



12 October 2011

Mr Sebastian Bednarczyk
Adviser, Listings (Perth)
Australian Securities Exchange
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

By facsimile: 08 9221 2020
By email: sebastian.bednarczyk@asx.com.au

Dear Mr Bednarczyk

ASX QUERY

We refer to your letter dated 11 October 2011. Capitalised terms in this letter, if not otherwise defined, have the meaning given in your letter. Times in the letter relate to Australian Western Standard Time (**WST**) unless otherwise stated.

By way of background, on various occasions throughout 2011, the Company notes that there has been media speculation about Kalahari Minerals plc (**Kalahari**) and CGNPC Uranium Resources Co Ltd (**CGNPC**) including speculation on discussions as to the terms and conditions of a possible bid by CGNPC for Kalahari. However, at no point has the Company been a party to these discussions and, therefore, has not been in a position to make a statement on the nature or status of any potential discussions or whether, in fact, from time to time, they are ongoing, have ceased or re-commenced. Consequently, the Company has been unable to make any public statement regarding the speculation as to any discussions between Kalahari and CGNPC as it does not have a reasonable basis for making a statement to the market. The Company believes that to do so would risk creating a false market.

This media speculation has not always resulted in a material change in the Company's share price or any notable market reaction. We do not consider it practical or reasonable for the Company to be expected to seek a trading halt in response to every new occurrence of media speculation regarding Kalahari and CGNPC, which the Company is not aware of, nor in a position to confirm or deny. The Company believes, for instance, that to do so would impact the orderly operation of trading in Extract shares and, therefore, not be in the interests of the Company's shareholders.

While the Company was not able to confirm or deny the specific media speculation on 10 October 2011, on the morning of 10 October, the Company became aware of the Media Report a short period of time leading up to market open, and used its best endeavours in the time available to evaluate the matters raised in the Media Report, and form a view that because of market reaction upon market open, a trading halt should be requested. This decision was reached while consulting with ASX in the short period of time prior to and immediately after market open. Despite this, at that time, and until Kalahari made an announcement to the London Stock Exchange (at 2:00 p.m. on Monday, 10 October) (the **Kalahari Announcement**), the Company was not aware of the information contained in the Kalahari Announcement, and therefore, did not have a reasonable basis for making a statement.

The Company has always, and continues to, monitor announcements made by Kalahari from time to time, given Kalahari is listed on the Alternative Investment Market of the London Stock Exchange and is subject to its continuous disclosure obligations. Upon the Kalahari Announcement being released, the Company was able to evaluate, and rely on the information contained in the Kalahari Announcement, so that it could form a view as to its own continuous disclosure obligations. For instance, we note the information contained in the Kalahari Announcement was materially different to the speculation contained in the Media Report. We also note the Company's share price movement in the 13 minutes on Monday when Extract shares traded on the basis of the matters contained in the Media Report compared with the Company's share price movement yesterday and today when the market had the benefit of the factual matters set out in the Recommencement of Discussions Announcement.

We note also that your letter states that the Company's trading halt announcement was not released to the market until 11:09 a.m. EDST (8:09 a.m. WST), however, trade in the Company's shares was in fact halted at 10:13 a.m. EDST (7:13 a.m. WST) upon the Company's verbal request to ASX. Accordingly, it appears to us that on Monday, 10 October, trade in the Company's shares took place for 13 minutes.

The Recommencement of Discussions Announcement noted that the Company made submissions to ASIC around the terms and conditions for a potential downstream offer for the Company, if CGNPC was to make an offer for Kalahari. However, at no stage until the Kalahari Announcement was released, was the Company in possession of sufficient information as to allow it to make an announcement to the market without risking the distinct possibility of creating a false market in the Company's shares. Further, the ASIC submissions were between the Company and ASIC, were confidential, concerned a hypothetical and incomplete proposal or negotiation (to which the Company was not a party) and, accordingly, it is the Company's view that until the Kalahari Announcement was released, a reasonable person would not have expected the fact that the Company had made submissions to ASIC to be disclosed.

The Company responded to an ASX price and volume query on 8 September, stating that it noted ongoing media speculation around possible discussions between Kalahari and CGNPC. The Company's submissions to ASIC were made subsequent to this, and the Company notes in any event, the submissions concerned a matter to which the Company was not party (being a possible proposal from CGNPC) and negotiations regarding which the Company had not (and has not) been involved.

Please find our responses below to the questions raised in your letter:

1. Yes.
2. Whilst the Company was aware of media speculation about Kalahari and CGNPC including speculation on discussions as to the terms and conditions of a possible bid by CGNPC for Kalahari, it was not until the Kalahari Announcement was posted on the London Stock Exchange's Regulatory News Service platform at 2:00 p.m. on 10 October that the Company became aware (with a reasonable basis, being the content of the Kalahari Announcement) of a re-commencement of discussions around a possible recommended offer for Kalahari as referred to in the Recommencement of Discussions Announcement.
- 3.1 The Company did not make the Recommencement of Discussions Announcement earlier than pre-market open on Tuesday, 11 October 2011 for the following reasons:
 - The Kalahari Announcement was not made until 2:00 p.m on Monday, 10 October, by which time trading on ASX had closed, and following which the Company (which was also responding to a further query from ASX) was required to evaluate the announcement and form a view (on a reasonable basis) as to the impact of the Kalahari Announcement in light of the Company's continuous disclosure obligations;

- In any event, the Company's shares were in a trading halt at the Company's request; and
- The Recommencement of Discussions Announcement was provided to ASX and published on the platform prior to market open on Tuesday, 11 October and accordingly (and again noting that the Company's shares were in a trading halt) there was no possibility that the Company's shares could have been traded in an uninformed market.

