MANTRA RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 2010

ABN 26 116 478 703

MANTRA RESOURCES LIMITED

CORPORATE DIRECTORY

Directors
Mr Ian Middlemas
Mr Peter Breese (appointed 25 January 2010)
Mr Colin Steyn
Mr William Smart (appointed 16 June 2010)
Mr Robert Behets
Mr Ted Mayers (appointed 3 September 2010)
Mr Matthew Yates (resigned 7 April 2010)
Mr Mark Pearce (resigned 16 February 2010)

Company Secretary
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The Board of Directors of Mantra Resources Limited present their report on the consolidated entity of Mantra Resources Limited ('the Company') and the entities it controlled during the financial year ended 30 June 2010 ('Consolidated Entity' or 'Mantra').

INTRODUCTION

The following Management's Discussion and Analysis ('MD&A') should be read in conjunction with the audited Consolidated Financial Statements for the year ended 30 June 2010. The effective date of this report is 14 September 2010.

This discussion is current at the date of this MD&A. The consolidated financial statements (and the financial information contained in this MD&A) were prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS') rather than Canadian generally accepted accounting principles ('CGAAP'). All figures are expressed in Australian dollars ('A$') unless otherwise indicated.

Unless the context otherwise requires, references in this MD&A to the 'Company' or 'Mantra' are references to Mantra Resources Limited and its subsidiaries.

Additional information relating to the Company and its business, including the Company's AIF, when filed, is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

The following MD&A contains forward looking statements that reflect management's expectations regarding Mantra's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Wherever possible, words such as 'plans', 'expects', 'is expected', 'hopes', 'budget', 'scheduled', 'estimates', 'forecasts', 'anticipates', 'believes', 'intends' and similar expressions or statements (including negative variations) that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved have been used to identify these forward looking statements. Although the forward looking statements contained in this MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, Mantra cannot be certain that actual results will be consistent with these forward looking statements.

A number of factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward looking statements. Such factors include, among others, future prices of uranium, the actual results of current and future exploration activities, risks inherent in resource estimates, plant and/or equipment failure, availability of financing, and obtaining Governmental approvals for the mining of uranium.

Forward-looking statements contained in this MD&A are made as of the date of this MD&A and Mantra disclaims any obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

OVERVIEW SUMMARY

Mantra is a mineral exploration and development company incorporated under the laws of Australia and listed on the Australian Securities Exchange (the 'ASX') under the symbol 'MRU' and the Toronto Stock Exchange (the 'TSX') under the symbol 'MRL'. The Company's principal objective is to become a significant uranium producer in the short to medium term.

Mantra has direct and joint venture interests in a portfolio of uranium exploration tenements in Tanzania and Mozambique. Mantra's principal asset is its wholly owned Mkuju River Project ('MRP' or the 'Project'). The MRP is located in southern Tanzania, some 470km southwest of Dar es Salaam. Mantra's work program at the MRP is aimed at advancing the exploration and appraisal of the widespread 'Karoo' sandstone-hosted uranium mineralisation identified within the Project area. Exploration and drilling undertaken to date has confirmed the presence of widespread surface uranium mineralisation and multiple stacked mineralised horizons at shallow depths at the Nyota Prospect.

OVERALL PERFORMANCE

Project Update & Developments

Mkuju River Project

During the financial year, the Consolidated Entity continued the aggressive exploration and ongoing development of its flagship Mkuju River Project ('MRP' or 'Project') in southern Tanzania. The following key milestones were achieved at the MRP:

1) *Completion of the Pre Feasibility Study ('PFS')*

The PFS was completed in March 2010 and the results of the study confirmed the technical and economic viability of the Project and its capacity to operate with strong cash margins. Highlights included:

- Average annual production of 3.7 million pounds of U_3O_8;
- Initial mine life of twelve years, with strong potential to increase;
- Life of mine average operating cost of US$25.05 per pound of U_3O_8;
- Capital cost, including all associated infrastructure, of US$298 million; and
- Study was based on the January 2010 Mineral Resource Estimate (refer below).

