

# Media Release

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30 May 2008

## RCR Equity research report on global uranium companies

June Quarter, 2008

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### Key Points

#### Uranium Market:

- The spot uranium price is currently US\$60/lb, down 15% from US\$71/lb at the end of March and 57% off the high of US\$138/lb reached June '07.
- Forward indicators (fund implied price) currently indicate the likelihood of an upward re-rating of the uranium price to around US\$75 (+25%).
- The industry average, long term uranium price is US\$90/lb, down US\$5/lb from US\$95/lb where it had held firm for nearly 12 months from May '07 to March '08.
- Uranium fund sentiment and activity remain important factors in the outlook for the spot uranium price with holdings of around 20Mlb U<sub>3</sub>O<sub>8</sub>.
- Planned and proposed new nuclear power reactors worldwide have increased strongly in the past two years. From Jan. '07 to May '08 there was an increase of 89 reactors from 222 reactors to 311 reactors (+40%).
- The USA Congressional Budget Office reported that nuclear power would be commercially competitive compared to conventional fossil fuel technologies at a carbon price of US\$45/tonne (May '08).

#### Uranium Companies:

- Positive market sentiment has returned to uranium equities, driven by indications the spot uranium price is about to head up, combined with relative stability in the equity markets following the sub-prime rout.
- The market valuation of Australian companies with one or more uranium projects (266 companies) is up 23% over the past month, up 12% over the past 3 months, and down 8% over the past 12 months.
- This compares with a selection of 289 Canadian companies with one or more uranium projects, up 7% over the past month, down 6% over the past 3 months, and down 32% over the past 12 months.
- Beverley Four Mile uranium project in South Australia (ASX:AGS, 25%), an *in situ* recovery (ISR) project, is to proceed with a mining licence application. The project has potential for production late 2009 and may beat Honeymoon to be Australia's fourth uranium mine. The Honeymoon uranium development project (TSX:UUU), also an ISR project in South Australia, has been put on hold for 12 months while it focuses resources on advancing its larger Kazakhstan projects

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 26 global uranium exploration and development companies with a focus on Australia, Canada, USA and UK. Over 500 junior and mid cap explorers, development and production companies are identified.

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

To access the free summary report or to purchase the complete 100 page comprehensive report, go to [www.rcresearch.com.au/reports](http://www.rcresearch.com.au/reports).

### **Equity market performance**

The market valuation of Australian companies with one or more uranium projects (266 companies) is up 23% over the past month, up 12% over the past 3 months, and down 8% over the past 12 months. This compares with a selection of 289 Canadian companies with one or more uranium projects, up 7% over the past month, down 6% over the past 3 months, and down 32% over the past 12 months.

In the past month the majors have mostly demonstrated positive share price performance: Cameco (CCO) is up 10%, Denison Mines (DML) up 21%, Uranium One (UUU) down 3%, Energy Resources of Australia (ERA) up 15% and Paladin (PDN) up 45%.

Positive market sentiment has returned to uranium equities, driven by indications the spot uranium price is about to head up combined with relative stability in the equity markets following the sub-prime rout. While the equity markets remain volatile, the junior end of the resource sector was disproportionately sold down over the past 6 months and the recent bounce has seen many uranium companies' share prices recover by over 100% from recent lows with further upside expected.

### **Uranium price outlook**

The spot uranium price is US\$60/lb, down 15% from US\$71/lb at the end of March and 57% off the high of US\$138/lb reached June '07.

Forward indicators (fund implied price) currently indicate an expectation for an upward re-rating of the uranium price to around US\$75 (+25%). In the past 3 months the fund implied price has ranged from US\$57/lb to US\$90/lb. According to recent market commentary by Trade Tech "[uranium] buyers are beginning to venture back into the market and sellers are less willing to cut prices".

The industry average, long term uranium price is US\$90/lb, down US\$5/lb from US\$95/lb where it had held firm for nearly 12 months from May '07 to March '08.

### **World planned and proposed nuclear power reactors**

Planned and proposed new nuclear power reactors worldwide have increased strongly in the past two years. From Jan. '07 to May '08 there was an increase of 89 reactors from 222 reactors to 311 reactors (+40%). This compares with 439 nuclear power reactors currently in operation and 36 under construction.

The USA Congressional Budget Office reported that nuclear power would be commercially competitive compared to conventional fossil fuel technologies at a carbon price of US\$45/tonne (May '08). Rising prices of competing energy sources - both spot oil and thermal coal prices, which spiked over US\$130/bbl and US\$130/t respectively (May '08), reinforces the commercial potential of nuclear energy.

