Justin Reid, Phone (416) 943-6729
David Wargo - Associate, Phone (416) 943-6423

SPROTT
SECURITIES INC.

MINING REPORT

**February 14, 2007**

# 2007 – Uranium Equities

## The Sector Moves Towards Production & Consolidation

**Unless otherwise stated, all figures shown in US$**

Unless otherwise specified, where necessary, we are using a US$0.90 conversion rate

◆ During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for these companies

○ Sprott Securities Inc. either directly or through its Connected Parties currently owns at least 1 per cent of the presently issued and outstanding shares of Tournigan Gold Corporation

**Disclosure statements located on the back cover; for disclosure charts visit www.sprott.ca**

# Investment Thesis

**Purpose of This Report**

This report is provided as a supplement to Sprott's fourth uranium conference. Our attempt is to provide the investor with a general overview of the companies participating and to provide updated valuations for those companies under active coverage.

Unlike our previous three uranium conferences we have expanded our reach to include those companies that we feel have quality assets, management and projects but are not currently covered by Sprott Securities.

**The Investment Thesis Has Not Changed…**

In mid 2004 Sprott Securities identified that the growing demand for power and the realization of energy portfolio management including environmental emission concerns, and overweight reliance on fossil base fuel was returning nuclear generated power to the top of the public policy agenda with aggressive reactor build campaigns and national directives underway. Due to a 25-year depressed market for uranium where 47% of demand had been filled by finite secondary sources, a significant lack of new uranium resource development had led to a growing shortfall forecast to materially impact the market by 2010-2012. Currently global uranium supply is very tight, with primary and secondary sources just meeting demand. Any disruption in supply, schedule break downs in new development, political trade disruptions between major players and continued participation by investment vehicles and hedge funds in the commodity could drive the market into an immediate deficit position.

Uranium is not in short supply globally; however, uranium extraction remains the most highly regulated mining environment in the world, and as such, a new operation can not be brought on line with the same ease as some of the other more common base metals. By 2030 it is suggested that global reliance on nuclear power could increase from 370Gwe p.a. to in excess of 740 Gwe, an increase of +200%. Currently there are 435 reactors in operation with 28 under construction, 64 in the planning phase and 158 proposed. Based upon current estimates global uranium demand could top 350 MMlbs within the next 20 years. Current world demand is 180MMlbs p.a, and due to 25 years of underinvestment in the sector and the regulatory hurdles associated with new operations we believe that supply will be inelastic.

We see that the opportunity for investment in the uranium sector will continue for the foreseeable future.

**The Basket Approach No Longer…2007 Time To Pick Your Spot**

In the past we had suggested that given the very small market capitalization of uranium vehicles, a strong case could be made for diversification across the spectrum ranging from producing companies, those with near-term production, and those focusing exclusively on exploration.

Unlike 2006 where the majority of uranium focused equities delivered triple digit returns, 2007 looks to be more about picking your spots for exposure to the commodity rather than investing in a basket of names. In 2006 the uranium price appreciated in excess of 90% now sitting at $75/lbs, and though we believe that the underlying fundamentals for the commodity will continue to drive the uranium through $100/lbs we do not anticipate the same level of equity appreciation to the group as a whole as we did last year. Investing in uranium in 2007 will be about picking your spots.

**Finding Solid Investments In The Sea of Speculation**

The fury of the uranium equities has caused rampant appreciation for all levels: speculative to fundamental. We maintain that with the appreciation of the uranium price investors should remain focused on three subsets of uranium stocks; producers, imminent producers and those development stories with fundamentally solid assets aggressively moving towards production.

## Figure 1 Peer Group Tabulation

| Uranium Contract Price | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Forecast ($) | | 14 | 19 | 29 | 43 | 85 | 95 | 95 | 95 | 95 | 95 |

| | | | | CAPITALIZATION | | | | PRODUCTION | | | | RESERVES & RESOURCES | | | | VALUATION AND TARGET | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In US$ unless otherwise noted<br>PRICING Assumptions<br>LT= Long Term<br>$U_3O_8$ $/lbs 43 (06), 80 (07), 90 (08), 50 LT | | Symbol (TSX) | Share Price (CDN$) | Market Cap. (C$ MM) | Cash ($ MM) Q4/05 | Debt ($ MM) Q4/05 | Enterprise Value ($ MM) | Prod. 2007E (MMlbs) | Prod. 2010E (MMlbs) | Est. Cash Cost ($/lbs) | EV/2006E Prod. ($/lbs) | Reserves (MM lbs) | Inferred Resource (MM lbs) | EV/Reserves ($/lbs) | EV/Resv + M&I Resc ($/lbs) | Estimated CFPS ($/share) | P/CFPS Multiple 2008E | P/E Multiple 2008E | Target Price (C$/share) | Net Asset Val (C$/share) | P/NAV Multiple |
| February 13, 2007 | | | | | | | | | | | | | | | | | | | | | |
| | Uranium Participation Corp ◘ | U | $14.48 | 815 | 4 | 0 | 811 | 0.0 | 0.0 | 0.00 | 0 | 4 | 0 | 0.00 | 0.00 | 0.00 | 0.0x | 0.0x | 15.65 | 11.18 | 1.3x |
| GRP. I | Cameco | TSX:CC | $43.60 | 16,610 | 334 | 696 | 16,971 | 21.6 | 25.0 | 11.00 | 786 | 834 | 1200 | 20.35 | 8.34 | 4.13 | 10.6x | 25.1x | 50.40 | 27.86 | 1.6x |
| GRP. I | Denison ◘ | DML | $11.95 | 2,288 | 110.0 | 0 | 2,178 | 1.0 | 5.6 | 16.00 | 2,265 | 49 | 53 | 44.64 | 21.42 | 0.90 | 13.3x | 14.9x | 16.20 | 9.67 | 1.2x |
| GRP. I | **Average (Group I)** | | | | | | | | | **13.5** | **1,525** | | | **32.49** | **14.88** | | **11.9x** | | | | **1.4x** |
| GROUP II | Paladin ◘ | PDN | $9.25 | 4,792 | 43 | 320 | 5,068 | 0.9 | 6.8 | 13.81 | 5,962 | 45 | 175 | 112.62 | 23.04 | 0.38 | 24.3x | 25.7x | 10.00 | 9.08 | 1.0x |
| GROUP II | SXR U-One ◘ | SXR | $14.53 | 2,110 | 225 | 185 | 2,070 | 0.5 | 4.2 | 15.77 | 4,140 | 0 | 120 | 7.43 | 5.20 | 2.00 | 7.3x | 13.5x | 19.20 | 10.30 | 1.4x |
| GROUP II | Western Prospector ◘ | WNP | $5.89 | 283 | 17 | 0 | 266 | 0.0 | 3.5 | 13.40 | 0 | 23 | 28 | 0.00 | 5.21 | 0.00 | 0.0x | 0.0x | UR | UR | UR |
| GROUP II | Tournigan Gold ◘ | TVC | $2.90 | 371 | 38 | 0 | 334 | 0.0 | 0.0 | 9.40 | 0 | 0 | 48 | 0.00 | 6.95 | 0.00 | 0.0x | 0.0x | 4.40 | 4.40 | 0.7x |
| GROUP II | Energy Metals Corp ◘ | EMC | $11.37 | 1,023 | 85 | 0 | 1,115 | | | | | | 160 | 0.00 | 5.86 | 0.00 | 0.0x | | 13.70 | 13.70 | 0.8x |
| GROUP II | UrAsia | UUU | $6.52 | 3,377 | 128 | 0 | 3,249 | | | | | | 85 | 171.00 | 31.24 | 0.28 | 23.3x | | UR | UR | UR |
| GROUP II | Uramin | UUU | $5.40 | 759 | 49 | 0 | 710 | | | | | | 235 | 0.00 | 3.02 | 0.00 | 0.0x | | 6.20 | 4.41 | 1.2x |
| GROUP II | Ur-Energy | UUU | $4.05 | 321 | 29 | 0 | 292 | | | | | | 25 | 0.00 | 11.68 | 0.00 | 0.0x | | 5.10 | 5.12 | 0.8x |
| GROUP II | **Average (Group II)** | | | | | | | | | **13** | **0** | | | **30.01** | **11.53** | | **18.3x** | | | | **1.0x** |
| GROUP III | UEX ◘ | UEX | $4.82 | 898 | 90.0 | 0 | 808 | | | | | | 104 | 0.00 | 7.77 | | | | 9.25 | 7.11 | 0.7x |
| GROUP III | Strathmore | CDNX:S | $4.17 | 319 | 34.4 | 0 | 285 | | | | | | 159 | 0.00 | 1.79 | | | | 4.70 | 4.70 | 0.9x |
| GROUP III | Uranium Power Corp | UPC | $0.76 | 59 | 3.3 | 0 | 56 | | | | | | 6 | 0.00 | 9.33 | | | | UR | UR | UR |
| GROUP III | JNR Resources | CDNX:J | $3.37 | 276 | 8.1 | 0 | 268 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Aurora Energy ◘ | AXU | $16.49 | 1,141 | 26.6 | 0 | 1,115 | | | | | | 100 | 0.00 | 11.15 | | | | 24.00 | 18.56 | 0.9x |
| GROUP III | Forsys Metals Corp ◘ | FSY | $7.01 | 396 | 11.8 | 0 | 385 | | | | | | 24 | 0.00 | 16.02 | | | | UR | UR | UR |
| GROUP III | Uravan | CDNX:U | $1.25 | 36 | 7.8 | 1 | 29 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Nova Uranium | NUC | $0.67 | 13 | 3.1 | 0 | 10 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Laramide ◘ | LAM | $12.22 | 666 | 19.0 | 0 | 647 | | | | | | 54 | 0.00 | 11.99 | | | | UR | UR | UR |
| GROUP III | Triex ◘ | TXM | $5.83 | 87 | 6.6 | 0 | 81 | | | | | | 8 | 0.00 | 10.06 | | | | UR | UR | UR |
| GROUP III | Mega Uranium | MGA | $6.31 | 673 | 41.8 | 0 | 632 | | | | | | 23 | 0.00 | 27.46 | | | | UR | UR | UR |
| GROUP III | Cash Minerals ◘ | CHX | $1.38 | 132 | 20.0 | 0 | 112 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Titan Uranium | TUE | $2.40 | 68 | 7.5 | 0 | 60 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Commander Resources | CMD | $0.62 | 13 | 2.7 | 0 | 10 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Crosshair | CXX | $2.70 | 203 | 12.2 | 0 | 191 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Strateco Resources | RSC | $3.08 | 354 | 33.0 | 0 | 321 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Ditem Exploration | DIT | $0.78 | 16 | 0.1 | 0 | 16 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Energy Fuels | EFR | $3.87 | 172 | 2.0 | 0 | 170 | | | | | | 0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | Mawson Resources | MAW | $2.39 | 75 | 8.6 | 0 | 66 | | | | | | 14 | 0.00 | 4.86 | | | | UR | UR | UR |
| GROUP III | Uranium Resources | URRE | $4.97 | 257 | 26.5 | 0.5 | 231 | | | | | | 33 | 0.00 | 7.01 | | | | UR | UR | UR |
| GROUP III | First Uranium | FIU | $11.00 | 1,356 | 133.1 | 0 | 1,223 | | | | | | 159 | 0.00 | 7.69 | | | | UR | UR | UR |
| GROUP III | Khan Resources | KRI | $4.50 | 176 | 2.9 | 0.0 | 173 | | | | | | 55.4 | 0.00 | 3.13 | | | | UR | UR | UR |
| GROUP III | U3O8 Corporation | UWE | $4.75 | 122 | 28.0 | 0.0 | 94 | | | | | | 0.0 | 0.00 | 0.00 | | | | UR | UR | UR |
| GROUP III | **Average (Group III)** | | | | | | | | | | | | | **0.00** | **5.14** | | | | | | **UR** |

◘ During the past 24 months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of these securities

1) Cash cost plus enterprise value per reserve plus measured and indicated resource ounce

C$/US$ exchange rate floating (for share price and per share conversions)

Source: Company reports and Sprott Securities Inc. estimates

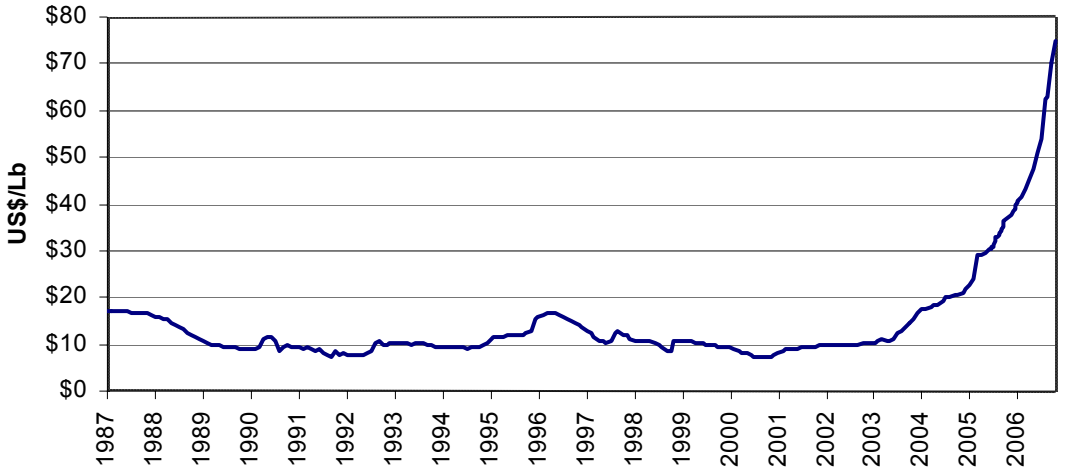
# Uranium Fundamentals – $100 On The Doorstep…

**Demand Forcing Prices Higher**

We are currently facing the consequences of what may be the largest sustained divergence between expectation and reality in the 60-year history of uranium. Uranium prices finally bottomed in 2001 at $7.10 per pound after a 20-year decline and now look set for strengthening prices over the next 20 years. Uranium prices have soared to a 30-year high hovering above $75 per pound. The number of companies that have survived the prolonged downturn is few, such that the market capitalization of the producing uranium sector is just $45-50BB, of which Cameco accounts for $16BB.

The uranium price has been buoyed under constant upward pressure over the last three years. Over the last 12 months, the uranium spot price has risen from $40.00 to $75.00 as of February 13, 2007, a gain in excess of 90%. The spot price is up 20% through the first two months of this year alone and there has not been a negative drop since June of 2003.

**Figure 2 Historic Uranium Price**




Source: UxC Consulting, Cameco and Sprott Securities Inc. estimates

**We Maintain Our Long-term $50 Uranium Forecast**

In our previous work, Sprott Securities Uranium Industry Report, March 2006, we concluded that as world-class deposits such as McArthur River and Cigar Lake can take upwards of 15-20 years from discovery to production, the supply in the immediate term will need to come from those marginal, low-grade ISL and conventionally mined deposits that can produce on the order of 2-5 MMlbs per annum. We proposed that a responsible company, assessing its deposit on a stand-alone basis, should return an IRR in excess of 18%. Our analysis suggested that most low-grade deposits would require a $50 uranium price to achieve such a mark.

**Figure 3 Historic Uranium Price**

| | 2004A | 2005A | 2006A | 2007E | 2008E | 2009E |
|---|---|---|---|---|---|---|
| U Price US$ | $18.54 | $29.00 | $48.00 | $85.00 | $95.00 | $95.00 |

Source: Sprott Securities Inc. estimates

With the uranium price currently sitting at $75/lbs, up 90% in 2006 alone, it has become difficult to forecast short to mid-term targets for the commodity. In the market right now there are 5 powerful drivers; the Cigar Lake delay, the central core-effect for new reactors, investment and hedge fund participation, continued production misses by major producers, and the re-focus of majors on the commodity. Together these continue to put significant upward pressure on the commodity. We have modeled uranium averaging $85/lbs in 2007, and $95/lbs in 2008, though if the appreciation already witnessed this year is any indication the uranium price could easily break $100/lbs. It is uncertain how high the uranium price will go. The utilities are maintaining inventories at near historically low levels, and the lack of certainty surrounding Cigar Lake (12% of expected global production) has left the end-users scrambling to secure alternative sources of supply in the event that delays continue. Adding to this, the hedge funds are aggressively bidding on available material in an effort to benefit from the expected appreciation of the material, and by further squeezing the already tight supply. Between 2008 and 2012 essentially 80% of expected global production is thought to already be contracted, and as such, those competing forces looking to secure supply are competing for limited supply. All indications suggest that the uranium price will continue to appreciate for the short to mid-term. We maintain that when supply catches up with demand (5-7 years) the long term uranium price will be maintained in a band between $45-$60 dollars, which by our calculations represents the minimum uranium price required to deliver moderate returns when considering the last marginal pound of production. We do not expect to see prices return to historical levels, as we are now operating within an expanding industry driven by low stockpiles and lagging supply development. Sprott Securities anticipates a robust uranium market for the next few years.

**Cigar Lake – A Tight Market Just Got Tighter**

The uranium supply market was dealt a massive blow with the flooding of Cameco's Cigar Lake mine in northern Saskatchewan putting at least 12% of expected uranium production in question for the next 5 years. The mine flooded on October 23rd, and on the 24th, water broke through the bulkhead doors on the development level leaving the Company no choice but to let the mine flood. The mine had previously been expected to start production in early 2008 ramping to in excess of 18MMlbs U3O8 over a three to four year period. This was not the first flood experienced at this operation, in April of this year a flood within the main shaft delayed production by at least 12 months. Cameco will now investigate options in an attempt to restore access to the mine. Production start-up previously planned for early 2008 will obviously be delayed and the Company will assess a new production timetable after remediation plans are developed.

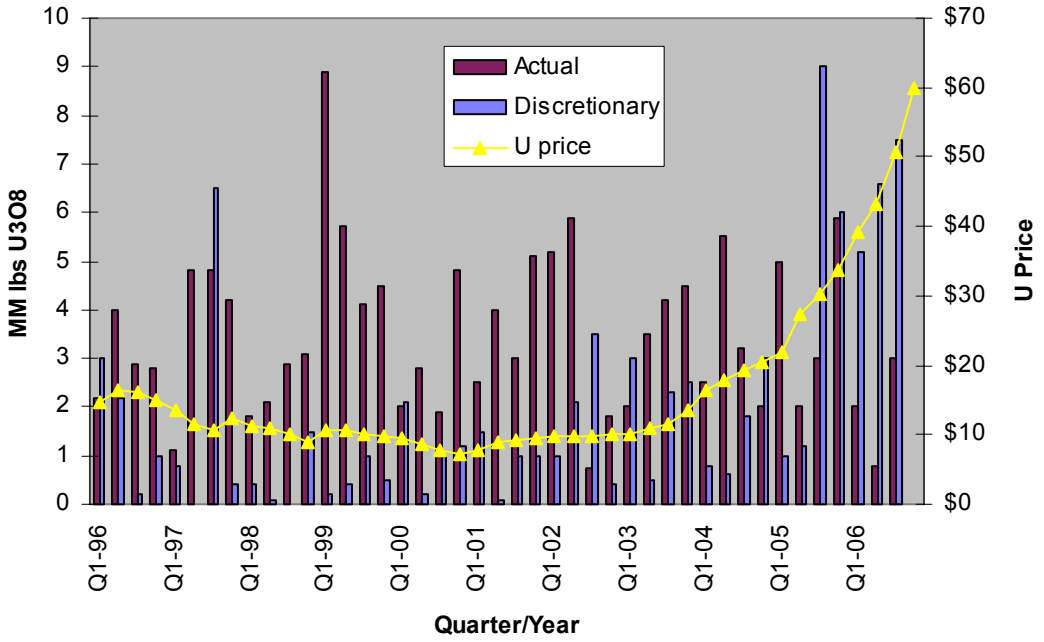
Cameco has stated that they will not be unduly affected by supply contracts based upon wording and production clauses within existing contracts. To put this undefined delay into perspective; in 2010 Cigar Lake was to account for approximately 12% of global production. Speculation abounds with suggestions of production within two years to those who feel that the ore body is no longer exploitable. Cigar Lake, and other deposits located within the Athabasca Basin are among the most technically challenging ore bodies to mine in the world. Their position around the unconformity and the associated difficulties resulting from the movement of formational ground water within the deeper sandstones makes exploitation of the uranium and water redirection a monumental task. Take into account the regulatory and technical requirements associated with mining an orebody in excess of 15% U3O8 and the task becomes even more daunting. However we cannot underestimate the importance of these deposits as Saskatchewan production accounts for over 28.8% of global production.

In our opinion, at current commodity levels, the in-situ value and global importance of Cigar Lake is such that the orebody will eventually be mined. We anticipate that the mine

and mining method will have to be re-engineered. As such we envision a best-case scenario of three-four years before production at Cigar Lake commences putting immediate stress on the global supply of uranium.

The true impact on the market will be derived from the utilities that will be forced to attempt to obtain material lost as a result of the Cigar Lake incident. Though the spot market transactional volume has increased (see figure 4), the total volume has materially decreased suggesting that material in size may be difficult to source, especially when considering that upwards of 85% of global production is contracted through 2012.

**Figure 4 Inventory Build Up By Utilities and Investment Vehicles**



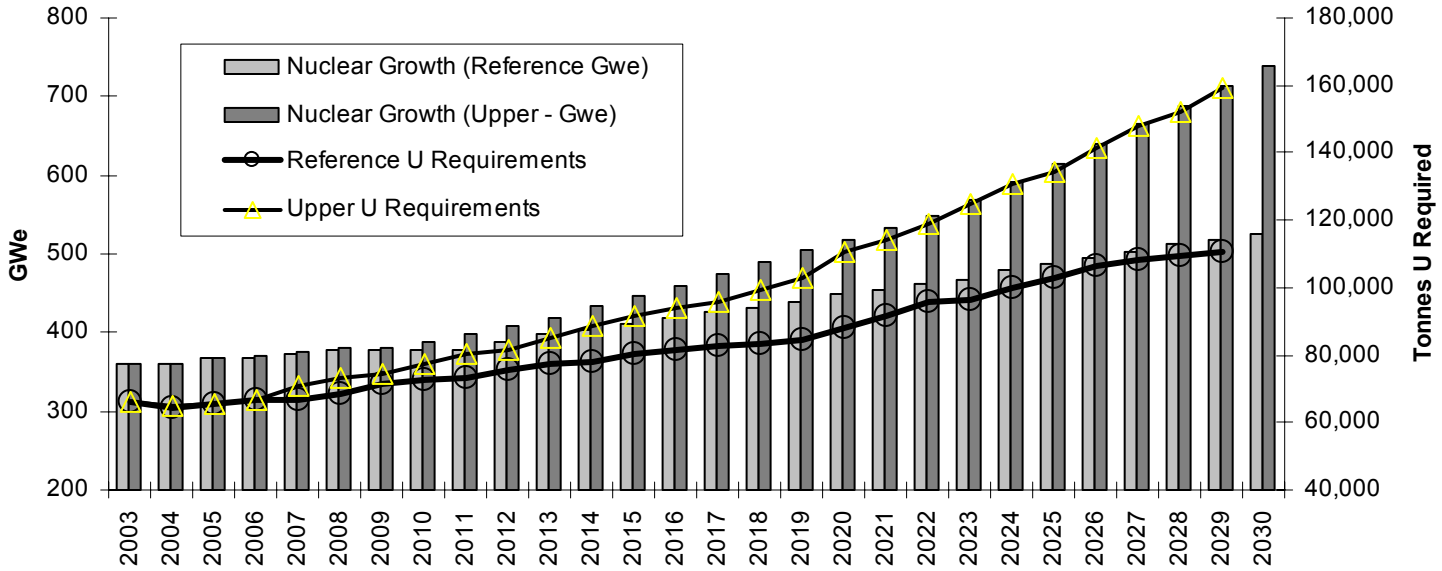

Source: Sprott Securities Inc. estimates

## Demand

World energy production and consumption has been growing at approximately 2% per annum and most projections suggest this will continue through 2030. The current IEA reference case projects that global primary energy demand will increase by two-thirds in the three decades to 2030, reaching 16.5 billion tonnes of oil equivalent. This represents a growth rate of 1.7% per annum in the period 2000-2030.

As of December 2006, there were 435 reactors currently in operation producing 368,246 Mwe of power. There are 28 reactors under construction, 64 planned and more than 158 have now been proposed globally with more added to the book every month. By 2030, under the World Nuclear Association (WNA) proposed reference case for nuclear generating capacities, this could equal an output in excess of 542,200 Mwe, a 45% increase from the production derived from nuclear power today or the equivalent of approximately 100 new reactors at current average capacity levels. The WNA's upper case speculates total global nuclear generating capacity could grow as high as 740,200 Mwe, a 102% increase over 2005 output from the equivalent of 462 new reactors by 2030, assuming a steady state to current capacity. (Figure 5 WNA reference and upper nuclear growth projections).

**Figure 5 Global Nuclear Growth (GWe) Accompanying U Requirements**




Source: World Nuclear Association and Sprott Securities Inc. estimates

**Supply**

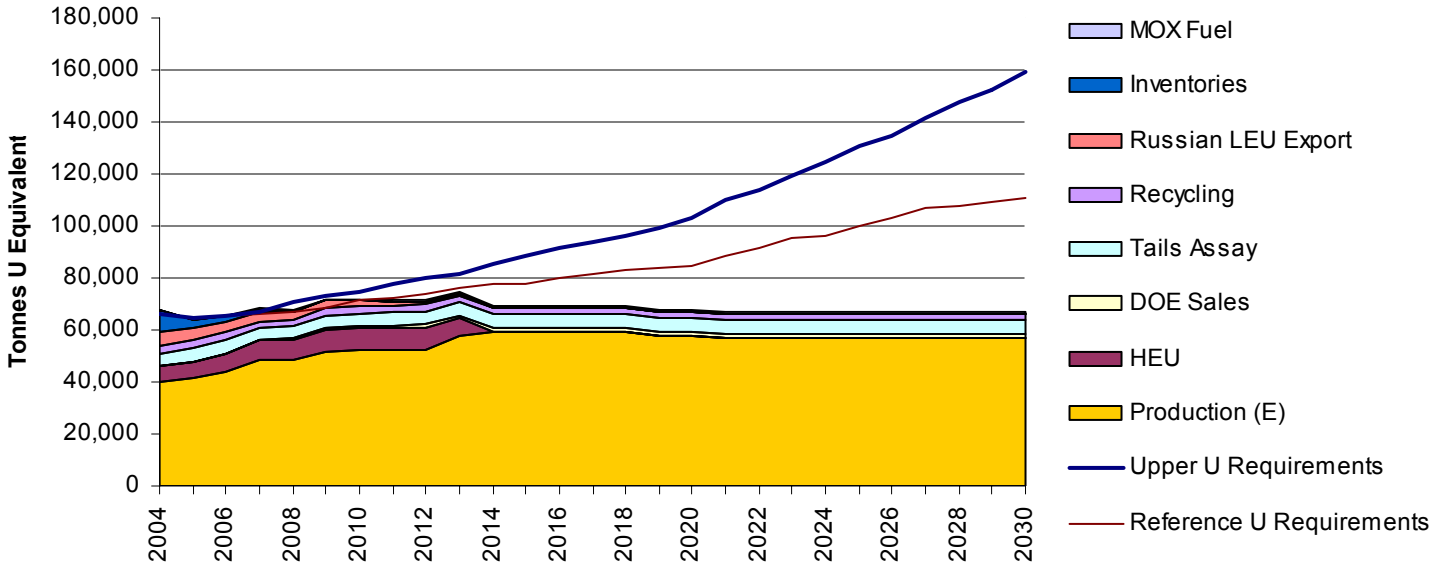
The 435 operating reactors require approximately 180 MMlbs of $U_3O_8$ equivalent. 110 MMlbs of $U_3O_8$ is supplied by primary production with the balance being made up from secondary sources including mixed oxide (MOX) fuel, national and utility held inventories (both strategic and commercial), Russian LEU exports, recycling programs, Tails assay adjustments, DOE sales and HEU. We refer the reader to our past research for details of these secondary sources.

The WNA has also made production and supply estimates matching the term of the nuclear growth profiles provided above. In general, the WNA assumes that combined primary and secondary sources will just meet global demand through 2012, at which time a significant supply shortfall will be in place. The WNA assumes that existing production will proceed without any disruption, that planned production will be available on time and at scale, and that prospective production will ramp relatively quickly. In Figure 5, we have adjusted the forecast with our internal assumptions. We feel that the WNA's schedule remains aggressive and does not take into account certain variables affecting the market today. The existing model does not consider continued demand from investment vehicles such as Uranium Participation Co., Nufcor Uranium, or that utilities themselves are attempting to amass internal stockpiles in anticipation of a fuel shortage within the next 7-10 years.

We mostly agree with the WNA's production growth profiles. We have assumed that the expansion at Olympic Dam is pushed back until 2013. We also have assumed that Kazatomprom and its partners will be able to quadruple ISL production in Kazakhstan by 2010. Cameco has diligently worked on the Inkai project for the last four years, arguably the best ISL deposit in the world, all the while still having difficulty ramping beyond 4 MMlbs per year. We agree that Kazakhstan is a prolific, low-grade, uranium geography. The aggressive nature of Kazatomprom should continue to keep the market in balance until 2012.

Figure 6 details our supply-demand scenario. Through 2010, we have the supply-demand balance remaining incredibly tight.

**Figure 6 Sprott Estimated Supply – Demand Scenario (2004 – 2030)**




Source: WNA and Sprott Securities Inc. estimates

**A Fundamental Shift In Supply**

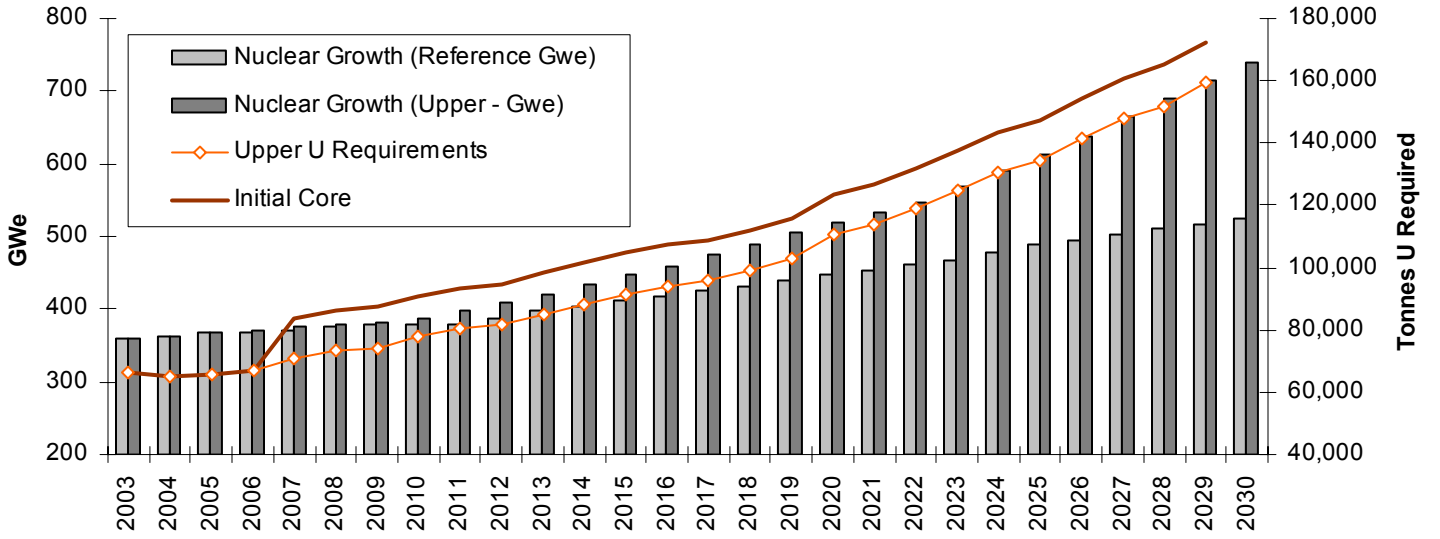
The World Nuclear Association has called for the uranium market to remain in balance on a supply-demand basis through 2010. This is based on essentially 180MMlbs p.a of demand supplied through 110MMlbs of production with the remainder being derived from a combination of secondary sources and internal stockpiles (discussed above). The model though correct in assignment, does not account for investment fund activity, inventory rebuilding associated with the initial core effect, and the underperformance of existing operations.

- **Investment Fund Activity:** Investment fund activity and continued accumulation from public entities such as Uranium Participation Corp and Nufcor Uranium have added a new layer of complexity to the uranium and UF6 markets. Though clarity lacks in the number and volume of transactions that this group of buyers have completed we estimate that between 12-15MMlbs of U3O8 equivalent has been taken from the market in the last 24 months. This accounts for between 5-7% of global uranium production. Though primarily sourced from inventories these actions add further tightness to the market and acts to set new base level pricing for the commodity. We anticipate that the current trend will continue as the uranium price continues to appreciate and supply scarcity persists.
- **Initial Core Effect – Inventory Building:** At the recent World Nuclear Association conference, Cameco presented a paper suggesting that the uranium suppliers were not ready for the impact that the new reactor builds will have on the current market. It was suggested that in 2010, 10 new reactors will be coming on-line per year for at least a 10-year period. Assuming a typical 1000MW reactor, the initial core of between 700M to 1.2MM lbs of uranium would be required. More importantly those 10 reactors would require at minimum, 2-3 years of inventory before commencing power generation. An average reload is required every 8 to 14 months depending on the size and type of reactor. The average size of a reload on a conservative basis is 500M lbs of uranium equivalent. So on a conservative basis the new reactors would require between 17-22MMlbs of uranium before they even begin to produce power on an annualized basis. What the WNA does not account for is the timing requirements of these inventories. For the fuel rods to be fully fabricated and tooled for use the

uranium must be purchased/mined, converted, enriched and fabricated. This process will take at best two and half to three years. As such, that uranium demand required for 2010 could hit the market as early as 2007. These estimates have not been considered in most modeling. We do not anticipate that this material will not be available, but rather that utilities will be forced to adjust their inventory to make up any deficits and as such lower what are already critical inventory levels. Figure 6 depicts our analysis of the effect of the initial core effect on the market.

- **Producers Miss The Mark:** At the time of publication the majority of producers have reported Q4 results, BHP, Rio Tinto and Cameco. An alarming trend has been identified that places annual production forecasts in jeopardy. Through 2006 (reported) the top ten producers have missed production from existing operations by approximately 10 MMlbs accounting for essentially 8.5% of expected global supply. Through 2006 production misses occurred for a number of reasons including grade control and recovery problems, acts of God, labour disputes, development and capex issues. Though we have not detailed these mine by mine it suggests that the top ten producing mines are having difficulty meeting demand of today let alone preparing for the demand of tomorrow.

**Figure 7 Initial Core Effect On Global Uranium Demand**




Source: World Nuclear Association and Sprott Securities Inc. estimates

**Dependence On So Few Deposits and Jurisdictions:**

**The Next Area Of Growth, The United States – Security Of Supply**

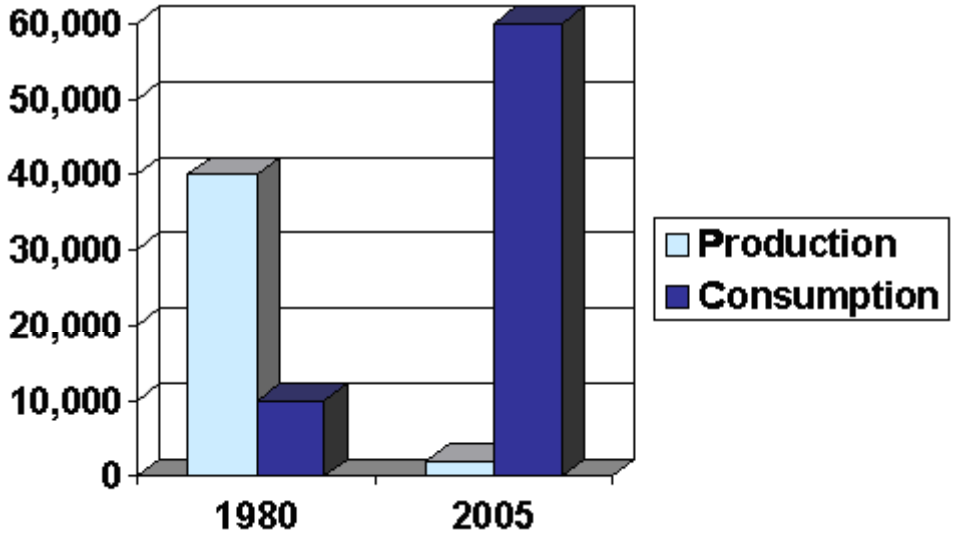
If the Cigar Lake incident has showed us anything it is the reliance on the uranium market to so very few operations. In fact, in 2005 74% of the world's production was sourced from just 10 operations where McArthur River, Ranger, and Olympic Dam accounted for 40%. The Cigar Lake incident only brings to the forefront the issue of security of supply.

Recently Russia and Kazakhstan have signed a $1BB uranium supply contract addressing deliveries between 2006 and 2022. It is expected that Kazakstan's uranium supply to Russia will increase by up to 6000 tons a year (13MMlbs p.a). Further Japan and Uzbekistan have signed an agreement aimed at financing the development of the uranium industry in the central Asian country. The agreement was signed between the Japan Bank for International Cooperation (JBIC) and Uzbekistan's Ministry of Foreign Economic Relations, Investment and Trade. The Japanese Atomic Industrial Forum said the agreement was aimed at "expanding support" to the Uzbek uranium industry. Uzbekistan will start supplying uranium for Japanese power stations in 2007, according to Nikolai

Kucherskii, the director of the state-owned Navoi mining complex. About 300 tons be exported in 2007 to Japan via trading company Itochu Corp. (AP Nov. 3, 2006). What these two agreements signify is that those countries with aggressive nuclear development plans are actively securing supply.

The end result is that a material amount of new supply coming for Asia will be allocated to non-western world consumers and North American supply should eventually trade at a premium due to security of supply and scarcity of foreign material due to specific allocation. The United States is the largest consumer of U3O8 in the world. US annual consumption is on the order of 55MMlbs of uranium, though its production has been remaining fairly stagnant at 3MMlbs per year over the last 5 years (Figure 7). Annual global supply is targeted to the US's 103 operational reactors providing 19% or 780.5 BB kWh of energy to the country.

**Figure 8 US Uranium Production and Consumption Since 1980**




Source Company reports

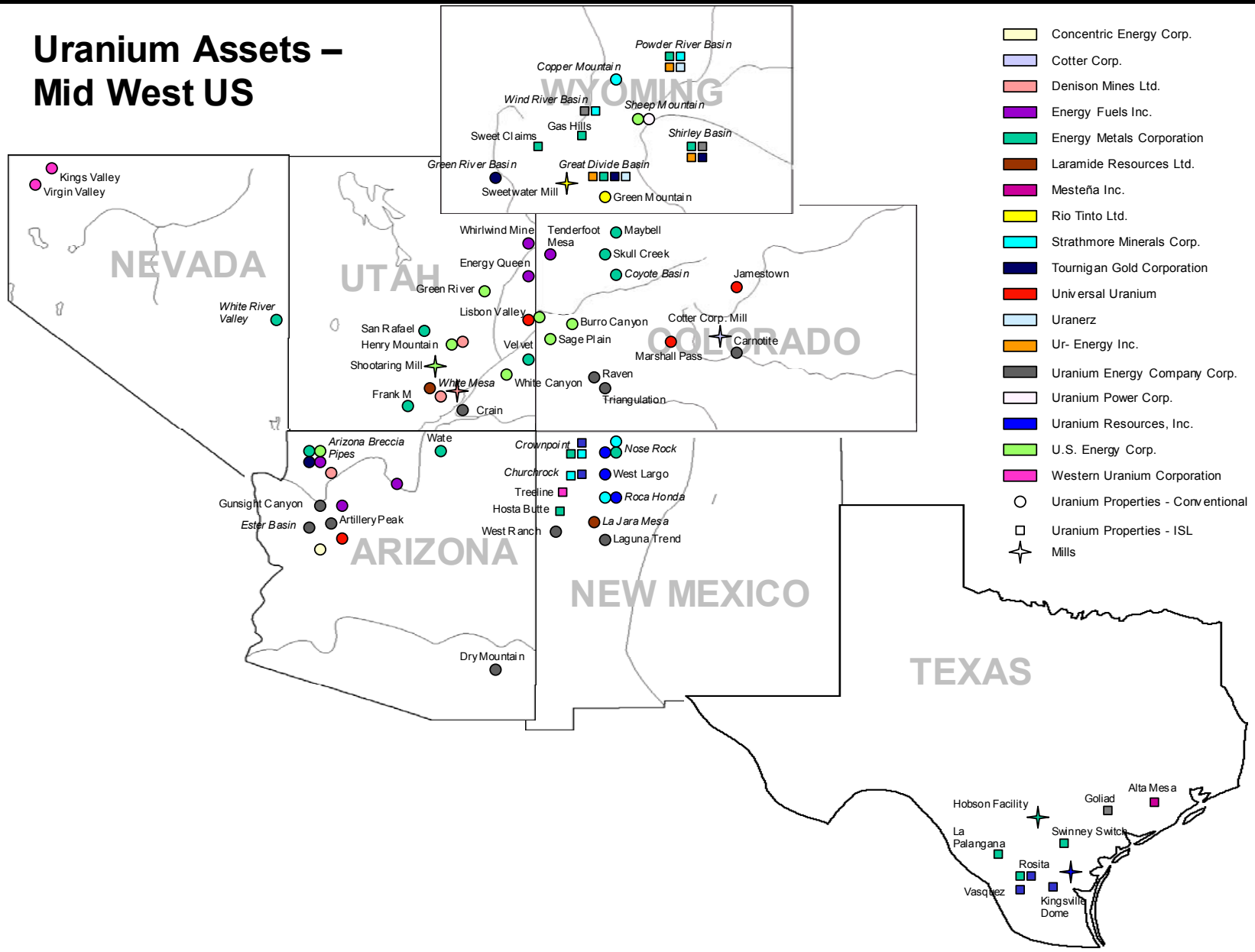
**Consolidation The Theme For 2007**

In 2005 Aflease Uranium acquired Southern Cross forming SXR Uranium One. Then in 2006 Energy Metals Corp. acquired Quincy Energy, Standard Uranium and has just recently closed the acquisition of High Plains Uranium. Paladin Resources in 2006 acquired Valhalla uranium in Australia and to close the year Denison Mines merged with International Uranium Corp. to form the newest multi-billion dollar uranium focused company.

Each of these transactions increased in magnitude, value and scope and as of last week was topped by the proposed combination of SXR Uranium One and UrAsia Energy (see detailed Company report). The new entity will have an implied market cap of in excess of $5BB and a production growth profile from 7MMlbs in 2008 to a potential 19MMlbs in 2012.

