



Uranium Explorers

9th March 2007

Uranium Market Overview

Uranium has recently shed its image as the fuel of warfare and insanity, all frictions with the supposed Axis of Evil aside. Replacing this conception is a new coat of glowing green paint slapped on the metal, justifying nuclear power right or wrong as an ingredient in greenhouse gas abatement.

Whether or not nuclear power is a cost-effective remedy to fossil fuel addiction is essentially up to carbon taxes or tax regimes to push to cost of fossil fuels up and subsidies to encourage alternative and nuclear fuels. The debate over this is beyond the capacity of this document, however we do note upswings in public support in Australia for nuclear power, uranium mining, and carbon trading schemes being mooted by State governments and the Opposition. Perhaps policy is playing catch-up with public opinion as we have our once-a-century drought at exactly the right time of the climate change debate.

Worldwide we note 26 confirmed new nuclear power plants being built and over 100 planned or mooted, a reason why John Borshoff of Paladin's prediction of a US\$100/lb price seems reasonable. Similarly, a delay of Cameco's new mine in Canada due to a partial collapse and flooding has hit prospects of new supply in the short term.

Because of the move toward "green" or at least "greeny-yellow" power, increased uranium prices and the emergence of power-hungry China and India, uranium exploration has exploded, which anyone who has watched the news would have heard by now. Uranium's future looks positively glowing, provided explorers can mine the stuff before investors tire of the waiting game. This comes down to legislation and politics more than grade, which makes a fundamental analyst frustrated, and valuations specious.

Legislation: The Critical Business Driver

The public perception of uranium, and the political decision to support either a uranium or Green economy policy platform based on appraisal by political parties of which is the most popular, is a crucial aspect of the future prospects for the uranium extraction and exploration industries. Without public support, it is political suicide to promote uranium mining or nuclear power to a hostile electorate. Likewise, public opinion in other countries dictates to a greater or lesser extent the regulatory framework in which uranium exploration can take place, and whether or not mining will be allowed.

Within third world countries, with more nepotistic, shaky or corrupt governments, public opinion hardly matters. However, in jurisdictions where people live via subsistence farming, are poverty stricken and ill-educated, the conception of uranium as a dirty metal and a geopolitical hot-potato is absent. Desperately poor people may not consider uranium mining as much of a problem as where their next meal is coming from and a whether there is a future for their children. This is the case in a swathe of African nations which contain considerable uranium potential in their geology.

Australian mining companies are becoming increasingly engaged in nations which are keen to see exploration and exploitation of uranium. Cynically, we may say that the farmers and tribesmen in some of these areas have no idea what is going on, or more innocently we may consider the government is genuinely helping the locals out. Either way, the ethics attached to uranium mining continues to provoke debate, but cold financial sense dictates exploring for uranium in a jurisdiction willing to see it extracted. Thereafter we can judge the results of the mining and ethical outcomes, but right now, it would be an individual choice for the investor and up to the investor to query the company's intentions in site rehabilitation and management of their local relationships in-country.

Policy Risks

The route to production for the mining, extraction, refining and enrichment of a resource in uranium is wholly dependent upon the political landscape in which a piece of radioactive geology is situated. Realistically, you can have the hottest chunk of rock on the planet and it will be worthless to you if you are unable to mine it. This is partly separate from sovereign risk, which includes such policy risks but also includes extras such as repatriation of profits, the risk of resumption of mining titles and the risk of civil disturbance, coup d'etat or revolution. Here we consider only the uranium mining policy risk to an explorer, as we judge it from press releases by the government, the number of uranium mines past and present, and the nuclear energy infrastructure.

Notably, we consider most African nations as pro-uranium, for a variety of reasons. Obviously, Rossing and Langer Heinrich attest to the fact that South Africa and Namibia, all project and environmental approvals being met, will grant a permit to mine. We consider it is virtually a given for Malawi after some bullish comments by the President. Botswana, Tanzania and Zambia are considered to be favourable toward uranium mining. The United States we are not so sure is an easy place to work, though mostly because of increasingly stringent environmental standards in terms of soils and water pollution controls, which can delay or halt development of uranium mines and cause capital expenditure to increase. Politically the U.S. is in a vague middle zone, new reactors mooted, but none really on the cards officially.

In Europe, Spain has become vehemently leftist in geopolitical policy and environmental policy which is laudable, but not if you are hoping to mine uranium in a country intending to dismantle its nuclear infrastructure to concentrate on renewables. Spain is thus considered a high to extreme policy risk, with a populace and government leaning much further Left than even Australia.

The further east in Europe you go, the murkier things get policy wise. Some of the newest NATO members still have very Stalinist bureaucracies, and bureaucratic problems are amply demonstrated by the mist of confusion surrounding Uran and its frustrations getting approval to reopen a mine in the Czech Republic, let alone to publish resource figures in former Soviet Bloc countries. This leaves us with doubts about anything east of Germany, where uranium industries were once run exclusively to fuel the Russian military and nuclear industry and where political and social will may never have existed for its extraction, despite previously operating uranium mines. Thus we rate such places as moderate to high policy risks.

Valuation Methodology

Fundamentally, the overwhelming majority of uranium stocks are worthless. They have acres, sometimes more than entire European countries, with soil anomalism, a few rock chip samples, a bit of airborne electromagnetics (AEM) to show up some channels, and maybe if they are lucky, some holes drilled in the 1970's and 1980's which are covered in bush. Some of the "advanced explorers" or "potential producers" have drilling completed, but we note that the grade is predominantly in the 200-300ppm range with the odd sweet spot. To put this in perspective, 250ppm equates to about half a pound per ton, or \$40 in-situ value. You have to strip off waste rock, crush it, process it and pay off your capital expenses and loans, and this would cost about \$40 a ton, give or take. Thus we caution that anything below about 400ppm cannot be really called "ore".

However, reality has departed the building with uranium, and even with March's correction, we still think it is ridiculous that a soil anomaly can be valued at \$40M, and a resource which is locked up under 50m of sand and another 50m of red tape can value a few companies at several hundred million. Nevertheless, paper money can buy you real prospects, as both Paladin and Fortescue demonstrate, so the heavily capitalized explorers cannot be discounted just yet.

Spin Factor

Additionally, we have gone through the past dozen or so announcements of the companies and looked at the promotional aspect of their announcements as a proportion to substantive announcements. Here we are talking about announcements such as "we are drilling" or "wow, more soil anomalies". We have been seeing plenty of this sort of chaff in the uranium sector which does nothing to inform investors of value creation, merely lets investors know their money is being spent. It is nice to hear that work is going on, but more than once in a quarter is too much.