3.2 The Media Report was speculative and contained information (i.e., a possible bid by CGNPC for Kalahari) of which the Company was not aware and therefore, the Company had no reasonable basis to form a view on, or make a statement as to the Media Report.

The Company cannot be expected to request a trading halt every time there is media speculation, the veracity of which is it has no knowledge.

In addition, the Media Report, with the benefit of the Kalahari Announcement (which was required in order to test the veracity of the Media Report), was factually incorrect.

We note Listing Rule 3.1 requires the Company to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The Company submits that a reasonable person would not have expected the Company to provide ASX with information that was speculative, and the truth of which the Company had no basis of verifying. Again, the Company believes that disclosure of such information would have risked the possibility of creating a false market in the shares.

The Company submits that the Media Report represents another instance of media speculation, the veracity of which is outside the Company's knowledge, regarding a matter to which the Company is not a party and over which the Company has no control.

3.3 The Recommencement of Discussions Announcement was not released prior to the commencement of trading on Monday, 10 October since, at that time, the Kalahari Announcement had not been released and the Company was not aware of the information contained in it.

4. Not applicable.

5. We confirm that the Company is in compliance with Listing Rule 3.1.

Yours faithfully



Siobhan Lancaster
Company Secretary



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11 October 2011

Siobhan Lancaster
Company Secretary
Extract Resources Limited
30 Charles Street
SOUTH PERTH WA 6153

By email: slancaster@extractresources.com

Dear Siobhan

Extract Resources Limited (the "Company")

We refer to the following:

1. The press reports regarding a possible offer made by CGNPC Uranium Resources Co. Limited for Kalahari Minerals plc specifically the article dated 10 October 2011 in The Australian entitled "*China's \$2.2bn Extract play*" (the "Media Report").
2. The price query letter from ASX dated 10 October 2011 and the Company's response dated 10 October 2011, both released to the market at 9:30 am (EST) on 11 October 2011.
3. The trading halt request by the Company dated 10 October 2011 and released to the market at 11:09 am EST on 10 October 2011 (the "Trading Halt").
4. The Company's announcement released to the market at 9:26 am (EST) on 11 October 2011 entitled "*Kalahari Minerals and CGNPC-URC re-commence discussions*" (the "Recommendation of Discussions Announcement"). The Recommendation of Discussions Announcement states, amongst other things, the following:

Extract Resources Ltd (ASX/TSX/NSX: EXT) ("Extract") notes the announcement on the London Stock Exchange by Kalahari Minerals plc ("Kalahari"), Extract's 42.74% shareholder, confirming recent press speculation that Kalahari and CGNPC Uranium Resources Co Ltd ("CGNPC-URC") have re-commenced discussions around a possible recommended offer for Kalahari.

The Recommendation of Discussions Announcement also included the full announcement on the London Stock Exchange made by Kalahari Minerals plc on 10 October 2011.

5. The increase in the price of the Company's shares from a closing price on 7 October 2011 of \$8.04 to an intra day high of \$8.88 on 10 October 2011, and \$8.86 on 10 October 2011 prior to the Company entering the Trading Halt.

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

- "3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
 - The information concerns an incomplete proposal or negotiation.*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - The information is generated for the internal management purposes of the entity.*
 - The information is a trade secret."*

Finally, we would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret'..." and loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the Media Report, the Recommencement of Discussions Announcement, the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Does the Company consider the re-commencement of discussions around a possible recommended offer for Kalahari as referred to in the Recommencement of Discussions Announcement to be material to the Company?
2. When did the Company become aware of the re-commencement of discussions around a possible recommended offer for Kalahari as referred to in the Recommencement of Discussions Announcement? Please include details of the relevant time and circumstances of the Company becoming aware of the discussions around a possible recommended offer for Kalahari.
3. If the answer to any part of question 1 is "yes" and the Company became aware of the re-commencement of discussions (or any part of it) as referred to in the Recommencement of Discussions Announcement, prior to the time the Company released the Recommencement of Discussions Announcement, please advise the following:

- 3.1 Please advise why the Company did not make an announcement at an earlier time?
- 3.2 Please advise why the Company did not or request a trading halt earlier, particularly in light of the Media Report?
- 3.3 Please advise why the Recommencement of Discussions Announcement was not released to the market prior to the commencement of trading on 10 September 2011?

Please comment specifically on the application of listing rule 3.1 and listing rule 3.1A?

4. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the recommencement of discussions (or any part of it) referred to in the Recommencement of Discussions Announcement to be material.
5. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **2:00 pm (WST) on Wednesday, 12 October 2011**.

Your response should be sent by facsimile on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

Yours sincerely

[sent electronically without signature]

Sebastian Bednarczyk
Adviser, Listings (Perth)