



Request a Free Research Report at www.stockresource.com.au

Jindalee Resources 30 Apr, 2008

Oversold

JRL; Buy up to \$0.78

Jindalee Resources is a junior explorer that provides low cost exposure to a broad range of exploration opportunities. The company has a portfolio of exploration assets throughout WA, as well as a number of investments in listed ASX resource companies. In particular Jindalee has high leverage to its controlling shareholding in uranium explorer Energy Metals.

“Jindalee (along with many junior resource companies) has become oversold during the recent period of share market turmoil. At the current share price the risk/reward trade off is attractive for investors seeking exposure to the speculative end of the market.”

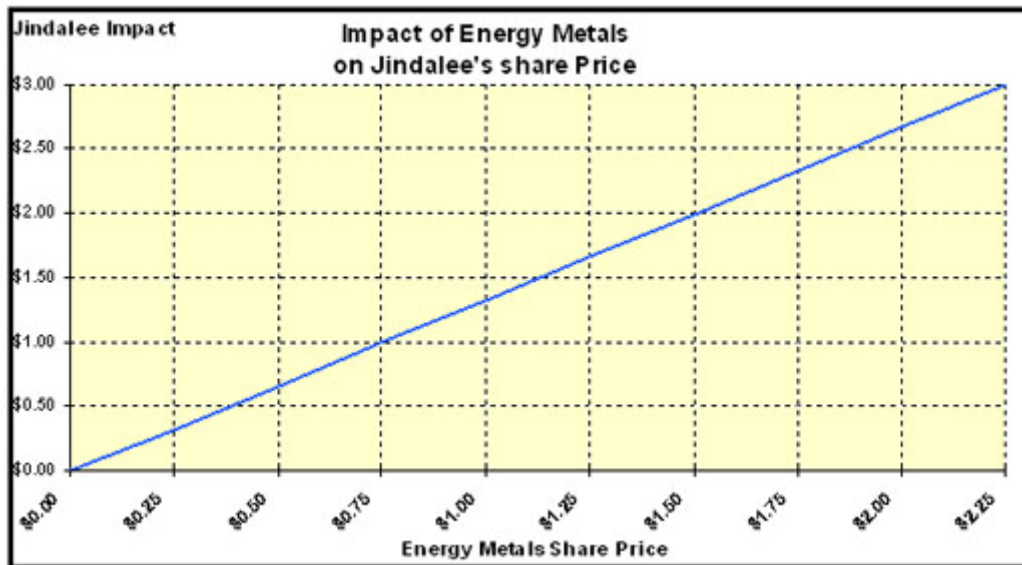
Investments

Jindalee holds a range of investments in listed ASX companies, as outlined in the following table:

Investments	Shares	Price	Value
Uran	2,542,000	\$0.210	\$533,820
Anchor Resources	1,200,000	\$0.105	\$126,000
Great Western	2,249,612	\$0.110	\$247,457
Alchemy	10,000,000	\$0.090	\$900,000
Energy Metals	33,900,000	\$0.925	\$31,357,500
EME 10c options	9,100,000	\$0.760	\$6,916,000
Total			\$40,080,777

The vast majority of value is currently associated with its investment in Energy Metals which represents a 37.3% holding on a fully diluted basis.

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



When shareholdings associated with Jindalee's directors and management are added to Jindalee's direct holdings in Energy Metals, the combined effective holding is around 60%. This provides Jindalee with an effective majority control.

During 2007 the Jindalee considered to rationalising its interest in Energy Metals due to the lack of 'value recognition' in its own share price. However, a significant correction in spot uranium prices was the catalyst for a major fall in pricing for most uranium stocks and the opportunity passed.

Despite this setback, Jindalee Resources is committed to creating better 'value recognition' for its Energy Metals investment and has determined three alternatives to achieve this:

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

Meanwhile, Energy Metals has focused on adding value for its shareholders via rapidly advancing assessment of its flagship Bigrlyi project. During 2007 an aggressive drilling campaign led to a 64% increase in resources and this will form the basis of a scoping study during 2008. Members are referred to our most recent Energy Metals article on 12 March 2008 for further detail.

Jindalee Activity Update

Jindalee continues to generate a broad range of grassroots exploration opportunities. Many of these are properties are being advanced through joint venture funding arrangements.