Reality Check

Perhaps this analyst has been somewhat pessimistic in his review of the uranium sector, but having looked at near-production nickel companies valued at a fraction of what a few of these companies' soil anomalism is valued at, a bit of a harsh critique is probably necessary. It is worth noting that the uranium stocks, as a whole, have lost 15-30% since mid February when they reached their peaks, which may suggest the hype and bubble have burst. This seems unlikely, because most of the losses have occurred in response to hiccups caused by global indices, if amplified a little due to the speculative nature of the uranium exploration sector. However, falls have been very irregular, and some like Nova Energy and Western Metals could fall quite a lot further if judged strictly on fundamentals alone.

Thus we provide details on the company followed by a sobering Reality Check. For a few companies, this isn't so bad. But for others, it would probably be worth listening to the reality checks a little harder than the hype. Remember, nearly ALL of these explorers are over 12 months to 36 months out from production and the number of base metals or gold exploration companies which have gone from 26c to \$2.30 within 12 months after listing can be summed up in three capital letters.



Company	ASX Code	Share Price 15/3/07	Value Rating	Spin Factor Low = Good	Liquidity	Shares on Issue	Market Cap Diluted \$m
A-Cap Resources	ACB	\$1.63	♦♦	♦♦	Very High	111m	\$180m
Acclaim Exploration	AEX	\$0.04	♦♦♦♦	♦♦	High	1,100m	\$45m
Arafura Resources	ARU	\$0.86	♦♦♦	♦	High	138m	\$105m
Bannerman Resources	BMN	\$2.65	♦♦	♦♦♦♦	High	136m	\$356m
Berkeley Resources	BKY	\$1.55	♦♦♦	♦	Low	100m	\$155m
Black Range Minerals	BLR	\$0.21	♦♦♦♦	♦♦♦♦	Moderate	632m	\$130m
Curnamona Energy	CUY	\$0.94	♦	♦♦♦♦	Moderate	60m	\$58m
Deep Yellow	DYL	\$0.37	♦♦♦	♦♦♦♦	High	1040m	\$370m
Energy Ventures	EVE	\$0.28	♦♦♦	♦♦♦	High	224m	\$68m
Eromanga Uranium	ERO	\$0.29	♦♦♦	♦♦♦	High	150m	\$45m
Globe Uranium	GBE	\$0.81	♦♦♦♦	♦♦	Moderate	60m	\$45m
Korab Resources	KOR	\$0.67	♦♦	♦♦♦	Moderate	35m	\$30m
Mantra Resources	MRU	\$0.90	♦♦♦	♦♦♦	High	\$50m	52m
Metex Resources	MEE	\$0.11	♦♦	♦♦♦	High	\$27m	276m
Monaro Resources	MRO	\$1.95	♦♦♦	♦♦♦	High	37m	\$78m
Nova Energy Limited	NEL	\$3.50	♦	♦	High	57m	\$200m
Toro Energy	TOE	\$0.92	♦♦♦	♦♦♦	High	148m	\$130m
Uran Limited	URA	\$0.56	♦♦♦♦	♦♦	Extreme	71m	\$35m
Uranex Limited	UNX	\$1.65	♦♦♦♦	♦♦♦♦	High	88m	\$153m
Uranium Equities	UEQ	\$0.58	♦♦♦	♦♦	Moderate	168m	\$110m
Uranium King	UKL	\$1.14	♦♦♦♦	♦♦	Moderate	88m	\$88m
Uranium S.A.	USA	\$0.33	♦♦♦♦	♦♦	Very Low	99m	\$33m
Western Metals	WME	\$0.16	♦♦♦	♦♦	Very Low	300m	\$48m
Wild Horse Energy	WHE	\$1.55	♦♦♦♦	♦♦♦♦	Moderate	22m	\$82m
Xstate	XST	\$0.50	♦♦♦	♦♦	Moderate	54m	\$27m

Table 1. Valuation comparison and exploration value (including a consideration of policy risk of the jurisdiction of operations) of uranium explorers, including a Spin Factor gauging the promotional efforts of companies versus real value-adding ASX announcements.



A-Cap Resources (ACB)

\$1.62

Probable Value

Summary	
Project	Mokobaesi and others
Resources (t U)	None
Country	Botswana
Policy Risk	Low to moderate
Market Cap	\$177m @ \$1.59
Exploration: Maibele, Ni-Cu-PGE Mokobaesi, Uranium	
12 month High	\$1.82
12 month Low	22.5c
Value	Good

A-Cap Resources, aside from tenements in Queensland (Cu-Au) and China (Au), or the Maibele nickel project, is exploring for uranium in the Karoo Sandstone of Botswana, which hosts the Mokobaesi anomaly upon which the fortunes of A-Cap Resources have been borne aloft recently.

A-Cap has recently raised \$15.5M from sophisticated investors to fund exploration of Mokobaesi and other 1960's and 1970's era radiometric anomalies which remain mostly unexplored. With 0.5% to 1% uranium in some drilling, the grade is certainly there to be defined, although it is early days yet. Botswana is a pro-mining jurisdiction and there is little indication it will not mine uranium. Indeed, Namibia and South Africa are entrenched uranium producers with which Botswana competes for exploration interest.

Reality check: A-Cap, despite better than average grades, is yet to announce any resources and regardless, we wouldn't expect it will get above 0.5% without luck. Expect continued solid grades in exploration, with resources due second half of 2007.

Acclaim Exploration Limited (AEX)

\$0.04

Definite Value

Summary	
Project	Denny Dalton
Resources (t U)	11,000t U 2.6M Oz Au
Country	South Africa
Policy Risk	Low
Market Cap	\$45m @ 4c
Exploration: Denny Dalton	
12 month High	6.7c
12 month Low	3.1c
Value	Excellent

Acclaim Exploration is a poorly capitalized recent entrant into the uranium game, with a major development for the company being the recent acquisition of a right to 25% of the Pamela and Angela uranium deposits in the Northern Territory. This is, of course, contingent upon the failure of Norm McCleary's appeal on his midnight mission.