We expect that the acquisition parade has just begun and will become a common theme in 2007. Moving forward we suggest that the US will be a focus, as security of supply, aggressive development plans, and a large resource base waiting for exploitation should be attractive to companies looking for production visibility within a stable political climate. Figure 8 depicts the dominant players in the US uranium space. We suggest that when considering consolidation the map speaks for itself.

**Figure 9 US Uranium Districts**




Source Sprott Securities Inc. estimates

# Risks To Forecast

**Commodity Price Risk**

Our short- and long-term commodity price assumptions are based on detailed research, and viewed to be reasonable based on current information. However, the timing and magnitude of commodity price fluctuations is always a significant risk that, in most cases, strongly affects the value of mining and mineral exploration/development companies focused on a specific commodity. The primary metal exposure of the companies in this report is uranium; however, some produce other metal products such as gold, copper, nickel and other metals, and the prices of these metals will affect their results as well.

**Financing Risks**

Mining and exploration companies may require external capital, particularly when building new mines. In order to finance these endeavours, equity or project dilution may be taken in order to fund the equity portion of the capital costs, if the project is to be developed. Shareholders may also be subordinated by lenders in order to finance a mining project.

**Geopolitical Risks**

This risk deals with policies such as permitting and tax laws that are managed by governments of a jurisdiction (country, state, province, etc.). These policies can greatly affect mining companies, and in some cases prevent mining from occurring. Generally, developing countries are seen as being more risky because of the potential for a quick change in power that could lead to drastic changes in policy. Developed countries have their own geopolitical risk issues, and jurisdictions with powerful environmental lobbies can also make mining difficult.

**Technical Risks**

Mining operations are subject to unforeseen risks such as labour strikes, rock bursts, geological interruptions and equipment failure; all of which may negatively affect a company's performance. Ore reserve and resource risk is another technical risk that is derived from the subjective nature of geological interpretation. Competent, qualified personnel calculate ore reserves and resources, which in most cases have a high degree of accuracy. However, any significant variation regarding reserves could drastically impact a company's operations and the value of its shares.

**Exploration Risks**

In some cases, the market may build in expectations for exploration success before the actual exploration work has taken place. In the event that results do not meet with the market's expectation, the company's shares may be negatively affected.

**Public Safety Risks**

From the outset, there has been strong awareness of the potential hazard of both nuclear criticality and release of radioactive materials. There have been two major reactor accidents in the history of civil nuclear power—Three Mile Island and Chernobyl. One was contained and the other had no provision for containment. These are the only major accidents to have occurred in over 11 cumulative reactor-years of commercial operation in 32 countries. The risks from western nuclear power plants, in terms of the likelihood and consequences of an accident or terrorist attack, are minimal compared with other commonly accepted risks.

**Alternative Energy Sources Competition**

**Alternative Energies:** Wind, solar, hydrogen fuel cell technologies are all advancing but not yet at the capacity factors to make any significant dent on global power supply. Given the long lead times necessary to develop and introduce new conventional supplies and alternative energy forms, absence of an economic, foreign policy, or environmental crisis, or a major technological breakthrough, demand for fossil fuels (oil, natural gas, and coal) is expected to continue to its dominance in the global energy mix, coupled with increases in global nuclear power generation for at least the next two decades.

**Nuclear Fuel Recycling:** Waste generated from nuclear reactors can be recycled to produce an additional fuel source that can be reused for power generation. This final product is a fuel known as MOX is a mixture of plutonium and uranium oxides designed to have characteristics similar to fuel made from virgin uranium. MOX fuel can generally be used to replace up to 30% of the fuel elements in existing reactors without any modifications.

As is common in recycling programs, there are some difficulties associated with recycled material that, in most cases, is not present with virgin raw material. With nuclear fuel, it is a fact that irradiated fuels have more associated radiation hazards than virgin material. It is safe to handle virgin uranium with virtually no protective measures as long as workers do not ingest the material. When working with irradiated fuels, people need far more protection from radiation hazards.

The market for MOX is just starting to develop as more experience is gained in manufacture and as more products are made available at costs competitive with virgin materials (not yet the case). The current world capacity for MOX fabrication is approximately 225 metric tonnes of heavy metal per year, and requires only about 9 metric tonnes of plutonium. The total contribution of MOX is rather small in comparison with the entire nuclear fuel business.

# 2007 Uranium Preview

This report is provided as a supplement to Sprott's fourth uranium conference. Our attempt is to provide the investor with a general overview of the companies participating and to provide updated valuations for those companies that we actively cover.

Unlike our previous three uranium conferences, we have expanded our reach to include those companies that we feel have quality assets, management, and projects; but are not currently covered by Sprott Securities.

**Figure 10 Sprott Recommendations**

| Company | Ticker | Share Price C$ | Target Price C$ | Expected Return | Rec. |
|---|---|---|---|---|---|
| Aurora Energy | AXU - TSXv | $16.49 | $24.00 | 31.3% | Buy (S) |
| Cameco Corporation | CCO - TSX, CCJ- NYSE | $43.60 | $54.00 | 19.3% | Buy |
| Cash Minerals | CXX - TSXv | $1.38 | NR | NR | NR |
| Denison Mines Corp. | DML - TSX | $11.95 | $16.20 | 26.2% | Top Pick |
| Energy Metals | EMC - TSX, EMU - NYSE | $11.37 | $13.70 | 17.0% | Buy (S) |
| First Uranium | FUI - TSX | $11.00 | NR | NR | NR |
| Laramide | LAM - TSXv | $12.22 | NR | NR | NR |
| Paladin Resources | PDN - TSX, ASX | $9.25 | $10.00 | 7.5% | Buy |
| Strateco | RSC - TSXv | $3.08 | NR | NR | NR |
| Strathmore | STM - TSXv | $4.17 | $4.70 | 11.3% | Buy (S) |
| SXR-Uranium One | SXR - TSX | $14.53 | $19.20 | 24.3% | Buy |
| Tournigan Gold | TVC - TSXv | $2.90 | $4.40 | 34.1% | Buy |
| U3O8 | UWE - TSXv | $4.75 | NR | NR | NR |
| UEX | UEX, TSX | $4.82 | $9.25 | 47.9% | Buy (S) |
| Ur-Energy | URE - TSX | $4.05 | $5.10 | 20.6% | Buy |
| UraMin | UMN - TSX | $5.40 | $6.20 | 12.9% | Buy (S) |
| Uranium Participation Corp. | U - TSX | $14.48 | $15.65 | 7.5% | Buy |
| Uranium Resources | URRE - OTCBB | $4.97 | NR | NR | NR |
| Western Prospector | WNP - TSXv | $5.89 | UR | UR | UR |

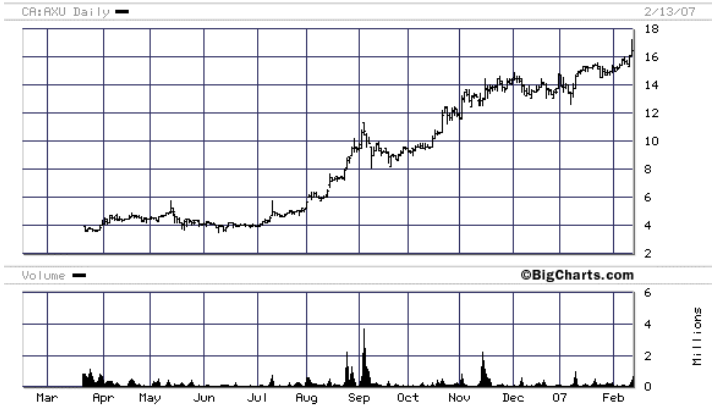
Source Sprott Securities

# ◆Aurora Energy Resources Inc.

(AXU - C$16.49, TSX)

**Recommendation: BUY (S)** **Target Price: C$24.00**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 65.3 MM |
| Fully Diluted | 69.2 MM |
| Management | 3.2 MM |
| Market Capitalization | C$1,141.1 MM |
| Market Float | C$1,076.8 MM |
| Cash | $26.6 MM |
| Debt | Nil |
| Average Daily Trading Volume | 232,699 |
| High-Low (52 Week) | C$17.25 – C$3.55 |

Source: Company reports, Sprott Securities estimates

### Outline

Aurora Energy is an emerging uranium development company controlling one of the largest undeveloped uranium deposits in Canada, the Michelin deposit, located within the Central Labrador Mineral Belt. In 2006 the Company drilled 119 holes for a total of 45.9M meters and in 2007 plans on drilling 100M meters, spending C$25MM and operating 9 drills in what will be one of the largest global exploration campaigns for the commodity.

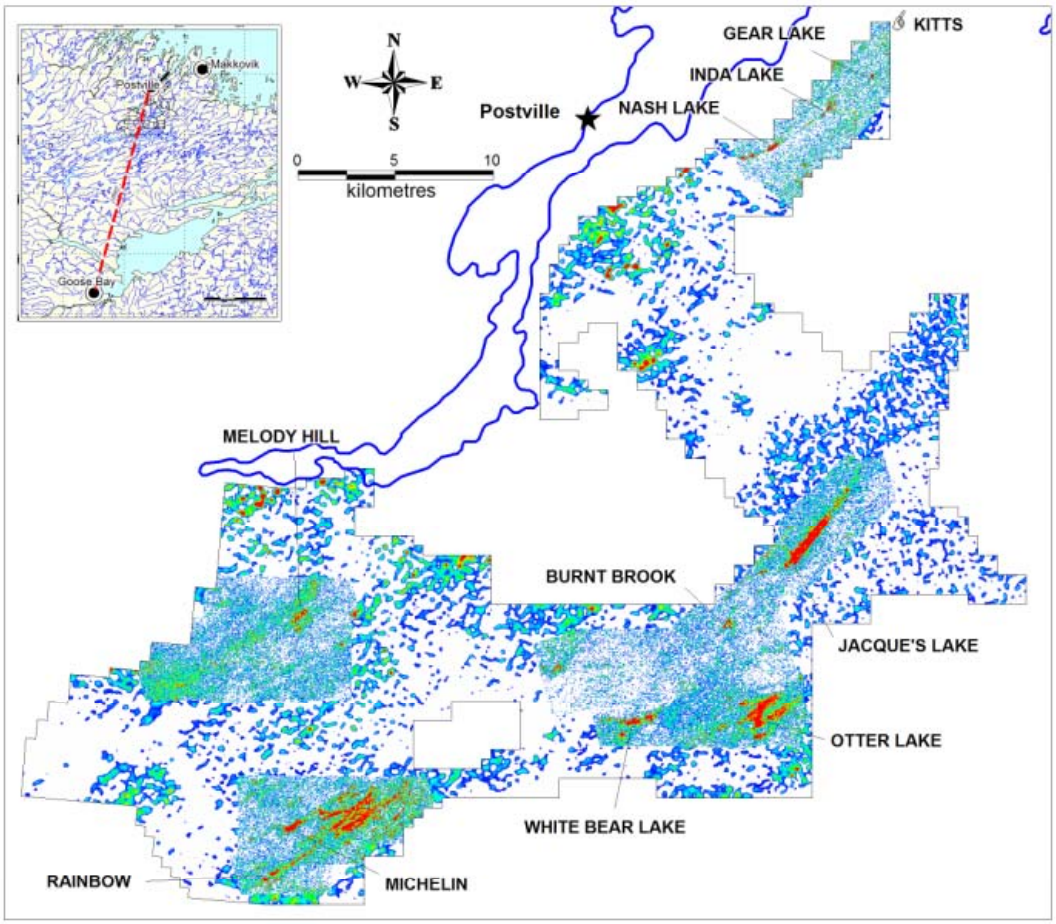
### AXU – One Of Sprott's Top Exploration Picks For 2007 With a Massive 2007 Drill Program Planned

The Company listed on the TSX early in 2006 having a 43-101 compliant resource of 35.6MMlbs of U3O8 defined at its 100% controlled Michelin deposit. Based on early work prior to IPO we suggested that when the Michelin and other targets in the district were considered together the Company had easily 70MMlbs of uranium though further infill drilling was required in order to convert these into a complaint NI 43-101 resource. Through 2006 AXU completed 119 drill holes and drilled 45,902 meters on five separate targets. Over the course of the last 10 months the Company, through aggressive exploration, has extended known mineralization or discovered new, previously unknown occurrences throughout its Central Labrador Mineral Belt property.

Based upon our preliminary block models we suggest that the district could easily host 150MMlbs of uranium. Last week AXU released a 43-101 compliant resource of 96MMlbs. This represents a 170% increased in compliant resources compiled over a relatively short period of time. Michelin has grown to 85MMlbs and Jacques Lake to 10.3MMlbs.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Aurora Energy Resources Inc.

**Figure 3 AXU Property Location Map**

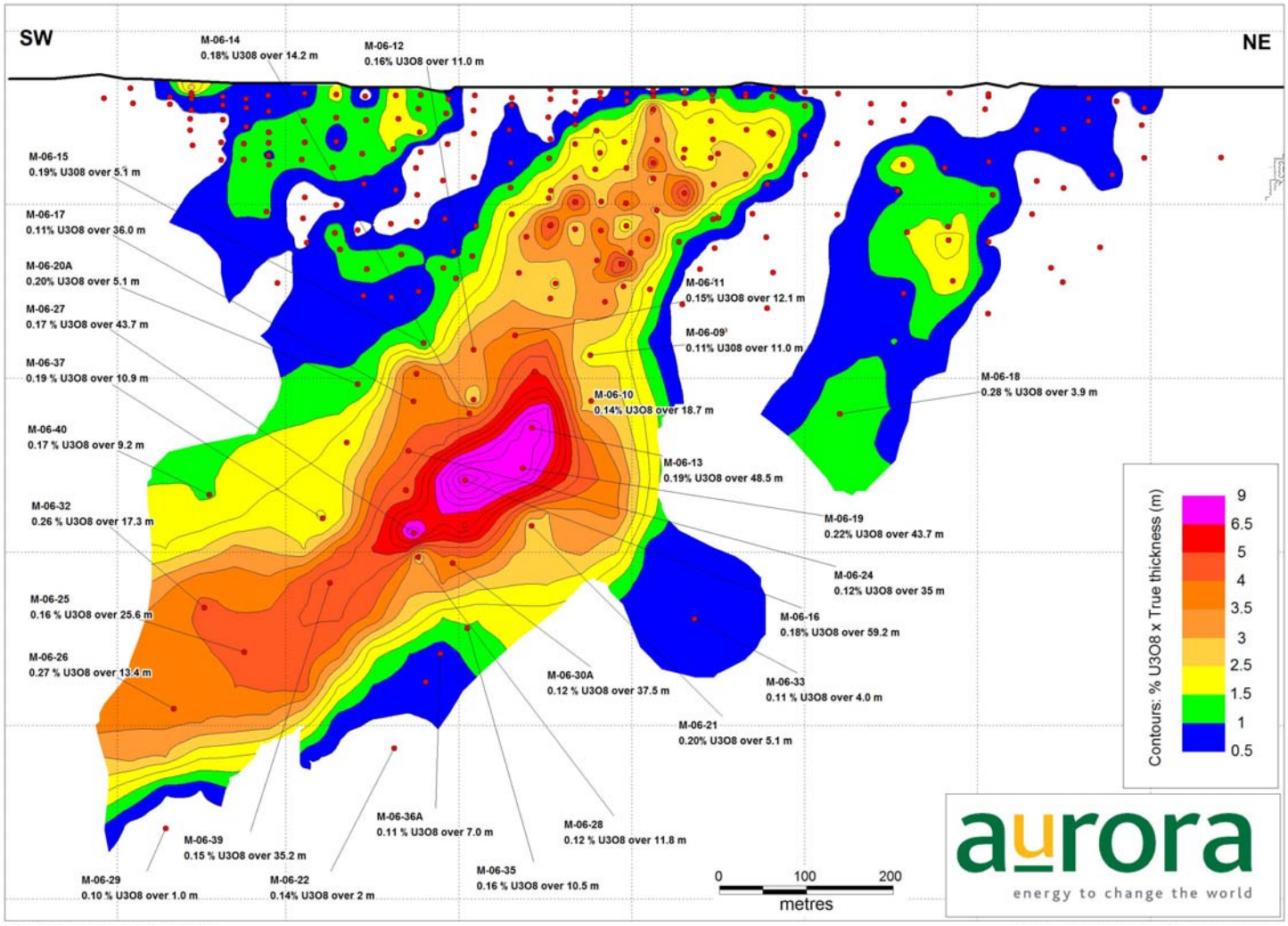



Source: Company reports

**Michelin**

In 2006 AXU drilled 37 holes totalling almost 25M meters of drilling. 100% of the holes have intersected mineralization and based upon the Company's recent resource update 85MMlbs has been defined. Of significance, DDH M-06-33, released Dec.7, 2006 intersected 0.11% U3O8 over a 4-meter thickness 200 meters east of Michelin's main zone. This discovery remains to be followed but does suggest that the opportunity exists for continued resource extension with more work. Figure 4 represents the latest cross section of the Michelin deposit compiled by the Company. Work during 2006 has extended the original 35MMlbs resource at an average grade of just over 0.1% U3O8 to a higher-grade central core nearing 0.2%. The deposit extends over an intermittent strike length of 1 km, a 200-meter width and remains open in all directions and at depth. In 2007 AXU plans on dedicating 2 drills to the project focusing on extending the higher-grade keel zone identified at depth to the southwest

**Figure 4 Michelin Long Section**

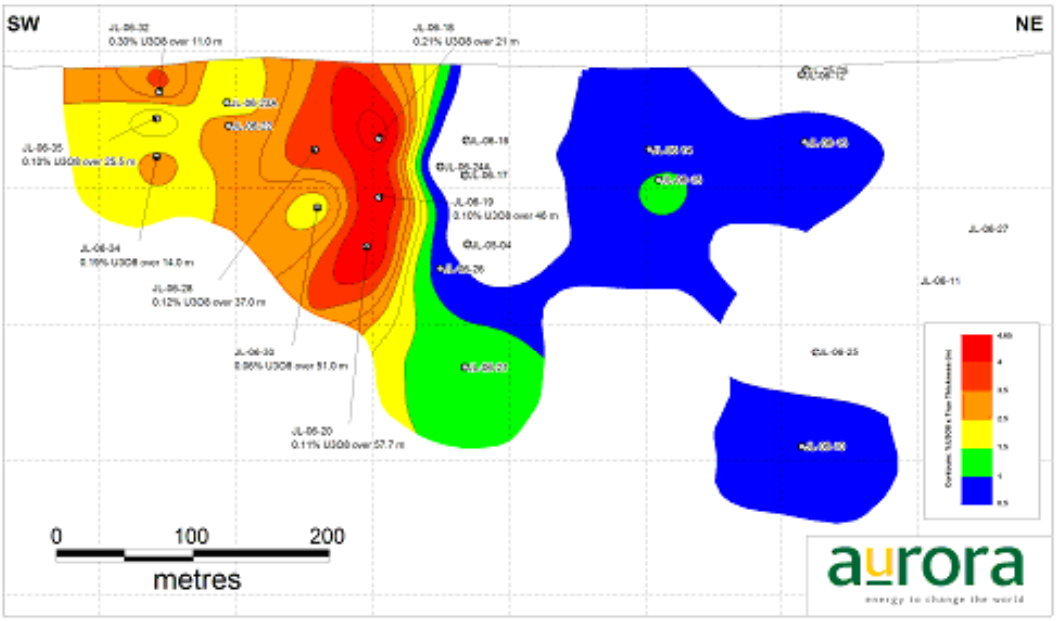



Source: Company reports

**Jacques Lake**

In 2006 AXU completed 44 holes at Jacques Lake of which 37 have been released. To date, mineralization has been intersected intermittently over a strike length of approximately 600 meters. The best results define a thick central higher-grade zone similar in shape and grade to Michelin located 30 kilometres to the southwest. The higher-grade core has been defined to a depth of 235 meters, with an average true thickness of 20 meters remaining open for further expansion. We estimate that Jacques Lake could currently host upwards of 60MMlbs of U3O8 at an average grade similar to that of Michelin at 0.10% U3O8. The recent resource update defined 10.3MMlbs and with an aggressive program in 2007 we anticipate that this could grow substantially. The host felsic and intermediate volcanics of Jacques Lake have been traced over a 20 kilometre strike length to the west exhibiting similar radiometric and geochemical signatures as those directly associated with the uranium mineralization. At least 5 additional targets have been defined and the company has allocated 20M meters of drilling targeted solely on Jacques Lake for 2007. The aim of the program will be to continue expansion of the resource along strike and at depth, and to drill infill holes in areas where mineralization has already been identified.

**Figure 5 Jacques Lake Long Section**




Source: Company reports

**Michelin East and Rainbow**

About 3 kilometres from the Michelin deposit, 10 historic holes have been completed on the Rainbow deposit where approximately 600M lbs of uranium has been defined. Initial work suggests that the surface manifestation of the mineralization resembles that of the Michelin deposit on a grade/thickness basis. In 2006 AXU drilled 15 holes totalling 2500 meters. In November AXU announced the intersection of near surface mineralization in 9 new holes drilled at the deposit. AXU has delineated an initial deposit that is at least 300 meters long and up to 13 meters wide (true thickness). This deposit was intersected at depths of between 15 and 115 vertical meters and is open for expansion along strike. Follow-up drilling is planned for 2007

**White Bear Lake**

White Bear Lake is located approximately 15 kilometers east of the Michelin deposit and was drill tested by Brinex in 1977 returning a high of 0.22% over 20 meters. In 2006 the Company drilled 17 holes totalling approximately 300 meters. The White Bear target is a 3000-meter long discontinuous radiometric anomaly characterised by intermittent uranium bearing outcrops. In 2006 AXU announced a drill hole testing a zone of outcropping uranium mineralization returning 0.25% U3O8 over 15 meters starting at surface. This hole was undercut by a second hole that returned 0.16% over 5.0 meters. Aurora's phase one program on this target consisted of four shallow drill holes in the vicinity of this outcrop that where furthered with 13 holes drilled in September of 2006. We await the results of this further drilling.

**Melody Hill: Lots Of Smoke – Could There Be Fire??**

This area is located 10 kilometres north of the Michelin deposit. Aurora suggests that uranium mineralization may be spatially associated with northeast trending faults, which cut the high-grade radioactive boulder trains (values from 0.05 to 20.4% uranium). Brinex discovered the Melody Hill boulders in 1956. Historical results produced an average of 8.4% U3O8 from the 27 boulders and a high of 28.2% from a grab sample collected by Aurora in 2004 was returned. Despite Brinex having drilled 58 holes beneath the boulder field, their bedrock source remains unsourced. New targets identified from Aurora's 2005/6 geophysical survey has identified bulls-eye gravity highs correlating directly with uranium-rich anomalies in lake-bottom sediments. These anomalies align directly with the up-ice boulder fields suggesting that the boulders were derived from a bedrock source beneath the lake. Drilling of these targets will be deferred until the winter drilling season when a drill rig can be positioned on the ice to test the geology beneath the lake.

**Figure 6 The Melody Hill Target**

Source: Company reports

**Post Hill Targets Higher Grade In The North**

AXU announced that the phase one drill holes at its historic Inda, Nash, and Gear deposits had intersected positive, high-grade uranium mineralization. These holes confirm the potential of this part of Aurora's project area to host additional near surface uranium deposits that may be even higher in grade than the Michelin and Jacques Lake deposits. Though these mineralized areas had been identified and marginally drilled by Brinex 35 years ago the grades returned from this first pass work are much higher than any of the historical data available.

Five holes were released from the Company's first pass effort on this property, 1 hole from Inda, 2 from Nash and 2 from Gear Lakes. In general the data suggests that the northern extensions of the Company's property has the potential to host mineralization having higher grades than the 0.1-0.25% U3O8 averages being defined to the south at Michelin and Jacques Lake. At Inda the hole I-06-01 intersected 2.19% over 3.6 meters including 6.77% over 1 meters with other intervals of 0.39% over 2.9 meters and 0.12% over 5 meters within three parallel mineralized horizons all relatively shallow at less than 170 meters depth. If these grades were to persist it would not take much tonnage to define an economic deposit at the current commodity prices. The Post Hill area is located approximately 50 kilometers northeast of Michelin.

Inda, Nash and Gear are located along a 15-kilometer corridor called the Inda Lake trend. Highly prospective host rocks and the presence of carbonaceous sediments characterize this trend. Carbonaceous rocks are an important element in uranium mineralization as their chemical properties facilitate higher-grade mineralization as witnessed in the Athabasca Basin. In addition the Inda Lake Trend is associate with a discrete 0.35-0.7 kilometre elongated radiometric anomaly, related to mineralization that is exposed at

surface. Aurora plans to further drill test these anomalies, as well as other untested targets along the Inda Lake Trend in 2007.

**Resource Estimate- Greater Than Forecast**

Aurora released, February 13, 2007, the results of its independent NI 43-101 resource estimates for its 100% owned Michelin and Jacques Lake uranium properties situated on coastal Labrador. The two new estimates collectively were A Measured and Indicated (M&I) resource of 58 million pounds U308, and an additional Inferred resource of 38 million pounds of uranium, for a collective 96 MM lbs global resource at an average grade of 0.1% U3O8. We had forecast the Company defining approximately 85 MM lbs U3O8. As a result Aurora's uranium resource base has increased 170% over the past 12 months. The new 96 MM lbs resource is significant, however we firmly believe that this represents only a small portion of the overall potential of this new uranium camp. We believe that the Company will successfully delineate further resources through 2007.

**Valuation**

With the release of AXU's NI 43-101 resource update in Q1 the Company has defined a measured and indicated resource of approximately 58MMlbs and an inferred of 38MMlbs, within a district that we envision currently hosts upwards of 150MMlbs. As such we have applied $8.50/lbs to 96MMlbs and maintain a $5/lbs multiple to the remaining 54MMlbs requiring further delineation and infill drilling expected through 2007. Our resource multiple based NAV is calculated at C$18.56 providing a target of C$24.00 through application of a 1.3x multiple to the NAV.

Currently AXU is trading at 0.9x NAV and our target suggests 45% upside from current levels. Within the current uranium environment there are very few Companies having large advanced asset bases trading below NAV. Taking into consideration the planned exploration program for 2007 AXU represents our best idea in the exploration space for 2007. With the planned drilling of Melody Hill, continued testing of new targets as well as definition and extension work on previously defined targets, the opportunity for new discoveries through 2007 is great.

# Cameco Corporation

(CCO - $43.60, TSX; CCJ - US$37.42, NYSE)

**Recommendation: BUY** **Target Price: $50.40**

Unless otherwise denoted, all figures shown in C$

**Figure 1 Estimates**

| YE Dec. 31 | 2005A | 2006A | 2007E | 2008E | 2009E |
|---|---|---|---|---|---|
| EPS | $1.15 | $1.02 | $1.74 | $3.15 | $2.08 |
| P/E | -- | 42.7x | 25.0x | 13.8x | 20.1x |
| CFPS | $1.46 | $1.11 | $1.92 | $4.13 | $2.29 |
| P/CFPS | -- | 39.3x | 22.7x | 10.6x | 19.0x |

Source: Company reports, Sprott Securities estimates

**Figure 2 Price Chart**


Source: BigCharts (February 14/07)

**Figure 3 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 346.0 MM |
| Fully Diluted | 376.7 MM |
| Management | 3.7 MM |
| Market Capitalization | $16,424.1 MM |
| Market Float | $16,210.6 MM |
| Cash | $334.0 MM |
| Debt | $669.0 MM |
| Average Daily Trading Volume | |
| TSX | 1,608,336 |
| NYSE | 2,285,728 |
| High-Low (52 Week) | |
| TSX | $49.95 – $35.35 |
| NYSE | US$45.34 – US$30.90 |

Source: Company reports, Sprott Securities estimates

### Outline

Cameco is the world's largest producer of uranium with four operating mines in Canada and the U.S providing 20% of the world's uranium supply. It has controlling ownership of the world's largest high-grade reserves and low-cost operations in Northern Saskatchewan with ore grades 100 times the world average. Currently Cameco is actively ramping two new mines, one in Canada and the other in Central Asia. Proven and probable reserves exceed 550 MMlbs. Cameco is the world's leader in uranium exploration in Saskatchewan's Athabasca basin and its extensive knowledge and technical proficiency provide a competitive advantage.

### Cigar Lake Remains The Big Question

On October 23, 2006 CCO and the uranium supply market was dealt a massive blow when formational ground water flooded the development workings at the Cigar Lake mine as a result of a rock fall at the operation. Essentially the rock fall appears to have formed a conduit between the overlying Athabasca Sandstones and the development drifts of CCO in the underlying basement rocks. The bulkhead safety doors were unable to contain the inflow and the mine was evacuated and allowed to flood thankfully without any injury or death.

At full production, Cigar Lake was scheduled to produce 18MMlbs of uranium or essentially 12% of expected global supply with production commencing in 2008. Active remediation work is underway (discussed below) with a full operational update expected in late March 2007. Cigar Lake has proven and probable reserves of more than 232 MMlbs of U3O8 at an average grade of 19%. At the current uranium price of $75/lbs we fully expect that CCO will attempt all possible measures to bring Cigar Lake to production, though we estimate that a delay of at least 2-3 years resulting from the flood is a near certainty.

**Figure 4 Cameco's Production Guidance (Excluding- Cigar Lake)**

Cameco's Share of Production (million pounds $U_3O_8$)

| Current Forecast | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| McArthur River/Key Lake [(a)] | 13.1 | 13.1 | 13.1 | 13.1 | 13.1 |
| Rabbit Lake[(b)] | 5.5 | 4.9 | 3.6 | 3.0 | 1.9 |
| US ISL | 2.4 | 2.4 | 3.2 | 3.9 | 4.6 |
| Cigar Lake [(c)] | * | * | * | * | * |
| Inkai | 0.6 | 1.9 | 2.9 | 3.1 | 3.1 |
| **Total** | **21.6** | **22.3** | **22.8** | **23.1** | **22.7** |

Source: Company reports

**Uranium Mining 2006 Results and Operational Update**

In 2006 Cameco produced 20.9MMlbs of uranium slightly lower than the 21.2MMlbs produced in 2005. In 2007 we have modelled CCO producing 21.6MMlbs of uranium, and 22.3MMlbs in 2008. These estimates exclude any production from Cigar Lake. We now expect that Cigar Lake production will not be recognized until 2011, but await confirmation from the Company when guidance is provided in March.

In 2006 CCO recognized C$803MM in revenue from its uranium operations generating a gross profit of C$237MM (compared to C$159 MM in 2005). CCO sold 32.1MMlbs of uranium at an average price of US$20.62/lbs and deferred revenue from the sales of 4MMlbs of uranium. This deferral is in accordance with accounting standards. CCO will recognize the deferred revenue and associated costs when the loan agreements are terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated.

**McArthur River / Key Lake**

Cameco's share of production at McArthur River/Key Lake was 3.2 million pounds U3O8 for the fourth quarter of 2006 and a total of 13.1 million pounds for 2006. Ten days prior to year-end, the operations achieved the licensed annual production limit of 18.7 million pounds. Cameco's share of production for the first quarter of 2007 is expected to be 3.3 million pounds of U3O8 and 13.1 million pounds for the full year.

At McArthur River, progress on freeze-hole drilling for two future mining zones improved from third quarter results. However the rate of progress was still lower than targeted due to technical challenges with drilling through frozen ground and additional time required to address operational challenges such as improvements to the drill setups.

Cameco has applied to increase the annual licensed production capacity at both the McArthur River mine and the Key Lake mill to 22 million pounds U3O8 (compared to the current 18.7 million pounds). This application has been undergoing a screening level environmental assessment (EA) as required by the Canadian Environmental Assessment Act with the Canadian Nuclear Safety Commission (CNSC) as the responsible authority. The CNSC has focused on an evaluation of the longer-term environmental impact of low levels of selenium and molybdenum in the Key Lake mill's effluent and the concentration of these substances in the downstream receiving environment. Cameco has proposed an action plan to further reduce selenium and molybdenum discharges in the mill effluent. At a public hearing in January 2007, the CNSC considered a proposed licence condition for the Key Lake mill to implement this plan. CCO expects a CNSC decision later in the first quarter of 2007 and the first phase of the plan to be in place later in 2007.

A revitalization pre-feasibility assessment for the Key Lake mill was kicked off in October 2006. The mill began production in 1983 and was built as a world-class facility. Revitalization of Key Lake will include upgrading circuits to new technology for simplified operation and increased production capacity. At McArthur River, work also

progressed on the planning of a boxhole boring mining method, which is anticipated to be used for production from upper zone #4 beginning in 2012. This zone is south of the current zone #2 workings and the Pollock (main) shaft. CCO completed the mine plan for the boxhole boring test area for development in 2007 to 2008 and placed an order for a boxhole borer for delivery in early 2008. Long-term conceptual planning for resources north of the Pollock shaft was carried out and development of a tunnel for future access and drilling is progressing as planned.

**Rabbit Lake**

Rabbit Lake produced 1.4 million pounds of U3O8 during the fourth quarter and a total of 5.1 million pounds for 2006. Production in 2006 was lower than 2005 as a result of lower than expected ore grades encountered at Eagle Point underground operations. In 2007, CCO has forecasted mining areas with higher ore grades relative to 2006. The outlook for 2007 production is 5.5 million pounds of U3O8. Production for the first quarter of 2007 has been guided to 1.2 million pounds due to a planned mill shutdown during that period. Similar to previous years, the underground diamond-drilling reserve replacement program was successful in 2006. Over 69 kilometers of drilling was completed with excellent results and reserves are now being calculated. At the end of 2006, total proven and probable reserves are estimated at 737,000 tonnes at 1.2% U3O8 for 19.1 million pounds in areas that are currently being mined and in a new zone that is in close proximity to a newly producing mining area. CCO now anticipates that the Eagle Point mine life will continue through, at least, 2011.

**Smith Ranch-Highland and Crow Butte**

Smith Ranch-Highland and Crow Butte in situ leach (ISL) mines produced 0.8 million pounds U3O8 in the fourth quarter of 2006. The operations produced a record 2.7 million pounds in 2006, up from the Company's original guidance of 2.4 million pounds. Smith Ranch-Highland produced 2.0 million pounds of CCO's ISL production in 2006, which is the highest production achieved in the history of ISL mining in the US. In 2007 CCO has maintained its target of 2.4MMlbs for these operations.

**Inkai**

At the Inkai ISL project in Kazakhstan, there are two production areas currently in development (blocks 1 and 2). At block 1, construction is under way for the commercial processing facility. In 2007, CCO expects to complete construction and begin commissioning the commercial facility, subject to regulatory approvals. Startup of production is expected in late 2007 with commercial production to follow in 2008 after a ramp-up period.

At block 2, the test mine produced about 0.8 million pounds U3O8 during 2006. Production from the expanded facility started in the second quarter of 2006. CCO plans to apply for a mining licence in 2007 for block 2. Commercial development of block 2 is planned for 2008. As previously reported, production from blocks 1 and 2 is expected to total 5.2 million pounds per year by 2010. The total cost to bring Inkai to commercial production (100% basis) is now projected to be about US$200 million. The capital expenditures for Inkai in 2007 are expected to total US$90 million. The production obtained from the Inkai test mine is being sold and proceeds from the sales are used to fund the construction and operation of the project. Including the recoveries related to these sales, the net cost of development at Inkai is expected to be about US$95 million.

**Cigar Lake Remediation Update**

Cameco began construction of the Cigar Lake mine on January 1, 2005. On October 23, 2006 Cameco reported that a water inflow at Cigar Lake had flooded the underground development. Cameco engineers and consultants have developed a phased plan to restore the underground workings at Cigar Lake. The first phase of the remediation plan involves drilling holes down to the source of the inflow and to a nearby tunnel where reinforcement may be needed, pumping concrete through the drill holes, sealing off the inflow with grout and drilling dewatering holes. Subsequent phases include dewatering the mine, ground freezing in the area of the inflow, restoring underground areas and resuming mine development.

Regulatory approval is required for each phase of the remediation plan. CCO has completed eight of the 14 drill holes planned for reinforcing and sealing off the water inflow area. There are two drill rigs on site working around the clock. Concrete will be poured in two locations - one near the rock fall to seal off the inflow area and another in a nearby tunnel to provide reinforcement. About 300 cubic meters of concrete has been poured in the reinforcement area. The concrete mixture is designed to harden under water and will be poured in successive layers.

CCO has suggested that the work necessary to seal off the water inflow should be completed in the second quarter of 2007 but do also add that if any part of the following assumptions prove to be incorrect, it is possible that the water inflow may not be sealed off in the second quarter of 2007:

- The two drill rigs on site maintain the current pace of drilling, and
- The concrete hardens as planned to provide reinforcement and prevents or reduces water inflow to enable mine dewatering.

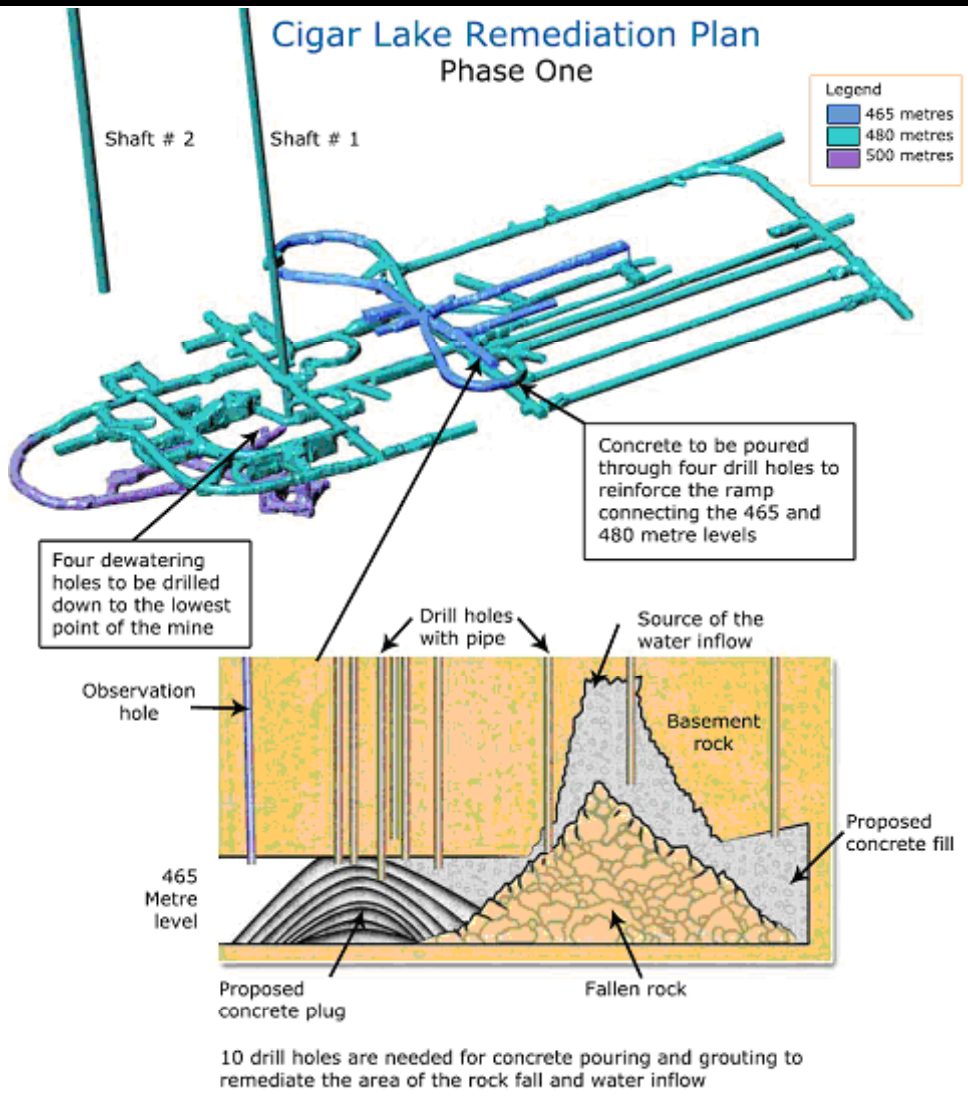
An additional four drill holes are planned for dewatering the mine. In February, a third drill will be brought on site for drilling the dewatering holes. After experienced is gained with drilling the larger dewatering holes, CCO suggests that they will be able to provide an estimate for their completion. This part of phase one is subject to regulatory approval and the application has been filed with the regulator. Cameco had previously planned to provide preliminary capital cost estimates and timelines for the remediation in February 2007. Cameco is preparing a technical report for Cigar Lake to meet requirements under National Instrument 43-101 of the Canadian Securities Administrators, which regulates public company exploration and mining disclosure.

CCO now expects to complete and publicly release the technical report in late March 2007. A technical report is required to support the disclosure of Cigar Lake remediation. The report will include information relating to the geology of the deposit, resource and reserve estimates, the remediation plan including projected timelines, the mining method, a new capital cost estimate (including an estimate of remediation costs) to bring the deposit into commercial production and a projected production ramp up.

With the detailed information from this report, CCO should be able to determine if any Cigar Lake reserves will need to be reclassified from proven to probable back into an inferred resource. There are about 275 people working on site including drilling personnel working on the remediation program. Work continues on surface facilities, such as a water treatment plant, mine ventilation fan foundations and an electrical substation. As a result of the water inflow, the carrying values of the Cigar Lake assets were written down by $30 million in the fourth quarter. In addition, $10 million in remediation costs were expensed. Cameco's share of these amounts is 50%. Cameco plans to issue its next status report for the Cigar Lake project on March 1, 2007.

We believe and hope that Cigar Lake will eventually come on-line in order to maintain the aggressive global nuclear development plan of many nations. The last thing we want to see is a scaling back of capacity builds resulting from a perceived shortage of fuel.

**Figure 5 Cameco's Cigar Lake Remediation Plan**




Source: Company reports

**Fuel Services**

In 2006 Cameco generated C$224MM in revenue from the sale of 18.5MM kg U, including sale and production from Ziractec (compared to 16.6MM kg U in 2005). C$22MM in gross profit was generated compared to C$25MM in 2005. The lower profitability was due to the higher cost of purchased and produced product.

In 2006, revenue from our fuel services business rose by 42% to $224 million compared to 2005, as a result of the inclusion of revenue from Zircatec and a 12% increase in fuel service deliveries. A 1% increase in the average realized selling price contributed marginally to higher revenues. Most conversion sales are at fixed prices and have not yet fully benefited from the significant increase in UF6 spot prices. The total cost of products and services sold, including DDR, was $199 million in 2006 compared to $130 million in 2005. The increased costs are attributed to the rise in conversion sales volume, the inclusion of Zircatec's cost of sales and higher costs for purchased conversion, which have trended up with the rise in the UF6 spot price.

