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Jindalee Resources 29 Nov, 2006

Discounted Uranium Exposure

JRL; Buy up to \$1.05

Stock Resource last reported on Jindalee Resources on the 7th of June. Since that time its share price has predominantly been driven by movements in its strategic holding in uranium junior, Energy Metals. However, this has generally been at a significant discount to the market value of its holding in Energy Metals.

“The ongoing uranium boom continues to drive a strong re-rating in the market value of Jindalee’s strategic holdings in Energy Metals and Uran Limited. However, this value is yet to be reasonably reflected in the Jindalee share price and the company is examining its options for realising this value for its shareholders.”

Jindalee has two significant investment holdings, both of which resulted from the spin-out of assets formerly held directly by the company. These are Energy Metals and Uran Limited (formerly Great Western Exploration), both of which are now junior uranium companies. The shareholdings are outlined in the following table:

Investments	Shares	Price	Value
Uran	2,000,000	\$0.715	\$1,430,000
Uran 20c Options	2,000,000	\$0.580	\$1,160,000
Energy Metals	10,000,000	\$3.040	\$30,400,000
EME 30c options	5,000,000	\$2.600	\$13,000,000
Total			\$45,990,000

The market value of these investments is currently equivalent to around \$1.55 per Jindalee share. While there is invariably a holding discount for investments such as these, the current level of discount appears excessive and places no value on the other assets of the company. At its recent AGM Jindalee’s management expressed dissatisfaction with this situation and indicated that it would examine a range of options for realising the value for shareholders.

In relation to Energy Metals we believe the most obvious options are:

- a distribution in specie of the Energy Metals shares to Jindalee shareholders
- delivery of control of the company into a takeover

In relation to Uran Limited we believe the most obvious option is:

- sale of the shares and options

We note that Jindalee’s Uran shares are able to be traded, although the options are unlisted and would need to be converted ahead of any potential sale. By contrast the

Energy Metals shares are under escrow until September 2007, but could be distributed to Jindalee shareholders or be delivered into a takeover offer.

Energy Metals

Most recently we provided an update on Energy Metals on the 4th October and Members are referred to that report for background. Since that time the company has commenced an RC and diamond drilling program at the Bigrlyi project aimed at improving the confidence of the known uranium resources at the Anomaly 15, Anomaly 7, Anomaly 4 and Anomaly 2 deposits, and testing for possible strike and plunge extensions to the mineralisation.

Earlier this year Energy Metals released the following estimate of resources at Bigrlyi, at a variety of cut-off grades, as follows:

Cut Off (%)	Tonnes	U3O8 (%)	V2O5 (%)	U3O8 (Kt)	V2O5 (Kt)
0.20	655,000	0.33	0.28	2.15	1.80
0.15	1,067,000	0.27	0.25	2.86	2.71
0.10	1,835,000	0.21	0.22	3.80	3.99
0.05	3,763,000	0.14	0.17	5.60	6.30

The current drilling program at Bigrlyi initially experienced a number of challenges, including the destruction of a substantial amount of drilling equipment when a road train delivering it to site rolled. The program belatedly commenced in late October and is now in full swing with three rigs operating. This activity will continue until the onset of the wet season next month.

Last week the company released initial results from downhole probes (to be confirmed by geochemical assaying for uranium and vanadium values). Significant uranium results are summarised as follows:

Deposit	Hole	From	Intercept	U3O8 (%)
Anomaly 15	B06001	161.2m	2.45m	1.01
Anomaly 15	B06003	165.3m	4.8m	0.25
	plus	174.3m	5.7m	0.26
Anomaly 15	B06004	318.4m	0.4m	0.2
Anomaly 15	B06006	279.5m	2.0m	0.59
Anomaly 7	B06023	165.2m	1.45m	0.35
Anomaly 7	B06025	122.2m	5.65m	0.23
Anomaly 4	B06017	213.5m	3.75m	0.45
Anomaly 4	B06020	157.7m	5.95m	1.01
Anomaly 4	B06021	215.7m	1.9m	0.16
Anomaly 4	B06052	39.7m	2.9m	0.45
	plus	71.7m	2.95m	0.32
Anomaly 4	B06053	91.6m	1.95m	0.19
Anomaly 4	B06056	23.5m	0.9m	0.2
Anomaly 4	B06057	92.2m	1.15m	0.34

Source: Energy Metals

The results received to date are outside existing resource envelopes and accordingly the scale of the deposits will increase when resources are recalculated in early 2007. There appears to be significant variability in grade between adjacent holes, although some of the mineralisation is clearly high grade.

Uran Limited

Jindalee has a moderate holding in Uran Limited (the Russian name for uranium) which formerly traded as Great Western Exploration. The company has undergone a strategic change of direction by seeking to become involved in uranium exploration and production in a number of former Soviet countries.

It anticipates completing a joint venture agreement over two in-situ leach uranium deposits in eastern Ukraine by the end of the year. The JV agreement would see Uran and the Ukrainian State Enterprise, SE VostGOK, take a decision to mine during December, with drilling of the extraction borefield to commence in July 2007. The projects are located in the vicinity of other current in-situ leach operations.

