

Uranio AG

October 2009

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Market: Frankfurt

Sector: Mining

Key points

- Substantial uranium assets at Bakouma in Central African Republic and in Argentina
- SRK Consulting appointed to quantify resources
- Present indications that Bakouma alone could be worth €800m+
- Medium term target price €2.40 v share price of €0.39

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Uranio AG

Uranio

UAI.F

Market: Frankfurt

Date: 21.10.2009

Share price euros 0.32

12 month Hi/Lo 1.65 / 0.32

Shares CHF 0.05 (m) 225.0

Market cap €m 72.0

Price targets

Medium term € 2.40

Longer term € 4.80

Uranio has concessions to mine uranium and is negotiating the acquisition of further concessions. It also has an equity stake in other enterprises in the mining, energy and raw materials sectors.

The Nuclear Option

Uranio has begun definitive exploration of its uranium licences in the Central African Republic.

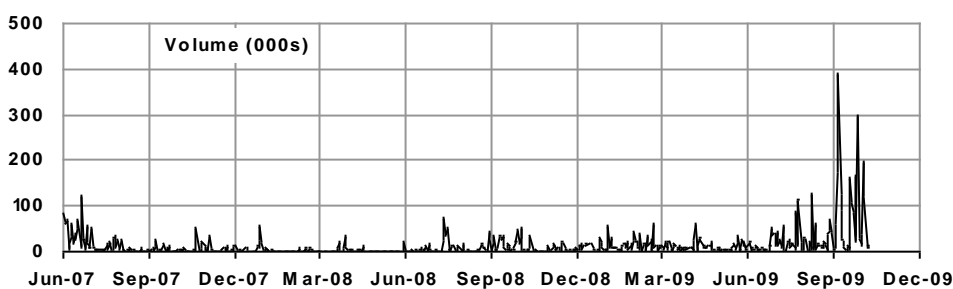
The company has two licences in a known area of mineralisation near Bakouma, adjacent to and on the same strike as the licences held by UraMin (a subsidiary of Areva), where substantial NI 43-101 resources have been declared.

UraMin was acquired by Areva in 2007 for \$2.5bn. The management of Uranio believes that, when fully determined, its resources at Bakouma will be approximately double those held by UraMin. Uranio is capitalised at about \$130m.

In addition, Uranio has uranium assets in Argentina believed about the same size as at Bakouma. We will return to a consideration of Argentina at a later date, but at present we have conservatively assigned no value to it.

Substantial work needs to be done by SRK Consulting to establish JORC compliant resources at Bakouma.

However, we set a tentative medium term price target of €2.40 per share, and a longer term target of €4.80, against the current share price of €0.32.



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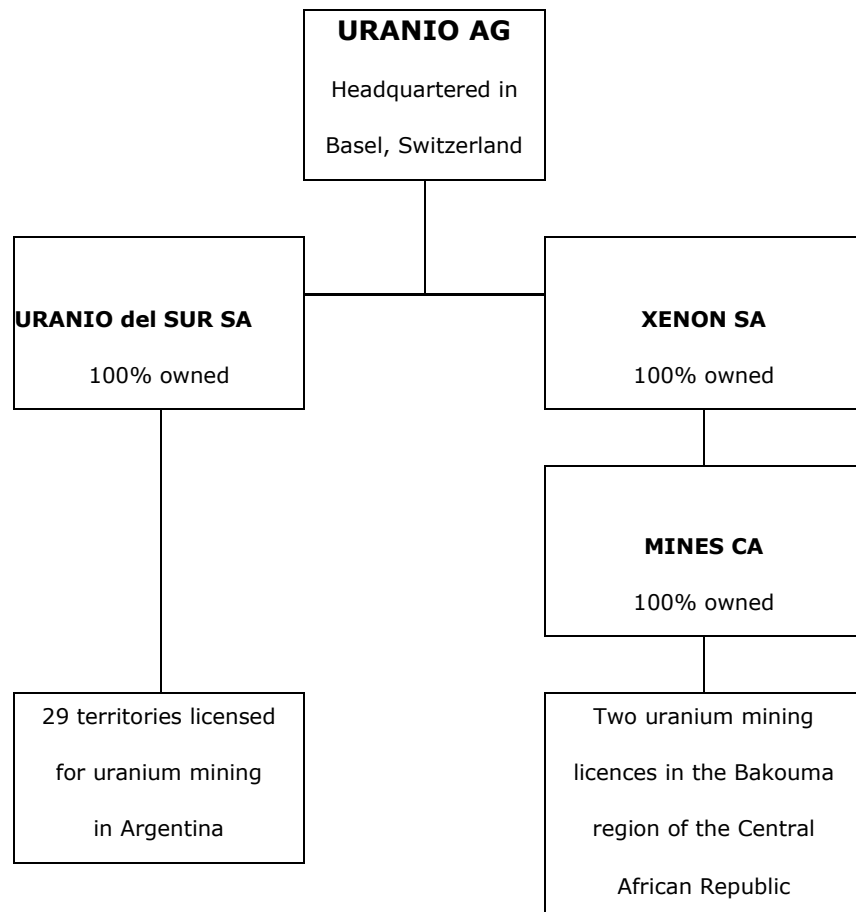
STRUCTURE AND VALUE