For the first quarter of 2007, fuel services revenue is projected to be about one-third of that of the fourth quarter due to an expected decrease in deliveries. It is anticipated that the average realized price would be slightly lower. Cameco expects 2007 revenue from

the fuel services business to be nearly 20% higher than in 2006 due to an anticipated 10% increase in deliveries and an improvement in the average realized selling price. Fuel services sales volume in 2007 is expected to total 20.2 million kgU compared to sales of 18.5 million kgU in 2006.

**Figure 6 Bruce Power 2006 Summary**

***Bruce Power Limited Partnership (100% basis)*** [1]

| | Three months ended Dec 31 | | Year ended Dec 31 | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Output - terawatt hours (TWh) [1] | 6.0 | 6.2 | 25.8 | 30.8 |
| Capacity factor (%) [2] | 85 | 75 | 91 | 79 |
| Realized price ($/MWh) | 46 | 57 | 48 | 58 |
| Average Ontario electricity spot price ($/MWh) | 43 | 71 | 46 | 68 |
| ***($ millions)*** | | | | |
| Revenue | 278 | 356 | 1,242 | 1,787 |
| Operating costs [3] | 230 | 258 | 807 | 1,202 |
| Cash costs | 202 | 209 | 701 | 1,008 |
| - operating & maintenance | 157 | 162 | 523 | 779 |
| - fuel | 17 | 15 | 65 | 73 |
| - supplemental rent [4] | 28 | 32 | 113 | 156 |
| Non cash costs (amortization) | 28 | 49 | 106 | 194 |
| Income before interest and finance charges | 48 | 98 | 435 | 585 |
| Interest and finance charges | 12 | 13 | 47 | 65 |
| Earnings before taxes [5] | 36 | 85 | 388 | 520 |
| Cash from operations | 81 | 260 | 514 | 771 |
| Capital expenditures | 38 | 83 | 103 | 323 |
| Operating costs ($/MWh) | 38 | 42 | 31 | 39 |
| Distributions [6] | 65 | 818 | 480 | 1,033 |

[1] In 2006, BPLP consists of the four B units, while in 2005 it included six units (four B and two A units) for the first 10 months and four B units for the remainder of the year.
[2] Capacity factor for a given period represents the amount of electricity actually produced for sale as a percentage of the amount of electricity the plants are capable of producing for sale.
[3] Net of cost recoveries.
[4] Supplemental rent is about $28.3 million per operating reactor for 2006.
[5] Excludes $149 million loss recorded on the restructuring of BPLP on October 31, 2005.
[6] Distributions in 2005 include $633 million due to the Bruce Power restructuring. Cameco's share was $200 million.

Source: Company reports

**Bruce Power**

For the year 2006, BPLP earnings before taxes were $388 million compared to $520 million (which excludes the $149 million loss recorded on the restructuring of Bruce Power) in 2005. Fewer days lost to planned outages in 2006, combined with substantially fewer forced outages contributed to a significantly higher capacity factor and reduced unit operating costs. However, lower electricity spot prices offset these gains.

For the year, the BPLP units achieved a capacity factor of 91%, compared with 79% in the same period last year. These units produced 25.8 TWh during 2006 compared to 30.8 TWh (including 8.2 TWh from the A units up to October 31, 2005) over the same period last year. The decrease primarily reflects the loss of output from the A units as a result of moving to a four-unit site in 2006 versus a six-unit site for most of 2005. The decrease was partially offset by higher output from the B units.

For 2006, BPLP's electricity revenue totaled $1,242 million, compared to $1,787 million in 2005. During 2006, BPLP's realized price averaged $48 per MWh from a mix of contract and spot sales compared with $58 per MWh in 2005. The Ontario electricity spot price averaged about $46 per MWh during the year, compared to $68 per MWh a 2005. During 2006, about 51% of BPLP's output was sold under fixed-price contracts compared to 48% in 2005.

For 2006, operating costs were $807 million, compared with $1,202 million in 2005. This decrease primarily reflects the costs of a four-unit site in 2006 versus the six-unit site in 2005, and higher costs associated with planned and forced outages in 2005. The operating cost declined to $31 per MWh in 2006 from $39 per MWh in 2005.

In the first quarter of 2007, there is one planned outage. Unit B6 was shut down on January 20 and is expected back in service early in the second quarter. As a result, BPLP's average unit costs are expected to be about $46 per MWh compared to $38 in the fourth quarter of 2006. In the first quarter CCO expects more outage days when compared to the fourth quarter of 2006. For the first quarter of 2007, we anticipate BPLP revenue to be about 5% higher than in the fourth quarter of 2006, as the result of higher expected realized prices that will more than offset lower generation. The average realized price was $46 per MWh in the fourth quarter of 2006.

In 2007, capacity factors for the B units are expected to average in the low 90% range similar to the 91% achieved in 2006. After investing significant capital on refurbishing the B units over the past few years, Cameco anticipates continuing through 2007 with a significant reduction in time and expenditure on refurbishment programs, with only one planned outage as noted above under the BPLP's outlook for the first quarter of 2007.

For 2007, the average unit cost is expected to rise to $34 per MWh compared to $31 in 2006. Total costs are expected to rise by 12% in 2007 over 2006. The increase is due primarily to a rise in staff costs, operating and maintenance costs for heavy water treatment and fuel costs as well as lower incidental recoveries compared to 2006. In addition, higher amortization expenses are expected in 2007 reflecting the addition of the new administration building and other capital projects.

For 2007, CCO has guided that BPLP revenue should be 18% higher than in 2006, almost entirely due to higher expected realized prices, which are made up of fixed contract prices and Ontario spot market electricity prices. The spot prices are very sensitive to Ontario weather patterns. The average realized price was $48 per MWh in 2006.

**Centerra Gold**

Cameco owns approximately 53% of Centerra, which is listed on the Toronto Stock Exchange under the symbol CG. Centerra owns and operates two mines: Kumtor, which is located in the Kyrgyz Republic and Boroo located in Mongolia.

In 2006, revenue from its gold business increased by $2 million to $414 million compared to $412 million in 2005, while the gross profit margin declined to 24%. The increase in revenue was attributable to higher gold prices, offset by lower production at Kumtor. The realized price for gold rose to US$597 per ounce in 2006 compared to US$433 per ounce in 2005, due to higher spot prices.

Kumtor's production for the year was 304,000 ounces compared to 501,000 ounces in 2005. This decrease was due to the pit wall movement that occurred in July 2006 and a lower mill head grade that averaged 2.3 g/t in the period compared to 3.4 g/t in 2005.

Production at Boroo was 283,000 ounces for the year compared to 286,000 ounces in 2005. The average head grade of ore fed to the mill was 4.3 g/t compared to 4.2 g/t in the same period last year.

Overall, 2007 production, on a 100% basis, is expected to total between 700,000 to 720,000 ounces of gold. At Kumtor, production for the full year 2007 is expected to be about 450,000 to 460,000 ounces of gold. At Boroo, on a 100% basis, CCO has guided to production in the range of 250,000 to 260,000 ounces of gold in 2007.

**Recommendation**

In 2006 CCO generated a fully diluted EPS of $1.02, based upon production guidance and our estimates we have modelled a 73% year-over-year growth in earnings to $1.74 in 2007. The earnings growth is primarily a result of higher realized uranium and UF6 sales price compared to those of the previous year.

In 2007 we have CCO recognizing US$32.81/lbs of uranium sold as compared to US$20.57/lbs in 2006. Based upon our uranium forecast of US$90/lbs in 2008 CCO should recognize approximately US$52.88/lbs from the sale of 33.4MMlbs of uranium including its share of the HEU agreement. We have forecast a further 80% year-over-year growth in earnings for 2008 of $3.15 per fully diluted share.

Though Cameco is locked into punitive uranium delivery contracts preventing them from recognizing the full upside of the current uranium cycle, the Company does maintain the title as largest global uranium producer. We suggest that development difficulties will persist at Cigar Lake and commercial production will take longer to recognize than any plan suggests – but this does not hinder CCO from generating material earnings growth over the next two years. CCO maintains its position as the bell weather equity for the uranium industry and as such we suggest than new money entering the space will continue to flock to CCO.

As a result of revised guidance from CCO, the rampant appreciation of the uranium price and subsequent higher realized sales price by Cameco we are increasing our 2008 EPS estimates for CCO from $2.81/share to $3.15, increasing our recommendation from a Market Perform to a Buy and increasing our target from C$46.00 to C$50.40 derived via application of a 16x EPS multiple.

**Figure 7 Cameco Corp. – Conceptual Model**

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Prod./Sales (M lbs U3O8) | 21,600 | 22,400 | 23,700 | 25,000 | 25,176 | 22,276 | 25,276 | 28,276 |
| Cash Costs (By-prod) | $12.38 | $12.38 | $12.33 | $12.32 | $12.31 | $12.30 | $12.33 | $12.30 |
| Net Income ($M) | $657,167 | $1,187,563 | $784,963 | $1,041,212 | $1,100,711 | $643,646 | $773,494 | $558,850 |
| EPS (FD) | $1.74 | $3.15 | $2.08 | $2.76 | $2.92 | $1.71 | $2.05 | $1.48 |
| CF from Operations | $722,336 | $1,554,500 | $864,406 | $1,237,602 | $1,157,930 | $631,080 | $841,803 | $597,471 |
| CFPS (FD) | $1.92 | $4.13 | $2.29 | $3.29 | $3.07 | $1.68 | $2.23 | $1.59 |

Source: Company reports, Sprott Securities estimates

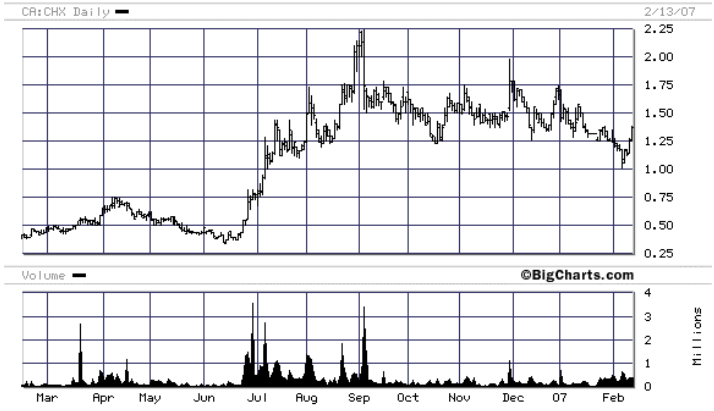
# ◆Cash Minerals Ltd.

(CHX - C$1.38, TSXv)

## Recommendation: NR

## Target Price: NR

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 75.9 MM |
| Fully Diluted | 95.8 MM |
| Management | 0.5 MM |
| Market Capitalization | C$132.2 MM |
| Market Float | C$131.5 MM |
| Cash | $20.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 332,727 |
| High-Low (52 Week) | C$2.24 – C$0.34 |

Source: Company reports, Sprott Securities estimates

### An Emerging District – Wernecke Mountains, Yukon

Cash Minerals is an emerging Canadian based exploration and development company focussed on uranium, coal, and alternative syn-fuels. The Company has focussed its exploration program on the emerging Wernecke Mountain district situated in the Yukon Territories. The properties are held in a 50-50 joint venture (JV) with Mega Uranium Ltd. Based on the terms of the JV, Cash must choose one or more of the properties that it is exploring by January 2008; at which point it must pay Mega Uranium Ltd C$ 1.0 MM for the option to earn in 75% of the project by bringing the property(s) that it has chosen through bankable feasibility (BFS) by January 2012. As a result of this agreement, we believe that 2007 is a critical year for Cash Minerals.

### Asset Base

**Uranium Properties:** Cash has a total of 20 properties, covering over 800 square kilometres, in the Wernecke Mountain district. Of the 20 properties the company will focus its attention on three main properties, appropriately named, Igor, Lumina, and Odie.

**Coal Properties:** The coal properties are situated in the southwest (SW) Yukon covering approximately 4000 square kilometres. To date the company has delineated an NI 43-101 measured resource of 52.5 MM tonnes, which is situated on 5% of the Company's total acreage. The company completed a Pre-Feasibility Study (PFS) reviewing the economics of the commercial export market for its Division Mountain coal. As a result of the PFS, the company will focus its attention on a mine-to-mouth coal powered generation plant.

**Alternative Fuels (SynFuel):** The Company is in the initial stages of a coal-to-liquids (CTL) diesel fuel project in China that will utilize the Fischer-Tropsch technology in an effort to convert coal into clean burning diesel fuel. We believe the company will focus its attention on acquiring a coal property, possibly through a JV, in China that would see the company setting up a fully integrated CTL plant.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Cash Minerals Ltd.

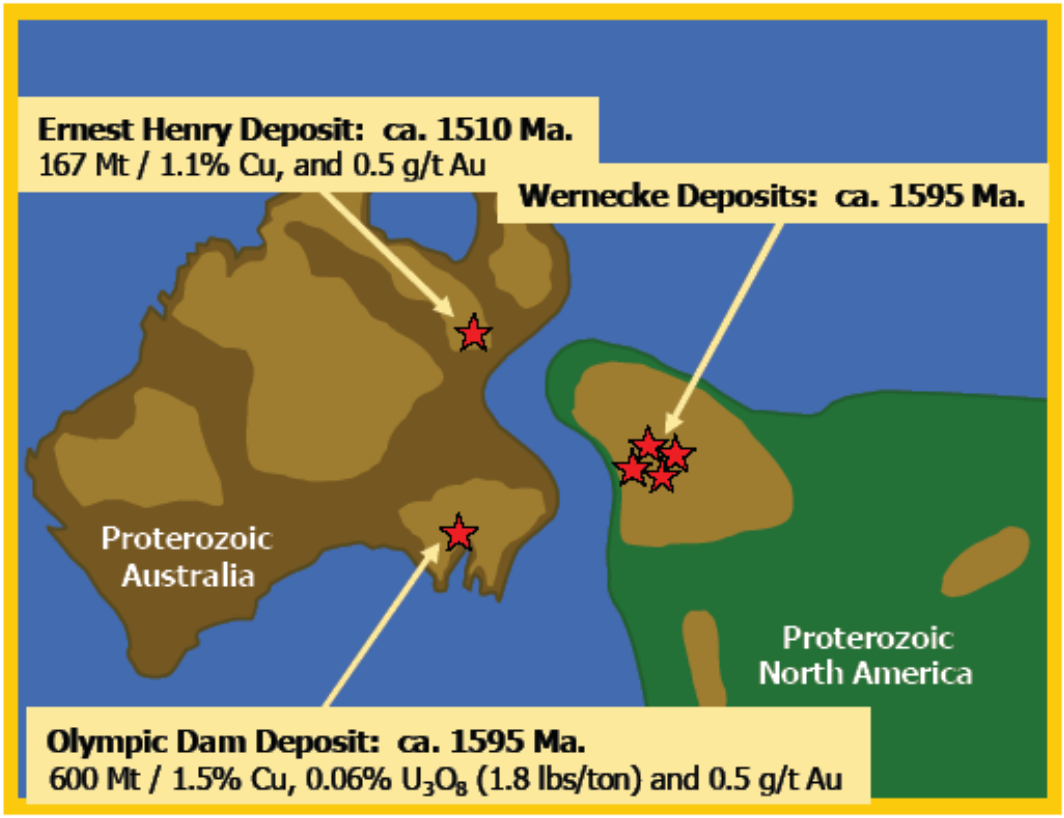
**Figure 3 Property Location Map**


Source: Company reports

**The Main Focus in 2007**

The Company's main focus will be its Wernecke Mountain properties in the Yukon. What makes the Wernecke district interesting is that the prospects have the same geological characteristics as the world-class Australian Iron ore-copper-gold (IOCG) deposits, which include the Olympic Dam and Ernest Henry deposits. It is believed that the Yukon and Australian deposits were formed in the Proterozoic period and were later separated through the process of plate tectonics. As such, if the geological thinking is correct, The Wernecke District could host a world class IOCG deposit. In 2007 Cash will focus its attention on three main properties, Lumina (Jack Flash), Igor, and Odie. The Lumina property is believed to be an unconformity style high-grade vein fracture controlled mineralization system. Initial drill results from the 2006 campaign returned encouraging intersections of 55.01 m grading 0.103% U3O8 (including 27 m at 0.203% U3O8), 11 m grading 0.119% U3O8, and 16.44 m grading 0.14% U3O8. The Company's other two primary targets are the Igor and Odie prospects, which are considered IOCG targets. Previous drill results from the Igor property indicate a brecciated Orebody with the first mineralized zones intersected at 10-180 m below surface. The company has returned encouraging results from previous drill programs and looks to expand on this in 2007. Finally the Company's third target, the Odie IOCG anomaly is located to the northwest and on trend with the Igor target. Odie, like Igor, is an IOCG target that has returned promising magnetic and gravity geophysical results. We expect drill results from the Odie property in H1/06.

**Figure 4** **Paleo-Reconstruction**




Source: Company reports

**2007 Budget**

The capital budget for exploration is set at approximately C$14.0 MM in 2007. We expect the company to have 5 drills turning on its three main targets and should generate over 30 M in drill core. At Lumina the Company will continue to drill further along the fault system, at Igor the company will continue to drill at depth in to define further resources. Finally at Odie, drilling will focus on the prospective areas of the anomaly. Throughout the year, Cash will plan to strategically acquire ground in the highly prospective Wernecke Mountain District. We believe that 2007 is a critical year for Cash Minerals. The Company must make a decision on which properties it will continue to pursue to initiate its option of 75% ownership of the given property from Mega Uranium. As such we will be keeping a close eye on the results of the 2007 drill campaign.

# ◆Denison Mines Corp.

(DML - $11.95, TSX)

**Recommendation: TOP PICK** **Target Price: $16.20**

Unless otherwise denoted, all figures shown in C$

**Figure 1 Price Chart**

| YE Dec. 31 | 2007E | 2008E | 2009E | 2010E | 2011E |
|---|---|---|---|---|---|
| EPS | $(0.06) | $0.80 | $0.95 | $1.19 | $1.30 |
| P/E | -- | 14.7x | 12.4x | 9.9x | 9.1x |
| CFPS | $(0.06) | $0.90 | $1.06 | $1.33 | $1.43 |
| P/CFPS | -- | 13.1x | 11.1x | 8.8x | 8.2x |

Source: Company reports, Sprott Securities estimates

**Figure 2 Price Chart**


Source: BigCharts (February 14/07)

**Figure 3 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 182.5 MM |
| Fully Diluted | 191.5 MM |
| Management | 18.8 MM |
| Market Capitalization | $2,288.4 MM |
| Market Float | $2,063.7 MM |
| Cash | $209.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 721,162 |
| High-Low (52 Week) | $13.38 – $4.28 |

Source: Company reports, Sprott Securities estimates

### Outline

The new Denison Mines is the only intermediate uranium producer with North American focused producing assets. Denison has production at its Mclean Lake facility and its Utah based White Mesa Mill. With mining underway in the US and sustained production in Saskatchewan, DML has a strong production profile ramping to 4 MMlbs p.a. by 2008. The new company will boast one of the largest diversified global exploration portfolios, with properties in the US, Canada, Australia, Mongolia and potentially Africa through its proposed acquisition of ASX listed Omega.

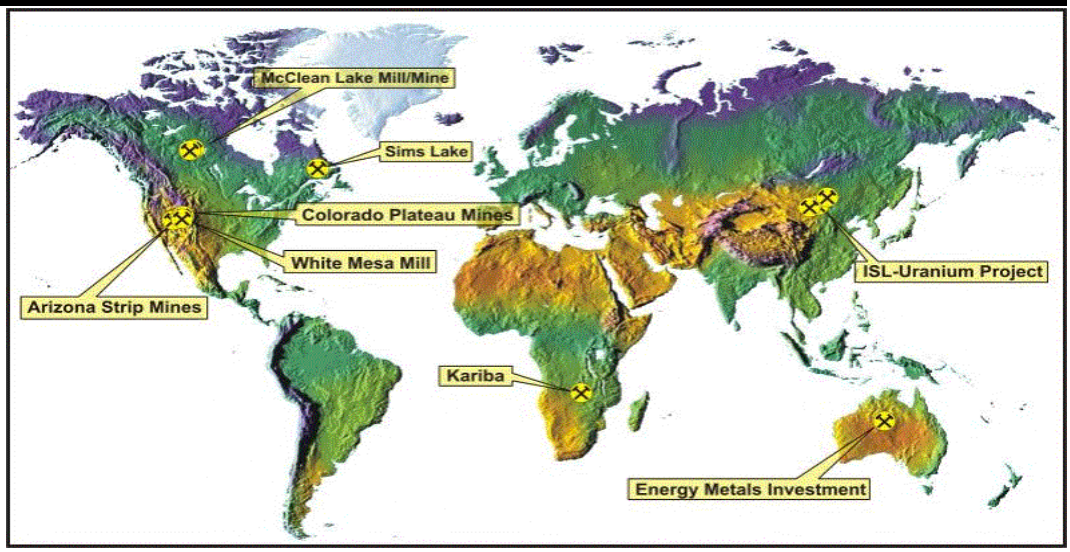
### Setting The Stage In Late 2006

Denison, through its friendly merger with International Uranium Corporation (IUC) has become a significant global uranium producer with its current focus on North America based production. DML provides investors' exposure to a producing uranium company with a market capitalization in excess of $2 BB, and strong leverage through its balance sheet allowing it to act as the first mover during our expected consolidation phase in 2007.

Combined with its advanced operations and project portfolio, Denison will have a balance sheet with approximately $200 MM in cash and no debt. The company has the marketing expertise to grow its distribution channels as the company ramps production by a factor of 5 over the next four years (from 1MMlbs in 2007 to +5MMlbs in 2010). As important as its financial strength the Company boasts a seasoned management team, in an industry that is lacking human capital, providing the opportunity for rapid situational reaction and strong project advancement. DML has positioned itself to lead the industry through consolidation and savvy acquisition, and joins PDN and SXR as the +billion dollar companies driving the uranium mining renaissance.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Denison Mines Corp.

**Figure 4 Global Reach**




Source: Company reports

**US Operations – Right On Track**

DML has awarded E.D. Mining, LLC, the contract to conduct contract mining at the Company's Sunday mine in the United States. Mining has commenced and production from the Sunday mine is expected to add about 100 tons of ore daily to the current daily U.S production from the Pandora, Topaz and St. Jude mines that will aggregate to about 550 tons per day by mid-2007. Production from these mines, in the area known as the Colorado Plateau District, is being hauled to Denison's White Mesa Mill and is currently being stockpiled. Milling of conventional ore is scheduled for early 2008 when the milling of the alternate feed is completed and at least 150,000 tons of ore is stockpiled at the Mill.

The Company will be evaluating the Rim and Van 4 mines on the Colorado Plateau with the plan to commence operations in 2007. At the Tony M mine within the Henry Mountains Complex, which is located west of the Colorado Plateau District, permitting is progressing well and it is expected that full operational permits will be received by the end of the first quarter, 2007. Rehabilitation of the mine will commence within the next few months under the exploration permit that the Company has in place for the Tony M mine. Production from this mine is anticipated in the third quarter of this year.

At the White Mesa Mill, the Company has implemented a US $15 million modernization program, which will include modifications to the mill circuit, upgrading of equipment and relining of tailings cell 4A. The Mill continues to process alternate feed material from several large contracts. Production at the White Mesa mill in 2006 was approximately 280,000 pounds of U3O8 and it is anticipated that production in 2007 will be about 400,000 pounds. By 2010, production levels from U.S. operations are anticipated to reach greater than 3 million pounds U3O8 and 4.5 million pounds of vanadium. The Company intends to maximize the advantage of its ownership of one of only two operating mills in the U.S. To that end, in addition to processing its own ore and alternate feed material, the Company is negotiating toll-milling arrangements with other mines in the region.

Though we have the Company starting ore milling in 2008, the opportunity for milling to commence early exists depending on the speed of the mill modernization. With the stockpiling of ore taking place now, the switch to processing can occur at anytime.

**Canadian Operations – McClean To Remain Under Capacity in 2007**

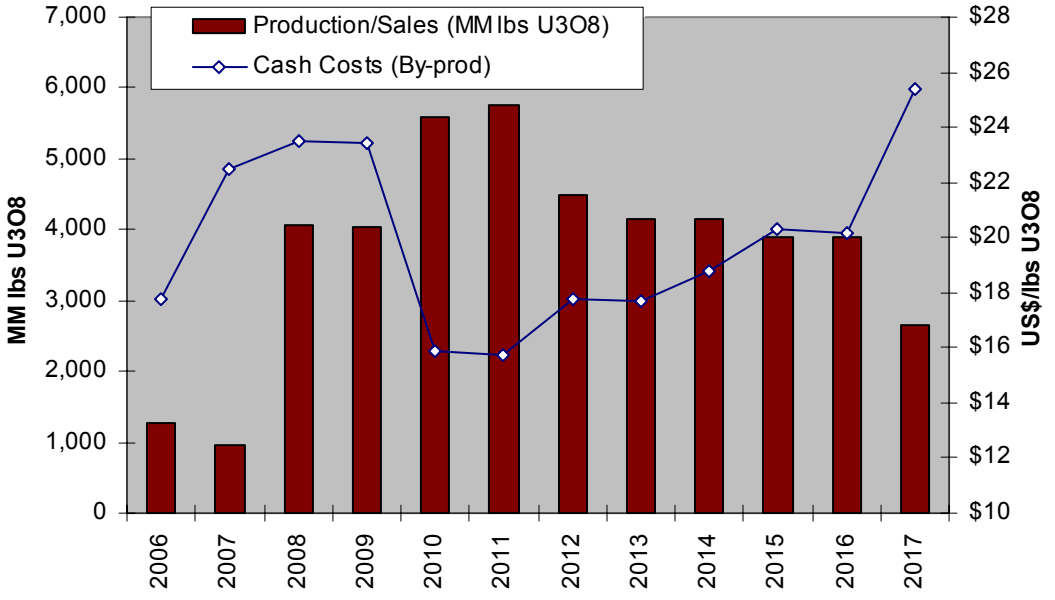
In Canada, mining at the Sue E pit at McClean Lake in northern Saskatchewan is proceeding on schedule with a scheduled completion by the end of this year. U3O8 production at the McClean Lake mill, in which Denison has a 22.5% interest, was 1,795,000 pounds in 2006 (Denison's share was 404,000) and it is anticipated that the joint venture production in 2007 will be 2.2 million to 3 million pounds. The large variance in this estimate is a result of the uncertainty associated with the drilling of the bore holes for the jet boring mining at the McClean North deposit, the completion of mill modifications to increase the leaching capacity at the mill and the time required to obtain regulatory approvals to implement the mill modifications. Production levels at McClean should continue to increase and by 2011, with Midwest ore production and another mill expansion, production should be about 9 million pounds per year.

**One Of The Strongest Production Profiles – And Aggressive Timetables**

We have modeled the company producing on average 4 MM lbs per annum of uranium over a minimum 10-year production profile (assuming Midwest production in 2009); though in 2009 and 2010 we should see production closer to 6MMlbs p.a. As well, assuming successful completion of the Omega acquisition, production could exceed 8MMlbs p.a. by 2011-2012. Considering DML's current exploration portfolio, the discovery of the Mae Zone and other advanced projects we can assume that ore will continue to fill the Company's mills well past our estimate. Average cash costs of production, net of all by-product credits, should average approximately $20/lbs U3O8. There is potential to further increase the Company's production profile as it has yet to be determined how the incremental capacity that was added to process Cigar Lake ore will be utilized at the McClean Lake mill; we expect guidance on this issue from the Company in the first half of 2007.

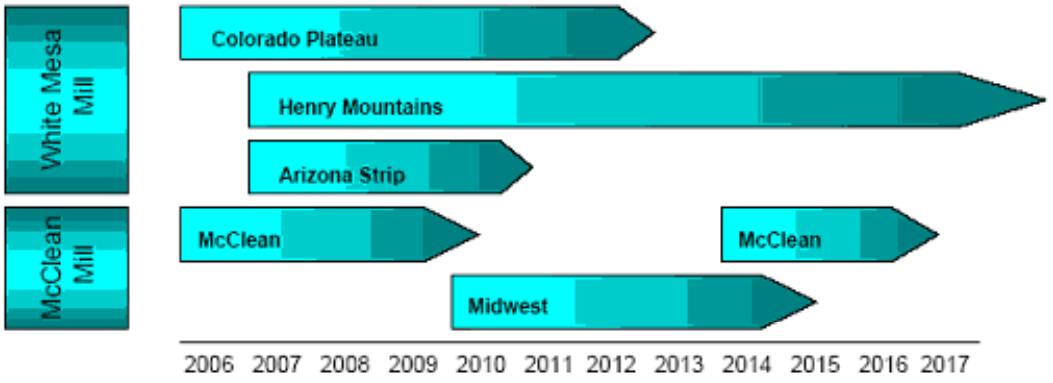
Figures 5 and 6 depict our expected production and development schedule for DML. We refer the reader to Sprott Research (DML Operational and Exploration Update, Feb.01, 2007) for full production details.

**Figure 5 DML Production Profile**




Source: Sprott Securities and Company reports

**Figure 6 DML Development Schedule**




Source: Company reports

## Strength In Exploration

**Athabasca Basin**: In the Athabasca Basin, Denison is participating in over 30 exploration projects, primarily located in the southeast part of the Basin and within open pit depths and trucking distance of the operating mills. Denison, together with a subsidiary of the AREVA Group ("AREVA") and Cameco Corporation, now control the majority of the highly favourable geology in the prolific southeastern sector of the Basin. Denison is participating in nine major drill programs during the current winter season in the Basin. Denison is operator on the Wheeler River, Park Creek, Huard-Kirsch and Crawford Lake joint ventures, and the 100% owned Johnston Lake project. JNR Resources Inc. will operate the 75% owned Moore Lake project until June 2007 when Denison will take over. Near the McClean Mill, joint venture partner AREVA is operator of the Midwest, Wolly and McClean projects.

On Denison's operated and non-operated projects, a total of approximately 48,000 meters of drilling is planned this winter, consisting of approximately 110 holes using 8 diamond drill rigs. This meterage represents a substantial increase over that of each of its two predecessor companies, and reinforces Denison's commitment to exploration in the Basin. The Company's projects in the Basin represent a good balance of grass roots, mid stage, and developed projects.

In addition to these major drill campaigns, Denison is carrying out a number of different geophysical surveys to identify targets for future drill programs. Almost 5,500 line kilometers of airborne geophysical surveys are currently being flown over three properties as an initial screening tool. Denison is also carrying out a large number of ground geophysical surveys on eight properties, where over 382 line kilometers of Fixed Loop Time Domain EM surveys, 342 line kilometers of HLEM (Horizontal Loop Electromagnetics) and over 120 line kilometers of DC Resistivity surveys will be completed this winter. Over 1,000 line kilometers of ground magnetic surveys will also be carried out in conjunction with the above.

At the Midwest project where Denison maintains a 25.17% interest, operator AREVA's focus will be on delineation drilling on the Mae zone, one of the most economically important discoveries in recent years.

**Southwest United States:** In the United States, Denison's exploration activities are ramping up after a 25-year hiatus. An estimated 90,000 feet (28,000 meters) of drilling is planned in 2007, with work initially concentrating near the Company's permitted and producing mines in Utah and Colorado.

**Mongolia:** In Mongolia, Denison is committing to a substantial increase in work over previous years. Denison maintains a majority interest in two deposits and a large number

of exploration projects that have returned uraniferous intersections. Following a late 2006 review of decade-long exploration programs by Denison and predecessor companies, a decision was made to substantially accelerate work on two advanced deposits, potentially containing economically recoverable resources, and to also accelerate exploration on these and other high potential projects. A major 160,000 meter, two-year drill program has been authorized in order to investigate these targets and prepare two areas for prefeasibility work in preparation for commercial production by 2010.

**Omega Corp – The First of Many Acquisitions??**

Late last year Denison announced the potential acquisition of OmegaCorp limited, an ASX listed uranium developer whose primary property is the Kariba uranium project in Zambia. Denison has offered C$154MM or A$1.10/share for the consideration. Kariba has a resource of 13.7MMlbs of uranium with substantial upside beyond that through continued exploration. A scoping study has been completed suggesting 1.5MMlbs of production a year, at a $23/lbs total cash cost via alkaline leach (similar to PDN). Capex is estimated at 45MM and the resource is sufficient for production of approximately 6 years. We have modeled the deposit assuming a US$70MM capex, and have discounted our DCF 10% with first production in 2010. Assuming our current price deck and a $50 long-term uranium price we value the Kariba deposit at $US 152MM or C$ 169MM. The scoping suggested that material upside exists beyond the delineated resource and that the mine life could expand with further delineation. We suggest that this deposit based upon the level of technical work that has been completed would be valued at 1.5X NAV. As such, the transaction based on first pass calculations, would be accretive to Denison by C$98MM. Once the Omega Uranium deal is concluded, (it should close late February – early March) we will then bring Omega's valuation into the NAV of the company

**Becoming A Top Pick – DML To Outperform In 2007**

Based upon our current valuation, we calculate 40% upside from its current levels; this is excludes any additions resulting from the acquisition of Omega. In 2010 DML will be producing approximately 24% of CCO's production however the market cap remains at 11%. As well DML will be positioned to recognize 100% of the market price unlike CCO whose punitive contract book will continue to under-perform market conditions materially.

DML has yet to be recognized by the market as Top Tier producer and has yet to go through the re-rating as witnessed by PDN and SXR last year. We anticipate that DML will outperform the peer group this year and as such we are adjusting our recommendation from a Buy to a Top Pick. We maintain our C$16.20 target price derived through application of an 18x CFPS multiple to our 2008 estimate of $0.90/share.

**Figure 7 Financial Model**

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Production/Sales (MM lbs U308) | 962 | 4,057 | 4,029 | 5,577 | 5,764 | 4,477 | 4,144 | 4,144 | 3,893 |
| OmegaCorp (MM lbs U308) | | | | 750 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Cash Costs (By-prod) | $22.45 | $23.50 | $23.46 | $15.87 | $15.75 | $17.78 | $17.72 | $18.75 | $20.28 |
| Net Income | (11,744) | 153,704 | 181,755 | 228,666 | 249,633 | 192,678 | 140,211 | 118,141 | 86,157 |
| EPS | $(0.06) | $0.80 | $0.95 | $1.19 | $1.30 | $1.01 | $0.73 | $0.62 | $0.45 |
| Cash flow from Operations | (11,270) | 172,584 | 202,425 | 254,458 | 274,145 | 214,568 | 161,299 | 136,908 | 99,437 |
| CFPS | $(0.06) | $0.90 | $1.06 | $1.33 | $1.43 | $1.12 | $0.84 | $0.71 | $0.52 |
| Capex | 18,018 | 105,272 | 19,688 | 1,219 | 1,219 | 1,219 | 7,759 | 672 | 585 |
| Free Cash Flow | (29,287) | 67,312 | 182,738 | 253,238 | 272,925 | 213,349 | 153,540 | 136,236 | 98,852 |

Source: Company reports

# ◆Energy Metals Corporation

(EMC - C$11.37, TSX; EMU- $9.76, NYSE-ARCA)

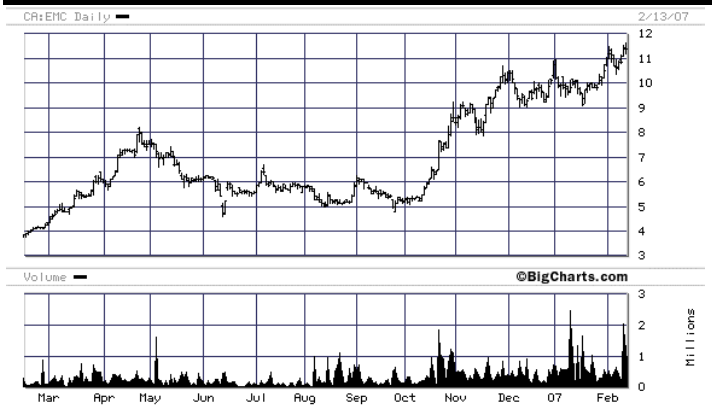
**Recommendation: BUY (S)** **Target Price: C$13.70**

**Figure 1 Estimates**

| YE Dec. 31 | 2008E | 2009E | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| EPS | $0.23 | $0.60 | $0.94 | $1.33 | $1.74 |
| P/E | 42.4x | 16.3x | 10.4x | 7.3x | 5.6x |
| CFPS | $0.33 | $0.71 | $1.05 | $1.43 | $1.84 |
| P/CFPS | 29.6x | 13.7x | 9.3x | 6.8x | 5.3x |

Source: Company reports, Sprott Securities estimates

**Figure 2 Price Chart**




Source: BigCharts (February 14/07)

**Figure 3 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 76.5 MM |
| Fully Diluted | 90.0 MM |
| Management | 4.4 MM |
| Market Capitalization | C$1,023.3 MM |
| Market Float | C$973.3 MM |
| Cash | $85.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | |
| TSX | 410,316 |
| NYSE | 56,005 |
| High-Low (52 Week) | |
| TSX | C$3.75 – C$11.65 |
| NYSE | $9.96 - $7.71 |

Source: Company reports, Sprott Securities estimates

## Outline

Energy Metals Corporation is a TSX and NYSE listed Canadian company focused on advancing its uranium property portfolio towards production in the United States of America. EMC has extensive advanced property holdings in Wyoming, Texas and New Mexico that are amenable to ISR (in-situ recovery) and are actively advancing other significant uranium properties in the States of Colorado, Utah, Nevada, Oregon and Arizona. Energy Metals Corp has a total uranium portfolio of 160MMlbs+ of historical resources from which 74.5 MMlbs have been converted to NI 43-101 compliant resources. Advanced pre-production testing is taking place at the Company's 100% owned Palangana deposit in Texas while refurbishment continues at the proximal Hobson processing facility. We anticipate that EMC will be able to progress to production in 2008, while it continues to advance its Wyoming uranium assets towards production the year after.

## EMC To Outperform in 2007

EMC's 2006 performance was a function of continued market penetration, solid project and corporate development work, and a commodity price that appreciated in excess of 90% over the year. As a result of the Company's large asset base, acquired over the last three years, the conversion of 74MMlbs of historical resource to 43-101 compliant resources and the optionality of its non-core uranium portfolio, we see substantial upside beyond current stock prices and reiterate our Buy (S) recommendation and C$13.70 target. As EMC moves closer to production (2H 2008) we expect the stock to garner the premium valuation attributed to those Companies having active production as compared to its current status as a developer. Near term production in conjunction with US focused production and a recent listing on the NYSE (Arcana) will provide significant attention on this Company as it continues to execute on its business plan through 2007.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Energy Metals Corporation

**Figure 4 EMC's Uranium Portfolio**

| Property | Location | Prior Operator | Classification | Grade | MM lbs U3O8 |
|---|---|---|---|---|---|
| La Palangana | S. Texas Uranium Belt | Chevron Resources USA | 43-101 Inf | 0.15% | 5.7 |
| Aurora | South East Oregon | Placer Amex | 43-101 Ind | 0.05% | 18.3 |
| Moore Ranch | Powder River Basin, WY | Conoco | 43-101 Mes | 0.10% | 5.9 |
| Moore Ranch | Powder River Basin, WY | Conoco | 43-101 Inf | 0.10% | 0.1 |
| Peterson | Powder River Basin, WY | Cogema | 43-101 Ind | 0.09% | 1.8 |
| Nine Mile | Powder River Basin, WY | Rocky Mountain Energy | Historic | 0.05% | 9.0 |
| Red Rim | Great Divide Basin, WY | Union Carbide | 43-101 Ind | 0.17% | 1.1 |
| Red Rim | Great Divide Basin, WY | Union Carbide | 43-101 Inf | 0.16% | 1.5 |
| Jab | Great Divide Basin, WY | World Resources | 43-101 Ind | 0.07% | 3.6 |
| Hosta Butte | McKinley County, NM | NZ Uranium LLC | 43-101 Ind | 0.11% | 11.8 |
| Crownpoint | McKinley County, NM | Conoco | 43-101 Ind | 0.10% | 15.7 |
| | | | | | **74.6** |
| Antelope | Great Divide Basin, WY | Newpark Resources | Historic Res | 0.07% | 15.0 |
| DW Block | Great Divide Basin, WY | Conoco-Texas Gulf | Historic Res | 0.07% | 12.0 |
| AC Block | Great Divide Basin, WY | OPI Western' | Historic Res | 0.04% | 9.0 |
| Twin Buttes | Great Divide Basin, WY | Kerr McGee | Historic Res | 0.12% | 5.0 |
| RM Block | Great Divide Basin, WY | Rocky Mountain Energy | Historic Res | 0.04% | 4.0 |
| Coyote Basin | Colorado | Western Mining | Historic Res | 0.20% | 35.4 |
| Nose Rock | NM | Union Carbide | Historic Res | 0.14% | 8.0 |
| Frank M | Shootaring Canyon, UT | Plateau Resources | Historic Res | 0.12% | 3.5 |
| Velvet | Lisbon Valley, UT | Union Carbide | Historic Res | 0.43% | 2.0 |
| | | | | | **93.9** |
| | | | | **Total Global Resource** | **168.5** |

Source: Company reports

**Focus On The United States**

The United States is the largest consumer of U3O8 in the world. US annual consumption is on the order of 55MMlbs of uranium, though its production has remained fairly stagnant at 3MMlbs per year over the last five years. 28% of annual global supply is targeted to the US's 103 operational reactors providing 19% or 780.5 BB kWh of the country's energy requirements.

If the Cigar Lake incident has shown us anything, it is the reliance on the uranium market to so very few operations. In fact, in 2005 74% of the world's production was sourced from just 10 operations where McArthur River, Ranger, and Olympic Dam accounted for 40%. The Cigar Lake incident only brings to the forefront the issue of security of supply.

Recently Russia and Kazakhstan signed a $1BB uranium supply contract addressing deliveries between 2006 and 2022. It is expected that Kazakhstan's uranium supply to Russia will increase by up to 6000 tons a year (13MMlbs p.a.). Further Japan and Uzbekistan have signed an agreement aimed at financing the development of the uranium industry in the central Asian country. The agreement was signed between the Japan Bank for International Cooperation (JBIC) and Uzbekistan's Ministry of Foreign Economic Relations, Investment and Trade. The Japan Atomic Industrial Forum said the agreement was aimed at "expanding support" to the Uzbek uranium industry. Uzbekistan will start supplying uranium for Japanese power stations in 2007, according to Nikolai Kucherskii, the director of the state-owned Navoi mining complex. About 300 tons is to be exported in 2007 to Japan via the trading company Itochu Corp. (AP Nov. 3, 2006). What these two agreements signify is that those countries with aggressive nuclear development plans are actively securing supply.

The end result is that a material amount of new supply coming for Asia will be allocated to non-western world consumers and as such North American supply should eventually trade at a premium due to security of supply and scarcity of foreign material, the result of specific allocation. As such EMC offers the investor exposure to US based production

and a portfolio of uranium assets that could by themselves meet the entire US uranium requirements for five years.

