

## Media Release

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11 December 2009

### Resource Capital Research – December 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\$45.00/lb, down 5% from 3 months ago (US\$47.50/lb).
- The Fund Implied Price (FIP) is US\$45.00/lb, which compares with US\$41.40/lb at 31 December '08. The FIP has generally been a good leading indicator of near term spot price performance.
- Since early August the FIP has traded in a range of ~US\$42/lb to ~US\$49/lb.
- Traders remain focused on the uranium supply side with the possibility of increased US Department of Energy (DOE) liquidations leading to modest downside pressure.
- The long term contract uranium price is US\$61.00/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 436 new nuclear reactors planned or proposed globally as of Dec '09, up from 376 (+60 units, +16%) Dec '08.
- There are 436 nuclear power reactors in operation and 53 under construction (8 more than 6 months ago).

##### Uranium Companies:

- The Merrill Lynch Uranium Equity Index (a basket of uranium equities) is down 1% over the past month, up 1% over 3 months and up 147% from the recent low reached 27 Oct '08.
- The market valuation of Australian companies with one or more uranium projects is up 12% over the past month, up 18% over the past 3 months, and up 353% over the past 12 months.
- This compares with Canadian companies with one or more uranium projects, up 4% over the past month, up 19% over the past 3 months, and up 198% over the past 12 months.
- Increasing number of projects receiving mining licences, including Lake Maitland (WA, Mega Uranium – TSX:MGA) and Chirundu (Zambia, African Energy Resources – ASX:AFR).

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 16 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, Niger and Namibia.

To access the free summary report or to purchase the complete 82 page comprehensive report, go to [www.rcresearch.com.au/reports](http://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 12% over the past month, up 18% over the past 3 months, and up 353% over the past 12 months. This compares with Canadian companies with one or more uranium projects, up 4% over the past month, up 19% over the past 3 months, and up 198% over the past 12 months.

In the past month, the uranium mining majors have had mixed share price performance: Cameco (CCO) is up 5% (3 month performance +13%), Denison Mines (DML) is down 9% (3 month performance -11%), Uranium One (UUU) up 2% (3 month performance +26%), Energy Resources of Australia (ERA) down 3% (3 month performance -10%) and Paladin (PDN) down 1% (3 month performance -17%).

The Merrill Lynch Uranium Equity Index (a basket of uranium equities) is down 1% over the past month, up 1% over 3 months and up 147% from the recent low reached 27 Oct '08 (195).

## Uranium price outlook

The uranium spot price is currently trading at US\$45.00/lb, down 5% from 3 months ago (US\$47.50/lb) and compares with US\$52.50/lb at 31 December '08. The Fund Implied Price (FIP) is US\$45.00/lb, which compares with US\$41.40/lb at 31 December '08. The FIP has generally been a good leading indicator of near term spot price performance.

No significant direction change in the spot price is anticipated near term and RCR's price outlook is flat. Our view is in part informed by the FIP, which at US\$45.00/lb suggests market expectations for limited near term movement in the spot price. Since early August the FIP has traded in a range of ~US\$42/lb to ~US\$49/lb.

However, market views on near term price outlook are not uniform, driven by expectations of an increase in utility purchases in the new year leading to increased demand; countered by ongoing concerns about the impact of increased [DOE] liquidations on supply, with modest concerns of downside price pressure.

Following a significant production incident at Olympic Dam on 6 October, the spot uranium price rallied from US\$43.50/lb to US\$49.50/lb by the end of October. The price however has failed to find support and has since fallen back to US\$45/lb. Given the incident is likely to remove 2Mlb U<sub>3</sub>O<sub>8</sub> from the market by 1Q10 (when production is expected to recommence), in our view it is a little concerning that there hasn't been a more sustained price response.

The long term contract uranium price is US\$61.00/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.

## World planned and proposed nuclear power reactors

Currently there are 436 nuclear power reactors in operation and 53 under construction. There are 436 new nuclear reactors planned or proposed globally as of Dec '09, up from 376 (+60 units, +16%) Dec '08. A total of 69 new reactors are expected to be commissioned by 2016.

## Events of the past 3 months include:

- **Mega Uranium (TSX:MGA)** - Lake Maitland (WA) mining lease awarded 19 October 2009 – the first since the ban on uranium mining was lifted Nov '08. DFS expected 2Q10. Production potential 2012.
- **African Energy Resources (ASX:AFR)** – Mining licence granted for Chirundu Project, Zambia (Oct '09). Potential heap leach project producing 1.3Mlb pa U<sub>3</sub>O<sub>8</sub> from 2012.

