


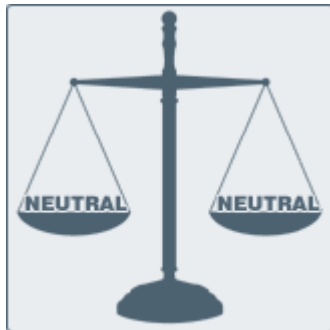


SYMBOL DEFINITIONS

 EXPLORER	 HIGH RISK	 MARKET CAP	\$6m
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 [CLICK FOR ALL SYMBOL DEFINITIONS](#)

Surging uranium prices have sparked renewed interest in a commodity that has been largely ignored in recent years due to a combination of its political sensitivity and weak pricing. However, spot uranium prices are currently around US\$21/lb and rising, which compares to less than US\$7/lb in 2001. A revised perception of the significance of uranium is also being fuelled by the Xstrata takeover offer for WMC Resources - WMC holds some 38% of global economic uranium resources at its Olympic Dam mine.

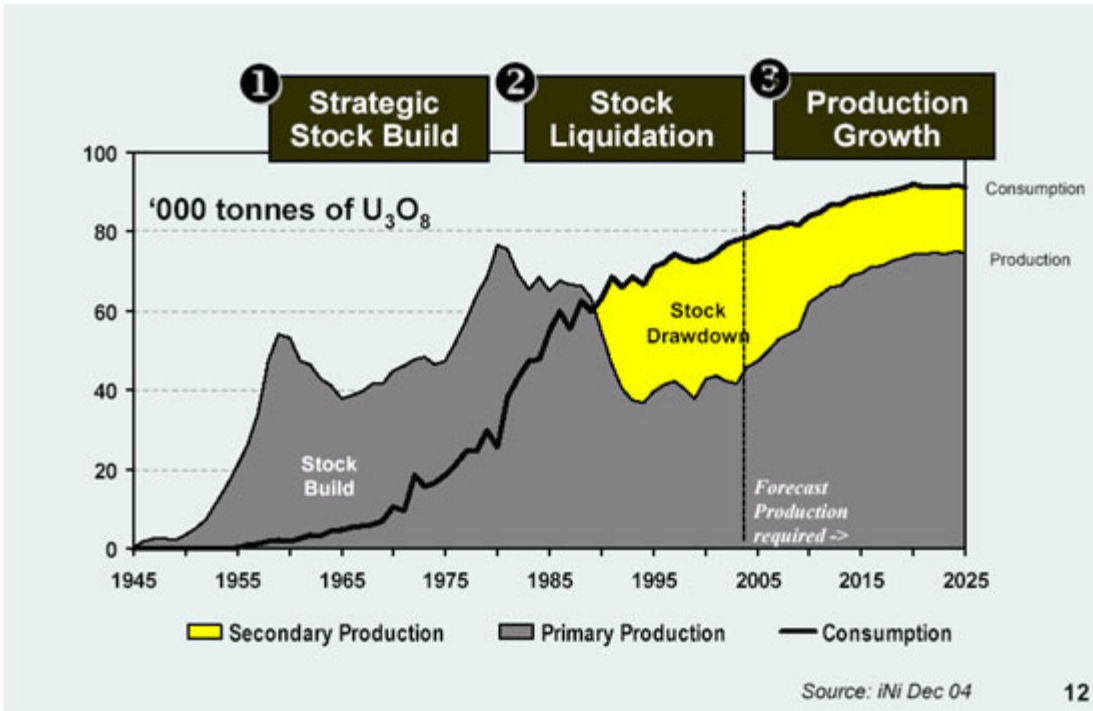


"Jindalee is taking advantage of a renewed level of interest in uranium to put together a dedicated uranium exploration portfolio. These assets are likely to be spun out in the near future under the name of Energy Metals."

The uranium market has drawn on inventories to meet a fundamental shortage of supply relative to demand in recent years. However, there is reducing potential for this to continue and new mine supply is required to rebalance global markets. Demand is also being supported by improving perceptions of the merits of uranium as a fuel relative to fossil fuels (due to the debate over the impact of fossil fuels on global warming).

