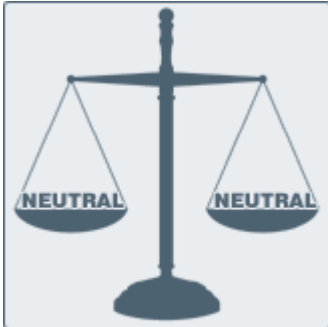


**SYMBOL DEFINITIONS**

 EXPLORER	 HIGH RISK	 MARKET CAP <b>\$9.5m</b>
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[CLICK FOR ALL SYMBOL DEFINITIONS](#)

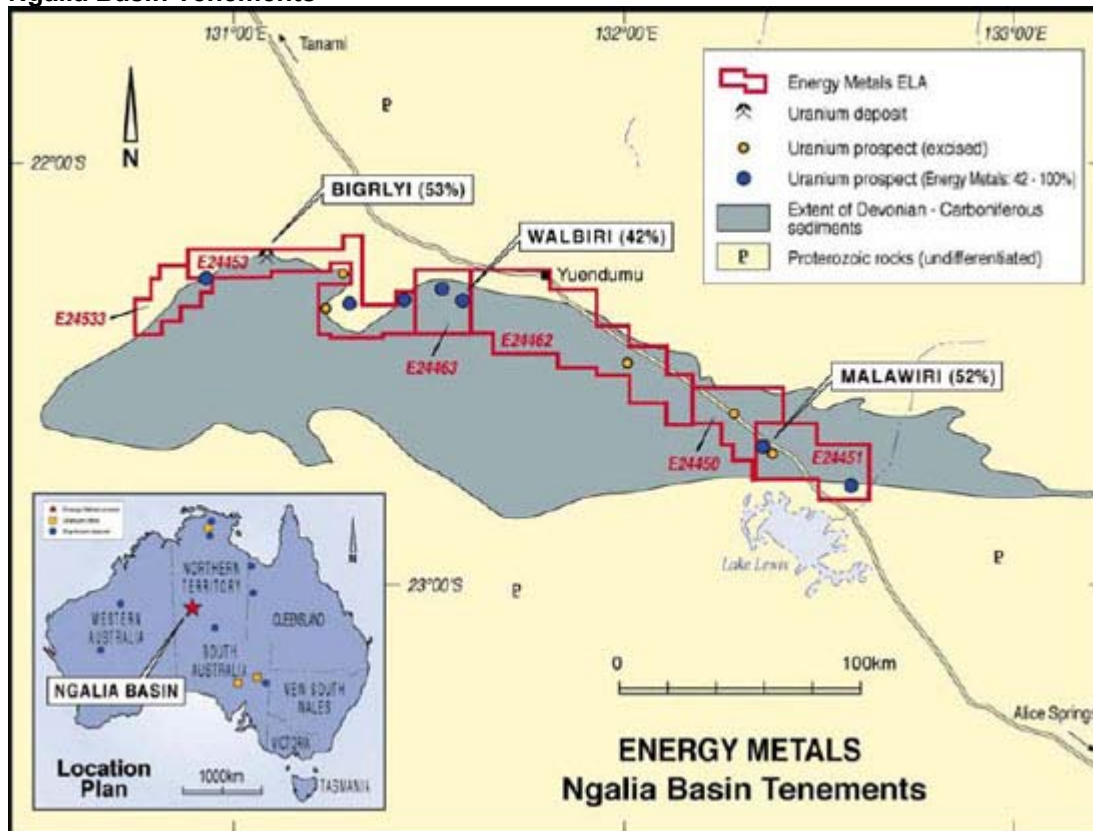
Surging uranium prices have sparked a high level of investor interest in recent months, including a number of successful new floats specifically focussed on exploring for uranium. Jindalee positioned itself early to participate in this sector by picking up a range of early stage exploration opportunities in Western Australia and the Northern Territory as outlined in [FPM 83](#).