**Near-Term Production**

EMC has aggressively advanced its Palangana deposit located near Corpus Christi, Texas throughout 2006. Production is expected in 2008 ramping to 1MMlbs U3O8 per year over two years. At Palangana, various base line studies are in progress; initial vegetation sampling and analyses are complete as is a field study associated with the social-economic impacts of the operation. The Hobson facility located 100 miles from the deposit is being rebuilt to accommodate the processing of 1MMlbs p.a. of U3O8 and at Palangana, the Company is advancing exploration and well field definition as well as initiating construction of the on site satellite processing plant. Palangana has a 43-101 resource of 5.7MMlbs of uranium having an average grade of 0.15%. The deposit is located at relatively shallow depths (400-500 ft) compared to other ISL deposits and as such, the cost of well field construction will likely be significantly less than deeper operations located in other uranium producing basins.

**Production Growth – Wyoming After Texas**

Wyoming hosts in excess of 40% of America's uranium resources focused within three main geological basins; The Powder River, The Shirley and The Great Divide Basins. At present Cameco produces within the Powder River Basin representing the only active ISL operation in the state. EMC owns 100% of three advanced properties in this basin: the Moore Ranch, Peterson and Nine Mile deposits. Currently these three deposits have a combined 43-101 compliant resource of 6.8MMlbs and a historical resource of 9MMlbs at Nine Mile (43-101 resource anticipated in early Q1 2007). The Company is actively advancing these deposits and as all three are located within 30 miles of each other a satellite operating concept as being constructed in Texas will be applied. The second basin of focus for EMC is the Great Divide Basin where the Company has a number of advanced assets at its Red Rim, Jab and Antelope properties. Together this basin hosts 6.2MMlbs of inferred 43-101 resources and an additional 45MMlbs of historic resources spread over 7 properties. A centralized processing operation is planned for the Great Divide properties as well.

Each centralized processing plant is estimated to cost $30-35MM, capable of producing up to 2MMlbs p.a. of uranium having average production costs on the order of $25/lbs (slightly higher than the $20/lbs modelled for Texas as a result of lower grade and greater depth). The Company has guided that production could begin in 2009 from the Powder River basin ramping to 2MMlbs p.a. over three years. In 2010 the Company intends of commencing production from the Great Divide Basin following the same schedule.

When considering both the Texas and Wyoming production profiles of EMC it is projected that the Company could produce upwards of 4-4.5MMlbs of uranium by 2012 having the potential for further expansion beyond that with continued delineation and expansion work. We have valued through the formulation of a DCF a NAV for EMC's production pegged assets of $4.47/share.

**Resource Portfolio Provides Optionality**

When we exclude the 43-101 compliant lbs from the Company's currently planned production assets in Texas and Wyoming we are left with 58.4MMlbs of uranium from deposits such as Aurora, Hosta Butte, and Crownpoint. Currently the Company has no development plans for these assets however it does provide the Company with a number of corporate alternatives such as spin-outs, JV's and district consolidation plays. As the uranium price has appreciated to $75/lbs we have increased our resource multiple applied to compliant resource lbs to $8.50/lbs representing essentially 12% of the current price. We value EMC's non-core 43-101 assets at $4.60 per share.

Of these resources both Hosta Butte and Crownpoint are located in McKinley County, New Mexico and are likely the two most strategically important non-core assets to the Company. Combined, these two deposits total just under 30MMlbs and fall within the same Grant Uranium District as STM's Roca Honda and Church Rock deposits as well as URRE's advanced assets. We see consolidation in the New Mexico Grant's Mineral belt as a strong likelihood and these two assets represent key pieces to any equation in that region.

As well the Company has another 78.9MMlbs of non-43-101 compliant resources (excluding 15MMlbs for the Company's Antelope Property included in our production DCF) covering 9 historical deposits including 35MMlbs at the Coyote Basin and 8MMlbs at the Frank M deposits. Again, these deposits all represent optionality and strategic value to the Company. Through application of a $3.50/lbs resource multiple to these assets we derive an additional $3.44 per share.

**Operational Update**

EMC has reached important key milestones in its efforts to renovate its Hobson Uranium Processing facility near Hobson, Texas. Dedicated salaried and hourly on-site employees continue to remove obsolete piping, pumps, electrical and instrumentation equipment; this is essentially complete. Office and maintenance quarters have been remodeled, updated, and returned to service.

On November 1, 2006, EMC entered into an agreement with Lyntek, Inc. of Denver, Colorado, to provide engineering support for the final design of the expanded and modernized processing facility at the Hobson site. Lyntek is a global mineral processing consultant and construction firm with extensive international experience including design of modern ISR facilities. The newly renovated Hobson plant will have an annual capacity of 1,000,000 pounds of yellowcake, significantly greater than its original design capacity of 600,000 pounds per annum.

Piping and instrument drawings (P&ID's) are 95 percent complete, requests for quotations (RFQ's) have been issued for equipment such as the rotary vacuum product dryer, yellow cake thickener, and filter press. Orders for these items are expected to be placed during February to ensure timely deliveries. In addition, designs for supplemental office facilities, reinforced concrete foundations, and related structures are being created.

Permission has been obtained from the Texas Commission of Environmental Quality (TCEQ) in October 2006 to work-over, evaluate and recommission the deep disposal well. This work-over and testing program began on November 14, 2006 and is essentially complete. Following completion of a required "pressure fall off" test, a status report will be submitted to the TCEQ along with a request to resume operation of the well. Approval is expected during 1Q, 2007.

The Hobson facility is fully licensed to produce and process natural uranium concentrates by the Radiation Control Program of the Texas Department of State Health Services as authorized under an agreement with the US Nuclear Regulatory Commission whereby the Texas State government is responsible for all regulation of radiation within the state except for on-site activities of nuclear power plants and federal facilities. This Radioactive Materials Handling license was initially issued in 1979. Periodic renewal of the license is required and, at present, the renewal frequency is five years. On December 22, 2006, EEI, as the licensee and on behalf of the STMV (South Texas Mining Venture), submitted a comprehensive application to the DSHS for an administrative renewal of this license, RML L03626. The contents of this application conform to all current federal and state requirements and include updated operating plans. Newly completed environmental, social/economic, hydrologic, and radiological risk assessments are integral components of this application. No significant impacts of any type from planned operations were identified.

At this time, all development activities associated with a restart of the Hobson facility are on schedule and within budget for resumption of operations during the first quarter of 2008.

**Valuation**

As discussed above we have divided our valuation for EMC into 3 components 1) A DCF derived NAV10% for its current production profile, 2) $8.50/lbs applied to the Company's compliant 43-101 resources and 3) $3.50/lbs applied to the Company's non-core, no-compliant resources. In total we derive a blended valuation of C$13.70 per fully diluted share. Upside to our valuation exists as more lbs are brought into complaint format and the strategic value of the non-core assets are recognized. As EMC moves towards production we anticipate that a shift in valuation will occur as has been witnessed with other equities evolving towards production; commonly trading at multiples of NAV up to 1.5x.

Over the last 12 months EMC has made three strategic acquisitions, rapidly advanced the Palangana Property and Hobson processing facility, and converted over 75MMlbs of historical resources into 43-101 compliancy. Paul Matysek has worked hard growing a strong operational and management team spearheaded by Dennis Stover, one of the pioneers of ISL extraction. With Stover has followed a number of well-respected ISL and geological operational staff that should facilitate the difficult shift from development to production. We value EMC at C$13.70 per share and have applied a Buy (S) recommendation.

**Figure 5 Energy Metals Corp. - Valuation**

| Valuation Component | Valuation: | Multiple: | Total: |
|---|---|---|---|
| 1) Production Derived NAV | $311,742,851 | 1x | $311,742,851 |
| 2) Resources 43-101 (non-core) | 43.4MM lbs | $8.50/lbs | $368,900,000 |
| 3) Historical Resource (MMlbs)* | 78.9MMlbs | $3.50/lbs | $276,150,000 |
| | **Total** | **US$** | **$956,792,851** |
| | **Total** | **C$** | **$1,100,311,778** |
| | Target: | C$ | $13.72 |

*Antelope Resource Included in Production derived NAV
Source: Sprott Securities

**Figure 6 Energy Metals Corp. – Conceptual Model**

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Prod./Sales (M lbs U3O8) | - | - | 700 | 1,500 | 2,200 | 3,500 | 4,500 | 4,500 |
| Cash Costs (By-prod) | - | - | $20.00 | $22.50 | $22.75 | $24.25 | $24.25 | $24.25 |
| Net Income ($M) | - | - | $20,478 | $54,423 | $84,999 | $119,383 | $156,623 | $55,683 |
| EPS (FD) | - | - | $0.23 | $0.60 | $0.94 | $1.33 | $1.74 | $0.62 |
| CF from Operations | - | - | $29,545 | $63,490 | $94,066 | $128,450 | $165,690 | $64,750 |
| CFPS (FD) | - | - | $0.33 | $0.71 | $1.05 | $1.43 | $1.84 | $0.72 |
| Capex | $8,000 | $8,000 | - | $40,000 | $40,000 | $40,000 | - | - |
| Free Cash Flow | $(8,000) | $(11,960) | $29,012 | $22,454 | $52,574 | $86,170 | $162,774 | $62,100 |

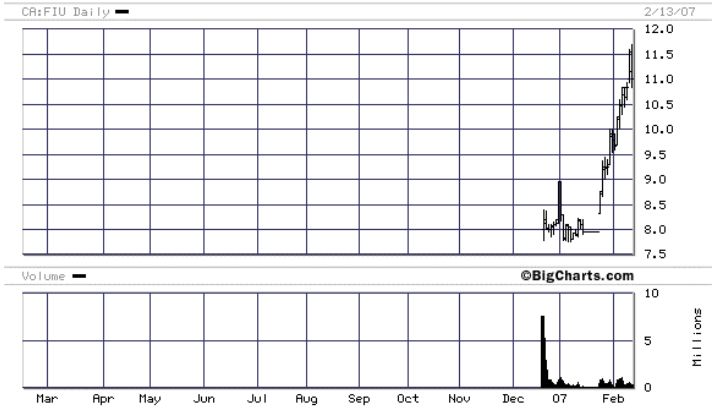
Source: Company reports, Sprott Securities estimates

# ◆First Uranium Corporation

(FIU - C$11.00, TSX)

**Recommendation: NR** **Target Price: NR**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 117.3 MM |
| Fully Diluted | 123.5 MM |
| Management | 88.4 MM |
| Market Capitalization | C$1,358.5 MM |
| Market Float | C$386.1 MM |
| Cash | $133.1 MM |
| Debt | Nil |
| Average Daily Trading Volume | 783,641 |
| High-Low (52 Week) | C$11.69 - C$7.75 |

Source: Company reports, Sprott Securities estimates

### First Uranium- An Overview

First Uranium Corporation is a resource-based company focused on the development of uranium and gold projects in South Africa. The Company has two 100% owned properties situated south west of Johannesburg, the Ezulwini underground mine, which was in operation 1960 until 2001 and the Buffelsfontein (Buffels) tailings property. First Uranium successfully listed on the TSX on December 19, 2006 through an Initial Public Offering (IPO) that raised C$190 MM. Proceeds will be used to put both the Ezulwini and the Buffels properties into production. Initial production is expected to commence in 2008 with an estimated 440M lbs uranium and 114 koz of gold, ramping to full production in 2010 at approximately 2.4 MM lbs of U3O8 and 546 koz of gold. The Company intends on expanding its resource base through an active exploration program and through strategic acquisitions.

### A Snapshot

Management has the resources, capabilities and expertise in the South African mining sector to bring these assets into production in a timely and cost effective manner. The Company will take a focused approach to its efforts as it begins the process of establishing production at its Ezulwini and Buffels properties by H1/08. First Uranium is fully financed to bring its properties into production; as such the Company has the luxury of forgoing a hedge program on its future production; giving potential investors complete exposure to the current bull market for both gold and uranium. Based on the combined global resource of each project the Company has the potential to be in production much longer than the forecasted 19-year mine life at Ezulwini, and 14 year mine life at Buffels. Using the Ezulwini and Buffels projects as a springboard, the Company plans to seek additional acquisitions; joint ventures and/or development opportunities relating to strategically located uranium prospects and properties in Southern Africa, including uranium and gold tailings dumps.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for First Uranium Corporation

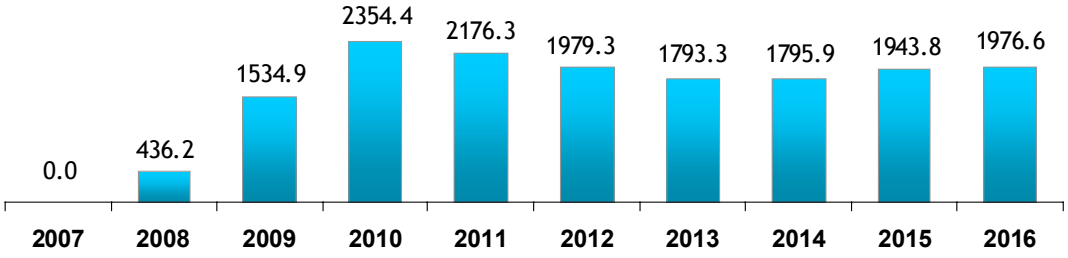
**The Buffels Project**

The Buffels project is situated 160 km southwest from Johannesburg. The project consists of a historic surface tailings property. Total non NI 43-101 measured and indicated resources are 281 MM tonnes grading 0.31 g/t Au and 0.0069% U3O8 for a total in-situ resource of 2.7 MM oz of Au and 43 MMlbs of U3O8. There is a further inferred resource of 30 M oz of Au and 1.0 MM lbs of uranium. The initial treatment process is to utilize hydraulic mining of the tailings into slurry and then use conventional atmospheric acid leach, flotation, and cyanide leaching to separate and process the uranium and gold. The Company is currently reviewing its processing options and may choose to use a pressure leach process, which may improve the overall economics of the process. A pre-feasibility report detailing the various process options and the associated operating and capital costs should be concluded in Q2/07. Construction is slated to being in Q2/07 with production of first tailing anticipated in H2/08.

**The Ezulwini Project**

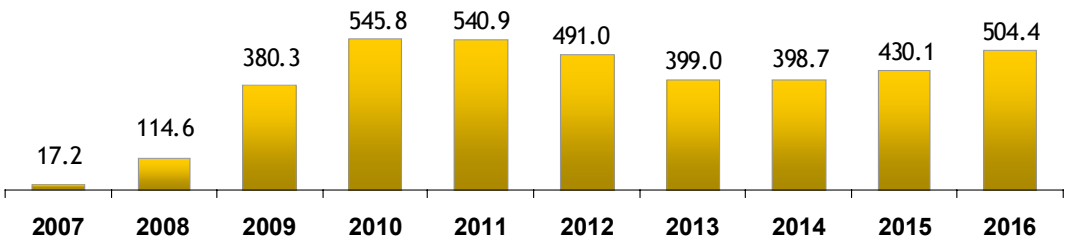
The historic Ezulwini mine is situated 40 km south west of Johannesburg in the western extent of the Witwatersand Basin. As the property is a past producer, 1960-2001, it is endowed with excellent infrastructure. The property has two headframes, four hoists, air compressors, ventilation fans, and underground mining equipment that will allow for quick start-up of the mine. Total non NI 43-101 measured and Indicated Resources are 10.5 MM tonnes containing approximately 2 MM oz of Au and 6.8 MM lbs of U3O8. A substantial inferred resource of 200 MM tonnes containing 32 MM oz Au and 230 MM lbs U3O8 exists and will be brought into the M&I category through definition drilling. Initially gold ore will be processed through a toll mill agreement until the company has finished construction of a stand-alone gold and uranium plant, which is anticipated to be completed in Q1/09. First Uranium will undertake a phased approach to building a 2.4 MM TPY plant, with initial 600 TPY installed in Q2/08 and another 1.8 MM TPY installed over the following 24 mths until final completion in Q2/2010. The production process will consist of a conventional crushing and grinding circuit. Gold will be separated through cyanidation and gravity, while uranium will be separated via an organic media and precipitated producing a uranium intermediate.

**Figure 3 Uranium Production Schedule (MM lbs)**




Source: Company reports

**Figure 4 Gold Production Schedule (M Oz)**




Source: Company reports

**Long Life Reserves**

The Company has an extensive global resource of 242 MM lbs U3O8 and 36 MM oz of gold. The Combination of these resources and the current market price for each commodity ($75/lbs U3O8 and $650/oz Au) justifies a long life mining operation. First Uranium has modeled a 19-year mine life at its Ezulwini Project, which corresponds to approximately 20% of the total global resource being produced over the initial life of mine. The Buffels Project is estimated to have sufficient resources to support a 14-year life of mine plan.

**Near Term Production**

We believe that First Uranium can bring its existing two projects into production over the next two years. The Ezulwini Project is expected to produce small amounts of gold in the second quarter of 2007, which will be processed by means of a toll milling arrangement with a nearby processing plant. The first gold and the first uranium to be processed through the Company's own production facility at Ezulwini is anticipated by later Q4/08. In parallel the Company is anticipating first uranium and gold production from the Buffels in H2/08.

**Production Flexibility**

Both the Ezulwini and Buffels projects have significant unhedged exposure to both the price of gold and uranium. As a result of this exposure the company has the ability to insulate itself from abrupt swings in the commodity price by adjusting its mining plan at Ezulwini accordingly to process gold rich ore or uranium rich ore. Further complimenting its production flexibility is the modular expansion profile at its production facilities that will allow the company to add capacity in a manner that is in line with the market for each commodity.

**Existing Infrastructure**

First Uranium benefits substantially from the existing infrastructure that is on site at both of its properties. The Ezulwini Property was placed on care and maintenance by its previous owner, allowing the Company to accelerated the property back into production with minimal capital expenditure. At Buffels the company will be processing previously mined and processed tailings, resulting in minimal mining costs and capital outlays.

**2007 The Path Forward**

Throughout 2007 the Company will be focussed on re-commissioning the Ezulwini for initial preproduction in late 2007. The re-commissioning process will initially involve de-stressing and shaft refurbishment followed by surface infrastructure refurbishment. Once complete First uranium should be able to ship its initial preproduction ore, which is forecast to occur in late 2007. In conjunction with this process the Company will be constructing its modular gold and Uranium plants, which are forecasted for completion by Q3/09. At Buffels, the company is poised to complete it pre-feasibility study for the project in late Q1/07. Construction of the first modular plant is forecast to begin in early Q2/07 and will be on-going until final completion in Q2/08.

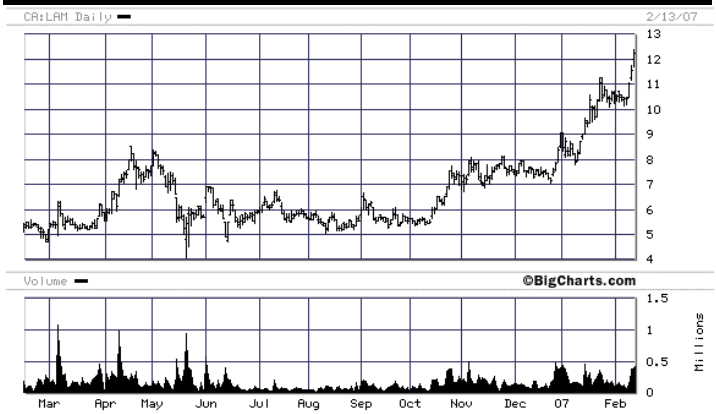
# ♦Laramide Resources Ltd.

(LAM - C$12.22, TSX)

## Recommendation: NR

## Target Price: NR

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 50.4 MM |
| Fully Diluted | 54.5 MM |
| Management | 5.5 MM |
| Market Capitalization | C$666.0 MM |
| Market Float | C$598.8 MM |
| Cash | $19.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 160,246 |
| High-Low (52 Week) | C$12.39 - C$4.06 |

Source: Company reports, Sprott Securities estimates

### Outline

Laramide Resources Ltd. is a Toronto based exploration stage company engaging in the strategic acquisition, exploration, and development of mineral properties in China, North America, South America and Australia. The company's flagship project is the Westmoreland Copper, Gold, and Uranium project situated in Queensland Australia. The Westmoreland property has a large existing indicated and inferred NI 43-101 resource of approximately 49 MM lbs U3O8, at an average grade of 0.12% U3O8. The Westmoreland deposit ranks as one of the top ten largest uranium deposits in Australia. Expanding on its Australian focus, Laramide has recently entered into two joint ventures with Arafura Resources and Hartz Range Mines which gives the company exposure to over 680 M hectares of early stage highly prospective Greenfield tenements in the Australia's Northern Territory.

### Asset Overview

The Company's main asset is its Westmoreland property situated in Queensland Australia, where a non 43-101 resources of approximately 46 MM lbs has been established. To compliment its Australian assets, Laramide has a number US and Canadian based uranium properties. In November 2005, Laramide purchased from Homestake Mining the La Jara Mesa property situated in the Grants Mineral Belt New Mexico, which has an indicated and inferred NI 43-101 compliant resource of 9.5 MM lbs U3O8. The second property that was acquired form Homestake was the La Sal property situated in the White Mesa district of Utah, which contains an historic resource of 2.7 MM lbs U3O8. Laramide has number of secondary projects and strategic investments in base metal and gold properties, They are: the Goliath gold project situated in Dryden Ontario, The Lara copper-gold-zinc project situated on Vancouver island. The strategic investments include 1.0 MM shares in Aquiline resources, owner of the world class Calcatreu Gold and Silver project in Argentina. The Company receives a 2.5% NSR from the Cerro Colorado gold property situate in Sonora Mexico. Finally, Laramide is a major shareholder of Alliance Pacific Resources, which controls 4,500 square km of prospective ground in the western Chinese province of Xingjiang.

**Westmoreland- A Low Risk Deposit**

Mount Isa Mines of Australia originally discovered the Westmoreland deposit in 1956. The most recent owner of the deposit was Rio Tinto (RTZ). Rio Tinto completed a Pre-Bankable Feasibility Study (PBFS), which included 86,700 meters of total historic exploration drilling. Based on the PBFS it was determined that the Westmoreland deposit would be mined as an open pit deposit and underground deposit. Test work returned favourable recoveries with low acid consumption. However, RTZ made the decision not to pursue the project in 1998 based on the low uranium prices ($10.41/lbs U3O8) at the time and political environment in Queensland towards uranium. In the current uranium market, the Westmoreland deposit would be extremely profitable as the in-situ value of the deposit is approximately $3.45 BB. We believe that the political climate is changing in Australia and that the Westmoreland deposit will eventually be put into production. As a result of previous work completed on the property the Westmoreland deposit could be put into production in relatively short order.

**Improving Australian Political Climate**

Australia hosts the world's largest global uranium resources with 40% of recoverable resources, ahead of Kazakhstan and Canada with 16% and 12% respectively. Through Olympic Dam and Ranger, the country currently supplies approximately 20% of the world's uranium, second in volume to only Canada. Currently the Labour Government of Queensland state does not approve of new uranium mining operations. Recently the Northern territory Government handed over all regulation and governance for future uranium mining to the Australian Federal Government. The current federal administration, a Liberal-Party led coalition, has exhibited a willingness to consider new uranium developments leveraging the positive supply/demand fundamentals for the metal and the endowed national resource base which it has. Recently the federal government has signed a bilateral agreement with the Chinese permitting the country to invest in, mine and buy Australian uranium. The Labour party is set for a referendum on the issue in April of 2007 at their federal policy conference. The Queensland government has stated that it will abide by any change in the Labour policy and license new mines if that represents the parties stance on the issue.

**Westmoreland Looking Ahead**

Through 2006 the company successfully converted its historic resource of 49 MM lbs U3O8 to NI 43-101 compliancy. In parallel the company began a scoping study on the project, which we anticipate will be released in late Q1/07. In 2007 Laramide will initiate the environmental and mining permitting processes. As well, the company will continue its drill program to define and expand further resources.

**Do Not Forget About the US Assets**

In 2006 a 9.5 MM lbs NI 43-101 complaint resource was completed on the La Jara Mesa property situated in the prolific Grants Mineral Belt in the state of New Mexico. The Company initiated a drill program in late 2006, which will carry through 2007 with the intention expanding the total resource of the property. At the La Sal property situated in the White Mesa district of Utah the company will initiate the permitting process and pursue potential milling off-take agreements for its ore. Although the Westmoreland property is the primary focus of the company, we believe the Company's US assets gives it flexibility. Ultimately we believe Laramide will spin out or monetize its US asset base and focus its attention solely on bringing Westmoreland into production.

**Valuation**

Currently we do not provide a valuation and target price for Laramide, as we would like to have further clarity on the political situation regarding uranium mining in Australia. However we believe in the attributes of the Westmoreland property and will review our valuation of the company once the referendum on this issue is completed in April of this year.

# NUKEM Corporation
(Private)

**Recommendation: NR** **Target Price: NR**

This company is not publicly traded

### NUKEM - A Company Overview

NUKEM Corporation is a multi faceted company focussed on the global Nuclear Industry. The NUKEM Group had sales in FY2005 of $606 MM and backlog order book of greater than $1.3 BB. The NUKEM Group of companies is focussed on providing experience to allow for the transfer of advanced international nuclear waste management technologies and the trading of nuclear fuels. The NUKEM Group is made up of six separate companies that fall under the NUKEM Corporation umbrella. The six companies are:

1. NUKEM GmbH (NG) situated in Alzenau, Germany, is the corporate leader of the NUKEM Group, which provides a complete suite of process engineering, waste management, waste operations, and decommissioning and decontamination services associated with the international nuclear industry.
2. NUKEM Corporation (NC) situated in Columbia, SC is a 100% subsidiary of NUKEM GmbH. NC specializes in the processes of radioactive waste management. The Company specializes in the handling of shipments, decommissioning, and engineering in North American market.
3. NUKEM Ltd. (NL) situated in Manchester, England, is a 100% subsidiary of NG that specializes in remediation, decontamination, and decommissioning in UK marketplace.
4. NUKEM, Inc. (NI) situated in Danbury, CT, is a 100% subsidiary of NG that specializes in nuclear fuels trading. As well, NI is author to the internationally acclaimed magazine "NUKEM Market Report".
5. Assistance Nucleaire S.A. (ANSA) situated in Bouzonville, France, is a 100% subsidiary of NG that provides services using remote handling robotics.
6. NULUX NUKEM Luxemburg GmbH situated in Luxembourg, is a 50% subsidiary of NG, specializing in nuclear fuel project financing. The balance of ownership is with Dresdner Bank.

# ◆Paladin Resources Limited

(PDN - C$9.25, TSX; PDN - A$10.00, ASX)

**Recommendation: BUY** **Target Price: C$10.00**

**Figure 1 Estimates**

| YE Dec. 31 | 2006E | 2007E | 2008E | 2009E | 2010E |
|---|---|---|---|---|---|
| EPS | $(0.02) | $0.05 | $0.36 | $0.66 | $0.60 |
| P/E | -- | 166.5x | 23.1x | 12.6x | 13.9x |
| CFPS | $(0.02) | $0.06 | $0.38 | $0.70 | $0.64 |
| P/CFPS | -- | 138.8x | 21.9x | 11.9x | 13.0x |

Source: Company reports, Sprott Securities estimates

**Figure 2 Price Chart**


Source: BigCharts (February 14/07)

**Figure 3 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 497.3 MM |
| Fully Diluted | 517.8 MM |
| Management | 32.0 MM |
| Market Capitalization | C$4,789.7 MM |
| Market Float | C$4,493.7 MM |
| Cash | $255.0 MM |
| Debt | $320.0 MM |
| Average Daily Trading Volume | |
| TSX | 2,496,381 |
| ASX | 2,497,023 |
| High-Low (52 Week) | |
| TSX | C$9.47 – C$2.49 |
| ASX | A$10.47 – C$2.78 |

Source: Company reports, Sprott Securities estimates

### Outline

Paladin Resources Ltd is a uranium focused mid tier mining company. Construction of its first mine in Namibia is complete and a bankable feasibility study from its second operation is expected early Q1-2007. PDN will be the first new mid-tier company to enter the uranium industry as a producer in more than 10 years producing an annualized 2.6MMlbs of U3O8 with first deliveries expected in Q1 2007. With the Company's first operation complete and the BFS expected this month from its second planned operation, Kayelekera. PDN remains one of the premier emerging uranium Companies in the sector.

### Delivering on Expectations

Paladin Resources has one of the strongest growth profiles in the sector with production forecast at 850M lbs in 2007 growing to 6.7MMlbs in 2010 with full production at Kayelekera (2.7MMlbs p.a) achieved and stage two expansion to 3.6MMlbs pa at Langer completed.

The Company has guided that by 2012-2013 they hope to produce in excess of 12 MMlbs of uranium, This may be possible if the BFS for Kayelekera suggests a larger production profile and the Company continues with its development schedule at Valhalla pending a positive outcome at the Labour Party's referendum on uranium mining in April of this year.

We expect that PDN will continue with both an aggressive development, exploration and acquisition strategy as it works towards becoming a top 5 producer of uranium globally. We maintain our C$10.00 target and have lowered our recommendation from Top Pick to Buy based upon price appreciation.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Paladin Resources Limited

**Langer Heinrich Produces**

Late December PDN announced that the construction and staged commissioning of the Langer Heinrich uranium project had been successfully achieved with a smooth transition for the project to Paladin's operational staff. RD Minproc, the Project Manager, has demobilized the primary construction work force keeping a select team of 50 construction people on site to complete any priority construction rectification work. Worldwide, this is the first complete new conventional uranium mining operation to come into production in a decade. The operation was completed on time and on budget.

The mining operation is well advanced, supplying ore to the crusher. The crushing, scrubbing, attritioning, leaching/heating, CCD's and tails discharge slurry circuit are balanced, providing pregnant liquors to the uranium oxide extraction circuit. This circuit consisting of ion exchange, precipitation, elution and product preparation is fully functional and has produced Paladin's first uranium oxide concentrate commonly known as "yellowcake". The alkaline leach process is validated and performing to the desired outcome producing drummed uranium oxide product. Although a number of teething problems have been identified in the plant during the course of commissioning, the company suggests that none are considered major and will be remedied in the coming week. The most significant of these problems include intermittent jamming of the apron feeder, under-performance of the design parameters of the attritioner circuit and minor leakage of leach tank seals; current work is under way to rectify these issues. The processing circuits including leach, CCD, precipitation to packaging are, operating and performing well, with only minor modifications to address.

The process of plant optimisation and construction rectification work will now continue as the LHU operational team proceed with the ramp up phase to achieve the name plate production rate for Stage 1 of 2.6 million lbs yellowcake per annum. We have modeled PDN producing 850M lbs of uranium during calendar 2007 and anticipate that full capacity will be achieved by mid-2007.

**Kayelekera Next**

The Company has received the initial draft of its BFS for its 100% owned Kayelekera project located in Malawi. A significant amount of front-end engineering work has already been completed and as such we anticipate that the BFS will be robust both in scale and scope of operation. Currently we are modeling Kayelekera producing 2.7MMlbs p.a. at an average cost of approximately $16/lbs. We expect that the Company will be releasing the BFS early in Q1.

Negotiations on the Development Agreement to provide a 10-year fiscal and operational stability period for the Kayelekera Project have been finalised with Malawi Government officials. The Development Agreement has now been recommended for approval by the Cabinet. This is expected to be approved by the Malawi Government in the very near future.

The overall schedule is still being maintained for commissioning of the Kayelekera Uranium Project by September 2008.

**Australian Assets**

Currently PDN has ownership in three advanced uranium assets located in Western Australia and Queensland. The Manyingee project and Oobagooma are located in Western Australia and have JORC compliant resources totaling 48.4MMlbs of U3O8, and from the Company's recent Valhalla transaction the Company has accumulated 39MMlbs from its 50% share in the Valhalla deposit. In total the Company has almost 90MMlbs of compliant inferred resources that are well advanced and awaiting a change in the political climate of Australian uranium mining, which may be coming.

**Australian Federal Government Speaks Out**

Late December Australia's Prime Minister John Howard urged Australia's regional governments to end bans on new uranium mines that currently prevents the nation from benefiting from the recent uranium boom. Australia, with 40 percent of the world's uranium's reserves, contributes just 23 percent of global output because of a ban on new uranium production and development currently in place. The bans were introduced in 1983 by the Labour Party, which lost office in 1996 to Howard's coalition government. Labor controls all eight state and territory governments and the party's policy will be reconsidered at a conference in April. The Labour party has replied: Kevin Rudd, leader of the opposition Labor Party at federal level, favors scrapping the prohibition on uranium expansion, while regional leaders such as Western Australia Premier Alan Carpenter want to keep it. South Australia's Premier Mike Rann supports the expansion of uranium mining, while Queensland Premier Peter Beattie has said he will abide by the decision due to be taken at the party's conference in April.

Australia may start using nuclear power within 15 years and build as many as 25 reactors by 2020 to meet one-third of the nation's energy, according to the uranium report ordered by the government and produced by a team led by former Telstra Corp. chief executive Ziggy Switkowski.

Australia's federal government controls the sale of uranium while state and territory governments administer mining permits. Mining of the metal is limited to three sites: BHP Billiton's Olympic Dam mine in South Australia; Energy Resources of Australia Ltd.'s Ranger mine in the Northern Territory; and Heathgate Resources' Beverley mine in South Australia. Heathgate is owned by San Diego-based General Atomics

**$250MM in Convertible Debt Complete**

PDN has completed its issue of $250MM of 4.5% convertible bonds due December 15, 2011. Proceeds from the offering will be used to further advance the development of the Kayelekera Project in Malawi, establish a uranium-marketing subsidiary, fund opportunities for acquisitions and corporate growth and for general corporate purposes. Paladin's uranium marketing subsidiary will, amongst other things, establish its own uranium inventory to afford the Paladin Group flexibility and stability of ongoing supply. The completion of this debt package provides PDN with full funding at its next operation and allows sufficient cash flow to cover any working capital requirements at Langer until full capacity is achieved and allows the Company to remain aggressive on the corporate front.

**Valuation**

As Langer has reached production and the alkaline leach process has been proven, a substantial degree of technical risk has been eliminated. As well, we have assigned $8.50/lbs to the 90MMlbs of compliant JORC resources that the Company has defined in Australia as we anticipate that the Labour Government will revise its stance on uranium mining in April and positively impact PDN's future growth profile.

Paladin continues to deliver and we anticipate that the BFS from Kayelekera will show upside beyond our current estimates. We maintain our C$10.00 target derived through application of a 1.5x NAV to our $6.71 per share NAV 5%. However as a result of price appreciation we are adjusting our recommendation to a Buy from a Top Pick as we see about 15% upside remaining in our valuation over the next 12 months as compared to the 370% witnessed in 2006. In our opinion PDN has become the bellwether of the uranium industry and as such upside may exist to our target as the Company reveals its growth strategy beyond Kayelekera.

**Figure 4 Paladin Resources Limited – Conceptual Model**

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Prod./Sales (M lbs U3O8) | - | 850 | 3,347 | 6,769 | 6,769 | 6,769 | 6,769 | 6,769 |
| Cash Costs (By-prod) | - | $12.58 | $19.46 | $14.18 | $14.18 | $14.18 | $14.18 | $14.18 |
| Net Income ($M) | - | $27,087 | $185,443 | $341,459 | $310,434 | $311,184 | $323,184 | $162,309 |
| EPS (FD) | - | $0.05 | $0.36 | $0.66 | $0.60 | $0.61 | $0.63 | $0.32 |
| CF from Operations | - | $29,137 | $193,517 | $357,786 | $326,762 | $327,512 | $339,512 | $178,637 |
| CFPS (FD) | - | $0.06 | $0.38 | $0.70 | $0.64 | $0.64 | $0.66 | $0.35 |
| Capex | - | $85,000 | $85,000 | - | - | - | - | - |
| Free Cash Flow | - | $(65,863) | $95,260 | $342,989 | $311,964 | $312,714 | $324,714 | $163,839 |

Source: Company reports, Sprott Securities estimates

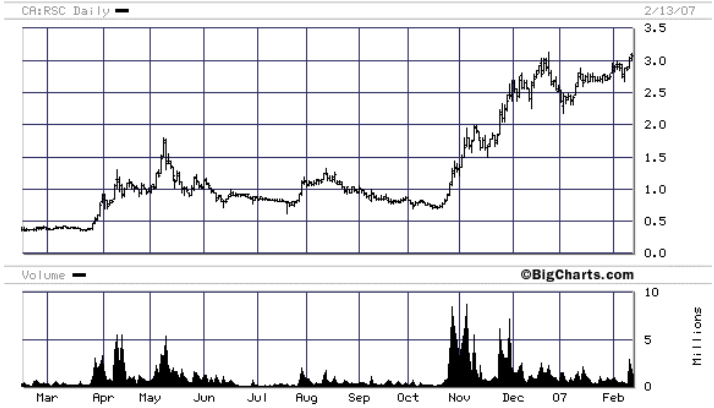
# ◆Strateco Resources Inc.

(RSC - C$3.08, TSXv)

## Recommendation: NR

## Target Price: NR

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 106.6 MM |
| Fully Diluted | 114.9 MM |
| Management | 9.0 MM |
| Market Capitalization | C$353.9 MM |
| Market Float | C$326.2 MM |
| Cash | $33.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 1,128,700 |
| High-Low (52 Week) | C$3.12 – C$0.35 |

Source: Company reports, Sprott Securities estimates

### Company Overview

Strateco Resources is a junior exploration and development company focussed on the discovery of uranium. The Company focussed its efforts towards uranium in Q2/05 with the signing of a letter of intent with Ditem Exploration to earn a 51% interest in the Matoush property situated in the Otish mountains of northern Quebec. To further consolidate its position, Strateco acquired an option from Vija Ventures to acquire a 100% interest in the Eclat property, which lies adjacent and to the south of the Matoush property. Complimenting its initial interests in the Matoush property Strateco staked an additional 15 claims, totalling 797 hectares, adjacent to the Matoush property. In early Q1/06 the initial letter of intent with Ditem was re-worked giving Strateco 100% of the Matoush property rights. The cost to Strateco was a small cash payout, 400M Strateco shares, and a 2% Net Smelter Royalty (NSR) on any future production. It is important to note that Cameco has a large land position to the south of Strateco's properties. Strateco also holds uranium properties in the Mount Laurier district of Quebec.

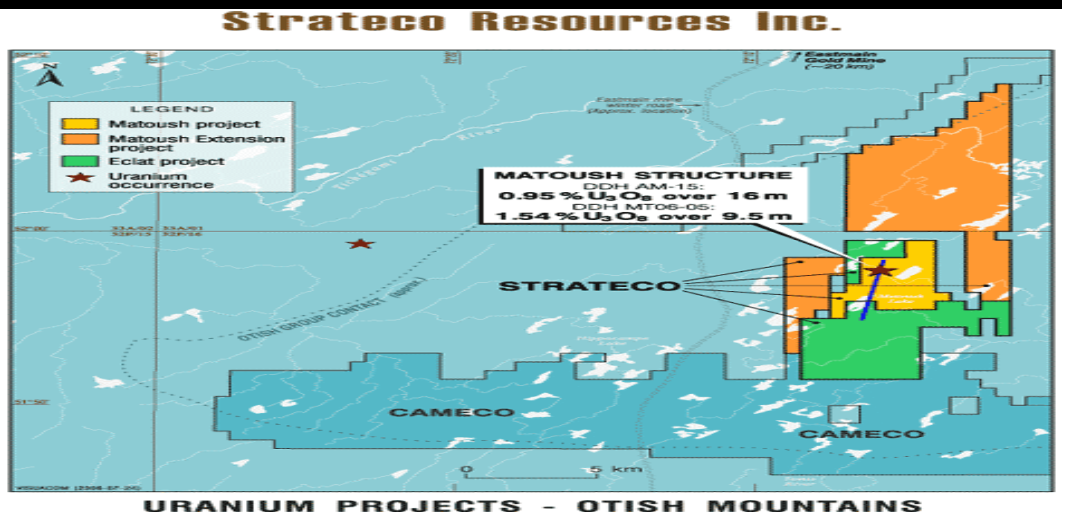
### Asset Base - A History

Strateco's primary assets are its Matoush and Eclat properties in the Otish Basin district of northern Quebec. The Otish Basin is 300 km north of Chibougamau and accessible by floatplane, helicopter, and by the Eastmain winter road running 7 km to the west of the Matoush property.

Uranerz Exploration and Mining had explored the Matoush property in 1983 by drilling approximately 22 holes. Initial results from this drill program were encouraging, with the best intersection returning 0.95% U3O8 (21.0 lbs/tonne) over 16 meters. However, like most uranium companies of the day, Uranerz dropped its exploration program due to the plummeting uranium market. As such, Strateco now has the primary property that encompasses Uranerz original claims. Uranerz's original drill program has allowed Strateco to take a focussed approach to its exploration program.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Strateco Resources Inc.

**Figure 3 The Matoush Properties**




Source: Company reports

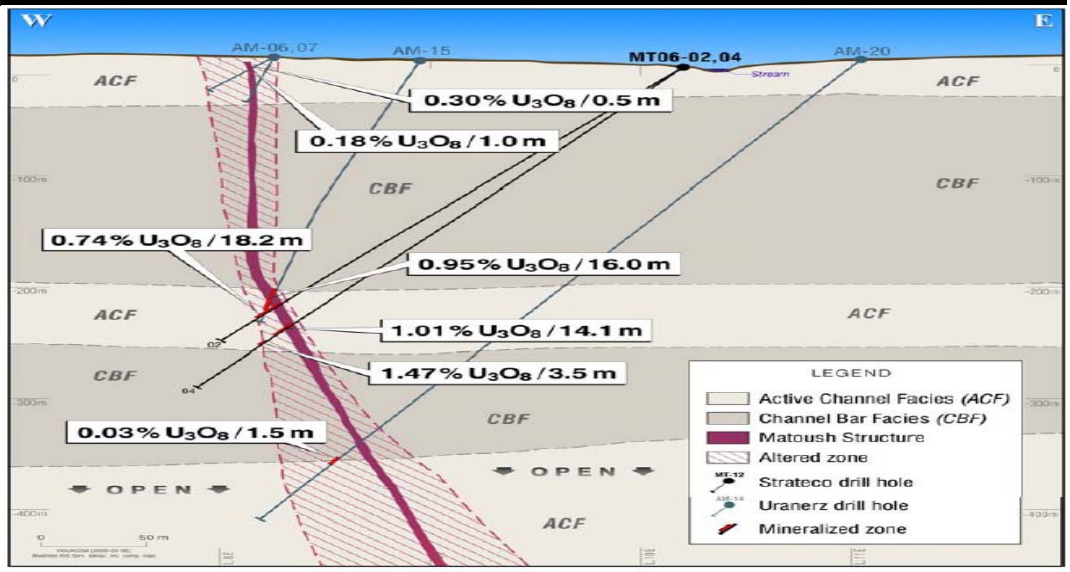
**Defining A District**

As Figure 3 suggests, Cameco Corporation has been very active in the area as its claims border Strateco's properties to the south. The Otish Basin is believed to be, in many ways, geologically analogous to the Athabasca Basin, and thus it has the potential to contain unconformity type deposits. Historically the region has been under-explored, with the last significant drill program taking place in the early 80's by Uranerz Mining and Exploration. Uranerz was successful through its drill program in demonstrating the uranium potential in the Otish mountains of Quebec. There remains significant regional upside as the previous exploration program that was carried out by Uranerz covered approximately 900 m of the 3900 m Matoush structure. To date its is believed that mineralization is structure controlled, confined within the Arkosic Sedimentary Horizons (ACF) that run perpendicular to the Matoush structures (Figure 4). If the continuity of mineralization remains consistent along the Matoush structure at depth and along the ACF horizons, then Strateco could be on the verge of a major new uranium discovery. Mineralization has been intercepted at relatively shallow depths of 200 m. As such, the company's exploration program moving forward will focus on step-out drilling the ACF horizons along the strike chasing along Matoush structure as well as drilling a few deep holes to test the basement.

