

## Take up your Energy Metals Entitlement

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**SYMBOL DEFINITIONS**

 EXPLORER	 HIGH RISK	 MARKET CAP <b>\$10m</b>
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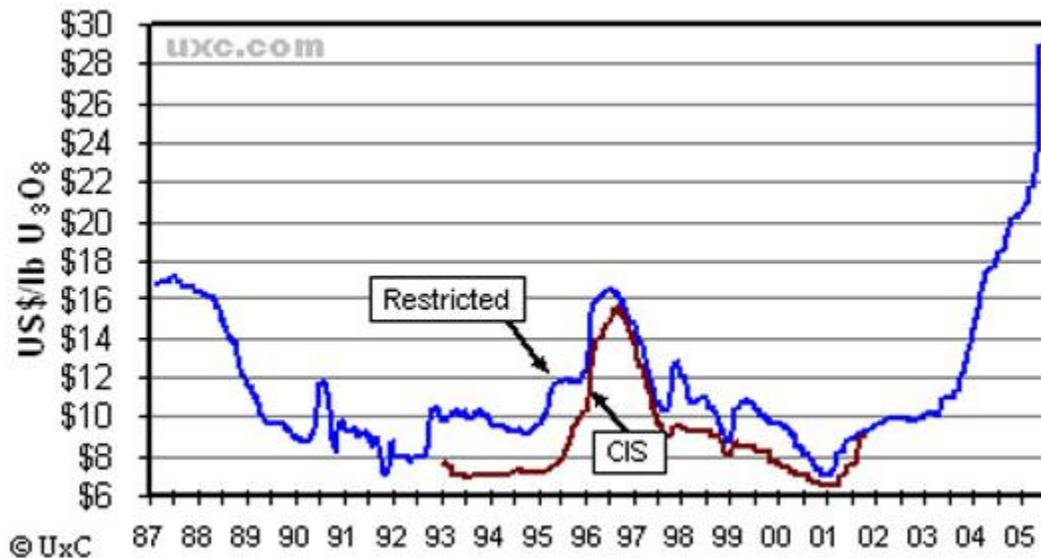
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Uranium has been the hot metal of 2005, with rising demand and a significant supply shortage evolving in the market, leading to surging prices (as illustrated below) as well as buoyant share prices for listed uranium companies. During the past 6 months Jindalee has positioned itself to participate in this sector by picking up a range of exploration opportunities in Western Australia and the Northern Territory as outlined in [FPM 83](#) and [FPM 97](#).



*"In a timely move, Jindalee Resources has lodged a prospectus for the spin out of Energy Metals as a dedicated uranium explorer. Existing Jindalee shareholders have preferential entitlement to the IPO."*

