

# Media Release

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18 June 2009

## Resource Capital Research – June Quarter 2009

### Equity research report

### Global uranium companies

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#### Key Points

##### Uranium Market:

- The uranium spot price is currently trading at US\$52.00/lb, up 22% from 3 months ago (US\$42.50/lb).
- The spot price was supported in May by concerns of Kazak supply disruptions and the return of financial funds on the demand side with a C\$100m capital raising by UPC (TSX:U).
- The Fund Implied Price (FIP), a key leading price indicator is currently US\$48/lb suggesting modest downward price pressure in contrast to the recent spot price increases.
- FIP has traded reasonably consistently moving up from ~US\$45/lb at the start of May and US\$35/lb at the start of April, but has pulled back from a recent high of US\$50.50/lb.
- The long term contract uranium price is US\$65.00/lb down from US\$70/lb Dec '08, and relatively stable since peaking at US\$95/lb from May '07 to March '08.
- There are 413 new nuclear reactors planned or proposed globally as of June '09, up from 318 (+95 units, +30%) Aug '08. This compares with 436 nuclear power reactors currently in operation globally and 45 under construction.
- China indicates it may revise its nuclear energy production target upwards to 72 GWe by 2020 (up from 60 GWe target previously). This would require 60 new reactors, up from the 11 in operation. 12 reactors are already under construction and the balance (48) would need to commence construction by 2016.

##### Uranium Companies:

- The market valuation of Australian companies with one or more uranium projects is up 15% over the past month, up 104% over the past 3 months, and down 36% over the past 12 months.
- This compares with Canadian companies with one or more uranium projects, up 15% over the past month, up 138% over the past 3 months, and down 49% over the past 12 months.
- The Merrill Lynch Uranium Equity Index is flat over the past month and up 67% over 3 months.
- BHP Billiton is potentially looking to expand uranium production at Olympic Dam from 4ktpa U<sub>3</sub>O<sub>8</sub> to 19ktpa over 11 years and commence operations at Yeelirrie (2014) producing 5ktpa U<sub>3</sub>O<sub>8</sub>.

Resource Capital Research ("RCR"), an equity research company which focuses on small and mid size resource companies, today launched its major quarterly research report covering 18 global uranium exploration and development companies.

The quarterly report typically reviews companies listed in Australia, Canada, USA and UK and active in established uranium districts globally, including Australia, Canada, USA, Argentina, Peru, Mongolia, Zambia, Tanzania and Namibia.

To access the free summary report or to purchase the complete 88 page comprehensive report, go to [www.rcresearch.com.au/reports](http://www.rcresearch.com.au/reports). RCR has also published gold and tin-tungsten sector reports for 2Q09.

## Equity market performance

The market valuation of Australian companies with one or more uranium projects is up 15% over the past month, up 104% over the past 3 months, and down 36% over the past 12 months. This compares with Canadian companies with one or more uranium projects, up 15% over the past month, up 138% over the past 3 months, and down 49% over the past 12 months.

In the past month, the majors have had mostly positive share price performance with the notable exception of Uranium One: Cameco (CCO) is up 6% (3 month performance +58%), Denison Mines (DML) flat (3 month performance +45%), Uranium One (UUU) down 21% (3 month performance +26%), Energy Resources of Australia (ERA) up 4% (3 month performance +25%) and Paladin (PDN) up 18% (3 month performance +65%).

The Merrill Lynch Uranium Equity Index is flat over the past month and up 67% over 3 months.

## Uranium price outlook

The uranium spot price is currently trading at US\$52.00/lb, up 22% from 3 months ago (US\$42.50/lb) and down slightly from US\$52.50/lb at year end December 2008. This compares with the Fund Implied Price (FIP) which was around US\$40/lb at year end, is currently US\$48/lb and has been a good leading indicator of near term spot price performance.

The spot price has rebounded with buyers re-entering the market though activity has been less fervent over the past month and the FIP is suggesting downward pressure (US\$48/lb) in contrast to the recent spot price increases.