Structure

Uranio AG is based in Basel, Switzerland, with its share capital listed on Deutsche Börse since June 2007. The main market is in Frankfurt, although the shares are also traded on Xetra.

The company was formed in December 2006 to exploit licences in Argentina held by its wholly owned subsidiary Uranio del Sur S.A., and conducted exploration activities, with encouraging results to date. At a later stage Uranio AG completed a reverse takeover of Xenon SA the 100% shareholder of MINES CA the holder of two uranium mining licenses in Bakouma. The reverse was made possible through the assistance of Richard Ondoko, who was a consultant for UraMin in the acquisition of its licences in the Central African Republic ('CAR'), Niger and Namibia.

Group structure is now as follows:



Following the reversal, the company has now changed the emphasis of its activities to the Bakouma licences in the Central African Republic ('CAR'), with activities in Argentina put on hold for the time being.

Finance

Uranio has little in the way of monetary assets, but expenditure at present is limited to local and Swiss office spend and the cost of work by SRK Consulting. Excluding SRK, the cash burn at present is about €50,000 per month (€600,000 per annum).

Uranio is presently funded by its shareholders. Specifically, it announced on 2 October 2009 that it had finalised an agreement with Lana International Limited, for a working capital facility to provide Uranio with the initial funding required to implement the exploration programme agreed with SRK. This programme will include aerial and radiometric surveys, follow up regional soil and stream sediment sampling and geological mapping. In the same announcement it went to say that *'... further financial offers have been made ... which will be more than adequate to fund the completion of the programme proposed'*.

Mine and processing development at Bakouma is likely to require capex of about \$250m, which we presume would be funded through project finance.

Value

Conservatively, we have treated Uranio as an exploration company with unproven prospects. Although there are clear indications that in the CAR the company has substantial resources of high grade uranium ore in the ground, we have no Competent Person's report on which to rely in creating a model. SRK Consulting has reported on a reconnaissance site visit following a desk top study, and has recently initiated a programme to establish resources.

At this stage we limit ourselves to an estimate of the value of potential resources (see later) in the Bakouma licence areas at the current price of U₃O₈, applying a risk discount and a further substantial discount for recovery, capex and opex.

This results in the following calculation:

Tentative value of assumed U3O8 resources at Bakouma

Assumed resource (tonnes)	75,000					
Current price (\$)	47.75					
	euros (m)			US\$ (m)		
Risk basis	Gross	30%	10%	Gross	30%	10%
Tentative value	5,377	1,613	538	8,022	2,407	802

A cautious approach would be to take the lowest of these numbers, suggesting a value of \$800m (€540m), with a medium term target price for Uranio of €2.40 per share. This compares with the current share price of only €0.39. These numbers are sufficiently out of line with each other to make us nervous.

