



## QUARTERLY REPORT

For the Quarter Ending 31 December 2011

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Enquiries regarding this report  
may be directed to:

**Jonathan Leslie**  
MANAGING DIRECTOR

**Siobhan Lancaster**  
COMPANY SECRETARY

## OVERVIEW

### Husab Uranium Project Update

- The Mining Licence (ML171) for the Husab Uranium Project was issued in November 2011. The licence covers an area of 110km<sup>2</sup> and includes:
  - The Reserves estimated at Zones 1 and 2.
  - The Resources estimated at Zones 1 to 5.
  - The mineralisation identified at the Middle Dome and Salem prospects.
  - The anticipated footprint of the processing plant and ancillary works areas.

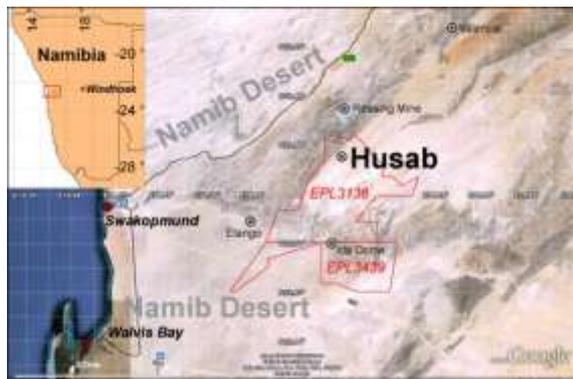
## Corporate

- In December 2011, Taurus Mineral Ltd - a company formed at the direction of CGNPC-URC Ltd and the China-Africa Development Fund - announced that it had reached an agreement on the terms for a cash offer for Extract's majority shareholder Kalahari Minerals PLC.
- Offer documents were posted to Kalahari shareholders on 5 January 2012.
- Taurus has proposed to make a downstream cash offer to Extract's shareholders if it receives acceptances of the Kalahari Offer in respect of more than 50% of the voting rights in Kalahari. If made, the offer for Extract will be priced at A\$8.65 per Extract share.
- Discussions are continuing with prospective investors and off-take partners pursuant to the Partnership Process.
- Cash balance at 31 December 2011 was A\$54.7 million.

## Husab Project Update

The Husab Uranium Project is located in Namibia, the world's fourth-largest uranium-producing country, with a long history of stable uranium supply (Figure 1).

Figure 1: Husab Uranium Project location plan.



Since the discovery of granite-hosted uranium mineralisation at Zone 1, in February 2008, Extract has made rapid progress in advancing the Husab Project which now hosts the fourth-largest uranium only deposit in the world.

### MORE PROGRAMME

During the quarter progress was made on various work streams of the Mine Optimisation and Resource Extension programme (MORE).

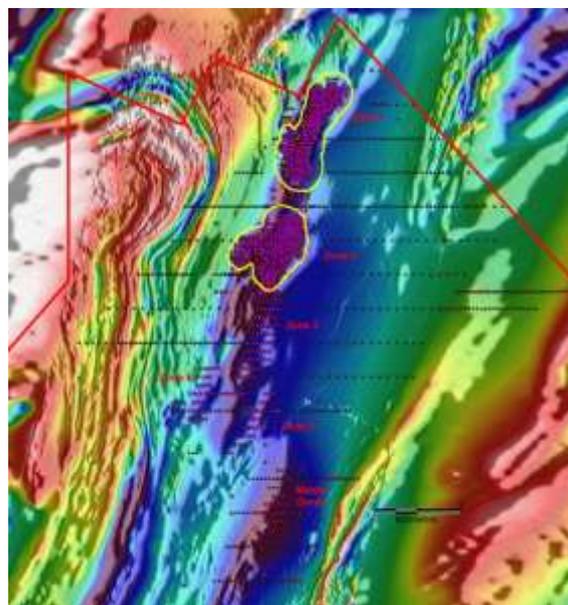
An updated resource estimate is planned to be completed by the end of Q2 2012, based on data from drilling completed since the June 2011 resource estimate database was closed off in March 2011. The deposits and prospects that will be reviewed for the resource update are shown in Figure 2 (Zones 1 – 5, Middle Dome and Salem).

The focus of drilling for the resource update has been further infill drilling at Zones 1 and 2 aimed at converting Inferred and Indicated Resources to Indicated and Measured, and thus increase the resource inventory available for conversion to proven and probable Reserves.

A maiden resource for the Middle Dome prospect is also planned.

Work has continued on optimisation of the proposed mining operation, including possible capex reductions associated with blasting and the supply of explosives to site.

Figure 2: Drill hole collar location plan overlain on total magnetic intensity image. Optimised Zone 1 and 2 pit shells shown in yellow.



Testwork is continuing in South Africa looking at improvements to the current process flow sheet. Enhancements being investigated include finer grinding, tailings storage, solvent extraction and leaching reagents. This work is scheduled for completion in Q1 2012.

