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Jindalee Resources 20 Aug, 2008

Cheap Uranium Leverage

JRL; Buy up to \$0.75

Jindalee Resources is a junior explorer that provides significant leverage to emerging uranium company, Energy Metals. In addition the company provides low cost exposure to a range of early stage exploration opportunities, and has a number of investments in listed ASX resource companies.

“Energy Metals is making good progress in its assessment of the Bigryli uranium project and its major shareholder, Jindalee Resources, provides excellent leverage to potential corporate activity.”

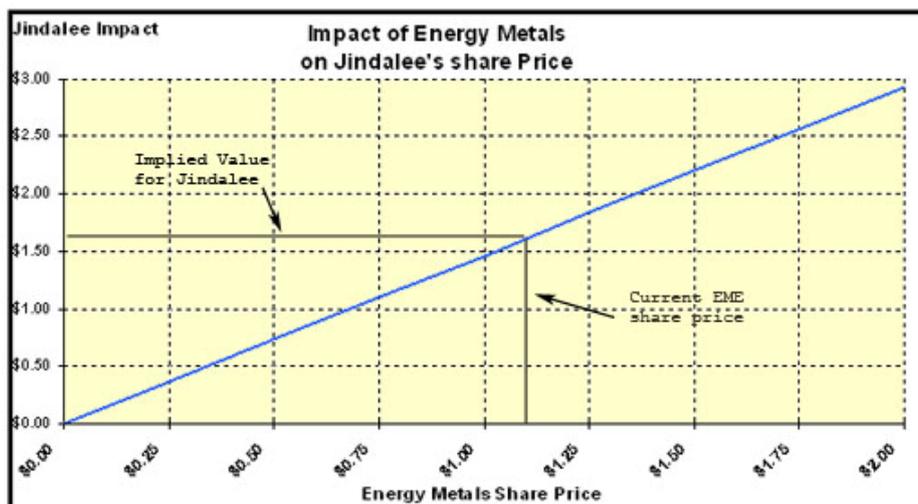
Investments

Jindalee holds a range of investments in listed ASX companies with a current market value in excess of \$50m. The vast majority of this value is associated with its investment in Energy Metals, which represents a controlling 39.9% stake. This figure has been adjusted since our last report due to a major option expiry.

We have updated our tabulation of investments as follows:

Investments	Shares	Price	Value
Uran	2,542,000	\$0.120	\$305,040
Anchor Resources	1,200,000	\$0.090	\$108,000
Great Western	2,249,612	\$0.042	\$94,484
Alchemy	10,000,000	\$0.090	\$900,000
Energy Metals	46,794,273	\$1.050	\$49,133,987
Total			\$50,541,510

The theoretical relationship between the Energy Metals investment and the Jindalee share price is illustrated in the following chart:



Theoretically, the current share price for Energy Metals of around \$1.05 translates into \$1.47 of value for Jindalee Resources, before considering any value associated with the other investments and exploration assets.

While a holding discount invariably applies to major investments this level of discount appears excessive. However, this situation has persisted over an extended time frame – much to the frustration of Jindalee’s management and major shareholders.

So what catalyst will change this situation?

The obvious answer is corporate activity. The level of frustration for management has clearly reached the point where it is prepared to consider delivering control of the company into an attractive bid.

This is demonstrated by Energy Metal’s appointment of Gresham Advisory Partners to undertake a strategic review of the company’s funding and development options, in order to ensure that shareholder value is maximised through the transition to producer status at Bigrlyi.

We anticipate that this process is likely to achieve material progress before the end of the September quarter, with the obvious potential strategies being:

- delivery of majority control into a takeover (the most likely option)
- distribution in specie of the Energy Metals shares to Jindalee shareholders
- dual listing of Energy Metals on the Canadian TSX market

Members are referred to our most recent report on Energy Metals for an update on the good progress being achieved at Bigrlyi.

Meanwhile, the medium to long term outlook for uranium prices has improved somewhat following an announcement from the world’s largest uranium producer, Cameco, outlining further challenges at the Cigar Lake development project.

Cigar Lake is located 660km north of Saskatoon, Saskatchewan, Canada and is the world's largest undeveloped high-grade uranium deposit, with proven and probable reserves of more than 232 million pounds U₃O₈ at a stunningly high average grade of 19%. Project construction began in January 2005 and it was originally scheduled to be completed in early 2008.

However, in October 2006 the underground mine was subject to a major flooding incident, forcing the joint venture to abandon its development activity while the water inflow was sealed and the mine dewatered.

The first phase of the remediation plan involved drilling holes down to the source of the inflow and to a nearby tunnel, pumping concrete through the drill holes, sealing off the inflow with grout and drilling dewatering holes. Subsequent phases included dewatering the mine, ground freezing in the area of the inflow, restoring underground areas and resumption of mine development.

Most recently management had hoped to commence production in 2011. However, on 12 August 2008 Cameco reported that remediation work at the No.1 Shaft was again suspended after an increase in the rate of water inflow to the mine was observed.

Other Jindalee Activity

Jindalee continues to generate a broad range of grassroots exploration opportunities, many of which are being advanced through joint venture funding arrangements.

The main projects include:

- Yilgani gold (JRL 20% free carry)
Joint venture partner Newcrest continues to aggressively explore this project, achieving encouraging results from shallow drilling, such as:
 - 21m at 1.0g/t gold from 53m in NHRC030
 - 23m at 1.6g/t gold from 56m in NHRC031
 - 22m at 1.4g/t gold from 51m in NHRC037
 - 41m at 1.4g/t gold from 39m in NHRC044Results from deeper diamond drilling are awaited.
- Murchison (JRL 20% free carry, plus 23.5% interest in Alchemy)
Joint Venture partner Alchemy continues to work up its gold targets in the Murchison area, as well as acquiring a resource of 131koz gold at the Three Rivers project (with potential to be toll treated at Barrick's Plutonic mill).
- Bow River (JRL 100%)
Geophysical EM surveys are planned to commence in September to better define potential drill targets for nickel sulphide deposits.
- Joyners (JRL 20% free carry)
Joint Venture partner Golden West has outlined an Inferred Resource of 9.2mt at 60.5% Fe at the Joyners West project.

Capital Structure

The capital structure of the company is outlined in the following table:

Market Valuation	Issued Shares (m)	Share Price	Market Cap (A\$m)
Fully paid shares	31.9	\$0.750	\$24.0
Options	3.2	\$0.750	\$2.4
Cash from options			\$1.0
Diluted Market Cap			\$25.3
Investments			\$50.5
Cash			\$1.0
Debt			\$0.0
Enterprise value			-\$26.2

The market value of Jindalee's investments is currently in the order of \$51m, which represents around \$1.47 per Jindalee share. This compares to the current Jindalee share price of \$0.75.

Discussion and Recommendation

Jindalee's current enterprise value of negative \$26m is a substantial discount to the market value of its investments before ascribing value to its exploration opportunities. Jindalee is actively seeking to redress this market anomaly.

Stock Resource recommends Jindalee Resources as a Buy up to \$0.75 for Members with no current exposure.

Share Price Graph



Disclosure: the author holds shares in Jindalee and Energy Metals

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