SWIM CREEK PROJECT
EL 25165

Annual Report for the Period
7th November 2009 to 6th November 2010.

Volume 1 of 1

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The Swim Creek Project comprises Exploration Licence 25165 located in the Mary River region approximately 100 kilometres east-southeast of Darwin in the Northern Territory.

Uranex is targeting East Alligator River Uranium Field (EARUF) and/or South Alligator Rivers Uranium Field (SARUF) and/or Rum Jungle Uranium Field (RJUF) style uranium deposits. This is based on the recognition that the Lower Proterozoic stratigraphy of the area has some similarities that may equate with stratigraphy in these uranium fields.

Most of the outcrop areas are mapped as the Wildman Siltstone (Ppw) of the Mt Partridge Group meta-sediments. The basal unit of the Mt Partridge Group, the Mundogie Sandstone (Ppm) outcrops on the eastern margin of the project and may be under cover in the north. The South Alligator Groups Koolpin Formation (Psk) is located in the far south of the tenement and may occur in synclinal areas under Cainozoic cover elsewhere.

The Whites Formation, which hosts the Rum Jungle uranium mineralisation, may be stratigraphically equivalent to part of the Wildman Siltstone (Ppw) within the tenement.

The Mundogie Sandstone (Ppm), which underlies the Wildman Siltstone, outcrops locally in the tenement. This is thought to be possibly equivalent to the magnetic Upper Cahill Formation of the EARUF further east. Hence the Lower Cahill host equivalent would be stratigraphically below it.

The Koolpin Formation outcropping in the south is the uranium host for the SARUF.

Previous exploration in years 1 & 2 comprised a detailed aeromagnetic and radiometric survey comprising 6561 line kilometres and it’s processing and interpretation. This survey produced both radiometric and aeromagnetic interpreted litho–structural targets for follow up by ground inspection. This was followed by both vehicle and helicopter assisted investigations of geology and the uranium radiometric anomalies located by the earlier airborne survey.

The results of the first two years programs did not establish precise targets for drilling. It was decided that an Airborne Electromagnetic (AEM) Survey may locate conductive targets in the favourable host lithologies which could be tested by drilling. These would be bedrock conductors representing graphitic or chloritic / pyritic facies and or structures.

During Year 3, an AEM Survey was flown by Fugro Geophysics in association with Geoscience Australia (GA). After many delays, the initial survey data was received in May 2009. This was later processed and interpreted.

Drill targets were chosen using these conductors, their potential host stratigraphy, proximity to surface uranium anomalies and accessibility.

Drill follow up to test these litho-structural targets by Reverse Circulation drilling was to be done at the peak of the next dry season in year 4 when access is to the flood plains is available. Unfortunately there were delays in the approval of the Mine Management Plan (MMP) which was only received on 23rd September 2010. Efforts were made to organise staffing and drill contractors in time before the wet season. However rain began in October and with access to most holes crossing wet areas, access was not possible or dubious to most planned drill sites.

This program is now planned for year 5 in the dry season preferably around May or June 2011. There are 6 planned holes on Swim Creek for approximately 900 metres of drilling.
During May 2010 (year 4), a field reconnaissance was made to locate access to the planned drill sites. Some minor access upgrading will be required prior to drilling. Some access was still boggy in May.

Any drill intersections will be followed up by further drilling in the next program either later in 2011 or in 2012.

Project expenditure for the period 7th November 2009 to 6th November 2010 was $33,287.00.
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1.0 INTRODUCTION

This fourth annual report details all exploration work undertaken on the Swim Creek Project Exploration Licence 26165 during the reporting period 7th November 2009 to 6th November 2010, being year 4 of tenancy.

The licence located in the Mary River area, on the western margin of the Kakadu National Park within the Pine Creek Orogen approximately 100 kilometres east south east of Darwin in the Northern Territory (Figure 1).

Access is from Darwin on the Arnhem Highway approximately 130 kms to the south east of the tenement, then north on the Point Stuart Road. Accommodation is available at the Mary River Point Stuart Lodge just off the Point Stuart Road. Most of the tenement is on Annabarroo Station.

The tenement is situated on the Darwin (SD52-04), 1:250,000 map sheet.

The terrain in the area is mostly low hills with broad plains. Vegetation cover is mostly tropical woodland.