2) *Commencement of the Definitive Feasibility Study ('DFS')*

The DFS commenced in March 2010 with the appointment of DRA Mineral Projects ('DRA') as the Engineering, Procurement, Construction and Management ('EPCM') Contractor. The DFS is scheduled for completion during the fourth quarter of 2010. A key component of the DFS is a comprehensive integrated pilot metallurgical test program which will be conducted at ANSTO in Sydney with the aim of testing and optimising the current Project flow sheet and minimising Project risk. Other key aspects of the DFS include:

- Further resource infill and exploration drilling. The resource infill drilling program is currently being completed, with five air drill rigs and two diamond drill rigs currently operating at Nyota. To the end of July, approximately 850 aircore/open-hole drill holes for 54,000 metres and 24 diamond holes for 1,500 metres have been completed this year. The results recorded from an initial 519 aircore/open holes have:
  - continued to confirm continuity of mineralised zones, both in terms of thickness and grade; and
  - highlighted multiple thick zones of mineralisation at shallow depths, including peak intercepts of 25 metres @ 1,572 ppm eU_3O_8, 26 metres @ 1,401 ppm eU_3O_8 and 47m @ 680 ppm eU_3O_8.

  As soon as the infill drilling has been completed, the drilling fleet will immediately be re-directed to a significant exploration drilling program which will commence in September 2010.

- Permitting:
  - The Environmental Impact Statement ('EIS') and the Special Mining License ('SML') applications were submitted during the June quarter; and
  - A draft Mine Development Agreement ('MDA') was submitted to the Ministry of Energy and Minerals during the June quarter.

- Project Financing, uranium marketing and off-take negotiations have commenced during the period under review.

3) *Initial Integrated Pilot Plant Test Work Results*

A comprehensive integrated pilot metallurgical testwork program was concluded during the financial year. The program, conducted at ANSTO in Sydney, was designed to reduce process design risk. The results from the initial 28 continuous days operation in March indicated that the flowsheet could be considerably improved in various areas. These improvements were introduced during the pilot plant run and the plant consistently confirmed these initiatives. Notably:

- Acid consumption in the leach was maintained in the order of 6-8 kg/tonne; well below the PFS parameter of 12 kg/tonne. The leach was operated at an ambient temperature leach with no addition of iron or oxidant. Average leach recoveries of 87% were consistent with the PFS, although a record recovery of 91% was achieved during testwork with high head grade feed;

- The resin absorption stage ran well with no resin fouling noted and a consistent 99.7% absorption rate was maintained throughout the campaign;

- The direct precipitation circuit produced a high quality yellowcake, thus confirming the elimination of the solvent extraction plant;

- The refining stage produced a final product yellowcake within chemical and physical specification of major uranium off-take converters; and

- During the neutralisation stage a locally sourced Tanzanian limestone was used successfully which may result in considerable cost savings over the originally envisaged, imported product.

In light of these positive aspects, the Company ran a modified testwork campaign during the entire month of May focused on evaluating the potential to further reduce operating costs and improve overall uranium recoveries through a combination of decreasing the temperature in the elution process; increasing resin loadings; using a larger resin bead; optimization of the lime addition; and piloting the opportunity to leach the scatted material to recover uranium in the tailings stream. The results from this program are being compiled.

In addition, as part of Mantra's strategy to optimise the flowsheet, reduce operating costs, reduce process risk and improve recoveries a series of additional tests has commenced. Initial piloting has confirmed a flowsheet to leach uranium from the tailings scats stream via VAT Leaching. An integrated pilot plant test program was initiated at ANSTO (in Australia) and is due for completion in the 3rd quarter 2010. In addition a 20 tonne sample of material is being run through the Kemix pilot rig at Mintek in South Africa. The test was initiated in an effort to improve on the design of the portion of the flowsheet that allows for the separation of the pregnant RIP from the acid leach solutions. This test was initiated in an effort to make sure that Mantra dose not replicate the commissioning problems that have been experienced at other uranium mines.

4) *Substantial Increase in the Nyota Resource*

Data obtained from an extensive infill and exploration drilling program during 2009 formed the basis for the revised Mineral Resources Estimate ('MRE'), which was completed and released on 27 January 2010.

This revised MRE comprises 25.1 million tonnes averaging 515 ppm for 28.5 million pounds of U_3O_8 classified into the Indicated Mineral Resource category, plus Inferred Mineral Resources of 57.3 million tonnes averaging 442 ppm for 55.8 million pounds of U_3O_8 at a lower cut-off grade of 200 ppm U_3O_8.