However, this probably understates the case:

- We have used the current price of uranium in our calculation. We would normally apply a discount to current price. However (see later), Bakouma is unlikely to be in production before 2014, and uranium, in contrast with other metals, faces a sharply rising price curve: we have seen estimates post 2012

of \$75/lb. If we were to take such a price the implied value would rise by more than 50%.

- It should be noted that at this stage we have assigned no value to the company's licences in Argentina, although it is likely that they are comparable in size to the Bakouma deposits in the CAR. So actual value of uranium in the ground could be twice the above numbers.
- UraMin was acquired in 2007 for \$2.5bn while at a similar stage of development as Uranio is now, but Uranio is currently capitalised at €87m (\$130m) – and Uranio has perhaps at least double the resources UraMin had at the time.

The 30% risk basis we have applied above normally relates to JORC compliant resources, and is clearly inappropriate for Uranio at present. However, the application of a 20% basis is probably a more reasonable indicator of longer term value, and we choose this (\$1.6m:€1.08m) for our longer term target of €4.8 per share.

We emphasise that these numbers are very speculative.

THE CASE FOR U₃O₈

The price¹ of uranium zoomed from \$12/lb to \$90/lb, then collapsed to the mid 40s. It currently trades at about \$47.75/lb.

The fundamentals have not, however, changed. Patterns of supply have been affected by nuclear disarmament by East and West, with ex-military stocks feeding growing demand. Without those stocks coming into the market it would be clear that fresh supplies of uranium are insufficient to satisfy reactor demand.

Most developed countries are revisiting the nuclear option for power supplies. Foremost among these is China, which is short of power supplies other than coal – and, although through need it is investing heavily in coal, it desperately wants to phase it out.

China has eleven operating reactors at present producing 8.6GWe. However, there are a further 17 under construction to produce 15Gwe. Amazingly, it is reported that it plans 250 more - 124 according to the World Nuclear Association ('WNA').

According to WNA, there are 436 reactors operable in October 2009, producing 372.9Gwe, with 52 under construction (47.9Gwe), 135 planned (148.8Gwe) and 295 proposed (303.4Gwe). This is massive expansion.

Current requirements to feed existing reactors amount to 65,000 tonnes of uranium pa.

Current mine output is about 44,000 tonnes, the difference being met from strategic reserves. Once these run out there will be a large gap to fill.

¹ There are no organised world markets for uranium. Prices are gathered by various organisations (foremost being Ux Consulting) from producers and consumers

THE CENTRAL AFRICAN REPUBLIC



Bakouma licence area

Map source: Central Intelligence Agency of the USA

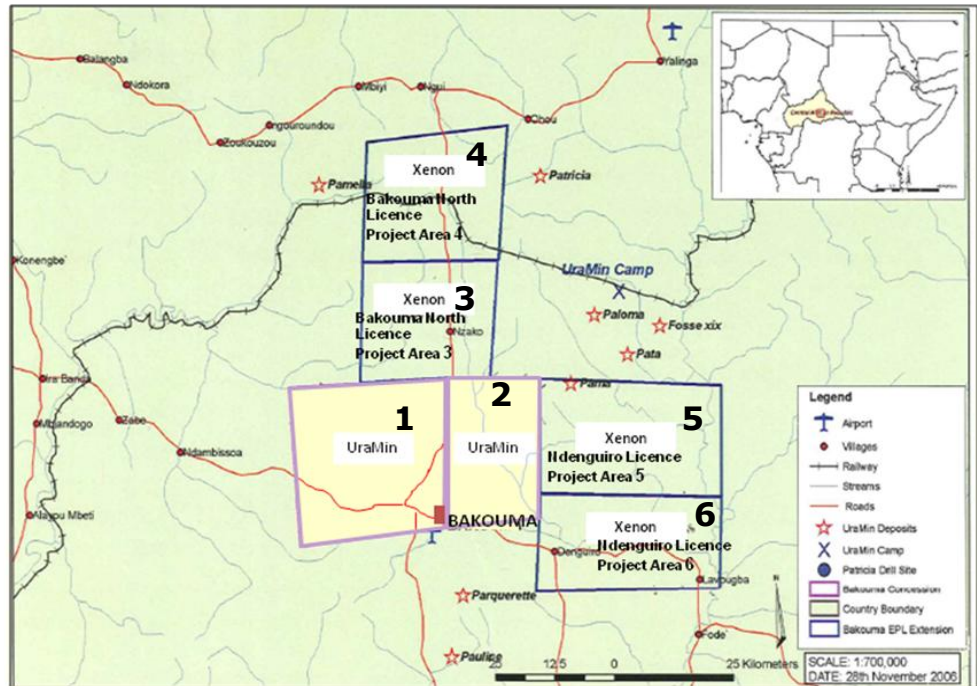
The CAR achieved independence from France in 1962, following which it went through three decades of disturbance before civilian rule was established in 1993. In 2003 a military coup brought to power General Francois Bozize, who was affirmed as president in 2005. Although there are still pockets of lawlessness, the CAR is stable in comparison with its surrounding neighbours, Chad, Sudan and the DRC.