The major project for Acclaim is the Denny Dalton deposit in South Africa, which has in Inferred Resource of 31.5 million tons grading 350ppm U₃O₈ and 2.5 g/t Au for 11,000t uranium and 2.6 million ounces of gold hosted in a Witwatersrand-like conglomerate. Geologically, these deposits can be difficult to estimate grade continuity, so we see some potential downsizing of contained metal resource with a move to Indicated. Despite this, AEX is substantially undervalued compared to its peers especially after early March's correction which slashed Acclaim's value by over 20%.

Reality Check: A long road to production and capital raisings required regularly hardly offset a 2 million ounces of gold and 11 kiloton uranium resource, which is more than many other companies have.

Arafura Resources Limited (ARU)

\$0.89

Some Value

Summary	
Project	Nolans Bore REE-U-Phosphate
Resources (t U)	7,330t U ₃ O ₈
Country	Australia
Policy Risk	Extreme
Market Cap	\$129m @ \$0.86
Exploration: Nolans Bore, Mt Porter (Au) and on Joint Ventures	
12 month High	91.5c
12 month Low	23c
Value	Moderate

Arafura Resources has three value components; gold and nickel projects in W.A., Nolans Bore Rare Earth, Uranium and Phosphate deposit in W.A., and a stake in the spin-out of NuPower, which takes most other uranium assets out of Arafura's larder.

Nolans Bore has an Inferred Resource of 18Mt at 3.1% Rare Earth Oxide, 14% P₂O₅ in apatite, and 400ppm U₃O₈. Arafura has received a government grant to conduct recovery testwork on the resource, and is upgrading and extending mineralization continuity toward a part Indicated Resource this quarter. The Rare Earths capture the majority of Nolan's Bore metal value, however the uranium is a jurisdictional problem as it cannot yet be mined in Western Australia unless something changes. However, theoretically uranium at Nolans Bore could be stockpiled and not sold, allowing access to the Rare Earth and phosphate mineral revenue streams. This happens today with thorium-bearing monazite from heavy mineral beach sand deposits.

Reality Check: Arafura's uranium plays are limited by the Australian jurisdictional policy restrictions. Metallurgy is yet to be proven and capex estimates are unfixed yet.

**Bannerman Resources Ltd. (BMN)****\$2.65****Some Value**

Summary	
Project	Goaniknotes
Resources (t U)	None
Country	Namibia
Policy Risk	Very Low
Market Cap	\$365m @ \$2.61
Exploration: Ongoing	
12 month High	\$3.05
12 month Low	12c
Value	Average

Bannerman Resources is one of the older uranium explorers and one of the most heavily capitalized, though not so much since coming off the \$3.05 highs. However, Bannerman is involved in exploration primarily within Namibia where uranium mining is ongoing and actively encouraged, so the stock carries low policy risk.

Goanikontes drilling is underway, delivering some fabulous results of up to 124m @ 360ppm U₃O₈ equivalent. However, it is still a drill-stage project with resources yet to be finalized, so a precise valuation is difficult. Despite this, Goanikontes is close enough to infrastructure, and within the right country, to improve the pedigree of the stock quite substantially.

Reality Check: The majority of results are in the range of 200 to 300ppm U₃O₈ which is on the lower side of what could reasonably be called economic. Be careful until resource figures come out, and then reassess them once metallurgy and pre-feasibility is completed.

Berkeley Resources Limited (BKY)**\$1.55****Speculative Value**

Summary	
Project	Retorillo
Resources (t U)	5,000t approx
Country	Spain
Policy Risk	High, short term
Market Cap	\$166m @ \$1.57
Exploration: Retorillo ongoing	
12 month High	\$1.85
12 month Low	55c
Value	Good

Berkeley Resources, dual listed on ASX and AIM, is developing the existing non-JORC resources at Retorillo, Spain. Quoted at 7.8Mt @ 630ppm U₃O₈ equivalent, this is a significant resource by current standards, although it is yet to be converted into anything bankable. Jurisdictionally, Spain might not be the best place to try mining uranium, with a leftist government planning to phase out nuclear power in favor of renewables. Arguably though, this happened in Germany too, and they have 'reconsidered'. Equally, you can find the same rhetoric in Australia attached to much more feeble geological prospects.

We expect to see progress on resource upgrades made, and a similarly optimistic spin coming from the company as it gets down to business and waits for the Zapatero government to fall from power and give them an opportunity for a policy shift to get them mining, much like Australian explorers are doing.

Reality Check: No matter how patient you are, we do note the very green hue of Spain where only 4% of the population support nuclear power, and Leftist greenish governments listen to this more than a potential \$10M royalty per year, or whatever, from one mine.

Black Range Minerals Ltd (BLR)**\$0.20****Some Value**

Summary	
Project	Taylor Ranch
Resources (t U)	Unknown
Country	United States
Policy Risk	Moderate
Market Cap	\$130m @ \$0.21
Exploration: Taylor Ranch resource upgrades underway.	
12 month High	27c
12 month Low	4.2c
Value	Good

Black Range has recently acquired extra uranium tenements around its Taylor Ranch project in Colorado, USA. Taylor Ranch has no JORC compliant resources, however Black Range is compiling the existing 550 hole database, has engaged local knowledge and workers from the previous operators and local geologists to develop the project, which we see as a no-brainer strategy for reducing geological and political risk in a sometimes fractious U.S. jurisdiction which does not value mining as much as Africa or Australia. Similarly, uranium geologists are thin on the ground. Experienced ones, that is.

We do note the perhaps unwise publication of "exploration target sizes" for this resource, ahead of any actual firm figures, which is a little spin-doctorish, however the results quoted so far range from 0.8% to 1% uranium over 2 to 5 metre intervals, so the grade seems to be there to back up a substantial resource.

Reality Check: Black Range needs to be careful of getting ahead of its JORC resources and should let an appropriate disclosure of the facts do their talking. Listen to their facts not their "target sizes".

**Curnamona Energy (CUY)****\$0.94****Minimal Value**

Summary	
Project	Oban
Resources (t U)	Minimal
Country	Australia
Policy Risk	High
Market Cap	\$58m @ \$0.93
Exploration: Oban and other palaeochannels ongoing	
12 month High	\$1.05
12 month Low	\$0.24
Value	Minimal

Curnamona Energy has preoccupied itself with fiddling around in the desert of South Australia on an in-situ leach (ISL) trial of their Oban mineralization, which they quote in terms of dollars per square metre, thicknesses and grades. Not to be too rude, but it is a bit premature to be spending money on field in-situ leach trials when you cannot sell the stuff you suck from the ground, and have to store it somewhere at a value-destroying cost.