### Uranium Price



Source: UXC

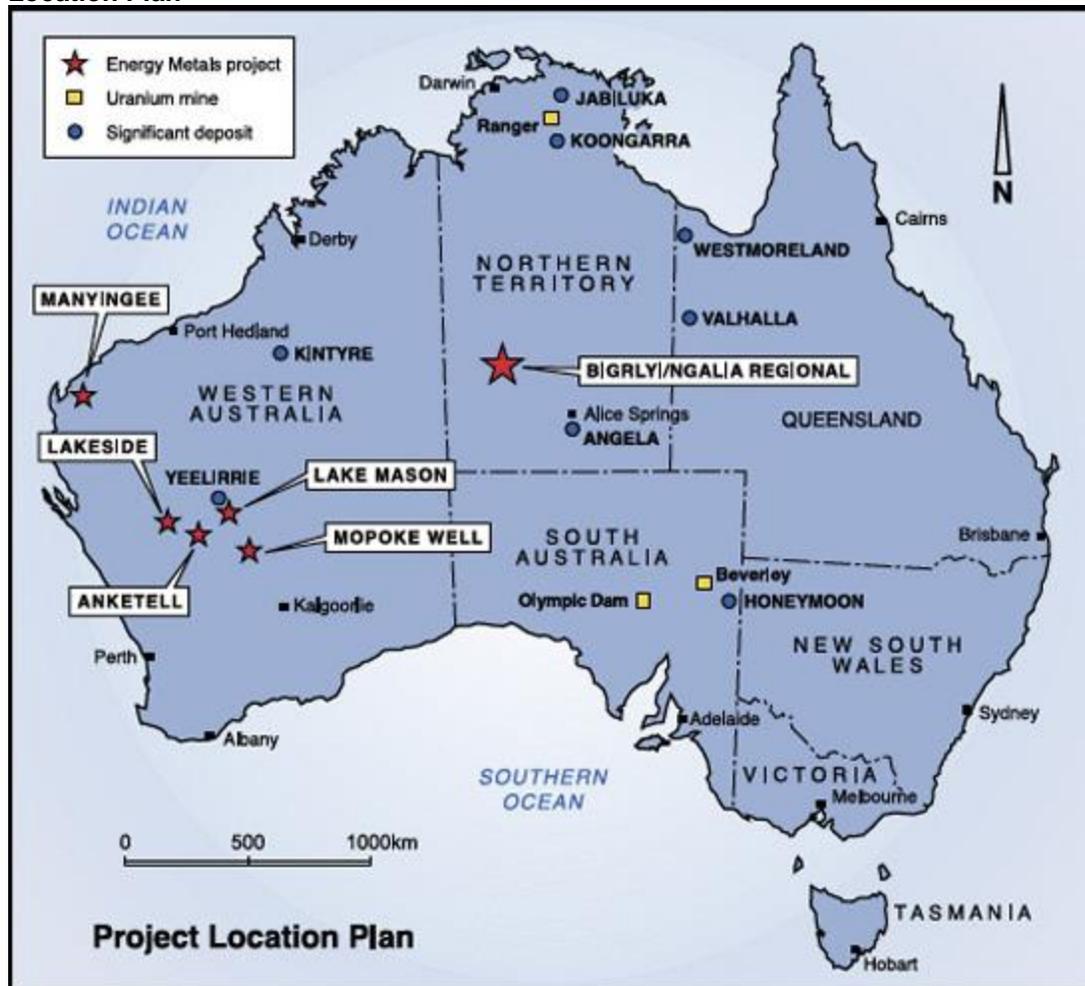
Jindalee has now lodged a prospectus for Energy Metals (proposed ASX code EME) which is available at the

company website of [Energy Metals](#). Jindalee shareholders who were registered as at 13 July 2005 will have priority application rights in relation to this IPO and will receive a prospectus and priority application form by post next week. All other interested Members can access the prospectus via the company website.

### Energy Metals IPO

Energy Metals has established a portfolio of seven uranium projects, at various stages of advancement, located in the Northern Territory and Western Australia. Most of the projects contain uranium mineralisation discovered in the 1970's, but with little exploration work undertaken on them in the past few decades due to market conditions. The project localities are outlined in the following plan.

### Location Plan



Source: Company

The most advanced project in the company's portfolio is in the Ngalia basin of the Northern Territory, where the company has interests in three uranium prospects; Bigrlyi (EME 53%), Malawiri (EME 52%) and Walbiri (EME 42%). In addition the company has applied for six exploration licences (100% basis) that surround the three principal properties and extend over 160km along the northern margin of the Ngalia Basin.

In Western Australia Energy Metals has a 100% interest in five projects known as Anketell, Lake Mason, Mopoke Well (under application), Lakeside (under application) and Manyingee (under application).