More than 70% of the population lives outside the cities, with subsistence agriculture accounting for more than 50% of GDP: the largest export by far, however, is diamonds. Among the population of about 4.5m income distribution is unequal; while GDP at \$3.2bn is estimated at \$700 per capita.

Infrastructure is poor, with most roads capable of supporting only light vehicles. Mine development would therefore require investment in road facilities.

THE BAKOUMA LICENCES

There are two licence areas: Bakouma North (areas 3 and 4) and Ndeguiro (areas 5 and 6). Areas 1 and 2 are held by UraMin.



Source: Uranio

The uranium rich phosphatic deposits near Bakouma were first identified by a survey carried out in 1959-61 by Cogema, who reported uranium at the highest grades in sub-Saharan Africa. There were a number of subsequent surveys, but the results of these surveys are not available to Uranio.

The UraMin comparison

In their desk study² SRK Consulting ('SRK') made extensive reference to areas 1 and 2 held by UraMin in arriving at their conclusions.

The Uranio licences lie at the beginning and end of a general fault line which curves south and then east.

Between them lie the licences held by UraMin, which is now owned by Areva. Areva acquired UraMin in 2007 for a consideration of \$2.5bn³, and plans to develop the UraMin project at Bakouma at a cost of \$200m, with a test phase in 2010 and full scale production in 2014-15. At the time, Bakouma was UraMin's principal asset, but the company also had prospects at Trekkopje in Namibia and Ryst Kuil in South Africa.

² 'Desk study review of Xenon SA licences, located in Bakouma, Central African Republic', by SRK Consulting Engineers and Scientists, September 2008

³ More recently, China Guangdong Nuclear Power Company and China's Sovereign Wealth Fund have taken a 49% stake in UraMin

Historic surveys⁴ had indicated a non-compliant NI 43-101 high grade resource target of 18,000 tonnes of U₃O₈⁵ grading 0.27% in UraMin's licence area, including 8,000 tonnes in the Patricia deposit. Further drilling by Uramin is has expanded this: it is reported that 9,400 metres were drilled, with a resource estimate of 38,000 tonnes of uranium.

The UraMin operated licences are adjacent to and on strike to those of Uranio, and consist of ten deposits in close proximity to each other. Structural controls are interpreted as being important loci for mineralisation and controlling the fluids which precipitate uranium.

According to SRK, the geology of the areas held by Uranio appears to be similar to that of the UraMin licences, and it is their view that the project has the potential to host uranium in economic quantities.

Uranio licences

The geology is determined by sedimentary rocks in which uranium mineralisation is associated with mudstone infill of karst caves in limestone rocks.

Distribution of uranium within the licence areas is not expected to be uniform, but more probably related to degree of deformation with concentrations of uranium in structurally controlled zones.

North Bakouma appears to be the more immediately attractive target. Here the thick sedimentary package has been crushed by earth movement and ripped by a series of faults, creating zones along which hot water fluids can circulate, leaching uranium into narrow fault zones where it is concentrated due to changes in temperature, pressure, oxygen and chemistry. It should therefore host mineralisation at higher grades than anywhere else in the licence areas (including UraMin), but have more limited tonnage. It has been suggested to us that ore here can be too 'hot' to be worked manually.