**Strateco Taking the Reins In 2006**

The Company began an aggressive drill program in late Q1/06. Strateco focussed its drill program around the initial discovery hole AM-15, 0.95% U3O8 (21.0 lbs/tonne) over 16 meters, that Uranerz drilled in 1983. The program consisted of a 10 holes equating to approximately 4000 m of linear drilling. Based on this drill program the Company intended to gain a better understanding of the geology and structure controls on the property. Initial drill results from this program returned encouraging results with intervals as high as **12.4 m grading 2.10 % U3O8**. Based on these results it became apparent that mineralization appeared to be confined to the ACF horizons that run perpendicular from the Matoush structure forming structurally controlled halos radiating into the surrounding country rock (figure 4). A total of 38 drill holes were completed, of which 25 drill holes were analysed and 13 are in queue to be released. Based on the 25 drill holes to date it is believed that the company has defined a, non-NI 43-101, resource of approximately 8.0-10.0 MM lbs U3O8. We expect the final 13 assays to be released in mid Q2/07.

**Figure 4** **Matoush Project Longitudinal Section**




Source: Company reports

**2007- The Path Forward**

Based on the success of the 2006 drill campaign the Company will move forward with a 30,000 m drill program in 2007. To accelerate resource definition the Company has brought in two more drills for a total of three. One drill will be used for resource definition and infill drilling; the second drill will be used for step out drilling on the ACF horizon (200-230 m) to determine the extent of mineralization in relation to the Matoush structure along strike. Finally the third drill will be used to drill to basement to test the thesis of stacked or repeated ACF horizons while accessing the unconformity for basement-hosted mineralization. Based on the infill drill program the Company should be able to release a preliminary resource update by Q4/07. It is believed the Company will seek a TSX listing in 2007. Strateco is fully cashed up with the closing of its recent $25 MM financing to carry out this aggressive phase 2-drill program.

**Valuation**

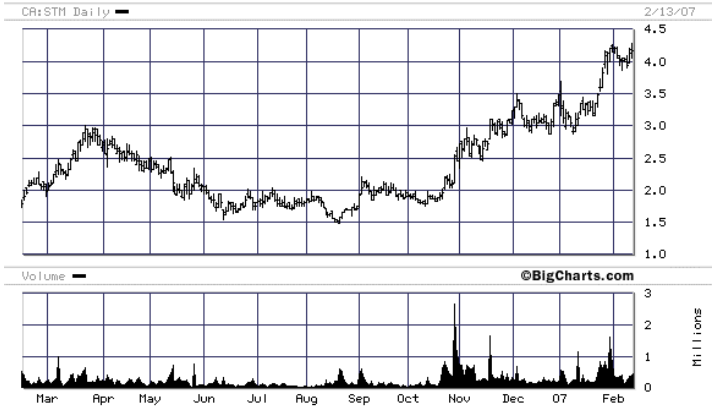
To date we do not have a valuation or target price for Strateco, as the Company is still in the initial stages of its exploration program. However, we believe that Strateco is in the midst of defining a new uranium district within the Otish Basin of northern Quebec. We have visited the site and we are encouraged by what we have seen. We view 2007 as a critical year for Strateco and we will continue to monitor the company closely.

# Strathmore Minerals Corp.

(STM - C$4.17, TSXv)

**Recommendation: BUY (S)** **Target Price: C$4.70**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 70.1 MM |
| Fully Diluted | 76.4 MM |
| Management | 8.7 MM |
| Market Capitalization | C$318.6 MM |
| Market Float | C$282.3 MM |
| Cash | $34.3 MM |
| Debt | Nil |
| Average Daily Trading Volume | 267,506 |
| High-Low (52 Week) | C$4.29 – C$1.49 |

Source: Company reports, Sprott Securities estimates

### Outline

Strathmore Minerals has a total uranium portfolio of 159MMlbs of historical resources of which 73.9 MMlbs have been converted to NI 43-101 compliant form. The Company is focussed on its primary US based properties, located in the Grant's Mineral Belt in New Mexico and Wyoming. STM continues to accelerate development in both regions as its key properties are currently in the permitting stage. We expect that Strathmore will be able to progress its properties to eventual production, however, as we believe the four corners region of the US is ripe for consolidation, Strathmore also represents a prime target as the NM Grants Uranium Belt is highly fragmented and STM's assets are among the most advanced in the region

### Strathmore Gaining Momentum In 2007

Strathmore was among the first juniors to enter the Grants Mineral Belt and uranium sector in general in early 2002. As such this first mover advantage provided the Company with the opportunity to choose from the cream of historically defined deposits. STM acquired the Roca Honda and Church Rock deposits in New Mexico during this exercise. These deposits had in excess of 1MM feet of drilling completed and represented Kerr McGee's top two development targets defined before the crash of the uranium price in the early 1980's. As the Company has all of the associated historical databases, they were quickly able to formulate a large, compliant resource and advance these projects to the permitting stage with very little work and capital expensed. Currently the Company is in its second year of permitting at Roca Honda and first year at Church Rock. In addition to the Company's New Mexican projects they have over 100MM lbs of 43-101 compliant and historical resources located throughout the US and Canada. This provides the Company with optionality and the potential for JV's, spinouts and sale of non-core assets. We value STM solely on its core assets in New Mexico and Wyoming deriving a C$4.70 target price.

**Figure 3 STM's Uranium Portfolio and Resource Status**

| Location | Classification | Tonnes | Grade | Contained U3O8 MM lbs |
|---|---|---|---|---|
| Churchrock, NM | 43-101 M&I | 6,221,467 | 0.095% | 11,848,007 |
| | 43-10 Inf | 1,950,560 | 0.091% | 3,525,342 |
| Roca Honda, NM | 43-101 M&I | 3,782,000 | 0.231% | 17,512,000 |
| | 43-10 Inf | 4,546,000 | 0.174% | 15,832,000 |
| Duddridge Lake, SK | Geological Estimate | 357,310 | 0.105% | 753,924 |
| Dieter Lake, Que | 43-101 Inf | 19,312,816 | 0.063% | 24,424,306 |
| **Total 43-101 Resource** | | | | **73,895,579** |
| Sky Project, WY | 43-101 in Progress | | | 1,600,000 |
| Nose Rock, NM | Historic | 6,694,217 | 0.135% | 18,230,955 |
| Dalton Pass, NM | Historic | 3,470,000 | 0.070% | 4,735,000 |
| | | 459,000 | 0.085% | 765,000 |
| Copper Mountain, WY | Historic | 45,570,000 | 0.027% | 24,607,800 |
| Pine Tree, PRB WY | Historic | 1,947,000 | 0.070% | 2,646,000 |
| | | 625,000 | 0.060% | 750,000 |
| Reno Creek | Historic | | | 5,300,000 |
| SWD Clain, WY | Historic | | | 1,340,000 |
| FMC Claims, WY | Historic | | | 4,000,000 |
| Red Creek, WY | Historic | | | 10,500,000 |
| Shirley Basin, WY | Historic | | | 2,000,000 |
| Gas Hills Region, WY | | | | |
| Loco-Lee, WY | Historic | 3,367,019 | 0.069% | 4,642,443 |
| George-Ver, WY | Historic | 1,029,455 | 0.072% | 1,491,995 |
| Bull Rush, WY | Historic | 1,735,030 | 0.060% | 2,306,052 |
| **Total Historic Resource** | | | | **84,915,245** |

Source: Company reports

**Lower Risk – US Based Properties Are Well Understood**

STM's primary properties are located within Grant Uranium District of New Mexico, one of the world's largest historic uranium producing regions having produced approximately 350 MM lbs between 1948 and 2000. The Company's primary assets (Roca Honda and Church Rock) were previously owned and operated by Kerr McGee and Rio Algom, which drilled over 1MM feet and advanced the assets towards production before the price of uranium crashed in the early 1980's. As a result of this previous work and STM's possession of the historical data, the Company was able accelerate initial resource work on these deposits. In conjunction with the accelerated 43-101-resource definition, little drilling was needed to confirm the existing database resulting in a low capital outlay by the Company to advance these assets.

A complete asset description is provided above, but in summary Roca Honda and Church Rock contain a total of 46.8MM lbs of 43-101 complaint resources. Church Rock is an ISL target having over 300M feet of drilling completed by Kerr McGee on the 640-acre land parcel. In the 1980's this property was considered Kerr's #1 uranium development property and prior to the collapse of the commodity the efforts were being made to advance the asset to production. As an ISL target, the capital requirements to advance this project to production would be minimal compared to a conventional mining operation. The Company has initiated permitting of the operation and is targeting it to become a 1.0MM lbs per year producer. In the area the NRC has granted approval for and ISL operation at HRI's operations proving that permitting is possible in the district. Production from HRI's operations is expected to begin next year.

At Roca Honda, the Company has a total resource of 33MMlbs in the MI and I category. This project has over 800M feet of drilling with internal feasibilities studies completed by Kerr McGee. The Company is 1.5 years into the permitting process, has purchased a site for a mill and is moving towards feasibility on the property. The Company is targeting 2-2.5MMlbs p.a. production, with average cash costs on the order of $15-$17/lbs. We anticipate a capex of at least $250MM.

**New Mexico Is A Fragmented Region**

Strathmore's primary properties are located in a district that is highly fragmented with a number of smaller players holding key assets in the region. We believe this region is ripe for consolidation. URRE has signed a $50MM investment deal with Itochu, the largest Japanese uranium trader, suggesting that deep and motivated pockets are aggressively taking an interest in the district. The key players, other than Strathmore, with advanced projects within the region include Uranium Resources (URRE), Energy Metals Corporation, and General Atomics. Other companies in the region that have accumulated land packages that are at a less advanced stage in the development process include, Laramide Resources, Western Uranium, Max Resources, and Powertech Uranium. Companies with advanced assets moving forward with development include Energy Metals whose properties include the Nose Rock, Crownpoint, and Hosta Butte, containing approximately 36 MM lbs U3O8. Uranium Resources, is the most advanced in the permitting process and has three main projects, the Church Rock, Crownpoint, and Santa Fe properties. These properties contain a historic resource of approximately 33-45 MM lbs of U3O8; with upside to add resources with continued drilling. Total resources of the three companies, Strathmore, Uranium Resources, and Energy Metals equate to approximately 112 MM lbs of uranium. All three of the companies are located very close to each other and consolidation could bring scales of economy to the district allowing for larger production growth.

**Permitting A Challenge In NM – Some Head Way Being Made**

The political climate in New Mexico continues to slowly become more accepting of uranium mining. There are issues regarding native Navajo lands, in 2005 the Navajo Nation put a ban on all uranium mining on its lands. However, this ban on uranium mining has yet to percolate through the rest of New Mexico, where it seems the political climate is more accepting of uranium mining. There have been key political developments with Uranium Resources, Inc (URRE) which confirm that the political climate in the state of New Mexico is turning the corner. In Q2/06 the company announced that the Nuclear Regulatory Commission (NRC) reconfirmed a previous decision that the company's proposed uranium project will not be a public health concern. As a result of this positive decision the company's sub, Hydro Resources Inc (HRI) would not have its license to perform ISL mining revoked, thus paving the way for final licensing of the company's Crownpoint property. With these political decisions gaining momentum in favour of uranium mining, the Company is now in a position, along with its join-venture (JV) partner Itochu Corporation of Japan, to develop its other regional properties.

However another hurdle has appeared as the United States Environmental Protection Agency (USEPA) has reached a decision on the Indian country status of Section 8 of URI's Churchrock property (separate from STM's) in New Mexico. As the Company has previously disclosed, the underlying issue in the determination was whether the USEPA or the New Mexico Environment Department has the authority to issue a UIC permit required to mine the Churchrock property. The EPA has determined that Section 8 is Indian country, and therefore, it is under its jurisdiction to administer the UIC program permit.

The jurisdictional dispute originated among the State of New Mexico, the USEPA and the Navajo Nation and was taken to the Tenth Circuit Court of Appeals, which in January

2000 remanded to the USEPA the issue whether the Section 8 Churchrock property was Indian country.

The Company has anticipated that, whatever decision was rendered by the EPA, it would be appealed to the federal courts, either by URRE or the Navajo Nation. The Company is reviewing the decision and will appeal to the United States Court of Appeals for the Tenth Circuit.

These events do impact some of STM's core properties however the Company maintains that they will require 6 years to get to production in NM, and will focus initial efforts on its Wyoming ISL operations and more distal NM properties where they have already begun permitting efforts and purchased ground for mill construction.

As a show of State support for the nuclear industry the state of New Mexico has given initial approval to Louisiana Enrichment Services (LES) to build a gas centrifuge enrichment facility in Eunice, NM. This is the first enrichment facility built in the US in over 30 yrs, adding further credence to the nuclear revival in the state of New Mexico. As such, it is quite clear that the climate for uranium mining continues to improve and that once again the state of New Mexico is poised to become a major producer of uranium.

**Wyoming First**

The bulk of STM's technical experience has been focused within Wyoming and on ISL operations. Due the permitting required in New Mexico and the advanced work completed on a number of the Company's Wyoming assets we anticipate that production will first commence in Wyoming. Based upon the Company's conservative estimates, production is anticipated at its 100% owned Sky Project in 2009 likely producing on the order of 500K lbs p.a and from its Gas Hills operations in 2010 where a centralized processing plant like that proposed by EMC for its Wyoming assets is being considered. Due to the size of this asset base we anticipated that production could be on the order of 1-1.5MMlbs p.a. The Company has initiated permitting efforts here. We present a description of these assets below.

**Production and Permitting**

STM has made no false promises of production from its US assets and is fully aware of the hurdles that lie before it. In 2006 STM initiated permitting at both its Roca Honda and Church Rock properties. At Church Rock, STM has been developing the mandatory corporate programs, and performing the required studies for permitting of an in-situ recovery facility on site. This is currently in the second year of permitting. The Company is preparing to submit an application for an operating license from the federal and state government agencies to operate such a facility. Draft copies of radiation, health and safety, and quality assurance studies have been completed and are being formulated into an official submittal. STM is pursuing acquisition of the water rights and access agreements to successfully operate the project. For nearly a year, STM's Santa Fe office has been advancing the permit process and expects that this will take 3-4 years before production will be reached.

At STM's Roca Honda deposit the Company has commissioned a feasibility study for the conventional mining of the deposit. Roca Honda is the second mine permit application to be initiated by STM in New Mexico. As noted, the Company has picked a site for a mill and continues with the permitting of that application.

The Company expects that though its New Mexican assets could provide the Company with significant production (+3-5 MM lbs U3O8combined) initial product will be derived from one of its Wyoming targets namely, the Sky or Gas Hills ISL operations. Permitting for these projects also began in 2006 with production projected to begin in 2009. We see STM's advanced permitting drawing the attention of those would-be consolidators within the USA. With the uranium price at all-time highs those assets that could have production

within the next 4-5 years will be the focus of new producers looking for production beyond the extent of existing organic growth. Table 2, below presents an idealized permitting and production schedule for Strathmore

**Figure 4 STM's Schedule For Development**

| STRATHMORE | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Possible Project | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Project A | SKY | Permitting | | Dev. | | Production | | | | | Restoration | | | | | |
| Project B | GAS HILLS OP | | Permitting | | Dev. | | Production | | | | | | Restoration | | | |
| Project C | Church Rock | | | Permitting | | Dev. | | Production | | | | | | | | |
| Project D | Roca Honda | | | | Permitting | | Dev. | | Production | | | | | | | |
| Project E | Reno Creek | | | | | Permitting | | Dev. | | Production | | | | | | |
| Project F | Nose Rock | | | | | | Permitting | | Dev. | | Production | | | | | |
| Project G | Dalton Pass | | | | | | | Permitting | | Dev. | | Production | | | | |

Source: Company reports

**Finding Strategic Value From Non Core Assets – Canadian Projects To Be Spun-Out**

Strathmore proposes to transfer all of its Canadian mineral properties and a portion of its cash into a new exploration company pursuant to a plan of arrangement. Strathmore would continue to hold the U.S. and Peruvian assets. Immediately following such arrangement, Strathmore's shareholders would be issued shares in the new exploration company so that collectively, they would own all of the new company's shares that would be listed on the TSX Venture Exchange.

The reorganization is designed to improve the identification and valuation of specific Strathmore properties, to enhance Strathmore's ability to divest specific properties through simpler corporate ownership, to enter into strategic joint venture agreements, and to enable Strathmore to separately finance and develop its various assets, selectively reducing stock dilution.

We currently give no value to STM's Canadian assets, as we do not consider them core to the Company's growth; however, when you pull them out and look at them as a separate entity the picture is slightly different. Below we provide a brief description of these assets however we focus on its exploration play at Waterbury Lake and its 43-101 Compliant resource of 24MMlbs at Dieter Lake in Quebec. Comparing this asset base with others in the space we suggest that STM's explore-co could easily be worth C$45-65MM (suggesting $0.60-$0.85 per fully diluted share of additional value).

Though the Company has over 4MM acres in the Athabasca Basin we maintain that value in Saskatchewan remains at its 100% owned Waterbury Project where it maintains a 100M acre land position. The Company 's other basinal holdings have geological criteria indicative of prospective areas for mineralization and we feel that the depth to basement, the lack of infrastructure away from the eastern margin and the divergence from the Company's principal focus in the United States brings limited value to the Company and we anticipate that a substantial amount of ground will be dropped if not actively covered by spent assessment credit. However, Waterbury Lake has the potential to be a blockbuster if the success of Denison extends along strike. Mid 2006 DML announced discovery of the Mae Zone. Early drilling returned promising results with zones over 4.0-5.14% uranium identified over thicknesses of between 6-10 meters including an intersection of 15.3% over 12.5 meters in hole MW691. STM's Waterbury project surrounds DML's Midwest claims to the east, west and north-west having the continuation of the Midwest conductor (from where the Mae Zone was discovered) extending onto its ground position approximately 700 meters from the northern most hole

at Mae. First pass drilling returned anomalous uranium mineralization with associated alteration and will be followed up in 2007 with a 3000-meter drill program beginning in February. Though early stage, this represents an excellent target located along trend of a new discovery, proximal to existing eastern basin infrastructure having a relatively shallow depth to the unconformity.

At Dieter Lake, the Company has a 43-101 resource of approximately 24 MMlbs at an average grade of 0.055% U3O8. The deposit, located in northern Quebec is situated close to surface and would be amenable to a large tonnage, bulk-mining model; however, the area has little infrastructure and the property remains non-core to the Company. We have provided an asset description below but attribute no value to the asset. Dieter Lake does provide optionality to the Company and as it looks to advance its Canadian assets through 2007.

## Valuation

We have valued the Company based on its known 43-101 resources at its New Mexico assets and have assigned value to the Company's core Wyoming assets; Sky, Reno Creek, and Gas Hills. Though the Company has 43-101 compliant resources at its Roca Honda and Church Rock properties, it will still have to deal with the Navajo's current anti-mining stance and stringent environmental processes. It has been proven that it is possible to receive permitting in this jurisdiction and as such, we have to wait and see. The Company still must complete resource definition drilling as part of predevelopment and because of this we apply $5.50/lbs to the Company's 48.7MMlbs in the district. In Wyoming the Company has three ISL properties that as of yet have not been upgraded to 43-101 compliant resources. We have applied $3.50/lbs to the resources at Sky, Reno Creek and the Gas Hills prospects as they remain core to the Company but have yet to be advanced as far as Church Rock and Roca Honda.

The Company has 69MMlbs of historical resources in the United States and a further 25MMlbs in Canada. We currently apply no value to these assets, as they remain non-core to the Company. These historical resources do provide the Company with optionality for spinouts, JV's and asset sales moving forward. As such the opportunity for our valuation to increase as resources are brought into complaint format, sold and/or jv'd is great. As permitting and development continue we anticipate that STM will continue to re-rate. We re initiating coverage of Strathmore with a C$4.70 target and a Buy (S) recommendation. Our valuation is presented below.

**Figure 5 Valuation**

| | Valuation | MMlbs | Metric | Value |
|---|---|---|---|---|
| Core | New Mexico Properties | 48,717,349 | $5.50 | $267,945,420 |
| Core | Sky Project | 1,600,000 | $3.50 | $5,600,000 |
| Core | Reno Creek | 5,300,000 | $3.50 | $18,550,000 |
| Core | Gas Hills | 8,440,490 | $3.50 | $29,541,715 |
| Non-core | US Properties | 69,574,755 | $0.00 | - |
| Non-core | Canadian Properties | 25,178,230 | $0.00 | - |
| | Shares Fd | 76,400,000 | US$ | $321,637,135 |
| | FX | 0.9 | C$ | $357,374,594 |
| | | Target | | C$4.70 |

Source: Sprott Securities

# ◆SXR Uranium One Inc.

(SXR - C$14.53, TSX)

**Recommendation: BUY** **Target Price: C$19.20**

**Figure 1 Estimates**

| YE Dec. 31 | 2007E | 2008E | 2009E | 2010E | 2011E |
|---|---|---|---|---|---|
| EPS | $0.19 | $1.08 | $1.07 | $1.32 | $1.61 |
| P/E | 68.8x | 12.1x | 12.2x | 9.9x | 8.1x |
| CFPS | $0.26 | $1.16 | $1.14 | $1.39 | $1.68 |
| P/CFPS | 50.3x | 11.3x | 11.5x | 9.4x | 7.8x |

Source: Company reports, Sprott Securities estimates

**Figure 2 Price Chart**


Source: BigCharts (February 14/07)

**Figure 3 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 132.0 MM |
| Fully Diluted | 144.6 MM |
| Management | 15.0 MM |
| Market Capitalization | C$2,101.0 MM |
| Market Float | C$1,883.1 MM |
| Cash | $389.0 MM |
| Debt | $185.0 MM |
| Average Daily Trading Volume | 1,025,727 |
| High-Low (52 Week) | C$16.90 – C$7.15 |

Source: Company reports, Sprott Securities estimates

### Outline

SXR Uranium One is set to produce from its Dominion operation this month in South Africa. Based upon our model, we envision production ramping to potentially 7 MMlbs p.a by 2011. On Monday, February 12 the Company announced the proposed acquisition via an RTO with UrAsia (UUU). Combined, the new company will have a market cap in excess of C$5BB, cash on hand of $389MM and $185MM of debt. The Company suggests that it could target 12 MMlbs p.a. of production by 2012 but with successful expansions at its Dominion and Inkai South Deposits, 19 MMlbs p.a by 2012 is achievable. This production would place SXR among the top uranium producers in the world.

### SXR And UUU Propose Combination To Form The Next Senior Uranium Company

**Terms:** SXR Uranium One Inc. and UrAsia Energy Ltd. have announced that the two companies have entered into a definitive arrangement agreement, whereby Uranium One will acquire all of the outstanding common shares of UrAsia. The acquisition will result in the creation of a new, globally diversified uranium producer with a large proposed growth profile and a combined fully diluted market capitalization of approximately $5BB. Subject to shareholder approval, the combined Company will continue under the name of Uranium One Inc (UUU). Under the terms of the acquisition, UrAsia shareholders will receive 0.45 common shares of Uranium One for each issued share of UrAsia, representing a value of C$7.05 per share based upon the closing price of Uranium One on the TSX on February 09, 2007. This represents a 13% premium to the closing share price of UrAsia's shares on the TSX Venture Exchange on February 09, 2007 and a 21% premium to the 20 day volume weighted average trading prices of Uranium One's and UrAsia's shares on the TSX and TSX Venture Exchange, respectively.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities of SXR Uranium One Inc.

According to the Company, the combined attributable annual production in 2008 will be in excess of 7 MMlbs p.a from five operations (Dominion, Akdala, South Inkai, Kharassan and Honeymoon). It is estimated that cash operating costs of approximately $10/lbs-$$12/lbs will be incurred. Attributable proven and probable reserve base of 49 MMlbs of U308, indicated resources of 102 MMlbs and inferred resources of 269 MMlbs has been defined for the proposed entity. On top of this, the new company will have a substantial amount of Russian P1 at South Inkai and Kharassan, and upside potential at Dominion to drive organic resource growth.

The pro forma balance sheet will have $389MM in cash and $183MM in debt.

The Board of Directors of UrAsia has unanimously recommended that holders of UrAsia shares vote in favour of the transaction. Senior officers and directors of UrAsia have agreed to vote in favour of the transaction and lock-up, as well as support agreements have been executed.

The business combination of Uranium One and UrAsia will be completed by way of a statutory plan of arrangement under the Business Corporations Act (British Columbia), whereby each UrAsia common share will be exchanged for 0.45 Uranium One common shares. After completion of the transaction, it is expected that current Uranium One shareholders will own approximately 40% of the combined Company and current UrAsia shareholders will own approximately 60%.

The combination has been unanimously approved by the Boards of Directors of both Uranium One and UrAsia and will be subject to, among other things, approval by a two-thirds majority of holders of UrAsia common shares and regulatory approvals. A meeting of UrAsia shareholders to approve the transaction will be held on or about May 15, 2007. The notice of meeting, information circular and related materials is expected to be mailed in mid-April, 2007. The Board of Directors of Uranium One has determined that this transaction is in the best interests of Uranium One shareholders. SXR shareholders have not been given the opportunity to vote.

If the transaction is not completed, UrAsia has agreed to pay a break fee to Uranium One under certain circumstances of $90MM. UrAsia has also provided Uranium One with certain other customary rights, including a right to match competing offers.

**Management Team and Board of Directors**

Neal Froneman will continue as President and Chief Executive Officer of the combined Company. The Board of Directors of the new Uranium One will ultimately consist of nine members, comprising three nominees of UrAsia and six nominees of Uranium One. Ian Telfer will be Non-Executive Chairman and Phillip Shirvington will be one of the UrAsia nominees to the Uranium One Board. Frank Giustra resigned from the Board of UrAsia effective February 11, 2007 in order to permit the UrAsia Board to pursue this transaction without any perception of conflict, as he is also Chairman of Endeavour Financial (UrAsia's financial advisor). Mr. Giustra has confirmed to Uranium One and the UrAsia Board his continued support for the transaction and will assist UrAsia, as financial advisor, to bring the transaction to a timely and successful conclusion. Messrs. Telfer and Shirvington and a third nominee from UrAsia will join Andrew Adams, Ken Williamson, David Hodgson, Terry Rosenberg and Mark Wheatley as Non-Executive Directors of the new Uranium One. At closing, the Board of Directors will be comprised of eight members with the ninth member (one of the Uranium One nominees), being nominated at the next AGM.

**Matrix of the Acquisition**

Both Companies did a poor job providing the matrix on which the acquisition was completed. As such, we have provided our analysis based upon our public recommendation and model from SXR and our calculated valuation for UUU. Our valuation for UUU suggested a NAV of C$2.45BB or C$5.69/share. The C$7.05/share offered by SXR suggests a 1.5x NAV or 18x 2009 CFPS of $0.36/share valuation. This remains in-line with our valuation matrix and suggests that SXR paid full price for UUU, which at this period in the cycle is not unexpected.

On a pro forma basis, we have calculated a NAV 7.5% of C$4.3BB for the new Uranium One. Based upon Company guidance, this value should be weighted 60% UUU and 40% SXR. This implies a NAV distribution of the new Company of C$1.72BB to SXR shareholders. This remains in-line with our estimates of $1.52BB for SXR and is slightly accretive to our valuation.

**The Impact is at the Larger Scale**

More than anything else this acquisition accomplished two things: 1) The formation of the second largest publicly traded pure-play uranium Company on the global markets next to Cameco and 2) Starts the consolidation within the uranium sector that we expected for 2007. This transaction may now force the hands of those other producers and near-term producers to actively execute on their growth strategies or face erosion of market share and investment capital in the space.

**Production Profile**

On a pro forma basis, we have modeled the Company producing 2.29 MMlbs of uranium in 2007, 6.7 MMlbs in 2008 (the Company has guided to 7.5 MMlbs) expanding to potentially 16 MMlbs in 2012, though the Company suggests that in excess of 19 MMlbs could be achieved with the completion of proposed expansions at both Dominion and the South Inkai deposits (figure 4). Cash costs on the order of $10-$12 have been suggested net of by-products. We have provided our pro forma estimates below, but note that based upon the Company's guidance, Uranium-One could quickly elevate to a global top-tier producer on the scale of Cameco, Kazatomprom, and surpassing BHP, Rio Tinto and Areva based on current estimates.

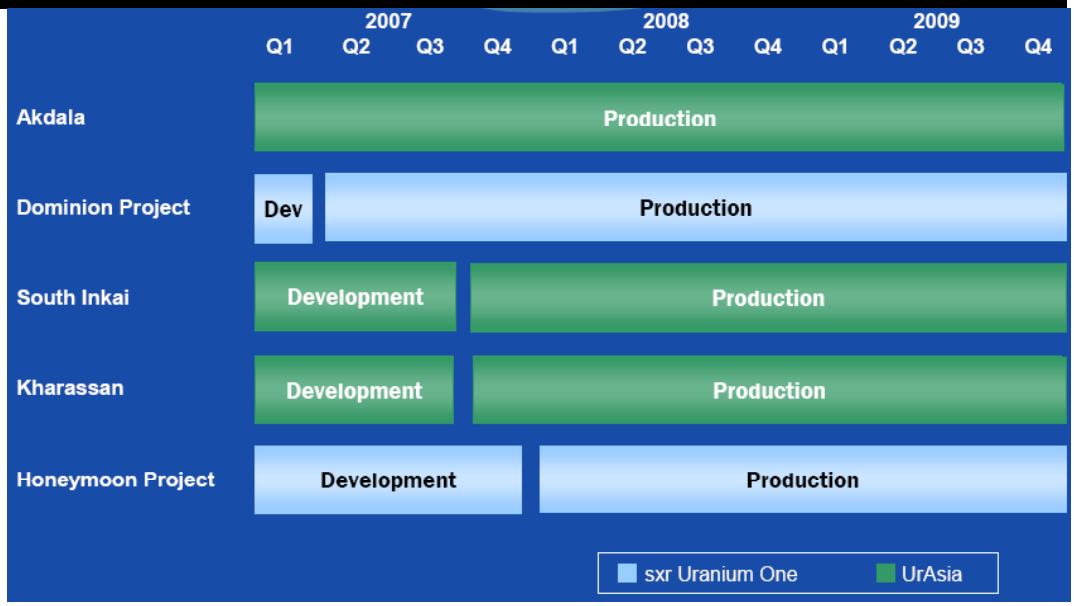
**Figure 4 Potential Production Growth for Uranium One (Pro Forma)**


Source: Company reports

**Ramping From Zero**

In 2005, both SXR and UUU produced no uranium; in fact both Companies were just evolving into their current form. However, just as the uranium price has moved aggressively, so have these two Companies. Below we have inserted an excerpt from the management's recent presentation. In 2007, the new Company will have achieved full production in Kazakstan (the Akdala Deposit) and will be ramping four other deposits all slated for production in 2008. With the ramping of four deposits simultaneously comes larger exposure to technical risk (as with any new operation ramping production). As such, we have modelled Uranium One producing 6.7 MMlbs in 2008, well below the Company's guidance.

**Figure 5 Development Pipeline (2007 - 2009)**




Source: Company reports

**Pro Forma Uranium One**

Below we have provided our pro forma estimates for Uranium One on a 100% basis assuming the deal closes as planned and under the outlined conditions above. We have modelled Uranium One ramping production from 2.3 MMlbs in 2007 to 12.6 MMlbs in 2011 and have discounted management's estimates by 15%, as we suggest that the ramping of four operations over a 12-month period could be more challenging than anticipated.

**Figure 6 Financial Summary**

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Production (M lbs) | 2,293 | 6,709 | 7,736 | 9,528 | 12,617 | 16,301 | 16,196 | 16,456 | 16,207 |
| Cash Cost (US$/lbs) | $12.50 | $11.85 | $14.32 | $14.81 | $12.79 | $12.83 | $12.53 | $12.46 | $15.63 |
| Revenue ($M) | $208,936 | $645,172 | $720,950 | $843,940 | $1,118,161 | $1,437,767 | $960,980 | $979,699 | $982,302 |
| Net Income | $72,017 | $409,078 | $403,697 | $498,890 | $609,354 | $801,711 | $461,154 | $467,965 | $424,942 |
| **EPS** | $0.19 | $1.08 | $1.07 | $1.32 | $1.61 | $2.12 | $1.22 | $1.24 | $1.12 |
| CF from Operations | $99,798 | $436,859 | $431,478 | $526,671 | $637,135 | $829,493 | $488,935 | $495,746 | $452,723 |
| **CFPS** | **$0.26** | **$1.16** | **$1.14** | **$1.39** | **$1.68** | **$2.19** | **$1.29** | **$1.31** | **$1.20** |
| Capital Spend | $150,000 | $36,000 | $70,000 | $127,000 | $23,000 | $23,000 | $28,000 | $25,000 | $25,000 |
| Free Cash Flow | $(87,655) | $370,415 | $355,916 | $438,613 | $570,090 | $658,259 | $367,903 | $369,743 | $308,055 |

Source: Sprott Securities

**Valuation**

Uranium One, unlike all other global +10 MMlbs p.a. producers, will be able to recognize the full upside in uranium price with significant downside protection through floors in place through 2012 on essentially 30% of the Company's production.

Upon successful completion of the merger Uranium One will have 387 MM shares fully diluted. From our preliminary model we have calculated a NAV 7.5% of C$11.21 per share. Based upon our current matrix of valuation we see Uranium One trading at a minimum of 1.5x NAV, suggesting a base valuation of $16.80 fully diluted; however, as the Company will recognize all upside to the current uranium price we suggest that Uranium One could trade at a minimum 16x 2008 EPS. As such we would value Uranium One at 16x $1.08 per share providing a target for the "New Co" of C$19.20.

Though shareholder approval has yet to be received, we anticipate that the proposed merger will close in late April. As such, we are increasing our target from C$15.75 to C$19.20 and maintaining our Buy recommendation. Upside remains to our target however, as we chose to take a conservative stance until the deal is finalized.

# Tau Mining Ltd.

(Private)

## Recommendation: NR

## Target Price: NR

| Figure 1 | Statistics |
|---|---|
| Shares Outstanding: | |
| Basic | 138.0 MM |
| Fully Diluted | 138.0 MM |
| Management | 25.0 MM |
| Market Capitalization | $34.5 MM |
| Market Float | NA |
| Cash | $10.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | NA |
| High-Low (52 Week) | NA |

Source: Company reports, Sprott Securities estimates

### Its Becoming Tough To Find Quality Assets – Here May Be One

It is rare that Sprott Securities would include a private company at our uranium conference. It is also rare today to find an asset that could have the scale and scope to impact the global production balance. The rampant appreciation of both the uranium price and corresponding equities has pushed every asset (marginal or otherwise) to the market in the last two years. Our first pass work suggests that Tau mining could represent a hidden gem having significant, as of yet unrecognized value. Though preliminary and early stage, Tau Mining has potentially assembled a large, well-defined asset base. We have not visited the properties, nor have we completed full due diligence on the technical merits of the projects. However, we have presented an overview of the Company below for your consideration and information.

### Ex-Soviet Assets Historically Well Defined:

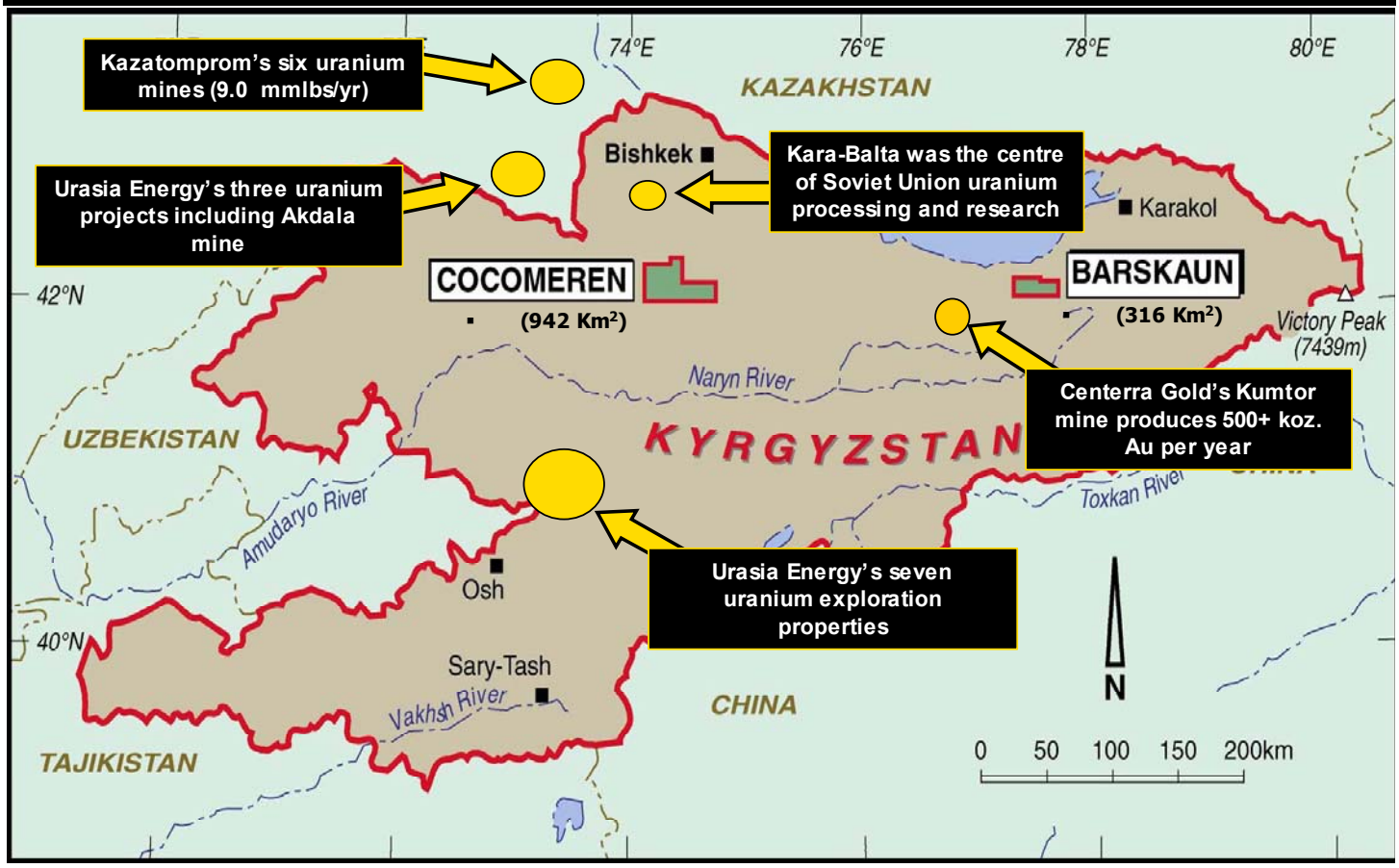
Tau Mining Ltd. Has 100% ownership of a number of advanced uranium exploration properties located in the Country of Kyrgystan. The two principal properties Cocomeren and Barskaun have a historical inferred resource of 115MMlbs of U3O8 grading between 0.12% and 0.2% U3O8.

One deposit contains 12.9MMlbs at an average grade of 0.54% based upon historical Soviet era records that in our experience (WPN, KRI, TVC) has proven to be very accurate and in most cases underestimate the actual scale of resource.

The properties have had substantial work completed, most having undergone significant trenching, drilling and adit development.

In 2007 the Company intends on completing and IPO on the TSX, advancing two properties to a NI 43-101 compliant resource by the end of Q1-2007 and suggests that a Feasibility study could be completed within 18 months. Though preliminary the Company suggests production could be considered by 2010.

**Figure 2 Property Map**




Source: Company reports

**Krgystan General Overview**

Kyrgyzstan is a poor, mountainous country with a predominantly agricultural economy. Cotton, tobacco, wool, and meat are the main agricultural products, although only tobacco and cotton are exported in any quantity. Industrial exports include gold, mercury, uranium, natural gas, and electricity. Kyrgyzstan has been progressive in carrying out market reforms, such as an improved regulatory system and land reform. Kyrgyzstan was the first CIS country to be accepted into the World Trade Organization. Much of the government's stock in enterprises has been sold. Drops in production had been severe after the break-up of the Soviet Union in December 1991, but by mid-1995, production began to recover and exports began to increase. Kyrgyzstan has distinguished itself by adopting relatively liberal economic policies. The drop in output at the Kumtor gold mine sparked a 0.5% decline in GDP in 2002, but GDP growth bounced back in 2003-05. The government has made steady strides in controlling its substantial fiscal deficit and reduced the deficit to 1% of GDP in 2005. The government and international financial institutions have been engaged in a comprehensive medium-term poverty reduction and economic growth strategy, and in 2005 agreed to pursue much-needed tax reform. Progress fighting corruption, further restructuring of domestic industry, and success in attracting foreign investment are keys to future growth.

**Improving Mining Climate**

The Kyrgystan Government currently has policies in place to provide fast tracking of uranium mining permits. The Kyrgyz parliament's ratification of IAEA non-proliferation regulations on the production and turnover of raw uranium will make it possible to resume uranium production at the Kara-Balta plant, which had been idle for one year. Agreements have been signed on the supply of 400 tonnes of raw uranium from Kazakhstan in January. In total, the supply made 1,700 tonnes in 2004. Currently there are five uranium-focused companies operating in the country (exploration and early development). The country has put measures in place for foreign ownership of mining assets.

**Cocomeren Project**

The Cocomeren Project has 4 historical deposits totalling 35.4MM tonnes of ore containing 74.4MMlbs of uranium at and average grade of 0.13% U3O8. The permit license consists of 939 square kilometres of ground located 92 Km south of Bishkek the Country's capital and center of government. The deposits are located in the Tian Shan Mountain range hosted within Caledonian aged granites and Neogene sediments. These properties were explored extensively during the 1950's and 1960's having significant drilling, trenching and underground adits completed. The Company has already established a camp, geological fieldwork has commenced including radiometric surveys, mapping and re-sampling. A number of the adits have been re-opened and reconditioning has begun. Infrastructure is quite good with a major road 25 kilometres from site and local access roads directly to site.