Besides the 179,000 square metres at \$300 per square metre fly-speck at Oban, exploration for something real continues, though unsuccessfully to date. We remain hopeful that something substantial is on the cards, because no news must be good news.

Reality Check: Perhaps ISL trials are good, and its something laterite nickel hopefuls get involved with at pre-feasibility, but the difference here is that you cannot sell what you recover, it is radioactive, and money could be better spent hacking trails through a swamp in the Congo looking for yellowcake. Wait for value creating activity to start occurring.

Deep Yellow Limited (DYL)**\$0.37****Some Value**

Summary	
Project	Various Namibian and Queensland
Resources (t U)	>18,000t
Country	Namibia, Australia
Policy Risk	Mixed
Market Cap	\$370m @ \$0.37
Exploration: Ongoing	
12 month High	61c
12 month Low	7.4c
Value	Average

Deep Yellow Limited, but limited in several ways. Firstly, a billion shares attests to their struggle soon after listing when everyone thought 300ppm U₃O₈ was nothing, and recovery to \$0.61 with some hype. Now, Deep Yellow has got out of its Northern Territory and W.A. tenements in favor of Namibia and Queensland. Toro Energy is taking up the reins on Napperby, hopefully to gain value from it, but we wonder why Deep Yellow exited a possible mining state and went to a state opposed to uranium mining?

Regardless, their 18,000t of Namibian nuke fuel is extremely low grade and consists of 5 separate deposits, one with potentially economic grades of 350ppm. The hope is obviously to explore for additional uranium, upgrade resource categories and find better grades. However, we think that the recent drop of 30% from the historic highs are sensible, because Deep Yellow really ought to have had more faith in its existing projects and swapping seats mid bus-ride only loses you friends.

Reality Check: The Namibian resources need a lot of work. Perhaps Deep Yellow is doing a Renovation Rescue business model, but they need to sell their properties to realize a profit. Being equivocal on DYL means you may as well go elsewhere.

Energy Ventures Limited (EVE)**\$0.28****Some Value**

Summary	
Project	Njame
Resources (t U)	2,200t
Country	Zambia
Policy Risk	Low to moderate
Market Cap	\$70m @ \$0.32
Exploration: EM and drilling ongoing	
12 month High	40c
12 month Low	8.7c
Value	Average

Energy Ventures has three pies fingered; a gas processing company, a cell culture company and 79% of African Energy Resources (Guernsey) Limited, which is being spun off into the AIM whilst exploration goes on.

Energy Ventures, by which we mean AER, has a fairly high-grade mining opportunity at Njame, which runs at around 400ppm U. Compared to some other explorers, EVE's stake gives it a low capitalization on its share of the resources and uranium prospects, which are within Zambia. Zambia is relatively stable, pro-mining, and a jurisdiction which gives low policy risk to uranium hopefuls. However, they may need AER to find more than the ~2,200 tons of uranium it already has before production comes along.

Reality Check: The African Energy vehicle is driving on smoother roads than others. However, its tank could run dry fairly swiftly, and with 70% equity, Energy Ventures will have to pay for the road trip with its \$10m kitty or face sitting in the back seat.

**Eromanga Uranium Limited (ERO)****\$0.29****Some Value**

Summary	
Project	Marree Project
Resources (t U)	None
Country	Australia
Policy Risk	High
Market Cap	\$40m @ \$0.29
Exploration: Marree Project, first drilling next quarter we hope.	
12 month High	34c
12 month Low	17c
Value	Average

Eromanga Uranium was spun out by Maximus Resources as a vehicle to explore for uranium on its own right, with a sizeable and strategic position over the Marree Project in South Australia.

While Eomanga has no resources – yet – because it is a grassroots explorer, what we like about it compared to a few others, is they have identified some reasonably large palaeochannel systems in the same stratigraphic interval as the Beverley uranium mine.

With some hints of mineralisation at Nob’s Well of ~200ppm uranium, the company is correct in expecting that their sizeable palaeochannel and palaeodrainage systems have the right ingredients for roll-front uranium mineralisation. EM srveys are continuing on the Billa Kalina, Abminga and Kingoonya projects in April, with results due out maybe mid-May. Policy-wise, South Australia is at least better than Western Australia.

Reality Check: For a grassroots explorer, Eromanga has solid value but a lot of work lies ahead even before the first inferred resource comes out.

Globe Uranium Limited (GBE)**\$0.81****Good Value**

Summary	
Project	Various
Resources (t U)	None
Country	Malawi and Argentina
Policy Risk	Low to Moderate
Market Cap	\$45m @ \$0.76
Exploration: Malawi ongoing	
12 month High	\$1.00
12 month Low	39.5c
Value	Excellent

Globe Uranium has exited Australian projects and is concentrating on a suite of projects in Malawi and one project in Argentina. The Malawian projects include very sizeable areas running to 200ppm uranium in the soils, with 2000ppm and upwards in rock chip samples. While rock chips are mostly meaningless in terms of value, the soil anomalies are very important because in the soil Globe has the same uranium than, for instance, Bannerman Resources has in a 124m drill hole intercept.

Geologically, Globe has bulletproof models for the mineralization which might be sitting underneath the positively glowing soil anomalies, of which Globe has several. Additionally, tantalum (300ppm) and niobium (1000ppm) in potentially economic concentrations exists in the soils associated with the uranium mineralization, adding further impetus to the likely economic prospects within the Kanyika tenement.

Reality Check: Argentina is an untested case for policies on uranium. Malawi on the other hand is vigorously pushing to become the next uranium producing nation. Despite this, Globe has a way to go before resources become quantified.

Korab Resources Limited (KOR)**\$0.67****Minimal Value**

Summary	
Project	Divesting
Resources (t U)	None
Country	Australia
Policy Risk	High
Market Cap	\$30m @ \$0.71
Exploration: Only for gold and base metals	
12 month High	98c
12 month Low	20c
Value	Low

Korab is leading the charge in risk mitigation by diversified explorers with Australian uranium tenements by spinning its Gascoyne, W.A. uranium tenements out into Uranium Australia. The odd thing is, Korab was listed as a uranium explorer.

Korab, sorry, Uranium Australia’s tenements suffer from being in the wrong state at the wrong time, and we see the divestiture of them as a risk aversion strategy by Korab as it tries to shore up its more interesting and secure mundane metal prospects. With a battered share price which lost 30% in a week we wonder if, similar to the ice cream man giving you low fat chocolate, there are some miffed punters wondering why they invested in a uranium company which is selling out of uranium.

