minelife

DAILY RESOURCES BULLETIN by Gavin Wendt

Wednesday 17th August, 2011

Manhattan Corporation – time to start contemplating quality uranium investment opportunities

I've spoken previously about the concept of uranium sector investment. I'm an unabashed supporter of uranium as a long-term investment play. The reason is quite simple. The world doesn't have many options when it comes to generating reliable base-load power.

Quite simply, the world has just four alternatives: hydro, coal, gas and nuclear. You can build all the wind-farms and install all the solar panels you like, but for delivery of roughly 90% of base-load power supplies, you're going to need hydro, gas, coal and nuclear power (or a combination of the above)..

If you want to minimize environmental impacts, then that really leaves gas and nuclear energy. The world's major powers like China, India, Russia and the US recognize this, which is why they've embarked on major nuclear energy programs.

For investors in the nuclear space there are, I believe, a couple of very important provisos.

The major cautionary note I flag is that investors have to focus on quality players. That is, companies that are basically well run, with a flagship project that stands a better-than-average chance of reaching production, or being of interest from a takeover/farm-in perspective.

To this end we currently have Marenica Energy (ASX: MEY) in our portfolio, which is an up-and-coming uranium player in Namibia. Marenica has managed to attract both France's Areva Group and China's Hanlong Mining onto its register. Not a bad effort for a company with a market value of just $18m.

One of the other reasons I chose Marenica was because of its leverage.

Both Extract Resources (ASX: EXT) and Bannerman Resources (ASX: BMN), two of its higher-profile ASX-listed peers, have market values that are much larger than Marenica, meaning they are too big for inclusion in our junior company portfolio.

I've been to Namibia a number of times and in my mind it's one of the best places in the world to try and develop a uranium operation. It has an established mining industry (not just for uranium) and the fact that

Rio Tinto's Rossing operation (the worlds' biggest open-pit uranium mine) has operated safely and securely since 1976, tells you something.

In the uranium space you really have to have everything working in your favour, as the hurdles to becoming a producer are substantial. This means it's a tough environment for junior companies, as investors want to be able to see a clear path to riches.

For a gold explorer it's relatively easy and straightforward. You explore for gold, you start with a modest resource, which then allows you to begin contemplating becoming a miner. Ultimately this might lead on to much bigger things.

With uranium it's not nearly as easy. You can't simply snag a discovery, begin mining and start generating cash flow.

This is why I believe it's very important to choose companies carefully from an investment perspective.

Now that we're well into the second half of 2011, I believe the time is now right to begin looking at uranium sector opportunities.

I stated in the wake of the Fukushima tragedy earlier this year that the time wasn't yet right to be looking at uranium investment opportunities. Despite the fact that uranium companies were slammed following the Japan crisis, the likelihood was that those same stocks were going to remain bargains for some time to come.

And so it's proved. Those same uranium bargain-buys are now even cheaper. Market volatility has favoured the patient investor!

This brings me to Manhattan Corporation (ASX: MHX, Share Price: $0.31, Market Cap: $28m). I regard the company as being hugely attractive from a uranium investment perspective.

For starters, the company is run by Alan Eggers, who's a veteran of the uranium business that's probably forgotten more about the industry than the rest of us will ever hope to know.

He has an excellent track record, having most recently run uranium explorer, Summit Resources, until the company was taken over by Paladin Resources during 2007. He managed to successfully built Summit from scratch into a major uranium player in Australia.