**Barskaun Project**

The Barskaun License hosts 4 deposits containing a total of 7.7Mm tonnes of ore for a total of 40.3Mmlbs of uranium at an average grade of 0.25%. The license is 311 square kilometers and located 252 km south east of Bishkek. Also located in the Tian Shan Mountain range uranium mineralization is predominately hosted within Caledonian aged granites. Like the Cocomeren License, significant historical work has been completed and a similar work program is underway.

**Moving Forward**

The Company is actively exploring and reconfirming the historical work completed by the Russians. Tau has engaged former CIS and Russian uranium geological and engineering teams having expertise working in the industry and on these projects specifically. The Company will be utilising uranium analytical and metallurgical facilities (UKAS accredited laboratory) in the Country.

The Company intends on producing an NI 43'01 technical report on the mineral resource at Cocomeren and Barskaun by the end of Q1-2007. Environmental approvals and permitting will be completed during 2007 for commencement of a significant work and ground works program. The Company intends to IPO in the second half of 2007 and targets a 2010-2011 production start-up assuming successful feasibility.

**For Information Purposes Only**

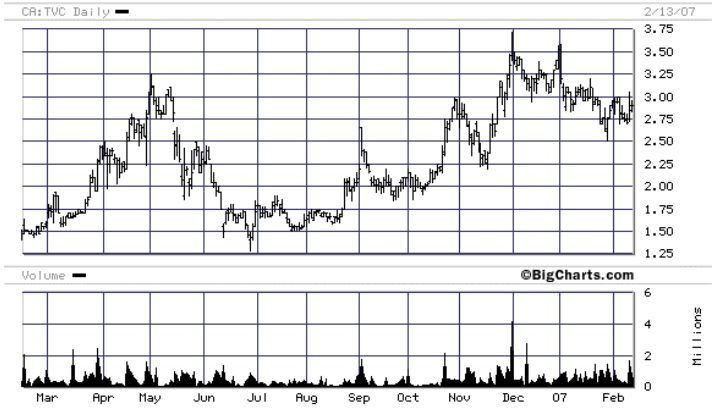
The information presented above was for the most part provided by Tau Mining. Kyrgastan has a long history of uranium mining and processing and the Country's large uranium resource base is well documented. At Sprott Securities we have yet to complete any formal due diligence on the assets or accompanying database. The above information is provided for the readers' information and does not imply any recommendation.

# ◆Tournigan Gold Corporation

(TVC - C$2.90, TSX)

**Recommendation: BUY** **Target Price: C$4.40**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 110.0 MM |
| Fully Diluted | 128.0 MM |
| Management | 3.5 MM |
| Market Capitalization | C$371.2 MM |
| Market Float | C$361.1 MM |
| Cash | $37.5 MM |
| Debt | Nil |
| Average Daily Trading Volume | 515,247 |
| High-Low (52 Week) | C$3.72 – C$1.28 |

Source: Company reports, Sprott Securities estimates

### Outline

Tournigan Gold Corp. is rapidly developing two deposits in Slovakia. Feasibility work is underway at the Kremnica gold deposit where production is expected by late 2009 and the Jahodna uranium project where fast tracked exploration efforts could result in production by 2010-11. An advanced exploration portfolio of both gold and uranium projects compliments Tournigan's European-focused asset base.

### Tournigan Continues To Advance

Tournigan Gold Corporation has released 8 of 14 drill holes from its 2006 drill program at Jahodna (discussed below), and is continuing on the critical path towards production at Kremncia with the release of the pre feasibility study this quarter and aggressive global exploration projects throughout Europe and the US.

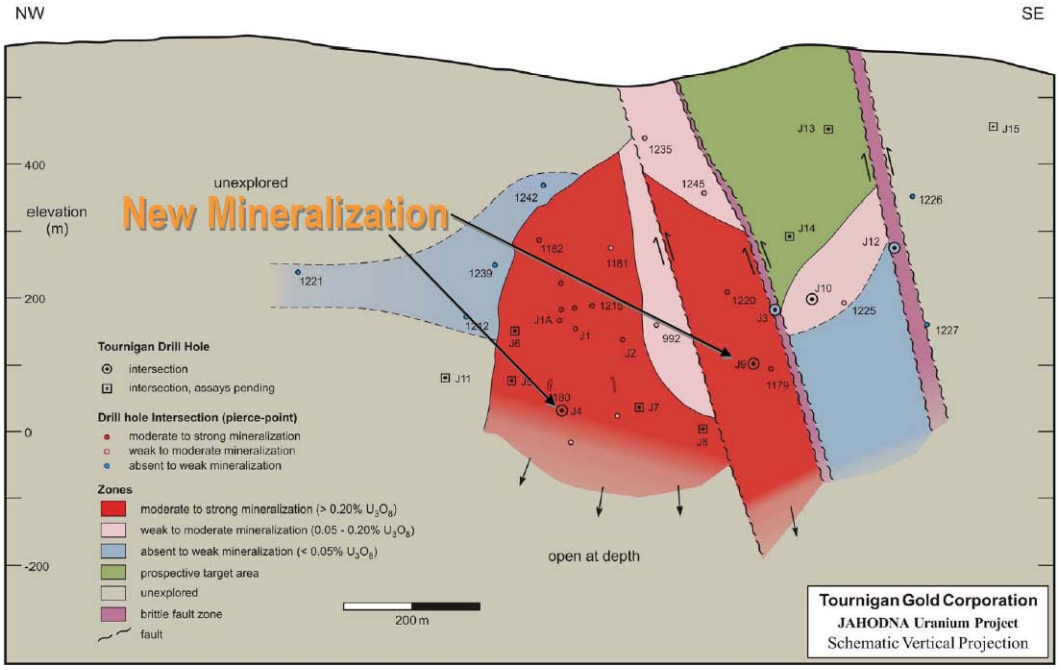
2006 was a great year for Tournigan as the Company released a scoping study from both its Kremnica and Jahodna deposits, 43-101 compliant resources for both, and saw the value of the Company's equity appreciate approximately 300%. In early 2007, the stock has been volatile as delays with Jahodna drilling and Kremnica's feasibility studies have worried investors. Lab delays are more common than not in today's bull mining market and remain out of the Company's control. The results continue to be positive and TVC has maintained its original business plan defined mid-2006.

Through 2007 we expect TVC will continue to execute on its business plan advancing both its uranium and gold assets through aggressive drilling and exploration.

For the first time we have highlighted the Company's US based uranium assets as we feel, more now than ever, that the US uranium market is ripe for consolidation and TVC's holdings may become of strategic importance in 2007.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities of Tournigan Gold Corporation

**Figure 3 Jahodna 2007 Interpretation**




Source: Company reports

**Jahodna Continues To Expand**

Over the last two months TVC has released the first 8 holes of a 14-hole drill program completed in 2006. In general all the drill holes have returned positive results confirming the average grade and thickness of the deposit described in more detail below. Of significance, holes J-8 and J-9 (4.5m @ 0.46% U3O8 and 2.0m @ 0.56% U3O8) confirmed that the high-grade mineralization at Jahodna continues at depth and along strike. It is important to note the hole J-9 intersected its high-grade core 150-200 meters southeast and 100 meters further down-dip of the previously known zone of high-grade mineralization. Of importance the remaining six holes are expected to examine Jahodna near surface and along strike of the deposit, having the ability to significantly extend the known resource if successful.

The Jahodna deposit currently hosts an inferred resource of 18.2 million pounds of uranium oxide (U3O8) at a grade of 0.66% U3O8 contained in 1,256,000 tonnes with a cut-off grade of 0.035% U3O8 (1). An independent preliminary assessment (2) on Jahodna, prepared by ACA Howe International Ltd. and delivered to Tournigan in April, 2006, modeled an underground operation with a per annum production rate of 100,000 tonnes. Production costs were estimated at $9.15 per pound for an estimated IRR of 44% using a $35.00/lbs uranium price. The dimensions of the existing Jahodna resource block are approximately 500 meters along strike and 500 meters down-dip and average about 2.5 meters thick. Results from the initial eight drill holes have filled some of the gaps in the existing resource block, and extended known significant uranium mineralization some 100 meters southeast, therefore advancing the level of confidence regarding continuity of uranium mineralization within the known deposit along strike to the southeast and down-dip. Pending assay results from completed drill holes are expected to further clarify the level of mineralization-continuity within the deposit and possibly extend the dimensions of the deposit. There are six drill holes currently awaiting geochemical analysis. All holes completed as part of this program are illustrated in the attached schematic longitudinal vertical projection

Uranium-molybdenum mineralization occurs at the Jahodna deposit as strata-bound lenses of uranium-oxide and copper-molybdenum sulfide minerals +/- ptygmatic-folded

quartz-carbonate veins localized along the steep-to-moderate dipping contact of overlying meta-volcanic rocks (andesite flows and tuffs) and underlying meta-sedimentary rocks (slates and quartzites).

**Slovak Uranium Exploration Strategy For 2007**

Tournigan has four uranium deposits situated on four exploration licenses in Slovakia.

At Jahodna, a 6200-metre diamond drill program is nearing completion. Eight holes reported from the current drill program confirm that Jahodna is open at depth and along strike. Assays from the remaining holes will be released in the first quarter of 2007. Intense industry activity has caused significant backlogs at all assay labs and delaying receipt of assay results.

At the Novoveska Huta deposit, a four-hole drill program has been initiated to verify an historic resource outlined by 40 drillholes. The first drillhole has been completed. Drilling at Novoveska Huta is planned for the new year.

Tournigan is proposing a multiphase 2007 exploration program for its uranium deposits in Slovakia. A new resource calculation is planned for Jahodna after all the assay results are received from the 2006 drill program. As discussed, uranium mineralization is open at depth. Two or three deep (500-550 meters) holes are proposed to test potential continuation of uranium mineralization over an additional 100-150 meters down-dip. One additional deep drill hole, reaching approximately 550-600 meters in depth, is planned approximately 100-150 meters northwest of the known deposit to test for possible northwest down-plunge mineralization at depth. Tournigan is tentatively planning a close-spaced in-fill drill program with the intention of defining a block of mineralization in the indicated resource category. In addition to the planned work at the existing Jahodna deposit, a regional exploration program has been designed for the Jahodna-Novoveska Huta trend. Tournigan's exploration licenses cover nearly 55 kilometers of strike along the Jahodna-Novoveska Huta geological trend. The Company is currently designing a helicopter-borne radiometric and magnetics survey which will be flown at 100-metre line-spacing along the Jahodna-Novoveska Huta trend in the spring of 2007.

**US Strategy: Gaining Importance**

In June 2005, the Company entered into an agreement to acquire up to 100% of a portfolio of uranium mining claims in the USA from Sweetwater River Resources LLC ("Sweetwater"). The properties are located in Wyoming, South Dakota and Arizona, USA.

18 Priority Uranium Targets on the Arizona Strip: Phase 1 of an exploration program has been conducted on 413 federal lode mining claims (approximately 8,260 acres) staked in the North Rim area of the Arizona Strip uranium district in the state of Arizona, USA. The program, which consists of soil geochemical and geophysical surveys as well as geological mapping and rock sampling, has narrowed 89 initial potential breccia pipes to 18 priority targets. A ground CSAMT - AMT geophysics survey has been initiated. The CSAMT-AMT survey is intended to help define the 3-D geometry of the prospective breccia pipes prioritized for drilling, thereby allowing more accurate targeting of drill holes. The data from this ground geophysics program will be compiled and interpreted in the first quarter of 2007, and a drill program designed shortly thereafter. Drilling of the Arizona Strip uranium district is anticipated to begin late in Q1 2007.

As part of the Sweetwater agreement, Tournigan also has uranium properties in South Dakota (approximately 5,120 acres), where the Company is negotiating with a private party to acquire a geological database, consisting of historic drill data and geology conducted by a major uranium exploration company in the 1970's.

The Sweetwater joint venture includes three claim groups located in the Shirley Basin (3,540 acres), Great Divide Basin (5,020 acres), and Green River Basin (3,460 acres)

Uranium Districts in Wyoming, USA, where there was significant historical uranium exploration or production. Tournigan is currently assessing the possibility of additional staking in locations where major mining companies previously identified uranium mineralization and/or resources, in areas close to former producing uranium mines or ISL (in-situ leach) operations.

**Gold: Diversification Adds Value**

At the Kremnica Gold Project, located in Slovakia, the results of a pre-feasibility study being conducted by Beacon Hill Consultants (1988) Ltd. on the Sturec deposit are due this month. The Sturec deposit has a measured and indicated resource of 959 thousand ounces of gold and 7.7 million ounces of silver hosted within 18.8 million tonnes of material with an average grade of 1.59 g/t gold and 12.78 g/t silver. An additional 272 thousand ounces of gold and 1.5 million ounces of silver are classified in the inferred category - (6.4 million tonnes averaging 1.32 g/t gold and 7.42 g/t silver). The stated resources are based on a cutoff of 0.75 g/t gold. .

Exploration drilling is ongoing at Kremnica South where exploration (geologic and rock-soil geochemical surveys) conducted by Tournigan has revealed the presence of low-level gold mineralization associated with the shallow (near-surface) levels of a large epithermal system. Drill results from four recently completed and ongoing exploration diamond drill holes at Kremnica South are expected in early 2007.

The Curraghinalt Gold Project, located in Northern Ireland UK, has two drill rigs currently drilling at the property. The Curraghinalt gold deposit contains an inferred gold resource of 262,000 ounces of gold contained within 527,700 tonnes of material, with an average grade of 15.45 g/t gold at a cutoff of 6.0 g/t gold.

In Nevada, Tournigan is currently working to earn an initial 51% interest in three precious metals projects from AuEx Ventures Inc. The portfolio consists of two epithermal gold and gold-silver projects, the Fireball and Gypsum Valley projects, and a mesothermal meta-volcanic hosted gold-silver project of likely intrusive-related origin, the JPW project. The three project areas are all contained within a land package of approximately 65 square kilometers (16,000 acres), located 32 kilometers northeast of Fernley in Churchill County, Nevada.

This year the Company conducted geological (mapping and rock sampling), soil geochemistry, and ground magnetometer geophysical surveys over all of the project areas within the claims. Field work related to these drill-target generative Phase 1 exploration programs is complete. Data generated from these programs is currently being digitized and compiled into GIS databases. The data will then be interpreted and applied to the design of priority drill targets for a 2007 exploration drill program.

Tournigan Gold Corporation is focused on developing advanced mineral projects in Europe - Kremnica (gold) and Jahodna (uranium/molybdenum) in Slovakia, and Curraghinalt (gold) in Northern Ireland. Tournigan's asset mix also includes a portfolio of uranium properties in Slovakia, an earn-in agreement for properties in Wyoming, South Dakota and Arizona, as well as a gold JV in Nevada and VMS projects in Slovakia and Northern Ireland.

**Production Profile – Kremnica First**

At the Kremnica gold project the company has just about completed the pre-feasibility study that is expected to be finalized and delivered to the market this quarter.

We estimate production could start as early as mid-2009 which will be further refined upon completion of the BFS in late 2007 – early 2008. The deposit remains on the outskirts of town and very little of the mine workings will be visible from the community. The company has started the reclamation plan and as part of its sustainability efforts working with various groups in the area to find profitable and/or cultural-social uses for the facilities upon completion of mining.

The largest hurdle for the Kremnica development is not the mine itself as the orebody is very well understood and mining is technically uncomplicated but rather community and political acceptance of the operation. All processes are off the shelf and the cyanide leach will be contained and destroyed within the plant so there will be no uncontained cyanide exposure to the environment, either in the mine itself or in the tailings. Community acceptance is coming around. The Company has started a large community and stakeholder consolation progress clearly explaining and defining the process and impacts an operation such as Kremnica will have on the various communities. Infrastructure development resulting from the operation will also go to service local bentonite clay operations that are currently expanding. Without the new construction of TVC proposed haul roads, the local villages will be peppered with large trucks hauling clay to western European markets. The planned infrastructure by TVC will allow these clay operations to by-pass existing towns and villages and access the highway directly. Local stakeholders have thought highly of such considerations.

The mine itself will produce approximately 100,000 ounces of gold per year with cash costs in the mid-$250/ounce. Capex is expected to be $US85-90MM with a minimum 12 years of production. Kremnica by itself would not be considered a company making deposit, however it gives TVC early cash flow and will serve as a benchmark to the local and federal regulatory bodies as TVC advances its other assets in eastern Slovakia.

**Valuation**

We continue to recommend TVC with a Buy and C$4.40 target. Our target consists of C$3.25/share for Jahodna (1xNAV12%) combined with C$0.55/share for Kremnica and C$0.60/share for TVC's other uranium assets. We assign no value for Curraghinalt or the Company's US asset base.

After significant equity appreciation through 2006 (+300%) the stock has shown recent volatility and underperformance compared to its peer group as a result of continued delays with the Kremnica Pre-Feasibility Study (originally planned for release in August 2006) and delays in the release of Jahodna drill results resulting from continued back-logs at the labs capable of analyzing uranium samples having higher uranium grades.

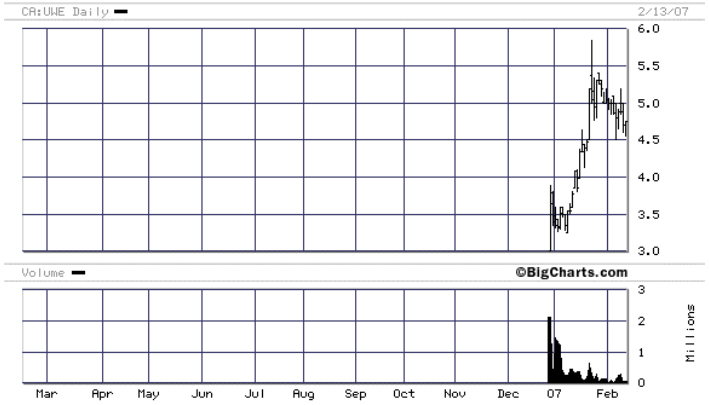
Slovakian assets continue to be moved forward though slowly. The Company is purposefully being cognizant of all stakeholders as a new mining operation in Slovakia has not been started in the last 12-15 years and standards within the European Union are more stringent than ever. We give no value to the Company's US uranium assets. These may become more strategically important to the Company as expected consolidation in the United States occurs through 2007.

# ◆U308 Corp.

(UWE - C$4.75, TSXv)

**Recommendation: NR** **Target Price: NR**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 22.9 MM |
| Fully Diluted | 25.6 MM |
| Management | 6.6 MM |
| Market Capitalization | C$121.6 MM |
| Market Float | C$90.3 MM |
| Cash | $28.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 397,328 |
| High-Low (52 Week) | C$5.85 – C$3.25 |

Source: Company reports, Sprott Securities estimates

### A Promising Uranium District

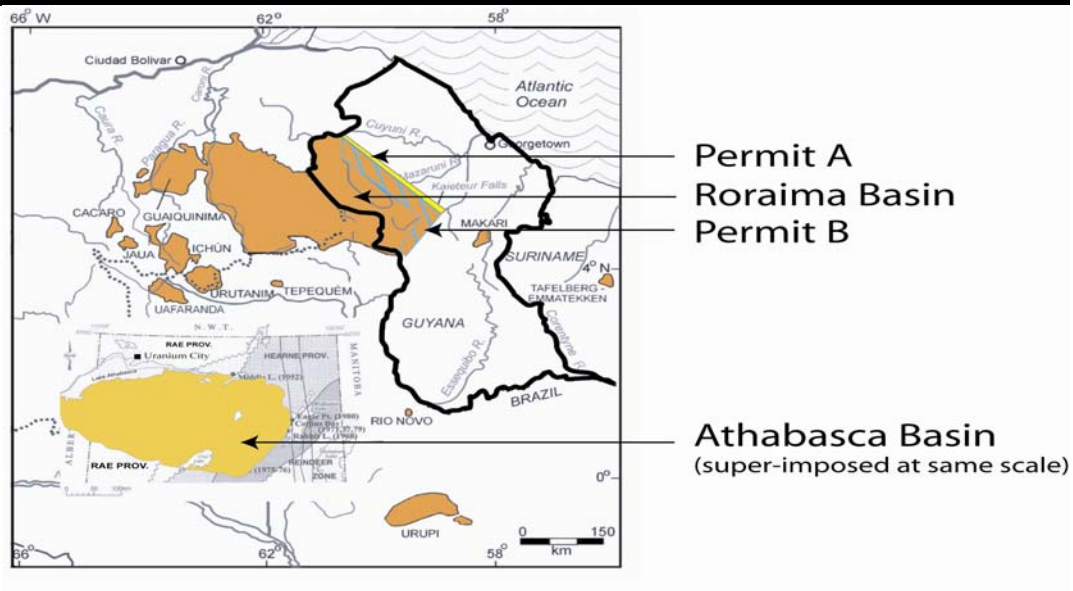
U3O8 Corp. is a junior exploration and development company focussed on uranium exploration in South America. The Company was incorporated in late 2005 and went through its Initial Public Offering (IPO) in late 2006 on the TSXv. In 2007, the Company will focus its exploration efforts in the Roraima Basin, situated in Guyana, South America.

### Asset Base

U3O8 Corp. through its 100% owned subsidiary, Prometheus Guyana, has exclusive exploration rights covering approximately 580 M hectares of land in the Roraima Basin. The Roraima Basin is a sedimentary intracratonic basin that is similar in size, age, and geological composition to the prolific Athabasca Basin of northern Saskatchewan. Previous work by Cogema (1979-1984), a French utility, and Denison Mines (1968-1970) has shown that uranium mineralization occurs at or below the unconformity of the Basin, which is similar to that of the uranium mineralization, which occurs in Canada's Athabasca Basin. The properties that fall within the Company's land portfolio have had extensive geological working performed on them. Cogema completed more than 250 drill holes, airborne surveys, and extensive geophysics on the property. However, Cogema eventually left the property in the early 80's as the combination of the plummeting uranium price and the discovery of Cigar Lake in the Athabasca Basin forced Areva, the parent company of Cogema, to refocus it resources and ultimately leave the Roraima Basin. U3O8 Corp. was able to locate various drill log and area maps; however, the Company was unable to retrieve the assay results of the 250-hole drill program.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities of U308 Corp.

**Figure 3 U3O8 Corp.'s Land Holdings- Roraima Basin**




Source: Company reports

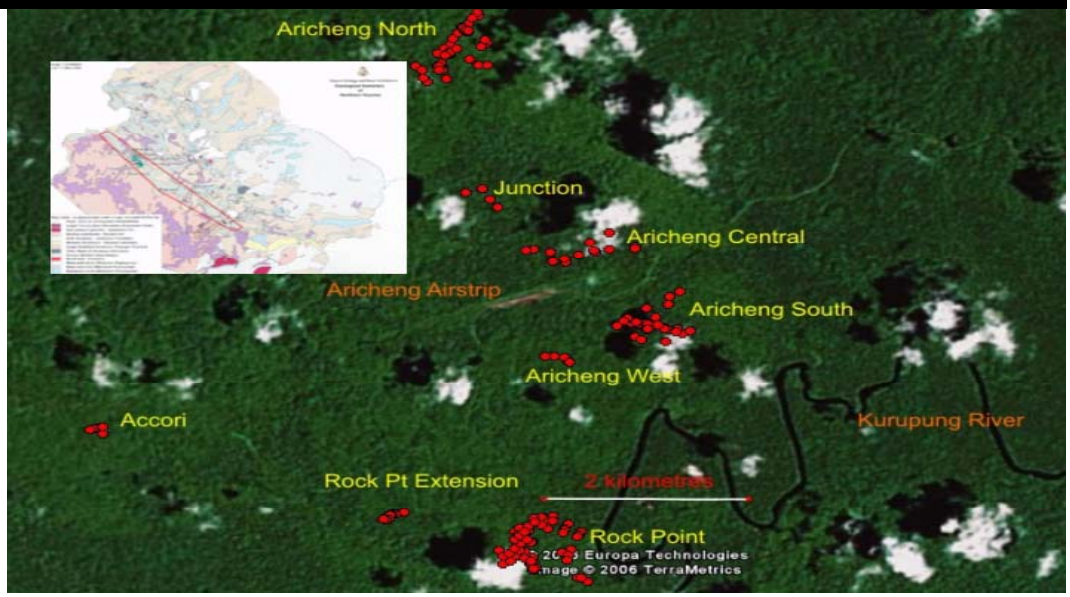
**Land Holdings- Roraima Basin**

U3O8 Corp. has two distinct land permits (A and B, Figure3) that encompass the entire 580M hectares of land within the Roraima Basin. Permit A and B encompass the exposed contact margin of the Basin. Permit A covers ground in the Basin that is analogous to ground found along the eastern edge of the Athabasca Basin that has hosted the shallow Uranium City and Beaver Lake uranium deposits. Whereas Permit B covers the ground in the Basin that is analogous to ground along the eastern edge of the Athabasca Basin that has hosted such deposits as MacArthur River and Cigar Lake.

**Exploration- A Focussed Approach.**

U3O8 Corp has a two-phase approach to its exploration program. Phase 1 of the program, which began in 2006, will focus the Company on re-examining the previous test work performed by Cogema on its permit A land holdings. Detailed geophysical, geochemical, and diamond drilling work will be carried out on the Aricheng Area (Figure 3). In conjunction with this fieldwork, detailed airborne geophysical work to determine other potential drill locations will be performed. Based on the success of this initial geological work the company will branch out to test other previous workings by Cogema at Accori and Rock Point. The Company will initially twin previous Cogema drill holes that have been tested with down hole gamma logs. Base on the success of this initial exploration program the Company will then determine the path forward for future work on the property. Phase 2 of the drill program will focus on the land holdings with permit B of the Roraima Basin. Again the exploration plan will involve a re-examination of Cogema's previous records. As the exploration targets are deeper within the basin the company will depend more intensively on ground and airborne geophysics to determine eventual drill targets.

**Figure 4 Aricheng Exploration District- Permit A**

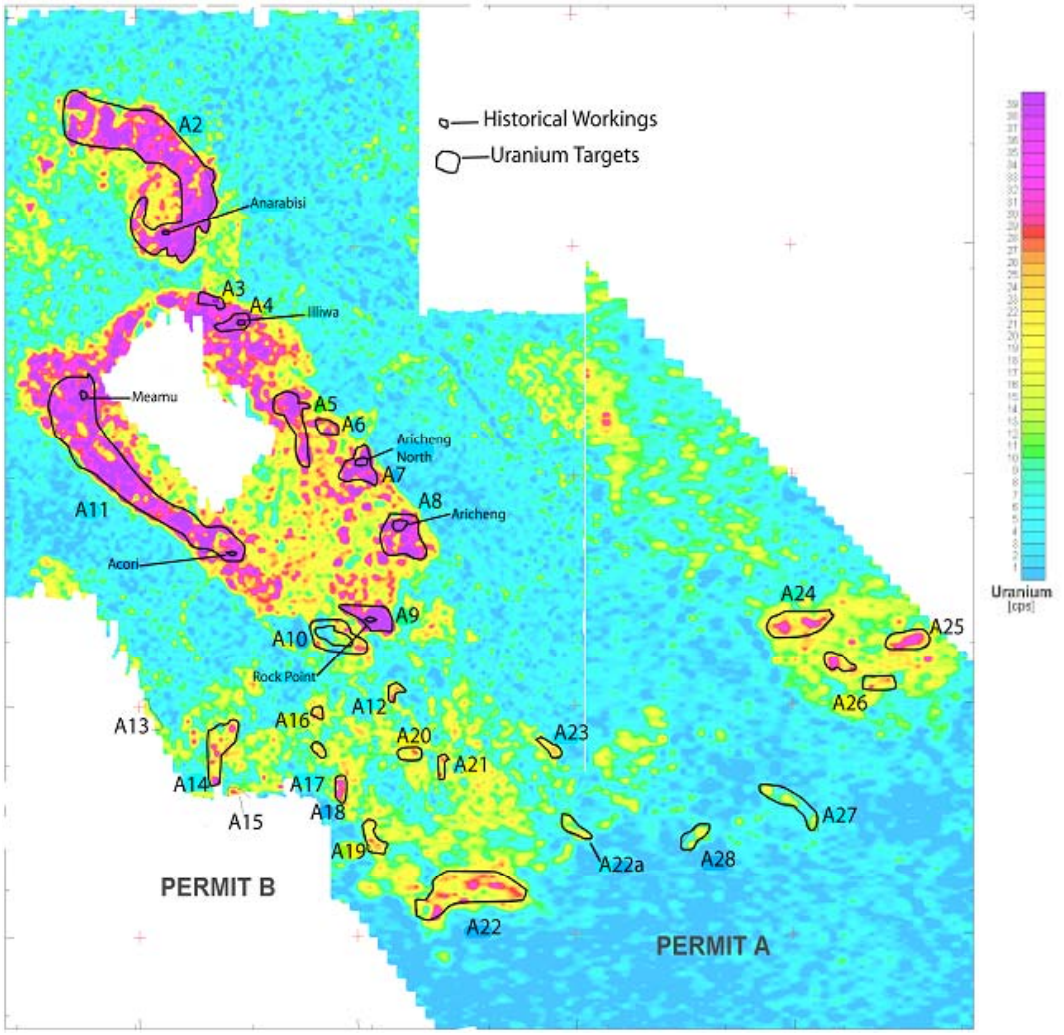



Source: Company reports

**Exploration Update- Initial Airborne Geophysics Show Promise.**

U3O8 Corp has recently completed 15 m line kilometers of airborne magnetometer readings. The survey consisted of 200 m north-south lines over the entire permit A portion of the Company's land holdings. The program returned impressive results with a total of 43 uranium targets being delineated. What is important to note is that ten of these targets confirmed previous working by Cogema, while the other 33 uranium target delineated by the airborne survey were previously unknown. The results of this initial airborne geophysical program show the promise of the district and provides the company meaningful drill targets for future exploration.

**Figure 5 Airborne Radiometric Survey Map With 28 Primary Targets**




Source: Company reports

**What to Expect in 2007**

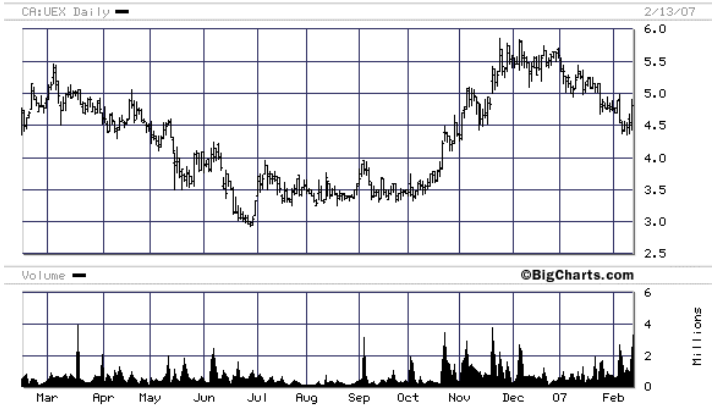
U3O8 Corp. will continue with its focussed exploration efforts across its Permit A property with a minimum budget of $10 MM. Once the detailed geo-chemical and geo-physical program has been completed the company will then begin a 10 M meter drill program focussed on the Aricheng concessions of Permit A. We expect this in late Q1/07 and initial drill results from this program to be released in late Q2/07.

# ♦UEX Corporation

(UEX - C$4.82, TSX)

## Recommendation: BUY (S) Target Price: C$9.25

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 179.8 MM |
| Fully Diluted | 185.7 MM |
| Management | 10.7 MM |
| Market Capitalization | C$895.1 MM |
| Market Float | C$843.5 MM |
| Cash | $90.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 731,188 |
| High-Low (52 Week) | C$5.85 – C$2.92 |

Source: Company reports, Sprott Securities estimates

### Outline

UEX is a Canadian blue chip uranium exploration company formed under an agreement between Pioneer Metals and Cameco Corporation. UEX is aggressively pushing forward with a diverse portfolio of advanced and grassroots exploration programs with its key asset being the Shea Creek deposit where it could earn-in to an attributable 49%.

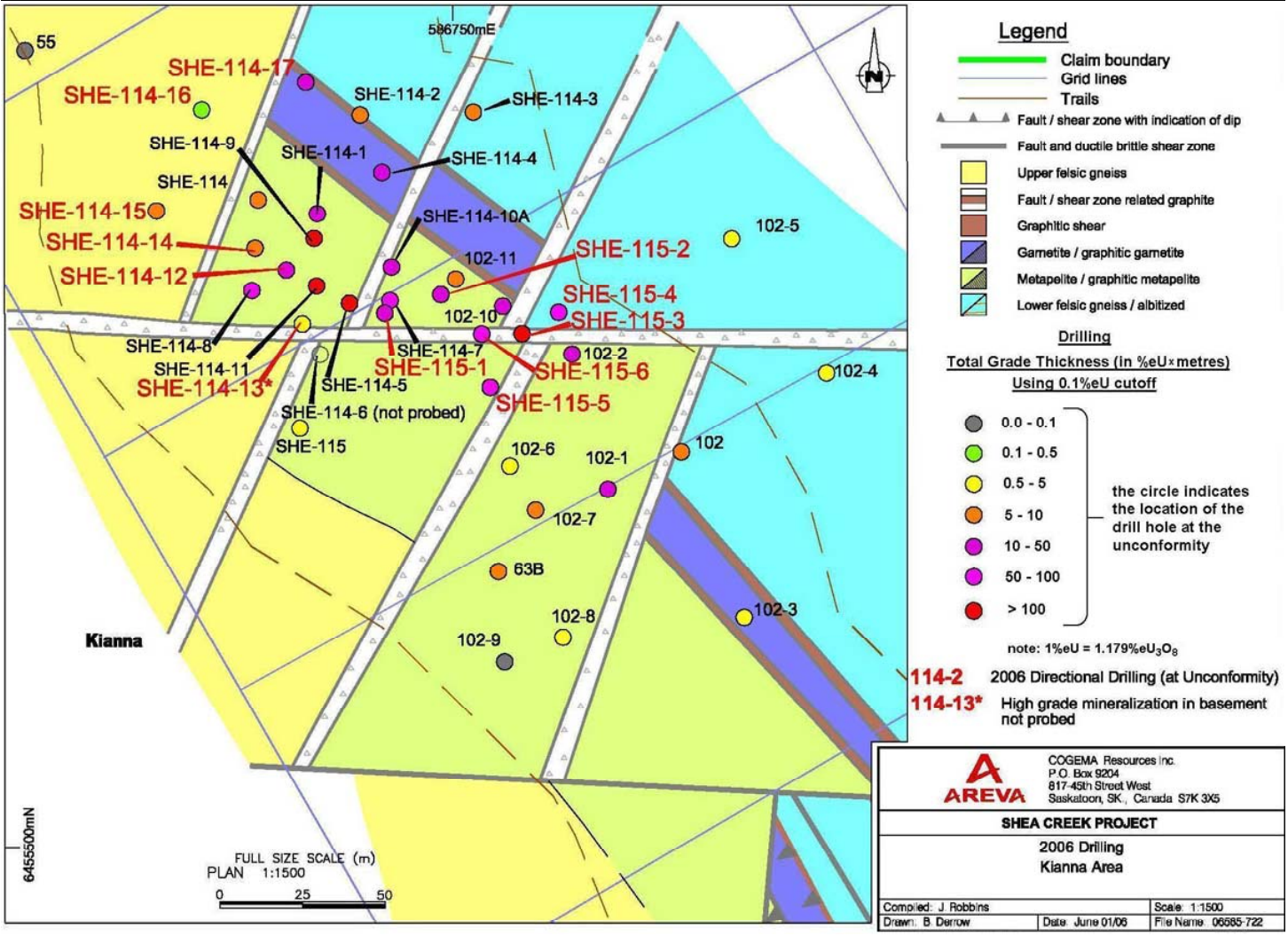
### Patience Will Be Rewarded

Our previous work suggested that the resource at Shea Creek could now be in excess of 160MMlbs (82MMlbs attributable to UEX) which significantly increases the probability of Shea Creek being as large as Cigar Lake (231 MMlbs) or possibly McArthur River (436 MMlbs) - both reasonable analogies as UEX continues to back the discovery with continued drilling success. Based upon our $12.50/lbs resource multiple for Shea Creek and through application of $7/lbs resource multiple for the 23MMlbs of uranium historically at Raven-Horseshoe we derive a NAV of $7.11/share for UEX. We base our valuation upon a 1.3x NAV recognizing the exploration upside that exists at the Company's assets. As such we reiterate our Buy (S) recommendation and $9.25 target.

At Shea Creek the project is operated by Areva, and as such drill results remain infrequent, released to the market two-to-three times a year. The stock remains volatile as there is no consistency of news flow and the Company remains focused on execution of its business plan rather than promoting its efforts to the market. However, in the last two years UEX has demonstrated nothing but success on its projects and that has not adequately been reflected in the performance of the stock. We maintain that the Kianna deposit may be the next major discovery in the Athabasca Basin and has all the characteristics of a world-class deposit. Saskatchewan exploration, development and production are always so slow compared to other global projects; however, an asset of this quality level does not come around often.

In 2007 UEX is spending $25MM on exploration, representing one of the largest global exploration budgets.

**Figure 3 Kianna Drill Hole Locations**




Source: Company reports

**2006 - Kianna Footprint Expands**

**$25MM Exploration Budget For 2007**

It has been well over a year since UEX reported its discovery hole (Hole SHE-114-5) at Kianna located 600 metres northwest of the Anne Deposit and 1,600 metres southeast of the Colette Deposit. The discovery hole intersected 8.8 metres of 27.4% U3O8, including 3.5 meters of 58.32%. That hole is the most significant and highest-grade hole ever intersected at the Shea Creek deposit, and represents one of the most significant uranium discoveries in the Athabasca Basin to date. Five sets of drill results have followed confirming and extending the discovery. It has been several months since the last results and the patient investor should be rewarded as the results continue to extend the existing footprint of the deposit and provides further indication that basement hosted mineralization could have a greater impact than originally thought.

At the Kianna Deposit, uranium mineralization has been intersected in multiple zones at depths from 622 meters to 922 meters over a vertical distance of approximately 250 meters – located in sandstones high above the unconformity, at the unconformity, and below the unconformity in basement rocks. To date mineralization at Kianna has been traced over a strike length of 200 meters and a width of 150 meters remaining open in all directions. Three significant styles of mineralization have been identified: 1) Perched – sandstone hosted mineralization found in discrete zones tens of meters above the unconformity. 2)

Unconformity-type mineralization – found in close proximity to the unconformity. 3) Basement Hosted – found in zones up to 200 meters below the unconformity.

**The Basement May Be The Key For Kianna**

Though perched and unconformity style intersections previously encountered (such as the discovery hole sited above) prove very exiting, we consider the basement hosted mineralization the key to future success at this project. With the recent flooding of Cigar Lake and the technical challenges that exist with the freezing of water-laden sandstone mineralization at the unconformity, the fact that UEX is intersecting such significant grades and thickness of basement hosted mineralization well below the unconformity could result in the use of more standard mining practises during exploitation for the bulk of the mineralization. Intersections such as hole SHE115-10 where 9.85% U3O8 was intersected over 15.4 meters in the basement suggest that a foundation for a significant resource expansion has been established.

Drilling is underway at the Kianna Deposit using two drills. A third drill is planned to test the southern extension of the Saskatoon Lake conductor located some 22 kilometers to the south of the Anne Deposit beginning in February 2007. In March 2007, the third drill will be mobilized to test a prospective area located between the Kianna and Anne deposits. The Kianna Deposit, located between the Colette and Anne deposits, is the site of a high-grade uranium discovery in hole SHE-114-5 announced in 2005 (see UEX News Release July 13, 2005). The Company plans on spending $6.73MM at Shea Creek in 2007.

**We Reiterate – Early Days Yet**

Kianna represents one of the best new discoveries in the basin over the last 20 years, but don't expect production and cash flow to be quick to follow. We expect that the project partners will aggressively push forward with work at Kianna, as it has become a priority for Areva (Cogema) in light of the recent delays at Cigar Lake. We anticipate at least 2-3 years of drilling will be required to defined the true extend of this system. It is possible, that like at McArthur River, the partners may elect to sink a shaft at the deposit sooner than later as true definition and exploration drilling in these deposit types is difficult from surface, and underground work proved very effective for Cameco at McArthur River. Due to the depth and grade of the deposit, its proximity to infrastructure and the regulatory environment in which the Companies operate we cannot expect production for a minimum of 8-10 years. The west side of the Athabasca Basin does host the reclaimed Cluff Lake mine-site up the road form Shea Creek, though a new tailings management facility would need to be established. Quality assets under solid technical and operational management are tough to find in the current uranium environment, UEX offers exposure to a world-class project operated by one of the two best operators in the world.

**Raven-Horseshoe**

Historically we have not valued UEX's Raven-Horseshoe (RH) deposit as the focus of the Company was directed to the discovery at Kianna and the growth of that asset through continued resource definition. Raven-Horseshoe and West Bear represent historically defined assets that we did not envision as being of immediate significance to the Company. However, with the flood at Cigar Lake putting approximately 10% of expected global uranium supply in question, and considering the relatively shallow nature of the above-mentioned deposits, proximity to existing infrastructure and unused mill capacity the importance of these two deposits has increased.

Raven-Horseshoe hosts a historical resource estimate of 6.7MM tonnes at an average grade of 0.16% representing approximately 23 MM lbs of contained U3O8. UEX's drilling has identified two sub-zones within the Horseshoe Deposit, termed the "A" and "B" zones. The latest intercepts expand the extent of both of these zones. The Horseshoe A and B zones are interpreted as two shallow, southeast-dipping, zones of hematite-clay-

pitchblende alteration that strike in a northeast direction. UEX's drilling continues to define mineralization within the sub-zones (Figure 3).

The results from the Summer/Fall program, all drilled within the Horseshoe Deposit, included, in hole HU-22, 0.39% U3O8 over 38.97 metres from 208.52 metres to 247.49 metres, including 1.19% U(3)O(8) over 3.01 metres and 1.37% U(3)O(8) over 4.62 metres, and, in hole HU-24, 0.20% U3O8 over 36.30 metres from 307.50 metres to 343.80 metres, including 0.36% U(3)O(8) over 11.30 metre.

HU-22 and HU-24 extend the Horseshoe mineralization defined by the previously-reported intersection in hole HU-16 of 12.35 meters grading 4.53% U3O8 to an adjacent section 60 meters to the northeast into an area outside the known historical resource. UEX's 2007 program is intended to provide sufficient drilling density to enable calculation of a NI 43-101 compliant resource estimate. The program is planned to continue in January 2007 using 4 drill rigs.

