

12 March 2012

Morning Report

Black Range Minerals Ltd (BLR.ASX, \$0.031/sh, Mkt Cap ~\$26m) – *Placement of vendor's stock to institutions highlights deep discount.*

Today's Top Picks

Black Range Minerals Ltd (BLR.ASX, \$0.031/sh, Mkt Cap ~\$26m) – *Placement of vendor's stock to institutions highlights deep discount.*

- Last week we placed 36.6m shares in BLR to several local and overseas institutions. These clients were able to see the significant underlying value in the Hansen/Taylor Project that BLR are progressing.

Important recent fundamental developments for Black Range have been:

- The appointment as managing director of Tony Simpson, formerly Chief Operations Officer at Peninsula Energy (PEN.ASX) and directly responsible for the successful exploration and permitting activities at Peninsula's Lance Uranium Project in Wyoming, USA.
- Additional key appointments at management level.
- Consolidation of exclusive rights to acquire 100% of the 30mlb Hansen Uranium Deposit in Feb 2011. The Hansen Uranium Deposit is located immediately adjacent to the Company's 100% owned +60mlb Taylor Ranch Uranium Project in Colorado, USA. **The combined Taylor Ranch/Hansen Uranium Project provides the third largest natural uranium JORC resource within the USA, a country that consumes around 50mlb of uranium annually, of which 85% is currently imported.**
- A strategic partnership with Kinley Drilling of Kansas, USA with the objective of further clarifying low-cost methods of mining the deposit, including by way of bore-hole mining.
- Recent permitting approval for the Energy Fuels Resource Corp uranium processing facility in Colorado, the first such processing facility to be established in the past 25 years.

Recent positive news in the US uranium sector has included:

- The Nuclear Regulatory Commission voting recently (Feb 11, 2012) to grant a license to build two reactors. The first time such a license has been granted since 1978.
- Proposed construction of a total of 21 additional reactors in the US.
- Confirmation that Russia will not be extending its Highly Enriched Uranium (HEU) Agreement with the US beyond 2013. The agreement provided for Russian sales of uranium derived from weapons-grade uranium to the USA for use as fuel.

We view the targeting of customers within the US as a key plank of BLR's strategy going forward:

- 20% of US electricity comes from nuclear power plants.
- 104 (23%) of the world's 441 nuclear power plants are located within the US.
- At about 2 cents per kilowatt-hour, the production cost for electricity at nuclear energy facilities is lower than all other major sources of power. Energy from natural gas-fuelled plants doubles that cost at approx 4 cents per kilowatt-hour.

Valuation:

On an EV/Resource basis BLR is currently trading at approx. 24c/lb compared with a peer average of \$1.26/lb for projects at a similar stage. Therefore we continue to see BLR as highly compelling at around 3c/share, and have a price target on the stock of 10c. This valuation is based on an implied EV/Resource

multiple of \$0.90/lb which is a 30% discount to the peer group average to reflect outstanding permitting required to be completed. The company has \$5m in cash.

Near-term catalysts for the stock include:

- The release of a detailed scoping study exploring low-cost methods of mining the deposit.
- Further additions to the total resource inventory.

Upcoming Marketing

Westgold Resources Ltd (WGR) – Scott Huffadine (MD)

- Melbourne: 13-14 March
- Sydney: 14-15 March

Elemental Minerals Ltd (ELM) – Iain Macpherson (MD)

- Sydney: Monday 26 March
- Melbourne: Tuesday 27 March

Please contact your advisor to arrange a 1:1 meeting or RSVP to a group presentation.

Recent Equities Research

- **Bisalloy Steel Group** (BIS.ASX, 22/2/12, \$1.75, Mkt Cap \$73m) – 1HFY12 result on track for 40-50% EBITDA growth. BUY (PT \$3.00/sh)
- **Iron Ore Holdings Ltd** (IOH.ASX, 20/2/12, \$1.72, Mkt Cap \$285m) – MOU with FMG delivers path to early cash flow. BUY (PT \$3.00/sh)
- **Photon Group Ltd** (PGA.ASX, 17/2/12, \$0.05, Mkt Cap A\$77m) – New CEO and clean structure in place. BUY (PT \$0.11/sh)
- **Voyager Resources Ltd** (VOR.ASX, 14/02/12, \$0.07/sh, Mkt Cap \$95m) – **INITIATION** – Emerging Copper Explorer in 'Minegolia'. BUY (PT \$0.11/sh)
- **Guildford Coal Ltd** (GUF.ASX, 07/02/12, \$0.82/sh, Mkt Cap \$362m) - On track for first production mid 2012 in Mongolia. BUY (PT \$2.20/sh)
- **Glory Resources Ltd** (GLY.ASX, 31/01/12, \$0.25/sh, Mkt Cap A\$56m) – **INITIATION** – High grade gold in Greece. BUY (PT \$0.45/sh)
- **African Iron Ltd** (AKI.ASX, 11/1/12, \$0.40/sh, Mkt Cap \$201m) – Friendly cash takeover bid by Exxaro at \$0.57/sh. BUY/ACCEPT (PT \$0.53/sh)
- **Cape Lambert Resources Ltd** (CFE.ASX, 11/1/12, \$0.53/sh, Mkt Cap A\$361m) – Over \$100m in asset realisations from Sapes and African Iron. BUY (PT \$0.95/sh)

Trading Halts

Code	Security Name	Date Announced	Reason	Status
BSM	Bass Metals	23-Jan	Operational review	suspend
KMC	Kalgoorlie Mining	20-Feb	Operational changes	suspend
OVL	Oro Verde	1-Mar	Capital raising	suspend
PNW	Pacificstar	1-Mar	Notice of default issued	suspend
WPI	West Peak Iron	5-Mar	Exploration results	suspend
MOY	Millennium Minerals	6-Mar	Funding arrangements	suspend
NTM	Northern Manganese	7-Mar	NT Government decision	halt
UNX	Uranex	8-Mar	Share issue	halt

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