### **Events of the past 3 months include:**

## Industry

- NamWater (Namibia) announced plans to construct a second desalination plant to support water needs of the growing Namibian uranium industry – commissioning expected 2010 (capacity 25 million m<sup>3</sup> per annum). The other desalination plant is already under construction (Areva and NamWater) – commissioning 4Q09 (capacity 20 million m<sup>3</sup> per annum) to serve Areva's Trekkopje heap leach project.
- Kazakhstan's new sulphuric acid plant at Balkhash (cap. 1.2Mtpa) is expected to be commissioned June '08. Kazakhmys Corp is building the plant adjacent to its copper smelter. Capacity is expected to be sufficient for KazAtomProm's planned ISR uranium mining needs.

## Companies

- Alliance Resources (ASX:AGS) announced Quaser Resources has decided to apply for a mining licence and aims to bring the Beverley Four Mile ISR project (SA) into production '09/10, subject to conditions including a JORC resource statement expected 3Q08.
- Uranium One (TSX:UUU) announced it will suspend development at Honeymoon ISR development project (SA) for 12 months while it focuses resources on advancing its larger Kazakhstan projects.
- Bluerock Resources Ltd (TSX.V:BRD) uranium ore production commenced from the J-Bird project (Colorado) April '08.
- Hathor Exploration (TSX.V:HAT) reported a significant discovery in the Roughrider Zone at its Midwest NE project in the Athabasca Basin. Intercepts include 15m @ 10% U<sub>3</sub>O<sub>8</sub> and 9m @ 10% U<sub>3</sub>O<sub>8</sub>.
- **Zambia:** is expected to issue uranium mining licenses commencing July '08. Companies with advanced uranium projects in Zambia include **Equinox Resources** (ASX:EQN) which released its updated feasibility study for a stand alone uranium plant at Lumwana 2Q08 and **African Energy Resources** (ASX:AFR) which released a PFS for its Chirundu uranium project 2Q08.
- **Milestones:** An enhanced scoping study is expected at Bigrlyi in the NT (53%, **Energy Metals** (ASX:EME)) June '08. **Energy and Minerals Australia** (ASX:EMA) listed May '08 with exploration focus on the Mulga Rock Deposits (WA). **Extract Resources** (ASX:EXT) expects to announce an initial resource at Ida Dome (Namibia) 2Q08. **Globe Uranium** (ASX:GBE) expects to complete a scoping study at the Kanyika uranium/specialty-metal project (Malawi) 2Q08. Significant resource upgrade at Kvanefjeld (Greenland, **Greenland Minerals** – ASX:GGG) May '08 (to 229Mlb U<sub>3</sub>O<sub>8</sub>, up 104%). An initial resource is expected at Bennet Well (WA, **Scimitar Resources**, ASX:SIM) 2Q08. **Toro Energy** (ASX:TOE) expects to complete a PFS at Lake Way/Centipede mid '08 and drilling in Namibia starts 2Q08. **Uranex** (ASX:UNX) has scoping studies and resource statements expected at Thatcher Soak (WA) and Bahi (Tanzania) 3Q08. **West Australian Metals** (ASX:WME) expects the next resource statement at Marenica (Namibia), adjacent to Trekkopje, July '08, targeting 35Mlb to 50Mlb U<sub>3</sub>O<sub>8</sub>.
- **Exploration: Uranium Equities** (ASX:UEQ) is undertaking a large drilling program (22,500m, '08) around the former high grade Nabarlek Mine (NT). **Aura Energy** (ASX:AEE) is drilling uraniumiferous Alum Shales in Sweden (adjacent to TSX:CZQ) with an initial resource target of 100Mlb U<sub>3</sub>O<sub>8</sub>.
- **Production: White Canyon Uranium** (ASX:WCU) is on track for near term ore production at Daneros (Utah) 2H08.

"While the equity markets remain volatile, the junior end of the resource sector was disproportionately sold down over the past 6 months. Coupled with the market expectation of a turnaround in the uranium spot price, the recent bounce has seen many uranium companies' share prices recover by over 100% from recent lows with further upside expected." John Wilson, Managing Director of RCR, noted.

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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.