Uran also has an option to acquire Discovery Minerals, a private company which is in advanced negotiations to acquire uranium resources, reserves and producing uranium mines in countries of the CIS, including Ukraine and Uzbekistan.

The Uran Board has been revamped, including prominent mining identities, Michael Kiernan, Kate Hobbs and Dr Wolf Martinick, plus Perth businessman Pat Ryan. Eventual listing of the company's shares on the London AIM market is proposed.

Other Jindalee Activity

As noted previously Jindalee generally follows a strategy of generating projects and advancing them to the point where a decision can be made to introduce partners to fund the higher risk/cost activity or to fund further exploration via a dedicated company spin out.

This strategy has been both cost effective and successful, although the timeframe for advancing projects is often out of the hands of management.

In the near term joint venture partners are forecasting further drilling activity on two gold projects where widespread anomalous gold values have been recorded, but no zones of coherent ore grade mineralisation have yet been discovered. These projects are Yilgangi (Newcrest earning 70%) and Kirkalocka (Equigold earning 60%).

Jindalee is also looking to advance its Bow River nickel project in the East Kimberley region, located some 60 km north along strike from the Sally Malay nickel mine. Previous drilling at Bow River intersected massive sulphides including 3.12m at 1.45% nickel and 0.47% copper in a geological setting similar to the Sally Malay mine.

However, there has been no recent activity with the grant of the main tenement having been held up as a result of objections from the Kimberley Land Council, representing the traditional aboriginal owners. Jindalee has successfully negotiated the withdrawal

of the objection, and as a result granting of the Bow River tenement occurred in late October.

Jindalee now has the opportunity to advance this highly prospective area in its own right, or potentially under a JV. There are a number of nickel explorers and producers operating in the region (such as Sally Malay, LionOre/Breakaway, Thundelarra), providing Jindalee with a good range of options. In the near term the company will undertake a detailed project review in preparation for the next field season.

Jindalee Capital Structure

The following table outlines Jindalee's capital structure, including the holdings in Energy Metals and Uran Limited:

Market Valuation	Issued Shares (m)	Share Price	Market Cap (A\$m)
Fully paid shares	29.8	\$0.960	\$28.6
Options	3.3	\$0.960	\$3.2
Cash from options			\$1.1
Diluted Market Cap			\$30.7
Investments			\$46.1
Cash			\$2.8
Debt			\$0.0
Enterprise value			-\$18.2

Discussion and Recommendation

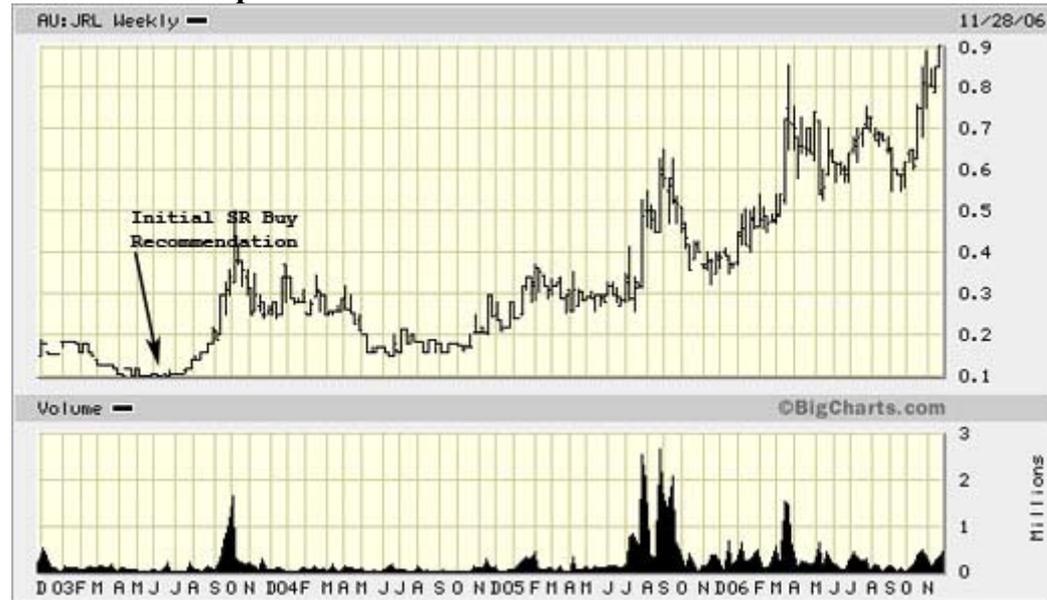
The current Enterprise value of the company of negative \$18m represents an excessive discount to the current market value of its investments before ascribing any value to its exploration assets or management skills. Jindalee appears committed to redressing this issue.

The company remains highly leveraged to its investments, particularly Energy Metals where an active drilling program is achieving positive results. Furthermore, investor interest in uranium juniors remains high due to soaring uranium prices and ongoing supply constraints.

It is challenging to find good value exposure to the uranium sector and Jindalee provides an excellent lateral opportunity for investors to achieve this. Hence **Stock Resource recommends Jindalee as a Buy up to \$1.05 for Members with no current exposure.**

Note; Jindalee can be thinly traded and patience may be required to get set at the recommended price.

Share Price Graph



Disclosure: the author holds shares in Jindalee and Energy Metals

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