Mkuju River Project - Nyota Prospect
Mineral Resource Estimate as at 26 January 2010

	Tonnage (million tonnes)	Grade (U_3O_8 ppm)	Contained U_3O_8 (million pounds)
Indicated Mineral Resource	25.1	515	28.5
Inferred Mineral Resource	57.3	442	55.8

Notes
(1) The resource is estimated at a lower cut-off grade of 200 ppm U_3O_8
(2) All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding

Key points of the revised MRE are summarised as follows:

- MRE has increased by 89% from the previous statement (44.6 Mlbs);
- 28.5 Mlbs U_3O_8 or 34% of the MRE classified as an Indicated Mineral Resource;
- Majority of the MRE is within 60 metres of surface;

- Aggressive and successful exploration drilling has lead to rapid growth in the MRE over the past year; and
- Further drilling programs at Nyota, aimed at expanding the MRE and upgrading the resource classification, commenced in January 2010.

5) *Initial Exploration Results from the MRP Satellite Targets*

The results of reconnaissance exploration undertaken on a suite of targets within the MRP, but outside the Nyota Prospect, provided an excellent start to the appraisal of the MRP Satellite Targets. Results included:

- Selective rock chip grab samples up to 1.53% (15,380 ppm) U_3O_8;
- Maximum auger intercepts of 7m @ 2,591 ppm U_3O_8;
- Best trench intercept of 3.2m @ 4,119 ppm U_3O_8; and
- Initial exploration results provide further indications of the emergence of a new uranium province.

Regional Exploration – Tanzania and Mozambique

During the financial year, the Consolidated Entity advanced exploration activities on its remaining exploration properties in Tanzania and Mozambique with encouraging results.

Corporate Developments

The following material corporate events occurred during the year ended 30 June 2010:

- The Company successfully completed its dual listing on the Toronto Stock Exchange ('TSX'). The dual listing has provided increased liquidity to the Company's shareholders and increased access to the larger Canadian and other northern hemisphere capital markets.

- The Company received shareholder:

  (i) ratification for the public offering of 13,000,000 ordinary shares each at an issue price of C$4.00 to raise C$52 million before costs, that was completed on 24 December 2009; and

  (ii) approval for and completed a private placement of an additional 3,800,000 ordinary shares to Highland Park S.A. and AngloPacific Group Plc, each at an issue price of C$4.00 to raise C$15.2 million before costs.

  Combined, the public offering and private placement raised C$67.2 million (approximately A$72.5 million) before costs.

- The Company raised approximately $7.2 million from the exercise of 3.4 million unlisted options which were due to expire on 30 June 2010. These funds reinforce the Company's strong cash position, as it completes the DFS and prepares to commence early site works at the MRP, with approximately A$78.6 million at the end of the period and no long term debt.

(All figures are in Australian dollars unless otherwise indicated)

The operating loss of the Consolidated Entity for the year was A$30,195,553, compared to a consolidated net loss of A$30,133,817 for the year ended 30 June 2009. It is noted that the operating loss for the prior year included an impairment provision totalling $7,759,787 that was made in respect of capitalised exploration and evaluation expenditure and resulted in the loss for the prior year being comparable to the loss for 2010. This variation in the annual net loss between June 2010 and June 2009 (excluding the prior year impairment provision) is mainly attributable to a significant increase in exploration and development activities at the MRP in 2010 compared to 2009 which resulted in proportionately more exploration expenditure being incurred in 2010. The 2010 activities continued to focus on the Nyota Prospect and included:

- commencement of the DFS;
- completion of the PFS; and
- the ongoing infill, extension and exploration drilling programs aimed at improving the category of the current MRE and increasing its size.

As Mantra is in the advanced exploration and evaluation stage of development and has not yet commenced mining operations on any of its properties, the Company does not currently have any mining revenues. Until the successful completion of any proposed development, the Company is not expected to have any mining revenues.

Mantra currently has no long term debt obligations.

Outstanding Share Information

As at 13 September 2010 the Company had 130,229,188 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary shares, unlisted options and performance share rights currently on issue:

As at 10 September 2010	Number
Outstanding shares	130,229,188
Outstanding unlisted options	11,175,806
Outstanding performance rights	2,609,325
Total	**144,014,319**

Notes

(1) The unlisted options referred to above were not granted pursuant to any formal option plan or similar compensation arrangement, however it is noted that 2,100,000 options granted to executive directors were approved by Shareholders at General Meetings;

(2) The performance rights referred to above were approved by shareholders during June 2010, as part of the Company's new remuneration/incentive arrangements. Pursuant to its new Long Term Incentive Plan ('LTIP'), the Company granted approximately 2.6 million performance share rights to a number of key employees and consultants;

(3) The outstanding unlisted options are convertible into a total of 11.2 million ordinary shares, and are subject to exercise prices ranging from A$1.20 to A$5.50 and expiry dates ranging from 31 December 2010 to 31 December 2013;

(4) The outstanding performance share rights are convertible into a total of 2.6 million ordinary shares, and are subject to exercise prices of Nil (2,309,025 share rights) to A$5.50 (300,000 share rights), and expiry dates ranging from 31 March 2011 to 31 December 2013; and

(5) Since 30 June 2010, the Company has not issued any shares.