*"Jindalee has beefed up its portfolio of uranium assets as it prepares to spin out Energy Metals as a dedicated uranium explorer. Jindalee shareholders will have preferential entitlement to the IPO which should coincidentally support the company's share price during an option expiry period."*

More recently the company has acquired strategic interests in key uranium tenements that will become the cornerstone assets in the forthcoming float of its wholly owned subsidiary Energy Metals. The tenements are located in the Ngalia Basin, Northern Territory and have been acquired from vendors Yuendumu Mining Company NL and Central Pacific Minerals NL. The interests include 53% (and management) of the Bigrlyi prospect, 52% of the Malawiri prospect and 42% of the Walbiri prospect, as outlined below.

**Ngalia Basin Tenements**



Source: Company

Consideration for the acquisitions is \$30,000 cash, plus the issue of 1.2 million Jindalee shares and 1.2 million Energy Metals options (exercisable at 30c by 30 June 2008).

Uranium was first discovered at Bigrlyi in 1973, and exploration during the following decade outlined modest tonnages of high grade mineralisation at a number of locations. The most significant resource was outlined at Anomaly 15. Overall, non-JORC compliant resources have been estimated as being 0.8mt at 3.43 kg/t U<sub>3</sub>O<sub>8</sub> at Bigrlyi; including 0.55mt at 3.68 kg/t at Anomaly 15. Additionally ore grade drill results have been recorded at a number of other prospects.

Immediately following the listing of Energy Metals we expect the company to embark on active exploration and drilling campaigns aimed at:

- verifying existing resources at Anomaly 15
- testing for down plunge extensions at Anomaly 15
- further testing prospects with encouraging previous drill results, and
- exploring for repetitions under shallow cover.

Jindalee has flagged that it will commence the spin out of Energy Metals around the beginning of July, including a capital raising in the order of \$3m (12m shares at 25 cents per share). This may be increased slightly to accommodate a cornerstone investor. Jindalee will retain around 10m shares, leaving Energy Metals with a tight capital structure (of around 22m shares) similar to the Jindalee structure when it floated.

In the current market we anticipate very strong investor demand for Energy Metals, but it may be challenging for non-Jindalee shareholders to get hold of any stock. There will be preferential entitlement to subscribe for Energy Metals shares to existing Jindalee shareholders, most probably pro rata based on existing holdings and some oversubscription facility. This will be the only way a potential investor can be assured of getting any stock in the IPO process.

The terms of this pro rata entitlement are yet to be determined; in part due to the expiry of around 8m, 25 cent Jindalee options on June 30 which will alter the capital structure of the company. Accordingly the date for determining entitlement to subscribe for Energy Metals via Jindalee is likely to be set for early July.

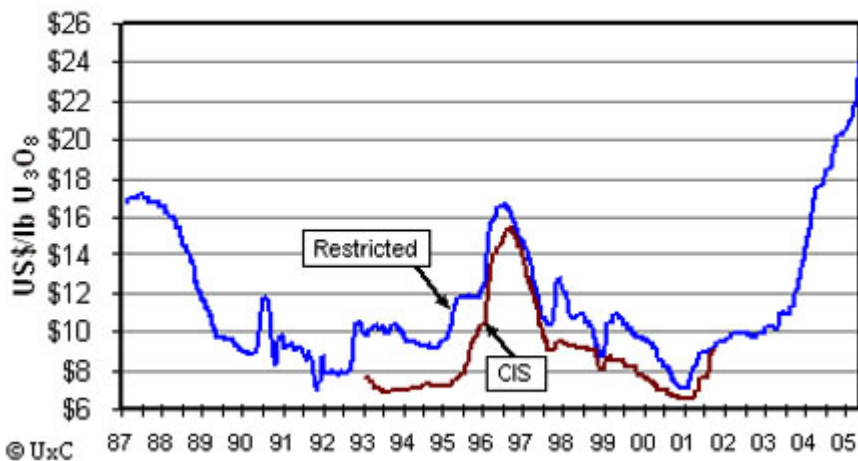
The Jindalee options will raise up to \$2m, which is material for a grass roots exploration company with current cash reserves of \$1m. Most likely the subscription entitlement will be in the range of 1 Energy Metals share for every 3 or 4 Jindalee shares held. Essentially this entitlement has become a carrot that will help entice existing Jindalee option holders to convert.

