BYNOE PROJECT
EL23070, EL23071, EL23915, EL23917, EL24019, EL24020, EL24021 & EL24684

Combined Annual Report for the Period

Volume 1 of 1

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SUMMARY

The Bynoe Project comprises 8 granted exploration licences located on the south side of Bynoe Harbour, approximately 60km southwest of Darwin in the Northern Territory.

This second combined annual report describes activities conducted for the period 21st July 2005 to 20th July 2006. During the report period the project licences were sold by Continental Nickel NL (Continental) to Uranex NL (Uranex). The licences have been transferred to and are now managed by Uranex. Exploration activities during the period have involved re-assessing all historical open file data accumulated by Continental with a view to establishing the uranium potential of the project and determining a model to guide uranium exploration.

A detailed aeromagnetic and radiometric survey was planned for June 2006 but has been postponed due to a prolonged wet season and contractor availability. This survey will produce both radiometric and aeromagnetic interpreted litho-structural targets for ground follow up including RAB and RC drilling.

Total project expenditure for the reporting period was $97,774.

KEY WORDS

Bynoe, Fog Bay (SD52-03), Darwin (SD52-04), Pine Creek (SD52-08) 1:250,000 map sheets, Fog Bay (4972), Reynolds River (5071), and Bynoe (5072) 1:100,000 map sheets, Litchfield, North Australian Craton, Halls Creek Mobile Zone, Pine Creek Basin, East Alligator Uranium Field, Rum Jungle Uranium Field, Archean, Proterozoic, Nickel, Laterite, Gold, Copper, Uranium, RAB Drilling, RC Drilling, Magnetic, Gabbro, Ultrabasic, Peridotites, Carbonates, Dolomites, Calcsilicates, Graphitic, Unconformity.
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1.0 INTRODUCTION

This combined annual report details all exploration work undertaken on Bynoe Project Exploration Licences 23070, 23071, 23915, 23917, 24019, 24020, EL24021 and 24684 during the reporting period 21st July 2005 to 20th July 2006.

The licences are located on the south side of Bynoe Harbour, approximately 60km southwest of Darwin in the Northern Territory (Figure 1). Access to the project area is via the sealed Stuart Highway and Bynoe Road, as well as the Mount Finiss Road. Various unsealed dirt roads and tracks provide access to the licence areas but become impassable during the wet season. The tenements are situated on the Fog Bay (SD52-03), Darwin (SD52-04), and Pine Creek (SD52-08) 1:250,000 map sheets, and the Fog Bay (4972), Reynolds River (5071), and Bynoe (5072) 1:100,000 map sheets.

The terrain in the northern area is generally flat and cut by creeks which lead to mangrove swamp areas and ultimately the coastline. Vegetation cover in both the northern and southern areas is moderate to thick with 15m tall trees covering the area that is best described as open Eucalypt forest.

Continental targeted the area for magmatic intrusive related nickel-copper-platinum group mineralisation of the Voisey’s Bay (Canada), Noril’sk (Russia) and Jinchuan (China) style. In contrast, Uranex are targeting East Alligator River Uranium Field (EARUF) and/or Rum Jungle Uranium Field (RJUF) style uranium deposits. This is based on the recognition by earlier explorers that the Lower Proterozoic stratigraphy has similarities and may equate with stratigraphy in the EARUF or the RJUF. Targets based on this model have been drilled by Idemitsu Uranium Australia Exploration Ltd and Urangesellschaft Australia Pty Ltd.

2.0 TENURE

The Bynoe Project comprises eight granted exploration licences (Table 1). The initial pegging of these licences was conducted by Barrett Exploration Pty Ltd (Barrett) in February 2001 and later by Anglo American Exploration (Australia) Pty Ltd (AAEA) in May 2003. On grant of EL23070 and EL23071, Barrett sold its interest in the licences to AAEA in a royalty deal. These licences were transferred to AAEA on January 13th 2004.

On April 19th 2004, AAEA signed a deal to sell the project licences to Continental which became the registered holder of the licences on September 9th 2004. The application for EL24684 was granted to Continental on 10th February 2006.