As at 9 September 2010, Mantra's market capitalisation (based on its trading price on the ASX) was approximately A$586 million (approximately A$648 million calculated on a fully diluted basis including all in-the-money options).

SELECTED ANNUAL INFORMATION

The following table sets out the Consolidated Entity's financial condition for the three years ended 30 June 2010, 30 June 2009 and 30 June 2008. The numbers are in accordance with AIFRS and applied on the same basis as the annual financial statements of the Company.

(thousands of A$, except per share amounts, rounded to the nearest hundredth)	Year Ended 30 June 2010 Audited	Year Ended 30 June 2009 Audited	Year Ended 30 June 2008 Audited
Interest revenue	2,046	1,552	1,526
Other revenue	1,592	Nil	Nil
Net profit/(loss) after tax	(30,196)	(30,134)	(41,521)
Net profit/(loss) per share – basic	(0.26)	(0.37)	(0.78)
Net profit/(loss) per share – diluted	(0.26)	(0.37)	(0.78)
Cash and cash equivalents	78,694	26,116	35,064
Total assets	83,148	27,920	44,590
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil

RESULTS OF OPERATIONS

Year ended 30 June 2010 compared to the year ended 30 June 2009

Exploration and Evaluation Expenditure

The major expense item incurred by the Company in both the 2010 and the 2009 financial years was exploration and evaluation expenditure, which is attributable to the Company's accounting policy of expensing exploration and evaluation expenditure incurred by the Company subsequent to the initial acquisition of the rights to explore and up to the successful completion of definitive feasibility studies for each separate area of interest. During the 2010 financial year Mantra incurred expenses of A$30,099,715 on exploration and evaluation activities, compared to A$21,633,321 during the prior year, which also resulted in an increase in the net cash outflow from operating activities in the 2010 year. The increase in exploration and evaluation expenditure during 2010 is due to the Company's strategy of aggressively exploring and the ongoing development of its Nyota Prospect at the wholly owned MRP, where the Company recently:

- completed a PFS that confirmed the technical and economic viability of the Project and its capacity to operate with strong cash margins;
- commenced a DFS, including a comprehensive integrated pilot metallurgical test program that commenced in March which aims to de-risk the flowsheet, improve recoveries and reduce operating costs; and

- announced an 89% increase in the MRE, including 28.5 Mlbs U_3O_8 (34%) of the MRE being classified into the higher category of Indicated Mineral Resource, with the remainder of the estimate being classified as an Inferred Mineral Resource.

It is noted that the operating loss for the prior year included an impairment provision totalling $7,759,787 that was made in respect of capitalised exploration and evaluation expenditure. This impairment provision resulted in the loss for the prior year being comparable to the loss for 2010.

Share-Based Payments

During 2010, the Company incurred non-cash share-based payment expenses of A$5,619,060 in relation to incentive options and performance rights issued to key management personnel in the current and prior fiscal years, which was classified as exploration and evaluation expenditure. This is attributable to the Company's accounting policy of expensing the fair value of options granted (determined using the Binomial option pricing model) on a straight-line basis over the vesting period of the options. This compares to employee benefit non-cash share-based payment expenses of A$4,838,677 for the prior year.

Future Performance

A number of factors could cause the Company's future performance to be materially affected. Such factors include, among others, future prices of uranium, the actual results of current and future exploration activities, risks inherent in resource estimates, plant and/or equipment failure, availability of financing, and obtaining Governmental approvals for the mining of uranium.

SUMMARY OF QUARTERLY RESULTS

The quarterly results for the eight most recently completed quarters are provided below.