### LICENCES, PERMITTING AND TAXES

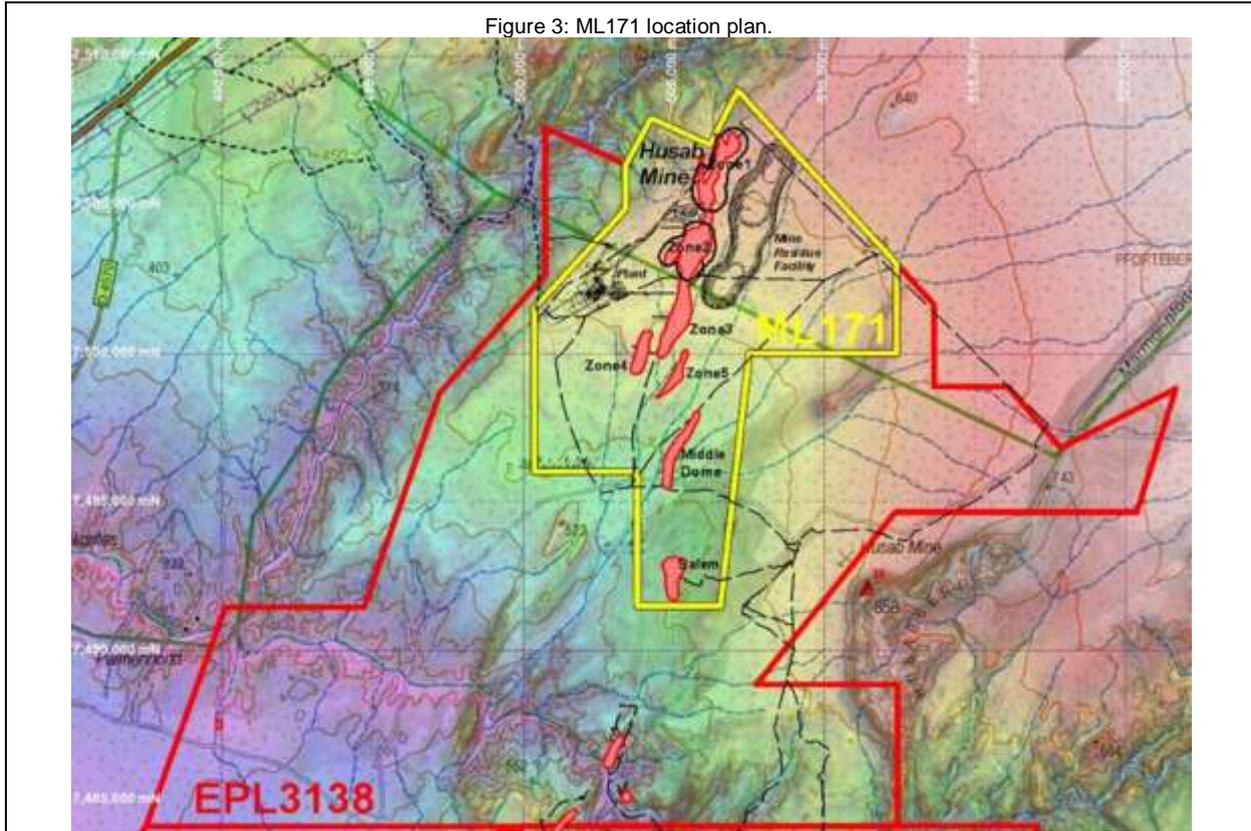
Following submission of the Company's application for a Mining Licence in December 2010, a mining licence for the Husab Project was issued in November 2011 by the Ministry of Mines and Energy of the Republic of Namibia to Swakop Uranium (Pty) Ltd.

(ASX releases 30 November 2011 and 1 December 2011).

The 110.1km<sup>2</sup> Mining Licence (ML171) was issued in respect of Nuclear Fuels and is valid for an initial period of 25 years.

The Mining Licence covers the main extent of granite hosted uranium mineralisation, at the northern end of Exclusive Prospecting Licence 3138 (see Figure 3), and includes Reserves defined at Zones 1 and 2, Resources estimated at Zones 1 to 5 and mineralisation identified at the Salem and Middle Dome prospects, as well as the footprint required for construction of the envisaged processing plant, waste rock and tailings storage facilities and other ancillary works areas

Figure 3: ML171 location plan.



## EXPLORATION & DEVELOPMENT

Drilling activity continued at the Husab Project throughout the quarter. The Company believes that significant potential remains to define additional resources and add further value to the Project through continuing exploration and resource development.

Drilling progress during the quarter totalled 13,391m metres from 86 drill holes. Four drill rigs are currently on site, three core rigs and one RC rig. The drilling completed was infill and extension resource definition work undertaken by RC and diamond rigs operating at Zones 1 and 2, and exploration – by RC drilling – in the vicinity of Zone 5, Middle Dome and Salem (see Figure 2 and 3).