### **Uranium Market Update**

Uranium has become the hot metal of 2005 due to the combination of an impending supply squeeze and strong demand growth. In December 2004 we wrote an article on WMC Resources ([see FPM 77](#)) titled "The Increasing Importance of Uranium" and Members are referred to that article for background information.

To recap there are currently some 438 reactors globally and numerous planned expansions of nuclear power programs, including plans for 16 new plants in Japan and another 17 being built across India and China. WMC Resources has forecast that current global uranium production meets only 58% of demand, with the shortfall made up largely from rapidly shrinking stockpiles. This shortfall is expected to run at 51 million pounds a year on average between 2005 and 2020.

Unlike the case with some other metals, nuclear power reactors do not have the capacity to stop production if uranium prices are perceived to be too high. Hence, we are currently witnessing a step change in uranium prices as illustrated below.



Source: UXC

Even this chart understates the current spot market price which hit US\$29/lb during the past week.

### Corporate Structure (at 28 cents)

Jindalee's current corporate structure is as follows:

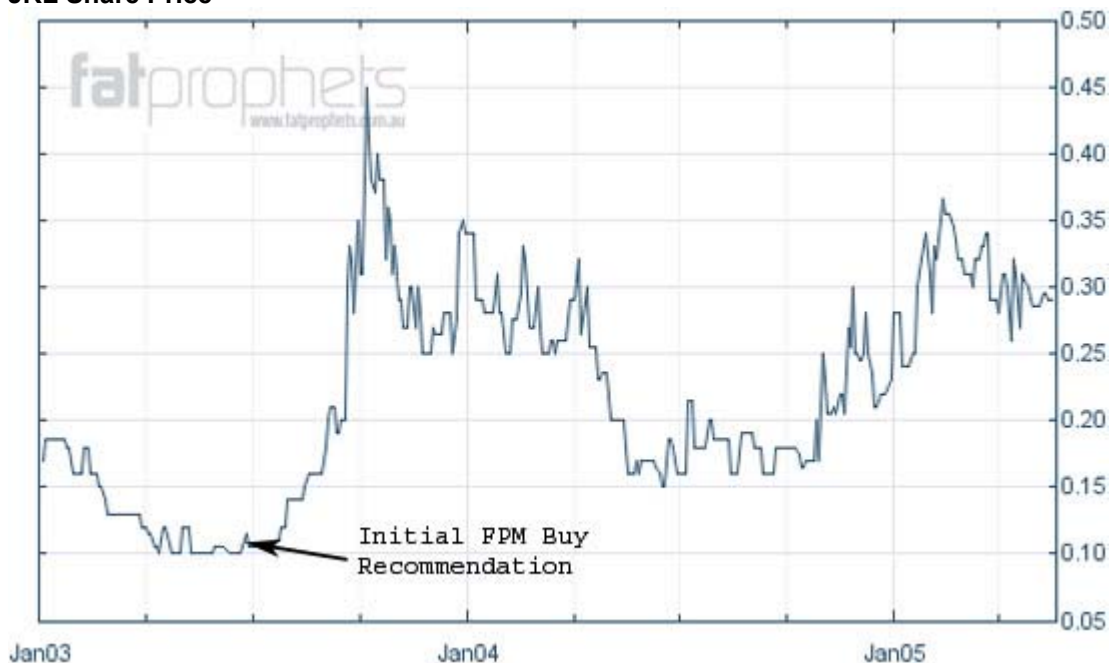
Fully paid shares	20.8m
Options	11.7m
Diluted Market Cap	\$9.5m
Cash	\$1.0m
Investments	\$0.3m
Cash from Options	\$3.2m
Enterprise Value	\$4.9m

### Recommendation

Two opposing forces will strongly influence the near term share price of Jindalee; the imminent option expiry and entitlement to the Energy Metals IPO. We are maintaining our **Hold recommendation for Jindalee around the current price of 28 cents.**

Members are advised that Jindalee shares frequently experience low turnover.

### JRL Share Price



Disclosure: The writer discloses that he holds shares in Jindalee.

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