**Aggressive 2007 Exploration Plan**: In early 2007 four diamond drills will test the deposit area with a planned 24,000 meters of drilling. Objectives of the program are fourfold:

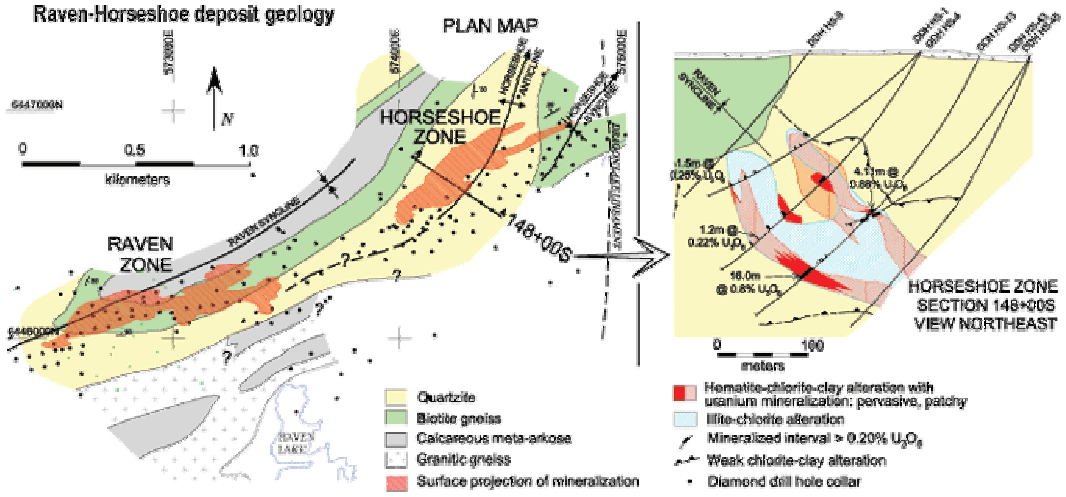
- To continue drilling step-out drill holes to the northeast in successive cross sections spaced 60 meters apart to test the extent of newly defined, and historically intersected mineralization in the Horseshoe Deposit.
- To provide 15 to 30 meter spaced infill drilling of mineralization intersected during the 2006 program.
- To test peripheral geophysical targets and potential extensions of mineralization.
- To drill central portions of the Raven Deposit, where only widely spaced historical Gulf drilling has been completed, and where Gulf obtained intercepts of up to 0.60% U(3)O(8) over 11.28 meters in hole LB-040.

UEX has secured Golder Associates to continue environmental baseline studies during 2007. In addition, UEX has engaged Golder to begin a study of geotechnical and metallurgical data from Raven-Horseshoe drill core for the purposes of future feasibility studies.

**Strategic Focus On The Eastern Basin**

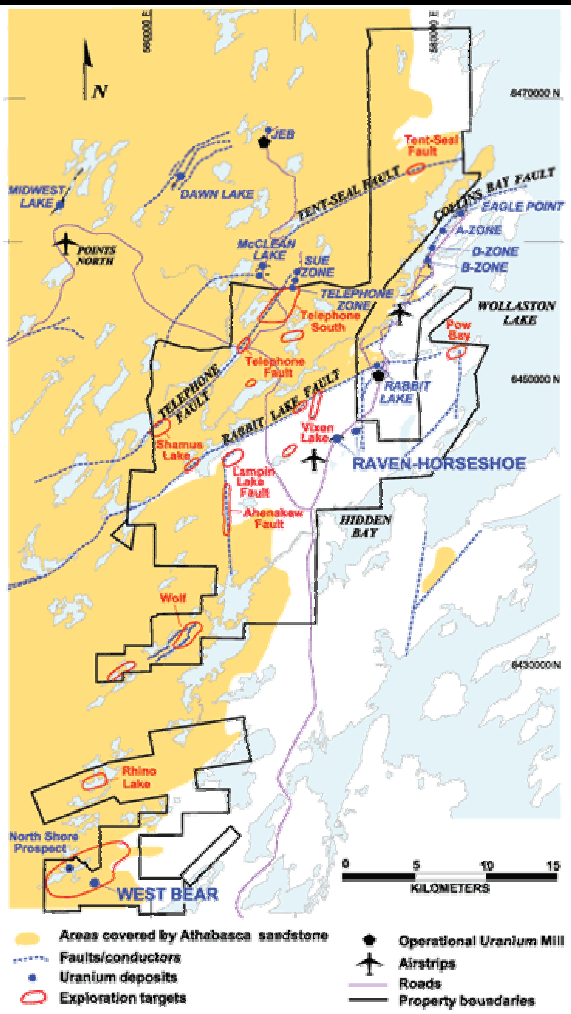
Raven-Horseshoe is located along the eastern Athabasca Basin margin (Figure 4). Mineralization is situated entirely within competent basement rocks, similar to Cameco's nearby Eagle Point deposit at Rabbit Lake with no overlying sandstone. Similar underground ramp access and conventional underground mining methods employed at Eagle Point could be used at RH according to the Company. The significance the RH and to a lesser extent the West Bear deposits as compared to the Company's Kianna deposit is that it is a relatively shallow deposit, having low technical mining risk located proximal to existing infrastructure, available mill capacity, and tailing management facilities. The deposit is situated within 5 kilometres of Cameco's Rabbit Lake Mill and 14 kilometres of Denison/Areva's McClean Lake Facility. With supply of feed from Cigar Lake in question the RH deposit could provide an alternative source of supply that could be brought into production in a reasonable time frame; as it would only be a mining operation not requiring require the same level of regulatory scrutiny as an operation would if attempting to build a mill or develop a tailings management facility.

## Figure 4 Raven-Horseshoe Deposit - Schematic




Source: Company reports

## Figure 5 UEX's Eastern Land Position (Athabasca Basin)




Source: Company reports

**First Holes of 2007 Keep Delivering High-Grade**

The first two holes from Shea Creek for 2007 continued to deliver impressive intersections. SHE-115-11 returned 6.72% over 15.1 meters including 11.8% over 6.2 meters and SHE-118-4 returned 1.14% over 16.8 meters including 2.22% over 6.2 meters. 115-11 targeted basement mineralization and was a large 31meter step out to the southeast. This intersection expanded the width of the Kianna deposit to greater than 150 meters. These two holes were the first of what should be an aggressive 2007-exploration program. We anticipate continued strong results.

**Certainly A Target**

Cameco maintains its +20% share of UEX and Cogema has 51% of the Shea Creek project however, with Raven-Horseshoe (23Mmlbs) and West Bear (3 MMlbs) located on the east side of the basin, proximal to infrastructure and near two mills that shortly will have a significant amount of unused capacity; UEX provides the major looking for entry to the world's most prolific uranium camp its only point of entry. No other junior mining or exploration Company in the Basin has the same scale of portfolio, advanced assets, or lbs in the ground as UEX. With the continued rise in the uranium price we anticipate a number of new entrants into the uranium mining market. UEX would provide a solid first step for those new players. The only other jurisdictions that could entice a major, in our opinion, are Kazakhstan and the Central Labrador Mineral Belt controlled by AXU. Saskatchewan remains the worlds best uranium address and as such will be actively sought by those looking to enter the industry and have immediate impact.

**Valuation**

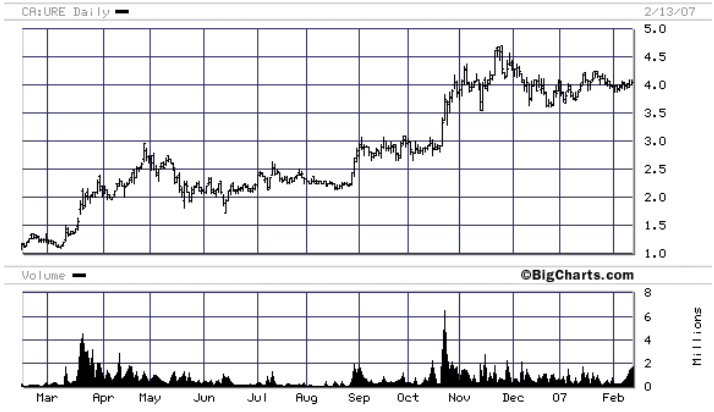
Our previous work suggested that the resource at Shea Creek could now be in excess of 160MMlbs (82MMlbs attributable to UEX) which significantly increases the probability of Shea Creek being as large as Cigar Lake (231 MMlbs) or possibly McArthur River (436 MMlbs) - both reasonable analogies as UEX continues to back the discovery with continued drilling success. Based upon our $12.50/lbs resource multiple for Shea Creek and through application of $7/lbs resource multiple for the 23MMlbs of uranium historically at RH we derive a NAV of $7.11/share for UEX. We base our valuation upon a 1.3x NAV recognizing the exploration upside that exists at the Company's assets. We reiterate our C$9.25 target price and maintain our Buy (S) recommendation.

# ♦Ur-Energy Corporation

(URE - C$4.05, TSX)

**Recommendation: BUY** **Target Price: C$5.10**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 73.4 MM |
| Fully Diluted | 79.2 MM |
| Management | 3.6 MM |
| Market Capitalization | C$320.8 MM |
| Market Float | C$306.2 MM |
| Cash | $28.7 MM |
| Debt | Nil |
| Average Daily Trading Volume | 760,746 |
| High-Low (52 Week) | C$4.70 – C$1.07 |

Source: Company reports, Sprott Securities estimates

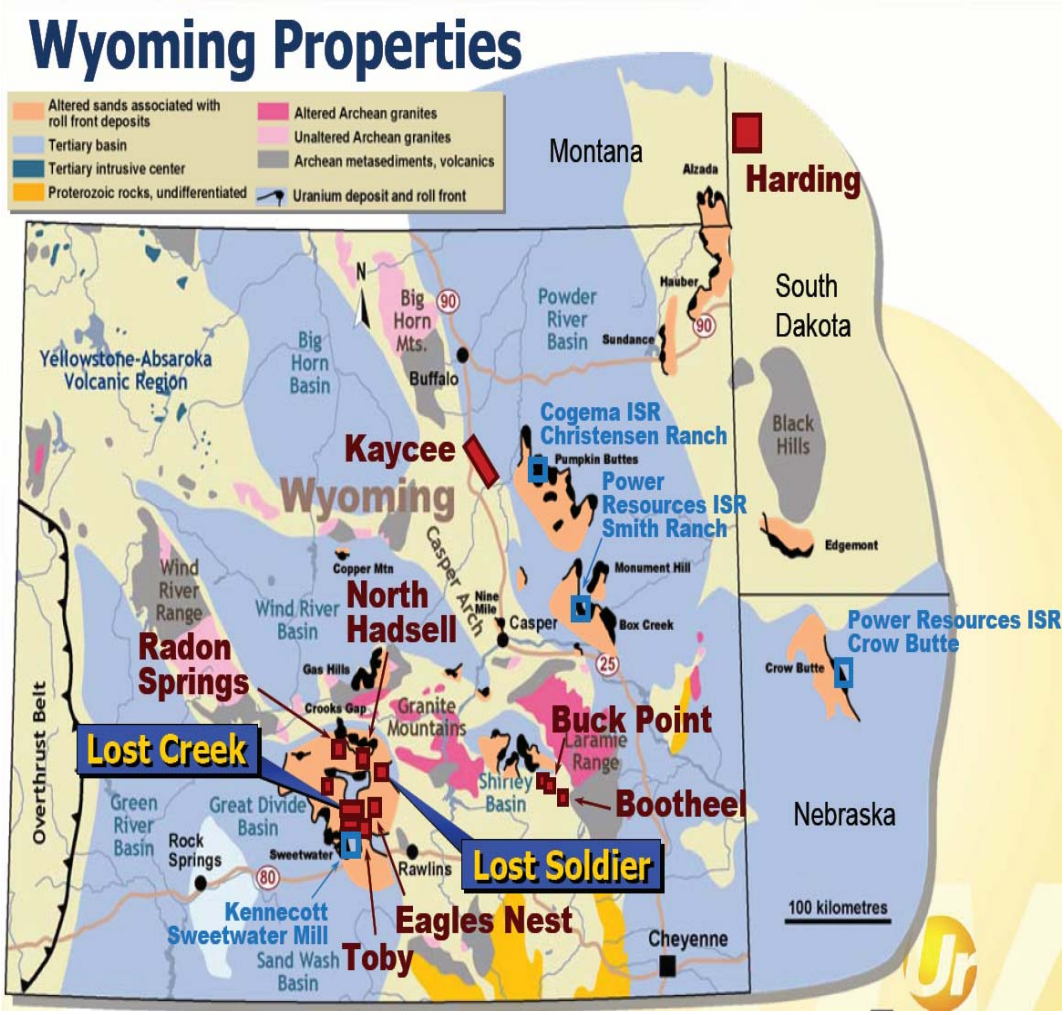
### Initiating Coverage On An Emerging US Based Producer

Ur-Energy (URE) is an exploration and development company with both late and early stage uranium projects based in North America. The Company was incorporated in early 2004 and began trading on the TSX in late 2005. The Company's primary assets are its Lost Creek and Lost Soldier properties, situated in the Great Divide Basin of Wyoming. It should be noted that Wyoming is a prolific uranium producing state with over 200 MMlbs of production. In conjunction with Lost Creek and Lost Soldier, Ur-Energy has the Bootheel, Radon Spring, Horth Hadsell, Toby, and Kaycee properties situated in Wyoming, which have a previously defined historic uranium resource of approximately 49 MM lbs U3O8. Further enhancing its US position, URE recently acquired early stage concessions through 79 Mineral Leases that contain approximately 46,363 acres in Harding County, Northwest South Dakota. In Canada URE is engaged in exploring for high-grade unconformity style uranium deposits in the Thelon Basin of Northern Canada and with ♦Triex Minerals Corporation (TXM, TSXv) in the Hornby Bay Basin located in the Western Arctic.

### US Assets in Prolific Uranium District

Wyoming hosts in excess of 40% of America's uranium resources focused within three main geological basins, The Powder River, The Shirley and The Great Divide Basins. At present Cameco produces within the Powder River Basin and represents the only active ISL operation in the state. Ur-Energy is actively progressing its Lost Creek and the Lost Soldier deposits towards production, anticipated for Q4/08. The Lost Creek and Lost Soldier properties have a defined NI 43-101 compliant resource of 24.9MMlbs. The Company is actively advancing these deposits and as the two deposits lie adjacent to one another a satellite-operating concept similar to what is being attempted by Energy Metals Corporation (EMC) at its Texas in-situ leach operations could be applied.

**Figure 3 The Wyoming Properties- Lost Creek and Lost Soldier**




Source: Company reports

**US Assets- The Primary Focus**

Ur-Energy has focused its attention and efforts on becoming a US based Uranium producer. The Company has systematically acquired properties and performed resource drilling to convert historic resources into NI 43-101 compliancy at both Lost Creek and Lost Soldier. In parallel with resource definition the Company has diligently progressed through significant fieldwork, a better understanding of the Lost Creek and Lost Soldier deposits. During 2006 the Company began and completed necessary baseline environmental data collection surveys on the two properties. Environmental water quality baseline testing has been completed and radiological baseline monitoring has been initiated and is on-going. Most importantly the company has successfully completed pump testing on its Lost Creek property allowing for a detailed understanding of the hydrological characteristics associated with the sandstone media hosting uranium mineralization. In 2007 the Company is budgeting approximately $7.0 MM for further drilling, pump testing, water quality testing, and environmental baseline studies at its Lost Creek and Lost Soldier properties.

**Feasibility Moving Forward**

Initial pump testing on the Company's Lost Creek and Lost Soldier properties have recently been completed, returning encouraging test results. The Hydro-Engineering company completed the field test work and issued its report stating that the optimum flow rate to achieve average recoveries from the property is 50 gallons per minute (gpm). We are encouraged by these results as the field pump tests show that the Lost Creek property should be amenable to in-situ leach processing. Hence the Company will move forward with its Pre-Bankable Feasibility Study (PBFS), which is forecast to be completed by early H2/07. Based upon a positive PBFS, Ur-Energy will apply for its mining license in early H2/07, which should allow the company to begin in-situ leach mining at Lost Creek in late 2008. Pump testing has been completed on the Lost Soldier and we anticipate the report to be issued in early Q1/07. As the Lost Creek and Lost Soldier properties lie adjacent to one another and share the same geological makeup we do not anticipate any issues to arise.

**Sweetwater Uncertainty**

Rio Tinto (RTZ) announced its decision in early 2007 suggesting that it would no longer sell its Sweetwater milling operations to SXR Uranium One. It was generally believed that Ur-Energy would load resin media to the Sweetwater mill for final processing into U3O8. This scenario is still possible, however the expediency at which RTZ brings the Sweetwater mill back into production and establishes the ability to process pregnant solution could be a bottleneck in this process. Thus we believe that URE will have to ship its resin pellets to Areva's Christensen Ranch processing facility (currently on care and maintenance) or Cameco's Smith Valley processing facility (currently in operation). With this said, we believe that URE will ultimately find a home for its production.

**Why We like Ur-Energy**

**Near-Term Production:** URE has aggressively advanced its Lost Creek and Lost Soldier deposits throughout 2006. We expect further development of these properties through 2007 and ultimately production should begin in late Q4/08, ramping to full production in H2/09 at an annual rate of 1.0 MM lbs per annum. Environmental baseline studies are in progress; initial vegetation sampling and analyses are ongoing as is a field study associated with the socio-economic impacts of the operation. The Company has successfully completed hydrological well testing on both properties, which indicate that they will be amenable to in-situ leach processing. Both the Lost Creek and Lost Soldier Properties have a 43-101 resource of 24.9MMlbs of uranium at an average grade of 0.061%. The deposit is located at relatively shallow depths (400-500 ft) compared to other ISL deposits and as such the cost of well field construction will likely be significantly less than deeper operations located in other uranium producing basins.

**Focus on The United States and ISL Extraction:** URE is levered to US production within a period when security of US based supply is of utmost importance. Though ISL at times is considered more art than science and the production ramp can at times be difficult it is environmentally low impact and proven to be a relatively low cost method of extraction. With URE's experienced management team confidence can be gained that the company should have few issues bringing the Lost Creek and Lost Soldier deposits into production.

**Potential Production Growth In Wyoming**: Wyoming hosts in excess of 40% of America's uranium resources focused within three main geological basins; The Powder River, The Shirley and The Great Divide Basins. At the present time Cameco produces within the Powder River Basin representing the only active ISL operation in the state. URE owns 100% of two advanced properties in the Great Divide Basin and several other properties with historic resources. We believe that once Lost Creek and Lost Soldier are put into production it will then focus its attention on its other regional properties and start the process of establishing a 43-101 resource and ultimately putting another deposit into

production. As previous owners have extensively drilled these properties, Bootheel, Radon Spriing, Horth Hadsell, Toby, and Kaycee and an accurate database exists that outlines a historic resource. The experienced gained by taking the Lost Creek and Lost Soldier deposits through to production should allow the Company to efficiently put all future projects into production.

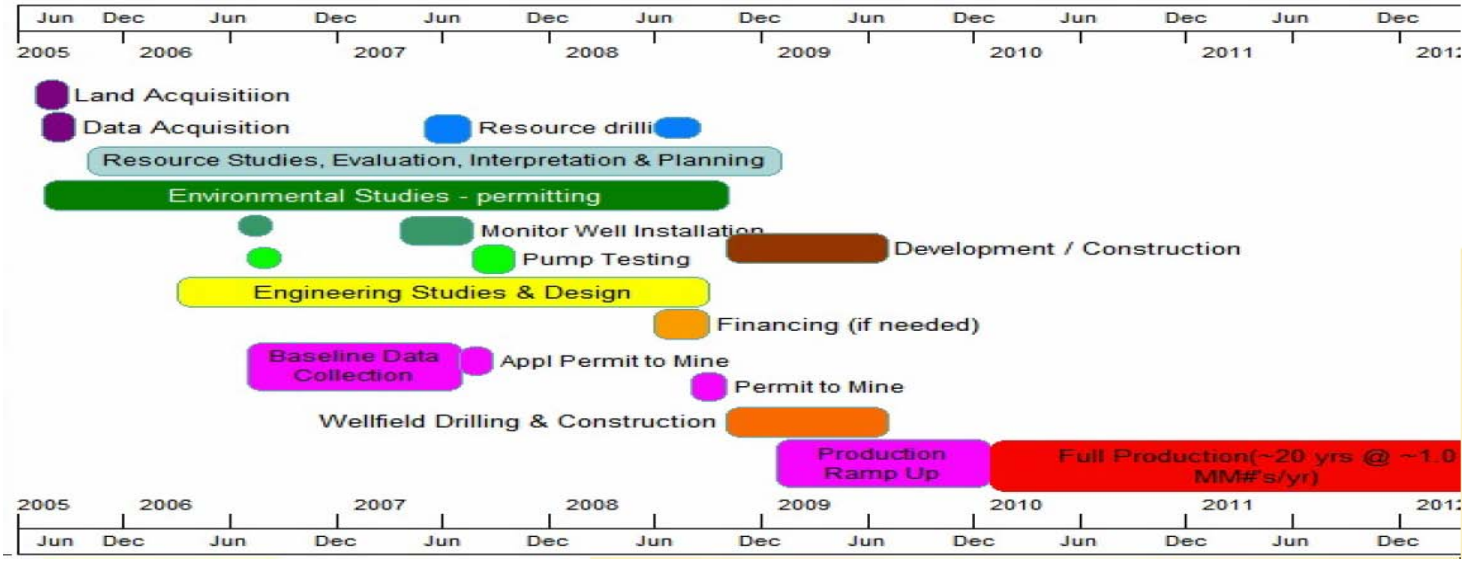
**Production Around The Corner**

We have modeled URE starting production in 2009 with its Lost Creek deposit coming on line and ramping to full production in 2010 at 1.0 MM lbs per annum. We have forecast the company bringing its Lost Soldier into production in 2011 and hitting full production in 2012 at 1.0 MM lbs. In total we have modeled URE producing 2.0 MM lbs per year of U3O8 at a conservative average cash cost of $25.00/lbs over a mining life of 14 years. We believe that upside remains in our production forecast, as the Company should continue to add further resources at each property through its active exploration program. We have based our production forecast on the company striking a toll agreement with one of the area players. Based on this scenario we have modeled capex for the resin plant to be $16 MM and a tolling service charge of $3.0/lbs U3O8. We have model that capital outlays will be paid for with a combination of cash on the balance sheet and operational cash flows. We have given further value to the Company's historic resources as we have valued them at $3.50/lbs in the ground. Based on these assumptions we have calculated the total value of the company at approximately C$365 MM.

**Further Value Through Strategic Database**

URE has been diligent in assembling a strategic database on its properties and in some cases its competitor's properties. The database allows the Company to enhance its overall understanding of its properties and hence target its drill program at delineation and conversion of historic resources into NI 43-101 compliancy. As well, the database provides the Company leverage when dealing with its competitors as the data could streamline drill programs and hence save a competitor capital, while shortening the time it may take to put an ISL field into production. We believe the company should be able to monetize this database by receiving royalties or possibly earn-ins on projects going forward. Currently we do not give the company any value for this database.

**Figure 4 Project Production Timeline- Lost Creek**




Source: Company reports

**Management Has What It Takes**

Bill Boberg the CEO and Director of URE has over 35 years experience investigating, assessing and developing a wide variety of mineral resources in a broad variety of geologic environments in Western North America, Africa, Asia and South America. Bill has over twenty years experience exploring for uranium in the continental US with particular emphasis on Wyoming. He has worked for Hecla Mining Company, Anaconda, Conoco Minerals, World Nuclear, Kennecott, Western Mining Corporation and Canyon Resources, holding management positions in most of these companies. While with Conoco he discovered the Moore Ranch uranium deposit as well as several smaller deposits in Wyoming's Powder River Basin. While with World Nuclear he managed a nationwide uranium exploration program, which significantly increased the company's reserve/resource base as well as making new deposit and new uranium district discoveries. Through Bill's guidance the company has assembled a strong uranium team with over 400 yrs of combined experience. We believe that this is quite a testament to the leadership and knowhow of Bill as human capital in the uranium space is in severe shortage. As such we are confident that the management team at Ur-Energy will be more than capable in transitioning the company from a development to a production Company.

**Valuation**

We have divided our valuation for URE into 2 components 1) A DCF derived NAV 7.5% for its Lost Creek and Lost Soldier properties, 2) $3.50/lbs applied to the Company's compliant historic resource base. In total we derived a blended NAV for Company of C$5.10 per fully diluted share. As such we are initiating coverage with a Buy recommendation and a C$5.10 target price based on a 1x multiple of our blended NAV. We believe that there remains upside to our valuation as URE moves closer to production we could see the Company being valued at 1.5x NAV, which would put URE's multiple in-line with other uranium companies advancing towards production.

**Figure 5 Ur-Energy Corporation – Conceptual Model**

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Prod./Sales (M lbs U3O8) | - | - | 600 | 1,000 | 1,500 | 2,000 | 2,000 | 2,000 |
| Cash Costs (By-prod) | - | - | $25.00 | $25.00 | $25.00 | $25.00 | $25.00 | $25.00 |
| Net Income ($M) | - | - | $29,498 | $32,244 | $49,591 | $66,938 | $21,858 | $21,858 |
| EPS (FD) | - | - | $0.37 | $0.41 | $0.63 | $0.85 | $0.28 | $0.28 |
| CF from Operations | - | - | $29,880 | $32,881 | $50,547 | $68,212 | $23,132 | $23,132 |
| CFPS (FD) | - | - | $0.38 | $0.42 | $0.64 | $0.86 | $0.29 | $0.29 |
| Capex | $8,000 | $8,000 | - | $16,000 | - | - | - | - |
| Free Cash Flow | $(8,000) | $(8,000) | $29,476 | $16,238 | $49,618 | $66,997 | $21,917 | $21,917 |

Source: Company reports, Sprott Securities estimates

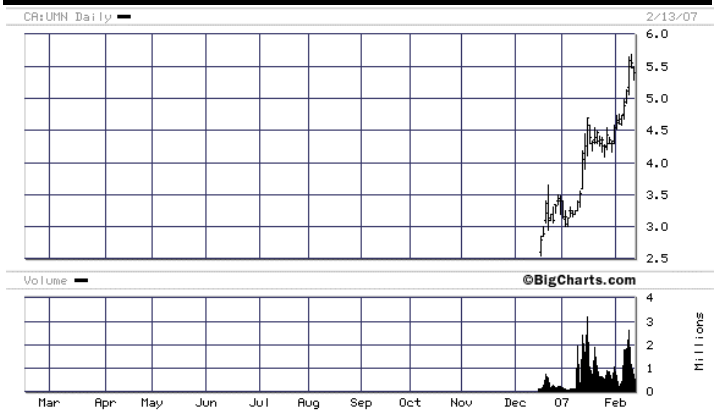
# UraMin Inc.

(UMN - C$5.40, TSX)

## Recommendation: BUY (S)

## Target Price: C$6.20

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 215.5 MM |
| Fully Diluted | 264.3 MM |
| Management | 12.0 MM |
| Market Capitalization | C$1,427.2 MM |
| Market Float | C$1,362.4 MM |
| Cash | $96 MM |
| Debt | Nil |
| Average Daily Trading Volume | 838,454 |
| High-Low (52 Week) | C$5.69 – C$2.55 |

Source: Company reports, Sprott Securities estimates

### Initiating Coverage

UraMin was incorporated in February 2005 for the purpose of acquiring and developing mineral deposits, predominantly uranium, throughout the world. It has offices in London, United Kingdom and in Johannesburg, South Africa.

UraMin's key projects are located in Namibia, Central Africa and South Africa. Aggressive development plans suggest potential production in late 2007 through test mining in Namibia. We have taken a more conservative approach has modeled initial production in mid-2008 pending a favorable outcome to the Company's BFS at Trekkopje.

We are initiating coverage with a Buy (S) recommendation and a C$6.20 target price.

### Asset Overview

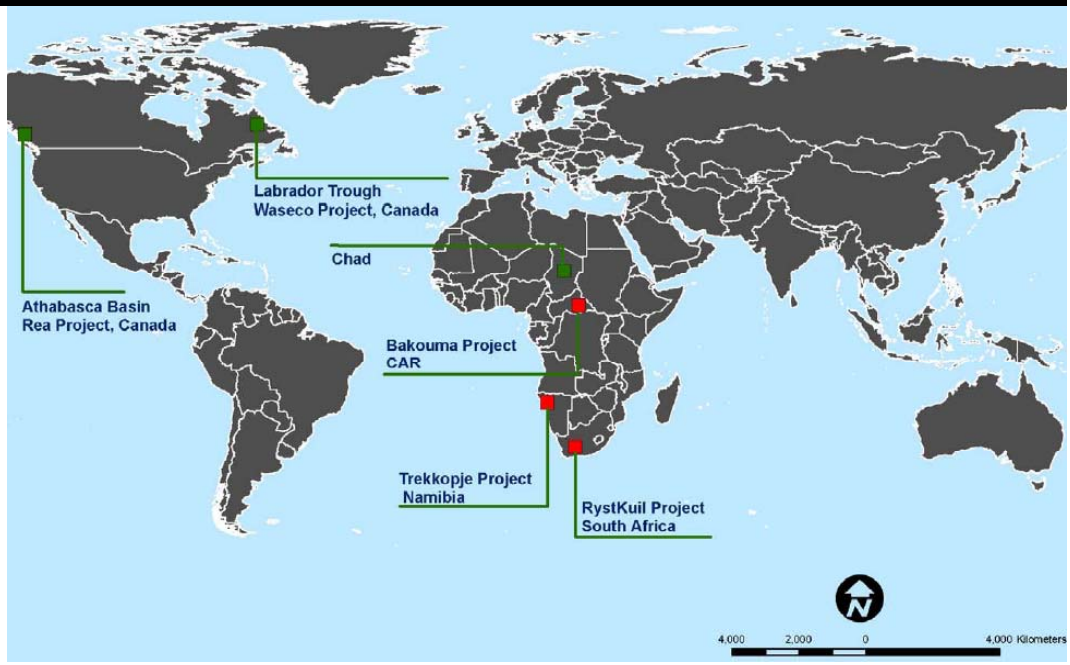
The Group has initially focused its efforts in Africa and has acquired or has applications pending for mineral rights on properties in Namibia, South Africa, Mozambique, Botswana, Chad and the Central African Republic. The Company also recently entered into an option agreement to acquire an interest in exploration permits in the Athabasca Basin in Alberta, Canada, and continues to evaluate other opportunities throughout the world.

The Group's strategy is to explore its existing projects, develop those on which favourable feasibility studies are completed and seek to acquire and progress further uranium properties at various stages of development, wherever they may be located in the world. The Group is actively pursuing and negotiating the acquisition of and/or the application for additional mineral rights around the world.

The Company has a very experienced board of directors and management team, containing seasoned mining professionals and individuals with extensive business and investment experience.

The common shares of UraMin Inc are traded on AIM and Toronto stock exchanges under the symbol "UMN".

**Figure 3 Property Map**




Source: Company reports

**Trekkopje**

The Company's 100%-owned, 129,000-hectare Trekkopje Project is located in west-central Namibia about 65 km northeast of Swakopmund. Based on significant prior drilling, plus the Company's confirmation drilling, SRK Consulting has estimated an NI 43-101-qualified Measured and Indicated Mineral Resource of 18.4 million pounds of U3O8 (61 million tonnes at a grade of 0.014%) and an Inferred Mineral Resource of 139.2 million pounds U3O8 (502 million tonnes at a grade of 0.013%), both estimated using an 80-ppm cut-off grade. The Company has suggested that Trekkopje is expected to become one of the world's ten largest uranium mines when it achieves production, and could also be one of the top five low-cost, open pit uranium operations.

With a feasibility study in progress, which is projected to be completed in the third quarter of 2007, SRK reports the potential for simple and cost-effective open pit mining, with 80% of known mineralization shallower than 15 m, below a nominal, 2 m alluvial surface. After completing Phase I metallurgical testwork, SRK reports good recoveries achieved from both tank leach and heap leach processes, and has also confirmed the recovery of vanadium in the ratio of 1 unit of V2O5 to every three units of U3O8.

UraMin plans to develop a 500,000-pound per year trial mining and processing operation starting 2007 and, conditional upon a robust feasibility study result, the Company anticipates being able to commence full-scale production at an anticipated rate of three million pounds per annum by the end of 2008. This staged process is planned to help define full-scale mining and processing performance, productivity parameters and to provide more accurate operating cost estimates. Management estimates the capital cost of the trial operation at approximately $30 million, and expects it to be fully operational by the end of 2007

Though Trekkopje has a very large resource base it should be noted that it is among the lowest grade deposits we have encountered. However the Company intends on developing the project as a heap leach operation that could leverage scales of economy. It is suggested that the operation is capable of producing 3MMlbs p.a, however if the leach tests are positive the opportunity to produce at a much larger scale exists (5-8Mmlbs p.a).

Water is an issue in Namibia, and the Company has suggested that the construction of a desalination plant would facilitate adequate supply for the operation. We have modeled the test operation commencing in mid-2008 as we expect that delays will persist in the mining industry. We have modeled a base operation commencing production in 2009 ramping to 3.3Mmlbs p.a. We have modeled very conservative production costs on the order of $30/lbs and a capex of $280MM with the largest input being the desalination plant. The opportunity to produce at higher volumes will dramatically decrease our cost estimates.

**Bakouma**

UraMin holds a 90% working interest over ten separate areas of uranium mineralization at Bakouma in south-central Central African Republic and has applied for two additional licenses, which, if granted, would extend the project area to 2,900 square kilometers.

The Company has already completed 10,000 meters of an initial confirmatory reverse-circulation drilling program of 15,000 meters. Historic resources were reported by the prior property owners of 41 million pounds of U3O8 (7 million tonnes at a grade of 0.27%), which require confirmation drilling in order to make them NI 43-101 compliant. The Company estimates that an NI 43-101-qualified mineral resource statement will be available by the end of February 2007 at Bakouma. AMC Consultants is performing a scoping study review of mining options at present, and the Company will shortly select a consultant with overall responsibility for a feasibility study, with a targeted completion by early 2008.

UraMin announced initial drilling results from the Patricia deposit, the largest of the 10 uranium deposits making up the Bakouma Project in the Central African Republic ('CAR'):

- High Grade mineralisation was encountered with significant intersections at the Patricia Uranium Deposit being:
- 33 m at 0.14% U3O8 from 69 m depth in drill hole PRC004
- 6 m at 0.41% U3O8 from 42 m depth in drill hole PRC007
- 64 m at 0.30% U3O8 from 41 m depth in drill hole PRC010, with 8 m at 0.61% U3O8
- 59 m at 0.34% U3O8 from 32 m depth in drill hole PRC018, with 8 m at 0.88% U3O8
- 29 m @ 0.20 % U3O8 from 55 m depth in drill hole PRC014
- 38 m @ 0.26 % U3O8 from 47 m depth in drill hole PRC017
- 59 m @ 0.34 % U3O8 from 32 m depth in drill hole PRC018
- 18 m @ 0.30 % U3O8 from 52 m depth in drill hole PRC021
- Drilling programme ahead of schedule with 66% of the historically defined Patricia mineralisation delineated
- Open ended mineralisation at depth and high grade intervals identified indicate potential to exceed the existing historic exploration target of 18,000 tonnes U3O8 for Bakouma

It is anticipated that a NI 43 101 compliant resource statement will be completed on the Patricia deposit during the first quarter of 2007.

In the past six months, UraMin has completed 11,453 meters of reverse circulation percussion drilling in 119 drill holes. Thus far, a total of 98 drillholes have been completed in the Patricia deposit with a further 21 drill holes in other deposits.

The Bakouma Uranium Project consists of ten documented uranium deposits in close proximity to one another. A review of the studies conducted by Compagnie des Mines

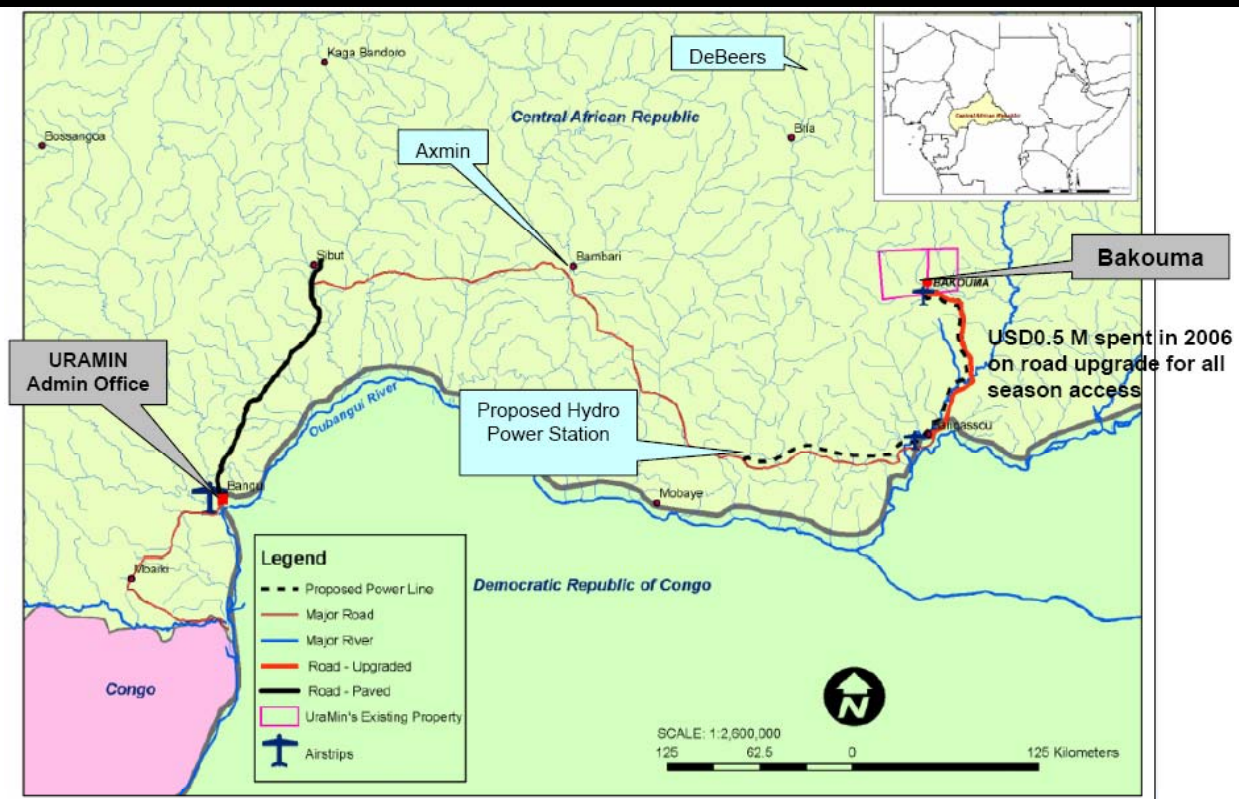
d'Uranium de Bakouma and Societe de l'Uranium Centrafricain between 1969 and 1977 reveals an exploration target in excess of 18,000 tonnes (41 million lbs) of U3O8 at an average grade in excess of 0.27%. Assay results for the first 17 of the Patricia drill holes have indicated U3O8 values ranging between 0.14% (over 33 meter composite width) to 0.41% (over 6 meter composite width). Within these composited intervals, individual samples representing vertical intersection widths of 1 meter, range in grade from 0.01% to as high as 2.1% U3O8. These results confirm the occurrence of uranium mineralisation at grades and widths similar to that documented by the previous studies.

In the current drilling program uranium mineralisation has been intersected from depths below surface ranging from 8 meters to 50 meters extending down to 105 meters (the maximum depth for the results of the drilling thus far) where the mineralisation is open ended in 8 of the 24 holes reported. UraMin intends to test this depth extension by deepening certain of the drill holes.

Historical information indicates that the maximum drill depth achieved on the Patricia deposit was 107 meters. UraMin has improved this and is consistently reaching depths below 100 meters and extending as deep as 130 meters below surface where indications of the presence of mineralisation, as determined by hand held total gamma scintillation counters, exists in these deeper intersections. These are to be confirmed by XRF assay shortly.

We have modeled production commencing in 2010 from Bakouma ramping to an attributable 5.9MMlbs p.a by 2012. We have modeled a preliminary capex of $190MM and estimate cash costs at $25/lbs. The Bankable feasibility has been awarded to GRD Minproc and is scheduled for completion in the 3rd quarter of 2008.

**Figure 4 Bakouma Property Map**




Source: Company reports

**Ryst Kuil**

At UraMin's Ryst Kuil uranium project in the Karoo region of South Africa, the Company now has 12 licenses, in which it owns a 65% interest. A further two licences have recently been recieved. The total historical mineral resource outlined by a prior holder on the licenses for which the company has applied is 64 million pounds of U3O8 (29 million tonnes at a grade of 0.1%), with historical mineral resources on the awarded licenses totalling 41 million pounds of U3O8 (19 million tonnes at a grade of 0.1%). Exploration is underway with a target to complete an updated NI 43-101-qualified resource and mineral reserve statement in the second quarter, 2007. Drilling is scheduled to commence in January 2007. The Company is now selecting a consultant with a projected completion date for the Definitive Feasibility Study by March 2008. The Company believes that the property is capable of being placed into commercial production by late 2009 at the rate of 2.6 to 3.0 million pounds uranium per year with significant molybdenum by-product

The Ryst Kuil Channel has traditionally been divided into Eastern and Western sectors. An historical resource estimate of 11 million tonnes at a grade of 0.1% U3O8 (i.e. 25 million pounds U3O8) was reported by Esso in 1979 for the Western Sector of the Ryst Kuil Channel. The prospecting licenses granted for the benefit of the joint venture thus far include in excess of 90% of the land surface covering the mineralization defined by Esso. While there is not necessarily a direct relationship between area of land held and its contribution to the global resource, UraMin believes the total Western Sector licenses granted to date will provide a potential exploration target of 22 million pounds.

In the Eastern Sector of the Ryst Kuil Channel exploration was conducted by Esso and Southern Sphere during the 1970s. Information regarding this work is incomplete. While there is not necessarily a direct relationship between area of land held and its contribution to the global resource, UraMin believes the results available suggest a potential exploration target of 38 million pounds for the licenses already granted in the Eastern Sector. UraMin has mobilised and started exploration work on the Eastern and Western sectors of the Ryst Kuil Channel. Reconnaissance work to re-establish historical drill grids is ongoing. Down hole radiometric logging has also commenced with total gamma responses indicating the presence of radioactive zones in several of the holes probed thus far.

**Historical Resource Estimate and Start of Exploration - Riet Kuil**

During the 1970's Union Carbide defined an historical resource estimate of 3 million lbs U3O8 on a farm known as Riet Kuil, situated approximately 40km west of Beaufort West. UraMin's joint venture in South Africa is now the beneficiary of prospecting licenses covering this entire historical resource. The resource is easily accessible, is near surface and has a grade in excess of 0.2% U3O8. UraMin believes that an exploration target of 8 million lbs for the Riet Kuil area is reasonable.

