



(Mesa Minerals Limited is alternatively referred to in this document as "Mesa" or "the Company". ASX Code: MAS)

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ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

KEY EVENTS AND ACTIVITIES FOR THE QUARTER

Since the issue of the last quarterly report, the key events and activities that have advanced the fortunes of the Company have been as follows:

- Successful sale on 24 October 2009 of the first trial shipment of 24,003 tonnes of high grade manganese ore from Ant Hill in which Mesa has a 50% interest. (Refer ASX Release dated 26 October 2009 for further details.)
- Issue of a default notice on 26 November 2009 to Auvex Resources Limited (**Auvex**), the Company's joint venture partner at Ant Hill, which has resulted in ongoing discussions that are yet to be finalised. (Refer ASX Release dated 26 November 2009 for further details.)
- Notification by the Department of Mines and Petroleum that, subject to lodgement of requisite bond increases, the approvals for undertaking regular mining activities at Ant Hill and Sunday Hill would be recommended to the Director of Environment for approval. (Refer ASX Release dated 20 January 2010 for further details.)
- Signing of a contract of sale for the second and final trial shipment of medium grade manganese ore from Ant Hill, which resulted in the recognition of a sale of 18,006 tonnes in January 2010, in which Mesa has a 50% interest. (Refer ASX Release dated 21 January 2010 for further details.)
- Continuation of planning for regular production from Ant Hill and potentially for additional drilling to define a sizeable near term mineable ore reserve at that site, whilst simultaneously extending the tenement's reported ore resources.
- Further firming in manganese ore prices based on perceived increases in steel demand, particularly within China, through 2010 and beyond.
- Commencement of technology licensing discussions for the use of the Company's patented processes in the production of a high purity manganese reagent used in large volumes in the production of a major fungicidal product.
- Application for eight exploration tenements, which are believed to be prospective for manganese, for each of which there will be a ballot held in February 2010 to determine a grantee for each from multiple applicants.

MESA MINING JOINT VENTURE (MMJV)

Since the issue of the default notice to Auvex noted above, the continuity of the MMJV has become a matter that may require legal resolution if the participants are unable to resolve it commercially in ongoing discussions that are taking place. (Under the terms of the Farmin and Joint Venture Agreement, a defaulting party is deemed to have made an offer of sale for its MMJV interests, at the point of the default and for a price that is determined by a discounted independent valuation process.) Accordingly, any reference or inference in this document to the continuity of the MMJV as an entity, past the date of default, is made without prejudice to Mesa's rights arising as a consequence of Auvex's default.

Apart from the load out of ore for the two trial shipments discussed above, there have been no significant activities at the Ant Hill mine site since the last quarterly report. During the period under review, an updated flora and fauna study was resubmitted with the result that final mining approvals are now at hand. Additionally, the initial Ant Hill Project Management Plan for the recommencement of mining activities at that site was submitted to the Department of Mines and Petroleum and approved. A formal decision to commence mining activities is now, for all practical purposes, within the power of participants to make and every effort is being made to achieve the earliest date for regular ore production.

In the last quarterly report it was disclosed that Auvex, the manager of the production joint venture, had informed Mesa that the previously advised ore tonnages from trial mining now appeared to be significantly overstated. It was also noted in that quarterly report that Mesa had requested a full explanation of the errors and of the implications for the 'resource to production' reconciliations previously provided by Auvex. (We had previously been assured by the production manager that the volumes excavated at the mine site had been reconciled with the ore stockpiles to within approximately 2% by volume and metal.)

Whilst we have yet to receive any comprehensive explanation as to how such large errors were not exposed by the previous reconciliation process, Mesa has been able to determine to its satisfaction (based on partial information received and the subsequent sales of saleable ore produced) that the net saleable ore overstatement amounted to approximately 28,000 tonnes (Mesa's 50% share 14,000 tonnes). A little more than half of the overstatement appears to be due to errors in the independent surveys, with the balance due to Auvex error in the application of overly high bulk density factors to the surveyed stockpile quantities.

MANGANESE ORE SALES

Mesa, as marketing agent for the MMJV, has now sold almost all the saleable ore produced during the trial mining exercise, in two cargos shipped in October 2009 and January 2010, with a small tonnage remaining at its Boodarie ore depot in Port Hedland. Ore now remaining at Ant Hill comprises material held for beneficiation or secondary processing. Mesa has a 50% interest in the ore sold and the revenue and selling costs for its share of the first shipment have been accounted for in the half year to 31 December 2009, with its share of the second shipment accounted for in the half year to 30 June 2010.

The market for manganese ores, such as those that will be produced at Ant Hill, continues to recover from the 'demand and price lows' experienced following the global financial crisis. Prices currently achievable, which are believed to be indicative of prices available in the near to midterm, would support a positive decision on mine development. As Mesa believes that Ant Hill can be taken from its present 'mothballed' status, to full operating status in a relatively short timeframe, then every effort is being made to ensure that there are no undue delays in bringing regular tonnages to market.

COMMERCIALISATION OF PATENTS

In the quarter under review we have also been able to refocus on our efforts to extract value from our patents and to extend our patent portfolio. The results of these efforts have been encouraging and will be pursued strongly in the first quarter of 2010.

Of particular note are our discussions with parties who are keen to see our patents applied to the production of a high purity manganese sulphate solution that is used in large volumes as a reagent in the production of a fungicidal product marketed internationally. The application appears to be most suitable and we shall be seeking to advance discussions on a commercial arrangement during the current quarter.

Simultaneously, the pace of work on our own Port Hedland project will be increased to ensure that everything that can be done internally, in anticipation of a full bankable feasibility study, has been done. Whilst the progress of this project to date has been necessarily slow, limited by the need to conserve funds over the past two years, a study of a very high standard has been undertaken which will greatly reduce both costs and the future time taken to reach a point where a decision to proceed can be considered by the Board.

Over the last two years, the potential markets and prices for both the interim products of the proposed Port Hedland project (ie, fertilizer grade granulated manganese sulphate and a slow release micro nutrient fertilizer) have remained strong, at levels that will support a project development decision, despite the global financial crisis. Importantly, the potential markets and prices for the ultimate product of the project (ie, high purity electrolytic manganese dioxide or EMD) have been particularly strong.

With the manganese version of the lithium ion battery moving into a position of dominance in the vehicle and tools sectors, and supply side constraints for EMD becoming readily apparent to battery makers, prices for high purity EMD have virtually doubled hitting a new all time peak of US\$2630 per tonne (FOB) in mid 2009. Just as prices for lithium salts have been driven up as a result of this new vehicle battery technology moving from the laboratory into production, we expect to see a continuation of high EMD prices in coming years.

On 14 December 2009, the Company's application for a new Australian patent covering a novel method for the heap leaching of very low grade manganese oxide ores was registered (AU209906071). Mesa management believes that this new patent, once granted, can be utilised to great advantage to further optimise the economics of the Port Hedland secondary processing project, which as currently conceived is expected to use our sulphur dioxide leach patent in conjunction with our manganese fertilizer patent.

CASH POSITION

As at 31 December 2009, Mesa had cash balances of \$3.4m, of which \$1.1m was being held in trust for Auvex. (A detailed analysis of cash flows for the quarter was set out in the Appendix 5B also lodged today.) Subsequent to the end of the quarter, Mesa has announced the successful completion of a second manganese ore sale that will further boost its cash position by an estimated \$0.8m.



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Alan Scott
(Managing Director)