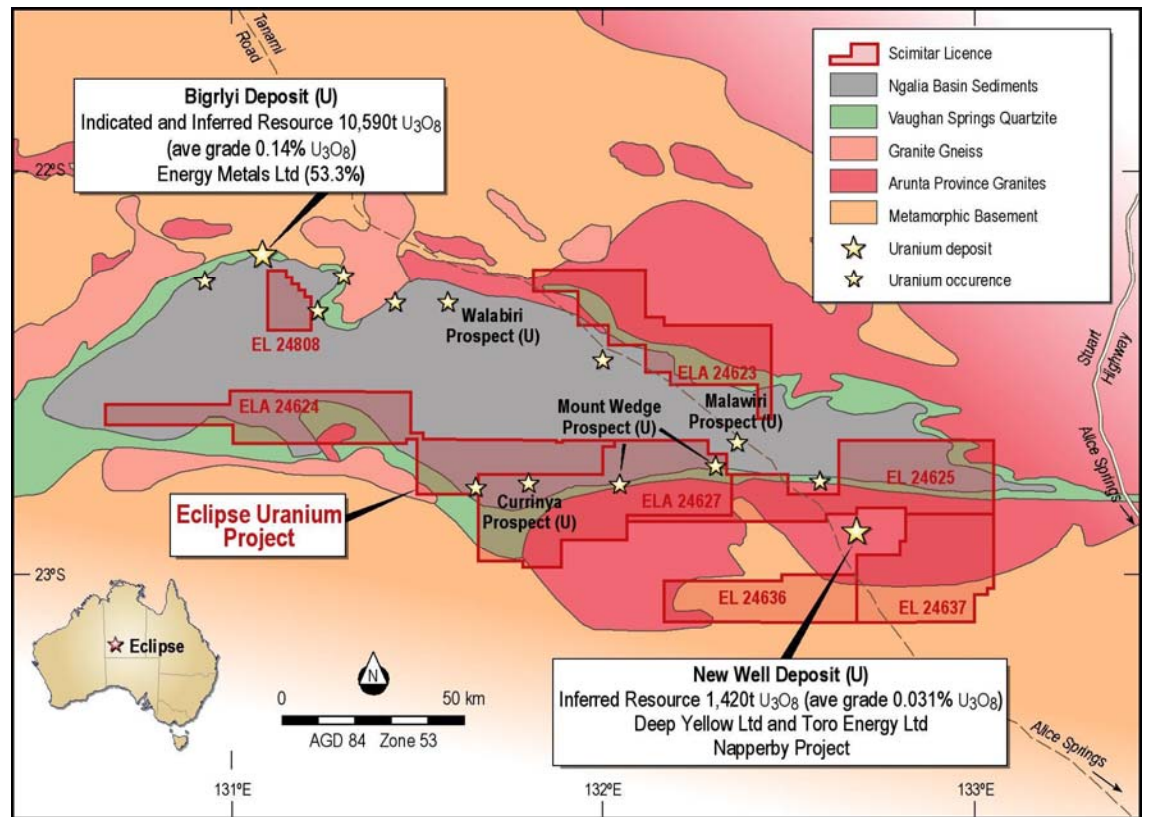
The recently conducted drilling by Scimitar confirms the presence of significant uranium mineralisation within the Orange Creek Syncline and increases the potential to identify further uranium mineralisation within the project.

Eclipse Uranium Project, NT

The Eclipse Uranium Project covers 6,883 km² in the Ngalia Basin, 250 km north west of Alice Springs. The company's granted tenements cover an area of 2,908 km² which are primarily located in the south east of the project area, adjacent to the New Well Uranium Deposit, which has a published Inferred resource of 1,420 tonnes U₃O₈.

Scimitar's southern licences cover the northern half of Lake Lewis and associated internal drainages. Airborne radiometric data indicates that uranium enriched material is present in these drainages and is depositing around the margins of Lake Lewis and at trap sites along the drainage system.

Aircore drilling conducted by Scimitar, 4005 holes for 10,818m, has targeted near surface calcrete hosted uranium mineralisation (similar to the adjacent New Well Uranium Deposit) within a large regional drainage system and potential targets interpreted from the 2007 TEMPEST electromagnetic survey. These targets include including buried channels and palaeo-lake margins. The drilling intersected surficial red-brown sandy soil (thickness 1-6m) overlying up to 9m of red-brown calcrete and silts with a basal calcrete layer. This horizon which returned a number of anomalous uranium intersections from 3m composite sampling, including 50 ppm U from 6-9m from drill hole ECAC 199, overlies transported silts, clays and sands which in some places attain depths of greater than 70m.