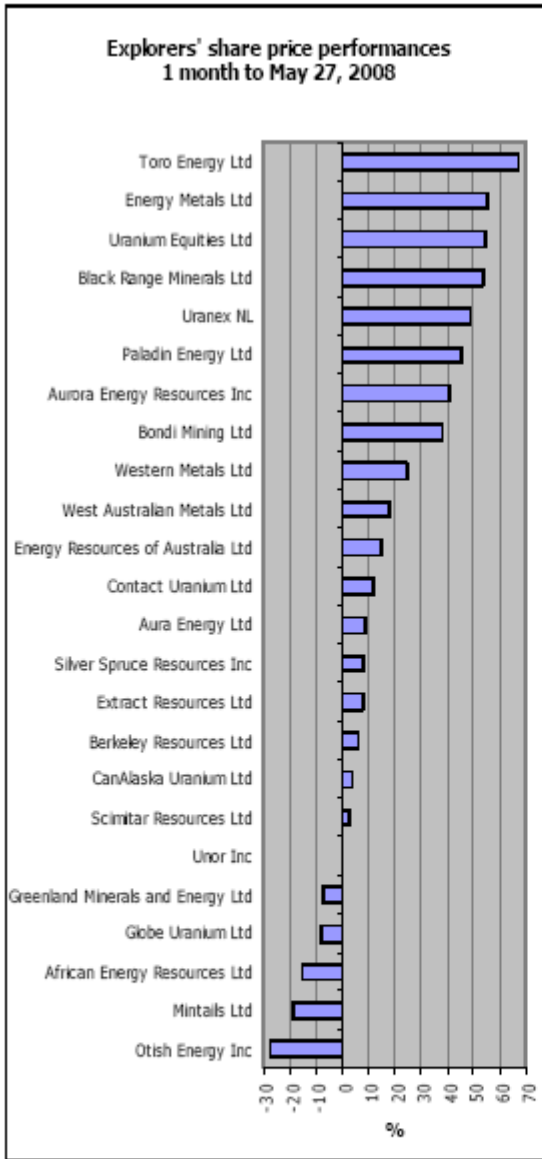
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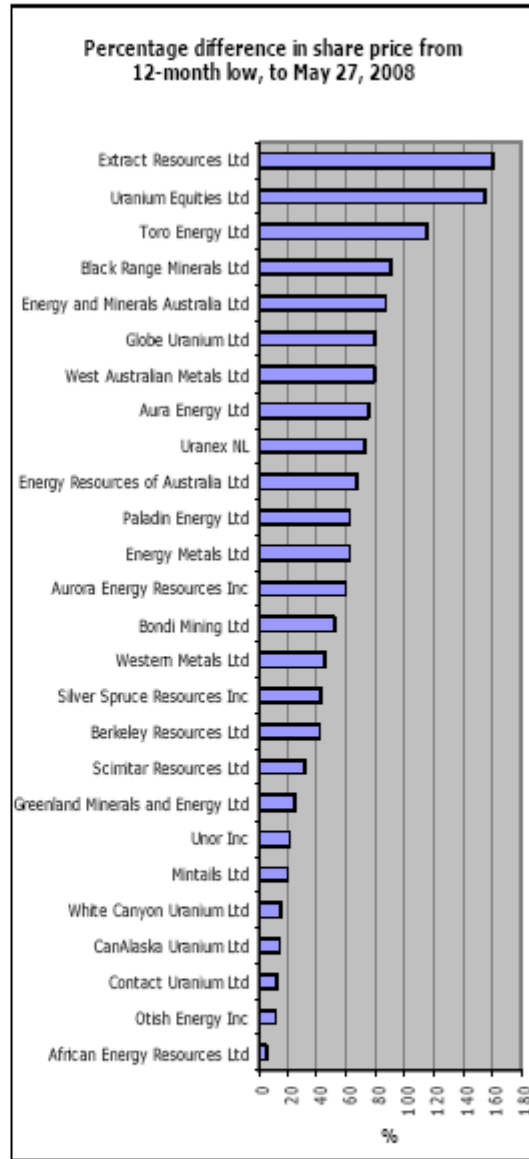
The report is available at [www.rcresearch.com.au](http://www.rcresearch.com.au). The next Uranium Sector Review will be published in the September Quarter, 2008.

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

# Uranium Company Comparative Charts



The positive 1 month performance for many uranium companies reflects a bounce from an oversold position during the sub-prime crisis and renewed confidence in the uranium spot market.



The share price of many uranium juniors has moved up strongly from recent 12 month lows – in cases rising over 100%.