Media Release

26 August 2009

Resource Capital Research – September Quarter 2009

Equity research report

Global uranium companies

Key Points

Uranium Market:

- **The uranium spot price is currently trading at US$47.50/lb, down 8% from 3 months ago (US$52.00/lb).**
- **The Fund Implied Price (FIP), a key leading price indicator is currently US$47.50/lb (same as the spot price) indicating there is no significant price change anticipated by the market near term.**
- **Since the beginning of July, the FIP has traded in a range from ~US$44/lb to ~US$52/lb. This is up from US$35/lb at the end of March.**
- **Traders are focused on the uranium supply side with the possibility of increased DOE liquidations leading to modest downside pressure.**
- **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 Aug '09, up from 318 (+95 units, +30%) Aug '08.**
- **There are 436 nuclear power reactors in operation and 49 under construction (4 more than last quarter).**
- **Strong uranium production increases continue in Namibia and Kazakhstan.**

Uranium Companies:

- **The Merrill Lynch Uranium Equity Index is down 4% over the past month, down 6% over 3 months and up 125% from the recent low reached 27 Oct '08.**
- **The market valuation of Australian companies with one or more uranium projects is up 11% over the past month, up 24% over the past 3 months, and down 6% over the past 12 months.**
- **This compares with Canadian companies with one or more uranium projects, up 9% over the past month, up 19% over the past 3 months, and down 26% over the past 12 months.**
- **Australian uranium juniors are moving toward production 2H09 (White Canyon, ASX:WCU, Utah, USA) and 1Q10 (Alliance Resources, ASX:AGS, South Australia).**

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 19 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. RCR also publishes gold, iron ore, and tin-tungsten sector reports.

Equity market performance

The market valuation of Australian companies with one or more uranium projects is up 11% over the past month, up 24% over the past 3 months, and down 6% over the past 12 months. This compares with Canadian companies with one or more uranium projects, up 9% over the past month, up 19% over the past 3 months, and down 26% over the past 12 months.

In the past 1 month, the majors have had mixed share price performance: Cameco (CCO) is up 10% (3 month performance +4%), Denison Mines (DML) is down 10% (3 month performance -21%), Uranium One (UUU) down 2% (3 month performance -28%), Energy Resources of Australia (ERA) up 6% (3 month performance +4%) and Paladin (PDN) down 8% (3 month performance -7%).

The Merrill Lynch Uranium Equity Index is down 4% over the past month, down 6% over 3 months and up 125% from the recent low reached 27 Oct '08 (195).

Uranium price outlook

The uranium spot price is currently trading at US$47.50/lb, down 8% from 3 months ago (US$52.00/lb) and compares with US$52.50/lb at year end December 2008. The Fund Implied Price (FIP) is US$47.50/lb (same as the spot price), which compares with US$41.40/lb at year end. The FIP has generally been a good leading indicator of near term spot price performance.

No significant direction change in price is anticipated near term and RCR's price outlook is flat. With the end of the northern hemisphere summer near, there is potential for the return of buyers and an uptick in demand, though traders are focused on the supply side with the possible impact of increased DOE liquidations, as it exercises a provision to exceed the 10% cap, with modest concerns of downside pressure.

The FIP at US$47.50/lb, level with the spot price, suggests market expectations for no significant direction change in the spot price. Since the beginning of July, the FIP has traded in a range from ~US$44/lb to ~US$52/lb recently. This is up from US$35/lb at the end of March.

The long term contract uranium price remains at US$65.00/lb. It is down from US$70/lb Dec '08, though has been relatively stable, compared to the more thinly traded spot market price, since peaking at US$95/lb from May '07 to March '08. The gap between spot and contract prices is currently US$17.50/lb, having increased slightly over last quarter, due to the decline in the spot price.

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 49 under construction (4 more than last quarter). There are 413 new nuclear reactors planned or proposed globally as of Aug '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 review upwards its nuclear energy production **target to 86 GWe by 2020** (up from 60-72 GWe target previously). This would require 75 new reactors, up from the 11 in operation. 15 reactors are already under construction and the balance (64) would need to commence construction by 2016.
- **Continued growth of uranium production in Africa: Namibian** uranium production increased 52% in 2008 to 5,149t U_3O_8 (11.35mlbs) up from 3,395t in 2007. Production in

Niger fell slightly (-3%) in 2008 to 3,576t U_3O_8 (7.88mlbs) from 3,697t in 2007. **South African** production increased 22% to 772t U_3O_8 (1.7mlbs).