In Ndengurio mineralisation is believed to be less deformed and to occur as lower grade uranium mineralisation in a thick sedimentary sequence, as with all the other licence areas.

The deposits are believed to lie close to surface and to be amenable to mining by open cut method.

UraMin occupies one-third of the strike length and Uranio two-thirds (arguably higher grade). Simple arithmetic suggest that Uranio's licences could host more than double the reported 38,000 tonnes held by UraMin, and we assume, for purposes of our tentative calculations, a resource target figure of 75,000 tonnes.

SRK have just embarked on exploration of the licences, with a programme of work planned to quantify resources in Bakouma North by August 2011, with drilling at Ndengurio planned during the dry season between September 2011 and March 2012. Also in that season SRK expect to initiate a scoping study on infill drilling at Bakouma North.

⁴ *By Compagnie des Mines d'Uranium de Bakouma and Societe de l'Uranium Centrafricain between 1969 and 1977*

⁵ *Studies conducted by Compagnie des Mines d'Uranium de Bakouma and Societe de l'Uranium Centrafricain between 1969 and 1977*

Power supply

In October 2008 Uranio entered into a Memorandum of Understanding with Hydrofinance Limited to secure the electricity necessary for the development of their uranium projects in the Bakouma region. The agreement is for supply to Uranio of 30MW, 50% of the power station's capacity. The other 50% of capacity has already been sold.

This could create something of a problem for UraMin, which does not appear to have a power agreement in place, with no obviously suitable locations for another hydroelectric dam.

ARGENTINA

Uranio holds 27 permits in the central Argentinian provinces of La Rioja and San Luis, covering a total area of about 179,000 hectares. Of these, eleven are at the assessment stage and 16 explorations.

Three of the permit areas were worked as uranium mines, but were closed in the late 1980s. Each produced about 600 tonnes of U_3O_8 per annum, at grades close to those obtaining in the CAR. Total tonnage is believed to be of the order of 100,000, **more than in the Bakouma licences.**

Uranio has put work in Argentina on hold for the time being, priority being given to Bakouma.

However, much work on the prospects has already been done, and is continuing at a lower level. SRK has been active in this respect, and has been commissioned (September 2009) to conduct a desk study for the eleven licence areas and review of the holdings in order to devise a strategy for the development of the Uranio holding

The main licences break down into high, intermediate and low priority targets.

High priority

San Sebastian project, La Rioja province

San Sebastian historically produced 228 tonnes/ U_3O_8 per annum. The deposit was originally mined underground, but was finally bulk mined by open cut methods. Known uranium occurs as veins and disseminations. Bulk mineable deposits are the most likely targets, with a secondary target of smaller tonnage high grade mineralisation.

Color, Los Colorado District, La Rioja province

Geology at Color 15 is identical to that at the nearby former producing mine at Los Colorados, which had historic production of 600 tonnes pa of U_3O_8 . The concession probably hosts uranium deposits similar to Los Colorados but, in addition, radiometric surveys show uranium anomalies associated with an unconformity indicating that unconformity type uranium deposits may also exist.

Malanzan and Olta District, La Rioja province

Seven concessions totalling 58,664 hectares. There are known uranium deposits in several locations along the paleochannel as well as in the surrounding rocks.

There is a conglomerate with 1,600 ppm uranium about 50m above another unconformity.

Intermediate priority

Chepes District, La Rioja province

Four concessions totalling 35,209 hectares, close to the Malanzan-Olta concessions. Known uranium deposits within the paleochannels.

Matias, Guandacol District, La Rioja

Five concessions totalling 41,995 hectares.

Uranium mineralisation visible at surface. Radiometric anomalies associated with evaporate sediments.

Low priority

- Low priority targets are:
- San Luis Province, reconnaissance licences
- Santa Rosa concession
- Quines District
- La Suiza concession

I certify that this report represents my own opinions

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