2.0 TENURE

The Swim Creek Project comprises one granted exploration licence. When granted on 7th November 2006, it covered 181 blocks (approximately 427 square kms). The area was reduced at the end of year 3 to 84 blocks (approximately 198sq.km) with a Year 4 expenditure covenant of $98,000.

Table 1: Project Licence

<table>
<thead>
<tr>
<th>Name</th>
<th>Licence</th>
<th>Granted</th>
<th>Expiry</th>
<th>No. Blocks</th>
<th>Area km²</th>
<th>Commitment</th>
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<tr>
<td>Swim Creek</td>
<td>EL26165</td>
<td>7-Nov-06</td>
<td>6-Nov-12</td>
<td>84</td>
<td>198</td>
<td>98,000</td>
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</table>
3.0 GEOLOGY

The Swim Creek Project is situated in the middle of the Palaeoproterozoic Pine Creek Orogen. The older Archean basement domes are situated about 80 kilometres to the east (Nanambu Complex) and similarly 80 kilometres to the west (Rum Jungle Complex).

Most of the outcrop areas are mapped as the Wildman Siltstone (Ppw) of the Mt Partridge Group meta-sediments (Figure 2). The basal unit of the Mt Partridge Group, the Mundogie Sandstone (Ppm), outcrops on the eastern margin of the project and may be under cover in the north. The South Alligator Groups Koolpin Formation (Psk) is located in the far south of the tenement and may occur in synclinal areas under Cainozoic cover elsewhere.

There are isolated remnants of the Jurassic–Cretaceous flat lying sediments throughout the tenement.
4.0 PREVIOUS EXPLORATION

The earliest investigations were conducted by Geopeko during the early 1970s following the acquisition of the BMR aeromagnetics and radiometrics. Their efforts were mainly towards uranium and to a lesser extent to base metals and later gold. Targets were eventually investigated by ground geophysics and geochemistry. These programs defined the “Quest” anomalies, which were the focus of their base metal exploration for 4 years.

Most of the other exploration was for gold and base metals. The main targets were for stratabound and stockwork gold mineralisation similar to Woodcutters and Rustlers Roost. The same ground was repeatedly taken up, past work assessed and added to by various techniques.

The main players were:

CRA 1979 to 1982
Aquitane 1980
Newmont Holdings 1987 to 1990
Carpentaria Exploration 1990
Sons of Gawlia 1992
North Mining (Geopeko) 1994 to 1996 and Sirocco Resources – Rustlers Roost Mining 1998 to 2003

They all targeted stratabound and anticlinal targets in the Wildman Siltstone and Koolpin Formation and to a lesser extent the Mundogie Sandstone. Contact and stockwork mineralisation was targeted around the post tectonic, high level, Mt Bundey Granite and the Mt Goyder Syenite. The Annabarroo anticlinal dome was also a focus.

Stream sediment sampling, soil sampling and drilling were employed at various scales. A number of prospects were located such as Donkey Hill and Anomaly 7 but no significant deposits were located in or near EL 25165.
5.0 TARGETTING

The three main criteria for forming the unconformity related uranium deposits in the Pine Creek Orogen 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 underlying the host Whites Formation.

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 ARUF and the Depot Creek Sandstone at the RJUF and the Litchfield Complex. Critical to the exploration equation for the Swim Creek area is how far the current land surface is below the pre-Kombolgie regolith and whether there was a pre-sedimentary felsic volcanic episode equivalent to the Edith River Volcanics. The nearest Kombolgie Formation outcrop is in the Koongarra outlier some 100 kilometres to the east.

Uranex is targeting East Alligator River Uranium Field (EARUF) and/or South Alligator Rivers Uranium Field (SARUF) and/or Rum Jungle Uranium Field (RJUF) style uranium deposits.

This is based on the recognition that the Lower Proterozoic stratigraphy of the area has some similarities that may equate with stratigraphy in the EARUF, the SARUF or the RJUF described above.

Some explorers suggest that the Whites Formation, which hosts the Rum Jungle uranium mineralisation, may be stratigraphically equivalent to part of the Wildman Siltstone (Ppw) within the tenement.