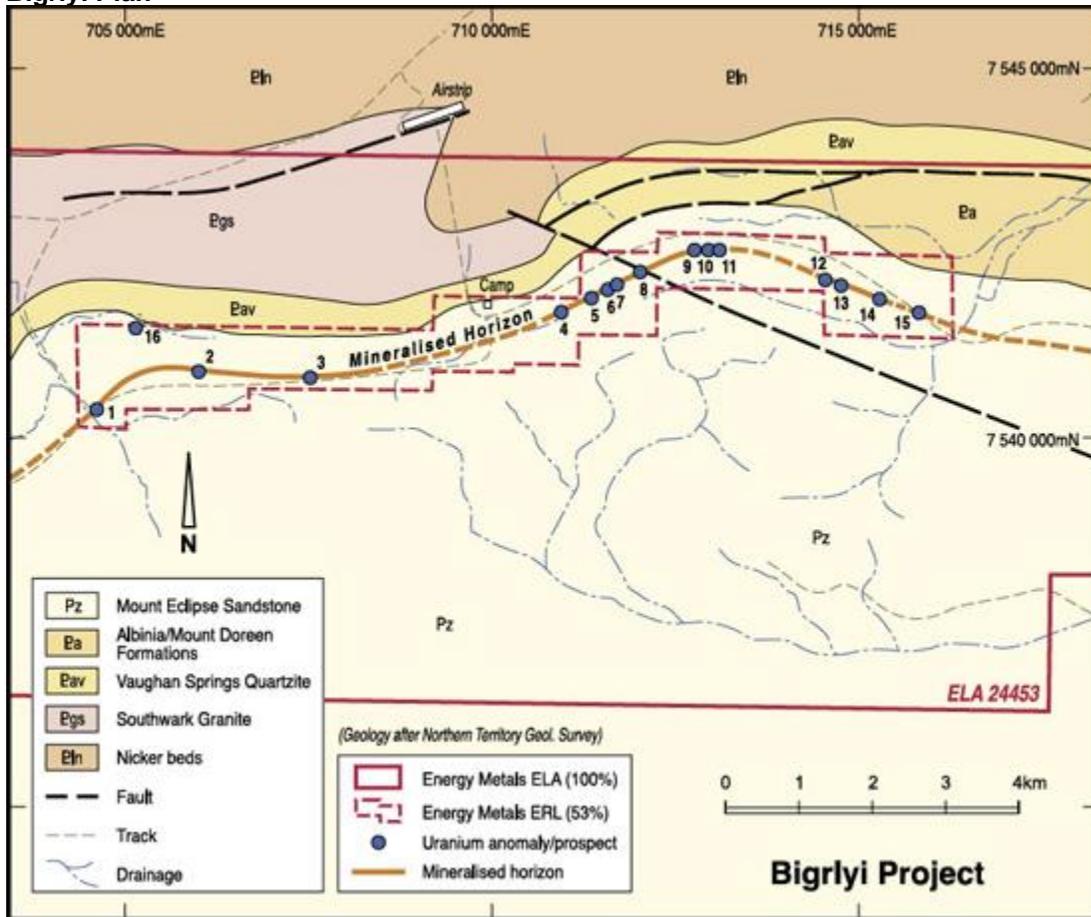
Energy Metals will initially focus its exploration activities on the Bigrlyi project where modest tonnages of high grade uranium mineralisation have been outlined by previous explorers. There is good potential for further discoveries, both down dip and along strike from the known occurrences. In addition only a modest amount of exploration activity is required to enable JORC compliant resources to be estimated at several deposits.

Drilling targets have also been outlined in Western Australia at the Mopoke Well, Lake Mason and Anketell prospects.

In this review we are focusing on the cornerstone Bigrlyi asset, which is located 390 km northwest of Alice Springs. The project comprises 10 granted Exploration Retention Licences covering 16 prospects (Anomalies 1 to 16 inclusive) occurring over 11.5 km of strike length. Since the discovery of uranium (and vanadium) mineralisation in 1973 some 413 holes (37,500m) have been drilled at Bigrlyi.

The uranium mineralisation of the Ngalia Basin is hosted in sedimentary channels. With the uranium mineralisation confined to specific narrow horizons it is relatively straight forward to determine prospective targets (albeit the local geology is often obscured by unconsolidated sediments), as outlined in the following plan:

**Bigrlyi Plan**



Source: Company

To date the most significant resource has been outlined at Anomaly 15. Additionally, ore grade drill results have been recorded at a number of the other prospects.