- **Paladin Energy (ASX:PDN):** Outlined growth upside at its African projects to 13.8Mlb pa U<sub>3</sub>O<sub>8</sub> (up from 8.5Mlb) from 2014. A BFS for a stage 4 expansion at Langer Heinrich, Namibia is expected 2010, potentially taking production to 10Mlb pa, including a 1Mlb pa heap leach.
- **Forsys Metals Corp (TSX:FSY):** The proposed plan of arrangement with George Forrest International Afrique was terminated 25<sup>th</sup> August. FSY has appointed Morgan Stanley & Co to review strategic alternatives, including financing options. FSY owns the Valencia alaskite uranium project in Namibia.
- **White Canyon Uranium (ASX:WCU):** Daneros mine, Utah – ore production commenced Dec '09. Annual production is targeted at 500,000lb U<sub>3</sub>O<sub>8</sub>, with sale or toll treatment to Denison Mines (TSX:DML) mill at White Mesa, 100km away by road.
- **Chinese investment in Australian uranium exploration** sector continues. China Uranium Development Company Limited (CUD) has made a proportional offer for **Energy Metals Limited (ASX:EME)** which holds 53.7% of the Bigryli uranium project (NT). As at 7 December CUD held 57.07% of EME. Hebei Mining took a 14.9% in early stage uranium explorer IPO **Raisama Limited (ASX:RAI)**.
- **Ifastar JV** – Areva (51%) and KazAtomProm (49%) announced a JV to manufacture integrated nuclear fuel assemblages for the Asian market. The JV will assess the economic feasibility of constructing a 400tpa fuel manufacturing line in Kazakhstan. The deal further underwrites the significance of Kazakhstan as an emerging dominant force in the global nuclear fuels market.
- **Energy Fuels Inc (TSX:EFR):** Final licence application submitted for the Pinon Ridge uranium/vanadium mill in Colorado. There is potential for construction to commence 2Q11 and would be the first new uranium mill in the US in over 25 years.
- **Powertech Uranium (TSX:PWE)** – Dewey-Burdock ISL project (SD, USA) submitted its licence application to the NRC.
- **Uranium Energy (NYSE:UEC)** announced conditional acquisition of the licensed and permitted **Hobson uranium mill and La Palanga uranium project (TX, USA)** assets held in the South Texas Mining Venture (Uranium One, Everest Exploration). UEC intends to use Hobson as a hub for treating loaded resins from its projects, including Goliad and Nichols ISL projects.

“The focus on supply expansion in the uranium sector is shifting from exploration success to permitting and production. There is a growing pipeline of solid development projects and very advanced exploration projects and a growing number of mining permits being granted. With a typical 10 to 12 year development timeframe from initial discovery to production and technical, regulatory and financing hurdles for pending producers to overcome, development timeframes are far from certain. The outlook for the uranium market supply/demand balance remains finely poised through 2015.” John Wilson, Managing Director of RCR said.

## 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 March Quarter, 2010. The gold and iron ore company reviews should be released Dec '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 December Quarter Featured Company Summary