Alternatively, the Mundogie Sandstone (Ppm), which underlies the Wildman Siltstone, outcrops in the east and in the core of an anticline in the southwest of the tenement. This is thought to be possibly equivalent to the magnetic Upper Cahill Formation of the EARUF further east. This, being the most likely case, then the Lower Cahill host equivalent would be stratigraphically below it and may also be present under cover to the north. The Lower Cahill Formation host lithologies consist of interbedded pyritic carbonaceous mica schists, chloritic calc-silicates, and chloritised felspathic quartzites.

At the SARUF the host is the Koolpin Formation (Psk) comprising ferruginous siltstone, pyritic carbonaceous shale and silicified dolomites and it outcrops just inside the southern boundary of the tenement.

6.0 PREVIOUS URANEX EXPLORATION ACTIVITIES

Previous exploration by Uranex NL for years 1 & 2 comprised a detailed aeromagnetic and radiometric survey and it’s processing and interpretation. This survey has produced both radiometric and aeromagnetic interpreted litho–structural targets for follow up by ground inspection and then drilling of those that may relate to uranium mineralisation.
This was followed with both vehicle and helicopter assisted investigations of geology and the uranium radiometric anomalies located by the earlier airborne survey.

6.1 AIRBORNE RADIOMETRIC AND MAGNETIC GEOPHYSICS

UTS Geophysics was contracted to complete a detailed aeromagnetic and radiometric survey comprising 6561 line kilometres in late November 2006.

The survey was flown using the MGA94 coordinate system (a Universal Transverse Mercator projection) derived from the Geocentric Datum of Australia.

The survey data acquisition specifications for each area flown are specified in the following table:

Table 2: Airborne Survey Data Acquisition Specifications

<table>
<thead>
<tr>
<th>NAME</th>
<th>LINE SPACING</th>
<th>LINE DIRECTION</th>
<th>TIE LINE SPACING</th>
<th>TIE LINE DIRECTION</th>
<th>SENSOR HEIGHT</th>
<th>TOTAL LINE KMS</th>
</tr>
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<tr>
<td>Swim Creek</td>
<td>100m</td>
<td>090-270</td>
<td>1000m</td>
<td>00-180</td>
<td>40m</td>
<td>6561</td>
</tr>
</tbody>
</table>

The detailed specifications of this survey are given in detail in the earlier annual reports.

6.2 INTERPRETATION OF AIRBORNE RADIOMETRIC AND MAGNETIC GEOPHYSICS

The geophysics was further processed by Southern Geosciences (SGS) and Dr Geoff Dickson. They produced an array of images that allowed a far better interpretation of the results.

Magnetic images included – Reduced to Pole (RTP) (Figure 7), First Vertical Derivative of the RTP (1VD, RTP) Gradient, TMI 1VD, and Total Magnetic Intensity (TMI) (Figure 6) images all with various shade directions.

Radiometric images included K, U, TH, K:Th. The UxU/Th (Figure 3) and U/Th ratio image (Figure 4) were very useful in reducing the effect of uranium and thorium rich laterites and granites and emphasising uranium dominant sources.

The selected images are shown in the figures below. They also show the uranium anomaly way points that were ground checked.

6.3 INITIAL GROUND CHECKS

A reconnaissance trip was made in October 2007 to check access, geology and potentially some uranium radiometric anomalies.

Away from the formed roads access was not possible. Outcrop along the access roads are scarce.

This was followed by a helicopter assisted ground check of uranium radiometric anomalies in July 2008. The survey used Jayro Helicopters and was based out of Point Stuart Lodge.

The location of ground check way-points is shown on the above figures as discussed above. The results are summarised in Table 3.
The best uranium radiometric anomalies were selected and given way-point coordinates.

These were then navigated to in the helicopter by GPS to the nearest clear landing spot. The anomalies were then located on foot by GPS and hand held scintillometers.

The highest scintillometer reading spot was then sampled where sample was available.

The selected images show the anomaly way-points on various backgrounds.