Historical studies by Central Pacific Minerals at Bigrlyi estimated that the cumulative contained U3O8 ranged from 2,485 to 2,770 tonnes for the main deposits within a grade range of 3.43 to 3.46 kg/t of U3O8. Two studies of the Anomaly 15 deposit were also completed and the contained uranium ranged from 1,912 to tonnes of U3O8 with a range of 3.21 to 3.70 kg/t of U3O8.

No values for the contained vanadium were determined in any of the above studies as these were only determined in the early (pre 1976) drill holes when drill core samples were assayed by geochemical techniques. Some of these holes returned significant vanadium values. From 1976 onwards the uranium

grades were predominantly determined using down-hole radiometric techniques.

Additionally the above studies were not prepared in compliance with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). It will be an early objective of Energy Metals to determine a JORC compliant Mineral Resource estimate.

Immediately following listing we expect the company to embark on a campaign of re-logging and assaying available drill core, which is extensive. This will have the dual objective of improving the quality of the estimate of uranium values, as well as gaining a better understanding of the significance of the vanadium mineralisation.

We also expect the company to embark on a drilling campaign as soon as practicable, initially focusing on the open-ended and open-at-depth Anomaly 15 and Anomaly 4 areas. However, there are various joint venture and governmental approvals required before this work can commence meaning that it is most likely to start in the latter part of 2005. Following this activity further testing of the remaining known anomalies will be undertaken, as well as exploring for further mineralisation under cover.

### **Energy Metals Proposed Capital Structure**

Energy Metals is offering up to 12m shares at 25cps to raise \$3m. Jindalee will retain 10m shares or a 45% shareholding in the company. The company's capital structure at the 25 cent IPO price and assuming a full \$3m subscription level is achieved, is as follows:

Fully paid shares	22.0m
Options	2.5m
Diluted Market Cap	\$6.1m
Cash	\$2.7m
Cash from Options	\$0.7m
Enterprise Value	\$2.7m

All Energy Metals shareholders registered at a date approximately one month after EME commences trading on the ASX will be entitled to participate in a non-renounceable entitlements issue of options on the basis of 1 option for every 2 shares held. The options will be issued at a price of 1 cent each with an exercise price of 30 cents and an expiry date of 30 June 2008.

### **Jindalee Shareholder Entitlement**

Jindalee shareholders registered on 13 July 2005 are being offered priority application of up to 8m shares in the IPO. Should demand from Jindalee shareholders exceed 8m, they will also be given priority in the public offer, subject to Energy Metals being able to meet the minimum shareholder spread requirements of the ASX Listing Rules.

Jindalee shareholders wishing to subscribe for shares pursuant to the priority offer must make an application on the green priority application form that will be enclosed with their prospectus when it is mailed out in 1 to 2 weeks. Applicants may apply for a minimum parcel of 8,000 shares (representing a minimum investment of \$2,000). Applicants requiring additional shares must apply in multiples of 2,000 shares (equivalent to \$500) thereafter. Applications for the priority offer will be considered on a pro rata basis to the number of shares held in Jindalee.

### **Jindalee Corporate Structure (at 31 cents)**

A major option expiry on 30 June 2005 successfully raised \$1.85m for Jindalee. This represented a 92% uptake of the available options. Jindalee's revised corporate structure, including the proposed 45% holding in Energy Metals at the 25 cent IPO price, is as follows:

Fully paid shares	29.4m
Options	1.2m
Diluted Market Cap	\$10.3m
Cash	\$2.6m

Investments	\$3.0m
Cash from Options	\$1.2m
Enterprise Value	\$3.5m

### Discussion and Recommendations

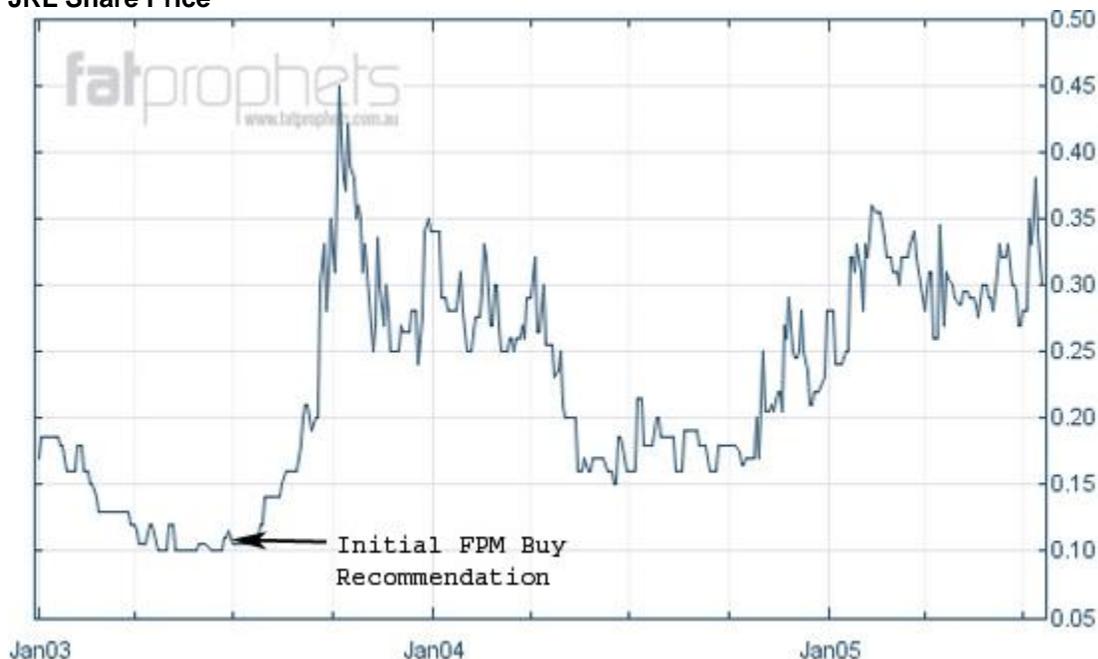
In the current market we anticipate very strong investor demand for a new uranium explorer such as Energy Metals and we believe it is likely that the company will list at a significant premium to the IPO pricing. In this regard the following peer comparison is relevant:

- Hindmarsh Resources (HMR) which is exploring for uranium in South Australia. It listed on the ASX on 11 July 2005 (after transferring from the Newcastle exchange) and is trading at a 91% premium to its IPO level.
- Curnamona Energy (CUY) which was spun out of Havilah Resources and is exploring for uranium in South Australia. It listed on the ASX on 19 April 2005 and is trading at a 235% premium to its IPO level.
- Deep Yellow (DYL) which was restructured as a uranium explorer in late 2004, after coming out of administration. New capital was raised around that time at 1 cent or less, and subsequently the company raised funds at 3 cents in March 2005 and 5 cents in June 2005. This compares to a current share price of 13.5 cents.

**We recommend that Members with existing shares in Jindalee take up their entitlement to subscribe for shares in Energy Metals.** Members without entitlement can download the prospectus from the company website and apply directly for shares in the public offering. However, we believe the potential for receiving a significant allocation under the public offering is low.

The Jindalee share price has been volatile in recent weeks due to a number of events, including a major option expiry and entitlement to the Energy Metals IPO. Now that it is trading on an ex-entitlement basis it is experiencing some selling pressure. However, with an ongoing 45% interest in Energy Metals it represents a good alternative exposure to that company. **We recommend Jindalee as a Buy at the current share price of 31 cents for Members with no current exposure.**

### JRL Share Price



Disclosure: The writer discloses that he holds shares in Jindalee and intends to take up entitlement to Energy Metals

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