

UraniumSA – Commentary on ASX Release – 24/2/10

Massive Upgrade of Expectations Following the Latest Drilling Release

ASX Release: Mullaquana Project update, detailing discovery of richer, thicker mineralisation, in-fill drilling and third party verification

Comment: **This announcement far exceeds our expectations as it is hitting jackpot zones we didn't know existed. The following points need to be made;**

1. **Grade – everything is pointing to a significant boost to the grade**
 - The previously announced resource, of 2,700 tonnes at 200-210 ppm, was dismissed as being too low by some people (even though it is the permeability that is more relevant). However, this latest round of in-fill drilling is suggesting that we could see a lift in the grade to 400-500 ppm. This should be very profitable, taking into account all the other aspects of shallow depth (50m) and favourable location regarding infrastructure.
 - 31 of the 70 mud and core holes have given intercepts in excess of 1,000 ppm (anything above 500 ppm is considered economic).
2. **Grade Reconciliation – PFN tool has given a good boost**
 - Assays using gamma logging are a good guide, but the real assays can vary up or down depending upon whether or not the deposit is in equilibrium (i.e. how mature it is)
 - Here, there has been a positive reconciliation of 23% i.e. the grade is 23% higher than reported on gamma logs. This is very positive.
3. **Sterilisation Hole Has Hit Highest Grade Mineralisation**
 - In a very pleasant surprise, drilling 600m to the west, to find a mineralisation-free location on which to build a treatment plant, has come in with the best intersection to date. The mineralisation is obviously much more extensive than they thought.
4. **Independent Verification Adds to Veracity**
 - The PFN tool, logging and other verification work has been conducted by independent third parties. Thus there is no opportunity to be anything other than transparent. The credibility factor here is very high.
5. **New Style of Mineralisation Adds to Potential**
 - The geological model has been targeting historical coastline deposits along a 30 km distance, with each deposit have potential to be > 1 km in length. This latest round of drilling has shown another, more localised style that is generally < 1 km in length, but higher grade and with better thicknesses, with the mineralisation in coarse-grained free flowing sands that should ISR leach very well.
6. **Field Pumping Tests to Commence**
 - Hydrogeological holes have been drilled at seven sites, in preparation for installing down-hole pumps for the testing of the permeability. Laboratory tests have already shown that the resource lies in highly permeable unconsolidated sands. The field tests should confirm this and provide useful data for the feasibility study.

The Bottom Line: We expect to see major increases on the current resource of 2,700 t U₃O₈, with 10-20,000 t U₃O₈ this year quite possible, at better grades. This makes it one of the most exciting new discoveries in Australia, in Sth Australia. This will become a mine! **HIGH CONVICTION BUY.**
Warwick Grigor

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