

Consolidated Abaddon

(V.ABN, C\$0.30, SO 26.7 million, FD 32.2 million, MCap C\$8.0 million, www.consolidatedabaddon.com)

Uranium Potential on the Cheap

It's getting harder and harder to find good deals in the uranium sector. By now, everyone paying even the slightest attention to resource markets has heard about the stellar fundamentals for yellowcake. And the investing masses have been stampeding from uranium company to uranium company, driving share prices to extreme overvaluation.

But that doesn't mean that all the good buys are gone. Pounding the pavement hard, it's possible to find a few gems that have yet to garner widespread attention, but offer real projects with the potential for a major find.

Today's alert looks at one such opportunity: Consolidated Abaddon (V.ABN). By way of full disclosure, you should know that several of the staff here recently participated in a private placement in the company. But having done the due diligence on Abaddon for our own portfolios, we felt it was a compelling enough story to be worth your attention at the current price. And, as is always the policy here at Casey Research, we won't be selling any of our shares before letting you know we're doing so and giving you a chance to get out first.

Property

The main attraction for ABN is a series of properties located in the prime uranium grounds of the southeastern Athabasca Basin in Saskatchewan. This is the area that hosts the McArthur River and Key Lake mines—belonging to majors Cameco and Cogema—as well as Cameco's Millennium deposit and JNR/IUC's Moore Lake project, two of the most important uranium exploration/development projects in Canada and probably in the world.

Abaddon was able to pick up land in this area because they were early to the game: they were staking ground early in 2004, when the uranium story was still largely flying under the radar. The region has since become a patchwork of mineral claims, with any and all acreage being snapped up.

Perhaps the most exciting of ABN's projects here is the Mann Lake property. This might sound familiar: the project is JV'd with another of our Casey-watched companies, Triex Minerals. Mann Lake is located just 15 kilometers from Cameco's Millennium deposit and appears to sit on the same geologic structure as that mineralization. ABN's land is surrounded by claims belonging to Cameco... a good neighborhood to be in.

A geophysical survey was recently completed over the property, identifying several interesting target zones. More geophysics is currently being completed, with drilling of 5 holes planned for later in 2006. While this in itself has the potential to move the stock, ABN may get some help from its neighbors. Word amongst uranium insiders is that Cameco has been doing a lot of work on its lands adjacent to ABN and may have found some significant geo-physical anomalies and conductors. If such a development does materialize, it could set off an area play... to the benefit of ABN's share price.

To the north of Mann Lake, ABN holds three blocks of land known as the Huard-Kirsch Lakes Project. Although earlier-stage than Mann Lake, the project has attracted a significant partner: International Uranium Corp, another of our Casey-watched companies. Last October, IUC signed an agreement whereby it can earn 51% in Huard-Kirsch by incurring C\$1.5 million in exploration expenditures. Geophysical surveys are now being conducted on the property to define drill targets.

As if ABN's partners in the Athabasca Basin weren't impressive enough, the company also has another serious player as a dance partner: BHP Billiton. The mining major has an agreement to earn 51% in ABN's Sims Lake and Gabbro Lake properties in Labrador. While Abaddon staked these lands for their uranium potential, BHP and its partner Gallery Resources are interested in finding nickel and other metals. They will thus fund 25% of the cost of an airborne geophysical survey and pay C\$1.3 million over three years to earn 51% of the rights to all non-uranium metals.

This leaves ABN with 100% of the uranium rights at Sims and Gabbro, putting the company in a position to potentially sign a separate joint venture deal for this commodity. The area has some intriguing prospects, and we wouldn't be surprised to see Abaddon bring in a significant partner here. Regardless, drilling is planned for the property in summer or fall of 2006.

As a final note on property, ABN also holds 30% of 3,600 acres in the Red Lake gold camp of Ontario. While this isn't an area of focus for the company, the play does have some larger companies involved, and good news here can only help ABN's share price.

People

The skill of ABN's management is more business oriented than technical. As mentioned, the company's president, Jim Pettit, was foresighted enough to stake an excellent package of uranium prospects back when few companies were looking at the commodity. However, with the company now facing the prospect of doing real work on the projects, they've made the intelligent move of bringing in joint venture partners with technical expertise. Triex and IUC possess some of the best uranium minds around, and with these professionals calling the shots (and paying the bills), Abaddon should be carried to good results.

Paper, Financing and Price

Perhaps the best thing about ABN is its market cap: a miniscule C\$8 million. This is one of the cheapest uranium companies around. This is probably due to the fact that the company has not had much in the way of work going on its properties as it went about securing joint venture deals. But with those deals now firmly in place and drilling on the horizon at several locations, we expect the market will soon become much more acquainted with this story.

Covering companies of this size can be problematic in that share prices can run up quickly on our buying. However, the volume on ABN has been good over the past month, with the company regularly trading several hundred thousand shares daily. It thus looks like the stock can absorb the bulk of our buying without blowing up. But be careful... don't pay more than C\$0.45 for your stock. If it runs to that level, there's a good chance that it will come back, given some time.

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