

**UraniumSA – Commentary on ASX Release – 17/7/10**  
**Excellent Uranium Drill Results at West Blackbush**  
**Big Widths with Very High Grade Zones**

**Announcement:** Rotary mud drilling results from the first rotation of an 11,000m drill program;

Hole # 619 19.4m at 1,063 ppm eU<sub>3</sub>O<sub>8</sub>, peak 15,310 ppm (1.53%)

Hole # 614 26.4m at 398 ppm eU<sub>3</sub>O<sub>8</sub>, peak 1,950 ppm

Hole # 620 23.1m at 383 ppm eU<sub>3</sub>O<sub>8</sub>, peak 2,577 ppm

Hole # 613 23.9m at 347 ppm eU<sub>3</sub>O<sub>8</sub>, peak 2,350 ppm

Hole # 586 11.9m at 640 ppm eU<sub>3</sub>O<sub>8</sub>, peak 1,972 ppm

*NB: All holes assayed with gamma ray logging. Previous work with PFN tool suggests gamma logging understates the grade by approx. 20%*

**Significance:**

- This is probably the best round of drill holes from Blackbush. The widths are very large for an ISL project.
- The presence of very high grades (up to 1.53% eU<sub>3</sub>O<sub>8</sub>) dispels the myth that this is a low-grade deposit. Clearly there are some very high-grade zones, but in a mining environment it is not easy to isolate high-grade zones, so it will probably be more economic to bulk mine (Drawing parallels with a porphyry copper deposits, it is better to get economies of scale and take the whole lot than to high grade a deposit). The average width of this round of drilling is 15m, at a bulked grade of 320 ppm.
- The economies of scale in an ISL project, having big widths (heights), comes from more available uranium for each array of injection and extraction wells i.e. higher productivity of capital.

**Valuation Notes:**

- The first point is that a market capitalisation of \$18m, USA is very cheap.
- If the target of 20,000 t eU<sub>3</sub>O<sub>8</sub> (44 mill. lb) is achieved by year end, the stock has the potential to increase 2-4x, based on the following measures;
  - Assume US\$1.00/lb of resources = A\$52m or **47¢ a share**
  - Valmin - 3% of in-situ value, at U\$41/lb = A\$63m or **56¢ a share**
    - But as we know, spot is unrealistically low, so if you use the long term price of US\$60/lb, it is A\$93m or **83¢ a share**
- **We expect that the share price will move higher to close the gap between the current price of 18¢ and the various valuation figures as the news flow gives us the next resource upgrade, more drill results, and as it closes in on the 20,000 t resource figure.**

**Expected News Flow**

- It has been more than a year since the initial 2,700 t resource was announced. Since then there has been a series of spectacular drill results in terms of grade, width, and aerial extent of the orebodies. We are looking for a revised statement by late August/early September, with a tonnage of 5,000-10,000 t eU<sub>3</sub>O<sub>8</sub> more than likely. This is significant. Continuation of these results could lead to another doubling by the end of 2010.
- In the interim we should be expecting continuous drilling news.

Warwick Grigor