Figure 3: Swim Creek Way- Points on UxU/Th
Figure 4: Swim Creek Way - Points on U/Th

Figure 5: Swim Creek Way - Points on DTM
Figure 6: Swim Creek Way-points on TMI (Total Magnetic Intensity)

Figure 7: Swim Creek Way-points on Geology

The spot uranium indicator (UxU/Th) anomalies (way-points) on Figure 3 and the DTM (Digital Terrain Model) Figure 5 show that they are mostly on the plains over shallow cover on the Wildman Siltstone. On the ground the plain consists of grey soils over sub-cropping cemented iron pisolites.
Table 3 below summarises the results of the ground checking. It describes the anomaly host, the maximum counts per second compared with background and the analytical results of those sampled. Analyses were done by Genalysis Perth West Australia using the PP/XRFa technique.

### Table 3 Summary of Geology, CPS and Analyses Helicopter Ground Survey

<table>
<thead>
<tr>
<th>ANOMALY NUMBER</th>
<th>EAST</th>
<th>NORTH</th>
<th>SAMPLE</th>
<th>ROCK TYPE</th>
<th>BACK</th>
<th>MAXIM</th>
<th>METHOD</th>
<th>POST/PP</th>
<th>CPS</th>
<th>CPS</th>
<th>LIMIT</th>
<th>ppm</th>
<th>ppm</th>
<th>ppm</th>
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<tr>
<td>ZONE 52</td>
<td>GDA94</td>
<td>SC1</td>
<td>793000</td>
<td>Grey pisolite sands</td>
<td>50</td>
<td>200</td>
<td>SC 1</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>26</td>
<td>7</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>SC1b</td>
<td>792500</td>
<td>SC2</td>
<td>798875</td>
<td>Pisolitic cemented</td>
<td>50</td>
<td>220</td>
<td>SC 2</td>
<td>5</td>
<td>15</td>
<td>13</td>
<td>23</td>
<td>53</td>
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<td></td>
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</tr>
<tr>
<td>SC3</td>
<td>801062</td>
<td>SC4</td>
<td>800625</td>
<td>Pisolitic cemented</td>
<td>50</td>
<td>160</td>
<td>SC 5</td>
<td>5</td>
<td>15</td>
<td>11</td>
<td>11</td>
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<tr>
<td>SC5</td>
<td>797562</td>
<td>SC6</td>
<td>796300</td>
<td>Pisolitic cemented</td>
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<td>160</td>
<td>SC 6</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>42</td>
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<tr>
<td>SC7</td>
<td>794187</td>
<td>SC8</td>
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<td>Pisolitic cemented</td>
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<td>75</td>
<td>SC 7</td>
<td>5</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>SC9</td>
<td>815687</td>
<td>SC10</td>
<td>812125</td>
<td>Pisolitic cemented</td>
<td>50</td>
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<td>SC 9</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>SC11</td>
<td>813125</td>
<td></td>
<td>8601000</td>
<td></td>
<td></td>
<td></td>
<td>SC 11</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Rb, Sr, Th, U**
  - ppm ppm ppm ppm

Laterite below grey soils, some Wildman Sltst Clasts
The magnetic images show two blind east-northeast striking dolerites in the west. Two parallel linear northeast striking structures can be seen in the top central area. The shorter south-eastern one seems to terminate against a northeast feature and the termination is associated with a significant elliptical magnetic anomaly.

6.4 AIRBORNE ELECTRO MAGNETIC (AEM) GEOPHYSICS

The results of the year 1 program did not establish precise targets for drilling. It was decided that an Airborne Electromagnetic (AEM) Survey may locate conductive targets in the favourable host lithologies which could be tested by drilling. These would be bedrock conductors representing graphitic or chloritic / pyritic facies and or structures.

During Year 3, an AEM Survey was flown by Fugro Geophysics in association with Geoscience Australia (GA).

After many delays, the initial survey data was received in May 2009.

The survey details are given below:

- Line spacing 1,666m
- Line direction East-West
- Swim Creek approximate line kilometres 219 km

The raw data was processed by Encom to give various depth layer conductivities. This enabled the identification of deep bedrock conductors as opposed to surface (salt water) conductors. It is interesting that the surface here is mostly non conductive. Strong deep bedrock conductors may be black (graphitic) schists or possibly Whites Fm equivalents within the Wildman Siltstone

The images are shown below in Figures 12 & 13.

7.0 CURRENT INVESTIGATIONS

It was planned to conduct an RC drill program to the targets provided by the geophysical surveys and the interpreted stratigraphic concepts during year 4.

