

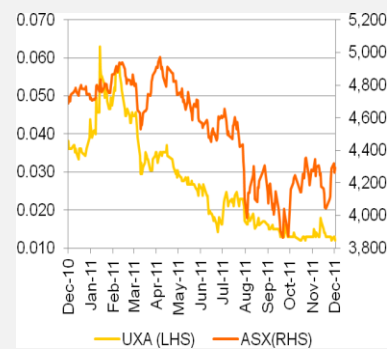
# UXA Resources Limited

(Ticker: ASX:UXA)

December 09, 2011

**RB MILESTONE GROUP**   
Equity Research and Market Intelligence

Price (A\$):	0.012
Target Price (A\$):	0.04
Beta:	1.47
Price/Book Ratio:	0.52
Debt/Equity Ratio:	0.28
Listed Exchange:	ASX



## Recent News

07/10/2011: Announced the issuance of A\$1 million convertible note to the US based La Jolla Cove Investors Inc

30/09/2011: Entered into a Funding Agreement for the issue of A\$2.50 million of convertible notes to US-based La Jolla Cove Investors Inc.

13/09/2011: UXA plans second phase drilling program at its dome 5 Pb– Zn–Ag project, which will focus on testing a potential exploration target of 5Mt to 10Mt mineralized body at 10% Pb+Zn, with Ag credits

06/09/2011 Announced strongly anomalous uranium values, up to 690ppm eU<sub>3</sub>O<sub>8</sub>, from first phase drilling at its Nabarlek North JV

17/08/2011: UXA announced rights issue to existing shareholders. The company offered 10 shares for each 25 shares held to its shareholders through the issue

## Shares in Issue

383.96 M

## Market Cap

(A\$M) 4.61

52 Week (High): A\$ 0.0648

52 Week (Low): A\$ 0.0.012

## Risk Diversification through Diverse Exploration Projects

UXA Resources Limited (UXA) is an Australia-based diversified metals explorer with projects spread across Australia. The company focuses on the discovery of base metals like Copper-Gold (Cu-Au) and Lead-Zinc-Silver (Pb-Zn-Ag) and uranium deposits. UXA also owns a cash-generating mining services company, GAA Wireline, which is engaged in providing borehole wireline logging services in Australia and the United States (US).

UXA operates with a portfolio of exploration projects, some being Joint Ventures (JVs) with leading players in the industry. Currently, UXA has three active exploration projects: Dome 5 Pb-Zn-Ag project in New South Wales (NSW), Nabarlek North uranium project in Northern Territory, and Myroodah and Mudjalla uranium projects in Western Australia (WA). In June 2011, UXA identified a 500-meter wide zone of high grade mineralized drill intercepts, including best intersection of 3-meter grading 15.8% Pb + Zn and 63g/t Ag (from 315 meters) in Dome 5 Pb-Zn-Ag prospect in NSW. In 2011, gamma logging results after the first phase of drilling at Nabarlek North (EL 24868) indicated strong anomalous uranium results, returning up to 690 parts per million (ppm) eU<sub>3</sub>O<sub>8</sub> in a 1.31-meter zone averaging 460ppm eU<sub>3</sub>O<sub>8</sub> and a second interval peaking at 540ppm eU<sub>3</sub>O<sub>8</sub>. The company plans to commence a second round of drilling in Nabarlek North in early 2012.

UXA's cash generating business, GAA Wireline has also started operating at full capacity after its operations were disrupted by adverse weather conditions in Australia. Further, UXA has aggressive plans to expand its logging business in the US after the acquisition of the assets and business of US-based GeoInstruments Logging LLC.

With a portfolio of diversified exploration projects and the cash generating borehole wireline logging business, UXA is well poised to make huge strides forward in the coming decade. On the basis of our P/BV valuation, we have set the target price for the company at \$0.04 per share, an upside potential of 218.10% over its current share price of \$0.012 per share.

## Investment Arguments

- **Portfolio of Diversified Exploration Projects across Australia:** UXA has several projects spread across Australia. Further, the company focuses on the discovery of base metals projects like Cu-Au and Pb-Zn-Ag as well as uranium deposits. Moreover, most of the exploration projects are in JV with some established players in the industry viz. Reliance Industries Limited (in Northern Territory), Straits Resources Ltd (in South Australia), Rey Resources Limited (in WA) and Teck Resources Limited (in NSW and SA). With its diversified exploration project portfolio and strong backing from its JV partners, UXA is well positioned to be insulated from risks involved in investing in a single region and project
- **Significant Upside Potential for Dome 5 Zn-Pb-Ag prospect:** The Dome 5 Pb-Zn-Ag prospect was discovered by Teck Australia (Teck), a subsidiary of Teck Resources Limited (TSX: TCK) and PlatSearch NL (ASX: PTS) in 2007. As per the option agreement entered between UXA and Teck, UXA has an option to earn up to 100% of Teck's interest in the JV that holds the Dome 5 exploration license. The Dome 5 Prospect hosts Mississippi Valley Type (MVT) Pb-Zn-Ag mineralization in a flat lying zone at a depth of around 320 meters. In June 2011, UXA identified a 500-meter wide zone of high grade mineralized drill intercepts, including best intersection of 3.0 meters of high grade sphalerite and galena mineralization grading 15.8% Pb+Zn and 63ppm

Ag from 315 meters. The mineralization zone is open to both the west and southeast. The sphalerite-galena-fluorite mineralization at Dome 5 depicts characteristics of both MVT and Irish Type Pb-Zn-Ag deposits, an important group of carbonate hosted base metal deposits. UXA plans to commence the second phase of drilling to explore the extensions of this zone, with an option to drill some infill holes with the intention of defining the zone further

- **Mineralization Potential of Nabarlek North:** Nabarlek North (EL 24868) lies around 280 meters north of the high grade mineralization discovery area of U40 made by Cameco in JV with Uranium Equities Limited (ASX: UEQ) in the Northern Territory of Australia. Drilling at U40 has returned drill intercepts up to 6.80 meters @ 6.71% Uranium Oxide ( $U_3O_8$ ). Based on the results of the field work conducted in late 2010, UXA conducted the first phase of the drilling program in the Nabarlek North prospect, which returned promising intercepts, including 690ppm  $eU_3O_8$  in a 1.31-meter zone averaging 460ppm  $eU_3O_8$  in 2011. The result indicates possibility of extension of U40 mineralization. UXA plans to commence the second round of drilling in the region in April 2012
- **Aggressive expansion plans of GAA Wireline:** UXA also owns a wireline logging company - GAA Wireline - engaged in providing borehole wireline logging services. GAA Wireline has been a cash generating business for UXA. In December 2010, UXA expanded its wireline logging business in the US by acquiring the assets and business of GeolInstruments Logging LLC, a recognized US-based borehole logging company. The acquisition will provide a platform for the company to expand its Prompt Fission Neutron (PFN) logging services to its client in the uranium industry, particularly in the Western US. Recently in April, UXA entered into a two-year contract with Cameco Resources, a wholly-owned subsidiary of international uranium company, Cameco Corp (TSX:CCO, NYSE:CCJ) to provide logging services in Wyoming, US. Moreover, GAA Wireline has started operating at full capacity after its operations were disrupted by adverse weather conditions in 2010. We believe the recent acquisition in the US and aggressive expansion plans of the wireline logging business augurs well for UXA, as the wireline business generates necessary cash to carry out its exploration activities. This will ultimately result in less dilution of shares as compared to other mining companies which are still in the exploration stage

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