Reality Check: Korab, unfortunately, exemplifies the smart way to deal with having totally speculative non-resources you can’t dig up; get rid of them and add actual solid value. A uranium company shedding uranium is confidence destroying..



Mantra Resources Limited (MRU)

\$0.93

Some Value

Summary	
Project	Various
Resources (t U)	None
Country	Tanzania
Policy Risk	Moderate
Market Cap	\$50m @ \$0.90
Exploration: Tanzania, airborne radiometrics in April 2007	
12 month High	99c
12 month Low	25.5c
Value	Average

Mantra Resources is a grassroots explorer with three projects based in Tanzania, with various amounts of uranium anomalism generated from a variety of sources in the latter few decades of last century.

Mantra has no resources, which is not surprising considering the remoteness of their projects. Geologically, they are in reasonable positions within the Karoo Sandstone, host to various resources and anomalies further to the south west in Botswana and elsewhere. Other targets are the typical palaeodrainage calcrete targets. Mantra is flying airborne radiometrics in April, and expects to be on the ground drilling in June of this calendar year.

Reality Check: Regardless of anything else, this is another explorer capitalised at \$50m on nothing more than the expectation of generating a soil anomaly and some drilling.

Metex Resources Limited (MEE)

\$0.11

Minimal Value

Summary	
Project	Various
Resources (t U)	None
Country	Australia
Policy Risk	High to moderate
Market Cap	\$24m @ 11c
Exploration: Ongoing in almost all states of Australia	
12 month High	19c
12 month Low	5.7c
Value	Low

Metex Resources has rolled up a significant chunk of Australia into a broad range of uranium, coal, and gold projects. In terms of uranium, Metex has 2,600 km² in Western Australia, 3,100 km² in South Australia, and over 7,000km² in the Northern Territory. While individual projects have been explored in the past, returning occasional cherries such as 0.33% uranium, the majority are grassroots style targets. No substantial resources have been formed on the company's tenements, and are unlikely to be cobbled together this year. With cash reserves of about \$1M, we worry about Metex's cash flow and equity position.

Reality Check: Metex has done what all hungry hungry hippos do, which is gobble up as many tenements as possible. However, we note that the expenditure commitments on the tenements amount to around \$3M a year, excluding other commitments to the coal venture or gold or feathering nests. A \$9M investment package might be worth 4c per Metex share now, but either there will soon be many more shares or no investments or a sharp drop in tenement sizes as reality bites in the form of polite letters from the state geological surveys asking what work Metex has done on its tenements.

Monaro Mining Limited (MRO)

\$1.95

Speculative Value

Summary	
Project	Various as well as Au, Pb-Zn and Cu
Resources (t U)	None
Country	Kyrgyzstan
Policy Risk	Extreme (Sovereign risk)
Market Cap	\$78m @ \$2.00
Exploration: Drilling planned sometime soon, plus local Pb-Zn-Au	
12 month High	\$2.51
12 month Low	80c
Value	Moderate and risky

Monaro Mining has branched out from the Lachlan Fold Belt, N.S.W. acreage where it cut its teeth looking for base metals. The new idea, apparently, is to look for uranium in Kyrgyzstan, renowned for its fermented mare's milk and the government resuming profitable gold deposits (see Central Asia Gold). Kyrgyzstan is as exotic as it is potentially mineralized. With control over some remnant resources and lots of exploration to be done both at home and abroad, and capitalized at a substantial \$78 million, we furrow our brows to explain a \$2.00-plus share price (let alone \$2.51 paid awhile ago).

Geologically, uranium grades in the Kyrgyz mineralization is good to extremely good, so we cannot discount the possibility of substantial success, and although policy wise Kyrgyzstan is low risk, sovereign risk would be fairly hairy given the Taldy Bulak story.

Reality Check: Lets say MRO finds 5,000t of high grade uranium. Let us then consider whether the Kyrgyz President's relatives will get it. We consider MRO fairly risky.



Nova Energy Limited (NEL)

\$3.50

Minimal Value

Summary	
Project	Lake Way – Centipede
Resources (t U)	9,000t
Country	Australia, Africa
Policy Risk	High
Market Cap	\$200m @ \$3.70
Exploration: Namibia, Guinea, S.A. and W.A.	
12 month High	\$4.20
12 month Low	90c
Value	Average

The Lake Way and Centipede resources, located in Western Australia underpin the value of Nova Energy. Realising it can rework feasibilities on these two deposits as much as it wants but faces an intractable State government which will not let it mine, Nova has branched out to other states in Australia, and into Africa, following or leading the charge (it matters not) to jurisdictions where uranium can actually be won from the rocks.

Does this justify a \$3.70 share price? Not really. If we consider Nova Energy as a grassroots explorer which happens to have 9,000 tons of metal sitting in an old river effectively buried under red tape and therefore essentially worthless, then we should perhaps compare them with the likes of Mantra, Globe etcetera.

Reality Check: Perhaps, to be fair, a \$200m market capitalization is a lever into better prospects via cash, or something of the sort. But this doesn't justify buying them at these prices. We also note virtually no announcements yet this quarter; what is \$200m doing?

Toro Energy Limited (TOE)

\$0.93

Some Value

Summary	
Project	Napperby
Resources (t U)	670t
Country	Australia
Policy Risk	Moderate to high
Market Cap	\$130m @ \$0.90
Exploration: Australia, including Napperby pre-feasibility	
12 month High	\$1.60
12 month Low	41c
Value	Average

Toro Energy's latest big new item was the acquisition of the Napperby resource off Deep Yellow in a complex transaction, for some figure of money which depends on various criteria. The good part of this is, it is in the Northern Territory and, for the right amount of cash, Toro can own Napperby 100%. Deep Yellow will also gain some Toro scrip.

However, a 2% royalty to Paladin and a further 3% to Deep Yellow are somewhat onerous terms, as the Northern Territory has a royalty as well. The price is on a sliding scale depending on uranium price, so the deal has some rubbery figures. However, grade at Napperby is good enough at 0.036% U₃O₈ if resources can be expanded enough.

Reality Check: Napperby was a vital value addition to Toro, which has done a fair bit of drilling to return best intercepts of 1m @ 360ppm and 400ppm U₃O₈. However, the price is dependant on exploration success, among other criteria, so it is impossible to know if the price is fair, and whether the royalties will crush Napperby's profitability.

