

QUARTERLY REPORT
for the period ending
30 June 2011

Highlights

- Trial mining underway at Chowa manganese project in Zambia.
- Option to acquire 51% interest in the Zambian Projects exercised, subject to shareholder approval.
- Fully underwritten Rights Issue to raise approximately \$3,500,000.
- Stage 1 drilling at Mesa Montanosa completed.

Zambian Manganese

The Zambian Manganese Projects consist of 5 Large Scale Prospecting Licenses and 3 Small Scale Mining Licenses covering 2,734 km² including large areas known to be prospective for manganese, comprising the Emmanuel Project which includes the Chowa mining lease, the Peco Project, and the Kanona Project. Uran has exercised its option to acquire up to 74% of the projects subject to approval of shareholders.

Manganese occurs in a number of areas within Zambia, usually as sub-vertical veins or in low-angle faulting, some of which can be traced for several kilometres. Zambian manganese is generally high-grade with very low deleterious impurities, making it a premium product for stainless steel manufacture and for blending with lower quality material. Manganese price has recently increased significantly as part of increased demand for steel components.

Emmanuel Project near Kabwe covers 2,000 km². It includes a granted mining lease 8 km from the railway line which is the focus of current operations.

Drilling of 7 diamond and 14 RC holes was completed in the first Quarter on the Chowa mining lease, which lies within the Emmanuel project, to test for extensions from small-scale mining undertaken in 2010.

Five RC holes intercepted the manganese, with thicknesses up to 10 metres. The remainder did not intercept the main manganese reefs, being undertaken prior to completion of ground magnetic surveys to assist with locating the drill holes. The best intercept from chemical analysis was 3.5 metres @ 30% Mn including 0.5 m @ 46.2% Mn.

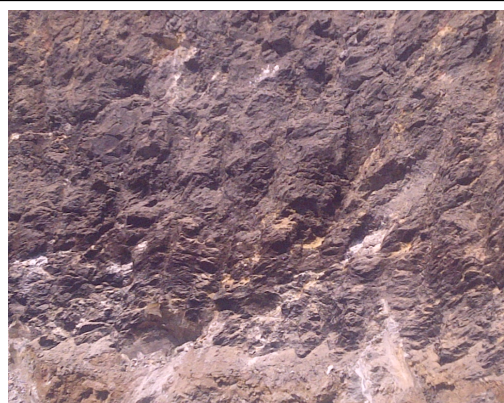


XRF analysis of the diamond core disclosed best results of 2.15 metres @ 48.42% Mn; and 1.3



metres @ 48.7% Mn, however there was substantial loss of core in this hole apparently due to penetrating old workings. The manganese reef appears to generally exceed 2 metres in thickness.

The Company's Zambian operator, Impondo Mining, is establishing a sole purpose assay laboratory in Kabwe to fast track exploration and production scheduling.



Manganese in pit wall, Chowa

Dewatering of the pit on Chowa mining lease was completed in June, and pre-stripping is underway. Trial mining has commenced utilising an excavator, bulldozer, and 2 x 20-ton tipper trucks, but production is limited pending arrival of a drill rig suitable for drilling blast holes.

A 500 tonne trial parcel of ore, with grade of 49.5%, sulphur less than 0.01% and phosphorous 0.03% has been bagged and is being held in Kabwe pending sale.

The economic potential of the manganese is positive due to the shallow depth to manganese reefs and anticipated high grade. Capital to start of full-scale

production is expected to be low as mined material can be directly bagged and shipped with no further treatment.

Ground magnetic surveys around the trial pit have been completed over 216 hectares extending 1,300 metres along strike. The survey indicates the possibility of further manganese veining throughout the surveyed area. Airborne magnetic surveys have been completed over a 10km² area of the Emmanuel Project and a report is awaited. Active manganese mining on the same structure at the eastern boundary of the Emmanuel leases is exploiting massive manganese reefs generally 2 – 6 metres in thickness.

Negotiations have commenced with potential long term off take partners with a key objective of obtaining finance for trucking equipment which has the potential to save approximately US\$1- \$1.50 per dmtu when owner operated.



Mining at Chowa

Peco Project near Mansa in northern Zambia consists of 2 granted mining leases and a large area covered by prospecting licenses surrounding current and historic manganese mining. A new road about 30km long has been completed to connect the property directly to Mansa.