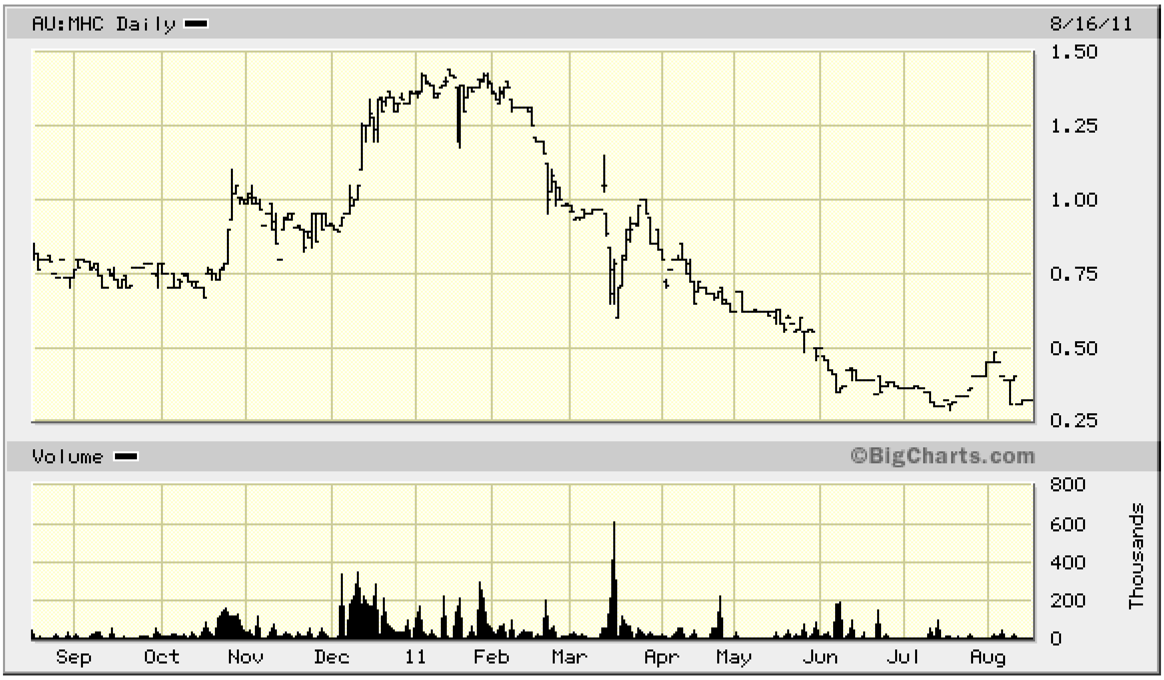
And in my mind he's doing the same again with Manhattan Corporation.

Manhattan's flagship project is its Ponton Project in Western Australia, where the company is currently drill-testing and developing palaeochannel, sand-hosted uranium mineralisation amenable to in-situ leach (ISL) metal recovery. Drilling has so far established extensive continuity of the carbonaceous, sand-hosted anomalous uranium mineralisation over an area of more than 55km within the palaeochannels at Ponton.

In March 2011 Manhattan reported a JORC-compliant Inferred Resource estimate for the Double 8 uranium deposit at Ponton of 17.2Mlb uranium oxide (U3O8) at a 200ppm cut-off. In addition, exploration results reported by the company during March 2011 identified mineralisation potential totaling 33 - 67Mlb U3O8 for the Double 8, Stallion South, Highway South and Ponton prospects at a 200ppm U3O8 cut-off.

Manhattan's priority is now to obtain the granting of and Ministerial consent to explore on E28/1898, which lies mostly within the Queen Victoria Spring Nature Reserve in Western Australia. This access will enable Manhattan to recommence drill-testing and evaluation of the Double 8 uranium deposit, as well as the mineralisation potential identified at Double 8, Stallion South, Highway South and Ponton prospects.

Manhattan also maintains a 40% joint venture stake in the Gardner Range uranium and gold project, also situated in Western Australia. Here, ASX-listed and portfolio stock Northern Minerals (ASX: NTU) and strategic partner, French nuclear group Areva, are operators and earning up to an 80% stake by sole-funding and completing a mining prefeasibility study.



Manhattan's strategy for growth is to drill and develop a number of palaeochannel-hosted uranium oxide resources, including the Double 8, Stallion, Highway and Ponton uranium deposits, to ISL mine development stage at Ponton.

Manhattan retained as at 30 June 2011, $0.7 million in cash plus liquid investments in three ASX-listed uranium companies valued at $1.87 million.

Manhattan Corporation is a company that I'm keeping a close on and I will likely look to make a move to include this in our portfolio in the near future. Watch this space.

Publication Note: Due to a business commitment in Perth, the Weekly Report will be published on Friday of this week. I sincerely apologise for any inconvenience.