- **Official figures from Kazakhstan indicate a significant increase in uranium production:** production increased 28% in 2008 to 10,049t U_3O_8 (22.15mlbs) from 7,827t in 2007. KazAtomProm reported 1H09 production of 6,000t, up 57% over 1H08. Production target for 2H09 is 8,000t, taking 2009 production to 14,000t U_3O_8 (31mlbs). Target production 18,000t U_3O_8 (40mlbs) in 2010.
- **Kazakhstan – construction of two sulfuric acid plants underway** – sulfuric acid is used in Kazak ISR uranium extraction. **Zhanakorganskiy** region plant (capacity 500ktpa) – commissioning expected 2011. **Stepnogorsk** plant (capacity 180ktpa) – commissioning expected 2010.
- **Extract Resources (ASX:EXT), Namibia:** Scoping study indicates Rossing South mine production of 14.8mlbpa U_3O_8 - could dwarf neighbouring Rossing mine (RIO, 9.1mlbpa). Estimated opex US$23.60/lb, capex US$704m. Rossing South resource upgrade at Zones 1 and 2 to 267mlbs U_3O_8 grading 0.049%. RCR site visit June '09.
- **White Canyon Uranium (ASX:WCU):** Daneros mine, Utah – ore shipments are expected to commence Sept '09. Annual production is targeted at 500,000lbs U_3O_8, with sale or toll treatment to Denison Mines (TSX:DML) mill at White Mesa, 100km away by road.
- **Alliance Resources (ASX:AGS):** Four Mile Project (25% AGS), South Australia, ISR mining permit granted July '09. Production expected 1Q10 – 3mlbpa U_3O_8 with potential to increase to >4mlbpa.
- **Paladin Energy (ASX:**PDN): confirmed third stage expansion at Langer Heinrich, Namibia, increasing production to 5.2mlbpa U_3O_8 expected from 4Q10, up from 3.7mlbpa (Stage II). Stage III expansion downsized from 6mlbpa due to water allocation constraints. RCR site visit June '09.
- **Forsys Metals Corp (TSX:FSY):** The company was advised August 19th that the proposed plan of arrangement with George Forrest International Afrique will require review and approval of Industry Canada prior to closure. FSY owns the Valencia alaskite uranium project in Namibia.

"The uranium price is expected to remain flat over the next 3 to 6 months. Our leading indicator, the fund implied price is US$47.50/lb, which is currently level with the spot price. Traders have expressed concern about the potential of modest downward price pressure from the US Department of Energy (DOE) increased uranium sales, with the price risk partially offset by the potential for increased seasonal demand."

"We expect equity performance in the sector will be driven by broader equity market trends in the coming months, and in relation to specific stocks, the achievement of significant project milestones. Indeed, there are a number of companies moving to production, including Alliance Resources and White Canyon within the coming months, and others set to release significant resource upgrades and economic studies which could result in project rerating." John Wilson, Managing Director of RCR said.

About Resource Capital Research

Resource Capital Research ("RCR") (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.

For further information please contact:
John Wilson, Analyst, Resource Capital Research,
Phone: (+61- 2) 9252 9405, Email: johnwilson@rcresearch.com.au

The report is available at www.rcresearch.com.au. The next Uranium Sector Review will be published in the December Quarter, 2009. The gold and iron ore company reviews should be released Sept '09.

Abbreviations: WNA – World Nuclear Association, ktpa – thousand tonnes per annum, lb – pound, Mlb pa – million pounds per annum, U_3O_8 – uranium oxide.