Manganese mining adjacent to Peco Project

Five grab samples were taken from the manganese reefs on Peco mining lease in late 2010, with assays ranging from 49.42% – 60.36% Mn. This accords with the grade stated by Genesis Mining from their mine the abutting the Peco lease.

Mining by UK-based Genesis Procurement Company has recently ceased adjacent to, and extending across the boundary of the Peco Project, exposing the manganese veins continuing onto Peco. Genesis stated in 2011 that it was currently producing about 48,000 tonnes of manganese ore from its 3 mines in Zambia, with ore grading between 45 – 63% Mn.

An airborne magnetic survey covering 10km² has been carried out preparatory to drilling at the Mansa Project.

Kanona Project is near Serenje in central Zambia, close to the railway line and the Great Northern Highway.

Manganese occurs in veins and rubble zones which appear to be several hundred metres in length. Mapping and surveying has been carried out over parts of the area, and ground magnetic surveys have been completed to date over 3 areas within the project. Hand-held XRF analyses of manganese reefs exposed at surface and in old workings has produced results of 47.7- 48.8% Mn.

Grants Ridge Uranium Joint Venture, USA

Stage 1 of drilling at Mesa Montanosa was concluded in May. The project forms part of the Grants Ridge Joint Venture with Uranium Energy Corp (NYSE:UEC).

The drilling consists of vertical RC holes designed to follow up on high-grade intercepts from previous drilling within the project area, to test for extensions to previous uranium mines, and to locate potential new uranium related to north-south trending faulting and folding.

Results to date include the following:-

Hole Number	From (feet)	To (feet)	Intercept (feet)	U ₃ O ₈ ppm	V ₂ O ₅ ppm
MM 8 <i>including</i>	345	357	12 6	1,036 1,755	395
MM 9	347	350	3	106	60
MM 10	330	333	3	108	270
MM 22	326	329	3	111	410
MM 23 <i>including</i>	321	327	6 3	895 1,475	180
MM 24 <i>including</i>	311	317	6 3	374 648	300
MM 25	309	312	3	202	500
MM 61	232	238	6	388	300
MM 62	235	238	3	128	640
MM 87 <i>including</i> <i>including</i>	175	193	18 6 3	388 868 1,275	1,450 2,290

The current drill program straddles the location of mineralised structures interpreted from seismic surveys completed earlier in 2011. Vertical drilling is being used due to lack of availability of drill rigs capable of inclined drilling, but is not best suited for testing vertical and near-vertical structures because it is difficult to intercept the target. Future infill drilling is likely to be by inclined RC drilling.

Corporate

In April the Company announced that it intends to complete a fully underwritten pro-rata non-renounceable Rights Issue. Following recent weaknesses in world stock markets, the pricing terms of the Rights Issue have been adjusted by agreement with the Underwriter to 2.4 cents (\$0.024) still with a free attaching with a 1:1 option (\$0.05, 30 June 2013), to raise approximately \$3,420,000. Following formal exercise of the option to acquire an interest in the Zambian manganese assets, the Rights Issue is now expected to move forward expeditiously.

An agreement was signed to provide a short term loan facility of \$1,000,000 to the Company through the underwriter, Oracle Securities, of which \$600,000 was remitted after the Quarter to Zambia as part of the Company's earn-in expenditure. Funds of \$400,000 have been received under this facility. This loan will be repaid by issue of shares from the shortfall of the Rights Issue, or if there is insufficient shortfall, from shares which will be issued to the lenders at a value of 2.4 cents with 1.5 free attaching options (subject to shareholder approval). The options are on the same terms as those to be issued as part of the Rights Issue. A further advance of \$200,000 on the underwritten Rights Issue has been agreed.

The Company expects to shortly issue a Prospectus for the Rights Issue following reviewl by ASX. The record date for participation in the Rights Issue will be advised at that time.

Kate Hobbs
MANAGING DIRECTOR

Competent Person Statement

The information in this statement as it relates to Exploration Results and metal content is based on information compiled by Ms Kate Hobbs, the Company's Managing Director, a full time employee of the Company. Ms Hobbs has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Ms Hobbs consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.