Strengthening of the spot price in May was likely a response to the C\$100m capital raising by Uranium Participation Corp (TSX:U) and to the initial uncertainty surrounding the Kazakh government's investigation of KazAtomProm, though the company has since assured all foreign partners that it will fulfil its production obligations and that it will honour existing arrangements.

The FIP at US\$48/lb indicates market concerns of modest downside price risk. Since the beginning of May, the FIP has traded reasonably consistently, moving up from around ~US\$45/lb to US\$48-50/lb recently. This is up from US\$35/lb at the end of March.

The long term contract uranium price is US\$65.00/lb down from US\$70/lb Dec '08, and relatively stable since peaking at US\$95/lb from May '07 to March '08. The gap between spot and contract prices has closed to US\$13/lb, down from US\$27/lb three months ago. Industry fundamentals remain strong, underpinning support for the contract uranium price, with anticipated growth in nuclear reactors and risk of supply shortage mid term (4-8 years).

## World planned and proposed nuclear power reactors

Currently there are 436 nuclear power reactors in operation and 45 under construction. There are 413 new nuclear reactors planned or proposed globally as of June '09, up from 318 (+95 units, +30%) Aug '08. A total of 71 new reactors are expected to be commissioned by 2015.

## Events of the past 3 months include:

- **China** indicates it may revise its nuclear energy production **target upwards to 72 GWe by 2020** (up from 60 GWe target previously). This would require 60 new reactors, up from the 11 in operation. 12 reactors are already under construction and the balance (48) would need to commence construction by 2016.
- **Olympic Dam (BHPB, SA) copper-gold-uranium mine expansion** draft environmental report indicates potential to triple the size of the mine over 11 years. Uranium (U<sub>3</sub>O<sub>8</sub>) production is expected to increase from 4ktpa currently to a peak of 19ktpa.

- **Yeelirrie project (BHPB, WA)** documents submitted to the federal Environment Department indicate a target construction date of 2011 with production from 2014. The deposit contains ~52kt U<sub>3</sub>O<sub>8</sub>. Potential production rate 5ktpa U<sub>3</sub>O<sub>8</sub> and 2kt vanadium oxide.
- **White Canyon Uranium (ASX:WCU)** received a permit during the quarter to mine uranium in Utah, the first **uranium mine permitted in Utah** in 30 years. The first ore shipment for treatment at Denison's (TSX:DML) White Mesa Mill at Blanding is expected 3Q09.
- **First Uranium Corp (TSX:FIU)** announced commencement of gold and **uranium production** at the Ezulwini mine (South Africa).
- **NGM Resources (ASX:NGM)** announced **Paladin (ASX:PDN) increased its stake in the company to 16.7%** during March and May and entered into a standstill agreement to stay within the 20% takeover threshold (expires 31 Dec '09). The majority of funds committed will be directed to NGM's Niger concessions in the Tim Mersoï basin. NGM's share price has risen 1150% over the past 3 months.
- High profile **Polo Resources Limited (AIM: PRL)** has invested in five Australian uranium juniors since March 2009, most with African assets: Berkeley Resources (BKY, A\$5m, the exception with its main focus in Spain), Extract Resources (EXT, on market 12.6m shares acquired up to ~A\$4/share), A-Cap Resources (ACB, A\$10m), Impact Minerals (IPT, A\$3m) and West Australian Metals (WME, A\$6m). In addition, Regent Pacific Group Limited, a company also chaired by Stephen Dattels and which owns ~4.7% of Polo, acquired a stake in Bannerman Resources (BMN, A\$10m). Further details in the report.
- **KazAtomProm** in June reassured the market that existing arrangements with foreign partners will be honored following reports in May of the **Kazak government investigation** of former senior executives accused of misappropriating state assets.