Uran Limited (URA)

\$0.57

Speculative Value

Summary	
Project	Various
Resources (t U)	Unknown
Country	Eastern Europe
Policy Risk	High
Market Cap	\$35m @ \$0.56
Exploration: difficult to predict	
12 month High	\$1.68
12 month Low	\$0.08
Value	Average

Mother Russia and its little daughters still like to keep their State Secrets, including how much uranium is sitting in the ground, just in case we capitalists can figure out how many nukes they can make and what to pay for Uran. For these reasons, getting firm figures out of Uran on how much uranium they may or may not have is pretty much impossible. A bid for the Rozny deposit in the Czech Republic fell over, maybe.

Perhaps a 60% flop in the share price would seem a good time to buy. Or maybe it wouldn't be. Perhaps someone cashed their 51,000 20c options because they believe in the company, perhaps they just decided they could still make 250% this week but maybe not next week. Nobody knows, which is the message written all over Uran.

Reality Check: Perhaps there is a better way to invest in uranium. But maybe there's not. (Hint: there is). Wait for real numbers to come out.

**Uranex Limited (UNX)****\$1.70****Good Value**

Summary	
Project	Various
Resources (t U)	None
Country	Australia, Tanzania
Policy Risk	Moderate to High
Market Cap	\$150m @ \$0.75
Exploration: Mkuju and Thatcher soak	
12 month High	\$2.33
12 month Low	28c
Value	Good

Uranex Limited, supported by \$12m raised via a share placement, is exploring in both Australia and Tanzania, where the results from the Mkuju Project are quite rich, with visible uranium in the soil. Soil sampling results and auger bore results of 1.4m @ 1800ppm U₃O₈ confirm that some of their anomalies contain very high grade uranium, even if this will be diluted to something less stellar in the fullness of time.

What we like about Uranex, aside from their Australian projects which are a bit hobbled by policy, is the fact that the grades are there to be won and there are significant parts of a Karoo Sandstone palaeochannel which remain to be explored. Another positive is the quality of their reporting, the lack of spin and hype probably indicative of a bit of corporate strength and perhaps a reason why European investors backed them to the tune of \$12m. We haven't even considered their Australian tenements, because there is no need to hunt for value there at this stage.

Reality Check: The value of Uranex does seem fair – a rarity – but only on their Tanzanian properties, which require substantial work before digging starts. Uranex is expensive, but you do pay for quality.

Uranium Equities Limited (UEQ)**\$0.59****Minimal Value**

Summary	
Project	Various
Resources (t U)	Mulga Rock?
Country	Australia
Policy Risk	High to moderate
Market Cap	\$101m @ \$0.60
Exploration: Ongoing on various tenements in Australia	
12 month High	67c
12 month Low	21c
Value	Average

Uranium Equities has attracted phenomenal interest and funding (up to \$23m) to go exploring for uranium on an area equivalent to that of Fiji (18,000km²). Expenditure commitments, once again, are staggering at around \$7m per annum, so the usual three options of capital raisings, spin-offs or tenement reduction come into play eventually.

The problem with this is, it's almost all in W.A., and even though Mulga Rock is a juicy deposit, legal wrangling is ongoing, meaning we can't count it toward a UEQ valuation yet. Even if successful, again, red tape and overburden render it valueless until the red tape disappears. Perhaps this is why they are working with International Nuclear Inc to source foreign projects and put some of their capital toward something more fundamental.

Reality Check: Again, another hippopotamus which is sitting in a bunch of old riverbeds awaiting some miracle of political jack-knifing, or favorable legal judgments, while the clock ticks on their acres of desert sitting under a very blue sky. A \$100m explorer.

Uranium King Limited**\$1.14****Strong Value**

Summary	
Project	Rio Puerco, Apex-Lowboy
Resources (t U)	~5,000t
Country	United States
Policy Risk	Low to Moderate
Market Cap	\$81m @ \$0.96
Exploration: Ongoing at both projects, pre-feasibility soon	
12 month High	\$1.10
12 month Low	33.5c
Value	Very Good

Uranium King owns the mineral rights to the Apex-Lowboy and Rio Puerco uranium deposits in Nevada, USA. It has gained additional tenure in nearby territories within the prospective Morrison Formation which hosts the high grade uranium deposits. Early results indicate extensions to Rio Puerco, at the Lily/Sam area, are likely. The company benefits from local knowledge via the vendors, high grades of 0.12% U₃O₈ and existing shaft infrastructure at Rio Puerco, which produced uranium previously.

We see a fast route to production compared to other production hopefuls, although mining permission and environmental approvals in the U.S. could be a headache. NPV on Rio Puerco, with our assumptions to be validated in a feasibility study (including a Capex of US\$20m and expensive mining rates), is still around AUD\$250m over 5 years. With digging likely in 2 years, we consider Uranium King has good value.

Reality Check: Uranium King's tradeable stock is quite low at 6m shares. U.S. EPA regulations can be cruel, so there is still risk, but previous mining in the area is a positive.

**Uranium SA Limited (USA)****\$0.33****Some Value**

Summary	
Project	Kingoonya
Resources (t U)	None
Country	Australia
Policy Risk	High to moderate
Market Cap	\$33m @ \$0.33
Exploration: AEM surveys and soils, Kingoonya, Tarcoola	
12 month High	49c
12 month Low	16c
Value	Average

Uranium SA advertises its relatively moderate policy risks in South Australia right there in its name. This is why, as far as Australian grassroots explorers go, we would consider USA stock as given a fair chance of mining with some moderate policy shifts.

A second point of value besides hoping the 3 mine policy implodes, is the size of the Kingoonya palaeodrainage system, which USA has a sizeable strike length of. The Kingoonya channel is to be investigated this quarter by an airborne electromagnetic survey (AEM). Interest in the Kingoonya drainage system is heated, and seems a reasonable geology play, so on balance we think the current price for Uranium SA is relatively fair, or as fair as you can get for a company with no resources yet. Certainly, it is better than paying 49 cents of a few weeks ago.

Reality Check: Yet again, much work lies ahead for Uranium SA, in finding, drilling and proving up resources. Politically they face the prospect of exploring in a policy vacuum, hoping for a change in Federal government uranium policy.

