

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 eU₃O₈, peak 15,310 ppm (1.53%)

Hole # 614 26.4m at 398 ppm eU₃O₈, peak 1,950 ppm

Hole # 620 23.1m at 383 ppm eU₃O₈, peak 2,577 ppm

Hole # 613 23.9m at 347 ppm eU₃O₈, peak 2,350 ppm

Hole # 586 11.9m at 640 ppm eU₃O₈, 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% eU₃O₈) 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 eU₃O₈ (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 eU₃O₈ 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