

Thursday, 27 January 2011

AUSTRALIAN SECURITIES EXCHANGE  
COMPANY ANNOUNCEMENTS PLATFORM  
ASX CODE USA

## ACTIVITIES REPORT *3 MONTHS ENDED 31<sup>ST</sup> DECEMBER 2010*

### OVERVIEW

- A total of \$8.3m was raised through the placement and issue of shares at 25 cents. The capital was raised through placements targeting Australian and international institutional investors to raise \$5m, followed by a 1 for 10 Rights Issue to shareholders to raise \$3.3m which was completed in January 2011. In addition, a further \$150,000 has been raised on the exercise of unlisted options. Features of the re-financing have been:
  - at the time the arrangements were made the shares were trading in the 20-23 cent range and the 25 cent price negotiated was an attractive premium to the prevailing market. Subsequently, the uranium spot price has moved strongly upwards which has focused attention on the uranium sector in general and strongly driven share price increases.
  - the Rights Issue was supported by 63% of UraniumSA shareholders.
  - the placement and Rights Issue has enabled the Company to progress its strategy of broadening the number of Australian and international institutional investors on the share register.
  
- Evaluation of the economic potential of the uranium mineralisation at the Blackbush Prospect within the Mullaquana Project, southwest of Whyalla on South Australia's Eyre Peninsula has continued. The main matters have been:
  - the estimation of tonnage/grade variability of the mineralisation resulted in an increase to 45.5 million tonnes of mineralisation (previously 38Mt) at a grade of 280ppm eU<sub>3</sub>O<sub>8</sub> (previously 275ppm) for an estimated 12,700 tonnes of U<sub>3</sub>O<sub>8</sub> or ~28 million pounds (previously ~23M lb).
  - the submission of a "Referral of Proposed Action for an In-situ Recovery Field Trial - Mullaquana Project" to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities. This is the first piece of documentation in a regulatory process administered by Commonwealth and State agencies that UraniumSA needs to complete to be allowed to commence its proposed in-situ recovery field trial at the Blackbush Prospect.
  
- Exploration of the Mullaquana Project as a whole is progressing well. Twenty one exploration holes were drilled into the Plumbush Prospect at a 200m drill hole separation on lines 400m apart. Thirteen of these holes intersected significant mineralisation with thickness/grade of potential economic significance. Drilling will recommence in the area in late January after the Christmas-New Year break.

## **MULLAQUANA PROJECT**

The Mullaquana Project lies south of Whyalla in South Australia and contains the flagship Blackbush Prospect of sediment hosted uranium mineralisation which is being evaluated for potential development.

### **Blackbush Prospect**

**Resources.** The Inferred Resource at Blackbush stands at 45.5 million tonnes of mineralisation at a grade of 280ppm eU<sub>3</sub>O<sub>8</sub> for an estimated 12,700 tonnes of U<sub>3</sub>O<sub>8</sub> or ~28 million pounds. The resource envelope remains open in several directions and within it there are areas of higher than deposit average grade mineralisation. The resource estimate is being progressively updated as more drilling is done and the assumptions applied are reviewed.

**Regulatory Process.** The Project Team is working through the regulatory process which must be completed to enable the commencement of field trials. The first stage has been the submission of a “Referral of Proposed Action for an In-situ Recovery Field Trial - Mullaquana Project” to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities. A response to this submission is anticipated in early 2011. Work has commenced on the development of documentation in support of an application for a Retention Lease from the South Australian Government to cover the conduct of the proposed field trial.

**Hydrogeology.** Groundwater is an important technical and environmental consideration for the project. The Company commenced hydrogeological investigations with the installation of regional monitoring wells in February 2010. The most recent work has been sustained pump testing to determine in-situ aquifer characteristics. Analysis of the data indicates the target formation has good porosity and permeability, and that it is isolated from the surface below overlying Melton Limestone and Gibbon Bed clay units.

**Metallurgy.** The investigation of metallurgical issues is progressing well. The Project Team has identified potential solutions to the recognised technical issues and laboratory work is progressing well. Results will be reported as they are received and verified.