On the 1st December 2005, Continental sold its interest in the Bynoe project licences to Uranex. Exploration licences 23070, 23071, 23915, 23917, 24019, 24020 and EL24021 were transferred from Continental to Uranex on 15th February 2006: Granted in February 2006, EL24684, was also transferred to Uranex on 30th May 2006.

Combined reporting status was granted for EL23070, 23071, 23915, 23917, 24019, 24020 and 24021 on 10th August 2005. Prior to this date, individual annual reports had been submitted for EL23070 and EL23071. On 19th June 2006, Uranex requested and was granted permission to include EL24684 in the combined reporting group.

The Bynoe tenements are located on a combination of aboriginal and non-aboriginal leasehold and freehold land and cover a combined area of 168 blocks for a total of 397.02 km². Five of the licences are in their second reporting year, one in it’s first and two are in their third year (Table 1).
A Mine Management Plan Authorisation has been granted for all the granted areas. Aboriginal Areas Protection Authority Certificates (AAPA) have been issued for EL23070, 23071, 24019 and 24684. Uranex has applied for AAPA clearance for EL23915 and 23917. All other areas will be covered in additional AAPA certificate applications.

During the current period waivers from reduction have been applied for and granted for all project licences.

Table 1. Project Licences

<table>
<thead>
<tr>
<th>Name</th>
<th>Licence</th>
<th>Granted</th>
<th>Expiry</th>
<th>No. Blocks</th>
<th>Area</th>
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<td>09/02/2012</td>
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<td><strong>168</strong></td>
<td><strong>397.02km²</strong></td>
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</table>

3.0 REGIONAL GEOLOGY

The Bynoe Project is located within the Litchfield Province on the western side of the Pine Creek Geosyncline, west of Darwin. The Province extends for several hundred kilometres in a north-south orientation with a width exceeding 60 kilometres. Geological elements within the Province include Lower Proterozoic gneisses (Well Tree Metamorphics), syn-orogenic lower Proterozoic granitoids and post-orogenic Carpentarian granitoids (Figure 2; Porter, 1986). The project area is interpreted to occur on the northern extension of the Hall’s Creek Mobile Zone (HCMZ), a major lithospheric structure that separates the Kimberley and North Australian Cratons. Significant mafic intrusive complexes and known Ni-Cu sulphide mineralisation are hosted by the HCMZ.

The Finness River Lineament, a major north-south transgressive structure, intersects the craton margin and hosts a prominent belt of mafic-ultramafic intrusions. This Lineament extends more than 1000km into the North Australia Craton, and is subparallel to the mantle-tapping Mundrabilla Lineament to the west. Mafic intrusives occur over approximately 175 km along the north end of this belt (including the Bynoe area), and possibly extend a further 150km to the south under significant cover (eg Sally Malay; Kennedy et al., 2004).

The Early Proterozoic Welltree Metamorphics is the dominant unit within the lease and is predominantly comprised of quartzo-feldspathic schist and gneiss with the basal Sweets Member represented by marble, calc-silicate rock, para-amphibolite and quartzo-feldspathic gneiss (Figure 2).

Locally, the Bynoe area intrusives are Proterozoic in age, and are potentially the same as the Sally Malay intrusives to the southwest. The intrusives are metamorphosed to amphibolite facies and extensively altered, with K and S introduced to develop abundant phlogopite within the ultramafic, and pyrite replacing pyrrhotite in the disseminated sulphides (Kennedy et al., 2004).

The disseminated sulphide component assays 0.25% Cu and 0.25% Ni and contains elevated PGEs (150 ppb Pt, 100 ppb Pd). From the textural and geochemical signatures, the disseminated sulphides are interpreted as magmatic sulphides within the mafic system. The tenor of the disseminated sulphide is estimated to be about 3% Ni (Ni% in 100% sulphide).
Welltree and Hermit Creek Metamorphics
Auvergne Group, Fitzmaurice Group, Stubb Formation, Wondoan Hill Formation
Finniss River Group

Bynoe Project

FIGURE 2
Regional Geology
From limited petrographic data, the intrusions at Bynoe are interpreted as basic ranging from ultrabasic peridotites to gabbro. The gabbro comprises equal amounts of tremolite and plagioclase with minor hornblende to increased tremolite. The ultramafic portion is tremolite-antigorite with chromite, minor talc and pyrite, pentlandite and chalcopyrite as disseminations. Mg numbers are 80 for the peridotite and this is typical for an ultramafic cumulate derived from a mafic melt (Kennedy et al., 2004).