"Junior uranium stocks have had strong price gains over the past quarter. Over the past month, however, increases have been more subdued and caution is recommended for the second half of 2009 with concerns of a potential "W" shaped market dip. The spot uranium price has rebounded to US\$52/lb with buyers re-entering the market though activity has been less fervent over the past month and the FIP is suggesting downward pressure (US\$48/lb) in contrast to the recent spot price increases." John Wilson, Managing Director of RCR said.

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## About Resource Capital Research

Resource Capital Research ("RCR") ([www.rcresearch.com.au](http://www.rcresearch.com.au)) was founded in 2004 and is based in Sydney. RCR provides investors with in-depth reports on current investment opportunities in the mining sector both in Australia and globally. The focus is on small and mid cap resource companies, within the gold and uranium sectors, ranging from exploration stage through development and production. John Wilson the principal of the firm and analyst has over ten years' experience analysing mining companies in Sydney and on Wall Street including for major investment banks.

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The report is available at [www.rcresearch.com.au](http://www.rcresearch.com.au). The next Uranium Sector Review will be published in the September Quarter, 2009. The Iron Ore Company Review is expected to be released July 2009.

Abbreviations: WNA – World Nuclear Association, ktpa – thousand tonnes per annum, lb – pound, Mlb pa – million pounds per annum, U<sub>3</sub>O<sub>8</sub> – uranium oxide.

# RCR June Quarter Featured Company Summary

## AUSTRALIA

Company	Code	Comment
<b>Alliance Resources Limited</b>	<b>AGS</b>	<b>Advanced Exploration</b> An ongoing capital raising of ~A\$43.6m should support construction of the 32mlb U3O8 Four Mile Project (AGS 25%) – production is possible in Jan '10, at initial 3mlbspa. Independent scoping study and resource upgrades expected 2Q09. Exploration target 110mlbs U3O8.
<b>Aura Energy Limited</b>	<b>AEE</b>	<b>Advanced Exploration</b> Aura's 2-3Q09 uranium exploration program will focus on its promising grassroots projects in Mauritania and drilling in WA (sandstone, calcrete targets). The Storsjön Project (Alum Shale, Sweden) has a resource target of 330mlbs-1,200mlbs U3O8.
<b>Berkeley Resources Limited</b>	<b>BKY</b>	<b>Feasibility Study</b> The Spanish Government has approved BKY's JV deal with ENUSA, which has a uranium mill at Salamanca and State Reserve historic uranium resources – target 65mlbs U3O8. Completed Bankable Feasibility Study expected before 4Q10.
<b>Black Range Minerals Limited</b>	<b>BLR</b>	<b>Scoping</b> New Taylor Ranch high-grade resource totals 25.4mlbs U3O8 (at 0.113%), with 40% in Indicated category. An agreement between BLR and Uranium One (TSX:UUU) could see joint development of the Taylor Ranch and Hansen uranium deposits.
<b>Deep Yellow Limited</b>	<b>DYL</b>	<b>Advanced Exploration</b> Cashed up DYL is on track for a >100mlb U3O8 resource in Namibia 3Q09 (current 46mlb). Further resource upside from high grade discoveries, Inca Deepes and Tumas buried palaeochannels. Our valuation is A\$0.50/share assuming 110mlb resource valued at modest ~US\$3.00/lb.
<b>Eleckra Mines Limited</b>	<b>EKM</b>	<b>Advanced Exploration</b> EKM controls most of the highly prospective and underexplored Yamarna belt (WA) and has established resources of 749koz gold and 6.2mlb U3O8. The company is increasing its gold focus, pegging further unexplored ground N of AngloGold's Tropicana (5moz resource).
<b>Energy Metals Limited</b>	<b>EME</b>	<b>Advanced Exploration</b> Biglyi (NT) resource upgrade May '09 - 45% of uranium resource now in Indicated category; large increase in vanadium to 38.6mlbs (from 19.8mlbs). PFS expected 3Q09. Encouraging exploration results continue including at Ngalia regional (NT, Cappers) and Mopoke Well (WA).
<b>Energy Resources of Australia Limited</b>	<b>ERA</b>	<b>Producer</b> ERA remains focused on mining, evaluating and exploring its leases in the highly prospective East Alligator River region (NT). The company has a pipeline of growth projects at Ranger with potential to expand, extend and accelerate output. PFS expected 2H09.
<b>Extract Resources Limited</b>	<b>EXT</b>	<b>Advanced exploration</b> EXT shares are up >400% in 9 months, going from a mid-sized explorer to a seat with the majors in the ASX200 index. With a resource potential at Rossing South (Namibia) of 300mlb plus, the shares still look undervalued. Our medium term target is A\$7.50-A\$8.00.
<b>Greenland Minerals and Energy Limited</b>	<b>GGG</b>	<b>Advanced exploration</b> A Pre-Feasibility Study is under way at the Kvanefjeld uranium and rare earths deposit in Greenland, results expected from late 3Q09, including mine plan and process flow sheet. JORC resource 223mlb U3O8 and 2.6mt REO, upgrade scheduled for 1Q09.
<b>Paladin Energy Limited</b>	<b>PDN</b>	<b>Producer</b> PDN is ramping-up production at Langer Heinrich to 3.7mlbspa U3O8 (from 2.6mlbs); and commenced production at Kayelekera April '09 (3.3mlbspa U3O8). The Mt Isa PFS is expected June '09. Solid project pipeline. PDN moved to 16.7% stake in Niger explorer NGM May 14.