Currently the most advanced opportunity is the Yilgangi gold project 120km north of Kalgoorlie in WA. Joint venture partner Newcrest has spent in excess of \$2m on this property and Jindalee has elected to revert to a 20% interest free carried through to any Decision to Mine.

Within the Yilgangi project Newcrest is continuing to drill the Hobbes prospect on a broad 100m by 100m pattern in order to gain a better understanding on the controls on the mineralisation. The program commenced in the latter part of 2007 and is ongoing. Encouraging results recorded to date include:

- NHRC015 15m at 0.72g/t gold from 64m
- NHRC019 11m at 1.10g/t gold from 57m
- NHRC027 34m at 0.66g/t gold from 80m

At the Burtville East project, located southeast of Laverton, Jindalee has recently outlined a coherent gold in soil anomaly. The region is host to a number of major gold deposits (e.g. Sunrise Dam and Granny Smith), as well as several processing plants. Jindalee is considering a number of alternative options to advance further exploration.

At the Bow River prospect in the East Kimberley region Jindalee has further defined targets near historical drilling results such as 3.12m at 1.45% nickel and 0.47% copper, and 11.5m at 1.2% copper and 0.5% nickel. A follow-up RC drilling program is proposed.

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	\$0.740	\$23.6
Options	3.2	\$0.740	\$2.3
Cash from options			\$1.0
Diluted Market Cap			\$24.9
Investments			\$40.1
Cash			\$1.9
Debt			\$0.0
Enterprise value			-\$17.1

The market value of Jindalee's investments is currently in the order of \$40m, which represents around \$1.14 per Jindalee share on a fully diluted basis. This compares to the current Jindalee share price of \$0.74.

Discussion and Recommendation

Jindalee's current enterprise value of negative \$17m is a significant discount to the market value of its investments, before ascribing any value to its exploration opportunities which are being actively advanced. In addition, management appear to have reached a point where they are determined to have better 'value recognition' and will become pro-actively involved in the process. Hence, **Stock Resource recommends Jindalee Resources as a Buy up to \$0.78 for all Members.**

Share Price Graph



Disclosure: the author holds shares in Jindalee and Energy Metals

Related Articles

- [Jindalee Resources 10 Oct 2007](#)
- [Jindalee Resources 22 Aug 2007](#)
- [Jindalee Resources 11 Jul 2007](#)
- [Jindalee Resources 04 Apr 2007](#)
- [Jindalee Resources 29 Nov 2006](#)
- [Jindalee Resources 07 Jun 2006](#)
- [Jindalee Resources 31 Aug 2005](#)
- [Jindalee Resources 20 Jul 2005](#)
- [Jindalee Resources 18 May 2005](#)
- [Jindalee Resources 02 Feb 2005](#)
- [Jindalee Resources 24 Mar 2004](#)
- [Jindalee Resources 18 Feb 2004](#)
- [Jindalee Resources 01 Oct 2003](#)
- [Jindalee Resources 09 Jul 2003](#)

Disclaimer

Breakaway Investment Group Pty Ltd, and its authorised representative Stock Resource, have made every effort to ensure the reliability of the views and recommendations expressed in this report. Our research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication.

This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances. Not all investments will be appropriate for all subscribers.

To the extent permitted by law, Breakaway Investment Group Pty Ltd and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Breakaway Investment Group Pty Ltd hereby limits its liability, to the extent permitted by law, to the re-supply of the said information or the cost of the said re-supply.

As at the date at the top of this page, Directors and/or associates of Breakaway Investment Group Pty Ltd currently hold positions in Alesco Corporation (ALS), Allco Finance Group (AFG), Allco Hybrid Investment Trust (AHU), Anchor Resources (AHR), BMA Gold (BMO), Centamin (CNT), CGA Mining (CGX), Commander Communications (CDR), Energy Metals (EME), First Australian Resources (FAR), Gold Aura (GOA), Hydromet (HMC), Icon Resources (III), Jindalee Resources (JRL), KUTh Energy (KEN), National Australia Bank (NAB), Orica Limited (ORI), Regional Express (REX), Rio Tinto (RIO), Sipa Resources (SRI), Southern Cross Exploration (SCX), Western Areas (WSA), Western Desert Resources (WDR), Westpac (WBC) and Zicom Group Limited (ZGL). These may change without notice and should not be taken as recommendations.

Reference within the Stock Resource Report to the “Stock Resource Portfolio” is a reference to the hypothetical portfolio on the “Past Predictions” page, which includes details on the methodology used to derive the performance figures.