The tenement areas are overlain by variable thicknesses of laterite which are generally exposed in creeks and at change of slope positions. In elevated areas, the laterites are covered with sand and soil up to 5m deep. Although quite variable the weathering profile averages between 40 to 60m depth.

4.0 PREVIOUS EXPLORATION

Initial exploration in the northern areas was conducted by Arafura Sand and Aggregate Pty Ltd on EL1753. The licence was then transferred to Australian Coal and Gold Holdings Limited (ACGH) in 1981. All exploration completed prior to 1982 has been previously reported by Brown (1982).

Between 1981 and 1985, ACGH conducted exploration targeting uranium and base metals in the tenement area. Exploration included a regional aeromagnetic survey, a ground magnetic survey and a RAB drill program consisting of 740 holes averaging 10m depth. Holes were drilled on an 800m by 100m grid and then infilled to 100m by 40m around anomalous areas. Downhole radiometrics and RAB geochemistry were used to target uranium and base metals. Four diamond holes were drilled. Hole MHD2 intersected metamorphosed mafic to ultramafic rocks with minor disseminated sulphide and a thin horizon of remobilised massive sulphide assaying 1.2% Ni (Porter, 1986). These nickel sulphides were not the target of the programme and were not followed up.

Subsequent exploration in the region, by a Joint Venture between Idemitsu Uranium Australia Exploration Ltd (Idemitsu) and Urangesellschaft Australia Pty Ltd (UAPL), resulted in 30 diamond drill holes being drilled with encouraging uranium results. However an ore body was not defined.

Between 1991 and 1994, Eupene Exploration Enterprises Pty Ltd explored the project area for base and precious metal mineralisation. Exploration activities consisted of surface geochemical surveys to determine the effectiveness of pisolitic laterite sampling. A total of 43 pisolitic laterite samples were collected on 50-150m centres at 200m spacings. The Cu/Zn and Cr/Ni ratios of the samples showed some correlation to the bedrock ratios intersected in ACGH RAB holes. This suggests that laterite sampling is an effective sampling medium for base metals. Surficial distribution of Co proved irrelevant due to its absorption into MgO. A number of anomalous gold results (greater than 5ppb) were identified, however 10 follow up samples failed to confirm the initial results (Berthelsen, 1994). The licence was relinquished in March 1994.

In 2001, Barrett recognised the nickel potential of the area for magmatic nickel sulphide mineralisation, pegged the licence and brought the area to the attention of AAEA. During the 2004 to 2005 reporting period, exploration conducted by AAEA included a comprehensive review of previous exploration in the region, and reprocessing of Northern Territory Geological Survey aeromagnetic data. A 48 line-km ground TEM survey and 70 line-km ground magnetic survey were conducted over EL23070 and EL23071 (Manzi et al., 2004). The TEM program was designed to target Ni mineralisation associated with discrete aeromagnetic features within a larger intrusive belt. Two main EM targets were identified. These targets
correlate with the trend of anomalous Ni geochemistry identified by previous explorers. The targets are located along a NE/SW trending structure and also show correlation to magnetic features.

The ground magnetics improved resolution, and highlighted folds and structural trends that were not visible in the pre-existing aeromagnetic data. A strong magnetic anomaly delineated on the southern boundary of the tenement is significantly stronger than any of the other magnetic features in the project area. The ground magnetic data shows a patchy irregular response in the northern part of the tenement area. It is possible that this area has been subject to magnetite destructive phases of alteration (Stacey, 2003).

For full details of previous exploration activities conducted on exploration licences 23915, 23917, 24019, 24020 and 24021 refer to Manzi et al (2005).