	Quarter Ended (Unaudited)							
(thousands of A$, except per share amounts, rounded to the nearest hundredth)	30 Jun 2010	31 Mar 2010	31 Dec 2009	30 Sep 2009	30 Jun 2009	31 Mar 2009	31 Dec 2008	30 Sep 2008
Interest revenue	1,010	703	152	181	187	341	418	605
Net profit/(loss) after tax	(9,284)	(7,304)	(7,291)	(6,317)	(6,350)	(4,106)	(14,358)	(5,320)
Net profit/(loss) per share – basic	(0.07)	(0.06)	(0.07)	(0.06)	(0.07)	(0.05)	(0.18)	(0.07)
Net profit/(loss) per share – diluted	(0.07)	(0.06)	(0.07)	(0.06)	(0.07)	(0.05)	(0.18)	(0.07)
Cash and cash equivalents	78,694	78,856	67,580	20,909	26,116	23,246	25,515	31,016
Total assets	83,148	81,416	69,758	24,081	27,920	25,204	27,792	38,318
Total long-term financial liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Consistent with the annual results noted in the section above, the major expense item incurred by the Company in both the June 2010 quarter and the June 2009 quarter was exploration and evaluation expenditure mainly in relation to the ongoing development of the MRP.

The key factors that have caused significant variations over the eight most recently completed quarters were:

(i) On 18 November 2009, the company completed its dual-listing on the Toronto Stock Exchange ('TSX') and then received shareholder approval for the following capital raising:

- a public offering of 13,000,000 ordinary shares each at an issue price of C$4.00 to raise C$52 million before costs, that was completed on 24 December 2009; and

- a private placement of an additional 3,800,000 ordinary shares to Highland Park S.A. and AngloPacific Group Plc, each at an issue price of C$4.00 to raise C$15.2 million before costs, that was completed in February 2010.

Combined, the public offering and private placement raised C$67.2 million (approximately A$72.5 million) before costs.

(ii) During the quarter ended 31 December 2008, there was an impairment loss of $7,759,787 charged to the Consolidated Entity's exploration and evaluation assets. Given the Company's strategy of focussing on the development of its wholly owned Nyota Prospect in southern Tanzania, and due to insufficient encouragement from the exploration results obtained, the decision was made to fully impair the value of the Consolidated Entity's non-core exploration assets in Mozambique ($5,300,000), Tanzania ($1,496,104) and Malawi ($963,683).

LIQUIDITY AND CAPITAL RESOURCES

At 30 June 2010, the Company had cash reserves of approximately A$78.7 million. This amount is sufficient to meet the Company's working capital requirements in relation to exploration programs at its existing uranium projects over the next 12 months and to pursue new business opportunities in the resources and energy sectors. The recommended resource development activities as set out in the technical reports on the Project prepared in accordance with NI 43-101 entitled "January, 2010 Resource Update – Mkuju River Project" dated 10 March 2010, "December, 2009 Resource Update – Mkuju River Project" dated 7 December 2009, and "Technical Report on the Mkuju River Project located in Tanzania, Africa" dated 18 September 2009, which are available under the Company's profile at www.sedar.com, are budgeted to cost approximately US$7.3 million.

The Company's principal source of cash for the year ended 30 June 2010 was a share offering of 13,000,000 ordinary shares at an issue price of C$4.00 per ordinary share for gross proceeds of C$52 million (the 'Offering'). In addition to the Offering, Mantra also completed a private placement of an additional 3,800,000 Ordinary Shares to Highland Park S.A. and AngloPacific Group Plc, at an issue price of C$4.00 per Ordinary Share for gross proceeds to the Company of C$15.2 million (the 'Private Placement'). Combined, the Offering and Private Placement raised C$67.2 million (approximately A$72.5 million) before costs, which will further assist the Company to achieve its strategic objective of becoming a significant uranium producer in the short to medium term.

The Offering was completed on 24 December 2009 and to-date there has not been any material variance with the use of proceeds that was disclosed in the Final Short Form Prospectus dated 16 December 2009.

The following is a summary of the Company's outstanding commitments as at 30 June 2010:

Contractual Obligations	Payments Due by Period				
(thousands of A$)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long Term Debt	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Operating Leases	-	-	-	-	-
Purchase Obligations	12,405	12,405	-	-	-
Other Long Term Obligations	-	-	-	-	-
Total Contractual Obligations	12,405	12,405	**-**	**-**	**-**

OFF-BALANCE SHEET TRANSACTIONS

The Company has had no off-balance sheet transactions since incorporation.