Exploration work on the Riet Kuil areas is planned to start prior to the end of February 2007. We have completed a preliminary model for this area assuming potential production of 1.6MMlbs p.a commencing in 2011-2012 at an estimated capex of $120MM spread over a three year development period. Cash costs are estimated at $25/lbs.

**Sutherland**

In the Karoo Basin of South Africa, uranium occurrences have been located in a broad belt stretching from the Aberdeen district through Beaufort West to Sutherland in an east-west direction. Various historical estimates of the grade and tonnage of the properties of Sutherland and proximate areas were undertaken in the 1970s and 1980s.

The area has been explored in the past by various companies including Union Carbide, Anglo American, Esso Minerals Africa Inc., Newmont Mining, Phelps Dodge, JCI, Rand

Mines, Essex Mineral Company (a subsidiary of US Steel), Industrial Development Corporation of South Africa Ltd and Southern Sphere. According to RSG Global, historical summary reports indicate a total mineralisation at various cut off grades of approximately 27 Mlbs of U3O8 on the properties in Sutherland and proximate areas. These historical estimations have not been verified and are not in accordance with the requirements of any international reporting code.

The Group has identified several areas of interest in the Sutherland district and proximate areas and 34 applications for prospecting rights have been submitted to the DME by and on the behalf of Mago Resources, the Company's 70% owned subsidiary. The Group is awaiting a decision by the DME on each of these applications.

**Catalysts Going Forward: 2007 A Year of News Flow**

UMN has set very aggressive time lines for development of its operations. In our preliminary model (discussed below) we have discounted these slightly in an attempt to recognize the delays that we see occurring at other operations. The Company has provided a time line of accomplishments for the next calendar year that should provide constant news flow going forward. We have provided these below:

Q1 2007

- SRK interim Report at Trekkopje
- Appointment of Feasibility Consultants at Ryst Kuil
- Resource update for Bakouma Deposit

Q2 2007

- Resource update on Ryst Kuil
- Resource update on Bakouma Project

Q3 2007

- Completion of the DFS for Trekkopje
- Trial mining – Trekkopje (we have modelled 2008)
- Resource update on Ryst Kuil Channel

Q4 2007

- Mine construction begins at Trekkopje (we have modelled 2008)

**Valuation**

We have delayed initial production until late 2008 in Namibia and maintained a conservative ramp as we expect that a low-grade heap leach operation will take slightly longer to achieve commercial production. Above we noted our assumptions for each deposit. In total we see UMN ramping production form 2.6MMlbs in 2009 to in excess of 10 MMlbs potentially by 2012 at an average cash cost of $25/lbs.

In total we suggest that UMN will need in excess of $400MM in capital over the next three-four years. For the purpose of our model we have assumed that 50% of capital requirements will be funded via debt and 50% via equity at C$5.75/share.

Currently UMN has no debt and $96MM in cash on the balance sheet. As such the Company remains well funded through 2007 and into 2008 until initial capital requirements for Trekkopje are required.

We have valued UMN via a NAV derived from our DCF. Assuming a long term $50 uranium price post 2012 and a 10% discount our Net Asset Value for UMN equates to C$4.41/share. Based upon the current multiples within the space we suggest that UMN could trade at a 1.4 x NAV implying a $6.20 target price. We recommend this stock with a Buy (S) rating.

Material upside exists to our model if UMN's BFS in Namibia suggests a much larger production volume or if the Company can commence production sooner than we have modelled. Both of these actions would impact the first three years of our DCF and as such have impact on our valuation to the upside.

**Figure 5 UraMin Inc. – Conceptual Model**

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Prod./Sales (M lbs U3O8) | - | 400 | 2,680 | 4,715 | 7,895 | 11,385 | 11,385 | 11,385 |
| Cash Costs (By-prod) | - | $30.00 | $29.66 | $28.50 | $27.09 | $26.45 | $26.45 | $26.45 |
| Net Income ($M) | - | $12,439 | $144,090 | $243,391 | $362,251 | $438,486 | $159,194 | $159,194 |
| EPS (FD) | - | $0.05 | $0.55 | $0.92 | $1.37 | $1.66 | $0.60 | $0.60 |
| CF from Operations | - | $13,500 | $151,200 | $255,900 | $383,197 | $468,692 | $189,399 | $189,399 |
| CFPS (FD) | - | $0.05 | $0.57 | $0.97 | $1.45 | $1.77 | $0.72 | $0.72 |
| Capex | $140,000 | $190,000 | $120,000 | $120,000 | - | - | - | - |
| Free Cash Flow | $(62,375) | $(45,595) | $11,430 | $112,838 | $355,364 | $435,624 | $171,332 | $171,332 |

Source: Company reports, Sprott Securities estimates

# ◆Uranium Participation Corporation

(U - C$14.48, TSX)

**Recommendation: BUY** **Target Price: C$15.65**

**Figure 1 Price Chart**


Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 48.5 MM |
| Fully Diluted | 56.3 MM |
| Management | 0 MM |
| Market Capitalization | $815.2 MM |
| Market Float | $815.2 MM |
| Cash | $2.0 MM |
| Debt | $15.0 MM |
| Average Daily Trading Volume | 356,347 |
| High-Low (52 Week) | C$14.90 – C$4.05 |

Source: Company reports, Sprott Securities estimates

### Alternative Investment – Pure Play

Uranium Participation Corporation is an investment holding company created to invest in uranium oxide ("$U_3O_8$") and Uranium Hexafluoride ($UF_6$) an intermediate form of $U_3O_8$; with the primary investment objective of achieving appreciation in value of its uranium holdings.

Uranium in its oxide and intermediate forms as commodities offers no futures market, and essentially no way to invest in the commodity as a pure-play. Uranium Participation Co. offers an alternative to the investor who is essentially looking for direct exposure to the commodity devoid of the inherent risk associated with exploration, mining, operating, and financing.

Denison Mines Inc. is the manager for Uranium Participation Corporation.

Uranium Participation Corporation's securities are listed and trade on the Toronto Stock Exchange. Its common shares trade under the symbol "U" and its warrants trade under the symbol "U.WT".

### Asset Base

Uranium Participation Co., currently has taken delivery of 4.2 MM pounds of U3O8 at an average cost of C$158.4MM and 950M kg UF6 at an average cost of C$147.4 MM. We value U on a fully diluted basis, accounting for the exercising of warrants and all outstanding cash. We expect that Uranium Participation Corp., will continue to accumulate both U3O8 and UF6, however the market for both commodities has become increasingly tight and very little product is available for purchase at prices close to today's market price of $75.00/lbs $U_3O_8$ and 208.00/kg $UF_6$. If Uranium Participation Corporation were to aggressively enter the market looking to acquire uranium in material size (+1.0MM lbs), we would expect the uranium price to aggressively increase.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities of Uranium Participation Corporation

**Smaller Than The Silver Market**

Although uranium is actually an energy-related material, we believe the scarcity of investment vehicles and the small size of the market will cause the equities to trade more inline with precious metal companies. The uranium market is worth just $13.5 BB in sales annually with 180 MMlbs of uranium supply at $75/lbs spot currently. The closest comparable sector is the $12.3 BB annual silver market, notorious for its premium valuations. For comparison, the annual gold and copper markets are worth $76BB and $33BB respectively. The present market capitalization of uranium companies is broadly estimated at $40-45BB, compared with $70BB for the TSX gold index alone.

Empirically, during a commodity bear market, base metal equities tend to trade at 50% of their NAV, while in bull market, valuations surge to trade at 1.5x P:NAV. For gold and silver shares in a bull market, this valuation variance can extend to 2x P:NAV for certain favoured stocks at the height of the market. Therefore, we believe that basing our target prices on a 1.4x P:NAV for relatively risk-free exposure to the uranium industry is warranted.

**Premium History**

Since initial listing on the TSX, U has traded at an average 1.30x premium to NAV. Excluding the first two weeks of trading, whereby the equity traded at an average of 1x NAV and the recent market wide correction; U has traded at an average premium of 1.20x NAV, to a high of 1.50x.

**Valuation**

The current uranium term price is $75.00, and we have forecasted an average uranium price for 2007 of $80.00. At a $75 uranium price and a $208.00 UF6 price on a fully diluted basis, Net Asset Value of U is calculated at C$11.18/sh. Based upon our expectations of those equities with direct exposure to uranium production or possession trading at a 1.4x premium to NAV, we calculate a target price of C$15.65 and have assigned a Buy recommendation.

# Uranium Resources, Inc.

(URRE - C$4.97, OTCC-BB)

**Recommendation: NR** **Target Price: NR**

**Figure 1 Price Chart**


Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 48.5 MM |
| Fully Diluted | 56.3 MM |
| Management | 0.5 MM |
| Market Capitalization | C$279.8 MM |
| Market Float | C$277.3 MM |
| Cash | $26.5 MM |
| Debt | $0.5 MM |
| Average Daily Trading Volume | 332,510 |
| High-Low (52 Week) | C$7.92 – C$1.80 |

Source: Company reports, Sprott Securities estimates

### Overview

Uranium Resources Inc (URRE) was incorporated in 1977 with the objective of acquiring and developing uranium properties and putting them into production through the use of in-Situ Leach (ISL) technology. To its credit URRE has successfully operated and decommissioned ISL operations in Texas and Wyoming. Today the Company has focussed its efforts on production in Texas, where it produced over 7 MM lbs between 1988 and 1999, at its Vasquez property, in operation since 2004, and its Kingsville Dome and Rosita properties. Complementing its production facilities, URRE has put together an extensive land package in the prolific Grants Mineral Belt situated in the state of New Mexico. To date the Company, through its wholly owned sub Hydro Resources, have invested over $25 MM in the state of New Mexico, where it can be easily said that URRE is the most advanced of the potential uranium producers in the state.

### Asset Base

URRE is wholly focussed in the USA and more specifically within the States of New Mexico and Texas. Currently, production is coming from its Vasquez and Kingsville Dome properties. Production is expected from the Company's third property, Rosita situated in Texas in early 2007. To date the Company has reported production form its Texas properties of 187 M lbs for the first three quarters in 2006. The company has struggled with production rates and recoveries at its Vasquez property and had to reduce previously guided production rates of 700 M lbs to 400 M lbs per annum. As a result of these production issues URRE is turning its focus to the Kingsville Dome and Rosita properties for the bulk of its production in Texas. Moving to the four corners district of the USA, URRE has assembled an extensive land package In New Mexico. The Company has both conventional properties as well as ISL properties in this district. The Properties in New Mexico include, the Churchrock, Crownpoint, and Santa Fe properties all of which are situated in the north west of the state.

**Texas Properties: In Production Now**

URRE is in production now at its Vasquez and Kingsville dome properties situated in South Texas. The Company is looking to bring a third property into production in South Texas through its Rosita property, expected to be online in Q1/07. There have been many production issues at Vasquez as the ore body has been re-reduced. Re-reduction of an ore body decrease the solubility of the uranium into the carbonic acid solution, thus recoveries decrease and total retention time of solution in the well field increases. As a result URRE has had to reduce its annual production forecasts on the Vasquez property from 700 M lbs per annum to 400 M lbs per annum. Further compounding the production issues has been the persistence of poor weather, the general lack of drill rigs, and the shortage of logging trucks. The Company has publicly stated that they will move resources from Vasquez to the Kingsville Dome and Rosita Properties. Unlike Vasquez, the Kingsville Dome and Rosita properties are not re-reduced ore bodies, as such the URRE should not have the production issues that were incurred at Vasquez. We would not be surprised to see the company abandon the Vasquez property and focus all of its limited resources on the Rosita and Kingsville Dome properties.

**New Mexico Properties: The Next To Production**

URRE has multiple properties situated in the prolific Grants Mineral Belt in northwest New Mexico. The Company's largest project is the Churchrock property, which consists 2200 net acres. More importantly the Churchrock grounds do lie within the Navajo Indian lands. This is an important point as the Navajo Nation has currently banned uranium mining on its lands. The company has successfully secured its water rights and radioactivity material licenses for the life of mine at Churchrock. URRE will still require an Underground Injection Control (UIC) permit to practice the ISL mining technique. Based on a recent ruling by the United States Environmental Protection Agency (USEPA) it has been determined that the UIC permit is under the Navajo jurisdiction. The Company is forecasting, previous to the legal decision that Churchrock will be in production in mid to late 2008 at annualized production rate of 1.0 MM lbs. However, at this point we believe this will be pushed back as the Company appeals the court's decision. The Company's other properties, Crownpoint and Santa Fe, will be next in line to be put into production. At Crownpoint the company has applied for its water rights, however, the water rights may involve a claim by the Navajo nation; thus production will not be likely until the Navajo dispute is concluded. URRE's third property in New Mexico is the Santa Fe, which host the West Largo and Roca Honda properties. These properties will be mined conventionally and the Company is currently reviewing its options for a regional milling and processing facility.

**Regional Consolidation in New Mexico**

URRE has signed a $50MM investment deal with Itochu, the largest Japanese uranium trader, suggesting that deep and motivated pockets are aggressively taking an interest in the district. The key players, other than URRE, with advanced projects within the region include Strathmore Minerals (STM), Energy Metals Corporation, and General Atomics. Other companies in the region that have accumulated land packages that are at a less advanced stage in the development process include, Laramide Resources, Western Uranium, Max Resources, and Powertech Uranium. Companies with advanced assets moving forward with development include Energy Metals whose properties include the Nose Rock, Crownpoint, and Hosta Butte, containing approximately 36 MM lbs U3O8. Uranium Resources, is the most advanced in the permitting process and has three main projects, the Churchrock, Crownpoint, and Santa Fe properties. These properties contain a historic resource of approximately 33-45 MM lbs of U3O8, with upside to add resources through continued drilling. Total resources of the three companies, Strathmore, Uranium Resources, and Energy Metals equate to approximately 112 MM lbs of uranium. All three of the companies are located very close to each other and consolidation could bring economies of scale to the district allowing for larger production growth.

**2007 The Path Forward**

In 2007 we expect URRE to reassess the economics of the Vasquez uranium property, as resources will be focussed on bringing the Kingsville Dome and Rosita properties into full production. Once in full production the Company anticipates annual production at 1.0-2.0 MMlbs per year from its south Texas properties. Further development of the properties will be ongoing through 2007 as budget of $3.5 MM has been committed to the drilling of 174 meters. In New Mexico the Company will appeal the recent court decision that the UIC permit for Churchrock falls under Navajo jurisdiction. Development of its other New Mexico properties will continue throughout the year. Completion of a feasibility study addressing a centralized mining and milling complex will be completed in 2007. As well, URRE will continue to delineate conventional resources at its Roca Honda and West Largo Properties.

**Valuation**

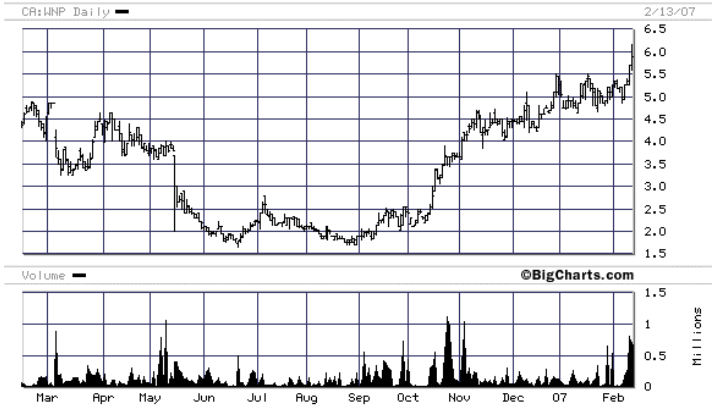
The information presented above was for the most part provided by Uranium Resources. The Company has a long history of uranium mining and processing in the united States. At Sprott Securities we have yet to complete any formal due diligence on the Company's assets. The above information is provided for the readers' information and does not imply any recommendation.

# ◆Western Prospector Group Ltd.

(WNP - C$5.89, TSXv)

**Recommendation: UR** **Target Price: UR**

**Figure 1 Price Chart**




Source: BigCharts (February 14/07)

**Figure 2 Statistics**

| | |
|---|---|
| Shares Outstanding: | |
| Basic | 39.0 MM |
| Fully Diluted | 48.0 MM |
| Management | 12.0 MM |
| Market Capitalization | C$282.7 MM |
| Market Float | C$212.1 MM |
| Cash | $17.0 MM |
| Debt | Nil |
| Average Daily Trading Volume | 154,188 |
| High-Low (52 Week) | C$6.15 – C$1.65 |

Source: Company reports, Sprott Securities estimates

### Saddle Hills Moving Right Along

WNP is a TSXV-listed, Vancouver-based junior uranium exploration company. The Company's key property is the Gurvanbulag Uranium Deposit in Mongolia, where a NI 43-101 compliant resource of 23.0 MMlbs U3O8 has been identified. Ultimately the Company believes that the Saddle Hills property could contain upwards of 100 MM lbs of U3O8. The company is currently in the midst of a focussed development program that could see the Gurvanbulag deposit be put into production as early as 2010.

### This Is Not Your Typical Grass Roots Project

The Saddle Hills Uranium Project has two components: 1) The Gurvanbulag Uranium deposits which were partially developed by the Russians during the 1980s, 2) Untested uranium exploration targets identified by prior geophysical surveys and exploratory drilling within a 75 by 15 km Mesozoic volcano-sedimentary basin. The Gurvanbulag deposits were subject to past underground development, including the construction of four shafts; one-concrete-lined extending 525 meters in depth. On one of eight levels, there is an estimated 15,000 meters of underground lateral development and stoping in preparation from mining on the 200 level. The Company has successfully dewatered the underground workings. Settling ponds are under construction and a head frame has been setup to facilitate the movement of equipment underground. To date the project has had no production. The Company continues to be entangled in a lawsuit with Maximum Ventures regarding title to a portion of the Saddle Hills project. To date the lawsuit has not inhibited progress on the sight, however, it has created uncertainty on the equity price. We expect uncertainty regarding the lawsuit to continue through the remainder of 2007 and a court decision to be handed down sometime in 2008. As such, we have to placed our valuation under review.

◆During the past twenty-four months, Sprott Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities of Western Prospector Group Ltd.

**Technically The Road Map Has Been Laid Out**

Building on the technical success of 2006, WNP will continue to advance its flagship project. We can expect a NI 43-101 compliant resource to be updated in Q1/07 that could increase to approximately 40 MM lbs U3O8. Eventually, we believe that the Gurvanbulag Uranium deposit will host upwards of 100 MM lbs U3O8. A scoping study on the preliminary economics of the project is expected in late Q1/07. Based on the success of the scoping study we anticipate that WNP will initiate a Bankable Feasibility Study (BFS) on the project in Q4/2007. Ultimately, barring delays in the BFS, we believe that WNP could bring the Gurvanbulag deposit into production by mid to late 2009, early 2010.

**Enough Cash To Continue**

The Company is well cashed up with approximately $17.0 MM in hand and no debt. The anticipated development budget in 2007 is $12.0 MM and will be focussed on underground sampling, underground drilling and a new resource estimate for the deposit. WNP should have enough cash to complete its 2007 program.

**Of Scale And Scope To Attract Attention**

With 42 MMlbs at the Gurvanbulag Deposits and with the blue-sky potential to double those resources through exploration, the Saddle Hills project is of the scale and scope to attract interest from companies looking for growth through acquisition.

**Legal Issues Persist**

In Q1/06 Maximum Ventures entered into a lawsuit against Western prospector over title to a portion of its Mongolian properties. Though we find these claims unfounded, we are slightly disturbed that the legal proceeding has gone on for as long as they have. The lawsuit combined with the uncertainty with the Mongolian governments view on foreign ownership of mines has created a double-edged problem for WNP. We believe that a framework for the Mongolian mining policy will be eventually settled as Rio Tinto is now negotiating with the government as a result of their recent equity stake in Ivanhoe Minerals; however, the Maximum Ventures lawsuit is a bigger issue that could drag on for years.

**Legal Proceedings- Schedule of Events**

- Q1/07- Case Management Conference, trial date set.
- Mid-Q1/07- Initial examinations of Discovery
- Q2/07- Discovery proceedings
- Q3/07 Trial briefs exchanged
- Q4/07 Trial date set for November 5, 2007.

**Valuation**

We are confident that Western Prospector will continue to easily move the Saddle Hills Uranium project through to Pre Feasibility by Q1/07. We anticipated that with continued drilling success and resource extensions, the eyes of majors will be more focused on the project and it will not be long before they react. As suggested by Seniors in the mining industry, Russian C-Class resources are historically very well derived. The continued verification by Western Prospector increases our confidence in those assumptions. Although we believe that the Gurvanbulag is a world-class deposit we are putting the company under review until the legal proceeding with Maximum Ventures have been concluded. We are changing our Buy (S) recommendation to Under Review and our target price from C$7.65, derived using a 1x NAV 12.5%, to Under Review. We do suggest that WNP is the cheapest uranium stock in our space. Assuming a positive outcome to the pending court case, significant appreciation could be expected.

# Quantitative / Technical Comments

**Uranium Remains The Resource Leader**

Uranium remains the clear standout among the resource sector. The commodity continues to buck the trend, marching higher while many other major commodities are in a corrective phase. At the current pace, *uranium is set to exit the year at approximately $100*. For the equities, we track an equal weighted index of stocks, which continues to make new highs and exhibit leadership relative to other energy/materials industry groups.

M&A activity is starting to heat up. We recognize that this often occurs closer to the end of a bull market rather than the beginning, a cautionary flag. However, price highs for both the commodity and the stocks continue to be confirmed by technical momentum indicators, suggesting that the positive trend remains intact. While the pace of price appreciation may moderate compared to the strong move off the bottom in 2003, *we still see significant upside potential for uranium stocks from a technical perspective.*

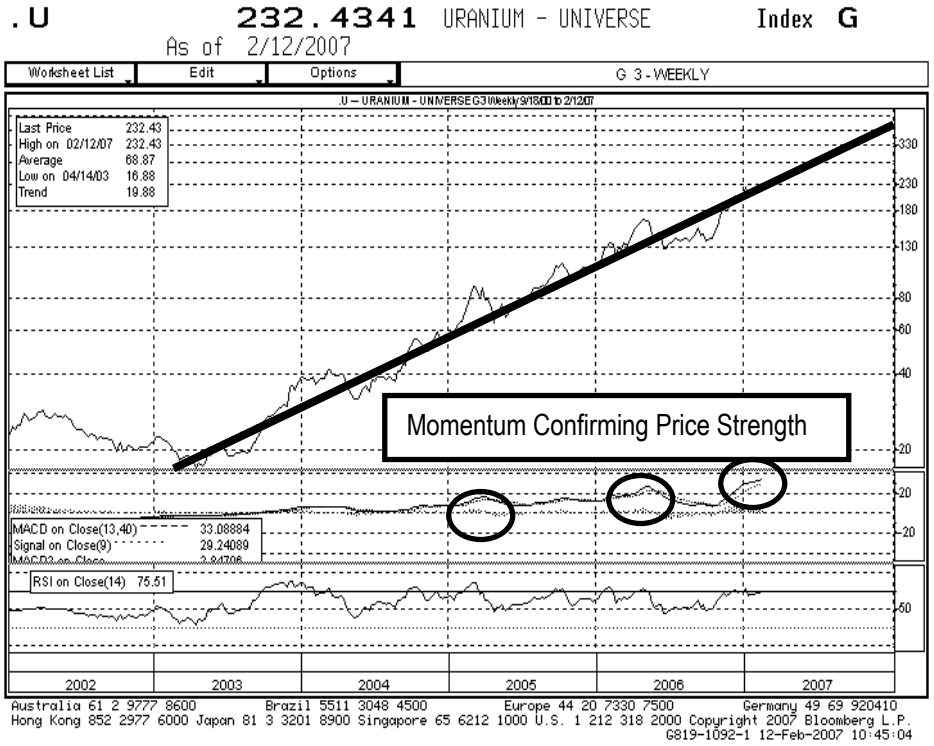
Our approach combines quantitative and technical analysis. Our quantitative process examines fundamental factors including trends in profitability, valuation, and expectations. Technical analysis employs intermediate-term trend and short-term momentum indicators as well as traditional chart interpretation in order to identify leaders and laggards. Our focus is on weekly charts used to assess intermediate-term price trends, rather than short-term timing.

Most of the companies presenting at our conference are not available on our quant database, and many are exploration plays, limiting the usefulness of typical quant factors. As such, we will focus on technical analysis. Many of the stocks remain in intermediate-term up trends on an absolute basis, so we compare how they stack up relative to each other (see table below for details). The sector bellweather **Cameco (CCO-TSX)** is a laggard among the group, stuck in a broad trading range since early 2006. Our favourite large cap near-term producer remains **Paladin Resources (PDN-TSX)**, for which we can project a technical target of $12+. This stock has also managed to keep pace with the more speculative exploration stocks exhibiting leadership, listed below.

- **Technical Leaders:** RSC, PDN, AXU, EMC, STM, URE
- **Technical Laggards:** UWE, UEX, CCO, URRE

# Uranium Stocks, Commodity Price

## Uranium stocks making new highs, along with the commodity, which is on pace to exit the year at $100.




- **Uranium Stocks (equal weighted index)**

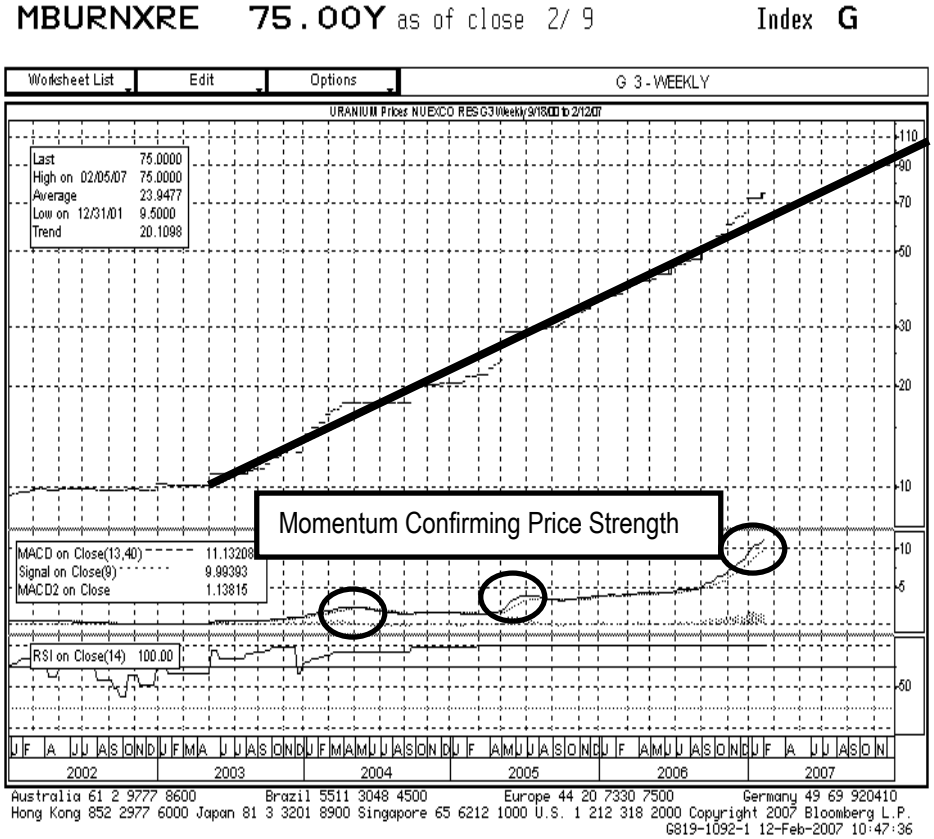
Our equal weighted uranium stock index has made new highs once again. *Momentum continues to confirm the price highs, suggesting that the trend remains intact*. *At the current pace, the index is set to return over 60% for 2007*, based on simple regression analysis.

- **RSI (bottom)**

Remains in bullish territory above the neutral 50 zone.

- **MACD (middle)**

Remains in bullish territory above the neutral zero line and on buy signal.




- **Uranium Commodity**

The commodity continues in a strong up trend, with momentum also confirming the highs. At the current pace, *Uranium is set to exit the year at approximately $100*, based on simple regression analysis.

- **RSI (bottom)**

In bullish territory above the neutral 50 zone and *has registered 100 (the maximum) for 2 years now, an extremely rare technical event, reflecting the fact the uranium has not had a downtick in several years.*

- **MACD (middle)**

In bullish territory above the neutral zero line and on buy signal.

# Uranium Screen – Conference Participants

## Relative Leaders / Laggards

**Technical Leaders:**

RSC ◆PDN ◆AXU ◆EMC STM URE

**Technical Laggards:**

◆UWE ◆UEX CCO URRE

N.B. sorted by our intermediate-term technical TREND indicator. Also shown, short-term MOMENTUM indicator and price relative to 50/100/200 day moving average.

| | Ticker | Company | Mkt Cap | Trend | Mo | p vs 50 | p vs 100 | p vs 200 |
|---|---|---|---|---|---|---|---|---|
| | RSC | STRATECO RESOURCES INC | 279 | 1 | 5 | 8% | 48% | 103% |
| ◆ | PDN | PALADIN RESOURCES LTD | 4,674 | 1 | 4 | 24% | 52% | 88% |
| ◆ | AXU | AURORA ENERGY RESOURCES IN | 1,043 | 2 | 2 | 10% | 23% | 71% |
| ◆ | EMC | ENERGY METALS CORP | 870 | 2 | 3 | 14% | 32% | 56% |
| | STM | STRATHMORE MINERALS CORP | 297 | 3 | 4 | 24% | 48% | 77% |
| | URE | UR-ENERGY INC | 301 | 3 | ***8*** | 2% | 9% | 33% |
| ◆ | DML | DENISON MINES CORP | 2,229 | 4 | 6 | 6% | 30% | 60% |
| ◆ | WNP | WESTERN PROSPECTOR GROUP | 240 | 4 | 5 | 11% | 31% | 67% |
| ◆ | LAM | LARAMIDE RESOURCES | 614 | 5 | 3 | 30% | 49% | 67% |
| ◆ | SXR | SXR URANIUM ONE INC | 2,091 | 5 | 7 | 6% | 22% | 42% |
| ◆ | U | URANIUM PARTICIPATION CORP | 720 | 6 | 1 | 18% | 28% | 47% |
| ◆ | TVC | TOURNIGAN GOLD CORP | 338 | 7 | ***9*** | -3% | 10% | 27% |
| ◆ | CHX | CASH MINERALS LTD | 93 | 7 | ***10*** | ***-18%*** | ***-20%*** | ***-5%*** |
| | UMN | URAMIN INC | 1,203 | ***8*** | 1 | n/a | n/a | n/a |
| ◆ | FIU | FIRST URANIUM CORP | 1,339 | ***8*** | 2 | n/a | n/a | n/a |
| ◆ | UWE | U308 CORP | 112 | ***9*** | ***8*** | n/a | n/a | n/a |
| ◆ | UEX | UEX CORP | 819 | ***9*** | ***9*** | ***-13%*** | ***-4%*** | ***8%*** |
| | CCO | CAMECO CORP | 15,427 | ***10*** | 7 | -3% | 3% | ***1%*** |
| | URRE U | URANIUM RESOURCES INC | 232 | ***10*** | ***10*** | ***-20%*** | ***-6%*** | ***-9%*** |

**Uranium remains the leader among major commodities**

| Commodity | Price | TREND |
|---|---|---|
| Uranium | 75 | 1 |
| Nickel | 35,900 | 1 |
| Grains | 281 | 1 |
| Silver | 13.56 | 2 |
| Natural Gas | 7.75 | 4 |
| Base Metals | 2,124 | 4 |
| Zinc | 3,170 | 5 |
| Gold | 650 | 6 |
| Aluminum | 2,190 | ***10*** |
| CRB | 298.87 | ***10*** |
| Crude | 57.76 | ***10*** |
| Copper | 240 | ***10*** |

Decile Rankings: 1= best, 10 = worst; Source: CPMS and Bloomberg

# Aurora Energy (AXU-TSX)
# Cameco (CCO-TSX)

## AXU a leader, good risk/reward, target $21
## CCO a laggard, range-bound from $36-48


- **Trend = 2nd Decile**
- **Aurora Energy (AXU-TSX)**

Has limited chart history, but remains in an uptrend, above rising moving averages. The stock is close to the lower end of its trading range, suggesting attractive risk/reward.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 15.25 / 14.5 |
| Resistance: | 16 |
| Stop Loss: | 11.5 |
| Tech. Target: | 21 |


- **Trend = 10th Decile**
- **Cameco (CCO-TSX)**

The bellweather is a laggard - broken its uptrend in mid/06 and is now range-bound from 36-48. The stock must prove that it can break out of this range in order to become more constructive.

- **RSI (top)**

Briefly slipped into negative territory below the neutral 50 zone.

- **MACD (bottom)**

Remains in bullish territory above the neutral zero line, but on a fresh sell signal.

| | |
|---|---|
| Bias: | Negative |
| Support: | 42 / 38 |
| Resistance: | 45 / 48 |
| Stop Loss: | 36 |
| Tech. Target: | 48 |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# Cash Minerals (CHX-TSX)
# Denison Mines (DML-TSX)

## CHX a laggard, correcting after strong move
## DML neutral/improving, target $17+


- **Trend = 7th Decile**
- **Cash Minerals (CHX-TSX)**

The stock is correcting after a strong move. A break above the downtrend at $1.50 is required to mark a new up leg.

- **RSI (top)**

In bearish territory below the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line but on a sell signal since Oct/06.

| | |
|---|---|
| Bias: | Negative |
| Support: | 1.05 / 0.80 |
| Resistance: | 1.3 / 1.5 |
| Stop Loss: | 0.80 |
| Tech. Target: | > 1.50 = 2 |


- **Trend = 4th Decile**
- **Denison (DML-TSX)**

Broke out of its downtrend in Oct/06 and is consolidating gains. A measured move targets $17+ (see arrows).

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 11 / 10.25 |
| Resistance: | 12 / 13 |
| Stop Loss: | 9 |
| Tech. Target: | 17+ |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# Energy Metals (EMC-TSX)
# First Uranium (FIU-TSX)

## EMC a leader, middle of trading channel, target $15+
## FIU price history limited


- **Trend = 2nd Decile**
- **Energy Metals (EMC-TSX)**

Making new all-time highs. Trading in the middle of its steady channel – we see potential towards the upper end = $15+.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 10.5 / 9.25 |
| Resistance: | N/A |
| Stop Loss: | 8 |
| Tech. Target: | 15+ |


- **Trend = 8th Decile**
- **First Uranium (FIU-TSX)**

Price history is too limited to make a technical assessment of this stock. We can say that the break above resistance at $9 is positive, as is the move to new highs, but we do not have enough history to project a higher target.

- **RSI (top)**

In bullish territory below the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line

| | |
|---|---|
| Bias: | N/A |
| Support: | 10.75 / 10 |
| Resistance: | 11.5 |
| Stop Loss: | 9 |
| Tech. Target: | N/A |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# Laramide (LAM-TSX)
# Paladin (PDN-TSX)

## LAM neutral/improving relative strength, target $15
## PDN large cap leader, strong trend intact, target $12


- **Trend = 5th Decile**
- **Laramide (LAM-TSX)**

Neutral / Improving relative strength. The stock has broken out of a year-long base, targeting $15+.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Neutral |
| Support: | 11 / 10 |
| Resistance: | N/A |
| Stop Loss: | 7 |
| Tech. Target: | 15 |


- **Trend = 1st Decile**
- **Paladin (PDN-TSX)**

The large cap leader remains in a strong up trend. A measured move targets $12+ (see arrows). The rising trend line is currently $14.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 8.5 / 7.5 |
| Resistance: | 9.5 |
| Stop Loss: | 6.75 |
| Tech. Target: | 12+ |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# Strateco (RSC-TSXv)
# Strathmore (STM-TSX)

## RSC a leader, building another base, target $4
## STM a leader, breakout targets $6.25


- **Trend = 1st Decile**
- **Strateco (RSC-TSXv)**

Is building another base after a strong move on volume, a breakout targets $4.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 2.75 / 2.5 |
| Resistance: | 3 / 3.10 |
| Stop Loss: | 1.85 |
| Tech. Target: | 4 |


- **Trend = 3rd Decile**
- **Strathmore (STM-TSX)**

Broke out of a large base dating back to early 2006, targeting $6.25.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 3.75 / 3.5 |
| Resistance: | 4.25 |
| Stop Loss: | 2.8 |
| Tech. Target: | 6.25 |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# SXR Uranium (SXR-TSX)
# Tournigan Gold (TVC-TSXv)

## SXR neutral relative strength, target $22
## TVC a laggard, building a base, breakout targets $6


- **Trend = 5th Decile**
- **SXR Uranium (SXR-TSX)**

The stock is basing after a strong move. Potential towards the upper end of the trading channel = $22.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Neutral |
| Support: | 14.5 / 13 |
| Resistance: | 16 / 17 |
| Stop Loss: | 12 |
| Tech. Target: | 22 |


- **Trend = 7th Decile**
- **Tournigan (TVC-TSXv)**

Lagging the group, but is forming a bullish ascending triangle pattern – a breakout targets 6.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

Remains in bullish territory above the neutral zero line, but on a sell signal.

| | |
|---|---|
| Bias: | Negative |
| Support: | 2.75 / 2.5 |
| Resistance: | 3.25 / 3.5 |
| Stop Loss: | 2 |
| Tech. Target: | >3.5 = 6 |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# U308 Corp (UWE-TSX)
# UEX Corp (UEX-TSX)

## UWE price history limited
## UEX a laggard, middle of the trading range


- **Trend = 9th Decile**
- **U308 Corp (UWE-TSX)**

Price history is very limited, reducing our ability to make a technical assessment. We can say that the price remains above its rising 21DMA and is forming a small base targeting $6.50.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | N/A |
| Support: | 4.5 |
| Resistance: | 5.2 / 5.5 |
| Stop Loss: | 3.5 |
| Tech. Target: | 6.5 |


- **Trend = 9th Decile**
- **UEX Corp (UEX-TSX)**

UEX is a laggard among the group. After being in a strong up trend, the stock is roughly in the middle of its neutral trading range from 3.5-5.5.

- **RSI (top)**

In bearish territory below the neutral 50 zone.

- **MACD (bottom)**

Remains in bullish territory above the neutral zero line, but on a sell signal.

| | |
|---|---|
| Bias: | Negative |
| Support: | 4.25 / 4 |
| Resistance: | 5 / 5.5 |
| Stop Loss: | 3.5 |
| Tech. Target: | N/A |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# UraMin (UMN-TSX)
# Uranium Participation (U-TSX)

## UMN price history limited
## U neutral / improving relative strength, target $20


- **Trend = 8th Decile**
- **UraMin (UMN-TSX)**

Price history is very limited, reducing our ability to make a technical assessment. We can say that the price remains above its rising 21DMA and the upper end of the range targets $6.25.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line.

| | |
|---|---|
| Bias: | Positive |
| Support: | 5.25 / 4.5 |
| Resistance: | N/A |
| Stop Loss: | 4.1 |
| Tech. Target: | 6.25 |


- **Trend = 6th Decile**
- **Uranium Part. (U-TSX)**

Relative to the peer group, U is neutral, but the stock remains in a strong uptrend – a measured move targets $20.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line.

| | |
|---|---|
| Bias: | Neutral |
| Support: | 13.75 / 12.75 |
| Resistance: | N/A |
| Stop Loss: | 11 |
| Tech. Target: | 20 |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# Uranium Rsrcs (URRE-NYSE)
# UR-Energy (URE-TSX)

## URRE a laggard, broad trading range from $3-8
## URE a leader, building another base, target $6


- **Trend = 10th Decile**
- **Uranium Resources (URRE-NYSE)**

Lagging vs. the group – has been very choppy of late, trading in a broad range from $3-8. This high volatility reduces our confidence.

- **RSI (top)**

Right near the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line but on a sell signal.

| | |
|---|---|
| Bias: | Negative |
| Support: | 4 / 3.25 |
| Resistance: | 4 / 6 |
| Stop Loss: | 3 |
| Tech. Target: | N/A |


- **Trend = 3rd Decile**
- **UR-Energy (URE-TSX)**

Is a leader vs. the group - remains in an uptrend and has been forming another base since Nov/06, targeting $6.

- **RSI (top)**

In bullish territory below the neutral 50 zone.

- **MACD (bottom)**

Remains in bullish territory above the neutral zero line, but on a sell signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 3.75 / 3.5 |
| Resistance: | 4.25 / 4.7 |
| Stop Loss: | 3 |
| Tech. Target: | 6 |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

# Western Prospector (WNP-TSXv)

## WNP neutral relative strength, breakout targets $9


- **Trend = 4th Decile**
- **Western Prospector (WNP-TSXv)**

Had a hiccup on the chart in mid/06 but has since reversed and is testing key resistance at $6. A breakout targets 9.

- **RSI (top)**

In bullish territory above the neutral 50 zone.

- **MACD (bottom)**

In bullish territory above the neutral zero line and on a buy signal.

| | |
|---|---|
| Bias: | Positive |
| Support: | 5 / 4.25 |
| Resistance: | 5.75 / 6 |
| Stop Loss: | 4 |
| Tech. Target: | >6=9 |

Decile Rankings: 1= best, 10 = worst;
Source: CPMS and Bloomberg

**Analyst Certification**

I, Mark Deriet, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report. Due to the nature of quantitative/technical analysis, the securities recommended or discussed in this report are not continuously covered and my opinions may change without notice. Investors should regard this report as providing stand-alone analysis and should not expect continuing analysis relating to the referenced issuers and/or securities. The observations of this quantitative/technical analysis may not be consonant with the views of Sprott Securities Inc.'s fundamental analysts.

# Notes Page

# Notes Page

**Analyst Certification**

We, Justin Reid and David Wargo, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

**Recommendation Terminology**

Sprott's recommendation terminology is as follows:

| | |
|---|---|
| **Top Pick** | our best investment ideas, the greatest potential value appreciation |
| **Buy** | expected to outperform its peer group |
| **Market Perform** | expected to perform with its peer group |
| **Reduce** | expected to underperform its peer group |

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are based on a 12-month investment horizon.

**Disclosure**

For a complete disclosure of potential conflicts of interest please refer to our website at www.sprott.ca or call 1-800-461-2275 and ask to speak to the research coordinator.

SPROTT
SECURITIES INC.


**HEAD OFFICE**
Royal Bank Plaza South Tower
Suite 2800
Toronto ON
M5J 2J2
Tel: (416) 362-7485
Fax: (416) 943-6499
Toll Free: (800) 461-2275

**CALGARY OFFICE**
300 - 5th Avenue SW
Suite 1800
Calgary AB
T2P 3C4
Tel: (403) 266-4240
Fax: (403) 266-4250
Toll Free: (800) 461-9491

**MONTREAL OFFICE**
1800 McGill College Ave
Suite 2104
Montreal PQ
H3A 3J6
Tel: (514) 878-0009
Fax: (514) 878-1514
Toll Free: (800) 699-5946