Exploration by Continental over the project licences between 2003 and 2004 comprised compilation and validation of historical data to generate new targets, and the completion of initial RC drilling programmes. RC drilling by Continental successfully intersected both ultramafic and mafic lithologies in most holes. Disseminated sulphides were intersected in BRC006 and returned a best assay of 1.0m @ 0.48% Ni, 0.10% Cu, and 0.21g/t PGE from 48m. These anomalous results are very encouraging and confirm that mineralised ultramafics are present within the project area (Manzi et al., 2004).

In addition uranium mineralisation has been encountered during the drilling with a best result of 1m @ 177.57 ppm U and 247.62 ppm Th from 97m in BRC004. Hole BRC007 also intersected weakly elevated uranium including 5m @ 63.57ppm U and 81.81ppm Th from 53m. Further investigations into the uranium potential of the project are required.

5.0 CURRENT EXPLORATION ACTIVITIES

5.1 DATA COMPILATION

During the reporting period, exploration activities have included compiling and digitising historical geology interpretations, and developing uranium exploration models and targeting criteria.

UTS Geophysics were contracted to complete a detailed aeromagnetic and radiometric survey comprising approximately 3,500 line kilometres during the reporting period. Unfortunately a prolonged wet season and contractor commitments to other companies has resulted in the survey being postponed until the next reporting period.

Historical data compilation with emphasis to the uranium potential of the project area is ongoing.

5.1.1 TARGETING

Uranex are targeting East Alligator River Uranium Field (EARUF) and/or Rum Jungle Uranium Field (RJUF) style uranium deposits. This is based on the recognition by earlier explorers that the Lower Proterozoic stratigraphy of the area has similarities that may equate with stratigraphy in the EARUF or the RJUF.

In the EARUF, the Lower Cahill Formation host lithologies consist of interbedded pyritic carbonaceous mica schists, chloritic calcisilicates, and chloritised felspathic quartzites. At the RJUF this sequence correlates to the Whites Formation. These sequences were metamorphosed during the 1870–1800ma orogeny and potentially have equivalents in the Bynoe Project area. This has been demonstrated by previous uranium explorers such as Idemitsu and Urangesellschaft who targeted and drilled potential Cahill Formation stratigraphy and lithofacies (section 4).
Within the Bynoe project, Uranex is targeting EARUF-type, large, high-grade uranium +/- gold deposits as well as smaller high-grade uranium deposits. The three main criteria for forming these deposits in the Pine Creek Basin are:

1) Proximity to Archaean–Lower Proterozoic crystalline basement highs (<1800ma). These are the Nanambu Complex at EARUF, the Rum Jungle and Waterhouse Complexes of the RJUF and parts of the Litchfield Complex.

2) Favourable Lower Proterozoic host rock stratigraphy and lithofacies. At the EARUF, this is the Lower Cahill Formation. This starts at the base with massive dolomites and minor gneisses and schists. These underlie the major uranium deposits. The apparent equivalents at RJUF would be the Manton’s Group Celia Dolomite and the Mount Partridge Group’s Crater Formation and Coomalie Dolomite.

3) Proximity of the current land surface profile to the base of existing or previously overlying Middle Proterozoic sedimentary cover rocks. This is the Kombolgie Formation at EARUF and the Depot Creek Sandstone at the RJUF and the Litchfield Complex. Critical to the exploration equation for the Bynoe area is how far the current land surface is below the pre-Depot Creek Sandstone regolith and whether there was a pre-sedimentary felsic volcanic episode equivalent to the Edith River Volcanics.

5.1.2 EXPLORATION MODEL

The basic uranium exploration model used by Idemitsu and Urangesellschaft assumes that the basal Sweets Member of the Welltree Metamorphics is equivalent to the Cahill Formation of the East Alligator, and overlies Archaean / Proterozoic gneissic and granitic basement.

This sequence was divided into three stratigraphic units: Plc1, 2, and 3. Plc1 is equivalent to the Lower Cahill and is comprised of calc-silicates and thick dolomitic intervals. Graphitic and phlogopitic zones also occur. In the EARUF model, the mine sequence is at the top of this and sits above the massive dolomites.

Plc2 consists of para-amphibolites and calc-silicate microgneisses and is distinctly magnetic. This is conveniently equated with the Upper Cahill Formation, which at East Alligator, is also distinctly magnetic and provides an important magnetic stratigraphic marker above the mine sequence of the Lower Cahill. Similarly, the host lithologies are expected to directly underlie the Plc2 unit.