## AUSTRALIA (cont.)

Company	Code	Comment
PepinNini Minerals Limited	PNN	<b>BFS, Advanced Exploration</b> PNN's Crocker Well uranium project (60% Sinosteel, 40% PNN; 14.9mlb resource) BFS release is due 3Q09, production possible 1H11. This should drive a stock re-rating, boosted by increasing focus on PNN's strategic SA/QLD uranium and base metals exploration projects.
Toro Energy Limited	TOE	<b>Advanced Exploration/Resource Definition/PFS</b> With each 10% increase in grades for TOE's flagship Wiluna (WA) calccrete project equating to +10cents/share added value, the better than expected recent Wiluna resource upgrade (grades +31%) has boosted our near term target price to ~40cents/share.
Uran Limited	URA	<b>Mid-Advanced Exploration</b> Surface sampling at the historic Grants Ridge Uranium Project (New Mexico) has returned strong results, with an average 0.053% U3O8, potential for low-cost alkaline leach. Drilling is planned for 4Q09. Placement and rights issue (Jun '09) could raise A\$2m.
Uranex NL	UNX	<b>Advanced Exploration/PFS</b> Tanzanian projects expected to accelerate 2Q09 with new sonic rig and end of wet season. UNX has a portfolio of attractive exploration targets and two prospective development projects. Manyoni resource upgrade expected 2H09. Thatcher Soak (WA) scoping study expected 2Q09.
West Australian Metals Limited	WME	<b>Mid Exploration</b> The Marenica uranium deposit (80% WME), Namibia, is adjacent to Areva's Trekkopje heap leach project. Recent WME restructuring and capital raising, including support from Polo (A\$6m) should see efforts refocused on advancing Marenica. Exploration/eval budget A\$5m 2H09.
White Canyon Uranium Limited	WCU	<b>Development</b> WCU has been granted a mining permit for underground uranium production at Daneros (Utah) – high grade core >0.2ft.% U3O8 – and development is in progress. First ore shipments to Blanding Mill (Denison) expected in 3Q09. Regional target 10mlbs U3O8.

## CANADA

Company	Code	Comment
CanAlaska Uranium Ltd	CVV	<b>Advanced Exploration</b> CVV has a strategic land position (2.9m ac in the Athabasca Basin) with a pipeline of high value exploration targets and funding from key strategic investors. Key exploration priorities summer '09 include Cree East and West McArthur JV's and Black Lake (earning 49%).