The drilling priorities during the quarter were:

1. Infill and extension resource definition drilling on Zone 1 and 2 aimed at increasing confidence levels by defining more Indicated and Measured Resource material; and
2. Exploration drilling over the Zone 5, Middle Dome and Salem areas targeting the Rössing South anticline.

## URANIUM MARKET

The Ux Spot price indicator has been relatively volatile during the last quarter of 2011, rising from \$51/lb at the beginning of September to peak at \$54/lb before falling back to \$52/lb at the end of December. Spot demand has been mostly discretionary and small changes to available supply or demand in the spot market have been seen to impact price.

The Ux Term price indicator has shown greater stability in the quarter, decreasing by \$1/lb over the period to \$63/lb. There has been limited term contracting activity during this period.

## Corporate

On 8 December 2011, CGNPC Uranium Resources Co., Ltd. (“CGNPC-URC”) and the China-Africa Development Fund, announced their intention to make a recommended cash offer for Kalahari Minerals plc, Extract’s 42.74% shareholder, through a new acquisition vehicle, Taurus Mineral Limited. The offer is priced at 243.55 pence per Kalahari share. Formal offer documents were posted to Kalahari shareholders on 5 January 2012.

In line with ASIC’s ruling governing the potential acquisition by Taurus of an interest of over 20% in

Extract, Taurus has proposed to make a downstream cash offer to Extract shareholders if it receives acceptances of the Kalahari Offer in respect of more than 50% of the voting rights in Kalahari. If made, the offer for Extract will be priced at A\$8.65 per Extract share.

Extract's Independent Directors are continuing to review all available opportunities to maximise shareholder value, and intend to make a recommendation in relation to the proposed Taurus offer for Extract if and when such an offer is made to Extract shareholders.

Through the ongoing partnership process, the Company has received interest in Husab from a range of potential strategic investors. The nature and level of this interest received, including from CGNPC-URC, has confirmed Husab's status as a world class and highly strategic asset. In light of the proposed Taurus offer for Extract, discussions with other interested parties are being accelerated in order to assess whether any alternative and superior proposals may be available for Extract shareholders.

The company intends to continue discussions regarding debt financing of the project and potential offtake arrangements to underpin its development. Plans for delivery of access, power and water infrastructure are also well advanced, while the Mine Optimisation and Resource Extension (MORE) programme continues to deliver results that increase the mine life through definition of further reserves, and that optimise the design of the processing plant and mining operations.

Net cash expenditure in the quarter totalled \$9.2m. At 31 December 2011, the Company held cash balances totalling \$54.7m.

The Company attended and presented at the following forums during the quarter:

1. Namibia Investment Forum, Windhoek.
2. Commonwealth Business Forum, Perth.

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled or reviewed by Mr Andrew Penkethman who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Penkethman is a full time employee of the Company. Mr Penkethman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Penkethman consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*Reference to hand held spectrometer results refers to use of a Company owned Exploranium, GR-135 Plus or Terraplus RS-125, hand held spectrometer. The uranium values are recorded by placing the unit on the bulk RC sample bags or individual trays of drill core and expressed as parts per million (ppm) eU which is equivalent to ppm U. Results from these units provide an indication of uranium mineralisation; they may also be affected by uranium mobility and disequilibrium. These factors should be considered when interpreting eU information whilst waiting for confirmation chemical assay results.*

*This release contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could", or "might" occur or be achieved and other similar expressions. Forward looking statements include those relating to the updated resource estimate increasing mine life and value, and the potential for process enhancements to add further value to the project. These forward-looking statements reflect the current internal projections, expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties, including those detailed from time to time in filings made by the Company with securities regulatory authorities, that may cause the actual results of the Company to differ materially from those discussed in the forward looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. The Company expressly disclaims any obligation to update or revise any such forward-looking statements except as required by securities laws.*

**EXTRACT RESOURCES LIMITED – ASX/TSX Code: EXT**

**Directors and Management:**

Steve Galloway.....Non-executive Chairman  
Jonathan Leslie.....Managing Director &  
Chief Executive Officer  
Neil MacLachlan.....Non-executive Director  
Inge Zaamwani-Kamwi...Non-executive Director  
John Main.....Non-executive Director  
Alastair Clayton.....Non-executive Director  
Ron Chamberlain.....Non-executive Director  
Siobhan Lancaster .....Company Secretary

**Issued Capital:**

At the end of December 2011, quoted issued capital was 251,159,163 ordinary shares.

**Shareholder Enquiries:**

All matters relating to shareholdings, including changes in address, TFN's, etc., should be directed to:  
Link Market Services Pty Ltd

Locked Bag A14  
Sydney South, NSW 1235, Australia  
Phone (within Australia): 1300 554 476  
Phone (outside Australia): +61 2 8280 7761  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

**Company Website:**

The Company updates its website frequently.

This and other reports may be easier to read in colour, and are stored on the website.

[www.extractresources.com](http://www.extractresources.com)