



Uranium Exploration Australia Limited

EUREKA
report



EUREKA REPORT

July 16, 2007



Something to glow about
By James Kirby

Patrick Mutz
Managing Director
Uranium Exploration Australia Limited



 [Watch the Patrick Mutz interview](#)
 [Hear the Patrick Mutz interview](#)

For live links go to the UXA website:
www.uxa.com.au

PORTFOLIO POINT: Expectations of another big year for exploration and mining stocks related to uranium.

At Eureka Report, we've trumpeted the charms of uranium producers BHP, ERG and Paladin, but the uranium exploration sector remains something of a casino where we fear to tread. In today's video one of the veterans of the uranium industry, Patrick Mutz, explains the investment case for investment in exploration companies.

Mutz is a de facto uranium industry veteran – and such veterans are rare in the local industry because the industry was virtually in a deep-freeze for more than a decade after the introduction of the Hawke government's 'three mines policy', a policy only scrapped earlier this year. Mutz is a former executive at Heathgate, the North American owner of the Beverley Uranium Mine in South Australia, Australia's less well-known 'third' uranium mine (the other two are BHP's Olympic Dam and ERG's Ranger).

More recently, Mutz has become managing director of Uranium Exploration Australia, which considers itself an 'established' uranium explorer since it listed in 2005 – prior to the large surge in uranium exploration IPOs. Mutz expects the uranium spot price may get to \$US200 – from \$US135 today – but he is less sure the State governments in Australia will scrap residual uranium mining bans in the near future.

The interview

James Kirby: Patrick Mutz, the commodity price of uranium has been rising quite rapidly over the last year, but in recent weeks uranium stocks have been falling. What's going on?

Patrick Mutz: Well, look the uranium price has been rising rather sharply, but not just across the last year; actually more like for the last four years. The slope of the curve is probably greater this last year where we're getting over \$100 a pound for uranium on the spot price. As far as why some of the stocks might be retreating, I think part of that probably was the end of year sell-out that might have been for tax considerations. I fully expect that this year we will see another very big year for exploration stocks and mining stocks related to uranium.

James Kirby: Now uranium spot prices have been rising strongly and there are forecasts that it could go as high as US\$200. What do you think?

Patrick Mutz: I think there's a very good possibility that they will. The one thing that is clear is in looking at the market through the years is that the supply/demand curves crossed as far back as 1986 and 20 years further down the road we're finally beginning to realise that the supply of uranium from new mines and existing mines is simply not able to keep pace with the demand. Secondary suppliers have been filling the gap through all those years, but in 20 years, secondary supplies are beginning to dwindle so we're still seeing a very large pressure on the market for production based on the demand for uranium and the supply has not been increasing very quickly at all.

James Kirby: Now of course the strong prices have given a lot of excitement around the uranium sector and there is a suggestion that the residual restrictions on uranium mining among the States will be scrapped after the Federal election. Do you think they'll be scrapped?

Well, there's been already been a change in the posture of the Labor Party. It was announced recently that there is no longer going to be a limit by the 'three mines policy' that existed for a number of years, but they've in fact relegated that responsibility now to make decisions about new mines to the State level and at this point the Western Australian State Government has said look, we're not ready to allow new mines. The Queensland Government said they're not ready to open up for new mines. I think this is going to change in time. There are two very important points though. South Australia on the other hand has said and the Premier has been very open in saying we are open for business. We welcome exploration. They have a PACE program that actually helps support explorers and providing a little bit of financial support to explore and they're basically saying, bring us your mine permit to start a new mine.

James Kirby: Yes, but how long do you think it will take before they change?

Patrick Mutz: I wish I could predict how long. I don't know that the federal election will necessarily be the bigger player here. I think it has more to do with the fact that I think – this is just my observation – it just takes a little time for those kinds of policies to change in the political circle, so I think irrespective of the outcome of the upcoming federal election, in time, if I had to put a number to it, I would say in the next two to three years that policy will change.

James Kirby: Now, of course, for the general investor perhaps the biggest project in the public imagination is Jabiluka. Do you think that Jabiluka will finally get off the ground in the next, say, three to five years?

Patrick Mutz: I think it is inevitable in my mind that there will be a day when the Jabiluka deposit is mined. I say that because I'm confident that the mine owners will find a way to meet all of the needs of the various interested parties in that area – to meet their needs and therefore get approval to bring the mine on line. Now, that mine will obviously be at one of the highest standards of environmental and social protection, and that's as it should be, so, yes I do, and I would think that in the next five years that will happen.

James Kirby: Now talking about your own stock, Uranium Exploration Australia, your stock, too, just like many others in the sector has been struggling in recent weeks (The stock has dropped from 45c to 34c.). What will it take to get some momentum back into your share price?

Patrick Mutz: Our share price has retreated a little bit, and looking at it in comparison to a lot of our peers, I'm confident that it hasn't retreated, perhaps, as much. It's been fairly stable, a couple of times dipping below 35 cents but really and truly since we are a grassroots exploration company I don't really expect a lot of change in that movement, except and until we're successful in discovery of mineralisation and that is our whole charge. We're actually on the road this week doing just that. Putting the word out about the company, which is something we haven't done, and we're not a Johnny-come-lately. We've actually listed as far back as 2005 before the large influx of IPOs, so we have a message to tell and that's what we're doing now.

James Kirby: Now, Patrick, for the general investor I think it's important that they distinguish between an explorer and a producer. Why should anyone invest in an explorer like yourselves when there are producers already out there?

Patrick Mutz: Well, I think that investors are savvy enough to understand that while it is a little more risky to invest in an explorer, the potential upside or gains once an explorer actually intercepts mineralisation can be far and away greater than betting on a producer. However, investing in a producer in this market is also a very good play, so I think they have to pick their level of risk – as with any investment – and level of reward that they're hoping to gain.

James Kirby: You're one of several explorers. Top-rated explorers, perhaps, in this sector, but what do you see as the outstanding factor for your company?

Patrick Mutz: We measure ourselves against our peers as best we can and it's not normal for any MD to think that his company is overvalued. We certainly think ours is undervalued. I think that's the normal outlook. So when we compare our valuation to our peers we can show the evidence of being undervalued. We think we've got a very strong tenement package that puts us in good standing. In addition, we're an active explorer. We assembled a team of experts and are actively exploring now – drilling, which is what the key is for discovery, you must drill and we are doing just that.

James Kirby: Patrick Mutz, Uranium Exploration Australia, thanks very much for talking to Eureka Report.

Patrick Mutz: James, thank you very much.