WMC recently forecast that current global uranium production meets only 58% of global demand. The shortfall is being made up from stockpiles and is expected to run at 51 million pounds a year on average between 2005 and 2020, despite significant increases in new mine production. This is illustrated in the following chart:

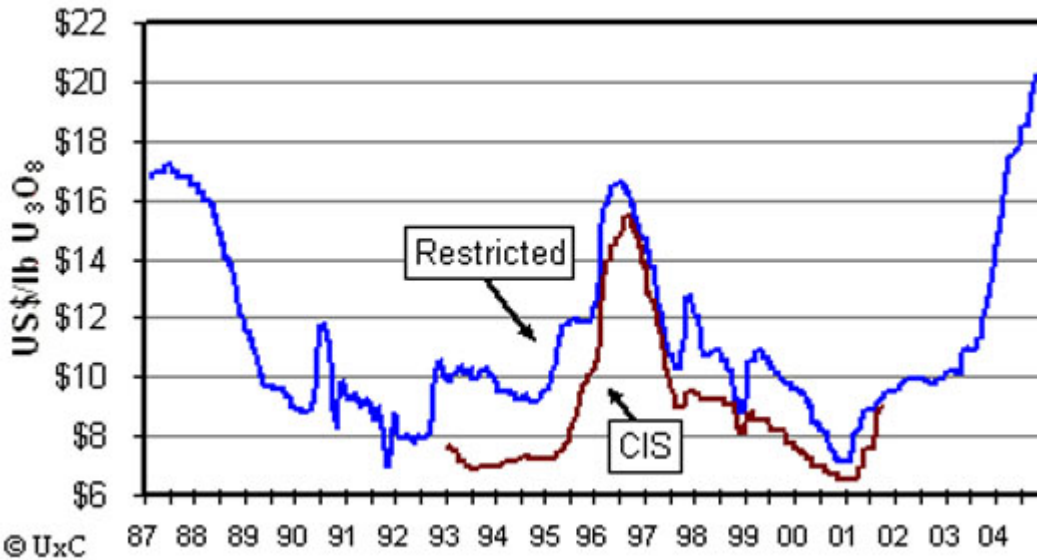
Uranium Supply and Demand



Source: WMC Resources

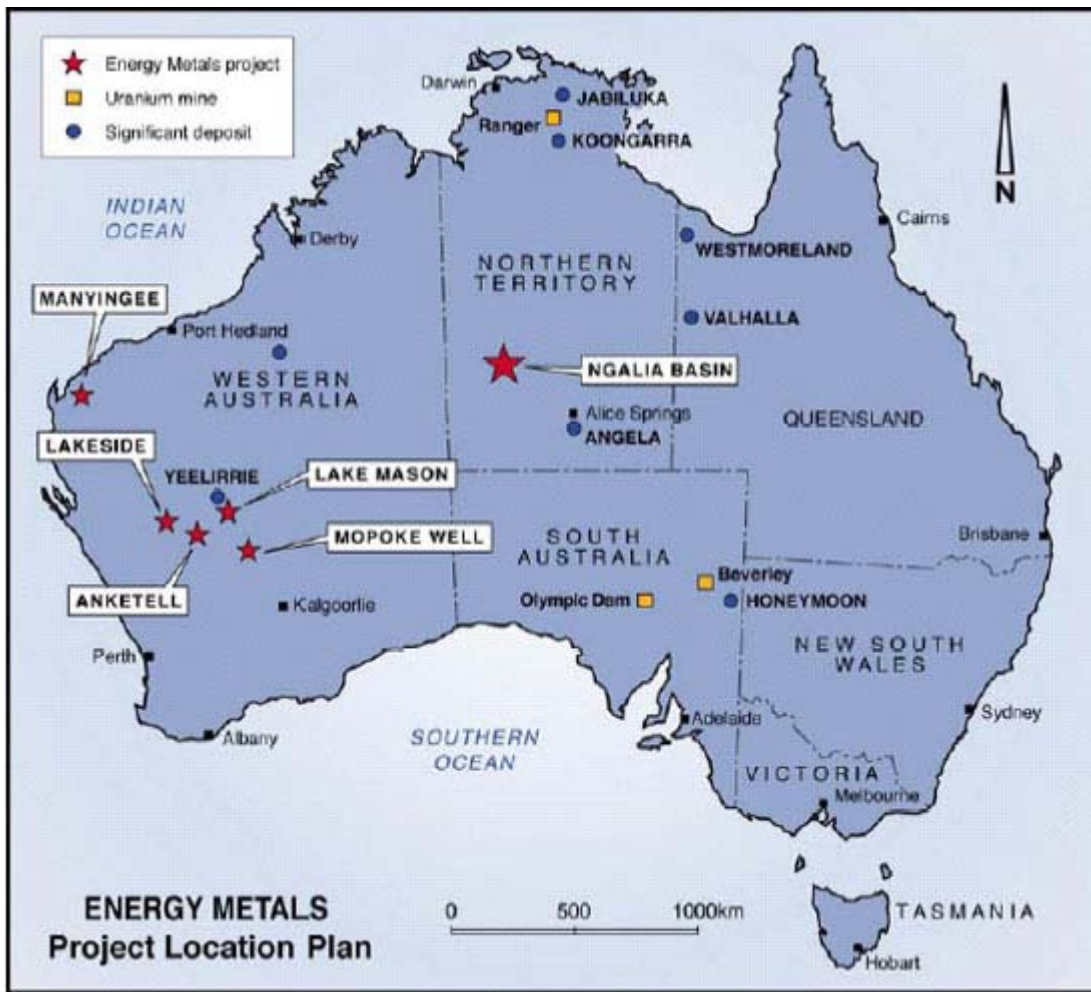
Clearly the tightening market is driving prices for U_3O_8 as highlighted in the following chart:

Medium Term Prices



Source: UXC

During the past quarter Jindalee has picked up six exploration properties in WA and the Northern Territory targeting uranium. All the tenements are 100% owned by Jindalee, through its subsidiary Energy Metals, and contain uranium resources outlined in the early 1980s or cover potential strike extensions to known uranium deposits. The location of the properties and existing major mines and deposits is illustrated in the following map:



Source: Jindalee

Two main styles of uranium mineralisation are being sought by Jindalee are:

- roll front (sandstone) mineralisation, similar to the Wyoming and Colorado deposits
- calcrete hosted mineralisation, similar to Yeelirrie deposit (35mt @ 1.35 kg/t U₃O₈)

Prospects with potential for roll front mineralisation are Ngalia Basin and Manyingee, while calcrete mineralisation opportunities are Ankaetell, Mopoke Well, Lakeside and Lake Mason. Probably the most advanced prospect is Ngalia Basin which covers some 190km of strike length of the Mt Eclipse Sandstone which hosts the Bigryli deposit (which is excised from the licence application area) as well as several known uranium occurrences.

Jindalee has flagged that it will spin out Energy Metals as a dedicated uranium explorer in the near term. We expect that this will involve a capital raising, in the order of say \$3m, leaving Energy Metals with a tight capital structure similar to Jindalee. We would expect some form of entitlement or priority for existing Jindalee shareholders in this process. Timing of the transaction will remain uncertain until key tenements are granted, and we anticipate this occurring before mid 2005.

Other Exploration

Jindalee holds numerous grassroots prospects throughout WA, a number of which are currently being advanced by joint venture partners.

At the Mt Gibb project (Jindalee 20% free carried interest) Great Western has completed airborne and ground magnetic surveys, outlining several strong conductors that indicate the possible presence of sulphide mineralisation. The project is located at the southern end of the Forrestania greenstone belt, along strike from Western Areas' Flying Fox and Digger Rocks nickel deposits. Drilling of this target is expected in February/March. Jindalee also holds a 20% interest in Great Western.

At the Yilgangi project, Newcrest is earning up to a 70% interest. During the past quarter Newcrest completed first pass, broad spaced aircore drilling confirming the presence of alteration and gold mineralisation within a structural corridor. Further mapping and petrology work will be completed ahead of a follow-up drilling program.