RCR September Quarter Featured Company Summary

AUSTRALIA

Company	Code	Comment
African Energy Resources Limited	**AFR**	**Mid to Advanced Exploration** A$4m share placement will fund ongoing uranium exploration of AFR's strategic land position in the Karoo basins of southern Africa (9,150km2). The Chirundu JV (Zambia, 8.7mlbs U3O8) has a BFS in progress for 1.3mtpa U3O8. Drilling ~17,500m in FY10.
Alliance Resources Limited	**AGS**	**Construction** Four Mile has been granted a mining licence and should become Australia's fourth uranium mine, from early 2010. A capital raising (A$44.7m) will support construction of the +3mlb/yr U3O8 ISR project (AGS 25%). JORC resource 61mlb U3O8, exploration target 110mlbs.
Black Range Minerals Limited	**BLR**	**Scoping** BLR has acquired 49% of the Hansen Uranium Deposit, CO (historic ~30mlbs of U3O8), adding to the 55mlb U3O8 inventory at adjoining Taylor Ranch Project (includes 25.4mlbs at 0.113%). It is now seeking a mining permit for a combined Taylor / Hansen operation.
Eleckra Mines Limited	**EKM**	**Advanced Exploration** EKM's recent drilling of new targets shows promise to expand its 749koz gold resource in the underexplored Yamarna belt (WA). EKM share price reflects no value for its 6.2mlb Thatcher Soak U3O8 resource - value could soon be unlocked with a deal with Uranex?
Energy and Minerals Australia Limited	**EMA**	**Resource Definition** EMA has raised ~A$12m to fund ongoing development of its Mulga Rock Deposits (54.4mlbs U3O8). The FY10 budget has been boosted to A$10m, including A$3.3m for a resource upgrade at the Ambassador Deposit, ahead of a Scoping Study in 2Q10.
Energy Metals Limited	**EME**	**Advanced Exploration** Bigrlyi (NT, EME 53.7%) PFS expected 3Q09. Resource 20.6mlbs U3O8 grading 0.13% (500ppm cut-off). Initial review recommends further shallow extensional drilling and review of potential u/g mining. EME budgeting $1m for regional NT/WA exploration projects.
Energy Resources of Australia Limited	**ERA**	**Producer** ERA is focused on mining, evaluating and exploring its leases in the highly propsective 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 2H10. Strong profit result 1H09.
Extract Resources Limited	**EXT**	**Advanced exploration** EXT's Scoping study indicates Rossing South mine (14.8mlbpa) could dwarf neighbour Rossing (2008: 9.1mlbpa; RIO 69%). Shares are reasonably valued on project NPV, but upside is likely to come from continued exploration success and corporate intrigue involving RIO.
Greenland Minerals and Energy Limited	**GGG**	**Advanced Exploration** After a Jun '09 upgrade, the giant Kvanefjeld Deposit has a JORC resource including 283mlb U3O8 and 4.91mt total REO, with 79% Indicated. A PFS is expected in late 2009. In Greenland, a national debate is planned, to decide the future of uranium production.
Monaro Mining NL	**MRO**	**Advanced Exploration** MRO has two 100%-owned US uranium projects entering pre-feasibility: Rio Puerco (in Grants Mineral Belt, NM) and Apex-Lowboy (NV). Resources 5.5mlbs U3O8 with significant upside. Leveraged to +US$8m spend by JV partners, including Vale (Apache Basin, AZ).
NGM Resources Limited	**NGM**	**Mid Exploration** NGM has a large strategic land holding in the Tim Mersoi basin, Niger. The region is host to multiple high grade (up to ~0.5% U3O8), large U deposits. NGM ground hosts large radiometric anomalies with confirmed U mineralisation. Resource expected 4Q09. PDN holds 19.9% of NGM.

AUSTRALIA (cont.)

Company	Code	Comment
Paladin Energy Limited	**PDN**	**Producer** PDN's commitment to Stage III expansion at Langer Heinrich will increase production to 5.2mlbspa U3O8 from 4Q10. Potential remains for further expansion. The company has a solid pipeline of prospective exploration projects and strategic alliances in Australia and Africa.
PepinNini Minerals Limited	**PNN**	**BFS, Advanced Exploration** The BFS for PNN's Crocker Well project (60% Sinosteel, 40% PNN; 14.9mlb U resource) delayed till Dec '09 (flowsheet revisions), but recoveries have improved dramatically. Meanwhile exploration in SA/QLD strategic U, Au and base metals projects gains momentum.
Toro Energy Limited	**TOE**	**Advanced Exploration/Resource Definition/PFS** All eyes are on the imminent release of Toro's Wiluna uranium project (24mlb resource) optimisation study. If it meets targets then a market re-focusing on the long term strategic value of calcrete deposits (as per Mega's Lake Maitland transaction) should produce a stock re-rating.
Uranex NL	**UNX**	**Advanced Exploration/PFS** Uranex raised \$4.7m 2Q09 and at June 30 had cash of \$8.5m. Project momentum is building with a sonic drill rig commissioned at Manyoni 2Q09, expanded land position and PFS expected Dec '09. Thatcher Soak scoping study expected 2H09; regional consolidation underway.
West Australian Metals Limited	**WME**	**Mid Exploration** WME holds the Marenica uranium deposit (80% WME), Namibia, and is well funded with \$9.9m raised July '09. Drilling 12,000m 3Q09. Resource extension and upgrade expected 3Q09. Drilling primary targets and airborne survey over 18k ha of unexplored area at Marenica 2H09.
White Canyon Uranium Limited	**WCU**	**Development** WCU has commenced uranium mining at its fully permitted Daneros Project (Utah) with first ore shipments to Blanding Mill (Denison) expected in September, 2009. Regional target 10mlbs U3O8, with exploration drilling expected in 3Q09.

CANADA

Company	Code	Comment
CanAlaska Uranium Ltd	**CVV**	**Advanced Exploration** 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%).
Ur-Energy Inc	**URE**	**Permitting** URE is a near-term uranium producer, with two advanced ISR projects in the Great Divide Basin, WY. Lost Creek is expected to operate from 4Q10 subject to permitting, followed in 2011 by Lost Soldier. Resource inventory 24.9mlb U3O8, potential for +80mlbs.