Plc3 consists of quartz–feldspar–biotite gneisses and quartzites which could be part of either the Upper Cahill, or the overlying Nourlangie Schists / Mt Partridge Formation.

Based on this model, detailed gravity surveys were used to identify gravity lows representing basement highs in the Litchfield Complex. The aero- and ground-magnetics were used define the magnetic Plc2 unit, which overlies the Lower Cahill unit. The best targets were considered to be Lower Cahill equivalents flanking basement domes.

Application of the model led to the siting of 39 target diamond drill holes. A technical success was claimed at Target Area A1 where 5 holes in a radius of 100 metres intersected anomalous uranium (>100 ppm). Best results included 2100 ppm uranium within a 1.5 metre interval averaging 0.48 kg/tonne. The mineralisation was uraninite, associated with hematite–chlorite–feldspar–sericite–prehnite–epidote alteration. Stratigraphically and lithologically, it could compare with the Lower Cahill Formation as it is at, or near a dome interpreted to have been formed by intersecting fold axes.
5.1.3 GEOLOGY COMPILATION

As part of the historical data compilation, geological interpretations by Idemitsu were located and digitised in order to assist with a first pass evaluation of the Bynoe Project geology (Figure 3). This geology covers the northern Bynoe area where the Early Proterozoic Welltree Metamorphics is the dominant unit. It is predominantly comprised of quarto-feldspathic schist and gneiss with the basal Sweets Member represented by marble, calcsilicate rock, para-amphibolite and quarto-feldspathic gneiss. This area is located on the Litchfield Block which is thought to be stratigraphically equivalent to the main Pine Creek Basin and its basement.

Mapped lithologies in the southern area (Figure 2; EL24020-21) are dominantly the Burrell Creek Formation higher in the stratigraphic sequence. This southern area occurs in the Pine Creek Basin to the north west of the RJUF. The Pine Creek Basin contains the world class uranium deposits of the EARUF and the smaller uranium deposits of the South Alligator and the RJUF.

Middle Proterozoic sediments of the Depot Creek Sandstone are preserved in down faulted linear blocks across and to the west of the project area. These may be equated with the Kombolgie Formation in the EARUF, which unconformably overlie the uranium host sequence and are proximal to known deposits.
6.0 EXPENDITURE

A breakdown of expenditure is contained in Table 2. Where expenditure has been previously reported for EL23070 and EL23071, prior to combined project reporting status, it has been included under “Previous Expenditure” at the base of the table. Combined expenditure for the Bynoe Project for the period 21st July 2005 to 20th July 2006 is $97,774. The cumulative combined Bynoe Project expenditure since inception is $513,023.

Table 2. Expenditure 2005 to 2006

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<th>23917</th>
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7.0 CONCLUSIONS AND RECOMMENDATIONS

Results from the 2005-2006 data compilation and uranium target generation programme have indicated that the prospectivity of the Bynoe Project area is strongly encouraging for uranium mineralisation. Exploration for the next report period will include a detailed airborne geophysical survey followed by RAB and/or RC drilling as warranted.

7.1 PROPOSED EXPLORATION

Aeromagnetics are considered to be the most effective exploration tool for developing targets within the Bynoe project area. Historical magnetic data was captured at 500 metre line spacing and does not have the resolution to differentiate between lithologies for exploration targeting. Therefore the acquisition of high quality close spaced aeromagnetics is essential to uranium exploration targeting prior to ground follow up investigations. Detailed 256 channel radiometrics will also be acquired.

Planned field activities include flying the eastern tenement areas (EL23070, 23071, 24019 and the eastern part of EL24684) at 100 metre line spacing and the remaining areas at 200 metre line spacings. All lines would be flown east–west.
Any uranium anomalies would be followed up by groundchecking, gridding, mapping, and RAB drilling where. Stratigraphic–structural targets defined by the magnetics would be RC drilled to test the EARUF model.

A breakdown of proposed expenditure/activity for each licence is contained in Table 3.

Table 3. Proposed Expenditure 2006 to 2007

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8.0 REFERENCES