Western Australian Metals (WME)**\$0.16****Some Value**

Summary	
Project	Marenica
Resources (t U)	None
Country	Namibia
Policy Risk	Low
Market Cap	\$48m @ \$0.16
Exploration: Vigorously underway in Namibia, gold in Australia	
12 month High	25c
12 month Low	10c
Value	Average

Western Australian Metals (not to be confused with WMT, below) is diversified between Australian uranium and gold and Namibian uranium, with the latter looking encouraging.

Exploration trenching has returned uranium of up to 600ppm within a 200ppm halo, which is respectable by comparison to some other exploration efforts underway in southern Africa. WME is also an aggressive explorer, with a strong and concerted effort underway in Namibia, including compiling 2,000 historic drillholes which, presumably, will go towards an Inferred Resource with some additional modern drilling on top.

WME also has some irons in the fire with gold, but these are only average. Policy wise, holding Namibian territory places WME in good company.

Reality Check: WME has small cash reserves and lacks some of the promotional momentum of its competitors. Nevertheless, it is a reasonable grassroots play.

Western Metals Limited (WMT)**\$0.24****Minimal Value**

Summary	
Project	Various
Resources (t U)	None
Country	Various
Policy Risk	Various
Market Cap	\$120m @ \$0.24
Exploration: Ongoing on all projects	
12 month High	32c
12 month Low	1.4c
Value	Average

Western Metals has a diverse range of projects. The Colorado project is in an area with 5,000t uranium production, but with no resources or occurrences and is grassroots. The Georgetown project, bought off BHP, is a average lead-zinc play in our estimation, with no known occurrences on the WMT tenements, and is grassroots level. About 7,000km² in Tanzania is only 42% WMT, and other tenure can be 60% WMT's after \$5m is spent.

We struggle to see the value. True, some whopping uranium grades and photos showing yellow specks in trenches get the blood racing, but rock chips and trenches are merely hint at things which can be only gauged by drilling. Until then, we merely see a small company with interests spread over 4 countries and no firm resources in any.

Reality Check: Not too long ago WMT was worth 9c, or \$45m like other grassroots explorers. Working in 4 countries is a lot of administration to handle.

Wildhorse Energy Limites (WHE)

\$1.55

Some Value

Summary	
Project	Sweetwater, some Hungarian
Resources (t U)	~18,000t
Country	U.S.A and Hungary
Policy Risk	Moderate
Market Cap	\$85m @ \$1.60
Exploration: Ongoing in Sweetwater, USA.	
12 month High	\$2.03
12 month Low	82c
Value	Average

Wildhorse energy has avoided Australian pasture to graze in the USA and in Hungary, where substantial former production of 20,000t U₃O₈ and a non-JORC remnant resource of around 18,000t non-JORC looks possibly the best of its prospects.

Exploration on the Sweetwater prospect in the USA has failed to deliver stunning results, with an average of 700ppm uranium in drillholes at 180m downhole. The grade is good, but at those depths it starts to look less exciting. Sweetwater resources of ~3500 tonnes are non-JORC and have stayed that way for 6 months. The Hungarian projects look better, but given Uran's experiences in the Czech Republic, we must caution that approvals in the Eastern European states aren't always straightforward.

We also note a greater than average amount of spin, for very little progress in over 6 months of work, and a recent reshuffle of the directors. Fairly weakly capitalized.

Reality Check: The objective of 3 mines in 4 years seems ambitious, especially considering months have dragged by without substantial conversion of deposits to JORC classification resources. But really, few companies get into production when they wish to.

XState Resources Limited (XST)

\$0.50

Speculative Value

Summary	
Project	Arizona
Resources (t U)	None
Country	United States
Policy Risk	Low to Moderate
Market Cap	\$27m @ \$0.50
Exploration: Drilling underway, results imminently.	
12 month High	65c
12 month Low	22.5c
Value	Speculative Good

Xstate's uranium play in Arizona is high on the risk/reward scale. The tenements are in joint venture with Liberty Star for 50% and involving AUD\$3.7m expenditure budgeted so far, leaving \$2 million in XState's coffers.

The target is to find an 0.6 to 0.7% U₃O₈ deposit within sulphidic breccia pipes, which are found within the "Arizona Strip" and are some of the richest uranium deposits to be in past production. The value of one of these deposits, if it is found, would be immense. The geological model and exploration method are both sound, though risk prone, with no guarantee of success. Therefore we rate Xstate as a speculative play, with a potential huge payout upon success, even if at 50% with the JV partner.

Reality Check: Speculative plays are throughout the uranium exploration industry, but this one is a clean hit or miss test with no fluffy middle ground to prop the share price up on 200ppm anomalies and trenching. The landing could be hard and the stock is illiquid.

Summary	
Project	Langer Heinrich, Kayekelera
Resources (t U)	Various
Country	Various
Policy Risk	Irrelevant
Market Cap	\$4.6B
Mining underway at Langer Heinrich Kayekelera development underway	
12 month High	\$10.30
12 month Low	\$3.30
Value	Good value
Deposits	
Langer Heinrich	37Mt @ 0.06%
Kayekelera Valhalla/Skal	8Mt @ 0.13%
Bilrygi (41.7%)	21Mt @ 0.08%
	4Mt @ 0.14%
Production	
Langer Heinrich	1,200t per year
Kayekelera	2009

Finally, we come to Paladin, the only company to enter the rarefied circles of uranium producers, which must be a very deserted private bar at the upcoming Paydirt Uranium conference where, doubtless, we will hear about the usual chestnuts relating to Paladin once more.

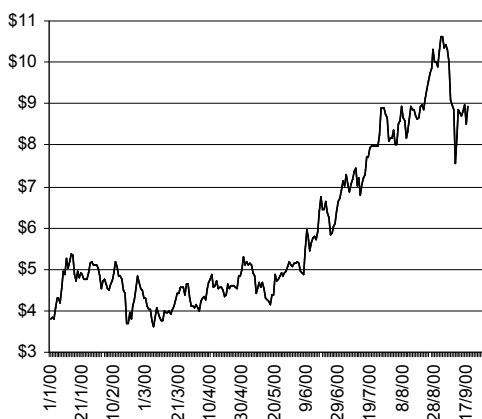
However, and it is a big however, although we believe the run-up in Paladin to \$10.30 was over-energetic the pull-back with this month's economic chaos has reduced the price to something in which us mere mortals can contemplate finding value. For instance, on our figures, we reckon Paladin is worth up to \$8.90 a share with Kayekelera in production at \$85/lb for uranium. This means that at \$8.30 to \$8.50 a share, you can find some value.