Eclipse project, NT

Beadell Project, WA (Scimitar 80%)

The Beadell Project covers 70 km² in the south east of the Rudall Complex in Western Australia, 450 km east of Newman. The Rudall Complex is a belt of metamorphic and igneous rocks with a long and complex history of multiple deformation and metamorphism. Several significant deposits are hosted by the Rudall Complex including the Kintyre uranium-gold deposit at the western end of the complex and the nearby Mount Cotton base metal and uranium occurrence adjacent to project area.

Gold, Base Metal and Iron Ore Projects

Mount Elvire Project, WA.

The Mt Elvire Project, 210 km north of Southern Cross, comprises one granted exploration licence covering 120 km². The project covers part of a narrow greenstone belt adjacent to the Evanston Shear Zone which is host to a number of gold deposits. Preliminary investigations by Scimitar indicate that the Mt Elvire project has the potential to host iron ore mineralisation associated with strongly deformed Banded Iron Formations. The Company has commenced ground based field investigations targeting iron ore and has conducted a number of field trips to the area. These investigations have included mapping and rock chip sampling of Banded Iron exposures.

Bardoc Tectonic Zone (BTZ) Project, WA (Scimitar 65%)

The BTZ Project is located 70 km north of Kalgoorlie in Western Australia, along the highly productive Bardoc Tectonic Zone. The project area is easily accessed via the Kalgoorlie-Meekatharra Hwy and is highly prospective for economic gold and nickel mineralisation. The project area includes the historic Vetersburg Mine with a recorded past production of 26,245 tonnes at 25 g/t gold for 21,097 ounces.

Bungalbin Project (Scimitar 100%, excluding iron ore)

The Bungalbin Project is located 110 km north of Southern Cross in Western Australia. The project covers 627 km² of the Diemals-Marda Greenstone Belt. This large regional project is prospective for gold, iron ore and nickel sulphide mineralisation. Polaris Metals NL (Polaris) holds the iron ore rights over the Bungalbin group of tenements. Polaris is actively exploring these licences for iron ore mineralisation.

Terry Topping
Managing Director

About Scimitar Resources Ltd (SIM)

Scimitar Resources Limited is a leading Australian company in the exploration for uranium. The company retains an experienced board of directors and management team, with proven success in the resources sector.

The company controls over 20,000 km² of uranium prospective tenements across three states, allowing for diversification not only geologically but also with regard to differing political sentiment and policy within each state towards uranium exploration and mining. The 100% company owned projects are effectively among the largest uranium portfolios, in historically some of the most uranium prospective areas in Australia.

The Bennet Well resource estimate was undertaken by Robert Spiers BSc Hons, MAIG (reviewed by Simon Gatehouse, MAIG), who are full-time employees of Hellman & Schofield Pty Limited. Mr Spiers has more than five years experience in resource estimation and Mr Simon Gatehouse has more than five years experience in uranium exploration and the assessment of uranium deposits. Mr Gatehouse has specific experience in the assessment of ISL uranium deposits. Together they are Competent Persons according to the JORC Code for Reporting of Mineral Resources and Ore Reserves (2004).

The calculation of the uranium grades used in the resource estimate are based on information compiled by David Wilson BSc MSc MAusIMM from 3D Exploration Ltd based in Western Australia. These uranium grades form the basis of the resource estimate and have been calculated from the gamma results and from the disequilibrium testing. Mr Wilson has sufficient experience relevant to the style of mineralisation and the deposit type and the activities he is undertaking to qualify as a Competent Person as defined by JORC Code for Reporting of Mineral Resources and Ore Reserves (2004).

Information relating to the geological interpretations and data supplied to H&S was compiled by Mark Fogarty BSc MAusIMM from Scimitar Resources Ltd. Mr Fogarty has sufficient experience relevant to the style of mineralisation and the deposit type and the activities he is undertaking to qualify as a Competent Person as defined by JORC Code for Reporting of Mineral Resources and Ore Reserves (2004).