## AUSTRALIA

Company	Code	Comment
<b>African Energy Resources Limited</b>	<b>AFR</b>	<b>Pre-Feasibility Study</b> AFR's share price has surged ~130% in the past quarter, driven by exploration success at the Sese Uranium Project (Botswana), and the award of a mining licence at Chirundu (11mlb U3O8 , Zambia). Drilling is ongoing at multiple Karoo Basin targets.
<b>Black Range Minerals Limited</b>	<b>BLR</b>	<b>Scoping</b> BLR is focused on acquiring 100% (currently 49%) of the Hansen Uranium Deposit, CO (historic ~30mlbs of U3O8), to add to its 60.2mlb U3O8 inventory at adjoining Taylor Ranch. It is also seeking a mining permit for a combined Taylor / Hansen operation.
<b>Eleckra Mines Limited</b>	<b>EKM</b>	<b>Advanced Exploration</b> EKM's exploration in the Yamarna belt (WA), current 749koz 1.78g/t Au resource, has produced high grade discoveries that suggest ~1moz is possible by mid 2010, with much improved grades. With the 6.2mlb Thatcher Soak uranium resource, shares look undervalued.
<b>Energy and Minerals Australia Limited</b>	<b>EMA</b>	<b>Resource Definition</b> Drilling at the Mulga Rock Deposits (54.4mlbs U3O8) is in progress, ahead of an expected Ambassador Deposit resource upgrade in 1Q10 and MRD scoping study in 2Q10. Near-term news could include results of metallurgical testing.
<b>Energy Resources of Australia Limited</b>	<b>ERA</b>	<b>Producer</b> ERA is focused on mining, evaluating and exploring its leases in the highly prospective East Alligator River region (NT). Valuation upside from current levels is dependent on further exploration success and new project approvals.
<b>Extract Resources Limited</b>	<b>EXT</b>	<b>Advanced exploration</b> As EXT's Rossing S resource heads towards 600mlb, the key issue for EXT shareholders will be how EXT structures any potential project development partnership that has been flagged by EXT. Because of the size of the project, neighbour Rio Tinto is not the automatic choice.
<b>Greenland Minerals and Energy Limited</b>	<b>GGG</b>	<b>Advanced Exploration</b> A Pre-Feasibility Study of the giant Kvanefjeld Deposit (283mlb U3O8 and 4.91mt total REO), including a process flow sheet, is expected in late 2009. GGG is engaged in wide-reaching community consultation about development of the project.
<b>Marenica Energy Limited</b>	<b>MEY</b>	<b>Mid Exploration</b> MEY holds the Marenica uranium deposit (80% MEY), Namibia. Aggressive exploration underway (A\$6m). Total resource 38.6mlb U3O8. M&I target (1Q10) 15-20mlb at 180ppm (to 20m depth). Potential for heap leach. Adjacent to Trekkopje heap leach project (AREVA).
<b>Monaro Mining NL</b>	<b>MRO</b>	<b>Advanced Exploration</b> A share placement of A\$3m will allow MRO to drill in 1Q10 at its two 100%-owned US uranium projects: Rio Puerco (Grants Mineral Belt, NM) and Apex-Lowboy (NV). Resources 12.3mlbs U3O8. Leveraged to +US\$8m spend by JV partners, including Vale (Apache Basin, NV).
<b>NGM Resources Limited</b>	<b>NGM</b>	<b>Mid Exploration</b> NGM has a large strategic land holding in the prolific Tim Merso basin, Niger. Early results from Phase II drilling (4Q09) confirm widespread uranium mineralisation including some high grade intercepts (0.7m @ 0.18% eU3O8). Resource expected 1H10. PDN holds 19.9% of NGM.

**AUSTRALIA (cont.)**

<b>Company</b>	<b>Code</b>	<b>Comment</b>
<b>Paladin Energy Limited</b>	<b>PDN</b>	<b>Producer</b> PDN has outlined growth potential at African operations to 13.8mlbspa U3O8 (up from 8.5mlbs) from 2014. Current focus is ramp-up at Langer Heinrich Stage 2 to 3.7mlbspa U3O8 and Kayelekera to 3.3mlbspa. Delays forced downgrade in 2010 production guidance to +5.6mlb (from 6.6mlb).
<b>PepinNini Minerals Limited</b>	<b>PNN</b>	<b>BFS, Advanced Exploration</b> PNN's intensified exploration, drilling high grade gold, major copper-nickel and base metals targets in Qld/SA should activate a drifting share price in 1H10, along with the impending release of the Crocker Well Project BFS (60% Sinosteel, 40% PNN; 14.9mlb U resource).
<b>Toro Energy Limited</b>	<b>TOE</b>	<b>BFS, Scoping Study and Exploration</b> Toro's acquisition of the Firestrike ground is an important first step in increasing its Wiluna resource base (current 24mlb) - highly beneficial to project economics. Toro is now cashed up to drive Wiluna BFS, and increase exploration programs after recent Lake Mackay discovery.
<b>White Canyon Uranium Limited</b>	<b>WCU</b>	<b>Development</b> Mining development at Daneros Uranium Project (Utah) has almost reached the orebody, with first ore shipments to Blanding Mill (Denison) expected in December, 2009 or early 2010. Regional target 10mlbs U3O8, with exploration drilling expected in 1Q10.

**CANADA**

<b>Company</b>	<b>Code</b>	<b>Comment</b>
<b>CanAlaska Uranium Ltd</b>	<b>CVV</b>	<b>Advanced Exploration</b> CVV has a strategic land position in the Athabasca Basin. Since Sept '04 CVV has spent over C\$55m on exploration and defined with a pipeline of high value exploration targets. Funding commitments from key strategic investors amounts to ~C\$40m.
<b>Fronteer Development Group Inc</b>	<b>FRG</b>	<b>Scoping</b> FRG has high-quality uranium and gold projects, including 100% ownership of Michelin, anchor asset to Canada's next uranium district. Michelin could produce 96.9mlbs U3O8 over a 17-year mine life, with a net present value of \$914 million.