Takeover Activity

We don't expect substantial dividends very soon considering Langer Heinrich is freshly started and capital is being expended to bring Kayekelera into production.

Let us not forget that Paladin intends to smother Summit, which is also expensive, though it will simplify the Valhalla and Skal value equation and add even more pounds of uranium to Paladin's inventory. We also point out the pulling power of a \$4 billion market capitalization backed up by a growing production base. We therefore expect the M&A activity will only increase as Paladin picks and chooses its meals from the up-and-comers, probably to the benefit of its targets.

Paladin Resources (PDN) 12 Month Share Price



Taking into account the relaxation in the share prices recently, it seems Paladin has offered a lot for Summit despite protestations from Summit's board. We could guess that some of the companies who have anything worthwhile in approvals-easy Africa would be next on Paladin's menu.

Production

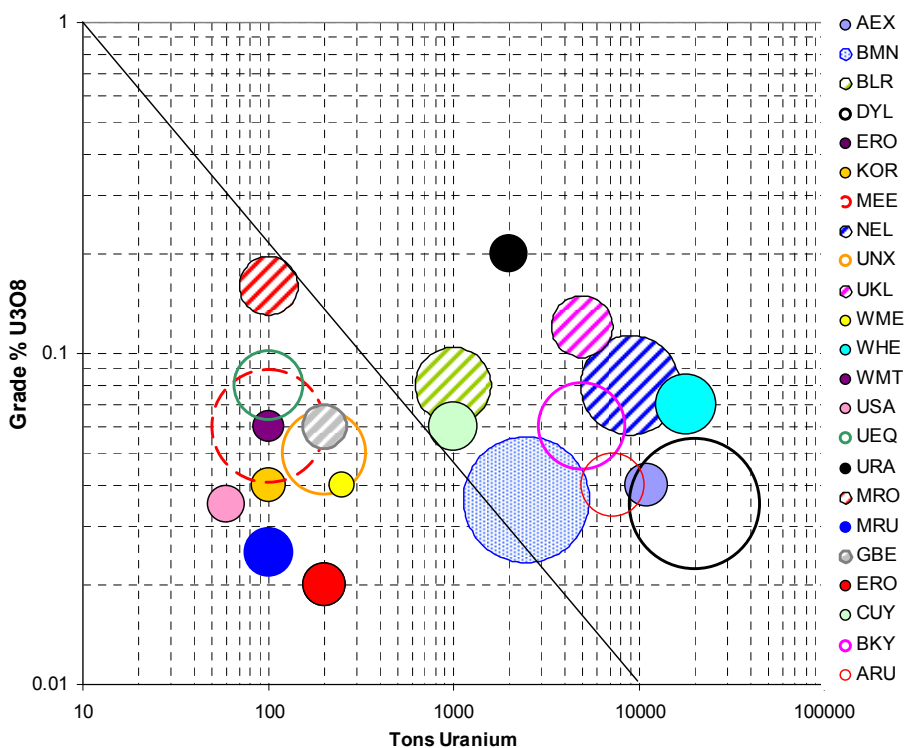
Paladin's big advantage is that it has one and soon two uranium mines in operation, which allows it to capitalize on the exorbitant uranium prices of US\$85 per pound (\$170,000/ton). For instance, Langer Heinrich's production will produce revenue on the spot price of US\$200M per year, and after tax and outgoings probably AUD\$100M in year one profits, worth 18c per share. The PE ratio would thus be over 40. Kayekelera should slash that substantially and begin to justify the \$8.90 target for a hold.

Thus, on balance, we rate Paladin a hold, due to its huge resource base and increasing production credentials.

Analysis

The profusion of uranium companies attests to the strength of interest in uranium. The question remains, which company contains the most value for an investor? Valuing explorers can be done by comparing grade of a resource, the tonnage of the resource, and the market capitalization. The following graph shows the size and grade of resources (the higher the better) and the market capitalization of the company depicted as the size of the bubble. For explorers, only a hundred or so tons of “resources” have been put into the equation just so they can be placed on the graph, which is logarithmic. The grades are taken from drilling, soil anomalies and trenching. Obviously, the higher grade resources the more likely they are to enter production and likewise, the greater the tonnage the better the chances of continuing profits being realized.

Clearly, the overcapitalized companies are the explorers with the largest bubbles (fittingly enough) at the lowest grades who have no real resource tons. This includes Metex, Bannerman and Uranium Equities. Then there are the huge low grade resources of Deep Yellow, which are in Australia.



The real winners are the high grade resources, though Nova Energy has an Australian resource so its position on the graph is entirely based on Lake Way and Centipede which are unminable currently. Monaro Mining has no real tonnage proven, though the grade regionally appears excellent, so they can move to the right with work, however anything in Kyrgyzstan is at some sovereign risk so we would like to see that bubble shrink in size until tons get proven.

This leaves the best picks as **Black Range, Uranium King, Wild Horse Energy and Acclaim**, all of which are operating outside of Australia. **Arafura Resources** is an Australian pick which is still good value, as are the low-cap explorers such as **Uranium SA, A-Cap, Globe Resources or Mantra**.

Conclusions

Analysts more steely eyed and of greater battle experience than myself have muttered about the hype surrounding the uranium industry. As someone said at the RIU Explorers conference this year, “some people have \$40m soil anomalies”.

Looking around at the uranium stocks, even the few covered here, we see the behaviour of companies and the market as indicative of speculative hype and more blue sky than the world needs for a millennium. We have it all; risk aversion, uranium explorers flogging out their uranium, W.A. explorers scuttling off to Africa or Eastern Europe in their droves, others picking up Luxembourg-sized areas on a whim and yet more floating out anything which looks slightly luminous on an overcast day just because they can float it off, pay themselves \$2M for the privilege, take a 12-70% stake in their little creature, let it run up, and then bug out. None of this really creates value, merely shuffles it out of investor’s pockets into executives’ pockets.

Regardless, there are a few gems in the dross. Globe has as much uranium in its soils as Bannerman has in its holes. Acclaim has a lot of work, but something worth working up. The grassroots explorers, to be fair, are equally rated, and it comes down to risks. Of these, Mantra, Eromanga and A-Cap all have a good chance, whereas Metex and Energy Ventures seem to be overcommitted and Monaro is playing USSR roulette. Then there are the American explorers; Uranium King and Black Range seem best, with Xstate a gamble (but a potential jackpot). Others seem quite overpriced for what they have and we include Western Metals, Nova Energy, Uranium Equities in this category.



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