Jindalee has announced a new joint venture with GME Resources at its Kilkenny property. GME can earn a 70% interest in the tenements by spending \$500,000 on exploration within 4 years. Once GME has earned a 70% interest Jindalee has several options, including contributing pro-rata, diluting or falling back to a 20% free-carried interest. GME has also reimbursed some of Jindalee's previous exploration expenditure. The Kilkenny project abuts GME's Kilkenny lateritic nickel resource (12mt at 1.28% nickel) which could potentially be treated at Murrin Murrin.

Corporate Structure (at 28 cents)

Jindalee's current corporate structure is as follows:

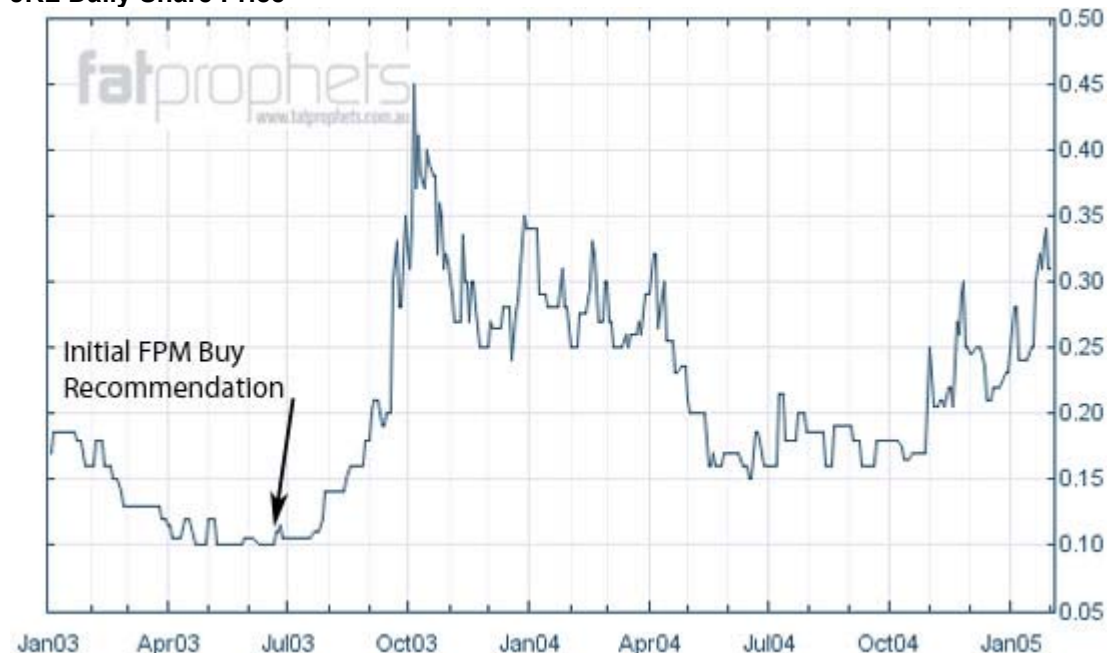
Fully paid shares	20.8m
Options	11.7m
Diluted Market Cap	\$9.1m
Cash	\$1.2m
Investments	\$0.9m
Cash from Options	\$3.2m
Enterprise Value	\$3.8m

We first recommended buying Jindalee at 11.5 cents in [FPM 5](#) as an example of an honest explorer representing deep value at a low point in its price cycle. Since that time it has preserved its tight capital structure (providing good leverage to any possible discovery), largely by using joint venture funding to advance its portfolio of grassroots properties.

Jindalee has a significant option expiry covering 8m shares at 25 cents occurring at 30 June 2005. This would potentially raise \$2m without incurring underwriting fees, and effectively underpin the company's exploration activities for the foreseeable future. A current high level of investor interest in the Energy Metals spin out proposal and Great Westerns' imminent drilling at Mt Gibb are increasing the potential for a high conversion rate.

We currently have a **Hold recommendation for Jindalee around the current price of 28 cents**. The company continues to provide cost effective exposure to high risk exploration activity. Members are advised that Jindalee shares frequently experience low turnover.

JRL Daily Share Price



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

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