Unfortunately there were delays in the approval of the Mine Management Plan (MMP) which was only received on 23rd September 2010. Efforts were made to organise staffing and drill contractors in time before the wet season. However rain began in October and with access to most holes crossing wet areas, access was not possible or dubious to most, if not all, planned drill sites.

This program is now planned for year 5 in the dry season preferably around May or June 2011 as discussed below.

During May 2010 (year 4), a field reconnaissance was made to locate access to the planned drill sites. Some minor access upgrading will be required prior to drilling. Some access was still boggy in May.
8.0 EXPENDITURE

A breakdown of expenditure is contained in Table 4. Expenditure for the Swim Creek Project expenditure for the period 7th November 2009 to 6th November 2010 was $33,287.00.

Table 4: Expenditure 2010 (Year 4)

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Geological Consultants</td>
<td>$23,237</td>
</tr>
<tr>
<td>Geophysical Data Acquisition</td>
<td>$528</td>
</tr>
<tr>
<td>Tenement Administration</td>
<td>$2,242</td>
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<tr>
<td>Computer Services</td>
<td>$337</td>
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<tr>
<td>Freight</td>
<td>$26</td>
</tr>
<tr>
<td>Conferences and Seminars</td>
<td>$64</td>
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<tr>
<td>Drafting</td>
<td>$113</td>
</tr>
<tr>
<td>Salaries</td>
<td>$2,398</td>
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<tr>
<td>Total</td>
<td>$28,945</td>
</tr>
<tr>
<td>Administrative Overheads (15%)</td>
<td>$4,342</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$33,287</strong></td>
</tr>
</tbody>
</table>

9.0 PROPOSED EXPLORATION

The bedrock conductors assisted in providing targets for drill follow up. Drill targets were chosen using these conductors, their potential host stratigraphy, proximity to surface uranium anomalies and accessibility.

Drill follow up to test these litho-structural targets by Reverse Circulation drilling will best be done at the peak of the next dry season when access is to the flood plains is available. This program is expected to cost approximately $98,000.

9.1 PLANNED REVERSE CIRCULATION DRILLING

It is now planned to drill these targets in the 2010 dry season.

A program of angled reverse circulation drill holes has been planned using angled holes (-60 degrees) at selected targets. The azimuth is generally opposite to the expected dip direction.

These planned holes are shown on the figures below superimposed on various images used in the targeting. It is planned to drill to around 150 metres in each hole.

As shown below there are 6 planned holes on Swim Creek for approximately 900 metres of drilling.

Holes 1 and 2 will test the U indicator anomalies 3 & 4 (Figure 9) and the edge of the weaker bedrock conductive area (Figure 13).

Holes 3 and 4 will test the strongly conductive bedrock zone (Figure 13) where access is available.

Holes 5 & 6 will be drilled with opposite azimuths to test the strong U indicator anomalies (Figure 9) within the bedrock conductor zone (Figure 13).
Figure 8: Swim Creek Planned RC on TM Satellite Image

Figure 9: Swim Creek Planned RC on U x U / Th = Uranium Indicator
Figure 10: Swim Creek Planned RC on Geology

Figure 11: Swim Creek Planned RC on RTP Magnetics
Figure 12: Swim Creek Planned RC on Shallow AEM 15 to 20 Metres
Note the absence of surficial conductors here

Figure 13: Swim Creek Planned RC on Bedrock AEM 115 to 120 Metres
Note the strong bedrock conductors – possibly graphitic shales within the Wildman Siltstone ?= Whites Fm.
Table 5: Proposed Expenditure 2010 to 2011 (Year 5)

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Geological Consultants / Contractors</td>
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<td>Drilling Reverse Circulation</td>
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<td>Assaying</td>
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<td>Tenement Administration</td>
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<td>Vehicle Costs</td>
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<td>field &amp; Camp Costs</td>
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<td><strong>Total</strong></td>
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<td>Administrative Overheads (15%)</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$98,267</strong></td>
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</table>

10.0 CONCLUSIONS AND RECOMMENDATIONS

Results from the aeromagnetic and radiometric survey, stratigraphic analysis and the AEM survey have provided drill targets to follow up of the Swim Creek Project area for uranium exploration. Exploration for the next report period will be specifically to drill these targets.

Any drill intersections will be followed up by further drilling in the next program either later in 2011 or in 2012.