TRANSACTIONS WITH RELATED PARTIES

Apollo Group Pty Ltd ('Apollo Group'), a company controlled by Mr Mark Pearce, a former non-executive Director of Mantra (resigned effective 16 February 2010), received a monthly retainer of A$16,500 for the provision of administrative and accounting services and the provision of a fully serviced office to Mantra. Apollo Group also receives, from time to time, consulting fees for additional services provided. During the year ended 30 June 2010, Apollo Group received consulting fees totalling A$51,700 in relation to the Company's TSX listing and the abovementioned capital raising.

SUBSEQUENT EVENTS

The following significant events occurred after 30 June 2010:

- On 3 September 2010, Mr Ted Mayers was appointed as a non-executive Director of the Company. Mr Mayers has previously held a number of senior financial positions with publicly listed mining companies, most recently as Chief Financial Officer with Lundin Mining Corporation and has over 25 years experience.

Other than as disclosed above, there were no significant events occurring after 30 June 2010 requiring disclosure.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The annual financial statements were prepared in accordance with AIFRS. A description of the Company's significant accounting policies is provided in Note 1 to the financial statements. Management is required to make various estimates and judgments in determining the reported amounts of assets, liabilities, revenues and expenses for each period presented and in the disclosure of commitments and contingencies. Management considers the following to be the critical accounting policies which reflect its more significant estimates and judgments used in the preparation of the financial statements. The Company has neither provided nor is required to provide a reconciliation of its financial statements to CGAAP.

It is noted that the Company has not changed any of its significant accounting policies since incorporation in September 2005.

The Company's significant accounting policies are outlined below:

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Consolidated Entity in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the initial acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Consolidated Entity subsequent to acquisition of the rights to explore is expensed as incurred up to the successful completion of definitive feasibility studies. Expenditure in relation to the preparation of definitive feasibility studies is expensed as incurred.

Expenditure is capitalised if the Company has rights to tenure and the Company expects to recoup the expenditures through successful development or sale.

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-Based Payments

Share based payments are provided to directors, employees, consultants and other advisors and to acquire assets such as mineral exploration licences.

The fair value of options granted (determined using the Binomial option pricing model) is recognised as an expense or asset, as appropriate with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which option holders become unconditionally entitled to the options.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of equity instruments that will eventually vest.

FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise receivables, payables, investments, cash and short-term deposits. The main risks arising from the Company's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Company's financial risk management policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Company does not enter into derivative transactions to mitigate the financial risks. In addition, the Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Company's operations change, management will review this policy periodically going forward.

The fair values of receivables, payables, cash and short-term deposits approximate their carrying value.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, including providing reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO'), as appropriate, to permit timely decisions regarding public disclosure. Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as at 30 June 2010. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the year ended 30 June 2010 that materially affect, or are reasonably likely to materially affect, internal control over financial reporting. Management, including the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting as at 30 June 2010. Based on this evaluation, the CEO and CFO have concluded that our internal control over financial reporting were effective.

The accompanying Consolidated Financial Statements for the year ended 30 June 2010 have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), as stated in note 1 to the Consolidated Financial Statements, and have been audited by the Company's Auditors, Deloitte. The Consolidated Financial Statements of the Company and the Group, also complies with International Financial Reporting Standards (IFRS). The effective date of these Consolidated Financial Statements is 14 September 2010.

Regulatory Disclosures:

For further information regarding the Mkuju River Project, including a description of Mantra's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the Mkuju River Project please refer to the technical reports prepared in accordance with NI 43-101 entitled "January, 2010 Resource Update – Mkuju River Project" dated 10 March 2010, "December, 2009 Resource Update – Mkuju River Project" dated 7 December 2009, and "Technical Report on the Mkuju River Project located in Tanzania, Africa" dated 18 September 2009, which are available under the Company's profile at www.sedar.com.

Competent Person / Qualified Person Statements:

The information in this report that relates to Exploration Results is based on information compiled by Mr. Robert Behets, who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr. Behets is a full-time employee of the Company. Mr. Behets 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 (The JORC Code) and is a "Qualified Person" under National Instrument 43-101 - 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this report, including sampling, analytical and test data underlying the information contained in this release. The QP was satisfied with the verification process and consents to the disclosure in this release. Mr Behets consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to in-situ Mineral Resources is based on information compiled by Mr Malcolm Titley of CSA Global Pty. Ltd. He is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity 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 (The JORC Code) and is a "Qualified Person" under National Instrument 43-101 - 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this report, including sampling, analytical and test data underlying the information contained in this release. Mr Titley consents to the inclusion of such information in this Report in the form and context in which it appears.