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*The Mining Investment Experts*

## OZEQUITIES COMMENTARY

### On Uranium Opportunity

5 May, 2005

*Analyst: Warwick Grigor*

## Jindalee Resources Ltd (“JRL”)

### *“A Very Thinly Traded Stock, But a Lower Risk Entry to Uranium ”*

#### Exceptionally Tight Company

JRL is one of the tightest little exploration companies around. Lindsay Dudfield, the MD, has learnt well from his years in the Josh Pitt camp. The Company listed three years ago with \$2.65m in the bank and it still has \$1.7m today.

On the one hand you could argue that this means the Company hasn't done much and that it is too boring, but on the other hand you can take comfort that the money is not being wasted. The reality is that JRL is a grass roots style of company that generates prospects and farms them out to other companies for the higher risk stage of the exploration cycle. Promotion is not a real strong point. JRL is not on the treadmill of promising big things and having to splash money around to try and meet market expectations. Understandably this means that patience is required, but you only need to look at the returns made on Dalrymple to see how the strategy can pay off.

#### A Spread of Interests in Nickel and Gold

JRL has a 20% free carried interest in ground along strike from Western Area's Flying Fox nickel project, for which RC drill results are pending. Other prospective nickel ground is held in the East Kimberlies, 60km north of Sally Malay's nickel mine.

Gold projects are held in joint venture with Newcrest, Teck Cominco, Equigold and Golden West in the Eastern Goldfields and the Murchison. In all of these the incoming parties are funding exploration costs. The programs are at the early stages and nothing definitive can yet be said about them.

#### Uranium Play is the Most Interesting

We have been drawn in by JRL's uranium initiative, which seems to have more credibility than a lot of the wannabe uranium plays out there.

JRL has assembled a number of WA and NT prospects in a company called Energy Metals Pty Ltd. It is in the advanced stages of spinning this company off, looking to raise about \$3m.

There are a number of typical WA calcrete hosted prospects similar to the ones being spun-

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out by Agincourt in its new company, Nova, but the most interesting project in our view is the Ngalia Basin project in the NT. JRL has a 53% interest in the Bigrlyi tenement, which has 16 outcrops of uranium mineralisation exhibiting widths of 2-5m. Good grades of 1.3 to 2.5% U<sub>3</sub>O<sub>8</sub> have been recorded. At Anomaly 15, found in 1973, a small deposit of 623,400 t at 3.31 kg/t has been calculated, containing about 2,000 t of U<sub>3</sub>O<sub>8</sub>. Test work has given 99% acid leachability over a 24 hour period.

#### IPO Details are Still Being Worked Out

We do not have any firm figures on the new float, but we can come up with some reasonable guesstimates. JRL shareholders will get first bite of the cherry on an entitlement basis. A 1 for 4 entitlement would be the minimum we can expect. As there are only 28.9 mill. shares on issue (assuming all of the June 30 2005 options get exercised at 25¢), a 1 for 4 entitlement at 25¢ would raise \$1.8m. This still leaves room for others to come on board, and the most likely event is for the Company to be seeking a cornerstone shareholder as it did with Teck in the JRL float.

Again, taking a lead from Jindalee, a few post-IPO tactics might also be employed. This may include a loyalty option and having on-market buying to tighten the stock up.

#### The Bottom Line

JRL looks like the lowest risk play in the uranium sector at the moment. It is difficult to see how the float of Energy Metals will not be highly sought after. The only sure way of getting stock is via a shareholding in JRL. It is a company that could suit investors who want exposure to the upside from exploration without the high management risk.

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