**Environmental.** Documentation from the second annual environmental baseline survey was received. The flora and fauna profile is essentially the same as previously recorded.

**Radiation baseline survey.** A baseline survey of the natural radiation in the area was completed and was being compiled at the end of the period.

### **Other Mullaquana prospects**

The systematic drill out of the Plumbush prospect commenced and twenty one holes were completed. Of these, thirteen reported results of potential economic significance. Mineralisation is widespread within a range of geological settings. Exploration drilling will recommence in the area in late January, initially following the mineralisation north into the newly discovered areas reported 15<sup>th</sup> December 2010. The objective is to be able to provide an initial resource estimate by the end of the first quarter of 2011.

### **Joint Venture**

No significant work was carried out on the Stellar Resources Limited (SRZ) or Australasia Consolidated Limited (AAO) Joint Venture areas during the quarter.

## **Mullaquana – Forward work program to end March 2011**

**Blackbush Prospect:** The focus will be on advancing the Blackbush Prospect to a field trial. The major work will continue to be in analytical, metallurgical, hydrogeological projects as information is developed to support regulatory documentation and economic appraisals.

**Plumbush Prospect:** A further round of exploration drilling of the Plumbush Prospect is scheduled to commence late January 2011 leading to an initial resource estimate late in the quarter. It is anticipated the prospect will make a significant contribution to the growth of the asset base of uranium mineralisation in the Mullaquana Project.

**Joint Venture:** As exploration drilling of the Plumbush Prospect extends south work will move into the SRZ JV area. Compensation agreements are being negotiated ahead of the continuation of work in the AAO JV area.

## **OTHER SOUTH AUSTRALIAN PROJECTS**

### **Cleve Project, eastern Eyre Peninsula**

During the period our Joint Venture partners Archer Exploration Limited (ASX code AXE) continued their iron ore exploration work in the area. UraniumSA did not complete any uranium exploration during the period.

### **Tarcoola project, Kingoonya Palaeodrainage System**

Planning for an exploration drilling program in the Tarcoola Project has been delayed pending the resolution of Native Title issues. A reconnaissance of tracks and infrastructure has been completed, and contracts are being negotiated for field work.

## **CORPORATE**

The focus of the Board remains on advancing the Blackbush Prospect towards a field trial, and on growing the asset base of uranium mineralisation under the relevant JORC classification through continuing exploration of the Mullaquana Project and adjacent Joint Venture areas.

## About UraniumSA Limited



UraniumSA is an Adelaide based uranium only explorer specialising in sediment hosted styles of uranium mineralisation within a substantial portfolio of properties in South Australia's Gawler Craton. The Company has discovered sediment hosted uranium mineralisation in its Mullaquana Project, 20km south of the industrial city of Whyalla on the eastern Eyre Peninsula. Through its own tenure and by Joint Venture the Company has exploration control over what it considers the most prospective portions of the Pirie Basin.

At the Blackbush Prospect in the Mullaquana Project there is an Inferred Mineral Resource of 45.5 million tonnes at a bulk grade of 280ppm  $eU_3O_8$  with an estimated 12,700t (28 million pounds) contained  $U_3O_8$ . Drilling of other prospects at Mullaquana is continuing to obtain intersections above deposit average grade and thickness.

The exploration objective is to expand the base of identified uranium mineralisation through incremental addition and new discovery to build the Mullaquana Project to a discovery of international significance. At the Blackbush Prospect, the Company is working to establish an in-situ recovery field trial during 2011 with the objective of being able to commence production during 2012.

Russel Bluck  
Executive Chairman  
UraniumSA Limited

*The exploration results and mineral resources reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Russel Bluck, Managing Director, UraniumSA Limited who is a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposits being considered, and to the activity which is reported to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition). Mr. Bluck consents to the inclusion in the report of matters based on his information in the form and context in which it appears. It should be noted that the abovementioned exploration results are preliminary.*